Containerships plc Stock Exchange release 16 August 2018 at 9 am EEST

**Containerships plc's half year report H1/2018**

**H1/2018: Net Sales up almost 15% and Net Profit up EUR 1.7 million**

- Net Sales EUR 126.5 (110.5) million
- EBITDA EUR 8.0 (7.1) million
- Net Profit EUR 1.8 (EUR 0.1) million
- The majority owner of Containerships plc, Container Finance Ltd Oy, and CMA CGM group have signed an agreement 20th of June 2018, pursuant to which the container shipping and logistics business Containerships and Container Finance's holdings in Multi-Link Terminals Ltd and CD Holding Oy, will become part of CMA CGM Group. The agreement remains subject to approval by the authorities

**Q2/2018: Continued strong Net Sales growth, challenge from change in bunker price**

- Net Sales EUR 63.9 (EUR 54.8) million
- EBITDA EUR 4.0 (EUR 3.6) million
- Net Profit EUR 1.3 (-EUR 0.5) million
- Group has updated its estimation for the future outlook. Net Sales are expected to grow by 10% and EBITDA for the full year is expected to improve on the previous year

**Key figures**

| Key figures, IFRS | 4-6/2018 | 4-6/2017 | Change | 1-6/2018 | 1-6/2017 | Change | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net Sales, €m | 63,9 | 54,8 | 16,5 % | 126,5 | 110,5 | 14,5 % | 226,7 |
| EBITDA, €m | 4,0 | 3,6 | 11,8 % | 8,0 | 7,1 | 13,1 % | 15,2 |
| as % of Net Sales | 6,3 % | 6,6 % | | 6,3 % | 6,4 % | | 6,7 % |
| EBIT, €m | 2,3 | 1,7 | 37,1 % | 4,6 | 3,2 | 45,2 % | 7,8 |
| as % of Net Sales | 3,6 % | 3,1 % | | 3,6 % | 2,9 % | | 3,4 % |
| Net Profit, €m | 1,3 | -0,5 | | 1,8 | 0,1 | 1747,0 % | 0,2 |
| as % of Net Sales | 2,0 % | -0,9 % | | 1,5 % | 0,1 % | | 0,1 % |
| Equity ratio | | | | | | | 16,0 % |
| Equity ratio, adjusted | | | | | | | 20,8 % |
| Personnel, on average | 690 | 605 | | | | | 633* |

Containerships discloses EBITDA and adjusted equity ratio as alternative key figures because management considers them to better describe the Group's EBIT and financial position and to improve comparability. The consolidated statement of comprehensive income shows the reconciliation of EBITDA on EBIT. Equity ratio adjusted (Equity/total assets x 100) includes a capital loan of 15 million. However, these alternative key figures do not replace key figures in accordance with IFRS.
*2018 personnel on average figure is 690. Updated number of personnel for 31.12.2017 is 633, original figure of 2017 (562) did not include part of the truck drivers.

**CEO's review**

Kari-Pekka Laaksonen: EBIT for the second quarter was EUR 2.3 (EUR 1.7) million, up 37.1 %. This increase was attributable to the positive development in Net Sales, which grew 14.5 % during the first half of the year and 16.5 % during the second quarter. EBIT for the first half of the year was EUR 4.6 (EUR 3.2) million, which is according to plan. Improved EBIT was particularly affected by higher fuel costs compared to the same period a year earlier. We aim to further improve business profitability through vessel optimisation, route planning and other savings programmes designed to reduce costs.

Group has updated the estimation for the future outlook. In 2018, Net Sales are expected to grow by 10% and EBITDA for the full year is expected to improve on the previous year.

**Market conditions and significant events**

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 12% of the group's revenue.

There were no significant changes in the operating environment during the reporting period. The Russian market has remained challenging due to economic sanctions and the country's overall economic situation. The United Kingdom's Brexit decision has at least not yet impacted the company's business. No significant changes are estimated to occur in the operating environment in the near future.

The company continues to progress on its chosen investment path based on its environmentally friendly LNG strategy. A start has been made on building the four LNG vessels of which two will be delivered to the company during September-December 2018 and two will be delivered during January-March 2019. The company has increased the number of LNG-fuelled trucks in Great Britain and is exploring the possibilities to increase the number of LNG-fuelled trucks also in the Netherlands and Finland.

In the Mediterranean region, the group's own agency activities in Algeria began in autumn 2016 continue to show profitable growth. Business in Tunisia and Libya is being developed in partnership with local agents.

Container Finance Ltd Oy and CMA CGM group have signed an agreement pursuant to which the container shipping and logistics business Containerships and Container Finance's holdings in Multi-Link Terminals Ltd and CD Holding Oy, will become part of CMA CGM Group. Upon closing Container Finance's entire container logistics operations will integrate CMA CGM intra-regional market offering in Europe and Mediterranean area. The CMA CGM Group is one of leading maritime transport companies in the world. The agreement remains subject to approval by the authorities and the estimated closing is between 3-6 months.

**General information**

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

Containerships Group consists of the parent company Containerships plc and the 19 subsidiaries each of which it owns 90 per cent at minimum. The Group operates in 22 countries.

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

**Financial performance**

The company's Net Sales for the first half of the year were EUR 126.5 (EUR 110.5) million, up 14.5 % year on year. Net Sales in the Baltic Sea and North Sea (CSL Baltic) segment accounted around 88% (88%) of Net Sales and the Mediterranean (CSL Med) segment for 12% (12%). Business volumes in the Baltic Sea and North Sea were up around 14%. Despite the challenging market conditions and competition in the Mediterranean, the company managed to increase business volumes and profitability. Improved market prices increased profitability in the Mediterranean market. The company developed its operations to respond better to customer needs and this resulted in an upswing in sales during the second quarter. It is thought that driven by these actions, positive progress made in the Mediterranean will continue during the rest of the year.

Operative profitability improved slightly in the first half of the year: EBITDA showed an improvement of EUR 0.9 million and operating profit an improvement of EUR 1.4 million compared to the previous year. EBITDA for the first half of the year was EUR 8.0 million, equating to 6.3 % of Net Sales (EUR 7.1 million, 6.4%). Operating profit was EUR 4.6 million, equating to 3.6% of Net Sales (EUR 3.2 million, 2.9 %). EBIT in the CSL Baltic segment was EUR 4.1 million (EUR 3.5) million and CSL Med segment posted an operating profit of EUR 0.5 (loss of EUR 0.3) million. Operational efficiency measures, in particular better utilization rates, drive improved profitability. On the other hand, the rise in the price of oil on the global market and higher fuel prices added a significant increase of EUR 4.1 million to operating costs, which in turn constrained profitability improvement.

Net Profit for the first half of the year was EUR 1.8 (EUR 0.1) million, up EUR 1.7 million. Financial income and expenses fluctuated because of movements in currency exchange rates and were higher than earlier in the second quarter, which increased deferred items. Some of the interest costs on the bond have been capitalised in the cost of building ships in accordance with IFRS reporting since the prepayments for the vessels were made in October 2016.

The equity ratio stated in IFRS reporting excludes a capital loan of around EUR 5 million. Adjusted equity is around EUR 26 million, whereas in the IFRS calculation it is around EUR 21 million.

**Balance sheet, financing and cash flow**

The company's operational cash flow was stronger than a year earlier and was EUR 4.4 (EUR 1.6) million positive. Cash and cash equivalents amounted to EUR 9.2 (EUR 4.3) million at the end of the reporting period.

**Investments**

During the reporting period, the group's gross investments were EUR 5.3 (EUR 3.5) million, including investments in intangible and tangible assets. Investments were allocated mainly to acquisitions of containers, machinery and equipment (EUR 2.3 million), vessels (EUR 1.1 million) and intangible assets (EUR 1.9 million). Depreciation and impairments totalled EUR 3.4 (EUR 3.9) million.

**Personnel**

During the reporting period, the group employed an average of 690 (605) persons. Additional resources in the truck drivers and group's service center accounted for most on the increase in employee numbers.

**Risks and risk management**

The group's main risks currently relate to the possibility of an escalation in political tension in its operating areas in the Baltic Sea and in the Mediterranean Sea. In addition, the sudden increase of the oil price causes an increase of the operational costs, which the group can compensate only with a delay. Changes in the World economic fluctuations may have an impact on 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 company website and in Financial Statement's annexes. The company does not consider there to have been any material changes in risks during the reporting period.

**Disputes**

Containership plc's pending disputes are discussed in the 2017 financial statements. The group had no material legal cases pending at 30 June 2018. A possible dispute might arise concerning the open payments of the ex-agent in Algeria. The group has made a claim of approximately EUR 1.8 million to the ex-agent. According to the agency agreement, the possible dispute will be solved in mediation handling in London. The group estimates this procedure to begin during autumn 2018.

**Events after the reporting period**

There are no significant events to report after the end of the reporting period.

**Outlook**

Group has updated its estimation for the future outlook. In 2018, Net Sales are expected to grow by 10% and EBITDA for the full year is expected to improve on the previous year.

Work will continue on improving operating efficiency. Efforts will be made to develop sales work in particular by focusing on those segments and regions where growth can be captured and by further improving efficiency especially in those regions. The company does not expect any major changes in market conditions. The challenging situation in the Mediterranean is expected to continue.

Work on building the LNG vessels is ongoing and delivery will take place as planned in 2018 and during first quarter of 2019. In addition, the company will continue to focus on developing LNG-fuelled truck traffic.

Containerships will publish its Q3 report on Thursday 15 November 2018.

Containerships plc

Board of Directors

Kari-Pekka Laaksonen, CEO

**Further information:**

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**ATTACHMENTS: Attachment 1**

- Consolidated statement of comprehensive income, IFRS
- Consolidated balance sheet, IFRS
- Consolidated statement of changes in equity, IFRS
- Consolidated statement of cash flows, IFRS
- Net Sales and earnings by segment
- Tangible assets
- Intangible assets
- Fair value hierarchy
- Commitments and contingent liabilities
- Related party transactions
- Quarterly Net Sales and earnings

**DISTRIBUTION**

Nasdaq Helsinki Oy

Key media

www.containershipsgroup.com

**Reporting and accounting principles**

*Interim reports are prepared in accordance with IAS 34 Interim Financial Reporting. Containerships plc has reported its results in accordance with IFRS accounting principles since the start of 2016. All figures have been rounded and thus aggregated amounts can deviate from presented figures.*

*The information presented in this half year report is unaudited*.

*At the beginning of the financial year, the group adopted IFRS 9 Financial Instruments and IFRS 15 Sales from Customer Contracts that came into effect on 1 January 2018.*

*IFRS 9 replaced the previous IAS 39 Financial Instruments: Recognition and Measurement Standard. IFRS 9 includes a revised guidance on the classification, recording and measurement of financial instruments. The Group's financial assets and liabilities are classified as financial assets and liabilities at amortized cost or financial assets at fair value through profit or loss in accordance with IFRS 9. The group has no financial instruments at fair value through other comprehensive income items. IFRS 9 also includes a new accounting treatment for expected credit losses that is used to determine impairment losses on financial assets. Containerships apply the standardized simplified procedure under which impairments are recognized at an amount equal to the expected impairment of the entire term of validity. The provisions* *on general hedge accounting have also been revised. Containerships has not applied hedge accounting in accordance with IAS 39. Intangible assets are classified as at fair value through profit or loss to be recognized in financial assets and liabilities. The provisions of IAS 39 on recording and off-balance sheet recognition of financial instruments have been retained. The IFRS 9 standard was retroactively introduced, with the exception of the reclassification of financial assets and liabilities, the introduction has no impact on the consolidated financial statements.*

*IFRS 15 replaced the current revenue recognition guidelines and created a comprehensive framework to determine whether and to what extent sales proceeds can be recorded. IFRS 15 includes a five-step model for the recognition and volume of sales revenue. Revenue is recognized when a change of control is passed on to a customer, which is deemed to occur when a company transfers ownership of a commodity to a customer over a period of time or at a certain point in time. The IFRS 15 standard was retroactively introduced using practical tools. The commissioning has had no effect on the amount or timing of the booked sales revenue. Door-to-door shipment consists of container and inland container transport, which are treated as separate execution obligations and for which sales revenues are mainly recorded over time.*

*Future new standards that will affect the company's consolidated financial statements:*

*The IFRS 16 Leases Standard replaces IAS 17 and its related interpretations. The Standard shall be applied for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognize lease agreements in the balance sheet as a lease payment obligation and a related asset item. Recognizing the balance sheet is much like the accounting treatment of finance leases under IAS 17. There are two reliefs in the balance sheet covering short-term leases of up to 12 months and a maximum of USD 5,000. The accounting treatment of the lessees will largely remain in line with current IAS 17. The Containerships Group estimates that IFRS 16 increases the balance sheet for long-term assets and interest-bearing liabilities and affects key figures such as debt and equity ratio. In addition, the application of IFRS 16 also affects the profit and loss account as future write-offs and interest expense on lease liability will be recognized. The group has not yet determined the quantitative effects of the introduction of IFRS 16. The rental liabilities as determined by group IAS 17 on 30 June 2018 were 16.4 million.*