CONTAINERSHIPS GROUP

FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS 2018

Business identification code: 0818358-5

Domicile: Espoo

TABLE OF CONTENTS

Business identification code:	0818358-5
Main office:	Espoo, Finland
Address:	Linnoitustie 6 C, 02600 Espoo, Finland
Website:	www.containershipsgroup.com

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

REPORT OF THE BOARD OF DIRECTORS 2018

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 13% 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 2018 was €268.0 million. Containerships plc's bond totalling €60.0 million is listed on Nasdaq Helsinki (Helsinki stock exchange) and is repayable in 2021.

The combination agreement between Container Finance Ltd Oy and CMA CGM was closed on 31.10.2018. Upon closing the agreement, Containerships plc became part of CMA CGM's intra-regional market offering in Europe and Mediterranean area.

The CMA CGM group is world leader of maritime transport. CMA CGM group's CEO is Rodolphe Saadé. Groups 494 ships serve more than 420 ports worldwide on the five continents. In 2017, they transported nearly 19 million TEU. CMA CGM employs more than 30.000 persons in the world and 2.400 in Marseilles where its headquarters is located. CMA CGM is present in 160 countries via its network of 755 agencies. CMA CGM is committed to LNG technology by having ordered nine 22.000 TEU LNG vessels.

Containerships Corporate Governance is published on the Group's Internet page www.containershipsgroup.com > Corporate Governance.

OPERATING ENVIRONMENT

In 2018, 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 2018.

Oil prices impact the logistics sector in various ways. Sharp increase in bunker prices that started from the last quarter of 2017 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 2018, 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 June 2016, the United Kingdom voted to withdraw from the European Union. Brexit did not have an impact on cargo volumes in 2017. In the future, the UK's withdrawal from the EU may cause a decrease in cargo flows to the UK. However, on the other hand, it may strengthen the country's exports.

THE MARKET OVERVIEW

Overall freight volumes in the Group's area of operation increased in 2018. 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 2018, while overall volume growth was 18%. In the Mediterranean the shipping between Turkey and North Africa grew 4% compared to 2017.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

First of the new LNG vessels was delivered in December 2018 and the rest three of the previously ordered LNG cargo ships will be delivered during 2019. According to the strategy, the Group continued to invest in sustainable development. At the end of the year, Containerships Group had 40 LNG-powered trucks in Great Britain and 16 units in other markets. Figures include contracted 15 units in Netherlands market.

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 2018 (2017)

Group consolidated net sales for the period grew from previous year and were €268.0 million (€226.7 million) but the operational result weakened. Recorded EBITDA was €13.3 million (€15.2 million) – a decrease of €1.9 million (12.4%). One-off item adjusted EBITDA was €15.3 million. The decrease was caused by increased bunker costs due to increase in oil price in the world market. The consolidated operating profit of €4.1 million (€7.8 million) was also decreased. One-off adjusted EBIT was €8.4 million. The result was also affected by intangible assets write-off of €2.3 million. The investments in the Group's growth according to the strategy have increased financial costs. Group's net result decreased €1.9 million and was a loss of €1.7 million (€0.2 million). One-off adjusted net profit was €2.6M million, which is split in detail in below table.

The Group's equity ratio was 11.6% (16.0%). The Parent Company has two equity loans totalling €11 million. One of which, €5 million, is reported from 2016 onwards as a hybrid capital loan as part of the equity in the financial report, and the other, €6 million, as a converted capital loan reported as debt. According to the terms of secured senior callable bond, both equity loans are considered as equity. Therefore, the adjusted equity ratio is 15.4% (20.8%).

The Group's operational cash flow improved to €12.3 million (1.6 million). Net investments were, in total, €35.1 million (€0.8 million). The Group's cash position was at the satisfactory level of €10.2 million (€11.3 million) by the end of the year.

GROUP

KEY FIGURE	2018	2017	CHANGE	2016
	IFRS	IFRS	IFRS	IFRS
Net sales, M€	268,0	226,7	18,2 %	197,9
EBITDA, M€	13,3	15,2	-12,4 %	13,9
EBITDA- %	5,0 %	6,7 %	-25,9 %	7,0 %
EBITDA, M€, adjusted*	15,3	15,2	0,8 %	13,9
EBITDA %, adjusted	5,7 %	6,7 %	-14,8 %	7,0 %
EBIT, M€	4,1	7,8	-47,2 %	5,9
EBIT- %	1,5 %	3,4 %	-55,3 %	3,0 %
EBIT, M€, adjusted**	8,4	7,8	8,2 %	5,9
EBIT- %, adjusted	3,1 %	3,4 %	-8,5 %	3,0 %
Net profit, M€	-1,7	0,2		-1,4
Net profit %	-0,6 %	0,1 %		-0,7 %
Net profit, M€, adjusted***	2,6	1,7		-1,4
Net profit %, adjusted	1,0 %	0,8 %		-3,4 %
ROE %	-9,4 %	0,8 %		-7,8 %
ROE %, adjusted	14,8 %	8,7 %		-7,8 %
Equity ratio %	11,6 %	16,0 %	-27,7 %	16,8 %
Equity ratio, adjusted %	15,4 %	20,8 %	-25,7 %	21,3 %
Net interest bearing debt, M€****	56,2	64,1	-12,3 %	46,2
% from Net sales	21,0 %	28,3 %	-25,9 %	27,3 %
Personnel, on average*****	671	633	6,0 %	608

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

* EBITDA has been adjusted according to bond terms with following one-off items: one-off transaction costs 0.9 M€, hedging related one-off costs 0,7 M€ and other one-off costs 0.4 M€

** EBIT has been adjusted according to bond terms with intangible asset write-off 2.3 M€

*** Net profit includes above mentioned EBITDA and EBIT adjustments

**** Net interest bearing debt is calculated according to bond terms (does not include the capital loans or LNG vessel leasing liability)

***** Number of personnel on average figure on 2018 is 725. Updated number of personnel for 31.12.2017 is 633, original figure of 2017 (562) did not include part of the truck drivers.

The Group's CEO is Kari-Pekka Laaksonen. The management team of the Group consists of the CEO, CCO, Head of Financial services, Head of Management reporting & BI, COO, CBDO and Director of Land Operations.

Group companies employed an average of 671 (633) persons in 2017. Out of increase 40 persons came through increase of own truck drivers in United Kingdom. Total personnel costs were €26.7 million (€23.1 million), of which the members of management and the members of the Board of Directors accounted for €1.6 million (€1.2 million). Group had personnel in 15 countries, of which in Finland 111 employees.

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 experience and operational reliability. A strong partnership network supports the target.

OUTLOOK FOR 2019

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

Non-financial information

ENVIRONMENTAL RESPONSIBILITY

Containerships Group has defined minimising adverse environmental impacts as a strategic objective and sees environmental awareness as competitive edge.

Containerships has identified the environmental impacts deriving from its operations and actively strives to minimise them. The most significant environmental impacts are airborne emissions originating in transport operations.

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

Containerships has ordered four new cargo ships, which will be fuelled by Liquefied Natural Gas (LNG). LNG is colourless, odourless and non-toxic. Gas liquefaction condenses the gas for ease of transport and storage on land and at sea. Besides new ships, the company has also invested in LNG-driven trucks in Finland, Netherlands and Great Britain. The Group has currently over 56 LNG-fuelled trucks in use.

Reducing fuel consumption and economical driving are important aspects in developing and monitoring road transport using vehicles running on traditional fuels. Transport management systems are used to, among other things, track location, and the efficient and economical use of the fleet. Containerships' trucks are fitted with monitoring systems that report fuel consumption and key aspects, such as braking and idling, in the driver's driving technique.

Natural phenomena and accidents in particular cause sudden environmental risks in the logistics industry. The Group has an ISO 9001:2015 quality management system in use in Finland, Russia, Lithuania, Latvia, the Netherlands, Great Britain and Ireland, and an ISO 14001:2015 environmental management system in Finland, Russia and the Netherlands. All the Group's offices use the same Operations Manual in their activities. The Group is committed to reducing the environmental impact of its operations, specially concentrating on reducing the CO_2 emissions. In 2018, the Group succeeded in reducing its CO_2 emissions by 2.7%.

SOCIAL RESPONSIBILITY

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

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

Safety at work is a priority in the Containerships operations. All our drivers participate regularly occupational health and safety training. Containerships ensures that all drivers are provided with the proper training and safety equipment to carry out their work safely and oversees implementation of and compliance with driving and working hours legislation.

We individually train all our LNG truck drivers in the refueling process and they all are equipped with the required personal protective equipment.

The Group ensures occupational safety aboard the Containerships CVII vessel it owns. The Group has separate health & safety guidelines, which are regularly monitored and upgraded. The vessel operates in compliance with the ILO's Maritime Labour Convention and the Company recommends similar practices to its partners from whom it charters vessels. Crews have been trained to meet new STCW regulations requirements.

Containerships Group complies with the labour legislation in each operational country. Each newcomer to the Company is given induction training in accordance with the Company's general induction plan to ensure effective, equal induction for all new employees.

HUMAN RIGHTS

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

Containerships is following each countries' local legislation regarding child labour and does not accept child labour. If child labour is noticed in own or supplier's operations, it has to be reported immediately to Head Office either to Human Resources or HSEQ.

ANTI-BRIBERY

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

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

The Group must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties. All expenses claims relating to hospitality, gifts or expenses incurred to third parties must be submitted in accordance with the Company's Corporate Governance Policy and specifically record the reason for the expenditure. All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness.

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

INVESTMENTS

Group's investments were €35.1 million. Investments consisted mainly of vessel, trucks and containers and also ICT-software.

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

Group has on going arbitration concerning the open payments of the ex-agent in Algeria. The Group has made a claim of approximately €1.8 million to the ex-agent. According to the agency agreement, the possible dispute will be solved in mediation handling in London. The Group estimates this procedure to finalised during 2019.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The combination agreement between Container Finance Ltd Oy and CMA CGM was closed on 31.10.2018. Upon closing the agreement, Containerships plc will integrate CMA CGM's intra-regional market offering in Europe and Mediterranean area. As result, bondholders could require the repurchase of the Bonds they held as provided in the terms and conditions of the Bonds.

The deadline for bondholders to require the repurchase of their Bonds was January 4, 2019. By the deadline, Containerships plc received Bonds representing an aggregate nominal principal amount of 11.4 million, which represents approximately 19 per cent of the aggregate nominal principal amount of all the Bonds. Containerships plc paid, on the repurchase date of February 1, 2019, in accordance with the terms of the Bonds upon a Change of Control Put option, 101 per cent of the nominal amount of the Bonds to be repurchased, together with the accrued and unpaid interest.

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 2018.

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	NOTE	2018	2017
REVENUE	**6**	**268 038**	**226 655**
Other income	7	5 904	4 566
Materials and services	9	-213 469	-175 978
Employee benefit expenses	10	-26 666	-23 073
Depreciation, amortisation and impairment losses	11	-9 195	-7 429
Other expenses	8	-20 486	-16 984
Operating profit		**4 126**	**7 757**
Finance income	12	9 315	5 319
Finance costs	12	-14 319	-12 743
Net finance costs		**-5 004**	**-7 424**
Profit (-loss) before taxes		**-878**	**334**
Income taxes	13	-794	-165
Profit (-loss) for the financial year		**-1 673**	**168**

OTHER COMPREHENSIVE INCOME	NOTE	2018	2017
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Foreign currency translation differences		-1 211	-539
Other comprehensive income (-loss), net of tax		**-1 211**	**-539**
Total comprehensive income (-loss) for the year		**-2 884**	**-370**
PROFIT (-LOSS) ATTRIBUTABLE TO:			
Owners of the company		-1 665	176
Non-controlling interests	5	-8	-8
		-1 673	**168**
TOTAL COMPREHENSIVE INCOME (-LOSS) ATTRIBUTABLE TO:			
Owners of the company		-2 876	-363
Non-controlling interests	5	-8	-8
		-2 884	**-370**

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

Consolidated balance sheet (IFRS)

EUR 1,000	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Non-current assets			
Goodwill	15	5 776	6 140
Other intangible assets	15	2 747	2 319
Property, plant and equipment	14	80 518	54 458
Other non-current financial assets	17	2	2
Deferred tax assets	13	7 410	7 367
Other receivables	18	5 256	7 072
Total non-current assets		**101 708**	**77 358**
Current assets			
Inventories	16	1 849	1 339
Trade and other receivables	18	39 961	33 988
Other current financial assets	17	0	268
Current tax assets	18	318	0
Cash and cash equivalents	19	10 214	11 347
Total current assets		**52 342**	**46 943**
Total assets		**154 051**	**124 300**
EQUITY			
Share capital	20	80	80
Share premium	20	337	337
Fund for invested non-restricted equity	20	4 342	4 342
Translation reserve	20	-2 794	-1 583
Retained earnings	20	8 899	10 564
Hybrid capital loan	20	5 000	5 000
Equity attributable to owners of the Company		**15 864**	**18 740**
Non-controlling interests	**5**	**1 939**	**1 117**
Total equity		**17 803**	**19 857**
LIABILITIES			
Non-current liabilities			
Convertible capital loan	22	0	5 981
Bond	22	58 299	57 796
Other non-current liabilities	22	27 599	3 396
Trade and other payables	24	346	346
Other non-current financial liabilities	23	780	911
Deferred tax liabilities	13	2 476	2 218
Total non-current liabilities		**89 500**	**70 647**
Current liabilities			
Convertible capital loan	22	6 617	0
Interest-bearing loans and borrowings	22	1 185	2 266
Trade and other payables	24	38 040	30 741
Other current financial liabilities	23	708	631
Current tax liabilities	24	198	158
Total current liabilities		**46 748**	**33 796**
Total liabilities		**136 248**	**104 443**
Total equity and liabilities		**154 051**	**124 300**

Consolidated statement of cash flows (IFRS)

EUR 1,000	NOTE	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		-878	334
Adjustments:			
Other operating income		-5 904	-4 566
Other operating cost		4 784	2 058
Depreciation, amortisation and impairment losses	11	9 195	7 429
Finance income	12	-9 315	-5 319
Finance costs	12	14 319	12 743
Other adjustments		10	72
Changes in working capital:			
Change in trade and other receivables	18	-5 066	-7802
Change in inventories	16	-511	-247
Change in trade and other payables	24	6 059	-2 845
Interest received		269	378
Income taxes paid		-594	-706
Other financing items		-32	26
Net cash from operating activities		**12 338**	**1 553**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	14	1 544	1 027
Acquisition of property, plant and equipment	14	-6 931	-1 839
Net from investing activities		**-5 387**	**-812**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	22	-24	9 733
Other receivable (Escrow-accounts)*	18	-8	574
Interest paid		-7 234	-8 558
Proceeds from settlement of derivatives		396	509
Transaction costs related to loans and borrowings		55	-1 172
Payment of finance lease liabilities	22	-1 348	-2 378
Paid finance lease interest	22	-409	-614
Net cash from financing activities		**-8 572**	**-1 907**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**-1 621**	**-1 166**
Cash and cash equivalents at 1 January		11 347	11 066
Net foreign exchange difference on cash held		488	1 447
Cash and cash equivalents 31 December	**19**	**10 214**	**11 347**

Consolidated statement of changes in equity (IFRS)

Equity attributable to shareholders of the parent company 2018

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 1.1.2018	**20**	**80**	**337**	**4 342**	**-1 583**	**10 564**	**5 000**	**18 740**	**1 117**	**19 857**
Comprehensive income										
Profit for the reporting period						-1 665		-1 665	-8	-1 673
Foreign currency translation differences					-1 211			-1 211		-1 211
Total comprehensive income for the year		**0**	**0**	**0**	**-1 211**	**-1 665**	**0**	**-2 876**	**-8**	**-2 884**
TRANSACTIONS WITH OWNERS OF THE COMPANY										
Subsidiaries with NCI	5							0	829	829
Share capital increase	20							0		0
Hybrid capital loan	20							0		0
Convertible capital loan - reclassification	22							0		0
Other changes								0		0
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**829**	**829**
Equity at 31.12.2018	**20**	**80**	**337**	**4 342**	**-2 794**	**8 899**	**5 000**	**15 864**	**1 939**	**17 803**

Equity attributable to shareholders of the parent company 2017

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 1.1.2017	**20**	**80**	**337**	**4 342**	**-1 044**	**10 388**	**5 000**	**19 103**	**1 125**	**20 227**
Comprehensive income										
Profit for the reporting period						176		176	-8	168
Foreign currency translation differences					-539			-539		-539
Total comprehensive income for the year		**0**	**0**	**0**	**-539**	**176**	**0**	**-363**	**-8**	**-370**
TRANSACTIONS WITH OWNERS OF THE COMPANY										
Subsidiaries with NCI	5									0
Share capital increase	20								0	0
Hybrid capital loan	20							0		0
Convertible capital loan - reclassification	22							0		0
Other changes								0		0
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equity at 31.12.2017	**20**	**80**	**337**	**4 342**	**-1 583**	**10 564**	**5 000**	**18 740**	**1 117**	**19 857**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

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.

Containerships Group has from 1st of November 2018 been part of the CMA CGM -group. MacAndrews GmbH, subsidiary of CMA CGM -group, owns 100 per cent of Container Finance LTD Oy's shares, which owns 100 per cent of Containerships plc shares. Containerships plc is the parent company of Containerships Group.

Containerships plc is a Finnish private limited company, which operates under Finnish jurisdiction and legislation. The parent company is domiciled in Espoo and is registered in Espoo at Linnoitustie 6 C, 02600 Espoo, 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 26 February 2019. 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 2018 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 2018 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.

At the beginning of the financial year, the Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers that came into force on 1 January 2018. Other amendments or interpretations of the standard have had no effect on the financial statements of the Containerships Group.

IFRS 9 replaced the former IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification, recognition and measurement of financial instruments. The Group's financial assets and liabilities are classified as financial assets and liabilities at amortized cost or at fair value through profit or loss in accordance with IFRS 9. The Group does not have financial instruments valued at fair value through other comprehensive income. IFRS 9 also includes a new model for accounting for expected credit losses that is applied to determine impairment losses on financial assets. Containerships apply the simplified procedure in the standard, which recognizes impairment losses to an amount that is expected to be impaired throughout the life of the asset. The standard for general hedge accounting has also been revised. Containerships does not apply hedge accounting. Derivatives are classified as financial assets and liabilities at fair value through profit or loss. The provisions of IAS 39 on the recognition and derecognition of financial instruments have been retained. The IFRS 9 standard was applied retrospectively, with no reclassification of financial assets and liabilities except for the impact on the consolidated financial statements.

IFRS 15 replaced the existing guidance on income recognition and provides a comprehensive reference framework for determining whether and how much sales revenue can be recognized. IFRS 15 includes a five-step model for identifying and determining the amount of revenue. Revenue is recognized when the control is transferred to the customer, which is deemed to occur when the entity transfers ownership of the asset to the customer over time or at a specific time. The IFRS 15 standard was applied retrospectively using practical measures. Door-to-door shipments consist of ship and inland container shipments, which are treated as separate performance obligations. Sales revenue is mainly recorded over time. Introduction of IFRS 15 has not had any major impact on the consolidated financial statements, with the exception of the increased amount of information on the notes.

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.

Containerships has applied the IFRS transition relief, which assumes that the accumulated translation differences of all foreign entities are assumed to be zero on the IFRS transition date 1 January 2014.

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.

The Group's financial assets are classified into the following categories: financial assets at amortized cost and financial assets at fair value through profit or loss. The classification is based on the objective of the business model and on the contractual cash flows of the investments or by applying the fair value option in the initial acquisition.

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. In initial recognition, the Group recognizes a financial asset at fair value and, in the case of a financial asset other than a financial asset at fair value through profit or loss, adds or subtracts transaction costs directly attributable to the item. Financial assets are recognized at fair value through profit or loss on initial recognition and transaction costs are recognized in profit or loss.

Financial assets that are measured at amortized cost are classified as financial assets whose business objective is to hold financial assets up to maturity to collect contractual cash flows, and cash flows from batches consist exclusively of capital and residual interest. The Group's financial assets at amortized cost consist of ships and other non-derivative receivables and cash.

After initial valuation, the value of these financial assets is determined at amortized cost using the effective interest method and deducting any impairment. The Group recognizes a deduction of expected credit losses from a financial asset recognized at amortized cost. Expected credit losses are presented in other operating expenses. Impairment losses are recognized in the profit and loss.

The Group applies a simplified procedure for determining expected credit losses on sales and lease receivables recognized at amortized cost and, if applicable, for IFRS 15 client contracts. Expected credit losses are recorded using the booking matrix and recorded in the amount of expected credit losses for the entire term. Expected credit losses are estimated based on historical credit losses. In addition, the assessment takes into account the prevailing economic conditions and expectations for future.

The carrying amount of current trade receivables and other receivables is considered to be equal to their fair value. Trade and other receivables are presented in the balance sheet as current assets if they are expected to be realized within 12 months after the end of the reporting period.

Financial assets at fair value through profit or loss are classified as financial assets that have been acquired for trading or are classified at fair value through profit or loss at fair value through profit or loss. Financial assets held for trading are acquired primarily for the purpose of obtaining a profit in the short or long term and are presented in either long or short-term financial assets.

Derocognising Financial Assets

Financial assets are derecognised when the Group's contractual rights to cash flows have expired or been transferred to another party or when the Group has transferred substantially all the risks and rewards of ownership to the Group.

Cash and cash equivalents

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

The Group's financial liabilities are classified as financial liabilities at amortized cost and recognized at fair value through profit or loss.

Financial liabilities are initially recognized in the accounts at fair value less transaction costs directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest method. Transaction costs are included in the original carrying amount of financial liabilities at amortized cost.

The Group's financial liabilities at amortized cost consist of interest-bearing loans, finance lease liabilities and other non-interest bearing liabilities, such as trade payables. Other financial liabilities are classified at fair value through profit or loss.

Financial liabilities are included in non-current and current liabilities and may be interest-bearing or non-interest-bearing. Financial liabilities are presented as current liabilities if they mature within less than 12 months and the Group has no unconditional right to transfer the debt at least 12 months after the reporting period. The fair value of the debt component of the convertible loan has been determined using the market rate of the corresponding debt at the time the loan was issued. The debt component is recorded at amortized cost until it is amortized by converting the loan into equity or repaying the loan. The remainder of the amount received, in other words, the equity component, is recognized as deferred tax, less accumulated retained earnings.

Derecognising financial liabilities from the balance sheet

A financial liability is derecognised when the debt has ceased to exist, that is, the obligation specified in the contract has been discharged or cancelled or it has expired.

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.

Hedge accounting is not applied to derivative instruments, so they are classified as financial instruments at fair value through profit or loss. Group items are measured at fair value and the fair values of derivative instruments are presented in the balance sheet at long-term or short-term assets and negative fair values are presented in the current or current liabilities of the balance sheet. Both unrealized and realized gains and losses arising from changes in fair value are recognized in profit or loss in the period in which they arise.

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.

The Containerships Group's sales revenue consists of services from which sales revenue is recognized when control is transferred to the customer over time. Revenue from transport services is recorded when the service is completed, including the portion of revenue for the year that is in progress at the end of the reporting period, for intermediate deliveries, the completion rate of which is determined on the basis of transport days. Land and sea transport form separate performance obligations if sold together. Revenue from port, logistics, brokerage, and towing services is recorded when the service is completed.

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.

The Group applies general terms of payment for the sector in the agreements and does not include significant financial components or variable remuneration.

The Group does not have any significant assets to be recorded from the contract. The Group makes use of a practical aid measure and does not present a portion of the consideration received for part or all of the outstanding performance obligations, if the duration of the contract is no more than one year or the Group has the right to receive from the customer an amount equal to the value of the services rendered to the customer by the time of the review.

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.

NEW AND REVISED STANDARDS AND INTERPRETATIONS INTRODUCED ON 1.1.2018

At the beginning of the financial year, the Group has adopted the IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers that entered into force on 1 January 2018. The other new amended standards or interpretations have had no effect on the financial statements of the Containerships Group.

IFRS 15, Revenue from Contracts with Customers, creates a comprehensive framework for determining whether, and when, revenue is recognized. IFRS 15 supersedes current guidance on income recognition. IFRS 15 shall be applied for annual periods beginning on or after 1 January 2018. IFRS 15 includes a five-step model for identifying and measuring sales revenue. Revenue is realized when the company transfers the ownership of the goods to the customer over time or at a specific moment. IFRS 15 also increases the amount of notes presented. The Containerships Group estimates that the application of IFRS 15 will have no significant impact on the consolidated financial statements. Door-to-door shipments consist of ship and inland container shipments that have separate commitments to sell revenue. Significant rights, which would be separate performance obligations or variable fees that would have a material impact, have not been identified. The Group has adopted the standard effective from 1 January 2018 at the beginning of the financial year.

The IFRS 9 Financial Instruments standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 shall be applied for annual periods beginning on or after 1 January 2018. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. This also includes a new model of accounting for expected credit losses that is applied to determine impairment of financial assets. The Group will apply the simplified procedure for recognition of credit risk in sales and lease receivables in IFRS 9, according to which write-downs are recognized at the amount expected to be impaired during the lifetime of the receivable. The provisions of IAS 39 on the recognition and derecognition of financial instruments have been retained. The impact of the new standard on the Group depends on the financial instruments used and the current commercial conditions. The Group does not apply hedge accounting in accordance with IAS 39. The Containerships Group estimates that the application of the new IFRS 9 standard will have no significant impact on the consolidated financial statements. The standard will have an impact on the notes to the consolidated financial statements. The Group has adopted the standard effective from 1 January 2018 at the beginning of the financial year.

FUTURE NEW STANDARDS AND INTERPRETATIONS

The IASB has published new and revised IFRS standards and interpretations that will come into force in the future. The Group has not yet applied the published standards when preparing this consolidated financial statements. The Group will adopt them as of the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial year, from the beginning of the next financial year following the effective date. The Group has assessed their impact on the financial statements:

The IFRS 16 Leases standard supersedes IAS 17 and related interpretations. The standard shall be applied for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to include leases in the balance sheet as a lease payment and an associated asset. Entry in the balance sheet is very similar to the accounting treatment of financial leasing in accordance with IAS 17. There are two reliefs from entering the balance sheet: short-term leases of up to 12 months and commodities up to $ 5,000. The accounting treatment of lessors will remain largely in line with current IAS 17.

IFRS 16 will have a significant impact on the financial statements of the Containerships Group, as the Group has operational leases related to premises, ships and transport equipment currently classified as other leases. The Group estimates that IFRS 16 will increase long-term assets and interest-bearing liabilities in the balance sheet and affect key ratios, such as the ratio of debt to equity. In addition, the application of IFRS 16 also has an impact on the income statement, as depreciation of the asset item and interest expense on the lease liability are recognized instead of the recognition of the lease cost. The Group will apply a simplified method during the transition. The figures for the comparison year will not be corrected. The Group has determined the quantitative effects of the adoption of IFRS 16 as follows: EUR 57.2 million in asset assets and EUR 57.2 million in finance lease liabilities. In the future, Containerships will utilise the above-mentioned practical benefits regarding short term and low-value leasing contracts.

IFRIC 23 Uncertainty on Income Tax Treatment (effective for annual periods beginning on or after 1 January 2019)

The interpretation clarifies the accounting treatment in a situation where the Community tax solution still awaits the approval of the tax authority. The essential question is to assess whether the tax authority will accept the solution chosen by the Community. In considering this, it is assumed that the tax authority has access to all relevant information when assessing the solution.

Other new and amended IFRS standards or interpretations are not expected to have a significant impact on the consolidated financial statement.

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, 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 2018

EUR 1,000	CSL BALTICS	CSL MED	TOTAL SEGMENTS	UNALLOCATED AMOUNTS AND ELIMINATIONS	TOTAL GROUP
External revenue	233 206	32 943	266 149	307	266 456
Inter-segment revenue	1 328	21	1 349	233	1 582
Total revenue	**234 534**	**32 964**	**267 498**	**540**	**268 038**
Operating expenses	-203 514	-29 461	-232 975	-980	-233 955
General expenses	-24 474	-2 260	-26 734	68	-26 666
Other income				5 904	5 904
EBITDA	**6 546**	**1 243**	**7 789**	**5 532**	**13 321**
Depreciation and amortisation	-9 097	-29	-9 126	-69	-9 195
EBIT	**-2 551**	**1 214**	**-1 337**	**5 463**	**4 126**
Finance income and costs					-5 004
Profit before taxes					**-878**
Income taxes					-794
Profit (-loss) for the financial year					**-1 673**

OPERATING SEGMENTS 2017

EUR 1,000	CSL BALTICS	CSL MED	TOTAL SEGMENTS	UNALLOCATED AMOUNTS AND ELIMINATIONS	TOTAL GROUP
External revenue	196 943	29 259	226 202	213	226 415
Inter-segment revenue	1 419		1 419	-1 179	240
Total revenue	**198 362**	**29 259**	**227 621**	**-966**	**226 655**
Operating expenses	-165 555	-27 406	-192 961		-192 961
General expenses	-20 910	-2 163	-23 073		-23 073
Other income				4 566	4 566
EBITDA	**11 896**	**-310**	**11 586**	**3 600**	**15 186**
Depreciation and amortisation	-7 409	-20	-7 429		-7 429
EBIT	**4 487**	**-330**	**4 157**	**3 600**	**7 757**
Finance income and costs					-7 424
Profit before taxes					**334**
Income taxes					-165
Profit (-loss) for the financial year					**168**

REVENUE BY GEOGRAPHICAL LOCATION

EUR 1,000	2018	2017
FINLAND	**43 631**	**40 322**
Russia	38 307	32 841
Turkey	30 943	29 250
United Kingdom	27 210	22 023
Lithuania	57 272	23 651
Other Europe	70 675	78 568
Total	**268 038**	**226 655**

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	2018	2017
FINLAND	**46 111**	**43 548**
Russia	2 618	1 759
Turkey	33	24
United Kingdom	1 706	1 029
Lithuania	27	15
Other Europe	38 074	17 515
Total	**88 568**	**63 890**

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 2018 and 2017.

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

Containerships Group is part of Container Finance group, which is based in Finland. The ultimate parent company of the Container Finance group is CMA CGM group, which is based in France.

Changes in the Group structure
On October 31, 2018, CMA CGM acquired entire share capital of Container Finance LTD Oy, the parent company of the Containerships Group, through a structural reorganization and Containerships Plc and its subsidiaries became part of the CMA CGM Group.

NON-CONTROLLING INTERESTS

The following table summarizes the Group's subsidiaries, which have a significant proportion of non-controlling interests.

Information on these subsidiaries with non-controlling interests is presented above. In the following table the financial information presented is roughly evenly distributed to the four subsidiaries concerned.

31 DECEMBER 2018 **SUBSIDIARIES WITH NCI**

EUR 1,000	2018	2017
NCI PERCENTAGE*	10 %	6 %
Non-current assets	41 330	17 630
Current assets	2 828	2 843
Non-current liabilities	23 876	606
Current liabilities	895	907
Net Assets 100 %	**19 387**	**18 960**
Carrying amount of NCI	**1 939**	**1 117**
Revenue	233	0
Profit	-82	-129
OCI	0	0
Total comprehensive income 100 %	**-82**	**-129**
Profit allocated to NCI	-8	-8
OCI allocated to NCI	0	0
Cash flows from operating activities	781	4
Cash flows from investment activities	-23 769	0
Cash flows from financing activities	23 270	0
Net increase (decrease) in cash and cash equivalents	**282**	**4**

*) The share of the Non-controlling interests from the above mentioned four German subsidiaries was 10% at the end of the year 2018.

NOTE 6 Revenue

REVENUE BY FUNCTION:

EUR 1,000	2018	2017
Vessel operations	100 624	84 321
Terminal operations	71 707	63 697
Haulage	94 733	78 145
Other	973	493
Total	**268 038**	**226 655**

The Group’s revenue comprises only rendering of services.

NOTE 7 Other income

EUR 1,000	2018	2017
Gains from sales of containers	1 425	1 675
Gains from sales of trucks	187	113
Changes in fair values of commodity derivatives	0	90
Realised commodity derivatives	4 204	2 567
Other operating income	87	121
Total	**5 904**	**4 566**

NOTE 8 Other expenses

EUR 1,000	2018	2017
Vessel insurances, repairs and maintenance costs	-936	-964
Consulting and other external services	-2 207	-3 359
Rents and maintenance costs	-697	-682
Leases	-5 714	-4 562
Travelling expenses and other voluntary personnel expenses	-2 545	-2 108
IT costs	-1 894	-1 519
Sales and marketing costs	-382	-316
Impairment of trade receivables	-457	-455
Realised commodity derivatives	-3 808	-2 058
Other operating expenses	-869	-961
Total	**-20 486**	**-16 984**
AUDITOR’S FEES		
Audit	-207	-177
Tax services	-21	-42
Other services	-15	-92
Total	**-243**	**-311**

KPMG Ab Oy share of the audit fees for year 2018: audit 102 thousand euro, tax services 17 thousand euro and other services 17 thousand euro.

NOTE 9 Materials and services

EUR 1,000	2018	2017
Materials and supplies		
Purchases during reporting period	-52 953	-48 299
Change in inventories	-511	-247
Purchased services	-160 005	-127 432
Total	**-213 469**	**-175 978**

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	2018	2017
Salaries and wages	-22 622	-19 619
Social security costs	-2 380	-2 065
Pension costs – defined contribution plans	-1 647	-1 490
Government grants	457	487
Other employee benefits	-474	-385
Total	**-26 666**	**-23 073**

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	2018	2017
Office	462	366
Other	223	196
Total	**685**	**562**
NUMBER OF EMPLOYEES ON 31 DECEMBER	**735**	**569**

In both tables the number of part-time employees has been converted to full-time equivalent. 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

EUR 1,000	2018	2017
INTANGIBLE ASSETS		
Other intangible assets	-3 098	-572
Total	**-3 098**	**-572**
PROPERTY, PLANT AND EQUIPMENT		
Buildings	-34	-29
Vessels	-1 612	-1 515
Containers	-3 724	-4 679
Machinery and equipment	-727	-633
Total	**-6 097**	**-6 856**
Total depreciation and amortisation	**-9 195**	**-7 429**

Impairment losses of EUR 2.3 million were made in intangible assets during the financial year 2018. There were no impairment losses in 2017.

NOTE 12 Finance income and costs

RECOGNISED IN PROFIT OR LOSS

EUR 1,000	2018	2017
FINANCE INCOME		
Interest income	0	0
Bank deposits	23	11
Loans to ultimate parent company	246	347
Accounts receivable	1	0
Foreign exchange gains	8 144	4 415
Fair value changes of derivatives		
Foreign exchange forward contracts	0	0
Interest rate swaps	762	447
Interest income finance leases	140	85
Other finance income	0	13
Total	**9 315**	**5 319**
FINANCE COSTS		
Interest expenses		
Loans and borrowings measured at amortised cost	-3 708	-3 787
Foreign exchange losses	-7 889	-4 606
Fair value changes of derivatives		
Foreign exchange derivative contracts	0	-631
Interest rate swaps	0	0
Other financial assets at fair value through profit or loss	0	0
Finance charges payable under finance leases	-567	-655
Other finance costs	-2 155	-3 063
Total	**-14 319**	**-12 743**
Net finance costs	**-5 004**	**-7 424**

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.

Other financial expenses include bank charges, interest expenses and reorganization of loans.

NOTE 13 Income taxes

AMOUNTS RECOGNISED IN PROFIT OR LOSS

EUR 1,000	2018	2017
CURRENT TAX EXPENSE		
Current tax for the year	-622	-712
Current tax adjustments for prior years	-3	-14
Total	**-625**	**-726**
DEFERRED TAX EXPENSE		
Changes in deferred tax assets	-492	978
Changes in deferred tax liabilities	323	-417
Total	**-169**	**561**
Total income tax expense	**-794**	**-165**

RECONCILIATION OF TAX EXPENSES IN THE CONSOLIDATED INCOME STATEMENT AND TAXES CALCULATED USING FINNISH TAX RATES (20%)

EUR 1,000	2018	2017
PROFIT BEFORE TAXES	**-878**	**334**
Tax calculated using Finnish tax rate (20 %)	176	-67
Effect of tax rates in foreign jurisdictions	-60	-139
Non-taxable income	55	64
Non-deductible expenses	-162	-131
Adjustments for current tax of prior periods	-3	-14
Other differences	-16	121
Income taxes in the statement of comprehensive income	**-794**	**-165**
EFFECTIVE TAX RATE %	**-90,4 %**	**49,6 %**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

EUR 1,000	2018	2017
FOREIGN CURRENCY TRANSLATION DIFFERENCES		
Before tax	-1 211	-539
Tax effect	0	0
Net of tax	**-1 211**	**-539**

MOVEMENT IN DEFERRED TAX BALANCES 2018

EUR 1,000	BALANCE AT 1 JAN	RECOGNISED THROUGH PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	EXCHANGE RATE DIFFERENCES AND OTHER CHANGES	BALANCE AT 31 DEC
DEFERRED TAX ASSETS					
Property, plant and equipment	1 711				1 711
Derivatives	308	-157			152
Loans and borrowings	248	-123			125
Provisions	3				3
Tax losses carried forward	5 028				5 028
Deferred income	31	88			119
Finance leases	4	-31			-27
Other temporary differences	34	-269		535	300
Deferred tax assets total	**7 367**	**-492**	**0**	**535**	**7 410**
DEFERRED TAX LIABILITIES					
Property, plant and equipment	-604				-604
Derivatives	-54	47			-7
Loans and borrowings	0				0
Convertible notes	-35				-35
Finance leases	-1 414	92			-1 321
Other temporary differences	-112	183		-581	-510
Deferred tax liabilities total	**-2 218**	**323**	**0**	**-581**	**-2 476**

MOVEMENT IN DEFERRED TAX BALANCES 2017

EUR 1,000	BALANCE AT 1 JAN	RECOGNISED THROUGH PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	EXCHANGE RATE DIFFERENCES AND OTHER CHANGES	BALANCE AT 31 DEC
DEFERRED TAX ASSETS					
Property, plant and equipment	10	1701			1 711
Derivatives	272	37			308
Loans and borrowings	0	248			248
Provisions	3				3
Tax losses carried forward	5 968	-940			5 028
Deferred income	31				31
Finance leases	52	-48			4
Other temporary differences	84	-20		-30	34
Deferred tax assets total	**6 419**	**978**	**0**	**-30**	**7 367**
DEFERRED TAX LIABILITIES					
Property, plant and equipment	-212	-392			-604
Derivatives	-36	-18			-54
Loans and borrowings	-21	21			0
Convertible notes	-55	21			-35
Finance leases	-1 373	-41			-1 414
Other temporary differences	0	-8		-104	-112
Deferred tax liabilities total	**-1 697**	**-417**	**0**	**-104**	**-2 218**

RECOGNISED DEFERRED TAX ASSETS

EUR 1,000	2018	2017
TAX LOSSES		
Tax losses	26 581	25 256
DEFERRED TAX ASSET RECOGNISED ON THE BALANCE SHEET		
Tax losses	5 028	5 028

The Group has recognised deferred tax assets of 5 028 thousand (EUR 5 028 thousand at 31 December 2017) 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 three 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. In addition, the parent company has the possibility, if necessary, to carry out sales arrangements related to the owned containers and other Containerships Plc assets.

RECOGNISED TAX LOSSES CARRIED FORWARD EXPIRE AS FOLLOWS

EXPIRY YEAR	EUR 1,000
2019	15 030
2021	8 530
2023	4
2025	3 017

NOTE 14 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT 2018

EUR 1,000	BUILDINGS	CONTAINERS	MACHINERY & EQUIPMENT	VESSELS*	UNDER CONSTRUCTION	TOTAL
COST 1 JAN 2018	1 966	74 530	22 936	31 062	20 436	150 930
Increases	79	5 270	1 762	28 111		35 222
Disposals		-367	-669		-2 588	-3 624
Reclassification			-1			-1
Exchange rate differences	-9	-30	-622	0		-661
Cost 31 Dec 2018	**2 036**	**79 403**	**23 406**	**59 174**	**17 848**	**181 867**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES 1 JAN 2017	-1 346	-56 641	-20 092	-18 393	0	-96 472
Depreciation for the reporting period	-34	-3 724	-727	-1 612		-6 097
Accumulated depreciation on disposals		337	649			986
Reclassification		-164	23			-141
Exchange rate differences	3	16	357			376
Accumulated depreciation and impairment losses 31 Dec 2018	**-1 378**	**-60 176**	**-19 790**	**-20 005**	**0**	**-101 349**
Carrying amount 1 Jan 2018	**620**	**17 889**	**2 844**	**12 670**	**20 436**	**54 458**
Carrying amount 31 Dec 2018	**659**	**19 226**	**3 616**	**39 169**	**17 848**	**80 518**

*) The year-end 2018 carrying amount of Containerships VII (€11.3 M) was tested for impairment. The recoverable amount (value in use) of the vessel was estimated to be higher than its carrying amount.

Borrowing costs amounting to 2018 EUR 1 424 thousand (2017 EUR 1 927 thousand) were capitalized during the financial year regarding construction project of new LNG vessels. Total interest capitalised at the year-end 2018 was EUR 3 824 thousand (2017 EUR 2 400 thousand). The capitalisation rate used during 2018 was approximately 6,25% (2017 7,5%).

PROPERTY, PLANT AND EQUIPMENT 2017

EUR 1,000	BUILDINGS	CONTAINERS	MACHINERY & EQUIPMENT	VESSELS*	UNDER CONSTRUCTION	TOTAL
COST 1 JAN 2017	1 810	75 155	22 672	30 456	17 843	147 937
Increases	183	206	976	606	2 682	4 653
Disposals		-785	-342		-89	-1 217
Reclassification		0	3			3
Exchange rate differences	-28	-46	-372			-445
Cost 31 Dec 2017	**1 966**	**74 530**	**22 936**	**31 062**	**20 436**	**150 931**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES 1 JAN 2017	-1 326	-51 792	-20 040	-16 878	0	-90 037
Depreciation for the reporting period	-29	-4 679	-633	-1 515		-6 856
Accumulated depreciation on disposals		0	329			329
Reclassification		-200	0			-200
Exchange rate differences	9	31	252			292
Accumulated depreciation and impairment losses 31 Dec 2017	**-1346**	**-56 641**	**-20 092**	**-18 393**	**0**	**-96 472**
Carrying amount 1 Jan 2017	**485**	**23 363**	**2 632**	**13 579**	**17 843**	**57 901**
Carrying amount 31 Dec 2017	**620**	**17 889**	**2 844**	**12 670**	**20 436**	**54 458**

FINANCE LEASES

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

2018

EUR 1,000	CONTAINERS
Cost 1 Jan 2018	28 017
Increases	0
Disposals	-263
Accumulated depreciation	-18 060
Exchange rate differences	0
Carrying amount 31 Dec 2018	**9 694**

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.

2017

EUR 1,000	CONTAINERS
Cost 1 Jan 2017	44 000
Increases	0
Disposals	-15 983
Accumulated depreciation	-16 831
Exchange rate differences	0
Carrying amount 31 Dec 2017	**11 187**

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 2018

EUR 1,000	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
ACQUISITION COST 1 JAN 2018	6 140	7 456	13 596
Increases		6 405	6 405
Disposals		-2 880	-2 880
Reclassification			0
Exchange rate differences	-363		-363
Acquisition cost 31 Dec 2018	**5 776**	**10 982**	**16 758**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES 1 JAN 2018	0	-5 136	-5 136
Amortisation for the reporting period		-798	-798
Impairments		-2 300	-2 300
Exchange rate differences			0
Accumulated amortisation and impairment losses 31 Dec 2018	**0**	**-8 235**	**-8 235**
Carrying amount 1 Jan 2018	**6 140**	**2 320**	**8 459**
Carrying amount 31 Dec 2018	**5 776**	**2 747**	**8 523**

INTANGIBLE ASSETS 2017

EUR 1,000	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
ACQUISITION COST 1 JAN 2017	6 469	6 571	13 040
Increases		2 179	2 179
Disposals		-1 347	-1 347
Reclassification		53	53
Exchange rate differences	-329	0	-330
Acquisition cost 31 Dec 2017	**6 140**	**7 456**	**13 596**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES 1 JAN 2017	0	-4 564	-4 564
Amortisation for the reporting period		-572	-572
Reclassification		0	0
Exchange rate differences		0	0
Accumulated amortisation and impairment losses 31 Dec 2017	**0**	**-5 136**	**-5 136**
Carrying amount 1 Jan 2017	**6 469**	**2 007**	**8 476**
Carrying amount 31 Dec 2017	**6 140**	**2 320**	**8 459**

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	2018	2017
CSL Baltics	4	4 707	4 535
CSL MED	4	1 069	1 605
Total		**5 776**	**6 140**

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 153.5 million (2017: EUR 195.7 million) lower than its recoverable amount.

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

IN PERCENT	2018	2017
Sales volume (annual average growth rate of next five years)	7,8	9,5
Budgeted EBITDA (average growth rate of next five years)	10,4	11
Terminal value growth rate	2,0	2,0
Pre-tax discount rate (WACC)	8,1	8,1

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	2018	2017
Budgeted EBITDA (average of next five years)	-4,5	-6,1
Terminal value growth rate	-19	-36
Discount rate (WACC)	10	15,1

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 4.7 million (2017: EUR 4.8 million) lower than its recoverable amount.

IN PERCENT	2018	2017
Sales volume (annual average growth rate of next five years)	6,4	5,2
Budgeted EBITDA (average growth rate of next five years)	6,1	4,6
Terminal value growth rate	2,0	2,0
Pre-tax discount rate (WACC)	16,6	18,2

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	2018	2017
Budgeted EBITDA (average of next five years)	-3,5	-3,0
Terminal value growth rate	-15	-12
Discount rate (WACC)	8,0	7,3

KEY ASSUMPTIONS USED IN IMPAIRMENT TESTING (CSL BALTICS AND CSL MED)

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

ASSUMPTION	APPROACH FOR VALUE DETERMINATION
Turnover	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Budgeted EBITDA	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	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.
Pre-tax discount rate	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	2018	2017
Raw materials and supplies	5	4
Bunker	1 845	1 335
Total	**1 849**	**1 339**

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	2018	2017
Derivatives - hedge accounting not applied		
Foreign exchange derivative contracts		0
Interest rate swaps	0	0
Commodity forward contracts	0	268
Other investments	**0**	**2**
Total	**2**	**270**
Current	**0**	**268**
Non-current	**2**	**2**

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	2018	2017
Trade receivables	34 234	28 830
Trade receivables from related parties	1 222	451
Loans to parent company	4 936	4 936
Loan receivables	321	1 887
Finance lease receivables	249	464
Other receivables	4 574	4 492
Total	**45 535**	**41 060**
Non-current	**5 256**	**7 072**
Current	**40 279**	**33 988**

SPECIFICATION FOR OTHER RECEIVABLES, PREPAYMENTS AND ACCRUALS

EUR 1,000	2018	2017
Current tax assets	318	0
Prepayments	710	378
Finnish transport agency	234	240
Container rent accruals	0	226
Rents	456	39
Insurance	171	232
Escrow accounts *)	582	574
Employee benefits	116	137
Port expenses, cargo handling and other voyage-related costs	612	1 051
VAT accrued receivables	464	609
Other accruals	910	1 005
Total	**4 574**	**4 492**

TRADE RECEIVABLES BY CURRENCY

EUR 1,000	2018	2017
EUR	17 099	16 340
GBP	3 739	2 638
USD	10 919	7 815
RUB	2 172	2 096
DZD	810	345
UAH	704	39
TRY	13	9
Other	0	0
Total	**35 456**	**29 282**

The book values of trade and other receivables are reasonable approximation of their fair values. The maximum credit risk related to accounts receivable and other receivables is their carrying amount.

*) Cash in escrow accounts is Algerian's non-liquid cash in 2018 and 2017.

AS AT 31 DECEMBER, AGEING ANALYSIS OF TRADE RECEIVABLES AND ITEMS RECOGNISED AS IMPAIRMENT LOSSES ARE AS FOLLOWS:

EUR 1,000	2018	IMPAIRMENT LOSSES	NET 2018
Not past due	20 433		20 433
Past due			
1-30 days	6 224		6 224
31-60 days	1 040		1 040
61-90 days	797		797
91-180 days	1 685		1 685
Over 180 days	6 433	-1 156	5 277
Total past due	**16 178**	**-1 156**	**15 023**
Total	**36 611**	**-1 156**	**35 456**

EUR 1,000	2017	IMPAIRMENT LOSSES	NET 2017
Not past due	18 064		18 064
Past due			
1-30 days	4 544		4 544
31-60 days	558		558
61-90 days	534		534
91-180 days	817		817
Over 180 days	5 076	-312	4 764
Total past due	**11 673**	**-312**	**11 218**
Total	**29 737**	**-312**	**29 282**

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's trade receivables include an impairment loss of EUR 1 156 thousand in 2018 (2017 EUR 312 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 impact of adoption of IFRS 9 standard on credit losses is approximately EUR 200 thousand.

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 has started settlement case with the agent according to agency agreement. The book value of a former Algerian agent's receivables is consistent with the company's management's perception and the third party's legal view and the company believes it will receive most of the claim through legal action. The amount of impairment that differs from the internal operating model is approximately EUR 1.7 million.

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. The other exception is that company has also older receivables from the Libyan agent. The amount of impairment that differs from the internal operating model is approximately EUR 2.5 million. This is due to unstable political and currency situation in Libya. There are signs for the economic and political recovery in Libya, which should lower this risk during 2019 and stabilize the situation with the overdue balances.

Receivables from a Tunisian agent are mainly due to the business between the agent and the principal, and the local guarantee covers part of the outstanding claim.

FINANCE LEASE RECEIVABLES

EUR 1,000	2018	2017
TOTAL AMOUNT OF MINIMUM LEASE PAYMENTS		
Within 12 months	270	270
1 - 5 years	0	270
After five years	0	0
Total	**270**	**540**
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Within 12 months	249	215
1 - 5 years	0	249
After five years	0	0
Total	**249**	**464**
FUTURE INTEREST INCOME FROM FINANCE LEASE AGREEMENTS		
Finance income	21	76
Total	**21**	**76**

NOTE 19 Cash and cash equivalents

EUR 1,000	2018	2017
Cash and bank accounts	10 214	11 347
Cash and cash equivalents in the balance sheet	**10 214**	**11 347**

At 31 December 2018, 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

EUR 1,000	NUMBER OF SHARES 1,000 PCS.	SHARE CAPITAL	SHARE PREMIUM	FUND FOR INVESTED NON-RESTRICTED EQUITY	TOTAL
1 January 2017	119	80	337	4 342	4 759
31 December 2017	119	80	337	4 342	4 759
1 January 2018	119	80	337	4 342	4 759
31 December 2018	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.

DIVIDENDS

The Board of Directors proposes that no dividend will be distributed and that the loss of 31 December 2018 will be transferred to the retained earnings in the balance sheet. No dividends were paid during financial years 2018 and 2017

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 subordinated loan is linked to the company's shares. The equity component of the subordinated loan has been recognized as accrued earnings.

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. Loan capitalised interests are 470 thousand euro for 2018.

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. Accumulated interest for the loan is 921 thousand euro for the period 27.9.2015–31.12.2018

NOTE 21 Classification of financial assets and liabilities

31 DECEMBER 2018

EUR 1,000	NOTE	CARRYING AMOUNT: FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND OTHER RECEIVABLES VALUED AT ACQUISITION COST	OTHER FINANCIAL LIABILITIES VALUED AT ACQUISITION COST	TOTAL	FAIR VALUE: LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS MEASURED AT FAIR VALUE									
Foreign exchange derivative contracts	17	0			0		0		0
Commodity forward contracts	17	0			0		0		0
Equity securities	17	2			2	2			2
Total		**2**			**2**	**2**	**0**	**0**	**2**
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE									
Trade and other receivables	18		35 456		35 456				
Loans to the ultimate parent company	18		4 936		4 936				
Cash and cash equivalents	19		10 214		10 214				
Total			**50 606**		**50 606**				
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE									
Foreign exchange derivative contracts	23	0			0		0		0
Interest rate swaps	23	780			780		780		780
Commodity forward contracts	23	708			708		708		708
Total		**1 488**			**1 488**	**0**	**1 488**	**0**	**1 488**
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE									
Bond issue	22			58 299	58 299		58 299		58 299
Convertible capital loan - liability component	22			6 617	6 617		6 617		6 617
Finance lease liabilities	22			4 376	4 376		4 375		4 375
Trade payables	24			28 795	28 795				
Total				**98 087**	**98 087**	**0**	**69 292**	**0**	**69 292**

31 DECEMBER 2017

EUR 1,000	NOTE	FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND OTHER RECEIVABLES VALUED AT ACQUISITION COST	OTHER FINANCIAL LIABILITIES VALUED AT ACQUISITION COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS MEASURED AT FAIR VALUE									
Foreign exchange derivative contracts	17	0			0		0		0
Commodity forward contracts	17	268			268		268		268
Equity securities	17	2			2	2			2
Total		**270**			**270**	**2**	**268**	**0**	**270**
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE									
Trade and other receivables	18		29 282		29 282				
Loans to the ultimate parent company	18		4 936		4 936				
Cash and cash equivalents	19		11 347		11 347				
Total			**45 565**		**45 565**				
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE									
Foreign exchange derivative contracts	23	631			631		631		631
Interest rate swaps	23	911			911		911		911
Commodity forward contracts	23	0			0		0		0
Total		**1 542**			**1 542**	**0**	**1 542**	**0**	**1 542**
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE									
Bond issue	22			57 796	57 796		57 796		57 796
Convertible capital loan - liability component	22			5 981	5 981		5 981		5 981
Finance lease liabilities	22			4 809	4 809		4 809		4 809
Trade payables	24			23 917	23 917				
Total				**92 503**	**92 503**	**0**	**68 585**	**0**	**68 585**

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The table on the previous page 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.

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 2018 and 2017.

LEVEL 3 FAIR VALUES

Reconciliation of Level 3 fair values

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

EUR 1,000	INTEREST RATE %	MATURITY	CARRYING AMOUNT 2018	CARRYING AMOUNT 2017
NON-CURRENT LIABILITIES MEASURED AT AMORTISED COST				
Convertible capital loans	8,00	30/04/2019	0	5 981
Bond issue	6,25 + 3M Euribor	22/11/2021	58 299	57 796
Finance lease liabilities			27 290	3 385
Other liabilities			309	11
Total			**85 898**	**67 173**
CURRENT LIABILITIES MEASURED AT AMORTISED COST				
Convertible notes	8,00	30/04/2019	6 617	0
Finance lease liabilities			962	1 424
Other liabilities			223	841
Total			**7 802**	**2 266**
Interest bearing loans and borrowings total			**93 700**	**69 438**

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 6,4% (2017: 6,4%).

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

BOND ISSUE

Secured bond has nominal value EUR 60 000 thousand and is repayable in full on 22.11.2021.

Secured EUR 60 000 thousand bond was raised in November 2017. The interest rate is 6,25% plus Euribor 3 month.

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. Loan capitalised interests are 921 thousand euro for the period 27.9.2015–31.12.2018.

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.

CONVERTIBLE CAPITAL LOAN

EUR 1,000	2018	2017
Carrying amount of liability at 1 January	5 981	5 405
Proceeds from issue of convertible capital loan	0	0
Transaction costs	0	0
Net proceeds	0	5 405
Amount classified as equity	0	0
Reclassification - hybrid capital loan	0	0
Accrued interest	637	575
Carrying amount of liability at 31 December	**6 617**	**5 981**

FINANCE LEASE LIABILITIES

EUR 1,000	2018	2017
TOTAL AMOUNT OF MINIMUM LEASE PAYMENTS		
Within 12 months	1 311	1 664
1 - 5 years	3 758	3 561
After five years	299	556
Total	**5 368**	**5 781**
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Within 12 months	962	1 424
1 - 5 years	3 131	2 858
After five years	283	526
Total	**4 376**	**4 809**
FUTURE INTEREST EXPENSES FROM FINANCE LEASE AGREEMENTS		
Finance costs	992	972
Total	**992**	**972**

CHANGE IN INTEREST BEARING LOANS AND BORROWINGS

EUR 1,000	31.12.2017	CASH FLOWS	NO CASH FLOW CHANGES	31.12.2018
Long-term interest bearing loans and borrowings	67 173	24 706	-5 981	85 898
Short-term interest bearing loans and borrowings	2 266	-1 081	6 617	7 802
Total	**69 438**	**23 625**	**637**	**93 700**

NOTE 23 Other financial liabilities

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR 1,000	2018	2017
DERIVATIVES - HEDGE ACCOUNTING NOT APPLIED		
Foreign exchange derivative contracts	0	631
Interest rate swaps	780	911
Commodity forward contracts	708	0
Total	**1 488**	**1 542**
Current	**708**	**631**
Non-current	**780**	**911**

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	2018	2017
Trade payables	27 612	21 312
Trade payables to related parties	1 183	2 605
Deferred income	0	156
Other payables	9 789	7 171
Total	**38 584**	**31 245**
Total current	**38 238**	**30 899**
Total non-current	**346**	**346**

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	2018	2017
Current tax liabilities	198	158
Employee benefits	2 472	2 407
Cargo handling costs	0	0
Port expenses and voyage-related costs	1 688	1 355
Repairs, vessels	0	631
Interest payable	887	955
VAT accrued payable	846	374
Long term Scrubber liability	0	0
EU-support payable to project partners	631	631
Other accrued liabilities	3 066	660
Total	**9 789**	**7 171**

DISTRIBUTION OF TRADE PAYABLES BY CURRENCY

EUR 1,000	2018	2017
EUR	13 825	11 489
DKK	449	315
GBP	3 257	2 771
USD	8 531	7 491
RUB	1 645	446
UAH	28	33
TRY	773	676
DZD	180	659
Other	107	36
Total	**28 795**	**23 917**

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, PLN 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 2018 and 2017.

TRANSLATION RISK EXPOSURE BY CURRENCY

EUR 1,000	NET INVESTMENT 2018	NET INVESTMENT 2017
GBP	1 970	1 898
RUB	3 086	2 089
TRY	2 040	1 090
UAH	-1 251	-1 315
PLN	-11	-18
DZD	897	512

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 2018 — **CHANGE IN EQUITY**

EUR 1,000		STRENGTHENING	WEAKENING
GBP	(10 % movement)	197	-197
RUB	(20 % movement)	617	-617
TRY	(20 % movement)	408	-408
UAH	(20 % movement)	-250	250
PLN	(10 % movement)	-1	1
DZD	(20 % movement)	179	-179

31 DECEMBER 2017 — **CHANGE IN EQUITY**

EUR 1,000		STRENGTHENING	WEAKENING
GBP	(10 % movement)	190	-190
RUB	(20 % movement)	418	-418
TRY	(20 % movement)	218	-218
UAH	(20 % movement)	-263	263
PLN	(10 % movement)	-2	2
DZD	(20 % movement)	102	-102

Transaction risk

In 2017, 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 USD, TRY and DZD. The functional currency for the Turkish company operations is TRY and for Algerian company DZD.

TRANSACTION RISK EXPOSURE BY CURRENCY AT 31 DECEMBER 2018

IN THOUSANDS OF	USD	RUB	TRY	GBP
Trade receivables	10 919	2 172	13	3 739
Trade payables	8 531	1 645	773	3 257
Net balance sheet exposure	**2 388**	**527**	**-760**	**482**
Next six months forecast sales	15 000	500 000	150	13 000
Next six months forecast purchases	28 000	400 000	8 000	11 000
Net forecast transaction exposure	-13 000	100 000	-7 850	2 000
Forward exchange contracts	0	0	0	0
Net exposure	**-10 612**	**100 527**	**-8 610**	**2 482**

TRANSACTION RISK EXPOSURE BY CURRENCY AT 31 DECEMBER 2017

IN THOUSANDS OF	USD	RUB	TRY	GBP
Trade receivables	7 815	145 000	39	2 340
Trade payables	8 934	30 958	3 075	2 458
Net balance sheet exposure	**-1 119**	**114 042**	**-3 036**	**-118**
Next six months forecast sales	14 000	480 000	100	10 000
Next six months forecast purchases	25 000	390 000	6 000	9 000
Net forecast transaction exposure	-11 000	90 000	-5 900	1 000
Forward exchange contracts	15 000	0	0	0
Net exposure	**2 881**	**204 042**	**-8 936**	**882**

SENSITIVITY ANALYSIS

The following table describes the Group's sensitivity to changes in the exchange rates.
The impacts of exchange rate changes of other currencies are not significant.

31 DECEMBER 2018 — **CHANGE IN PROFIT OR LOSS**

EUR 1,000		STRENGTHENING	WEAKENING
USD	(10 % movement)	-927	927
RUB	(20 % movement)	252	-252
TRY	(20 % movement)	-284	284
GBP	(10 % movement)	277	-277

31 DECEMBER 2017 — **CHANGE IN PROFIT OR LOSS**

EUR 1,000		STRENGTHENING	WEAKENING
USD	(10 % movement)	240	-240
RUB	(20 % movement)	588	-588
TRY	(20 % movement)	-393	393
GBP	(10 % movement)	99	-99

THE FOLLOWING SIGNIFICANT EXCHANGE RATES HAVE BEEN APPLIED

	AVERAGE RATE		YEAR-END SPOT RATE	
EUR 1	2018	2017	2018	2017
GBP	0,8847	0,8767	0,89453	0,8872
RUB	74,0416	65,9383	79,7153	69,392
USD	1,181	1,1297	1,145	1,1993
TRY	5,7077	4,1206	6,0588	4,5464
UAH	32,119	30,039	31,714	33,495
PLN	4,2615	4,257	4,3014	4,177
DZD	137,65	125,46	135,52	137,49

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 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 and interest rate forwards.

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	**2018**	**2017**
FIXED-RATE INSTRUMENTS		
Financial liabilities	5 000	5 000
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	60 000	60 000
Effect of interest rate swaps	32 500	32 500
Net exposure	**27 500**	**27 500**

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 2018, CHANGE IN INTEREST RATES, INCREASING / DECREASING 0.5% FROM VALID RATE OF THE INSTRUMENT AT 31 DEC 2017

	CHANGE IN PROFIT OR LOSS	
EUR 1,000	+ 0,5%	- 0,5%
Debt portfolio - net exposure	-138	138
Swaps - change in fair value	650	-650
Change before tax effect	**513**	**-513**

SENSITIVITY AT CLOSING DATE 2017, 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	-138	138
Swaps - change in fair value	650	-650
Change before tax effect	**513**	**-513**

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 2017 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 2018

EUR 1,000	CARRYING AMOUNT	TOTAL	0-6 MONTHS	7-12 MONTHS	2019-2020	2021	2022-
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bond issue	58 299	71 396	1 885	1 885	3 813	63 813	
Convertible capital loans	6 617	6 617	6617				
Finance lease liabilities	4 376	5 368	656	656	1 052	1 013	1 991
Trade and other payables	28 795	28 795	28 795				
DERIVATIVE FINANCIAL INSTRUMENTS							
Foreign exchange derivative contracts	0	0					
Interest rate swaps	780	780	173	173	347	87	
Commodity forward contracts	708	708	567	141			
Total	**99 575**	**113 664**	**38 693**	**2 855**	**5 212**	**64 913**	**1 991**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES 2017

EUR 1,000	CARRYING AMOUNT	TOTAL	0-6 MONTHS	7-12 MONTHS	2019-2020	2021	2022-
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bond issue	57 796	75 219	1 885	1 917	7 615	63 802	
Convertible capital loans	5 981	6 843			6 843		
Finance lease liabilities	4 809	5 781	1 060	604	1 943	809	1 365
Trade and other payables	24 549	25 180	24 865	316			
DERIVATIVE FINANCIAL INSTRUMENTS							
Foreign exchange derivative contracts	631	631	518	100	13		
Interest rate swaps	911	911	140	140	561	70	
Commodity forward contracts	0	0					
Total	**94 677**	**114 565**	**28 468**	**3 076**	**16 975**	**64 681**	**1 365**

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 2018, The Group purchased bunker oil 73,5 ktons in Baltics and 14,6 ktons in MED. In the end of 2018 the group engaged in the oil price hedge that final installments due in June 2019.

SENSITIVITY OF THE GROUP'S PRE-TAX PROFIT ARISING FROM FINANCIAL INSTRUMENTS TO CHANGES IN THE PRICE OF OIL:

EUR 1,000	2018 CHANGE IN PROFIT OR LOSS		2017 CHANGE IN PROFIT OR LOSS	
+/- 10 % change in oil price	-3,677	3,677	-2,437	2,437

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	2018	2017
Interest bearing liabilities	93 700	69 438
Cash and cash equivalents *)	10 214	11 347
Net liabilities	**83 486**	**58 091**
Total equity	**17 803**	**19 857**
Net gearing %	**469**	**293**

*) Cash and cash equivalents does not include Escrow accounts EUR 582 thousand (2017: EUR 574 thousand). Escrow accounts are presented in the current other receivables.

The adjusted interest-bearing net debt of EUR 56.2 million mentioned in the Board of Directors' report has been calculated by deducting from interest bearing debt of of EUR 93.7 million EUR 27.3 million of financial leasing related to LNG vessels and EUR 10.2 million in cash and cash equivalents.

NOTE 26 Operating leases

THE GROUP AS A LESSEE

EUR 1,000	2018	2017
MINIMUM LEASE PAYMENTS ON NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:		
Within 12 months	11 320	5 610
1 - 5 years	6 122	10 493
After five years	1 774	2 096
Total	**19 216**	**18 199**
AMOUNTS RECOGNISED IN PROFIT OR LOSS		
Lease expense	5 714	4 562
Total	**5 714**	**4 562**

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	2018	2017
COLLATERALS FOR OWN COMMITMENTS		
Pledges	0	0
Customs' guarantee	485	1 029
Vessel mortgage	10 000	20 000
Company mortgage	130 000	130 000
Corporate mortgages	5 000	5 000
Total	**145 485**	**156 029**

COMMITMENTS

At 31 December 2018, the Group had commitments of EUR 155 thousand (2017 EUR 156 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.

Company has a pledge of EUR 79 thousand with the financial institution for the rented real estate premises.

During 2017 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 130 000 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 20 000 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 one vessel has been delivered during 2018 and other three are in construction phase that is scheduled for compeltion during 2019. 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 2018.

LEGAL PROCEEDINGS

The Group has no material pending legal cases at the end of the year 2018. The Group profit is not affected by any major non-recurring legal expense.

Company has a 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 1,8 million euro.

Leasing commitments are presented in note 26.

NOTE 28 Related party disclosures

Group's related parties were the parent company Container Finance Ltd Oy and its subsidiaries and related companies,such as Positen Oy, until 31 October 2018. Container Finance Ltd Oy was jointly owned by Karita, Harri and Kimmo Nordström.

As of 1 November 2018 Groups related parties are the Group's parent company, CMA CGM S.A. with its subsidiaries and Container Finance Ltd Oy including it's associated companies. CMA CGM S.A. ownership is divided into: Merit Corporation SAL (70%), Yildirim Asset Management Holding B.V. and BPIFrance Participations (6%).

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	2018	2017
Rendering of services and other income	699	29
Purchases from related parties	11 425	19 184
Interest income	244	347
Interest expense	0	0
Receivables	1 222	1 937
Liabilities	1 121	2 605
Loans from previous related parties	5 000	5 000
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

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 quartely.

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	2018	2017
Salaries and other short-term benefits	1 598	1 228
Total	**1 598**	**1 228**

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	2018	2017
CEO	412	373
Board of Directors:		
Chairman	0	20
Board member A	0	20
Board member B	0	20
Total	**412**	**433**

NOTE 29 Events after the reporting period

The combination agreement between Container Finance Ltd Oy and CMA CGM was closed on 31.10.2018. Upon closing the agreement, Containerships plc, will integrate CMA CGM's intra-regional market offering in Europe and Mediterranean area. As result, bondholders could require the repurchase of the Bonds they held as provided in the terms and conditions of the Bonds.

The deadline for bondholders to require the repurchase of their Bonds was January 4, 2019. By the deadline, Containerships plc received Bonds representing an aggregate nominal principal amount of 11.4 million, which represents approximately 19 per cent of the aggregate nominal principal amount of all the Bonds. Containerships plc paid, on the repurchase date of February 1, 2019, in accordance with the terms of the Bonds upon a Change of Control Put option, 101 per cent of the nominal amount of the Bonds to be repurchased, together with the accrued and unpaid interest.

CONTAINERSHIPS PLC

INCOME STATEMENT
2018

Business identification code: 0818358-5

Domicile: Espoo

CONTAINERSHIPS PLC

Income statement (FAS)

EUR	NOTE	2018	2017
NET SALES	1	227 980 407	190 049 435
Other operating income	2	1 443 367	929 047
Material and service expenses	3–4	-206 050 758	-166 221 136
Personnel benefit expenses	5	-8 668 806	-7 840 639
Depreciation, amortisation and reduction in value	6	-7 647 078	-4 995 363
Other operating expenses	7	-6 083 434	-6 511 267
Operating profit (loss)		**973 699**	**5 410 078**
Financial income	8	265 437	379 517
Financial expenses	8	-6 709 221	-6 217 351
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-5 470 085	-427 757
Income taxes	9	0	755 247
Other taxes		0	0
Profit (loss) for the financial year		**-5 470 085**	**327 491**

CONTAINERSHIPS PLC

Balance sheet (FAS)

ASSETS, EUR	NOTE	31 DEC 2018	31 DEC 2017
NON-CURRENT ASSETS			
Intangible assets	10	6 151 202	7 166 248
Tangible assets	11	20 285 587	19 590 494
Investments	12		
Shares and similar rights of ownership in Group companies		26 948 796	26 888 796
Other shares and similar rights of ownership		1 552	1 552
Total non-current assets		**53 387 137**	**53 647 091**
CURRENT ASSETS			
Inventories	13	1 752 363	1 302 591
Long-term receivables	14	11 659 630	13 182 638
Short-term receivables in Group companies	15	15 363 357	14 206 407
Short-term receivables	15	20 829 638	17 782 577
Cash and cash equivalents		7 617 158	10 281 526
Total current assets		**57 222 147**	**56 755 740**
TOTAL ASSETS		**110 609 284**	**110 402 830**

Balance sheet

EQUITY AND LIABILITIES, EUR	NOTE	31 DEC 2018	31 DEC 2017
EQUITY	**17**		
Share capital		80 000	80 000
Premium fund		336 827	336 827
Fund for invested unrestricted equity		4 342 213	4 342 213
Retained earnings		833 991	506 500
Profit (loss) for the financial year		-5 470 085	327 491
Hybrid Capital Loan		5 000 000	5 000 000
Total Equity		**5 122 947**	**10 593 032**
LIABILITIES			
Long-term liabilities	**17**		
Convertible Capital Loans		0	6 155 677
Bonds		60 000 000	60 000 000
Other long-term debt		1 227 543	345 543
Short-term liabilities	**18**		
Convertible Capital Loans		6 665 095	0
Short-term liabilities to Group companies		10 307 514	12 347 376
Short-term liabilities		27 286 186	20 961 203
Total liabilities		**105 486 337**	**99 809 799**
TOTAL EQUITY AND LIABILITIES		**110 609 284**	**110 402 830**

Cash flow statement (FAS)

EUR	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before appropriations and taxes	-5 470 085	-427 757
Adjustments		
Financial income and expenses	6 443 783	5 837 835
Depreciation, amortisation and impairment losses	7 647 078	4 995 363
Profit/loss on sale of tangible non-current assets	-1 443 367	-929 047
Other adjustments	-38 533	-249 582
Change in working capital		
Change in trade and other receivables	-2 681 003	-9 154 214
Change in inventories	-449 772	-496 474
Change in non-interest bearing current liabilities	4 794 673	5 797 351
Interest received	265 437	379 517
Net cash generated from operating activites (A)	**9 068 211**	**5 752 991**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible non-current assets	-7 407 516	-4 367 782
Investments in subsidiaries and other shares	-60 000	-856 870
Sales gains from non-current and current assets	1 443 367	834 683
Net cash flow from investing activities (B)	**-6 024 149**	**-4 389 969**
CASH FLOW FROM FINANCING ACTIVITES		
Borrowings and repayments of long-term debt (net)	0	8 995 000
Change in Other receivables (Escrow-accounts)	0	203 288
Paid interests and financial costs	-5 708 430	-10 171 737
Net cash flow of financing activites (C)	**-5 708 430**	**-973 449**
EXCHANGE DIFFERENCE FROM THE BANK ACCOUNTS		
Net change in cash and cash equivalents during the financial year (A+B+C)	**-2 664 368**	**389 574**
Cash and cash equivalents on 1.1.	10 281 526	9 891 952
Cash and cash equivalents on 31.12.	**7 617 158**	**10 281 526**

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, exluding 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 recognized as financial items. The interest income and expenses of the derivates used for controlling the interest risk are booked on quarterly basis according to the settlement schedule defined in the derivative agreement.

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 acquistion 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 equipments	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 amortised over five years.

INVENTORIES

Vessel stocks of fuel and lubricating oil are recogniced 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.

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 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 Group has recognised deferred tax assets of 5 028 thousand (EUR 6724 thousand at 31 December 2017) to the parent company's unused tax losses carried forward. Management anticipates that the company will taxable income against which the losses can be utilized. In making the assessment management has taken into consideration investments in six new LNG vessels in coming year. 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.

In addition, the company has the opportunity to sell its own containers and thus utilize deferred tax assets.

Notes to the income statement

EUR	2018	2017
1. NET SALES		
Segment information		
Sea transportation / Freights	89 367 180	74 183 863
Haulage	81 314 144	67 245 254
Stevedoring and terminal operations	52 409 169	45 383 888
Other	4 889 914	3 236 430
Total	**227 980 407**	**190 049 435**
Turnover by geographical area		
Finland and EU	132 228 636	110 228 672
Russia	95 751 771	79 820 763
Total	**227 980 407**	**190 049 435**
2. OTHER OPERATING INCOME		
Sales gain on sold of current assets	**1 443 367**	**929 047**
3. MATERIAL AND SUPPLIES		
Purchases in the financial year	-37 597 878	-24 724 992
Change in inventories	449 772	496 474
Total	**-37 148 106**	**-24 228 518**
4. PURCHASED SERVICES		
Total	**-168 902 651**	**-141 992 618**
5. PERSONNEL BENEFIT EXPENSES		
Wages and salaries	-7 547 491,22	-6 970 418
Pension expenses	-1 445 900,78	-1 182 635
Other personnel costs	324 585,85	312 415
Total	**-8 668 806,15**	**-7 840 639**
Wages and salaries of Government and Management		
Members of the Government and Management	**-412 000**	**433 100**
Average number of employees during the financial year		
Average number of blue collars	120	119
Total	**120**	**119**

EUR	2018	2017
6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES		
Depreciation according to plan		
Intangible assets	-2 924 913	-514 497
Other long-term assets	-1 646 635	-1 119 593
Machinery and equipment	-3 075 529	-3 361 272
Total	**-7 647 078**	**-4 995 363**
7. OTHER OPERATING EXPENSES		
Other personnel costs	-309 059	-195 893
Office costs	-1 748 803	-1 407 588
Purchased services	-1 706 915	-2 828 384
Other operating expences	-2 318 658	-2 079 402
Total	**-6 083 434**	**-6 511 267**
Auditor fees and services		
Group's main auditor has been in 2018 KPMG Oy Ab.		
Audit	101 561	98 540
Tax services	16 975	15 355
Other services	16 747	74 385
Total	**135 283**	**188 280**
8. FINANCIAL INCOME AND EXPENSES		
Financial income		
Dividend income	0	0
Interest income	21 874	29 340
Interest income from group companies	243 564	350 177
Exchange rate income	0	0
Total	**265 437**	**379 517**
Financial expenses		
Interest expenses	-4 805 860	-4 971 081
Other financial expenses	-1 678 804	-256 830
Exchange rate gaines	2 323 531	1 288 687
Exchange rate losses	-2 548 087	-2 278 127
Total	**-6 709 221**	**-6 217 351**
9. TAXES		
Changes for deferred taxes	0	755 247
Total	**0**	**755 247**

NOTES TO THE BALANCE SHEET (ASSETS), EUR	2018	2017
10. INTANGIBLE ASSETS		
Development expenditure		
Acquisition cost 1.1.	7 030 051	6 179 170
Increases	2 996 687	850 881
Acquisition cost 31.12	10 026 738	7 030 051
Accumulated amortisations 1.1.	5 058 354	4 543 857
Amortisations under the financial year	624 913	514 497
Impairments	2 300 000	0
Accumulated amortisations 31.12	7 983 267	5 058 354
Book value 31.12	**2 043 471**	**1 971 697**
Other long-term assets		
Acquisition cost 1.1.	6 674 441	3 365 554
Increases	171 312	3 578 220
Disposals	-51 155	-269 334
Acquisition cost 31.12	6 794 598	6 674 441
Accumulated amortisations 1.11	2 101 176	981 584
Amortisations under the financial year	1 646 635	1 119 593
Accumulated amortisations 31.12	3 747 812	2 101 176
Book value 31.12	**3 046 786**	**4 573 264**
Advance payments		
Acquisition cost 1.1.	621 287	258 167
Increases	3 975 239	1 018 225
Disposals	-3 535 580	-655 104
Acquisition cost 31.12	1 060 946	621 287
Total intangible assets	**6 151 203**	**7 166 248**
11. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost 1.1.	51 110 206	51 890 920
Increases	3 799 859	1 047 658
Disposals	-722 976	-1 828 372
Acquisition cost 31.12.	54 187 088	51 110 206
Accumulated depreciations on 1.1.	31 519 712	29 203 429
Depreciations of disposals and reclassifications	-693 740	-1 044 989
Depreciations under the financial year	3 075 529	3 361 272
Accumulated depreciations on 31.12	33 901 502	31 519 712
Book value 31.12	**20 285 586**	**19 590 493**
Total tangible assets	**20 285 586**	**19 590 493**

NOTES TO THE INCOME STATEMENT, EUR	2018	2017
12. INVESTMENTS		
Shares in consolidated companies		
Acquisition cost 1.1	26 888 796	26 031 926
Increases	60 000	856 870
Acquisition cost 31.12	**26 948 796**	**26 888 796**
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 %	100 %
Nordic Bergen Schifffahrtsgesellschaft	90 %	90 %
Nordic Turku Schifffahrtsgesellschaft	90 %	90 %
Nordic Copenhagen Schifffahrtsgesellschaft	90 %	90 %
Nordic Kotka Schifffahrtsgesellschaft	90 %	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.

Other shares and associates		
Historical cost 1.11	1 552	1 552
Historical cost 31.12	**1 552**	**1 552**
Zeeland Family Oyj 0,06 %		
Total investments	**26 950 348**	**26 890 348**

NOTES TO THE INCOME STATEMENT, EUR	2018	2017
13. INVENTORIES	**1 752 363**	**1 302 561**

14. LONG-TERM RECEIVABLES		
Long term receivables		
Deferred tax assets 1.1.	6 724 107	5 968 860
Change	0	755 247
Deferred tax assets 31.12.	6 724 107	6 724 107
Interest accruals	0	13 885
Long-term receivables from group companies	4 935 524	4 935 524
Other long-term receivables	0	1 509 123
Long-term receivables total	**11 659 630**	**13 182 638**

15. SHORT-TERM RECEIVABLES		
Short-term receivables from group companies		
Sales receivables	13 963 331	13 352 138
Group account receivable	1 319 614	714 384
Loan receivables	0	6 339
Other receivables	80 413	133 545
Total	**15 363 357**	**14 206 407**
Short-term receivables from other companies		
Sales receivables	18 963 326	16 486 976
Other receivables	235 801	474 483
Prepayments and accrued income	1 630 511	821 118
Total	**20 829 638**	**17 782 577**
Short-term prepayments and accrued income		
Insurances	0	201 127
Finnish Maritime Administration	234 000	240 000
Container rent accruals	0	37 438
Rent accruals	592 396	34 117
Interest accruals	0	55 538
Accrued costs	727 840	181 495
Other	76 275	71 402
Total	**1 630 511**	**821 118**
Short-term receivables total	**36 192 995**	**31 988 984**

NOTES TO THE BALANCE SHEET (EQUITY AND LIABILITIES), EUR	2018	2017
16. EQUITY CAPITAL		
Restricted equity capital		
Share capital 1.1.	80 000	80 000
Increase	0	0
Share capital 31.12	**80 000**	**80 000**
Premium fund 1.1.	336 827	336 827
Premium fund 31.12	**336 827**	**336 827**
Restricted equity capital total	**416 827**	**416 827**
Unrestricted equity capital		
Fund for invested unrestricted equity 1.1.	4 342 213	4 342 213
Change	0	0
Invested unrestricted equity capital 31.12	**4 342 213**	**4 342 213**
Retained earnings 1.1.	**833 991**	**506 500**
Retained earnings 31.12	**833 991**	**506 500**
Profit/loss from the financial year	-5 470 085	327 491
Unrestricted equity capital total	-293 880	5 176 205
Hybrid capital loan 1.1.	5 000 000	5 000 000
Increase	0	0
Hybrid capital loan	**5 000 000**	**5 000 000**
Total equity 31.12	**5 122 947**	**10 593 032**
Development expenditure	2 043 471	1 971 697
Distributable funds	**-2 337 351**	**3 204 508**

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.

Accumulated interest for the loan is 921 thousand euro.

NOTES TO THE INCOME STATEMENT, EUR	2018	2017
17. LONG-TERM LIABILITIES		
Loans from financial institutions		
Bonds	60 000 000	60 000 000
Convertible capital loans	0	6 155 677
Other long-term liabilities	1 227 543	345 543
Total	**61 227 543**	**66 501 220**
Long-term liabilities total	**61 227 543**	**66 501 220**

BOND ISSUE

EUR 60 000 thousand bond issue is secured and is repayable in full on 22.11.2021.

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 is payable at, the time of repayment of the convertible capital loans. If the investors have not chosen to exercise their right to subscribe for shares, the convertible capital loan shall be repaid together with interest on April 30, 2019.

The capitalised interest of convertible loan is 1 665 thousand euro.

NOTES TO THE INCOME STATEMENT, EUR	2018	2017
18. SHORT-TERM LIABILITIES		
Short-term liabilities to group companies		
Trade payables	5 769 910	7 656 870
Group account debt	2 429 311	2 582 214
Loans	2 108 293	2 108 293
Total	**10 307 514**	**12 347 376**
Short-term liabilities to other companies		
Trade payables	21 787 932	15 308 688
Convertible capital loans	6 665 095	0
Other liabilities	1 059 866	1 029 587
Short-term accrued expenses	4 438 388	4 622 928
Total	**33 951 280**	**20 961 203**
Short-term accrued expenses		
Salaries	1 234 256	1 109 392
Loan interests	491 373	491 238
Accrued costs	2 030 285	996 143
Other accrued expenses	682 474	2 026 155
Total	**4 438 388**	**4 622 928**
Short-term liabilities total	**44 258 794**	**33 308 579**

Loan interests include bond interest 395.833,33€. The terms and conditions of the subordinated loan are presented in Note 17.

NOTES TO THE INCOME STATEMENT, EUR	2018	2017
19. COMMITMENTS AND CONTINGENT LIABILITIES		
Loans for which the collateral is given		
Bond security	60 000 000	60 000 000
Other collaterals		
Vessel mortage	10 000 000	20 000 000
Company mortgage	130 000 000	130 000 000
General pledging	5 000 000	5 000 000
Other collaterals		
Customs' guarantee	485 000	1 029 000
20. DERIVATE CONTRACTS	**MARKET-VALUE**	**MARKET-VALUE**
Currency- and interest derivates		
Currency swaps	0	-631 000
Interest derivates	-780 000	-911 000

MATURITY ANALYSIS 2018

EUR 1 000	AMOUNT	TOTAL	0-6 M	7-12 M	2019-2020	2021	2022-
Derivatives							
Foreign exchange derivative contracts	0	0	0	0	0	0	0
Interest rate swaps	-780	-780	-173	173	-347	-87	0
Commodity forward contracts	-708	-708	-567	-141	0	0	0
Total	**-1488**	**-1488**	**-740**	**-314**	**-347**	**-87**	**0**

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 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	-708 000	268 177

21. FUTURE LEASING PAYMENTS

Due within one year from balance sheet date		
Container leases	713 659	1 299 526
Other leases	1 263 049	1 502 843
Due later than one year from balance sheet date		
Container leases	2 051 538	2 642 251
Other leases	1 006 673	1 583 325
Total	**5 034 920**	**7 027 945**

Term of notice for leased containers is generally 2 months.

Other equipment leaseagreements terminate during 2019–28.9.2021. 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 2018 were EUR 0 thousand.

The Board of Directors proposes that no dividend will be paid on the company's shares and the loss for the financial year 2018 EUR 5 470 thousand will be carried further in the retained earnings.

Espoo, February 2019

SIGNATURES OF THE BOARD OF DIRECTORS AND THE CEO TO THE REPORT OF THE BOARD OF DIRECTORS AND THE FINANCIAL STATEMENTS

Lars Kastrup
Chairman of the Board

Guillaume Lathelize
Member of the Board

Kari-Pekka Laaksonen
CEO

Michel Sirat
Member of the Board

AUDITORS' NOTE

Our auditor's report has been issued today.

Helsinki, February 2019

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

List of accounting journals

ACCOUNTING JOURNAL	VOUCHER TYPE	STORAGE METHOD
Financial Statement		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

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

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 Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Containerships Oyj (business identity code 0818358-5) for the year ended 31 December, 2018. 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 position, financial performance 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.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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 35.5 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 an estimate of their fair values made by management.	— 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 valuation as well as examining the payment transactions after the financial year end.

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 5.0 million arisen from unused tax losses incurred in the parent company. Management anticipates that the future taxable profit will be available to the parent company against which those losses can be utilised. The parent company's future revenue forecasts are significantly affected by the new investments in LNG-fuelled vessels.

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

Goodwill

— The goodwill in the consolidated balance sheet amounts to EUR 5.8 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 80.5 million represent a significant part, 52 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 of which one has been delivered during year 2018 (increase of the vessels amounted to EUR 28.1 million) and

— Our audit procedures comprised, among others, inspecting the new vessel investment contracts to assess the accuracy of accounting, 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 rest of the new LNG-vessel will be delivered during year 2019 in accordance with the contract. The property, plant and equipment balance includes advance payments made in respect of the said vessel investments amounting to EUR 17.8 million. The vessel investment will also significantly impact the Group's future cash flow forecasts.

a vessel included in the parent company's balance sheet. We also performed audit procedures to assess the technical accuracy of the valuation calculation and critically analysed the assumptions used by management.

Financing (Refer to notes 3, 20, 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 60.0 million. The bond matures on 22 November, 2021.
- 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.

- 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 information disclosed in the Group's notes.
- We have critically evaluated the Group's budget for the year 2019 and the used 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 about 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 the 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 skepticism 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

Information on our audit engagement

Containerships Oyj became a public interest entity on 1 April 2016. We have been appointed as auditors of Containerships Oyj since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 other information that we obtained prior to the date of this auditor's report, 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, 27 February 2019

KPMG OY AB

KIMMO ANTONEN
Authorised Public Accountant, KHT