CONTAINERSHIPS PLC

FINANCIAL STATEMENTS AND
REPORT OF THE BOARD OF DIRECTORS 2016

Business identification code: 0818358-5
Domicile: Helsinki

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REPORT OF THE BOARD OF DIRECTORS 2016

Group overview

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 11% of the Group's revenue. Our service promise about seamless logistic chain from door to door is based on a special equipment which enables the optimizing of logistics chain, as well as on a close cooperation with selected port operators.

The door-to-door service includes sea transportation on container vessels as well as land transportation by truck, train or ferry from or to the port. The service includes also warehousing. Containerships administers directly both vessels and containers as well as a significant part of the trucks it operates. Together with its agents, Containerships has sales and operational offices in 21 countries.

The Group's revenue in 2016 was €197.9 million. Containerships plc's bond totalling €50.5 million issued in 2015 has been listed on Nasdaq Helsinki since 1 April 2016. At the listing time, the Parent Company's share capital was increased to €80,000, and the name was changed to Containerships plc.

Containerships 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.

Operating environment

In 2016, 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 2016.

Oil prices impact the logistics sector in various ways. In 2016, cargo levels continued to decrease partly due to low oil prices, but the sharp increase in vessel fuel prices during the last quarter of 2016 impacted directly on the 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 2016, 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. Growing political unrest in Turkey has not yet impacted the Group's freight volumes.

In recent years, logistic companies have been forced to adapt also to increasingly stricter environmental regulations. Minimising environmental hazards is a leading trend also in the logistics sector. Containerships is responding to environmental requirements with its unique environmental strategy. The Group aims to be the first logistics company to offer customers a logistics chain in Europe based completely on Liquefied Natural Gas (LNG).

In June 2016, the United Kingdom voted to withdraw from the European Union. Brexit did not have an impact on cargo volumes in 2016. 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.

The market overview

Overall freight volumes in the Group's area of operation did not increase in 2016. Nevertheless, the share of unitised cargoes – containers and trailers - continued growing as in previous years.

Cargo units between North and Continental Europe remained in balance in 2016. In the Mediterranean, there was no major change in shipping between Turkey and North Africa compared to 2015.

Significant events during the reporting period

Due to market situation changes in the ship-building industry in China, the Parent Company transferred its building contract for four LNG vessels to a new shipyard. Based on this change, the Parent Company updated the terms of the senior secured callable bond loan with the consent from the bond holders. The agreements related to these events were finalised during summer 2016. The chosen shipyard (Guangzhou Wenchong Shipbuilding Company Limited) is one of the top shipyards in China. Implemented changes caused an approximate 9–12 month delay to the delivery of the vessels. All vessels are planned to be delivered in 2018. In October 2016, the Group paid the down payment in total of €17.2 million for these four vessels.

The Group's LNG strategy received significant recognition when the project – Door2LNG – led by the Parent Company, was granted EU funding. The total amount of this funding is €17 million. It is a co-operation project together with four participants forming a maritime chain in the Baltic and North Sea region.

According to the strategy, the Group continued to invest in sustainable development by taking into use 40 LNG-powered trucks in England and four units in other markets. The Group also opened its own LNG-fuelling station at its site in Teesport, England. In August 2016, the Group started its own agency activities in Algeria. At the same time, the Group terminated its previous agency agreement.

The Group paid special attention to increase its operational efficiency. Through this special focus, the utilisation rates of vessels, containers and trucks were improved. These activities had a positive impact on the Group's performance.

Financial performance

Consolidated net sales for the period remained at the same level as the previous year. The operational result increased significantly. Recorded EBITDA was €13.9 million (€8.3 million) – an improvement of €5.6 million (almost 70%). The improvement was achieved through better operational efficiency and the low price level of oil. The consolidated operating profit of €5.9 million (-€0.4 million) was also an improvement. The investments in the Group's growth according to the strategy have increased financial costs resulting in a net negative result of -€1.4 million (-€6,7 million).

The Group's equity ratio was 16.6% (13.9%). The Parent Company has two equity loans totalling €10 million. One of which, €5 million, is reported as a hybrid capital loan as part of the equity in the financial report, and the other, €5 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 21.3% (22.3%).

The Group's operational cash flow increased to €12.4 million (8.9 million). According to the plan, the Parent Company used its assets from the escrow accounts for the down payment of the LNG vessels and the container investments. Investments were, in total, €21.8 million (€12.5 million). The Group's cash position was at the satisfactory level of €11.1 million (€9.3 million) by the end of the year.

Key figures

	GROUP		
Key Figure	**2016**	**2015**	**change**
	IFRS	**IFRS**	**IFRS**
Net Sales, M€	197,9	199,6	-1,6
EBITDA, M€	13,9	8,3	5,6
EBITDA -%	7,0 %	4,2 %	
EBIT, M€	5,9	-0,4	6,3
EBIT-%	3,0 %	-0,2 %	
Net Profit, M€	-1,4	-6,7	5,3
Net Profit %	-0,7 %	-3,4 %	
Return on equity, %	-7,8 %	-34,6 %	26,8 %
Equity ratio	16,8 %	13,9 %	20,9 %
Equity ratio, adjusted*	21,3 %	22,3 %	-4,5 %
Net interest bearing debt, M€**	46,2	47,6	-1,4
% of net sales	23,3 %	23,8 %	
Personnel in average	532	547	-2,7 %

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

The Group's CEO is Kari-Pekka Laaksonen. The management of the Group consists of the CEO, CFO, COO, CBDO and Director of Land Operations.

Group companies employed an average of 532 (547) persons in 2016, and total personnel costs were €21.9 million (€21.8 million), of which the members of management and the members of the Board of Directors accounted for €1.0 million (€1.2 million).

In June 2016, the Group made a survey to the personnel. According to the survey, the average grade the Group was given as an employer was 3.67/5. 73% of the personnel felt they had a position to develop the content of their work. 59% of the personnel believed the Group is heading in the right direction.

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 in the short-sea segment, 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 service and operational reliability. A strong partnership network supports the target.

Outlook for 2017

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 reach a 5–10% growth and to further improve its profitability. The Group continues its growth through investments in LNG technology.

Investing in the environment

Containerships has positioned itself as one of the most advanced companies with regard to its environmental solutions around the Baltic Sea. Already in 2011, the first close-loop scrubber was installed on board MV Containerships VII, and this system has been installed in four other vessels during January 2015.

The Group has currently over 40 LNG-fuelled trucks in use. In 2018, the Group will bring into use four LNG-powered vessels – one per quarter. This, together with the activities in land operations, will be the base for the sustainable operating model. The aim is to be the first company to offer a full transport chain based on LNG-powered solutions in its market area. With this strategy, the Group exceeds all known and predicted regulations in environmental legislation.

The Group's Operations Manual is certified according to ISO-9001 and ISO-14001 Quality Management Systems' requirements. The Group is committed to reducing the environmental impact of its operations, specially concentrating on reducing the CO_2 emissions. In 2016, the Group succeeded in reducing its CO_2 emissions by 8.9%.

Investments

The Parent Company paid the prepayment of €17.2 million for the four new LNG-vessels. This was one-time prepayment concerning these vessels, the future payments will be done as charter fees starting when the vessels are taken into use. The Parent Company received from EU a €2,2 million prepayment of the co-financing for the vessel investments in October. This was mainly booked to reduce the unfinished fixed assets in the balance sheet. In addition, the Parent Company made with about €5 million net investments to containers. No other significant investments were made in the Group.

The 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 will cause 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 good's 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 €2 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 2017.

Events after the end of the financial year

In the beginning of 2017, the Group has established the shared service center in Riga, Latvia.

Distribution of profit

The Board of Directors proposes that the loss for the year is transferred to the Retained Earnings, and no dividend shall be paid for 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	2016	2015
Revenue	6	**197 936**	**199 579**
Other income	7	2 983	4 917
Materials and services	9	-150 679	-160 190
Employee benefit expenses	10	-21 939	-21 843
Depreciation, amortisation and impairment losses	11	-8 016	-8 700
Other expenses	8	-14 426	-14 178
Operating profit		**5 860**	**-414**
Finance income	12	3 807	5 936
Finance costs	12	-11 212	-13 176
Net finance costs		**-7 405**	**-7 240**
Profit (-loss) before taxes		**-1 545**	**-7 654**
Income taxes	13	111	924
Profit (-loss) for the financial year		**-1 435**	**-6 730**

Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences		-698	153
Other comprehensive income (-loss), net of tax		-698	153
Total comprehensive income (-loss) for the year		**-2 133**	**-6 577**
Profit (-loss) attributable to:			
Owners of the company		-1 420	-6 730
Non-controlling interests	5	-15	0
		-1 435	**-6 730**
Total comprehensive income (-loss) attributable to:			
Owners of the company		-2 119	-6 577
Non-controlling interests	5	-15	0
		-2 133	**-6 577**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	15	6 469	7 065
Other intangible assets	15	2 007	1 379
Property, plant and equipment	14	57 901	41 987
Other non-current financial assets	17	2	2
Deferred tax assets	13	6 419	5 726
Other receivables	18	6 419	4 936
Total non-current assets		**79 217**	**61 094**
Current assets			
Inventories	16	1 091	766
Trade and other receivables	18	28 666	47 189
Other current financial assets	17	178	232
Current tax assets	18	131	53
Cash and cash equivalents	19	11 066	9 255
Total current assets		**41 132**	**57 495**
Total assets		**120 349**	**118 589**
EQUITY			
Share capital	20	80	19
Share premium	20	337	337
Fund for invested non-restricted equity	20	4 342	4 403
Translation reserve	20	-1 044	-346
Retained earnings	20	10 388	12 059
Hybrid capital loan	20	5 000	0
Equity attributable to owners of the Company		**19 103**	**16 472**
Non-controlling interests	5	**1 125**	**0**
Total equity		**20 227**	**16 472**
LIABILITIES			
Non-current liabilities			
Convertible capital loan	22	5 405	9 533
Bond	22	48 623	48 668
Other non-current liabilities	22	5 427	5 574
Trade and other payables	24	977	1 266
Other non-current financial liabilities	23	1 358	967
Deferred tax liabilities	13	1 697	1 817
Total non-current liabilities		**63 488**	**67 824**
Current liabilities			
Interest-bearing loans and borrowings	22	3 287	2 658
Trade and other payables	24	33 344	31 058
Other current financial liabilities	23	0	423
Current tax liabilities	24	3	154
Total current liabilities		**36 634**	**34 292**
Total liabilities		**100 122**	**102 116**
Total equity and liabilities		**120 349**	**118 589**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Note	2016	2015
Cash flows from operating activities			
Profit before tax		-1 545	-7 654
Adjustments:			
Other operating income		-2 863	-4 917
Depreciation, amortisation and impairment losses	11	8 016	8 700
Finance income	12	-3 807	-5 936
Finance costs	12	11 212	13 176
Other adjustments		74	-342
Changes in working capital:			
Change in trade and other receivables	18	-799	-3 557
Change in inventories	16	-326	368
Change in trade and other payables	24	2 601	8 956
Interest received		387	23
Income taxes paid		-638	-36
Other financing items		79	83
Net cash from operating activities		**12 392**	**8 863**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	14	902	2 282
Acquisition of property, plant and equipment	14	-22 706	-9 832
Loans provided		0	-4 936
Dividends received		0	0
Net from investing activities		**-21 804**	**-12 485**
Cash flows from financing activities			
Proceeds from loans and borrowings	22	0	50 500
Proceeds from issue of convertible notes	22	0	10 000
Other receivable (Escrow-accounts)*	18	19 708	-19 911
Interest paid		-4 631	-2 182
Proceeds from settlement of derivatives		356	3 469
Transaction costs related to loans and borrowings		-631	-2 507
Repayment of borrowings	22	0	-18 038
Payment of finance lease liabilities	22	-3 014	-3 743
Paid finance lease interest	22	-904	-1 112
Net cash from financing activities		**10 885**	**16 476**
Net change in cash and cash equivalents		**1 473**	**12 854**
Cash and cash equivalents at 1 January		9 255	1 460
Bank overdrafts in use 1 January *)		0	-4 601
Net foreign exchange difference on cash held		339	-458
Cash and cash equivalents 31 December	19	**11 066**	**9 255**

*) Changes in cash and cash equivalents on escrow-accounts was previously presented in cash flows from operating activities. In 2016 changes in escrow-accounts are presented in cash flows from financing activities in order to provide more precise and accurate view of the cash flows. Therefore cash flows from operating and financing activities in 2015 have been reclassified accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to shareholders of the parent company								
EUR 1,000	**Note**	**Share capital**	**Share premium**	**Fund for invested non-restricted equity**	**Translation reserve**	**Retained earnings**	**Hybrid loan**	**Total**	**Non-controlling interests**	**Total equity**
Equity at 1 January 2016	20	**19**	**337**	**4 403**	**-346**	**12 059**	**0**	**16 472**	**0**	**16 472**
Comprehensive income										
Profit for the reporting period						-1 420		-1 420	-15	-1 435
Foreign currency translation differences					-698			-698		-698
Total comprehensive income for the year		**0**	**0**	**0**	**-698**	**-1 420**	**0**	**-2 119**	**-15**	**-2 133**
Transactions with owners of the company										
Subsidiaries with NCI	5							0	1140	1 140
Share capital increase	20	61		-61				0		0
Hybrid capital loan	20					0	4 719	4 719		4 719
Convertible capital loan - reclassification	22					-281	281	0		0
Other changes						30		30		30
Total transactions with owners		**61**	**0**	**-61**	**0**	**-251**	**5 000**	**4 749**	**1 140**	**5 889**
Equity at 31 December 2016	20	**80**	**337**	**4 342**	**-1 044**	**10 388**	**5 000**	**19 103**	**1 125**	**20 227**

		Equity attributable to shareholders of the parent company								
EUR 1,000	**Note**	**Share capital**	**Share premium**	**Fund for invested non-restricted equity**	**Translation reserve**	**Retained earnings**	**Hybrid loan**	**Total**	**Non-controlling interests**	**Total equity**
Equity at 1 January 2015	20	**19**	**337**	**4 403**	**-499**	**18 166**	**0**	**22 426**	**0**	**22 426**
Comprehensive income										
Profit for the reporting period						-6 730		-6 730		-6 730
Foreign currency translation differences					153			153		153
Total comprehensive income for the year		**0**	**0**	**0**	**153**	**-6 730**	**0**	**-6 577**	**0**	**-6 577**
Transactions with owners of the company										
Issue of convertible notes	22					623		623		623
Total transactions with owners		**0**	**0**	**0**	**0**	**623**	**0**	**623**	**0**	**623**
Equity at 31 December 2015	20	**19**	**337**	**4 403**	**-346**	**12 059**	**0**	**16 472**	**0**	**16 472**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 CORPORATE INFORMATION

The principal activities of the Containerships Group contains international door-to-door transportation by sea or by land. Group offers safe, fast and environmental friendly container transportation in the Baltic Sea, North Sea and the Mediterranean areas. 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 Company successfully expanded operations to the Mediterranean Sea, where operations currently account for 11% of the Company's revenue.

Containerships plc is the parent company of the Containerships Group. Containerships Group is part of the Container Finance Ltd Oy Group, which owns 98 per cent of parent company's shares.

Containerships plc is a Finnish private limited company, which operates under Finnish jurisdiction and legislation. The parent company is domiciled in Helsinki and is registered in Helsinki at Mannerheimintie 15a C, 00260 Helsinki, Finland. Copies of the financial statements can be obtained from www.containershipsgroup.com or the Containerships Group's headquarters.

These financial statements were authorised for issue by the Board of Directors of Containerships plc on 14 March 2017. In accordance with the Finnish Limited Liability Companies Act, the annual general meeting has the right to approve, reject or take the decision to amend the financial statements following their publication.

Note 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Containerships Group are prepared in accordance with International Financial Reporting Standards (IFRSs), using the IAS and IFRS standards and SIC and IFRIC interpretations, which were valid on 31 December 2016 as adopted by the European Union. The International Financial Reporting Standards refer to 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 supplementing the IFRS.

The consolidated financial statements for the year ended 31 December 2016 comprise of the parent company and its subsidiaries together referred to as the "Group". In addition to the ownership of the subsidiaries, the company has a representative office in Denmark. More detailed information regarding the Group structure is presented in Note 5.

The Consolidated Financial Statements are prepared for the calendar year, which is the financial year of the parent company and the other Group companies. Consolidated financial statements are presented in thousands of euro.

The consolidated financial statements have been prepared on a historical cost basis except for the derivative financial instruments, which are measured at fair value and financial instruments held for trading, which are classified as at fair value through profit or loss and measured at fair value.

As from January 1, 2016 the Group has applied the following amended standards.

Annual Improvements to IFRSs (2012-2014 cycle): 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. These improvements had no impact on Containership's consolidated financial statements.

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative. 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 had no material impact on Containership's consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation: 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 had no impact on Containership's consolidated financial statements.

Amendments to other standards were not relevant for Containerships Group.

Use of judgements and assumptions

The preparation and presentation of the consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on management's best knowledge of current events and actions and actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In preparing these consolidated financial statement areas involving significant judgements made in applying accounting policies relate to recognition of deferred tax asset for carried forward tax, valuation of receivables and estimation of useful lives and residual values of ships, containers and other non-current assets.

Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Impairment test: key assumptions underlying recoverable amounts. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model and the cash flows are derived from the budget for the next five years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed in Note 15.

Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 13.

Note 3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any goodwill that arises is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.
For acquisitions that took place before 1 January 2014 (IFRS transition date), goodwill has been recognised at the cost corresponding to the carrying amount under the previous accounting principles, hence Containerships applied the business combinations exemption in IFRS 1.

Subsidiaries
The Consolidated Financial Statements include the parent company, Containerships plc, and its subsidiaries. All companies in which Containerships plc directly or indirectly holds more than 50 per cent of the voting rights, or over which it otherwise has control, are included. Subsidiaries are entities controlled by the Group. 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.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared as at the same reporting date.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The subsidiaries' accounting principles have been adjusted in the consolidation to correspond to the Group's accounting principles where appropriate.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets.

Translation of foreign currency items

Items in each Group company's accounts are valued in the principal currency of the operating environment of the company in question (the "functional currency"). These consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. All amounts have been rounded to the nearest thousand, unless otherwise indicated. The total sum of individual figures can deviate from the presented sum figure.

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange date rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Profits and losses arising from foreign currency valued transactions and translation of foreign currency valued monetary items are recognised in the profit and loss.

Foreign operations
Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at exchange rates at the reporting date. Income and expenses of foreign operations are translated to euros using the average exchange rates of the reporting period.

Translation differences relating to the elimination of acquisition costs and goodwill in foreign currency and accumulated post-acquisition items classified as equity are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. Changes in translation difference are presented in other comprehensive income. When a foreign operation is disposed of such that control or significant influence is lost the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Financial instruments

Financial assets
Financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. 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 or settlement date.

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

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 short or long term, and they are recognised under current or non-current financial assets respectively.

Hedge accounting is not applied to derivative instruments. Therefore, they are classified as assets held for trading. The assets in this category are valued at their fair value and positive derivative fair values are recognised under current or non-current assets on the balance sheet. 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.

Loans and other receivables are non-derivative 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 and recognised under current or non-current assets on the balance sheet. Within the Containerships 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 comprise of cash balances, call deposits, short-term bank deposits and short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less, which are subject to an insignificant risk of changes in value. Assets on escrow accounts, which are held for procurement of vessels in future periods, are included in current assets. Bank overdrafts are included in current liabilities.

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 to this, all financial liabilities, excluding derivatives, 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.

Hedge accounting is not applied to derivative instruments. Therefore they are classified as assets held for trading and are valued at fair value. Negative derivative fair values are recognised under current or non-current liabilities on the balance sheet.

On issuance of the convertible capital loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability and measured at amortised cost until it is extinguished on conversion or redemption. The remainder of the proceeds (net of tax) are allocated to the conversion option that is recognised and included in equity (retained earnings).

Derivative financial instruments
The Group uses derivative financial instruments such as swaps, options and forwards to manage its risks associated with exchange rates, interest rates and oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on

which a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value are recognised in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair value changes of interest rate and foreign exchange rate derivatives are recognised in finance income and finance costs. Fair value changes of commodity derivatives are recognised in other income and expenses.

The Group uses derivative instruments for hedging purposes, but does not apply hedge accounting in accordance with IAS 39.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset, when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Capitalisation is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Also ordinary repair and maintenance expenses are recognised as expenses for the reporting period during which they were incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

Buildings	10 - 20 years
Machinery and equipment	3 - 10 years
Ships	25 years
Other long-term expenditures	3 - 5 years
Docking costs	2 – 3 years

Land is not depreciated. Depreciation of the ships is divided to two components, the vessel and dry-docking as separate components.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss (in *other income* or *other expenses*) in the financial year that the asset is derecognised.

A previously recorded impairment loss on property, plant and equipment is reversed if the estimates used in determining the recoverable amount change. An increased carrying amount due to reversal of impairment loss may not exceed the carrying amount that would have been determined for the asset if no impairment loss had been recorded.

Intangible assets

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets and liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is not amortised, but is tested for impairment annually, or whenever there is an indication that goodwill may be impaired.

For the purposes of impairment testing, goodwill is allocated to cash-generating unit or group of units that are expected to benefit from the synergies of the combination. A cash-generating unit or group of units 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 or group of units 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.

The recoverable amount is the higher of the fair value less costs to sell and value in use. The value in use is determined as the present value of the estimated future cash flows. The discount rate used in the calculations is based on the weighted average cost of capital (WACC).

Research and development costs
Research expenses are recognised as expenses in the reporting period in which they arise.

Development expenses are capitalised only when the Group is able to satisfy the criteria for capitalisation included in IAS 38. Capitalised development costs are amortised over their useful lives. Amortisation of the asset begins when development is completed and the asset is available for use. Other development costs are recognised as expenses. Development expenses that have previously been recognised as expenses are not capitalised in subsequent periods.

Research and development costs that have been recognised as expenses are included in the consolidated profit and loss as other expenses.

Other intangible assets
Other intangible assets are initially recognised at cost. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives for an intangible asset with a finite life are reviewed at each financial year-end.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are determined separately for each intangible asset.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.
The intangible assets in-process comprise of software development projects, which cannot be separately tested for impairment, because they do not generate cash flows independently. If at the reporting date it is considered that projects will be completed and software will be phased in, it is concluded that no impairment loss is to be recognised. The intangible assets in-process are, however, tested for impairment as part of that cash-generating units for which they are included in.

Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together or into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the FIFO principle (first-in first-out), and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated purchase price in the ordinary course of business. The Group's inventories comprise mostly bunker (fuel for the ships).

Equity

Instruments issued by the Group, which do not contain a 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. Costs arising from issues or acquisitions of equity instruments are accounted for as a deduction from equity.

The share capital consists of ordinary shares. Hybrid loans are classified as equity.

Employee benefits

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group's post-employment benefit plans are classified as defined contribution pension plans. Payments to these are recognised in profit or loss in the periods they relate to.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where discounting is used, the increase in the provision due to the passage of time is recognised in finance costs.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A 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. Contingent liabilities are disclosed in note 27.

Leases – the Group as lessee

Leases in terms of which the Group assumes substantially of all the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charge and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. 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.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases and lease payments are recognised as operating lease expensed on a straight-line basis over the lease term. Regarding operating leases, the leased assets are not recognised in the Group's balance sheet.

Leases – the Group as lessor

Leases where the Group is the lessor, are accounted for as finance leases when a substantial part of the risks and rewards of ownership are transferred to the lessee. All the other leases are accounted for as operating leases and the assets are included in the Group's balance sheet and they are depreciated during their useful life.

Revenue recognition

The Group's revenue is mainly generated through sales of services.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding indirect taxes, trade discounts and volume rebates and adjusted according to exchange rate differences.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Revenue from shipping activities is recognised as the service is provided, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Revenue from terminal operations, logistics, forwarding activities and towing activities is recognised upon completion of the service.

Operating profit

According to the definition used by the Group, operating profit is the net amount formed when other income is added to the net sales, and the following items are the subtracted from the total:

Materials and services adjusted for the change in inventories of finished goods and work in progress
Employee benefit expenses
Depreciation, amortisation and impairment losses
Other expenses

Any other items in profit or loss are shown under operating profit.

Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants related to an expense item are recognised as a reduction of the expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants relating to seaman salary social costs are deferred and recognised in the profit or loss as an adjustment of the personnel expenses over the period necessary to match them with the costs that they are intended to compensate. Grants that compensate the Group for the cost of an asset are deducted from the related asset and recognised in profit or loss on a systematic basis over the useful life of the asset.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent these relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date of each country. Taxes are adjusted by possible taxes relating to previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences and any unused tax losses. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In the balance sheet current taxes are reported under current items and deferred taxes are reported under non-current assets or liabilities.

Adoption of new and amended standards and interpretations not yet in force

A number of new or amended IFRS standards are coming into effect in future financial years and the Group has not applied them in the preparation of these consolidated financial statements. 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.

IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2018): IFRS 15 introduces a five-step model to determine when to recognise revenue and at what amount. Revenue is recognised when a company transfers control of goods to a customer either over time or at a point in time. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also introduces new disclosure requirements.

Containerships Group has assessed the impacts of IFRS 15 and based on the preliminary assessment expects that the adoption of IFRS 15 will have no material impact on Containerships' consolidated financial statement. The door-to-door transportations consisting of both shipping by container vessels and inland transportation have been identified as separate performance obligations, for which the revenue will be recognised over time. The Group has not identified any material variable considerations or other aspects which would not comply with the requirements of the new standard. The Group is following development of the open interpretation items within the shipping industry. Containership plans to adopt IFRS 15 as of January 1, 2018, using the retrospective approach.

IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 new standard's impact will be dependent on the financial instruments that the Group holds and economic conditions at that time. Based on the current assessment, the new standard have no material impact on Containership's consolidated financial statements.

IFRS 16 Leases* (effective for financial years beginning on or after January 1, 2019): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements as right-of-use assets and lease liabilities in the statement of financial position. The accounting model is similar to current finance lease accounting according to IAS 17. The exceptions available relate to short-term contacts in which the lease term is 12 months or less and to low value items. The Group is currently assessing the impact of IFRS 16 and the current assessment is that the standard will increase Containership's non-current assets and interest bearing non-current and current liabilities. The standard will also have an impact to income statement as the lease cost is divided into depreciation of the right-of-use -asset effecting the operating result and interest cost origin from the lease liability.

Amendments to IAS 7 Statement of Cash Flows Disclosure Initiative* (effective for financial years beginning on or after January 1, 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 will have an impact on the disclosures in Containership's 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 January 1, 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 are not assessed to have an impact on Containership's 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.

Other new and amended IFRS standards are not assessed to have any significant impact on the Group's consolidated financial statements.

Note 4 Operating segments

Basis for segmentation

The Group's segment reporting is based on two strategic business segments which are managed as seperate businesses.
The Group has two business segments: CSL Baltics and CSL MED.
The Board of Directors (as CODM) reviews internal management reports on at least a quarterly basis.

The following summary describes the operations of the Group's reportable segments.

CSL Baltics (Baltic and North Sea)
The Group is one of the leading short sea door-to-door operators in this region, with 8 vessels linking ports in North West Europe and the United Kingdom with ports in Finland, Scandinavia, the Baltic States and Russia. Containerships has been operating in this market since the first container vessel arrived in the UK from Finland in 1967. The bulk of activity is centred on and between the hubs of Helsinki (Finland) St. Petersburg (Russia), Teesport (United Kingdom) and Rotterdam (The Netherlands).

CSL MED (Intra-Mediterranean Services)
The Intra-Mediterranean operations were established in 2009 through the acquisition of the Turkish operator Contaz Lines. Today, the Group operates container services between Turkish ports and North African countries, with three vessels offering up to two direct weekly sailings with very short transit times. The Group provides the service coverage from and to Turkey within Libya, Tunis and Algeria. From it's Turkish terminals in Istanbul, Mersin and Izmir door-to-door delivery can be accommodated throughout Turkey.

The segments are divided by the geographical areas and they offer similar door-to-door logistics services.
The Group's segment performance are assested based on segments' results before interest and taxes.

Adjustments, eliminations and allocations

The Group's assets and liabilities are not allocated to operating segments since the Chief operating decision maker does not allocate resources based on segments' assets and liabilities or monitor the segments' assets and liabilites. Assets and liabilities are managed on a Group basis.

Finance income, finance costs and income taxes are not allocated to individual segments.
Inter-segment revenues are eliminated on consolidation. Inter-segment pricing is determined on a arm's lenght basis.

Segment performance is for the most part measured consistently with profit or loss in the consolidated financial statements. However, FAS-accounting principles, as described in the session covering the financial statements of the parent company, are partly used as a basis for the segment reporting.

No operating segments have been aggregated to form the reportable segments.

Information regarding the results of reportable segments is included on the next page.

Operating segments 2016

EUR 1,000	CSL Baltics	CSL MED	Total segments	Unallocated amounts and eliminations	Total Group
External revenue	176 547	23 530	200 077	-2 141	197 936
Inter-segment revenue	1 535	45	1 580	-1 580	0
Total revenue	**178 082**	**23 575**	**201 657**	**-3721**	**197 936**
Operating expenses	-141 764	-20 132	-161 896		-161 896
General expenses	-21 654	-2 907	-24 561	-586	-25 147
Other income				2 983	2 983
EBITDA	**14 664**	**536**	**15 200**	**-1 324**	**13 876**
Depreciation and amortisation	-7 502	-34	-7 536	-480	-8 016
EBIT	**7 162**	**502**	**7 664**	**-1 804**	**5 860**
Finance income and costs					-7 405
Profit before taxes					**-1 545**
Income taxes					111
Profit (-loss) for the financial year					**-1 435**

Operating segments 2015

EUR 1,000	CSL Baltics	CSL MED	Total segments	Unallocated amounts and eliminations	Total Group
External revenue	177 205	25 761	202 966	-3 387	199 579
Inter-segment revenue	1 630	0	1 630	-1 630	0
Total revenue	**178 835**	**25 761**	**204 596**	**-5 017**	**199 579**
Operating expenses	-150 066	-25 055	-175 121	7 764	-167 357
General expenses	-21 594	0	-21 594	-5 258	-26 852
Other income					2 916
EBITDA	**7 175**	**706**	**7 881**	**-2 511**	**8 286**
Depreciation and amortisation	-7 885	-73	-7 958	-742	-8 700
EBIT	**-710**	**633**	**-77**	**-3 253**	**-414**
Finance income and costs					-7 240
Profit (-loss) before taxes					**-7 654**
Income taxes					924
Profit (-loss) for the financial year					**-6 730**

Geographical information

	Revenue by geographical location	
EUR 1,000	**2016**	**2015**
Finland	**38 884**	**36 246**
Russia	28 238	28 106
Turkey	20 036	21 165
United Kingdom	19 359	20 504
Lithuania	22 634	19 119
Other Europe	68 784	74 439
Total	**197 935**	**199 579**

The revenue from the geographical areas is reported according to the location of the responsible sales office or subsidiary.

	Non-current assets by location of assets	
EUR 1,000	**2016**	**2015**
Finland	**38 578**	**39 504**
Russia	1 412	1 344
Turkey	3 707	3 606
United Kingdom	1 409	1 341
Lithuania	3 542	3 628
Other Europe	17 730	526
Total	**66 378**	**49 949**

Assets are reported according to the geographical location of the assets.

Non-current assets comprise property, plant and equipment and intangible assets.
The Group’s vessels and containers are also allocated in the reported assets even though they are by nature mobile and their location can be easily changed. Non-current assets exclude financial instruments and deferred tax assets.

The Group had no customers whose revenue exceeded 10 per cent of the Group's total revenues in 2016 and 2015.

Note 5 Group structure

The consolidated financial statements of the Group include the following companies:

Name of subsidiary	Domicile	Segment	Ownership interest of the group %
Containerships plc	Finland	CSL Baltics	Parent company
Containerships GmbH	Germany	CSL Baltics	100
CS LNG Holding Oy	Finland	CSL Baltics	100
Triangle Transport System GmbH	Germany	CSL Baltics	100
Containerships Rotterdam BV	Netherlands	CSL Baltics	100
Containerships Dublin Ltd	Ireland	CSL Baltics	100
Containerships UK Ltd	Great Britain	CSL Baltics	100
UAB Containership	Lithuania	CSL Baltics	100
Containerships Latvia SIA	Latvia	CSL Baltics	100
Containerships Polska	Poland	CSL Baltics	100
Containerships Belgium N.V.	Belgium	CSL Baltics	100
Containerships Ukraine	Ukraine	CSL Baltics	100
ZAO Containerships	Russia	CSL Baltics	100
CSD Containerships Deutschland GmbH	Germany	CSL Baltics	100
Nordic Bergen Schifffahrtsgesellschaft mbH & Co KG	Germany	CSL Baltics	90*)
Nordic Turku, Schifffahrtsgesellschaft mbH & Co KG	Germany	CSL Baltics	90*)
Nordic Copenhagen, Schifffahrtsgesellschaft mbH & Co KG	Germany	CSL Baltics	90*)
Nordic Kotka, Schifffahrtsgesellschaft mbH & Co KG	Germany	CSL Baltics	90*)
Containerships Denizcilik Nakliyat	Turkey	CSL MED	100
Containerships Algerie Sarl	Algeria	CSL MED	100

The ultimate parent company of the Containerships Group is Container Finance Ltd Oy, which is based in Finland.

Changes in the Group structure

During the financial year 2016, Nordic Bergen Schifffahrtsgesellschaft mbH & Co KG, Nordic Copenhagen Schifffahrtsgesellschaft mbH & Co KG, Nordic Kotka Schifffahrtsgesellschaft mbH & Co Kg, Nordic Turku Schifffahrtsgesellschaft mbH & Co KG, CS LNG Holding Oy and Containerships Algerie Sarl, were established.

During the financial year 2015, CSD Containerships Deutschland GmbH, was established.

Non-controlling interests

The following table summarises the information relating to Group's subsidiaries that has material non-controlling interests (NCI). Information of the subsidiaries with NCI are presented above. All the presented amounts in the following table are approximately divided between the four subsidiaries. The Group did not have any subsidiaries with NCI at the financial year end 2015.

31 December 2016

EUR 1,000	Subsidiaries with NCI
NCI percentage*	**6 %**
Non-current assets	17 204
Current assets	2 727
Non-current liabilities	606
Current liabilities	239
Net Assets 100%	**19 085**
Carrying amount of NCI	**1 125**
Revenue	0
Profit	-244
OCI	0
Total comprehensive income 100%	**-244**
Profit allocated to NCI	-14
OCI allocated to NCI	0
Cash flows from operating activities	-1 065
Cash flows from investment activities	-17 204
Cash flows from financing activities	18 271
Net increase (decrease) in cash and cash equivalents	2

*The share of the Non-controlling interests from the above mentioned four German subsidiaries was 6% at the end of the year 2016. According to the agreement between the Group and the other owners of these subsidiaries the share of non-controlling interest will increase during the accounting years 2017 and 2018 to ten percent.

Note 6 Revenue

Revenue by function:

EUR 1,000	2016	2015
Vessel operations	74 972	78 349
Terminal operations	52 673	51 336
Haulage	69 767	69 817
Other	524	77
Total	**197 936**	**199 579**

The Group's revenue comprimise only rendering of services.

Note 7 Other income

EUR 1,000	2016	2015
Gains from sales of containers	1 960	2 856
Gains from sales of trucks	40	15
Changes in fair values of commodity derivatives	569	0
Realised commodity derivatives	267	1 999
Other operating income	147	47
Total	**2 983**	**4 917**

Note 8 Other expenses

EUR 1,000	2016	2015
Vessel insurances, repairs and maintenance costs	-986	-1 131
Consulting and other external services	-3 822	-3 698
Rents and maintenance costs	-685	-496
Leases	-3 873	-1 322
Travelling expenses and other voluntary personnel expenses	-1 819	-1 719
IT costs	-1 567	-1 474
Sales and marketing costs	-326	-292
Impairment of trade receivables	-161	-545
Changes in fair values of commodity derivatives	0	-391
Realised commodity derivatives	-514	-2 286
Other operating expenses	-673	-823
Total	**-14 426**	**-14 178**

Auditor’s fees

EUR 1,000	2016	2015
Audit	-196	-156
Tax services	-13	-26
Other services	-242	-73
Total	**-450**	**-255**

Note 9 Materials and services

EUR 1,000	2016	2015
Materials and supplies		
Purchases during reporting period	-42 567	-44 553
Change in inventories	-326	-133
Purchased services	-107 786	-115 503
Total	**-150 679**	**-160 190**

These costs are mainly related to vessel operation costs (hired crew, commissions, port, bunkering and chartering).
In addition costs include maintenance and repair as well as transportation and warehousing costs.

Note 10 Employee benefit expenses

EUR 1,000	2016	2015
Salaries and wages	-18 452	-18 364
Social security costs	-1 975	-2 051
Pension costs – defined contribution plans	-1 429	-1 377
Government grants	466	515
Other employee benefits	-548	-565
Total	**-21 939**	**-21 843**

Government grants relating to seaman salary and social costs are deferred and recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. There are no unfulfilled conditions or contingencies attached to these grants.

Average Group personnel in the reporting period	2016	2015*
Office	336	338
Other	196	209
Total	**532**	**547**
Number of employees on 31 December 2016	**546**	**542**

In both tables the number of part-time employees has been converted to full-time equivalent.
*) Last year the reported number was 494 employees in average, but it was missing the employees from the Turkish and Polish office.
Management's employee benefits are presented in Note 28 Related party transactions.

Note 11 Depreciation, amortisation and impairment losses

Amortisation and depreciation by asset category

Intangible assets

Other intangible assets	-309	-317
Total	**-309**	**-317**

Property, plant and equipment

EUR 1,000	2016	2015
Buildings	-24	-19
Vessels	-1 468	-1 590
Containers	-5 679	-6 158
Machinery and equipment	-537	-615
Total	**-7 707**	**-8 382**
Total depreciation and amortisation	**-8 016**	**-8 700**

Note 12 Finance income and costs

Recognised in profit or loss

Finance income

EUR 1,000	**2016**	**2015**
Interest income		
Bank deposits	26	24
Loans to ultimate parent company	359	243
Accounts receivable	2	1
Foreign exchange gains	3 336	5 638
Fair value changes of derivatives		
Foreign exchange forward contracts	31	30
Interest income finance leases	52	0
Other finance income	0	0
Total	**3 807**	**5 936**

Finance costs

EUR 1,000	**2016**	**2015**
Interest expenses		
Loans and borrowings measured at amortised cost	-4 974	-3 588
Foreign exchange losses	-2 909	-2 634
Fair value changes of derivatives		
Foreign exchange forward contracts	-232	-1 922
Interest rate swaps	-391	-564
Other financial assets at fair value through profit or loss	0	-331
Finance charges payable under finance leases	-931	-1 729
Other finance costs	-1 775	-2 409
Total	**-11 212**	**-13 176**
Net finance costs	**-7 405**	**-7 240**

Foreign exchange gains and losses arises on translation of trade receivables, trade payables and intercompany items in foreign currency as well as from the hedging of the foreign currency positions.

Note 13 Income taxes

Amounts recognised in profit or loss

Current tax expense

EUR 1,000	2016	2015
Current tax for the year	-468	-301
Current tax adjustments for prior years	-150	-5
Total	**-618**	**-306**

Deferred tax expense

EUR 1,000	2016	2015
Changes in deferred tax assets	680	333
Changes in deferred tax liabilities	49	897
Total	**729**	**1 229**
Total income tax expense	**111**	**924**

Reconciliation of tax expenses in the consolidated income statement and taxes calculated using Finnish tax rates (20 %)

EUR 1,000	2016	2015
Profit before taxes	**-1 545**	**-7 654**
Tax calculated using Finnish tax rate (20 %)	309	1 531
Effect of tax rates in foreign jurisdictions	-10	-4
Non-taxable income	126	198
Non-deductible expenses	-205	-252
Utilisation of previously unrecognised tax losses	0	168
Losses for which no deferred tax asset was recognised	0	-675
Adjustments for current tax of prior periods	-150	-5
Other differences	41	-36
Income taxes in the statement of comprehensive income	**111**	**924**
Effective tax rate %	**7,2 %**	**11,6 %**

Amounts recognised in other comprehensive income

EUR 1,000	2016	2015
Foreign currency translation differences		
Before tax	-698	153
Tax effect	0	0
Net of tax	**-698**	**153**

Amounts recognised directly in equity

EUR 1,000	2016	2015
Convertible capital loans		
Before tax	-351	779
Tax effect	71	-156
Net of tax	**-281**	**623**

Movement in deferred tax balances

2016

EUR 1,000	Balance at 1 Jan	Recognised through profit or loss	Recigonised directly in equity	Exchange rate differences and other changes	Balance at 31 Dec
Deferred tax assets					
Property, plant and equipment	10				**10**
Derivatives	232	40			**272**
Provisions	3				**3**
Tax losses carried forward	5 364	604			**5 968**
Deferred income	31				**31**
Finance leases	0	52			**52**
Other temporary differences	87	-16		13	**84**
Deferred tax assets total	**5 726**	**680**	**0**	**13**	**6 419**

Deferred tax liabilities					
Property, plant and equipment	-315	103			**-212**
Derivatives	0	-36			**-36**
Loans and borrowings	-10	-11			**-21**
Convertible notes	-143	17	71		**-55**
Finance leases	-1 349	-24			**-1 373**
Deferred tax liabilities total	**-1 817**	**49**	**71**	**0**	**-1 697**

2015

EUR 1,000	Balance at 1 Jan	Recognised through profit or loss	Recigonised directly in equity	Exchange rate differences and other changes	Balance at 31 Dec
Deferred tax assets					
Property, plant and equipment	10				**10**
Derivatives	0	232			**232**
Provisions	95	-14		-78	**3**
Tax losses carried forward	5 364				**5 364**
Deferred income	2	28			**31**
Other temporary differences	174	87		-174	**87**
Deferred tax assets total	**5 645**	**333**	**0**	**-252**	**5 726**

Deferred tax liabilities					
Property, plant and equipment	-1 017	702			**-315**
Derivatives	-338	338			**0**
Loans and borrowings		-10			**-10**
Convertible notes		13	-156		**-143**
Finance leases	-1 203	-145			**-1 349**
Deferred tax liabilities total	**-2 558**	**897**	**-156**	**0**	**-1 817**

Recognised deferred tax assets

	Tax losses		Deferred tax asset recognised on the balance sheet	
EUR 1,000	**2016**	**2015**	**2016**	**2015**
Tax losses	29 875	26 823	5 968	5 364

The Group has recognised deferred tax assets of EUR 5 968 thousand (EUR 5 364 thousand at 31 December 2015) relating to the parent company's unused tax losses carried forward. Management anticipates that the company will generate taxable income against which the losses can be utilized. In making the assessment management has taken into consideration investments in four new LNG vessels coming next two years. As a result of these investments the profitability of the company is expected to improve due to more efficient fleet and lower operating expenses.
The parent company can if necessary enter into sale and leaseback transactions with the containers company owns after the bond expires 2 April 2019 and before the first due date of deferred tax 31 December 2019.

Recognised tax losses carried forward expire as follows

Expiry year	EUR 1,000
2019	18 323
2021	8 530
2022	4
2025	3 017

Note 14 Property, plant and equipment

Reconciliation of carrying amount

Property, plant and equipment 2016

EUR 1,000	Buildings	Containers	Machinery and equipment	Vessels*	Under construction	Total
Cost 1 Jan 2016	1 791	69 260	23 335	30 435	0	124 821
Increases	121	5 427	367	21	17 843	23 780
Disposals		-5 629	-321			-5 950
Reclassification	5	6 134	-1 171			4 968
Exchange rate differences	-107	-38	462			318
Cost 31 Dec 2016	**1 810**	**75 155**	**22 672**	**30 456**	**17 843**	**147 937**
Accumulated depreciation and impairment losses 1 Jan 2016	-1 337	-45 498	-20 589	-15 410	0	-82 834
Depreciation for the reporting period	-24	-5 679	-537	-1 468		-7 707
Reclassification	-3	-639	1 283			641
Exchange rate differences	38	24	-198			-136
Accumulated depreciation and impairment losses 31 Dec 2016	**-1 326**	**-51 792**	**-20 040**	**-16 878**	**0**	**-90 037**
Carrying amount 1 Jan 2016	**454**	**23 762**	**2 746**	**15 025**	**0**	**41 987**
Carrying amount 31 Dec 2016	**485**	**23 363**	**2 632**	**13 579**	**17 843**	**57 901**

*) The year-end 2016 carrying amount of Containerships VII was tested for impairment. The recoverable amount (value in use) of the vessel was estimated to be higher than its carrying amount. Fixed assets under construction include vessel prepayments of EUR 17 200 thousands.

Property, plant and equipment 2015

EUR 1,000	Buildings	Containers	Machinery and equipment	Vessels	Under construction	Total
Cost 1 Jan 2015	1 576	65 711	23 487	30 435	0	121 209
Increases	188	9 596	744			10 528
Disposals		-6 174	-545			-6 719
Exchange rate differences	27	127	-351			-197
Cost 31 Dec 2015	**1 791**	**69 260**	**23 335**	**30 435**	**0**	**124 821**
Accumulated depreciation and impairment losses 1 Jan 2015	-1 304	-40 815	-20 473	-13 820	0	-76 412
Depreciation for the reporting period	-19	-6 158	-615	-1 590		-8 382
Accumulated depreciation on disposals		1 475	328			1 803
Exchange rate differences	-14		171			157
Accumulated depreciation and impairment losses 31 Dec 2015	**-1 337**	**-45 498**	**-20 589**	**-15 410**	**0**	**-82 834**
Carrying amount 1 Jan 2015	**272**	**24 896**	**3 014**	**16 615**	**0**	**44 797**
Carrying amount 31 Dec 2015	**454**	**23 762**	**2 746**	**15 025**	**0**	**41 987**

Borrowing costs amounting to EUR 473 thousand (2015 EUR 0 thousand) were capitalized during the financial year regarding construction project of new LNG vessels. Total interest capitalised at the year-end 2016 was EUR 473 thousand (2015 EUR 0 thousand). The capitalisation rate used during 2016 was approximately 7,5 %.

Finance leases

Property, plant and equipment include assets acquired under finance leases as follows:

2016

EUR 1,000	Containers
Cost 1 Jan 2016	47 235
Increases	2 013
Disposals	-5 249
Accumulated depreciation	-29 825
Exchange rate differences	83
Carrying amount 31 Dec 2016	**14 258**

2015

EUR 1,000	Containers
Cost 1 Jan 2015	52 366
Increases	3 243
Disposals	-4 078
Accumulated depreciation	-35 350
Exchange rate differences	127
Carrying amount 31 Dec 2015	**16 308**

The Group leases containers under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at the end of the lease period.

The Group has also entered into sale and leaseback transactions and the lease contracts have been classified as finance leases.

Note 15 Intangible assets

Reconciliation of carrying amount

Intangible assets 2016

EUR 1,000	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2016	7 065	5 645	12 710
Increases		1 419	1 419
Disposals		-482	-482
Reclassification		-11	-11
Exchange rate differences	-596	0	-596
Acquisition cost 31 Dec 2016	**6 469**	**6 571**	**13 040**
Accumulated amortisation and impairment losses 1 Jan 2016	0	-4 266	-4 266
Amortisation for the reporting period		-309	-309
Reclassification		11	11
Exchange rate differences		0	0
Accumulated amortisation and impairment losses 31 Dec 2016	**0**	**-4 564**	**-4 564**
Carrying amount 1 Jan 2016	**7 065**	**1 379**	**8 444**
Carrying amount 31 Dec 2016	**6 469**	**2 007**	**8 476**

Intangible assets 2015

EUR 1,000	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2015	6 919	4 852	11 771
Increases		793	793
Exchange rate differences	146		146
Acquisition cost 31 Dec 2015	**7 065**	**5 645**	**12 710**
Accumulated amortisation and impairment losses 1 Jan 2015	0	-3 949	-3 949
Amortisation for the reporting period		-317	-317
Exchange rate differences			
Accumulated amortisation and impairment losses 31 Dec 2015	**0**	**-4 266**	**-4 266**
Carrying amount 1 Jan 2015	**6 919**	**903**	**7 822**
Carrying amount 31 Dec 2015	**7 065**	**1 379**	**8 444**

Other intangible assets include development costs of the following IT-systems: Vessel Fleet Management, Quoting and Pricing, Sales Order Management, Business Intelligence, Container Fleet Management and Transport Management system. The costs meeting the criteria for development costs are capitalized and amortised over five years.

Impairment test

Impairment testing for CGUs containing goodwill

The Group performs its annual impairment tests for goodwill during last quarter of the financial period.

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs, which are also the Group's operating and reportable segments, as follows:

EUR 1,000	Notes	2016	2015
CSL Baltics	4	4 470	4 612
CSL MED	4	1 999	2 453
Total		**6 469**	**7 065**

Goodwill increase arises from translation differences.

CSL Baltics

The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU and also future cash flows of four new LNG vessels of CGU. The carrying amount of the CGU was determined to be EUR 187.8 million (2015: EUR 174.7 million) lower than its recoverable amount.

The key assumptions used in the estimation of the recoverable amount are set out below.

In percent	2016	2015
Sales volume (annual average growth rate of next five years)	9,5	11,5
Budgeted EBITDA (average growth rate of next five years)	9,7	23,8
Terminal value growth rate	2,0	2,0
Pre-tax discount rate (WACC)	9,4	14,1

Management has assessed that no reasonably possible change in the key assumptions would cause the carrying amount to exceed the recoverable amount.

The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percentage points	2016	2015
Budgeted EBITDA (average of next five years)	-5,5	-7,5
Terminal value growth rate	-77	-43,5
Discount rate (WACC)	15,6	16,8

CSL MED

The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be EUR 3.8 million (2015: EUR 6.8 million) lower than its recoverable amount.

The key assumptions used in the estimation of the recoverable amount are set out below.

In percent	2016	2015
Sales volume (annual average growth rate of next five years)	3,6	7
Budgeted EBITDA (average growth rate of next five years)	5,3	22,5
Terminal value growth rate	2,0	2,0
Pre-tax discount rate (WACC)	18,2	17,8

Management has identified that a reasonably possible change in key assumptions will not cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percentage points	2016	2015
Budgeted EBITDA (average of next five years)	-2,0	-3,3
Terminal value growth rate	-10,4	not meaningful
Discount rate (WACC)	14,7	26,1

Management have considered and reasonably assessed possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Approach used to determining values

Average annual growth rate over the five-year forecast period;
based on past performance and management's expectations
of market development.

Budgeted EBITDA growth rate over the five-year forecast period;
Based on past performance and management's expectations for the future.
Growth is projected taking into account the average growth levels experienced

over the past five years and the estimated growth for the next five years.

Terminal value growth rate is a growth rate used to
extrapolate cash flows beyond the budget period.
Five years of cash flows were included in the discounted cash flow model.
Terminal value growth rate into perpetuity has been assumed to be equal 2.0%,
estimated by management

The discount rate is a pre-tax measure iterated based on the weighted average cost of capital (WACC),
which reflects the risks of the predicted cash flows.
WACC reflects risk of the specific CGU including capital structure and beta of the industry, average
market risk premium, risk-free rate, required return on debt and small company risk premium.

Note 16 Inventories

EUR 1,000	2016	2015
Raw materials and supplies	4	4
Bunker	1 088	762
Total	**1 091**	**766**

The Group's inventories mainly consist of bunker. Inventories also include truck spare parts.

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

Note 17 Other financial assets

Financial assets at fair value through profit or loss

EUR 1,000	2016	2015
Derivatives - hedge accounting not applied		
Foreign exchange forward contracts	0	232
Interest rate swaps	0	0
Commodity forward contracts	178	0
Other investments	2	2
Total	**180**	**234**
Current	**178**	**234**
Non-current	**2**	**0**

The Group's other financial assets include derivatives and investments in equity shares. These financial assets are measured at fair value through profit or loss and classified as held for trading.

Other financial assets measured at fair value through profit or loss include derivatives not designated as hedging instruments and reflect the positive change in fair value of foreign exchange forward contracts, commodity forwards contracts and interest rate swaps that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency and interest rate risk and risk for price the changes of expected oil purchases. Fair values of these derivative instruments are determined by reference to published price quotations in an active market.

Other financial assets also include investments in equity shares.
These instruments are classified as held for trading and are measured at fair value.
Fair values of quoted equity shares are determined by published price quotations in an active market.
Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost or a lower probable market price.

More detailed information regarding fair value measurement is presented in the note 21.

Note 18 Trade and other receivables

EUR 1,000	2016	2015
Trade receivables	24 762	23 275
Trade receivables from related parties	753	656
Loans to ultimate parent company	4 936	4 936
Loan receivables	1 019	0
Finance lease receivables	649	0
Other receivables	3 096	23 311
Total	**35 215**	**52 178**
Non-current	**6 419**	**4 936**
Current	**28 797**	**47 242**

Specification for other receivables, prepayments and accruals

EUR 1,000	2016	2015
Current tax assets	131	53
Prepayments	116	37
Finnish transport agency	240	269
Container rent accruals	288	0
Rents	99	150
Insurance	174	190
Escrow accounts *)	203	19 911
Employee benefits	4	7
Port expenses, cargo handling and other voyage-related costs	935	249
VAT accrued receivables	70	771
Other accruals	834	1 673
Total	**3 096**	**23 311**

Trade receivables by currency

EUR 1,000	2016	2015
EUR	14 212	15 089
GBP	1 791	1 781
USD	7 334	5 734
RUB	1 517	1 221
DZD	324	0
UAH	309	0
TRY	27	5
Other	1	101
Total	**25 515**	**23 931**

The book values of trade and other receivables are reasonable approximation of their fair values.
In 2016, the Group has recognised impairment losses of 322 thousand EUR (2015 545 thousand EUR).
The maximum credit risk related to accounts receivable and other receivables is their carrying amount.

*) Cash in escrow accounts was used for the advance payments of LNG-vessel investment in 2016.

Finance lease receivables

EUR 1,000	2016	2015
Total amount of minimum lease payments		
Within 12 months	270	0
1 - 5 years	540	0
After five years	0	0
Total	**810**	**0**
Present value of minimum lease payments		
Within 12 months	185	0
1 - 5 years	464	0
After five years	0	0
Total	**649**	**0**
Future interest income from finance lease agreements		
Finance income	160	0
Total	**160**	**0**

As at 31 December, ageing analysis of trade receivables and items recognised as impairment losses are as follows:

EUR 1,000	2016	Impairment losses	Net 2016
Not past due	16 381		16 381
Past due			
1-30 days	4 230		4 230
31-60 days	707		707
61-90 days	503		503
91-180 days	954		954
Over 180 days	3 062	-322	2 740
Total past due	9 456	-322	9 134
Total	**25 837**	**-322**	**25 515**

EUR 1,000	2015	Impairment losses	Net 2015
Not past due	18 115		18 115
Past due			
1-30 days	3 030		3 030
31-60 days	969		969
61-90 days	478		478
91-180 days	1 046		1 046
Over 180 days	838	-545	293
Total past due	6 361	-545	5 816
Total	**24 476**	**-545**	**23 931**

Information about the Group's exposure to credit and market risks, and information how the Group manages and measures the credit quality of trade receivables is included in note 25.

The Group has written down EUR 322 thousand of trade receivables as impairment loss (2015 EUR 545 thousand). According to internal accounting policy 50% of trade receivables past due over 180 days and 100% past due over 360 days are written down, unless there is a justified reason not to recognise impairment loss.

The exception of this rule has been made with the receivables from the two agents of the Turkish company. Major part of the receivables overdue more than 180 days are from the Algerian and Libyan agents.

The company has replaced the Algerian agent with its own agency operations in Algeria in August 2016. To support the receivables collection from the former Algerian agent company is preparing a possible settlement case with the agent according to agency agreement. There is a third party legal opinion that company should receive most of the receivables through the settlement resolution.

The other exception is that company has also older receivables from the Libyan agent. This is due to unstable political and currency situation in Libya. This is not written down, because company has received a deposit from the agent in local Libyan bank in local currency. This bank account is in the company's control based on the agreement made between the agent and company. This deposit covers most of the overdue balance, but naturally has a risk of a local Libyan currency. There are signs

Note 19 Cash and cash equivalents

EUR 1,000	2016	2015
Cash and bank accounts	11 066	9 255
Cash and cash equivalents in the balance sheet	**11 066**	**9 255**

At 31 December 2016, the Group did not have any undrawn committed loan facilities in use. Cash and cash equivalents match with the consolidated statement of cash flows.

Note 20 Capital and reserves

	Number of shares 1,000 pcs.	Share capital	Share premium	Fund for invested non-restricted equity	Total
			EUR 1,000		
1 January 2015	119	19	337	4 403	4 759
31 December 2015	119	19	337	4 403	4 759
1 January 2016	119	19	337	4 403	4 759
Increase in share capital	0	61	0	-61	0
31 December 2016	119	80	337	4 342	4 759

Share Capital

The share capital (ordinary shares) consists of shares in two series (A and B).
The ordinary shares do not have any nominal value, A-shares carry one vote and 10 B-shares carry one vote.
All issued shares have been fully paid. The Group companies do not hold any own shares.

The subscription price of a share received in connection with share issues is credited to the share capital, unless it is provided in the share issue decision, that a part of the subscription price is to be recorded in the fund for unrestricted free equity.

The parent company of the Group changed to public limited company during 2016 and the share capital of the company was increased to EUR 80 thousand. Change in share capital was made within equity and amount of EUR 61 thousand was reclassified from fund for invested non-restricted equity to share capital.

Dividends

The Board of Directors proposes that no dividend will be distributed and that the loss of 31 December 2016 will be transferred to the retained earnings in the balance sheet. No dividends were paid during financial years 2016 and 2015.

Share premium

Share premium account generated during the former Finnish Companies' Act.

Fund for invested non-restricted equity

The fund for invested non-restricted equity includes other equity investments and the part of the subscription price of the shares that according to the related decision is not to be credited to the share capital.

Translation reserve

The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Convertible capital loan

The equity component of the issued convertible capital loan are included in the retained earnings for the convertible capital loan issued by the Group in May and October 2015.

The amount allocated to as a liability component is reflected in financial liabilities.
More detailed information regarding the convertible capital loan is included in note 22.

Hybrid capital loan

Hybrid capital loan is recognised in equity as a separate item. The loan have no maturity date but the company has the right to repay the loan at the moment bond is expiring. The loan and the interest are subordinated to all other liabilities of the company. The annual coupon rate until the first possible redemption date of the loan is 8 %.
If interest is paid to the hybrid capital loan it is recognised directly in retained earnings and unpaid interest is accrued.

Group's equity includes one hybrid capital loan with nominal value of EUR 5 000 thousand. The loan from related party was initially issued in 2015 and presented as a convertible capital loan in non-current liabilities in 2015 financial statements.
Due to amendments in the terms of the contract in 2016 the loan is reclassified from non-current liabilities to equity.

Note 21 Classification of financial assets and liabilities

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016

		Carrying amount				Fair value			
EUR 1,000	**Note**	**Financial assets and liabilities at fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value									
Foreign exchange forward contracts	17	0			0		0		0
Commodity forward contracts	17	178			178		178		178
Equity securities	17	2			2	2			2
Total		**180**			**180**	**2**	**178**	**0**	**180**
Financial assets not measured at fair value									
Trade and other receivables	18		25 515		25 515				
Loans to the ultimate parent company	18		4 936		4 936				
Cash and cash equivalents	19		11 066		11 066				
Total			**41 517**		**41 517**				
Financial liabilities measured at fair value									
Foreign exchange forward contracts	23	0			0		0		0
Interest rate swaps	23	1 358			1 358		1 358		1 358
Commodity forward contracts	23	0			0		0		0
Total		**1 358**			**1 358**	**0**	**1 358**	**0**	**1 358**
Financial liabilities not measured at fair value									
Bond issue	22			48 623	48 623		48 623		48 623
Convertible capital loan - liability component	22			5 405	5 405		5 405		5 405
Finance lease liabilities	22			8 091	8 091		8 091		8 091
Trade payables	24			24 397	24 397				
Total				**86 516**	**86 516**	**0**	**62 119**	**0**	**62 119**

31 December 2015

		Carrying amount				Fair value			
EUR 1,000	**Note**	**Financial assets and liabilities at fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value									
Foreign exchange forward contracts	17	232			232		232		232
Equity securities	17	2			2	2			2
Total		**234**			**234**	**2**	**232**	**0**	**234**
Financial assets not measured at fair value									
Trade and other receivables	18		23 931		23 931				
Loans to parent company	18		4 936		4 936				
Cash and cash equivalents	19		9 255		9 255				
Total			**38 121**		**38 121**	**0**	**0**	**0**	**0**
Financial liabilities measured at fair value									
Foreign exchange forward contracts	23	31			31		31		31
Interest rate swaps	23	967			967		967		967
Commodity forward contracts	23	391			391		391		391
Total		**1 390**			**1 390**		**1 390**		**1 390**
Financial liabilities not measured at fair value									
Bond issue	22			48 668	48 668		46 826		46 826
Convertible capital loan - liability component	22			9 533	9 533		9 633		9 633
Finance lease liabilities	22			8225	8 225		8 225		8 225
Trade payables	24			22 407	22 407				
Total				**88 832**	**88 832**		**64 684**		**64 684**

Measurement of fair values

Fair value of financial asset and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, bank overdrafts, finance lease liabilities and other liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Financial instruments measured at fair value

Derivative instruments
Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Publicly traded equity securities
The fair values of publicly quoted instruments are based on price quotations at the reporting date.

Private equity investments
Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost or a lower probable market price.

Financial instruments not measured at fair value
Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a riskadjusted discount rate.

Level definitions
Level 1 = quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 = 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)
Level 3 = not based on observable market data

Transfers between Levels

There were no transfers between fair value hiearchy levels in 2016 and 2015.

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

EUR 1,000	**Equity securities at FVTPL**
Balance at 1 January 2016	0
Purchases	
Sales	
Loss included in finance costs	
Balance at 31 December 2016	**0**

EUR 1,000	**Equity securities at FVTPL**
Balance at 1 January 2015	393
Purchases	
Sales	-62
Loss included in other operating costs	-331
Balance at 31 December 2015	**0**

Note 22 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, currency and liquidity risks, see note 25.

Terms and repayment schedule

Non-current liabilities measured at amortised cost

EUR 1,000	Interest rate %	Maturity	Carrying amount 2016	2015
Convertible capital loans	8,00	30.4.2019	5 405	9 533
Bond issue	7,50 + 3M Euribor	31.3.2019	48 623	48 668
Finance lease liabilities			5 413	5 570
Other liabilities			14	4
Total			**59 456**	**63 775**

Current liabilities measured at amortised cost

EUR 1,000	Interest rate %	Maturity	Carrying amount 2016	2015
Finance lease liabilities			2 678	2 655
Other liabilities			609	3
Total			**3 287**	**2 658**
Interest bearing loans and borrowings total			**62 743**	**66 432**

The interest rates of the group's interest-bearing loans are both fixed and variable rates. The variable rate loans are mainly derived from Euribor 3 months. The weighted average interest is 7,6% (2015: 7,6%)

Information about the Group's exposure to interest rate, currency and liquidity risk is included in the note 25.

Bond issue

EUR 50 500 thousand bond issue is secured and is repayable in full on 31.3.2019.
EUR 45 500 thousand raised in May 2015 and EUR 5 500 thousand in October 2015.
The Interest rate is 7,5% plus Euribor 3 months.

Bond amendment

Terms and condition of the bond (EUR 50 500 thousand) was amended in 2016 based on the change of the shipyard of the new LNG vessels. Due to the amendment, bondholders received compensation that increases bond interest level with 1 %-entity from 1.8.2018 until maturity. In addition, Containerships shall redeem all outstanding Bonds on the final redemption date with and amount equal to 101 % which increases bond nominal value by EUR 505 thousand.

Convertible capital loan

Convertible capital loan with nominal value EUR 5 000 thousand, interest rate is 8% accrueing from the issue date until, and be payable at, the time of repayment of the convertible capital loan.

The Convertible capital loan and the Interests are subordinated to all other debts in the liquidation and bankruptcy of the company.

If the Investors have not chosen to exercise its right to subscribe for shares, the convertible capital loan shall be repaid together with interest on April 30, 2019.

Hybrid capital loan

The other loan previously presented as a convertible capital loan was converted to a hybrid capital loan at 29.12.2016 whit a nominal value of EUR 5 000 thousand.The hybrid capital loan has an interest rate of 8% accrueing from the issue date until, and be payable at, the time of repayment of the hybrid capital loan.

The Hybrid capital loan and the Interests are subordinated to all other debts in the liquidation and bankruptcy of the company.

If the Investors have not chosen to exercise its right to subscribe for shares, the hybrid capital loan shall not be repaid, but the interest level will increase from after the bond has been refinanced or latest by April 30, 2019, according to the agreement.

EUR 1,000	2016	2015
Carrying amount of liability at 1 January	**9 533**	**0**
Proceeds from issue of convertible capital loan	0	10 000
Transaction costs	0	0
Net proceeds	0	10 000
Amount classified as equity	0	779
Reclassification - hybrid capital loan	-4 649	0
Accrued interest	521	312
Carrying amount of liability at 31 December	**5 405**	**9 533**

Finance lease liabilities

EUR 1,000	2016	2015
Total amount of minimum lease payments		
Within 12 months	3 234	3 472
1 - 5 years	5 288	5 654
After five years	1 553	1 121
Total	**10 075**	**10 247**
Present value of minimum lease payments		
Within 12 months	2 678	2 655
1 - 5 years	3 993	4 382
After five years	1420	1188
Total	**8 091**	**8 225**
Future interest expenses from finance lease agreements		
Finance costs	1 984	2 022
Total	**1 984**	**2 022**

Note 23 Other financial liabilities

Financial liabilities at fair value through profit or loss

EUR 1,000	2016	2015
Derivatives - hedge accounting not applied		
Foreign exchange forward contracts	0	31
Interest rate swaps	1 358	967
Commodity forward contracts	0	391
Total	**1 358**	**1 390**
Current	**0**	**423**
Non-current	**1 358**	**967**

The Group's other financial liabilities include derivative instruments and these financial instruments are measured at fair value through profit or loss.

Derivatives not designated as hedging instruments reflect the negative change in fair value of foreign exchange forward contracts, commodity forwards contracts and interest rate swaps that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of currency and interest rate risk and risk for the price changes of expected oil purchases. Fair values of these derivative instruments are determined by reference to published price quotations in an active market.

More detailed information regarding fair value measurement is presented in note 21.

Note 24 Trade and other payables

EUR 1,000	2016	2015
Trade payables	22 047	20 061
Trade payables to related parties	2 350	2 346
Deferred income	934	2 058
Other payables	8 993	8 013
Total	**34 324**	**32 477**
Total current	**33 347**	**31 212**
Total non-current	**977**	**1 266**

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

Maturity analysis of financial liabilities is presented in note 25.

Information about the Group’s exposure to currency and liquidity risks is included in note 25.

Significant items in other payables

EUR 1,000	2016	2015
Current tax liabilities	3	154
Employee benefits	2 423	2 067
Cargo handling costs	0	18
Port expenses and voyage-related costs	1 176	299
Repairs, vessels	631	628
Interest payable	1 575	316
VAT accrued payable	58	881
Long term Scrubber liability	631	1 266
EU-support payable to project partners	1 866	0
Other accrued liabilities	629	2 384
Total	**8 993**	**8 013**

Distribution of trade payables by currency

EUR 1,000	2016	2015
EUR	14 342	13 492
DKK	305	338
GBP	3 079	2 971
USD	4 835	4 415
RUB	894	733
UAH	57	74
TRY	572	382
DZD	310	0
Other	3	2
Total	**24 397**	**22 407**

Note 25 Financial risk management

The principles and organisation of financial risk management

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group and its operating activities are subject to financial risks. The main financial risks are currency risk, interest rate risk, credit risk, liquidity risk and oil price risk.

The financial risks related to the business are monitored by the company's management. The management of financial risks aims to reduce the volatility in earnings, balance sheet and cash flow, while securing effective and competitive financing for the Group.

For risk management the Group may use currency forwards and options, interest rate swaps, oil derivatives and oil price clauses included in customer contracts.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity investments will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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, GBP, RUB, DZD and TRY. Currency risks arise from commercial transactions, monetary items in the balance sheet and net investments in foreign subsidiaries.

A possible strengthening or weakening of the USD, GBP, RUB, TRY, DZD and UAH against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below in the sensitivity analyses.

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in RUB, DZD, TRY, GBP and UAH are converted into the parent company's functional currency. The Group's principle is not to hedge net investments made in foreign subsidiaries. The tables below shows the translation position at the end of 2016 and 2015.

Translation risk exposure by currency

	Net investment	
EUR 1,000	**2016**	**2015**
GBP	1 711	256
RUB	1 674	1 497
TRY	1 324	1 425
UAH	-1 198	-919
PLN	2	-44
DZD	74	0

Sensitivity analysis

The following table describes the Group's sensitivity to changes in the GBP, RUB, TRY, UAH, DZD and PLN exchange rate.

31 December 2016

		Change in equity	
EUR 1,000		**Strengthening**	**Weakening**
GBP	(10% movement)	171	-171
RUB	(20% movement)	335	-335
TRY	(20% movement)	265	-265
UAH	(20% movement)	-240	240
PLN	(10% movement)	0	0
DZD	(20% movement)	15	-15

31 December 2015

		Change in equity	
EUR 1,000		**Strengthening**	**Weakening**
GBP	(10% movement)	35	-35
RUB	(20% movement)	4	-4
TRY	(20% movement)	90	-90
UAH	(20% movement)	-7	7
PLN	(10% movement)	-1	1
DZD	(20% movement)	0	0

Transaction risk

In 2016, over 80 per cent of Baltic sales were invoiced in EUR, and the rest in RUB, GBP and USD .
Purchases are mainly made in EUR, except for bunker purchases in USD.
Local UK purchases are made in GBP, local Russian purchases are made in RUB.

In MED, the main currencies for sales and purchases are TRY and USD. The functional currency for the MED operations is TRY.

Transaction risk exposure by currency

31 December 2016

In thousands of	USD	RUB	TRY	GBP
Trade receivables	7 843	94 383	96	1 491
Trade payables	4 659	52 532	1 938	2 410
Net balance sheet exposure	**3 184**	**41 851**	**-1 842**	**-919**
Next six months forecast sales	12 000	450 000	1 000	9 000
Next six months forecast purchases	20 000	350 000	6 000	8 000
Net forecast transaction exposure	**-8 000**	**100 000**	**-5 000**	**1 000**
Forward exchange contracts	0	0	0	0
Net exposure	**-4 816**	**141 851**	**-6 842**	**81**

31 December 2015

In thousands of	USD	RUB	TRY	GBP
Trade receivables	6 084	104 935	15	1 246
Trade payables	4 869	55 600	1 213	2 180
Net balance sheet exposure	**1 215**	**49 335**	**-1 198**	**-934**
Next six months forecast sales	11 000	400 000	100	9 000
Next six months forecast purchases	10 000	300 000	100	8 000
Net forecast transaction exposure	**1 000**	**100 000**	**0**	**1 000**
Forward exchange contracts	-9 000	0	0	0
Net exposure	**-6 785**	**149 335**	**-1 198**	**66**

Sensitivity analysis

The following table describes the Group's sensitivity to changes in the RUB, USD, TRY and GBP exchange rate.
The impacts of exchange rate changes of other currencies are not significant.

31 December 2016

			Change in profit or loss	
EUR 1,000		Kaavat	**Strengthening**	**Weakening**
USD	(10% movement)		-457	457
RUB	(20% movement)		441	-441
TRY	(20% movement)		-369	369
GBP	(10% movement)		9	-9

31 December 2015

		Change in profit or loss	
EUR 1,000		**Strengthening**	**Weakening**
USD	(10% movement)	-623	623
RUB	(20% movement)	370	-370
TRY	(20% movement)	-75	75
GBP	(10% movement)	9	-9

The following significant exchange rates have been applied

	Average rate		**Year-end spot rate**	
EUR 1	**2016**	**2015**	**2016**	**2015**
GBP	0,8195	0,7242	0,85618	0,73395
RUB	74,1446	68,76813	64,3	80,6736
USD	1,1069	1,10455	1,0541	1,0887
TRY	3,3433	3,03973	3,7072	3,1765
UAH	28,312	24,43049	28,423	26,24764
PLN	4,3632	4,18407	4,4103	4,2639
DZD	120,84	116,37	115,9	116,84

INTEREST RATE RISK

Interest-bearing debt exposes the Group to interest risk, i.e. re-pricing and price risk caused by interest rate movements.
The Group CFO manages interest rate risk.
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 using interest rate swaps.

The level of hedging against interest rate risks are reviewed regurlary against interest rate movements for hedging purposes.

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 variation is assumed to be +/-0.50 per cent 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, convertible debts and commercial papers.
- The position excludes finance lease obligations, because the change in finance costs caused by the interest rate variation is not relevant to these.
- When calculating the sensitivity, it is assumed that the variable-rate debt portfolio remains unchanged for (no instalments, no new debt) and that the whole year 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 prevailing.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows.

	Nominal amount	
EUR 1,000	**2016**	**2015**
Fixed-rate instruments		
Financial liabilities	5 000	10 000
Variable-rate instruments		
Financial liabilities	51 005	50 500
Effect of interest rate swaps	32 500	32 500
Net exposure	**18 505**	**18 000**

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a cash flow hedge accounting model.

Cash flow sensitivity analysis for variable-rate instruments

A change of +/- 0,5 per cent in interest rates at the reporting date would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity at closing date 2016, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2016

	Change in profit or loss	
EUR 1,000	**+ 0,5 %**	**- 0,5 %**
Debt portfolio - net exposure	-93	93
Swaps - change in fair value	650	-650
Change before tax effect	**557**	**-557**

Sensitivity at closing date 2015, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2015

	Change in profit or loss	
EUR 1,000	**+ 0,5 %**	**- 0,5 %**
Debt portfolio - net exposure	-90	90
Swaps - change in fair value	650	-650
Change before tax effect	**560**	**-560**

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

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. Apart from subsidiary in Turkey, the Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors.
The Turkish operations have two major receivable with its agents in Algeria and Libya.

The company has possible settlement case with its former Algerian agent, but does not expect any major write down on this. The receivable from the Libyan agent is covered with the local currency deposit, but it has some uncertainty based on the liquidity of the local currency. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The ageing analysis of trade receivables has been presented in note 18 Trade and other receivables.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 aims to guarantee the availability and flexibility of financing.

At the end of the financial period 2016 loans do not include any financial covenants. More detailed information regarding the Groups' restrictions on disposal of assets and restructurings is included in note *27 Commitments and contingencies.*

The cash-flows in the tables below include both repayments and expected interests.

Maturity analysis of financial liabilities 2016

EUR 1,000	Carrying amount	Total	0-6 months	7-12 months	2018-2019	2020	2021-
Non-derivative financial liabilities							
Bond issue	**48 623**	**60 248**	1 978	1 978	56 292		
Convertible capital loans	**5 405**	**6 843**			6843		
Finance lease liabilities	**8 091**	**10 075**	1 753	1 480	3 097	1 270	2 473
Trade and other payables	**25 659**	**25 659**	24 713	316	631		
Derivative financial instruments							
Foreign exchange forward contracts	**0**	**0**	0	0	0	0	0
Interest rate swaps	**1 358**	**1 358**	160	160	640	320	78
Commodity forward contracts	**0**	**0**	0				
Total	**90 400**	**105 445**	**28 920**	**4 250**	**68 135**	**1 590**	**2 551**

Maturity analysis of financial liabilities 2015

EUR 1,000	Carrying amount	Total	0-6 months	7-12 months	2017-2018	2019	2020-
Non-derivative financial liabilities							
Bond issue	**48 668**	**63 356**	1 978	1 978	7 912	51 489	
Convertible capital loans	**9 533**	**13 277**				13 277	
Finance lease liabilities	**8 225**	**10 247**	1 803	1 669	4 263	589	1 923
Trade and other payables	**24 300**	**24 300**	22 723	316	1 263		
Derivative financial instruments							
Foreign exchange forward contracts	**31**	**31**	3	3	12	6	7
Interest rate swaps	**967**	**967**	92	92	368	184	230
Commodity forward contracts	**391**	**391**	391				
Total	**94 010**	**114 464**	**27 306**	**4 374**	**15 080**	**65 545**	**2 161**

COMMODITY RISK

The Group is exposed to commodity risk relating to the availability and price fluctuations of oil. 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 60 per cent of oil and currency risk. The hedging level of bunker oil fluctuates depending on the utilisation of the number of vessels. The rest of the risk is covered with oil hedging derivatives to reduce the open position not covered by the bunker price clauses agreements with the customers. However, oil price movements has a significant meaning for the company’s financial result. Hedging covers that risk only partly.

In 2016, The Group purchased bunker oil 56,7 ktons in Baltics and 13,5 ktons in MED. In the end of 2016 the group engaged in the oil price hedge that final installments due in March 2016. MED's share of the total costs of the bunker oil was 21% in 2016.

Sensitivity of the Group's pre-tax profit arising from financial instruments to changes in the price of oil:

	2016		**2015**	
EUR 1,000	**Change in profit or loss**		**Change in profit or loss**	
+/- 10% change in oil price	-1 412	1 412	-1 469	1 469

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 table below shows the interest-bearing net liabilities and total equity with the leverage ratio.

Capital risk management

EUR 1,000	**2016**	**2015**
Interest bearing liabilities	62 743	66 432
Cash and cash equivalents *)	11 066	9 255
Net liabilities	**51 677**	**57 177**
Total equity	**20 227**	**16 472**
Net gearing %	**255**	**347**

*) Cash and cash equivalents does not include Escrow accounts EUR 203 thousand (2015: EUR 19 911 thousand). Escrow accounts are presented in the current other receivables.

Note 26 Operating leases

The Group as a lessee

Minimum lease payments on non-cancellable operating leases are payable as follows:

EUR 1,000	2016	2015
Within 12 months	3 414	661
1 - 5 years	8 263	1 682
After five years	364	3 602
Total	**12 041**	**5 944**

Amounts recognised in profit or loss

EUR 1,000	2016	2015
Lease expense	3 873	1 322
Total	**3 873**	**1 322**

The Group leases a number of office facilities and one land premise under operating leases.
The Group has also entered into operating leases on certain office supplies, IT machinery, trucks and cars with lease terms mostly between three and five years. The Group has an option, under some of its leases, to lease the assets for additional terms of three to five years.

Note 27 Commitments and contingencies

Collaterals

EUR 1,000	2016	2015
Collaterals for own commitments		
Pledges	203	19 911
Customs' guarantee	1 414	110
Vessel mortgage	23 000	23 000
Company mortgage	96 000	96 000
Corporate mortgages	5 000	5 000
Total	**125 414**	**124 110**

Commitments

At 31 December 2016, the Group had commitments of EUR 125 414 thousand (2015 EUR 124 110 thousand) mainly relating to the completion of the bond issue to finance the new vessel investments and secure daily operations.

Company has a general pledge of EUR 5 000 thousand with the financial institution for the financing of the working capital.

During 2015 company has obtained a bond financing, details provided in note 22.
The bond financing is secured with all the assets of the company as follows:

(a) a first ranking pledge over all of the shares currently issued by the Issuer, provided that any shares issued as a result of a conversion of the Equity Contribution are not required to be pledged by the Equity Investors
(b) a floating charge over the assets in the Issuer in the amount of EUR 96 000 thousand with priority after the EUR 5 000 thousand floating charge provided to Nordea Bank Finland plc
(c) a first priority mortgage in the amount of EUR 23 000 thousand over the Existing Vessel
(d) the Vessel Funding Account Pledge Agreement;
(e) the Container Funding Account Pledge Agreement;

These funding accounts have currently a balance of EUR 203 thousand in Container Funding Account.

During 2016 the Group entered into a construction and sale & leaseback contract regarding four new LNG vessels. These vessels are being built for the Group and vessel construction phase is scheduled for compeltion during 2018. Lease period begins after the completion of construction project, upon delivery of the vessels and execution of sale & leaseback transaction. Lease period is 12 years and the Group has obligation to purchase the vessels for fixed price at the latest 12 years from the commencement of lease period. The total undiscounted lease commitment for four LNG vessels is approximately EUR 139 000 thousand including the purchase obligations. These amounts are not included in the table above at the end of the financial period 2016.

Legal proceedings

The Group has no material pending legal cases at the end of the year 2016. The Group profit is not affected by any major non-recurring legal expense. The Group has settled the claim of the containers´ quality.

There might be a possible settlement case with the former Algerian agency company relating to open receivables from the agent. The company has represented claims to these and other actions related to closing the co-operation with the agent. These claims are totaling to about 2 million euro.

Leasing commitments are presented in note 26.

Note 28 Related party disclosures

The Group’s related parties include Group's ultimate parent company Container Finance Ltd Oy and its subsidiaries and related party companies such as Positen Oy. Container Finance Ltd Oy is jointly owned by Karita, Harri and Kimmo Nordström.

List of subsidiaries see note 5.

In addition the related parties include key management personnel of the Containerhips Group comprising the Board of Directors, the CEO and the members of the Containerships' Group Management team including their family members.

Transactions and outstanding balances with related parties

EUR 1,000	2016	2015
Rendering of services and other income	565	542
Purchases from related parties	19 043	22 256
Interest income	359	243
Interest expense	346	18
Receivables	6 471	5 613
Liabilities	2 632	2 586
Loans from related parties	5 000	4 649
Loans to related parties	4 936	4 936

Sales and purchases from related parties are made on terms equivalent to those that prevail in arm's lenght transactions.

Loans from / to related parties

The parent company has had interest free related party loan of EUR 250 thousand, which has been paid off during 2015.

During 2015 the parent company has received a convertible capital loan of EUR 5 000 thousand from related party company of the ultimate parent company. In 2016 the terms of the loan was amended and the loan was reclassified as hybrid capital loan. More detailed information in Note 20 and 22.

The Hybrid capital loan and the Interests are subordinated to all other debts in the liquidation and bankruptcy of the company.

The parent company has granted a loan to the ultimate parent company of EUR 4 936 thousand
Terms: Interest: 3 months Euribor (minimum 0%) plus 7,5%. Interest paid quarterly
Maturity: April 2, 2019. The Borrower is entitled to prepay the loan prematurely either in installments or in one payment anytime.

Employee benefits of the key management personnel

EUR 1,000	2016	2015
Salaries and other short-term benefits	975	1 215
Total	**975**	**1 215**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Compensation of the Group’s key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan. The Company's management has no defined benefit plans or share-based incentive programs.

Containerships Group's key management personnel consists of the members of the parent company's Board of Directors including CEO and the Group Management team.

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

EUR 1,000	2016	2015
CEO	347	366
Board of Directors:		
Board member A	0	9
Total	**347**	**375**

Note 29 Events after the reporting period

In the beginning of 2017 group has set up a shared service center to Riga which serves the whole group.

CONTAINERSHIPS PLC

INCOME STATEMENT (FAS)

	Notes reference	1.1.-31.12.2016 EUR	1.1.-31.12.2015 EUR
Net sales	1	**167 420 636**	**166 122 858**
Other operating income	2	874 069	1 186 013
Material and service expenses	3	-147 744 598	-153 571 327
Personnel benefit expenses	5	-7 457 623	-6 968 327
Depreciation, amortisation and reduction in val	6	-4 379 548	-4 180 690
Other operating expenses	7	-6 568 593	-6 717 043
Operating profit (loss)		**2 144 344**	**-4 128 516**
Financial income	8	1 396 715	4 184 946
Financial expenses	8	-6 010 468	-7 046 821
Profit (loss) before appropriations and taxes		**-2 469 409**	**-6 990 391**
Appropriations	9	988 816	3 509 969
Income taxes	10	604 243	0
Other taxes		-46 019	0
Profit (loss) for the financial year		**-922 369**	**-3 480 422**

CONTAINERSHIPS PLC

BALANCE SHEET (FAS)

	Notes reference	31.12.2016 EUR	31.12.2015 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	4 277 450	2 982 117
Tangible assets	12	22 687 491	22 842 199
Investments	13		
Shares and similar rights of ownership in Group companies		26 031 926	7 758 670
Other shares and similar rights of ownership		1 552	1 552
Total non-current assets		**52 998 419**	**33 584 539**
CURRENT ASSETS			
Inventories	14	806 117	585 929
Long-term receivables	15	11 893 160	10 425 101
Short-term receivables in Group companies	16	138 335	0
Short-term receivables		23 683 366	42 212 875
Cash and cash equivalents		9 891 952	8 712 282
Total current assets		**46 412 929**	**61 936 187**
TOTAL ASSETS		**99 411 349**	**95 520 726**

CONTAINERSHIPS PLC

BALANCE SHEET (FAS)

	Notes reference	31.12.2016 EUR	31.12.2015 EUR
EQUITY AND LIABILITIES			
EQUITY	17		
Share capital		80 000	19 174
Premium fund		336 827	336 827
Fund for invested unrestricted equity		4 342 213	4 403 040
Retained earnings		1 428 870	4 909 292
Profit (loss) for the financial year		-922 369	-3 480 422
Hybrid Capital Loan		5 000 000	0
Total Equity		**10 265 541**	**6 187 910**
Accumulated appropriations	18		988 816
Long-term liabilities	19		
Convertible Capital Loans		5 685 194	5 249 550
Bonds		51 005 000	50 500 000
Other long-term debt		976 793	6 262 500
Short-term liabilities to Group companies	20	4 598 842	0
Short-term liabilities		26 879 978	26 331 950
Total liabilities		**89 145 808**	**88 344 000**
Total equity and liabilities		**99 411 349**	**95 520 726**

CONTAINERSHIPS PLC

CASH FLOW STATEMENT (FAS)	1.1.-31.12.2016 EUR	1.1.-31.12.2015 EUR
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	-2 469 409	-6 990 391
Adjustments		
Financial income and expenses	4 613 753	2 861 875
Depreciation, amortisation and impairment losses	4 379 548	4 180 690
Profit/loss on sale of tangible non-current assets	-874 069	-1 186 013
Other adjustments	39 730	-32 084
Change in working capital		
Change in trade and other receivables	-1 931 332	-3 156 250
Change in inventories	-220 188	410 261
Change in non-interest bearing current liabilities	3 354 229	2 549 037
Dividend received	920 380	0
Interest received	387 798	309 169
Paid interests	0	-2 147 380
Income tax paid	-46 019	0
Net cash generated from operating activites (A)	8 154 422	-3 201 087
Cash flow from investing activities		
Investments in tangible and intangible non-current assets	-4 156 497	-9 267 063
Investments in subsidiaries and other shares	-18 270 755	0
Sales gains from non-current and current assets	876 604	2 196 396
Loans granted and repayments of loand receivables	0	600
Net cash flow from investing activities (B)	-21 550 649	-7 070 067
Cash flow from financing activites		
Borrowings and repayments of long-term debt (net)	0	42 473 003
Change in Other receivables (Escrow-accounts)	19 708 082	-19 911 370
Loan to parent company	0	-4 935 524
Paid interests and financial costs	-5 140 744	0
Net cash flow of financing activites (C)	14 567 338	17 626 109
Exchange difference from the bank accounts		-457 906
Net change in cash and cash equivalents during the financial year (A+B+C)	1 179 670	6 897 050
Cash and cash equivalents on 1.1.	8 712 282	1 815 233
Cash and cash equivalents on 31.12.	9 891 952	8 712 282

CONTAINERSHIPS PLC

NOTES TO THE FINANCIAL STATEMENT

Notes concerning the preparation of the consolidated financial statements

The financial statements are prepared in accordance Finnish Accounting Principles (FAS). The accounts are to be presented in euro and are prepared with the going concern principle.

Revenues
Revenues comprise sales income, excluding discounts and indirect taxes such as VAT.

Revenue recognition
The company revenue is mainly generated through sales of service. All operative revenues and costs have been recognized according voyage principle - meaning that all partial deliveries in door to door delivery chain has been recognized to certain voyage and month. Individual voyages e.g. in month end - having sailing in two calendar month have been booked to one specified month

Other operating income
Other operating income includes gain on the sale of fixed assets.

Foreign currency transactions
The debts and the receivables in foreign currency are translated in euros using the exchange rate at the closing date. Currency fluctuations related to sales, purchases, accounts receivables, accounts payables and financing are recognised as financial items.

Derivate contracts
The realized gain and loss of derivate contracts used for controlling the currency risks, such as currency swaps, are recognised as financial items. The interest income and expenses of the derivatives used for controlling the interest risk are periodised on agreement period and the interest expense of the item in question is adjusted by them.

Oil hedging
Company is exposed to oil's price- and availability risk. This risk is minimised by operating with wellknown partners and making derivate contracts. Realized gains and losses are included into materials and services.

Intangible and tangible assets
Intangible and tangible assets are measured using the historical acquisition cost less accumulated amortizations and depreciations according to plan. The amortization according to plan of intangible and depreciation according to plan of tangible assets have been calculated as straight-line depreciation based on the useful lives of the assets. In the depreciation plan of the vessel the scrap value is recognised.
Write-off periods:

Intangible assets	5 years
Buildings	10 - 20 years
Machinery and equipment	3 - 10 years
Ship	25 years
Other long-term expenditures	3 - 5 years

Other intangible assets include development costs of the following IT-systems:
Vessel Fleet Management, Quoting and Pricing, Sales Order Management, Business Intelligence, Container Fleet Management and Transport Management system. The costs meeting the criteria for development costs are capitalized and amortized over five years.

Inventories
Vessel stocks of fuel and lubricating oil are recognised as inventories. The inventories are stated using according to FIFO, at the acquisition cost or at lower replacement value or the net realisable value.

Cash and cash equivalents
Cash and cash equivalents consists of cash and bank accounts. Escrow accounts deposits EUR 0,203 million, will be used to pay the investments for containers. Escrow accounts are in the other receivables.

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

Impairment of trade receivables
According to internal accounting policy 50% of the overdues over 180 days and 100% over 360 days to be classified as impairment loss, unless there is a confirmed reason to adjust this amount.

Statutory 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 be reasonably be assessed are recognised as expenses in the profit and loss account and recognised as provisions in the balance sheet.

Income taxes
The income taxes are composed of the accrued taxes based on to taxable profit. They contain also adjustments of the income tax on previous years.

Deferred tax
The company has recognised deferred tax assets of 5 969 thousand (EUR 5 364 thousand at 31 December 2015) relating to the company's unused tax losses carried forward. Management anticipates that the company will generate taxable income against which the losses can be utilized. In making the assessment management has taken into consideration investments in four new LNG vessels in coming three years. As a result of these investments the profitability of the company is expected to improve due to the more efficient fleet and lower operating expenses. The company has in addition to reversal of the depreciations in excess of plan. Furthermore the company also has a possibility in case necessary to enter into sales and leaseback transactions after the bond expires during the period from the 2 April 2019 until 31 December 2019 as in previous years.

CONTAINERSHIPS PLC

Notes to the income statement	1.1.-31.12.2016 EUR	1.1.-31.12.2015 EUR
1. Net sales		
Segment information		
Sea transportation/Freights	65 097 334	65 672 559
Haulage	61 501 689	60 998 268
Stevedoring and terminal operations	40 264 210	38 999 851
Other	557 404	452 180
Total	167 420 636	166 122 858
Finland and EU	97 103 969	96 351 258
Russia	70 316 667	69 771 600
Total	167 420 636	166 122 858
2. Other operating income		
Sales gain on sold of current assets	874 069	1 186 013
3. Material and supplies		
Purchases in the financial year	-13 916 538	-16 989 806
Change in inventories	220 188	-410 261
Total	-13 696 350	-17 400 067
4. Purchased services	-134 048 248	-136 171 260
Total	-134 048 248	-136 171 260
5. Personnel benefit expenses		
Wages and salaries	-6 530 749	-6 247 719
Pension expenses	-1 190 883	-1 046 778
Other personnel costs	264 010	326 171
Total	-7 457 623	-6 968 327
Wages and salaries of Government and Management Members of the Government and Management	-346 565	-366 000
Average number of employees during the financial year		
Average number of blue collars	111	98
Total	111	98

CONTAINERSHIPS PLC

6. Depreciation, amortisation and impairment losses	1.1.-31.12.2016 EUR	1.1.-31.12.2015 EUR
Depreciation according to plan		
Intangible assets	-348 928	-317 169
Other long-term assets	-628 031	-353 553
Machinery and equipment	-3 402 589	-3 509 969
Total	-4 379 548	-4 180 690

7. Other operating expenses

Other personnel costs	-257 346	-189 355
Office costs	-1 385 390	-1 298 241
Purchased services	-2 885 985	-3 274 905
Other operating expences	-2 039 873	-1 954 541
Total	-6 568 593	-6 717 043

Auditir fees and services

Group's main auditor has been in 2016 KPMG Oy Ab.

Audit	102 096	57 160
Tax services	4 704	830
Other services	231 692	70 783
Total	338 491	128 773

8. Financial income and expenses

Financial income

		0
Dividend income	920 380,24	0
Interest income	26 979,86	23 418
Interest income from group companies	360 817,94	285 751
Exchange rate income	88 536,96	3 875 777
Total	1 396 715,00	4 184 946

Financial expenses

Interest expenses	-5 022 304	-3 424 966
Other financial expenses	-1 357 000	-2 529 859
Reduction in value of investments held as non-current assets	0	-330 969
Exchange rate gaines	1 910 721	0
Exchange rate losses	-1 541 885	-761 028
Total	-6 010 468	-7 046 821

9. Appropriations

Change in depreciation difference	988 816	3 509 969
Total	988 816	3 509 969

10. Taxes and other taxes		
Income taxes from ordinary operations		
Deferred tax assets	604 243	0
Other taxes	-46 019	0
Total	558 224	0

CONTAINERSHIPS PLC

Notes to the balance sheet (assets)	31.12.2016 EUR	31.12.2015 EUR
11. Intangible assets		
Development expenditure		
Acquisition cost 1.1.	5 091 946	4 780 904
Increases	1 087 224	311 042
Acquisition cost 31.12	6 179 170	5 091 946
Accumulated amortisations 1.1.	4 194 928	3 877 760
Amortisations under the financial year	348 928	317 169
Accumulated amortisations 31.12	4 543 857	4 194 928
Book value 31.12	1 635 313	897 018
Other long-term assets		
Acquisition cost 1.1.	1 957 114	0
Increases	1 408 440	1 957 114
Acquisition cost 31.12	3 365 554	1 957 114
Accumulated amortisations 1.11	353 553	0
Amortisations under the financial year	628 031	353 553
Accumulated amortisations 31.12	981 584	353 553
Book value 31.12	2 383 971	1 603 561
Advance payments		
Acquisition cost 1.1.	481 538	0
Increases	258 166	481 538
Disposals	-481 538	0
Acquisition cost 31.12	258 167	481 538
Total intangible assets	4 277 450	2 982 117
12. Tangible assets		
Machinery and equipment		
Acquisition cost 1.1.	49 079 812	44 643 299
Increases	3 291 680	6 678 700
Disposals	-480 573	-2 242 187
	51 890 920	49 079 812
Accumulated depreciations on 1.1.	26 237 613	24 320 708
Depreciations of disposals and reclassifications	-436 773	-1 598 453
Depreciations under the financial year	3 402 589	3 509 969
Other changes	0	5 390
Accumulated depreciations on 31.12	29 203 429	26 237 613
Book value 31.12	22 687 491	22 842 199
Total tangible assets	22 687 491	22 842 199

13. Investments	31.12.2016 EUR	31.12.2015 EUR
Shares in consolidated companies		
Acquisition cost 1.1	7 758 670	7 733 670
Increases	18 273 255	25 000
Acquisition cost 31.12	26 031 926	7 758 670
ZAO Containerships, Russia	100 %	100 %
Containerships GmbH, Germany	100 %	100 %
CSD Containerships Deutschland GmbH, Germany	100 %	100 %
Containerships Rotterdam BV, Netherlands	100 %	100 %
Containerships Dublin Ltd, Ireland	100 %	100 %
Containerships UK Ltd, Great Britain	100 %	100 %
UAB Containership, Lithuania	100 %	100 %
Containerships Latvia SIA, Latvia	100 %	100 %
Containerships Polska, Poland	100 %	100 %
Containerships Belgium N.V., Belgium	100 %	100 %
Containerships Denizcilik Nakliyat, Turkey	100 %	100 %
CS LNG Holding Oy	100 %	
Nordic Bergen Schifffahrtsgesellschaft	90 %	
Nordic Turku Schifffahrtsgesellschaft	90 %	
Nordic Copenhagen Schifffahrtsgesellschaft	90 %	
Nordic Kotka Schifffahrtsgesellschaft	90 %	

The ultimate parent company of the Containerships Group
is Container Finance Ltd Oy, which is based in Finland.

In addition to the ownership of the subsidiaries
company has representative offices in Denmark.

	31.12.2016 EUR	31.12.2015 EUR
Other shares and associates		
Historical cost 1.11	1 552	394 814
Disposals	0	-393 262
Historical cost 31.12	1 552	1 552
Zeeland Family Oyj 0,06 %		
Total investments	26 033 478	7 760 222

	31.12.2016 EUR	31.12.2015 EUR
14. Inventories	806 117	585 929
15. Long-term receivables		
Deferred tax assets		
Declared loss from 2009 to 2015	5 968 860	5 364 617
Interest accruals	69 423	124 961
Long-term receivables from group companies	4 935 524	4 935 524
Other long-term receivables		
Multi-Link Terminals Ltd customer rebates 2015 and 2016	832 343	0
Fantuzzi Noell Baltic Ltd guarantee	87 011	0
Long-term receivables total	11 893 160	10 425 101
16. Short-term receivables		
Short-term receivables from group companies		
Sales receivables	11 396 511	10 997 782
Account receivable	138 335	0
Loan receivables	6 339	6 339
Other receivables	340 022	161 087
Total	11 881 206	11 165 207
Short-term receivables from other companies		
Sales receivables	10 570 556	9 681 489
Escrow accounts	203 288	19 911 370
Other receivables	289 196	219 861
Total	11 063 040	29 812 720
Short-term prepayments and accrued income		
Insurances	201 393	225 261
Finnish Maritime Administration	240 000	261 128
Container rent accruals	87 355	137 273
Rent accruals	33 617	18 097
Interest accruals	55 538	55 538
Accrued costs	122 650	32 268
Other	136 901	505 382
Total	877 454	1 234 948
Short-term receivables total	23 821 700	42 212 875

Notes to the balance sheet (equity and liabilities)	**31.12.2016 EUR**	**31.12.2015 EUR**
17. Equity capital		
Restricted equity capital		
Share capital 1.1.	19 174	19 174
Increase	60 826	0
Share capital 31.12	80 000	19 174
Premium fund 1.1.	336 827	336 827
Premium fund 31.12	336 827	336 827
Restricted equity capital total	416 827	356 001
Unrestricted equity capital		
Fund for invested unrestricted equity 1.1.	4 403 040	4 403 040
Change	-60 826	0
Invested unrestricted equity capital 31.12	4 342 213	4 403 040
Retained earnings 1.11	1 428 870	4 909 292
Retained earnings 31.12	1 428 870	4 909 292
Profit/loss from the financial year	-922 369	-3 480 422
Unrestricted equity capital total	4 848 714	5 831 909
Hybrid capital loan 1.1.	0	0
Increase	5 000 000	0
Hybrid capital loan 31.12.	5 000 000	0
Total equity 31.12	10 265 541	6 187 910
Development expenditure	1 635 313	0
Distributable funds	3 213 401	5 831 909

18. Accumulated appropriations		
Depreciation difference	988 816	4 498 785
Change of depreciation difference	-988 816	-3 509 969
Total	0	988 816
Deferred tax liabilities of depreciation difference	0	197 763
Equity Capital share of depreciation difference	0	791 053
	0	988 816

Hybrid Capital Loan
Hybrid capital loan, total of EUR 5 000 thousand.
The loan have no maturity date but the company has the right to repay the loan at the moment bond is expiring.
The loan interest rate is 8% and the Interest accrues from the issue date until, and be payable at, the time of repayment of the hybrid capital loan. If interest is paid to the hybrid capital loan it is recognised directly in retained earnings and unpaid interest is accrued.

The hybrid capital loan and the Interests are subordinated to all other debts in the liquiditation and bankruptcy of the company.

If the Investors have not chosen to exercise its right to subscribe for shares, the hybrid capital loan shall not be repaid, but the interest level will increase from after the bond has been refinanced or latest by April 30, 2019, according to the agreement. The loan from related party was initially issued in 2015 and presented as a convertible notes in non-current liabilities in 2015 financial statements. Due to amendments in the terms of the contract, the loan was reclassified 29.12.2016 from non-current liabilities to equity.

	31.12.2016 EUR	31.12.2015 EUR
19. Long-term liabilities		
Loans from financial institutions		0
Bonds	51 005 000	50 500 000
Convertible capital loans	5 685 194	10 249 550
Other long-term liabilities	976 793	1 262 500
Total	57 666 987	62 012 050
Long-term liabilities total	57 666 987	62 012 050

Bond issue
EUR 50 500 thousand bond issue is secured and is repayable full on 31.3.2019. EUR 45 500 thousand raised in May 2015 and EUR 5 500 thousand in October 2015.
The Interest rate is 7,5% added with Euribor 3 months.

Convertible capital loans
Convertible capital loans, total of EUR 5 000 thousand, interest rate is 8% and the Interest accrues from the issue date until, and be payable at, the time of repayment of the convertible capital loans.
If the Investors have not chosen to exercise its right to for shares, the convertible capital loan shall be repaid togethe r with interest on April 30, 2019.

20. Short-term liabilities

	31.12.2016	31.12.2015
Short-term liabilities to group companies		
Trade payables	6 367 324,97	7 593 853
Account debt	4 598 842,27	0
Loans	2 108 293,00	0
Other	0,00	13 905
Total	13 074 460,24	7 607 757
Short-term liabilities to other companies		
Loans from financial institutions	0,00	4 294 638
Trade payables	11 486 968,77	9 835 848
Other liabilities	864 070,55	1 613 972
Short-term accrued expenses	6 053 321,07	2 979 734
Total	18 404 360,39	18 724 192
Short-term accrued expenses		
Salaries	1 173 649,04	945 271
Loan interests	1 036 961,01	1 013 803
Accrued costs	1 073 987,00	995 837
Other accrued expenses	2 768 724,02	24 823
Total	6 053 321,07	2 979 734
Short-term liabilities total	31 478 821	26 331 950

Loan interests include bond interest 957.396 €.

21. Commitments and contingent liabilities	31.12.2016 EUR	31.12.2015 EUR
Loans for which the collateral is given		
Bond security	51 005 000	50 500 000
Other collaterals		
Vessel mortage	23 000 000	23 000 000
Company mortgage	96 000 000	96 000 000
General pledging	5 000 000	5 000 000
Other pledged assets		
Pledged Escrow bank accounts	203 288	19 911 370
Other collaterals		
Customs' guarantee	1 414 460	110 000

22. Derivate contracts	Markkina-arvo	Markkina-arvo
Currency- and interest derivates		
Currency swaps	0	31 000
Interest derivates	-1 358 000	-967 000

Maturity analysis of financial liabilities 2016

1 000 EUR	Amount	Total	0-6 m	7-12 m	2018-2019	2020	2021
Interest Rate Swaps	**1 358**	**1 358**	160	160	640	320	78

The interest rate swaps are utilized in order to cover the interest expenses of the bond. The interest expenses of the bond is divided to the maturity period. Therefore, it is reasonable to handle the interest rate swaps as commitments and contingent liability in order to harmonize swap and underlying interest expenses to the same accounting period.

The interest rate swap can be terminated before maturity. Current market value of interest rate swap reflects the termination costs.

Oil hedging		
Oil hedging	187 600	-391 000

23. Future leasing payments

Due within one year from balance sheet date		
Container leases	2 548 579	2 543 336
Other leases	1 110 868	499 239
Due later than one year from balance sheet date		
Container leases	4 426 179	4 517 017
Other leases	2 219 179	673 132
Total	10 304 805	8 232 723

Term of notice for leased containers is generally 2 months.
Out of 3.190 leased containers (finance lease agreements) can be redeemed at the end of lease period during 2017-31.3.2024
Other equipment leaseagreements terminate during 2017-28.9.2021. Generally these leaseagreements do not have redemption clauses.

CONTAINERSHIPS GROUP

BOARD PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

The parent company's distributable funds according to the balance sheet at 31 December 2016 were EUR 3 213 thousand.

The Board of Directors proposes that no dividend will be paid on the company's shares and the loss for the financial year 2016 EUR 922 thousand will be carried further in the retained earnings.

Helsinki, 14 March 2017

Signatures of the Board of Directors and the CEO to the Report of the Board of Directors and the financial statements.

Kimmo Nordström
Chairman of the Board

Harri Nordström
Member of the Board

Kari-Pekka Laaksonen
CEO

Karita Nordström
Member of the Board

AUDITORS' NOTE

Our auditor's report has been issued today

Helsinki , March 2017

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

CONTAINERSHIPS PLC

LIST OF ACCOUNTING JOURNALS

Accounting journal	Voucher type	Storage method
Balance book		Tied
Journal and general ledger		IT
Cash journal		IT
Sales ledger vouchers	CI, BR, DR	Paper
Purchase ledger vouchers	FL, KR, BP, DG, IT, DK	Paper
Bank and cash vouchers	BD, BS, CD	Paper
Journal entries	SA, PY, PD	Paper

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

Auditor's Report

To the Annual General Meeting of Containerships Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Containerships Plc (business identity code 0818358-5) 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.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Accuracy of net sales and valuation of trade receivables (Refer to notes 3, 6 and 18 to the consolidated financial statements)	
— Due to the large number of sales transactions, the accuracy of net sales is considered a key audit matter. — Part of the Group's trade receivables, in aggregate EUR 25.5 million, may be exposed to a higher than normal risk due the prevailing economic or political situation in those countries. The carrying amount of trade receivables is based on a reasonable estimate of their fair values made by management. The Group recognised impairment losses on trade receivables amounting to EUR 0.3 million in the financial year 2016.	— We performed the following audit procedures, among others: evaluation of the revenue recognition principles used by the Group by reference to the applicable financial accounting standards, testing internal controls surrounding the completeness, accuracy and appropriate timing of revenue recognition and assessment of the revenue recognition principles presented in the notes to the consolidated financial statements. — In respect of the Group's trade receivables our audit procedures included, for example, assessment of the basis for impairment provision made by management and receivable confirmations. We tested management's estimates by considering the ageing analysis and other documentation supporting the valuations.
Recoverability of non-current assets (Refer to notes 3, 13, 14 and 15 to the consolidated financial statements)	
Deferred tax asset	
— The consolidated balance sheet included a deferred tax asset amounting to EUR 6.0 million arisen from unused tax losses incurred in the parent company. Management anticipates that future taxable profit will be available to the parent company against which those losses can be utilised.	— Our audit procedures covered critical analysis of the future profit forecasts prepared by management and assessment of the accuracy of key calculations underlying the forecasts. We evaluated the key assumptions used in the calculations, such as revenue growth in the parent

The parent company's future revenue forecasts are significantly affected by the new investments in LNG-fuelled vessels (see the section Property, plant and equipment below).

company and profitability, as well as other opportunities the parent company has to utilise the deferred tax asset in near future, which are described more in detail in the notes to the consolidated financial statements.

Goodwill

— The goodwill balance in the consolidated balance sheet amounts to EUR 6.5 million. Goodwill is not amortised, but is tested at least annually for impairment. The assumptions made by management regarding impairment tests, for example over discount rate and growth rate, are judgmental.

— We critically analysed the estimates and assumptions made by management upon which future cash flow forecasts are based. We involved KPMG valuation specialists that assessed the appropriateness of the discount rates used and compared the assumptions used to market and industry information. We also performed audit procedures to assess the technical accuracy of the calculations and considered the appropriateness of the Group's notes in respect of goodwill and impairment testing.

Property, plant and equipment

— The Group's operations are dependent on available vessels and containers. Property, plant and equipment carried at EUR 57.9 million represent a significant part, 48 per cent of the group's balance sheet total. In the financial year 2016 the parent company entered into a contract for investments in four new LNG vessels which will be delivered during 2018 in accordance with the contract. The property, plant and equipment balance includes advance payments made in respect of the said vessel investment in the financial year 2016 amounting to EUR 17.2 million. The vessel investment will also significantly impact the group's future cash flow forecasts.

— Our audit procedures comprised, among others, inspecting the new vessel investment contracts to assess the accuracy of accounting for advance payments, agreeing the non-current asset register to the general ledger, analysing the technical accuracy of the Group's finance lease calculations, assessing the appropriateness of the depreciation periods applied and testing the accuracy of depreciation accounting. We involved KPMG valuation specialists when assessing the valuation of a vessel included in the parent company's balance sheet (carrying amount EUR 13.6 million). We also performed audit procedures to assess the technical accuracy of the calculation and critically analysed the assumptions used by management.

Financing (Refer to notes 3, 19, 21 and 22 to the consolidated financial statements)

- For the investment in LNG-fuelled vessels the parent company issued a secured senior high yield bond with the aggregate amount of EUR 50.5 million in the previous financial year. Certain terms and conditions of the bond were amended in 2016. The bond matures on 31 March 2019. Furthermore, the parent company has convertible capital loans amounting to EUR 10 million, of which EUR 5 million with interests will become payable on 30 April 2019 unless the investors exercise their conversion rights.
- The consolidated cash and cash equivalents totaled EUR 11.1 million at the financial year-end. The Group has previously faced challenges in respect of short-term financing due to the weaker than expected market, among others.

- In respect of financing our audit procedures included, for example, inspection of the amended finance agreements to assess the accuracy of the accounting treatment and assessment of the appropriation of the Group's notes.
- We analysed the Group's budget for the year 2017 and critically evaluated the assumptions made by management.

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 scepticism 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report.

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 other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, 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 on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 14 March 2017

KPMG OY AB

KIMMO ANTONEN
Authorised Public Accountant, KHT