Containerships Plc Financial Statements 15 March 2017, at 09:00

Containership Plc's Financial Statement for 1 January – 31 December 2016

Containerships plc's Financial Statement 2016 and the Report of the Board of Directors has been published. Financial statement includes complete Containerships plc's Financial Statement, Group's Financial Statement and Auditor's report. The Group has also published Corporate Governance. Financial Statement and Board of Directors' report are attached to this release and also available on Group's website www.containershipsgroup.com both in Finnish and in English. Corporate Governance will be published also on Group's webpage.

Financial result 1-12/2016

- Net sales EUR 197.9 million (EUR 199.6 million in 2015)
- EBITDA EUR 13.9 (8.3) million which is 7.0% of net sales (4.2 % in 2015)
- Net profit EUR -1.4 million (EUR -6.7 in 2015)
- In 2017 the net sales are expected to grow by 5-10% and the profitability (EBITDA) improve on the previous year.

Containerships Plc is a 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. Containerships plc's bond totalling EUR 50.5 million issued on 2 April and 28 October 2015 has been listed on Nasdaq Helsinki since 1 April 2016.

Key Figures

Containerships Group	**2016**	**2015**	Change
Key Figure	IFRS	IFRS	
Net Sales, Meur	197.9	199.6	-1,6
EBITDA, Meur	13,9	8.3	5.6
EBITDA -%	7.0%	4.2%	
EBIT, Meur	5.9	-0.4	6,3
EBIT-%	3.0%	-0.2%	
Net Profit, Meur	-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, Meur*	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' x 100
Equity ratio = Equity/ total assets x 100
Equity ratio, adjusted = (Equity + capital loans)/ Total assets x 100
* Net interest bearing debt is calculated according to bond terms (does not include the capital loans)

Operating environment

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.

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

In 2016, freight rate levels continued to decrease partly due to low oil prices, but the sharp increase in bunker prices during the last quarter impacted directly on the Group's operating expenses. At the same time, Russia and Libya 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.

Freight volume between North Europe and Continental Europe remained fairly well balanced in 2016. The United Kingdom's withdrawal from the European Union did not yet have an impact on cargo volumes. Similarly, in the Mediterranean, there was no major change in shipping between Turkey and North Africa compared to 2015. 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. In 2015, as a consequence of SECA (Sulphur Emission Control Area), part of vessels started using more expensive oil while the other part invested in scrubbers. In July 2016, SOLAS (The International Convention for the Safety of Life at Sea) was supplemented with VGM regulation which demands the registration of container's precise gross weight. It has incremented the information about real weight of containers and specified the cargo plans and stability calculations.

Financial performance and the Board's proposal for profit distribution

Consolidated net sales for the financial year remained at the same level as the previous year. The operational result increased significantly.

Consolidate net sales for the year was EUR 197.9 (199.6) million. Net sales for the fourth quarter was EUR 50,6 (51,0) million.

Recorded EBITDA was EUR 13.9 (8.3) million, an improvement of EUR 5.6 million or almost 70%. EBITDA for the fourth quarter was EUR 3.8 (2.3) million. The improvement was achieved through better operational efficiency and the low price level of oil. The consolidated operating profit for the full year of EUR 5.9 (-0.4) million was also an improvement. The operating profit for the fourth quarter was EUR 1.8 (0.85) million. The investments in the Group's growth according to the strategy have increased financial costs resulting in a net negative result of EUR -1.4 (-6.7) million.

The Group's equity ratio was 16.8% (13.9%). The Parent Company has two equity loans totaling EUR 10 million. One of which, EUR 5 million, is reported as a hybrid capital loan as part of the equity in the financial report, and the other, 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 EUR 12.4 (8.9) million. Operational cash flow during the fourth quarter was EUR 7.6 (5.1) 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. The Group's cash position was at the satisfactory level of EUR 11.1 (9.3) million by the end of the year.

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.

Investments

Investments in 2016 were EUR 21.8 (12.5) million in total. The Parent Company paid the prepayment of EUR 17.2 million for the four new LNG-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 EUR 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 EUR 5 million net investments to containers.

Personnel

Group companies employed an average of 532 (547) persons in 2016, of which 98 in Finland. Group had employees in 14 countries. Total personnel costs were EUR 21.9 (21.8) million, of which the members of management and the members of the Board of Directors accounted for EUR 1.0 (1.2) million.

Group structure and owners

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. The home member state of Containerships Finance Ltd Oy is Finland. Year 2016 was Containerships´50th operating year.

Containerships Plc consists of the Parent Company Containerships Plc and the 19 subsidiaries each of which it owns 90 per cent at minimum. The Group operates in 21 countries.

Targets and strategy

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

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

Significant events during the reporting period

Due to market situation changes in the ship-building industry in China, the Group transferred its building contract for four LNG vessels to a new shipyard. Based on this change, the Group 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. Implemented changes caused an approximate 9–12 months 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 EUR 17.2 million for these 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 EUR 17 million. It is a co-operation project together with four participants investing in development of environmentally friendly logistics 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.

In 2016 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. As a result of the new VGM regulations that came into force in July 2016 regarding the reporting of weights of containers, a new flow of information and computer systems between the Group, shippers and terminals have been developed.

Corporate Governance

The Annual General Meeting on 6 June 2016 adopted the Financial Statements and discharged the Members of the Board of Directors and the CEO from liability for the financial year 1 January -31 December 2015. Annual general meeting re-elected Kimmo Nordström (chairman), Harri Nordström and Karita Nordström as board members. They each own 33.3 % of Containerships Finance Ltd shares. Authorised Public Accounting firm KPMG was elected as the Auditor of the Company Kimmo Antonen will act as the Principal Auditor.

The Group's CEO is Kari-Pekka Laaksonen. At the period end, the management team of the Group consisted of the CEO, CFO Jari Lepistö, COO Frederic Leca, CBDO Juha-Pekka Mäkelä and Director of Land Operations Antti Laukkanen. Jari Lepistö took over his position in February 2016.

Environmental responsibility

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 similar systems has later been installed also in four other vessels.

At the end of 2016 the Group had 40 LNG-fuelled trucks. In 2018, the Group will bring into use four LNG-powered vessels. The aim is to be the first company to offer a full transport chain based on LNG-powered solutions in its market area. The use of LNG reduces the sulphur emission by 99% and fulfils the tightening regulations being set for NOX, particle and CO_2 emissions.

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%.

The Group has a certified ISO-9001 Quality Management System and has been granted ISO-14001 Environmental Certification.

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. Some markets in North Africa are exposed to political and economic insecurity. For instance, growing insecurity in Libya has increased handling times in ports.

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. The UK withdrawal from the EU may cause a decrease in cargo flows to the UK. However, on the other hand, it may strengthen the country's exports.

Financial risks are described in more details in the notes of the Group financial statements.

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 EUR 2 million to the ex-agent. According to the agency agreement, the possible dispute will be solved in mediation handling, which procedure the Group estimates to begin in Spring 2017.

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 (EBITDA). The Group continues its growth through investments in LNG technology.

Events after the end of the financial year

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

These financial statements have been prepared in accordance with the IFRS accounting and measurement principles. The Group did not report the full IFRS quarterly reports during 2015, but the annual report from 2015 was made according to IFRS standards. The financial statement is audited.

Further information:

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Containerships Plc will publish its´ financial reports as follows:
- January-March interim report on Tuesday 16 May 2017
- Half year report on Tuesday 15 August 2017
- January-September interim report on Tuesday 14 November 2017

Appendix as separate pdf

Quarterly report 2016 (below)
Containerships Group Financial Statement 2016
Report of the Board of Directors
Containerships plc Financial Statement 2016
Auditor's report

Quarterly report 2016

PROFIT & LOSS STATEMENT, GROUP

EUR 1 000	Q4/2016	Q3/2016	Q2/2016	Q1/2016	1-12/2016	1-12/2015	Diff
Net sales	**50 615**	**48 397**	**49 788**	**49 136**	**197 936**	**199 579**	**-1 642**
Other operating income	894	526	675	888	2 983	4 917	-1 934
							0
Material and services expenses	-35 556	-37 463	-39 309	-38 352	-150 679	-160 190	9 511
Employee benefit expenses	-5 731	-5 392	-5 455	-5 361	-21 939	-21 843	-96
Other operating expenses	-6 427	-2 676	-2 281	-3 042	-14 426	-14 178	-248
EBITDA	**3 796**	**3 393**	**3 418**	**3 269**	**13 876**	**8 286**	**5 590**
Depreciation, amortisation and impairment losses	-1 978	-2 025	-2 064	-1 948	-8 016	-8 700	684
EBIT	**1 817**	**1 368**	**1 354**	**1 321**	**5 860**	**-414**	**6 274**
Financial income	2 419	324	133	931	3 807	5 936	-2 130
Financial expenses	-3 660	-2 139	-2 009	-3 404	-11 212	-13 176	1 965
Profit/loss before extraordinary items, appropriations and taxes	**577**	**-448**	**-522**	**-1 153**	**-1 545**	**-7 654**	**6 109**
Income taxes	236	-112	-53	40	111	924	-813
Profit/loss for the reporting period	**813**	**-560**	**-575**	**-1 112**	**-1 434**	**-6 730**	**5 296**

EBITDA %	7,5 %	7,0 %	6,9 %	6,7 %	7,0 %	4,2 %	
Operating profit %	3,6 %	2,8 %	2,7 %	2,7 %	3,0 %	-0,2 %	
Net Profit %	1,6 %	-1,2 %	-1,2 %	-2,3 %	-0,7 %	-3,4 %	