MPC CONTAINER SHIPS INVEST B.V.

ANNUAL REPORT
2017

CONTENTS

MANAGEMENT BOARD'S REPORT

BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships Invest B.V. (the “Company”, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam NL1077, Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and operating activity commenced in September 2017. This consolidated financial statements comprise the Company and its subsidiaries. The principal activity of the Group is the investment in as well as operating and financing container vessels.

The Company is controlled by MPC Container Ships ASA (the "Parent"), a public limited liability company incorporated and domiciled in Norway, with registered address at Dronning Mauds gate 3, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Group is included in the consolidated financial statements of the Parent. The shares of the Parent are listed at Oslo Axess, Oslo Stock Exchange under the ticker “MPCC”.

These consolidated financial statements were approved by the Company’s Management Board on 26 April 2018.

The following significant events occurred in 2017:

- In April, the Parent registered on the Norwegian OTC-list, operated by the Norwegian Securities Dealers Association, and issued 20,000,000 new shares at a subscription price of NOK 42.63 per share in an initial private placement. The gross proceeds were USD 100 million.
- In May, the Parent listed its shares on the Merkur Market at the Oslo Stock Exchange (unregulated market).
- In June, the Parent issued 15,000,000 new shares at a subscription price of NOK 43.00 per share in a second private placement. The related gross proceeds were USD 76 million.
- In September, the Company completed the issuance of a new senior secured bond issue of USD 100 million with a five-year tenor, floating interest rate of three-month LIBOR + 4.75% and a borrowing limit of USD 200 million.
- In November, the Parent issued 30,250,000 new shares at a subscription price of NOK 47.50 per share in a third private placement. The respective gross proceeds were USD 175 million.

As of 31 December 2017, the Company’s share capital is EUR 1 comprised by 1 share, with a nominal value of EUR 1. As of the same date, the Group has been contributed from the Parent 15 vessels; additionally, 3 vessels were acquired and prepayments were made for 2 vessels. All container vessels are between 1,100 and 2,800 twenty foot capacity (TEU).

The following significant events occurred after the balance sheet date:

- In January 2018, the shares of the Parent were listed on Oslo Axess at the Oslo Stock Exchange (regulated market).
- In January 2018, the Group entered into an agreement to acquire a 2,800 TEU container vessel with a purchase price of USD 10.5 million.
- In February 2018, the Company completed a tap issue of USD 100 million in the above-mentioned senior secured bond.
- In February 2018, the Group entered into agreement to acquire additional 14 feeder container vessels between 1,300 TEU and 2,800 TEU with a total purchase price of USD 139.5 million.

CONSOLIDATED FINANCIAL STATEMENTS

Financial performance

The financial performance of the Group needs to be put into perspective, given that the Group is in the growth phase of its operation. The first vessels were contributed to the Group in September 2017, and the operating result of the Group was impacted by frequent vessel take-overs, as well as one-off costs for the start-up phase associated with the establishment and development of the Group throughout the year.

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues during 2017 were USD 10.5 million. Vessel-related expenses were USD 9.9 million, resulting in gross profit from vessel operations of USD 0.6 million.

Administrative expenses, depreciation, impairment and other expenses totalled USD 1.9 million. The Group thus reported an operating loss (EBIT) of USD 1.3 million.

Net loss for the period ended on 31 December 2017 was USD 2.9 million. The Management Board has proposed that the net loss for the period is allocated to retained losses.

Financial position

The Group's total assets amounted to USD 225.7 million at 31 December 2017. Non-current assets in the amount of USD 161.8 million comprise vessels taken over and operated by the Group, as well as prepayments for vessels to be taken over.

Total equity was USD 123.5 million at 31 December 2017 and non-current financial liabilities were USD 96.2 million resulting from a bond issued by the Company.

Cash flow

During 2017, the Group generated a positive cash flow from operating activities of USD 0.5 million. The cash flow absorbed by investing activities into vessels was USD 45.9 million. The positive cash flow from financing activities of USD 104.9 million is due to the net proceeds from the senior secured bond issue completed in November 2017 and cash contributed by the Parent.

The total net change in cash and cash equivalents from 6 September 2017 through 31 December 2017 was USD 59.5 million.

Cash and cash equivalents as of 31 December 2017 are USD 59.5 million.

GOING CONCERN

The Management Board confirms that the financial statements of the Company have been prepared under the assumption of going concern. This assumption is based on profit forecasts for 2018 and the Group's long-term strategic forecasts. The Group's economic and financial position is deemed sound.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group is in the growth phase of its operations. As of 31 December 2017, the Group does not have employees and thus has not assessed its working environment, leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

The Group is committed to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

The Group is working actively, determined and systematically to encourage equal rights within our business, and aims to be a workplace with equal opportunities. This is reflected in the Parent's Code of Conduct, applicable to the Company and other entities controlled by the Parent and all employees, directors, officers and agents.

MANAGEMENT BOARD

As per 31 December 2017, the Management Board comprises three men. The Company is in the start-up phase of its operation and the composition of the Management Board in terms of gender equality will be reconsidered for future vacancies. The Board of Directors of the Parent fulfils the equality requirements applicable under the Norwegian Public Limited Liability Companies Act.

No Management Board remuneration has been paid out during 2017, and no policy on Management Board remuneration has been proposed or resolved.

CONTAINER MARKET UPDATE

At the start of the year 2017, container shipping markets were at rock bottom, but a series of developments led to the perception among several market participants that the worst could soon be over. In 2016, record scrapping of tonnage and low volumes of newbuilding deliveries had laid the ground for a rebalancing of supply and demand in container shipping. Decent demand growth was required to support the positive development with respect to a demand/supply balance, and 2017 turned out to deliver even stronger than anticipated growth in box trade, resulting in long-awaited market improvements. The Company identified the acquisition of second-hand tonnage in the feeder containership segment (1,000 – 3,000 TEU) as one of the most attractive investment opportunities in the shipping industry. Consequently, the Group began acquiring feeder vessels, trading at a discount-to-newbuilding parity in excess of 50% as of April 2017. Coinciding with the initiation of the Parent's operations in the spring of 2017, charter rates for feeder tonnage rose significantly above bottom-cycle levels and well above cash break-even levels. During 2017, both charter rates and asset values for feeder tonnage continued to stabilize and increased further. The year finished off in absence of the typical winter slack season due to continuous demand and tightening supply in the feeder segment, leaving market participants with positive expectations for 2018.

Global economic growth continued to move upwards in 2017, as both advanced and emerging economies have shown accelerated economic activity since 2016. The positive economic environment helped container trade to grow by an estimated 5.2% for the full year 2017, an increase compared to 4.1% in 2016. Box trade growth was driven by a positive development of all major trade routes, with robust growth on Intra-Asian and North-South routes in particular. Intra-Asia is also the largest trading region for feeder containerships with a share of more than 40% of the fleet. On the supply side, total fleet growth is estimated at 3.7% for 2017, above the 1.2% growth seen in 2016, but still low enough for an improvement of the supply-demand balance. Furthermore, the orderbook-to-fleet ratio decreased from 16% to 13% and the idle fleet decreased from 7% to 2% over the course of the year.

As the number of available charter vessels decreased, charter rates in the feeder segment saw substantial increases during 2017. Along with rising earnings and positive sentiment in the market, second-hand prices surged even more. Although the improvements seen y-o-y were significant, high upside potential remains compared to historical averages.

Time charter rates (6-12 months) in December 2017:

- 1,000 TEU: USD 6,350 (up 4% y-o-y)
- 1,700 TEU: USD 8,500 (up 37% y-o-y)
- 2,750 TEU: USD 9,350 (up 55% y-o-y)

Second-hand prices (10yr old) in December 2017:

- 1,000 TEU: USD 7.0m (up 65% y-o-y)
- 1,700 TEU: USD 9.0m (up 64% y-o-y)
- 2,750 TEU: USD 10.8m (up 87% y-o-y)

Sale and purchase activity in the second-hand market reached record heights in 2017 with more than one million TEU of capacity changing hands. One of the main reasons for this record year of ship sales was the increased regulatory pressure on ship financing banks to reduce their non-performing shipping portfolios by offloading vessels at market prices. The Parent's group took advantage of this unique window of opportunity to grow its fleet from 0 to 41 vessels at attractive prices within less than nine months. The latest acquisitions by the Company in December 2017 were still done at about 40% discount-to-newbuilding parity.

OUTLOOK AND STRATEGY

Despite observable increases in second-hand vessel prices, in the view of the Company, the current price level still offers an attractive entry point for further acquisitions. As such, the Group intends to further grow its fleet through accretive acquisitions in 2018. To finance such growth, a USD 100 million tap issue on the existing bond facility was completed in February 2018. As such, the total nominal amount of bonds outstanding is USD 200 million.

The Group's chartering strategy is to employ all vessels at fixed time charters with varying durations of between 1 and 24 months, depending on market opportunities and available charter contracts.

Following a year of improving market conditions and against a backdrop of strong economic data, the outlook for 2018 is positive for the shipping industry. Container trade growth is expected to surpass capacity growth, leading to further gains in favour of tonnage providers. While deliveries of larger vessels could slow the recovery for certain segments above 3,000 TEU, the feeder segment is expected to benefit from moderate fleet growth and high demand in intra-regional trades. Due to a number of commercial and physical restrictions, cascading of tonnage above 3,000 TEU onto intra-regional trade routes is expected to remain limited.

The Group does not conduct research and development activities and does not intend to employ own workforce.

RISK FACTORS

The Group is exposed to a variety of risks. A number of risk factors are described below. However, the description below is not exhaustive, and the sequence of the risk factors is not set out according to their importance.

None of the below risks had a significant impact on the Group in 2017.

Management continuously monitors the central sources for risk, with a focus on financial risks. In addition, the Group is part of the risk management system implemented at the level of the Parent. Given that the Group is newly established, management reviews the risk management and control system in order to identify areas for improvement.

Operational risks

Management mitigates operational risks by maintaining a suitable insurance cover for the vessels owned by the Group and the status of insurances is reviewed regularly. In addition, in order to control technical and commercial management of assets the owned by the Group, management monitors the performance of the contracted ship managers closely. Risks with respect to operational and capital expenditures are controlled by a regular budgeting processes and corresponding budget compliance controls as well as operational reports received from the technical ship managers. In order to manage risks related to the operation of the Group's vessels, management makes use of the Parent's personnel resources.

The Group focuses on the acquisition and operation of secondhand container vessels; technical risk connected with the acquisition of such secondhand vessels is mitigated by due diligence procedures performed by external service providers.

Technical risks

The technical operation of a vessel has a significant impact on the vessels' economic life. Technical risks will always be present. There can be no guarantee that the parties tasked with operating a vessel or overseeing such operation perform their duties according to agreement or satisfaction, even if a monitoring system is established. Failure to adequately maintain the technical operation of a vessel may adversely impact the operating expenses, dry-docking costs and other costs.

The timing and costs of repairs on the Group's ships are difficult to predict with certainty and may be substantial. Many of these expenses, such as dry-docking and certain repairs for normal wear and tear, are typically not covered by insurance. Large repair expenses and repair time may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity. Any operational downtime of the Group's vessels will affect the Group's results. Furthermore, off-hire due to technical or other problems to any vessel could be materially disruptive to the Company's financial results. Inadequate technical maintenance of the Group's vessels may negatively influence the availability of vessels in the charter market, impacting the utilization of the Group's fleet.

Risk from unexpected technical restrictions in vessels' operational availability may result in decreased charter revenue.

Risk relating to accidents and pollution

The Group's vessels are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms. The Group's vessels may also be subject to other unintended accidents. Such circumstances may result in loss of or damage to the Group's vessels, damage to property, including other vessels and damage to the environment or persons. Such events may lead to the Group being held liable for substantial amounts by injured parties, their insurer and public governments. In the event of pollution, the Group may be subject to strict liability. Environmental laws and regulations applicable in the countries in which the Group operates have become more stringent in recent years. Such laws and regulations may expose the Group to liability for the conduct of or conditions caused by others, or for acts by the Group that were in compliance with all applicable laws at the time such actions were taken.

All vessels carry pollutants. Accordingly, there will always be certain environmental risks and potential liabilities involved in the ownership of commercial shipping vessels.

Reliance on technical and commercial management of assets

The Company is responsible for the technical management (including the crew management) of the vessels owned by the Group. The performance of technical ship management services is subcontracted to specialized ship managers. The loss of such ship managers' services or their failure to perform their obligations to the Group could materially and adversely affect the results of the Group's operations. The Group's business will be harmed if the service providers fail to perform these services satisfactorily, if they cancel their agreements, or if they stop providing these services to the Group.

Commercial management of the Group's vessels is performed by chartering managers.

Fees payable to the ship managers will be payable regardless of the Group's profitability.

Risks related to maritime claims

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against one or more of the Group's vessels for unsatisfied debts, claims or damages (even based on doubtful reasons). The arrest or attachment of one or more of the Group's vessels could interrupt the cash flow from the charterer and/or the Group and require the Group to pay a significant amount of money to have the arrest lifted.

International shipping operations

The Group's vessels operate in a variety of geographic regions. Consequently, the Group may be exposed to political risk, risk of piracy, sanctions and blacklisting, corruption, terrorism, outbreak of war, overlapping and differing tax structures. In addition, the Group's operations are subject to laws and regulations and supervisory rules in the countries where the activity is performed. Changes in the legislative, governmental and economic framework governing the activities of the shipping industry, could also have a material negative impact on the Group's results of operations and financial condition.

The operation of ships involves specific risks which include accidents, collisions, total loss of a ship, environmental damage, fire, explosions, loss of or damage to the cargo, damage caused by material defects, human error, loss of certification of ships or difficult weather conditions.

Market risks

Market related risks are largely outside the control of management. Charter market risks are controlled by careful analysis of the container charter market and regular review of charter strategy.

Macroeconomic conditions

Changes in national and international economic conditions, including, for example interest rate levels, inflation, employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments – none of which will be within the control of the Group – may negatively impact the Group's investment activities, realization opportunities and overall investor returns.

Shipping markets

The container shipping industry is highly cyclical with attendant volatility in charter rates and profitability. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the cargo to be carried. The demand for, and the pricing of the underlying assets are outside of the Group's control and depend, among other factors, on the global and regional economic and political conditions, global trade growth and the distance container cargo products are to be moved by sea. On the supply side there are uncertainties tied to ordering of new vessels and scope of future scrapping. No assurances can be made that the Group will be able to successfully employ its vessels in the future or renew existing employment agreements (including charters and pool agreements) at rates sufficient to allow it to meet its obligations. The Group’s ability to obtain charters will depend upon the prevailing market conditions. If the Group is unable to employ one or more of its vessels for a longer period of time, revenue will be substantially reduced.

Changes in scrap prices

The scrap value of a vessel is highly dependent on the price of steel which is subject to fluctuations.

Competition

The container shipping industry is highly competitive, resulting in significant price competition, particularly during industry downturns. In addition, new competitors could enter the market for container ships and operate larger fleets through consolidations, acquisitions or purchase of new vessels, and may therefore or for other reasons be able or willing to offer lower charter rates or vessels with superior technical specifications (e.g. newbuildings). If the Company is not able to compete successfully, the Company's earnings could be adversely affected.

Legal risks

Management controls legal and tax risks by regular consultations with legal and tax counsels to identify and evaluate respective risks within the Group. Such consultations also aim at identifying changes in legal, tax and regulatory regimes within the relevant jurisdictions which may have an adverse effect on the Group or, conversely, may offer opportunities to develop the Group. Legislative changes affecting the maritime industry are, among others, monitored by discussions with the Group’s ship managers and other industry experts.

Changes in legal framework

Changes in legal, tax and regulatory regimes within the relevant jurisdictions may occur during the life of the Group which may have an adverse effect on the Group.

Over the past 20 years, the shipping industry has faced various legislative changes affecting the industry in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which container vessels operate or are registered, which can significantly affect the ownership and operation of container vessels. There is a risk that new legislative changes will be proposed and ratified which could affect amongst others the economic lives of vessels and their earning potential. The Group may incur additional costs in order to comply with existing and future regulatory obligations. Regulatory requirements include, but are not limited to, compliance with the regulation of carbon and Sulphur dioxide emissions by merchant vessels (e.g. the "IMO 2020" regulation on the emission of Sulphur dioxides).

Managers of alternative investment funds are subject to a registration requirement or a license requirement (depending on the amount of assets under management) pursuant to Directive 2011/61/EU on alternative investment fund managers and the Norwegian act on management of alternative investment funds of 20 June 2015 no. 28. Based on the nature of the operations of the Company and its governance structure, the Company is of the view that it is not an alternative investment fund and is not subject to these rules. If the Company should nonetheless be held to be an alternative investment fund this could result in increased costs and other negative consequences for the Company.

Tax risks

Tax laws and regulations are highly complex and subject to interpretation. Consequently, the Group is subject to changing tax laws, treaties and regulations in and between countries in which it operates. The Group's income tax expense is based upon its interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, which is beyond the Group's control, could result in a materially higher tax expense or a higher effective tax rate on the Group's earnings. The vessel-owning companies are expected to be subject to the German or Dutch tonnage tax regime.

From time to time the Group's tax payments may be subject to review or investigation by tax authorities of the jurisdictions in which the Group operates from time to time. If any tax authority successfully challenges the Group's operational structure, intercompany pricing policies; or if the Group loses a material tax dispute in any country, or any tax challenge of the Group's tax payments is successful, its effective tax rate on its earnings could increase substantially and the Group's earnings and cash flows from operations could be materially adversely affected.

Financial risks

Financial risks are closely monitored by management and the Group is part of the financial risk management system at the level of the Parent. Liquidity risk is controlled by periodical liquidity planning. Interest rate risk is mitigated using interest rate derivatives. Financial risk management is also addressed within the notes to the consolidated financial statements.

Liquidity risk

The shipping market is capital intensive. The Group is dependent on future cash flows in order to be able to meet its obligations as and when they fall due. The Group’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity at all times to meet its obligations.

Counterparty risks

The performance of the Group depends heavily on its counterparties' ability to perform their obligations under, for instance, agreed time charter parties. Liner shipping companies have been placed under significant financial pressure, thereby increasing the Group's charter counterparty risk. The Group is consequently exposed to the risk of contractual default by its counterparties. Any default by a counterparty of its obligations under its agreements with an entity within the Group may have material adverse consequences on the financial condition of the Group.

Currency risk

USD is the functional and reporting currency for the Group. Charter hire is normally payable in USD and the value of the vessels is normally denominated in USD. The Group's vessels operate on a worldwide basis. Therefore, the Group is exposed to currency exchange rate fluctuations as a result of costs incurred in currencies other than USD. In particular, the Group has a net exposure to EUR and NOK. Thus, currency fluctuations may affect both the Group's and the investors' return.

Interest rate risk

Any changes in the interest rate would directly affect the returns on the financed investments. Interest rate levels can also indirectly affect the value of the assets at the point of sale. This will impact the value of the Group's portfolio.

Covenant risk

Loans will typically contain certain covenants, including those related to minimum cash levels, minimum equity ratios, minimum value clauses, vessel related covenants and insurance related covenants, amongst others. The breach of such covenants may lead to a default situation, resulting in capital calls by the creditors and a forced sale of the underlying vessels, which may have a detrimental impact on the financial position of the Group. The compliance with certain debt covenants, including covenants in relation to the market value of the Group's fleet, may be beyond the control of the Group.

Hedging transactions

The Group may engage in certain hedging transactions which are intended to reduce the currency or interest rate exposure. Any such hedging transaction may be imperfect, leaving the Group indirectly exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that the underlying subsidiaries will be able to close out a position when deemed advisable. Like any other financial instrument that is subject to market risks, the derivatives used in hedging activities bear the inherent risk of value loss, leading to considerable liabilities of the Group vis-à-vis the hedging counterparty, due to a variety of factors beyond the Group's control.

Risks related to insurance

Risks may arise for which the Group is not or not adequately insured. Any particular claim may not be paid by the Group's insurers or not paid in time and any claims covered by insurance would be subject to deductibles, the aggregate amount of which could be material. Any uninsured or underinsured loss could harm the Group's business and financial condition and have a material adverse effect on the Group's operations. Furthermore, even if insurance coverage is adequate to cover the Group's losses, the Company may not be able to obtain a replacement ship in a timely manner in the event of a loss.

If the Group fails to comply with applicable regulations, it may be subject to increased liability, which may adversely affect its insurance.

The Group may be subject to premium calls because some of its insurances are obtained through protection and indemnity associations.

FORWARD-LOOKING STATEMENTS

Forward-looking statements presented in this annual report are based on various assumptions. The assumptions are subject to uncertainties and contingencies that are difficult or impossible to predict. MPC Container Ships Invest B.V. cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated and company financial statements presented in this annual report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm to the best of our knowledge that the Management Board's report includes a fair review of the development and performance of the business and the position of the Group and a description of risks and uncertainties.

Amsterdam, 26 April 2018

The Management Board of
MPC Container Ships Invest B.V.

Lammert de Graaf	Constantin Baack	Tobias Junge

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in USD thousands	Note	2017
Operating revenue	6	10,540
Commissions		-417
Vessel voyage expenditures	7	-1,489
Vessel operation expenditures	8	-7,436
Ship management fees		-607
Gross profit		**591**
Administrative expenses	9	-146
Depreciation	13	-1,646
Other income		-77
Other expenses		18
Operating result		**-1,260**
Finance income	10	179
Finance costs	10, 16	-1,849
Loss before income tax (EBT)		**-2,930**
Income tax expenses	11	**-22**
Loss for the period		**-2,952**
Attributable to:		
Equity holders of the Company		-2,951
Non-controlling interest		-1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Note	2017
Loss for the period		-2,952
Items that may be subsequently transferred to profit or loss		**157**
Cash flow hedge reserve		157
Items that will not be subsequently transferred to profit or loss		**0**
Total comprehensive profit/loss		**-2,795**
Attributable to:		
Equity holders of the Company		-2,794
Non-controlling interest		-1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2017
Assets		**225,673**
Non-current assets		162,368
Vessels	13	148,386
Prepayment on vessels		13,419
Other assets		563
Current assets		63,305
Inventories		1,051
Trade and other receivables	15	2,706
Cash and cash equivalents	14	59,548
Unrestricted cash		18,694
Restricted cash		40,854
Equity and liabilities		**225,673**
Equity		123,490
Capital	19	126,150
Share capital		0
Share premium		126,150
Retained losses		-2,970
Other comprehensive income	17	157
Minority interest	12	153
Non-current liabilities		96,242
Interest bearing loans	16, 21	96,242
Current liabilities	17	5,941
Trade and other payables		4,678
Payables to affiliated companies		529
Other liabilities		734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share premium	Retained earnings	OCI	Minority interest	Total equity
Incorporation (6 September 2017)	0					**0**
Additional capital contribution		126,150			153	**126,303**
Result of the period			-2,952			**-2,952**
Cash flow hedge reserve				157		**157**
Other effects			-18			**-18**
Equity as at 31 Dec. 2017	**0**	**126,150**	**-2,970**	**157**	**153**	**123,490**

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Notes	2017
Loss before taxes		-2,930
Income tax paid		0
Finance expenses, net		1,670
Interest paid		-1,535
Interest received		178
Other finance costs		-129
Net change in current assets		-3,757
Net change in current liabilities		5,919
Cash upfront payment for hedge instruments		-566
Depreciation		1,646
Cash flow from operating activities		**496**
Purchase of vessels	13	-27,537
Dry-dockings and other investments		-4,989
Prepayment on vessels		-13,419
Cash flow from investing activities		**-45,945**
Proceeds from shareholder's contribution		8,937
Gross proceeds debt financing	16	100,000
Bond issuing costs	16	-3,940
Cash flow from financing activities		**104,997**
Net change in cash and cash equivalents		59,548
Cash and cash equivalents at beginning of period		0
Cash and cash equivalents at the end of period	**14**	**59,548**

The Parent has contributed 15 vessels to the Group until 31 December 2017 by means of non-cash contributions in the amount of USD 117.5m (see Note 13 – Vessels).

NOTES

Note 1 - General information

MPC Container Ships Invest B.V. (the “Company“, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam NL1077, Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and operating activity commenced in September 2017. 15 vessels owned by the Group as of 31 December 2017 were contributed by MPC Container Ships ASA (the “Parent”). These consolidated financial statements comprise the Company and its subsidiaries. The principal activity of the Group is the investment in as well as operating and financing of container vessels.

The Company is controlled by the Parent, a public limited liability company incorporated and domiciled in Norway, with registered address at Dronning Mauds gate 3, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Group is included in the consolidated financial statements of the Parent. The shares of the Parent are listed at Oslo Axess, Oslo Stock Exchange under the ticker “MPCC”.

This consolidated financial statements and accompanying notes were approved by the Company’s Management Board on 26 April 2018.

Note 2 - Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with the accounting principles prescribed by International Financial Reporting Standards (IFRS), as adopted by the European Union.

Going concern assumption

The financial statements are based on the going concern assumption.

Financial statement classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

Current assets are assets that are:

- expected to be realized in the Group's normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period.

Cash and cash equivalents are classified as current assets unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The current share of long-term assets or liability will be classified as current. All other assets are non-current.

Current liabilities are those:

- expected to be settled within the Group's normal operating cycle;
- held for purpose of trading;
- due to be settled within 12 months and for which the Group does not have an unconditional right to defer settlement beyond 12 months.

All other liabilities are non-current. If a liability has become payable given a breach of a condition under a long-term loan agreement, the liability is classified as current.

The income statement of the Group is presented using the cost of sales method.

The cash flow statement of the Group is prepared using the indirect method.

Basis of measurement

The consolidated financial statements are prepared on the basis of historical cost, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of MPC Container Ships Invest B.V. and its subsidiaries from the date of incorporation (6 September 2017) to 31 December 2017. The assets and liabilities, expenditure and income may only be included in the consolidated financial statements for subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over such entity.

In general, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The consolidation of subsidiaries is carried out from the date as of which the Group obtains the control over such companies and subsidiaries continue to be consolidated until the date that such control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in the income statement. Any investment retained is recognized at fair value.

The financial reports of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses, unrealized gains and losses as well as cash flows resulting from intercompany transactions are eliminated.

Minority interests represent the portion of comprehensive income and net assets that are not held by the parent of the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

The Group has included the subsidiaries listed in Note 23 in this consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in US Dollar (USD), which is the functional currency of the Company, given that revenues, expenses as well as other financial obligations are predominantly denominated in USD. All financial information presented in USD has been rounded to the nearest thousand USD, except otherwise indicated.

New and amended standards and interpretations

Standards and interpretations that are issued but not yet effective are disclosed below. Only standards and interpretations that are applicable to the Group have been included. Management reviews the impact of these changes on the Group's consolidated financial statements regularly. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU endorsement before the consolidated financial statements are issued.

- IFRS 9 – Financial instruments: effective for annual periods beginning on or after 1 January 2018. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. Management has made a preliminary assessment of the effects of replacing IAS 39 with IFRS 9, and has not identified any material impact on the Group's financial position.
- IFRS 15 – Revenue from contracts with customers: effective for annual periods beginning on or after 1 January 2018. The standard will supersede all current revenue recognition requirements under IFRS. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring transportation services to the customers. Management foresees no major impact from the new standard except for increased disclosure requirements.
- IFRS 16 – Leases: effective for annual periods beginning on or after 1 January 2019. The standard will replace existing IFRS leases requirements. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for each party to a contract, i.e. the lessee and the lessor. The new standard requires lessees to recognize assets and liabilities for most leases, as the principal distinction between operating and finance leases is removed. For lessors, however, IFRS 16 maintains the principal accounting requirements in IAS 17 and lessors continue to differentiate operating leases and finance leases. Management has made a preliminary assessment of the effects of replacing IAS 17 with IFRS 16, and has not identified any material impact on the Group's financial position.

Note 3 - Significant accounting policies

Foreign currency translation

In accordance with IAS 21, eventual amounts consolidated from subsidiaries which have a different functional currency are translated into the functional currency using the exchange rates prevailing at the balance sheet date, with related translation impact recorded within OCI. All entities consolidated as of 31 December 2017 have USD as functional currency.

Foreign exchange gains and losses resulting from the settlement of monetary transactions denominated in currencies different from the functional currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are maintained at the exchange rates as at the dates of the initial transaction.

Vessels and other property, plant and equipment

Fixed assets are stated at historical cost, less subsequent depreciation and impairment, if any. For vessels purchased, these costs include capitalizable expenditures that are directly attributable to the acquisition of the vessels. Upon acquisition, each component of the vessels, with a cost significant in relation to the total acquisition cost, is separately identified and depreciated over that component's useful life, on a straight-line basis.

Depreciation is calculated on a straight-line basis over the useful life of the assets, taking residual values into consideration, and adjusted for impairment charges, if any. Residual values of the vessels are estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. Future depreciations are based on depreciation schedules including residual values. Expected useful lives of assets, and residual values, are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation calculations are altered accordingly.

Ordinary repairs and maintenance expenses are charged to the income statement as incurred. Costs related to dry-docking or other major overhauls are recognized in the carrying amount of the vessels. The recognition is made when the dry-docking has been performed and is depreciated based on estimated time to the next class renewal. The remaining costs that do not meet the recognition criteria are expensed as repairs and maintenance.

Vessels and other property, plant and equipment are derecognized upon disposal, or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized.

Impairment of vessels

Vessels and other fixed assets are assessed for impairment indicators each reporting period. If impairment indicators are identified, the recoverable amount is estimated; if the carrying amount exceeds its recoverable amount an impairment loss is recognized, i.e. the asset is written down to its recoverable amount. An asset's recoverable amount is calculated as the highest between the net realizable value and its value in use. The net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell and the value in use is the present value of estimated future cash flows expected from the continued use of an asset.

Assets are grouped at the lowest level where there are separately identifiable independent cash flows. The following assumptions are made when calculating the value in use for container vessels:

- Each vessel is considered to be a separate cash generating unit.
- Future cash flows are based on an assessment of expected development in charter rates and estimated level of operating expense (including maintenance and repair) and dry docking over the remaining useful life of the vessel, plus any residual value.
- The net present value of future estimated cash flows of each cash generating unit is based on a discount rate according to a pre-tax weighted average cost of capital (see Note 13 – Vessels). The weighted average cost of capital is calculated based on the expected long-term borrowing rate and risk-free USD LIBOR rate, plus a risk premium.

An impairment loss recognized in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset´s recoverable amount since the last impairment loss was recognized.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the income statement in the period in which is incurred.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through income statement, net of any reimbursement.

Trade and other payables

Trade and other payables represent non-interest-bearing liabilities for goods and services provided to the Group prior to the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other receivables

Trade receivables and other short-term receivables are measured at fair value upon initial recognition and subsequently measured at amortized cost.

Inventories

The Group values its inventories, which comprise mainly lube oils and stores on board of the vessels, at the lower of cost and net realizable value. They are accounted for on a first-in/first-out basis.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks, on hand and short-term deposits with an original maturity of three months or less. Cash equivalents represent short-term, liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less.

Cash and cash equivalents are recorded at their nominal values. Liquid funds denominated in foreign currencies are translated at the exchange rate at the balance sheet date.

Share issuance

Costs related to share issuances are recognized directly in equity.

Financial liabilities

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have not been designated as at fair value through profit or loss. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Fair value estimation

Fair value 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, using assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant for the fair value measurement as a whole:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included in Level 1 are directly or indirectly observable.
- Level 3: Inputs are unobservable.

Additional explanations of fair values can be found in Note 17 – Financial instruments.

Derivative financial instruments and hedging

The Group may use certain hedging instruments, such as forward contracts or options, to manage foreign exchange or interest rate risk, for instance. Such derivative financial instruments are initially recognized at fair value as of the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. With respect to option contracts, the initial time value of the respective agreement is amortized to profit or loss over the term of the hedging relationship.

At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group applies hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probably forecast transaction.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges: the Group uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its bond financing.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

Leases

The determination of whether an arrangement contains a lease element is based on the substance of the arrangement at the inception of the lease. Leases are classified as finance leases if the terms of the lease agreement transfer substantially all the risks and benefits related to ownership of the leased item. All other leases are classified as operating leases.

The Group leases its vessels to liner shipping companies through time charter contracts.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenues can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Charter revenues from time charters on operational lease out are recognized on a straight-line basis over the rental periods of such charters, as services are performed.

Revenues for vessels employed in a charter pool are recognized on a straight-line basis over a calculation period of pool revenues. The standard calculation period is one month.

Operating expenses

Operating expenses are accounted for on an accruals basis. Expenses are charged to the income statement, except for those incurred in the acquisition of an investment, which are capitalized as part of the cost of the investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

Operating expenses of the Group are expenses related to the operation of vessels, such as (but not limited to) crewing expenses, expenses for maintenance and repair, insurance and lube oil.

Interest income and expenses

Interest income and expenses are recognized as accrued and are presented as financial income and expenses in the income statement.

Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

The Group is subject to the Dutch tonnage tax regime, i.e. taxable income is calculated as a lump sum depending on the net tonnage of the respective vessels, independent of the realized earnings. Income not derived from the operation of the vessels in international waters, such as financial income, is usually taxed according the ordinary taxation rules applicable in the resident country of each respective company. Tonnage tax is classified as income tax.

Deferred tax liabilities are classified as non-current liabilities and are recognized for all taxable temporary differences, to the extent not related to operations which are subjected to the tonnage tax regime. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized and if not related to operations which are subjected to the tonnage tax regime.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers in the Group. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Management Board of the Company. The Group has identified one operating segment as it employs one type of vessels: “Container vessels”.

Note 4 - Significant judgements, estimates and assumptions

The preparation of consolidated financial statements conforming to IFRS requires management to make judgments, estimates and assumptions that may affect assets, liabilities, revenues, expenses and information in the notes to these consolidated financial statements. Estimates are management's best assessment based on information available at the date the financial statements are authorized for issuance. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amounts recognized in the consolidated financial statements:

- Assets contributions and acquisitions: judgement is required to determine if a transaction qualifies as a business combination or an asset acquisition, depending on the nature of the transaction. The management makes this determination based on whether the Group has acquired an "integrated set of activities and assets", as defined in IFRS 3 Business Combination, by relevance to the acquisition of underlying inputs, processes applied to those inputs, and resulting outputs. 15 of the vessels reported as of 31 December 2017 represent contributions from the Parent and accounted for in the Parent's consolidated financial report as assets acquisitions. The carrying value in the Parent's consolidated financial report has been deemed representative of related fair value. The remaining 3 vessel acquisitions completed by the Group are considered as asset acquisitions.

Assumptions and estimation uncertainties

The following assumptions and estimation uncertainties can result in a material adjustment to the carrying amounts of assets:

- Depreciation of vessels: depreciation is based on estimates of the vessels' useful lives, residual values less scrapping costs and the depreciation method, which are reviewed by the management at each balance sheet date. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively.
- Impairment of vessels: indicators of impairment of assets are assessed at each reporting date. The impairment assessments demand a considerable degree of estimation. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses. The Group's impairment test for operating vessels is based on the value in use as assessed by performing discounted cash flow calculations. Value in use calculations involve a high degree of estimation and a number of critical assumptions such as time charter rates, operational expenses, residual values and discount rates. The key assumptions used in the impairment assessment are disclosed in Note 13.
- Upon acquisition of each vessel, management makes an assumption regarding the allocation of vessel purchase prices to residual values of existing time charter contracts and dry dockings.

Note 5 - Segment information

All of the Group's vessels earn revenue from seaborne container transportation globally. The vessels exhibit similar economic, trading and financial characteristics. The Group is organized in one operating segment, i.e. the container shipping segment.

The chief operating decision makers measure the financial performance based on the consolidated results for the Group's vessels. Further, the assets and liabilities are reviewed at a consolidated basis in a consistent manner with the statement of financial position.

The Group’s vessels trade globally and are suitable to be deployed in various global trading patterns. Therefore, there is no particular focus on a geographic region.

Note 6 - Revenue

in USD thousands	2017	Number of vessels
Time charter revenue	6,585	12
Pool charter revenue	3,275	6
Other revenue	680	-
Total operating revenue	**10,540**	**18**

Pool revenues are based on average revenues across the pool the vessels are employed in.

Contracted revenues based on fixed time charter contracts as of 31 December 2017 are set out below, based on minimum contract periods of vessels held by the subsidiaries:

in USD thousands	< 6 months	6 – 12 months	>12 months	Total
Time charter revenue	10,125	4,066	2,020	**16,211**

Note 7 - Voyage expenses

in USD thousands	2017
Bunker consumption	-1,327
Other voyage expenses	-162
Total voyage expenses	**-1,489**

Bunker consumption relates to periods where the vessels have been idle, repositioning or under maintenance and repair. When the vessels are on time charter contracts bunker consumption is a charterer’s expense.

Note 8 - Operating expenses

in USD thousands	2017
Crew	-3,868
Lube oil	-49
Insurances	-632
General Opex	-2,887
Total operating expenses	**-7,436**

Note 9 - Administrative expenses

in USD thousands	2017
Legal and advisory services	-70
Auditor services	-90
Other administrative expenses	14
Total administrative expenses	**-146**

Note 10 - Finance income and expenses

in USD thousands	2017
Interest income	179
Total financial income	**179**
Interest expenses	-1,664
Other financial expenses	-185
Total financial expenses	**-1,849**

Interest paid under the bond agreement during 2017 amount to USD 1.5 million.

Note 11 - Income tax

The Group is subject to Dutch tonnage tax. Companies subject to tonnage tax are exempt from ordinary tax.

The Company is subject to ordinary corporation tax in the Netherlands for activities unrelated to the shipping operations.

Note 12 - Non-controlling interests

in USD thousands	31 December 2017
Aggregated information	153
Total non-controlling interests	**153**

The line item “Aggregated information” is the sum of the 0.1% contributions that the ship managers hold in the ship-owning entities of the Group, see Note 23 – Group companies.

Note 13 - Vessels

in USD thousands	2017
Opening balance 6 September 2017	**-**
Contributions of fixed assets and capitalized investments	117,506
Acquired vessels	27,537
Capitalized dry-dockings and other expenses	4,989
Gross balance	**150,032**
Depreciation	-1,646
Depreciation and impairment	**-1,646**
Net book value	**148,386**
Depreciation method	*Straight-line*
Useful life (vessels)	*25 years*
Average remaining useful life (vessels)	*15 years*
Useful life (dry docks)	*5 years*

As of 31 December 2017, the Group owns and operates 18 vessels through consolidated subsidiaries.

Vessel contributions: as of 31 December 2017, 15 vessels were contributed from the Parent. The original transactions to acquire the vessels were accounted for as asset acquisitions in the Parent's consolidated financial report.

Impairment: management has assessed that there no indicators of impairment as of 31 December 2017. Nonetheless, management has performed an impairment test to further corroborate that the recoverable amounts are higher than carrying amounts. The value in use calculations are based on a discounted cash flow model with the following main inputs:

- Weighted average cost of capital: 9.0% p.a. (for average remaining useful life of 15 years)
- Growth rate for operating expenses: 2.5% p.a.
- Charter rates: Contractual values and historic long-term as estimates of time charter rates for open periods
- Utilization: 98% of available trading days, not including dry dockings
- Residual value: Scrap value based on steel price less costs of scrapping

Note 14 - Cash and cash equivalents

in USD thousands	2017
Bank deposits denominated in USD	58,974
Bank deposits denominated in EUR	574
Total cash and cash equivalents	**59,548**

The fair value of cash and cash equivalents at 31 December 2017 is USD 59.5 million. Based on the terms of the senior secured bond, USD 40.8 million in cash are restricted bank balance held in an escrow account as of 31 December 2017; it is expected that the funds will be drawn from the escrow account for vessel acquisitions within less than 6 months. Release of funds from the escrow account is subject to vessel acquisitions and fulfilment of customary conditions included in the bond agreement. The bond terms include a requirement to list the bonds at the Oslo Stock Exchange within twelve months from the issuance of the bonds.

Bank deposits earn interest at floating rates based on applicable bank deposit rates. Short-term deposits are made for varying periods, depending on the cash requirements of the Group.

Note 15 - Trade receivables

in USD thousands	Total	Neither past due / impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>90 days
31 December 2017	**2,706**	2,706	0	0	0	0

No receivables are past due and no impairment has been required on trade receivables. See Note 21 – Financial risk management regarding management of credit risk.

Note 16 - Interest-bearing debt

On 8 September 2017, the Company issued a USD 100 million senior secured bond with a total borrowing limit of USD 200 million. The bond has a floating interest rate of LIBOR + 4.75% and a 5-year maturity. The effective interest rate (excluding the effect of interest rate derivatives) as of December 31, 2017, was approximately 7%. Settlement of the bond was 22 September 2017 and the bond shall be repaid in full on the maturity date (22 September 2022).

On 2 February 2018, a USD 100 million tap issue on the above-mentioned bond was completed. As such, the total nominal amount of bonds outstanding is USD 200 million as of February 2018.

in USD thousands	31 December 2017
Nominal value of issued bonds	100,000
Debt issuance costs	-3,758
Book value of issued bonds	**96,242**

In addition to customary protection rights for the benefit of the bondholders, the following financial covenants, as defined in the bond terms, are applicable at the level of the Parent's consolidated figures:

- The Group shall maintain a minimum liquidity of 5% of the consolidated financial indebtedness; and
- The consolidated book equity ratio of the Parent shall at all times be higher than 40%. See Note 22 – Capital management for compliance with this covenant.

The following financial covenant, as defined in the bond terms, is applicable at the level of the Company's consolidated figures:

- Vessel loan to value ratio of the Company and its subsidiaries shall not exceed 75%;

The Group is in compliance with all covenants as at 31 December 2017.

The bond is guaranteed by the Parent and all subsidiaries of the Company.

The bond terms contain voluntary call options to early redeem the bonds, which is currently not expected. In addition, there is also a mandatory put option upon change in controlling shareholder.

Note 17 - Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

in USD thousands	Level	Carrying value 31 December 2017	Fair value 31 December 2017
Trade and other receivables	2	2,549	2,549
Hedge reserve	3	157	157
Cash and cash equivalents	1	59,548	59,548
Financial asset		**62,254**	**62,254**
Interest-bearing debt	3	96,242	96,242
Trade and other current payables	2	5,941	5,941
Financial liabilities		**102,183**	**102,183**

Fair value of trade receivables, cash and cash equivalents and trade and other current payables approximate their carrying amounts due to the short-term maturities of these instruments.

The fair value of interest-bearing debt is estimated by discounting future cash flows using rates for debt on similar terms, credit risk and remaining maturities. Fair value of interest-bearing debt approximates the carrying amounts as there have been no significant changes in the market rates for similar debt financing between the date of securing the debt financing and the reporting date.

Cash Flow Hedges

The details of new hedge activities entered into by the Group and hedges with significant changes in value during the year ended 31 December 2017 are described below.

The Group uses an interest rate swap and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its debt and bond financing.

in USD thousands	31 December 2017	
	Assets	Liabilities
Interest rate swap	110	0
Interest rate caps	47	0
Total	**157**	**0**

The terms of the interest rate derivatives match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the statement of profit or loss. An amount of USD 0.157 million is included in OCI. The respective asset position is recognized in the consolidated statement of financial position.

The swap and cap agreements classified as effective cash flow hedges under IAS 39 have maturities of less than three months and until 2022.

Note 18 - Related party disclosure

Technical ship management of the vessels owned by the Group is contracted to the Parent. The management fees paid to the Parent until 31 December 2017 total USD 0.6 million. The Parent has sub-contracted parts of the ship-management activities to Ahrenkiel Steamship, a subsidiary of MPC Münchmeyer Petersen Capital AG.

Commercial ship management of the vessels owned by the Group is contracted to Contchart Hamburg Leer GmbH & Co.KG, a subsidiary of MPC Münchmeyer Petersen Capital AG. The management fees paid to the Contchart until 31 December 2017 total USD 0.2 million.

All transactions with related parties are carried out at market terms.

15 of the vessels owned by the Group until 31 December 2017 were contributed from the Parent that acquired the vessels during the second and third quarter of 2017. The vessels were contributed to the Group at book values as the best estimate of market values.

None of the Directors of the Company has received compensation for the directorships in the Company until 31 December 2017.

Note 19 - Share capital

	Number of shares	Share capital (USD)	Share premium (USD)
6 September 2017	1	1	-
31 December 2017	1	1	126,150,341

The share capital of the Company consists of 1 share at 31 December 2017, with nominal value per share of EUR 1, paid on 13 October 2017. Share premium represents the additional contributions made by the Parent (substantially through vessels and cash).

Note 20 - Commitments

The Group has entered into agreements for the acquisition of 3 second-hand container vessels. The Group is committed to pay the purchase prices upon takeover of this vessel, which is expected in the first half of 2018. Including prepayments on purchase prices, the respective commitment totals USD 13.6 million as of 31 December 2017.

See Note 24 – Subsequent events for additional vessel acquisitions after the balance sheet date.

Note 21 - Financial risk management

This section provides additional information about the Group's policies that are considered most relevant in understanding the operations and management of the Group, in particular objectives and policies of how the Group manages its financial risks, liquidity positions and capital structure.

The Group owns and operates ships for worldwide transportation of containerized cargo. Through its operation, the Group is exposed to market risk, credit risk, liquidity risk and other risks that may negatively influence the value of assets, liability and future cash flows.

Market risk

Market risk from financial instruments is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk: interest rate risk, foreign currency risk, credit risk and price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates, i.e. interest payable on the bond issued in September 2017 depends on the short-term LIBOR. The Group manages its interest rate risk by using interest rate hedging instruments. To do so, the Group entered into interest rate swaps and interest rate caps. Management estimates that these hedging instruments will be accounted for using hedge accounting. Taking into account these hedging instruments, an increase of the short-term LIBOR rate by 50 basis points would cause the Group's annualized interest expenses to increase by USD 0.3 million, or 4%.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of all of the entities in the Group is USD, and the Group has only minor currency risk from its operations since all income and all major vessel costs are in USD. However, the Group has exposure to EUR as parts of administration and vessel operating expenses and a portion of cash and cash equivalents, other short-term assets, trade payables and provisions and accruals are denominated in EUR. Currently, no financial instruments have been entered into to mitigate this risk. An increase of the USD/EUR exchange rate by 10% would increase the vessel operating expenses by approximately 2%.

The Group is subject to *price risk* related to the charter market for feeder container vessel, which is uncertain and volatile and will depend upon, among other things, the global and regional macroeconomic developments. In addition, the future financial position of the Group depends on valuations of the vessels owned by the Group. Currently, no financial instruments have been entered into to reduce this shipping market risk. The Group will normally have limited exposure to risks associated with bunker costs, as the bunkers are a charterers' cost when the vessels are on time charter contracts.

Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

It is the aim of the Group to enter into contracts with creditworthy counterparties only. Prior to concluding a charter party, the Group evaluates the credit quality of the customer, assessing its financial position, past experience and other factors. Charter hire is paid in advance, effectively reducing the potential exposure to credit risk. Bank deposits are only deposited with internationally recognized financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity and/or undrawn committed credit facilities at all times to meet its obligations. To ensure this, the Group continuously monitors projected cash flows using a liquidity planning tool.

The following table summarizes the contractual maturities of financial liabilities of the Company on an undiscounted basis as of 31 December 2017 (based on book values):

in USD thousands	< 1 year	1-5 years	> 5 years	Total
Interest bearing loans and borrowings[1]	0	-100,000	0	**-100,000**
Interest payments	-6,750	-25,515	0	**-32,265**
Trade and other payables	-1,403	0	0	**-1,403**

Total	-8,153	-125,515	0	-133,668

[1] The senior secured bond settled 22 September 2017 will mature on 22 September 2022 in the amount of its nominal value of USD 200 million (of which USD 100 million was drawn down in February 2018).

Note 22 - Capital management

A key objective of the Group's capital management is to ensure that the Group maintains a capital structure in order to support its business activities and maximize the shareholders' return. The Group evaluates its capital structure in light of current and projected cash flows, the state of the shipping markets, new business opportunities and the Group's financial commitments. Capital is primarily managed at the Group level.

The Group monitors its capital structure using the book equity ratio, which stands at 54.7% at 31 December 2017. The Group aims at maintaining an equity ratio with adequate headroom to the respective covenant requirements.

in USD thousands	31 December 2017
Book equity	123,490
Total assets	225,673
Book equity ratio	**54.7%**

The Parent is subject to financial covenants under the bond issued in September 2017 (see Note 16 – Interest-bearing debt): at 31 December 2017 the consolidated equity ratio of the Parent was 75.5%.

The Group's intention is to pay dividends in support of the Group's objective of maximizing returns to shareholders. Any future dividends proposed will be at the discretion of the Management Board and will depend upon the Group's financial position, earnings, capital requirements, debt covenants and other factors. There are no current estimates regarding the potential future dividend level or timing of dividend payments.

Note 23 - Group companies

The Group's consolidated financial statements include the financial reports of the Company and its subsidiaries listed in the table below:

Name	Principal activity	Country of incorporation	Equity interest	Initial consolidation
"AS LAETITIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAGUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PAULINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PETRONIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CLARA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS ANGELINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FATIMA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FLORETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FAUSTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FABRIZIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIORELLA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS COLUMBIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CLARITA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FRIDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CALIFORNIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIONA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CONSTANTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FORTUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017

"AS LAURETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS SAVANNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAETITIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS LAGUNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS PAULINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS PETRONIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CLARA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS ANGELINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FATIMA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FLORETTA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FAUSTINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FABRIZIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FIORELLA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS COLUMBIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CLARITA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FRIDA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CALIFORNIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FIONA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CONSTANTINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FORTUNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS LAURETTA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS SAVANNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017

Ownership rights equal voting rights in all subsidiaries.

Note 24 - Subsequent events

On 16 January 2018, the Parent converted into a Norwegian public limited liability company (Norwegian: *allmennaksjeselskap*).

As of 29 January 2018, the shares of the Parent are listed at Oslo Axess, Oslo Stock Exchange.

On 31 January 2018, the Group entered into a purchase agreement for the acquisition of a feeder container vessel with a purchase price of USD 10.5 million.

On 2 February 2018, the Company completed a tap issue of USD 100 million in its senior secured bond facility.

On 20 February 2018, the Group entered into purchase agreements for the acquisition of 14 feeder container vessels with a total purchase price of USD 139.5 million.

On 3 April 2018, the Parent contributed one feeder container vessel to the Group.

On 18 April 2018, the Group took over one feeder container vessel.

COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

in USD thousands	Note	2017
Other expenses		-1
Other income		3
Operating result (EBIT)		**2**
Other finance income	5	179
Finance costs	5,10	-1,849
Profit/Loss before income tax (EBT)		**-1,668**
Income tax expenses		-22
Profit/Loss for the period		**-1,690**
Attributable to:		
Equity holders of the Company		-1,690

STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Note	2017
Profit/loss for the period		-1,690
Items that may be subsequently transferred to profit or loss		
Foreign currency effects, net of taxes		0
Cash flow hedge reserve		157
Items that will not be subsequently transferred to profit or loss		
Other comprehensive profit/loss, net of taxes		0
Other comprehensive profit/loss from joint ventures and affiliates		0
Total comprehensive profit/loss		**-1,533**
Attributable to:		
Equity holders of the Company		-1,533

STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2017
Assets		**223,693**
Non-current assets		169,231
Investments in subsidiaries	7	168,051
Prepayments on vessels	7	617
Other assets		563
Current assets		54,462
Trade and other receivables	9	191
Cash and cash equivalents	8	54,271
Unrestricted cash		13,417
Restricted cash		40,854
Equity and liabilities		**223,693**
Equity		124,618
Capital	13	126,150
Share capital		0
Share premium		126,150
Retained losses		-1,690
Legal reserve		158
Non-current liabilities		96,242
Interest bearing loans	10	96,242
Current liabilities	11	2,833
Trade and other payables		460
Payables to affiliated companies		2,373

STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Incorporation (6 September 2017)	0				**0**
Additional capital contribution		126,150			**126,150**
Result of the period				-1,690	**-1,690**
Cash flow hedge reserve			158		**158**
Equity as at 31 December 2017	**0**	**126,150**	**158**	**-1,690**	**124,618**

STATEMENT OF CASH FLOW

in USD thousands	Notes	2017
Loss before income taxes		-1,668
Income tax paid		0
Finance expenses, net		1,670
Interest paid		-1,535
Interest received		178
Other finance costs		-129
Net change in current assets	9	-191
Net change in current liabilities		2,819
Cash upfront payment for hedge instruments		-566
Depreciation		0
Cash flow from operating activities		**578**
Investments in subsidiaries	7	-42,100
Prepayment on vessels		-617
Cash flow from investing activities		**-42,717**
Contributions from Parent		350
Gross proceeds debt financing	10	100,000
Bond issuing costs	10	-3,940
Cash flow from financing activities		**96,410**
Net change in cash and cash equivalents		54,271
Net foreign exchange differences		
Cash and cash equivalents at beginning of period		0
Cash and cash equivalents at the end of period	**8**	**54,271**

NOTES

Note 1 - General information

MPC Container Ships Invest B.V. (the “Company“, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam NL1077, Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and operating activity commenced in September 2017.

The Company is controlled by MPC Container Ships ASA (the "Parent"), a public limited liability company incorporated and domiciled in Norway, with registered address at Dronning Mauds gate 3, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Company is included in the consolidated financial statements of the Parent. The shares of the Parent are listed at Oslo Axess, Oslo Stock Exchange under the ticker “MPCC”.

These financial statements and accompanying notes were approved by the Company’s Management Board on 26 April 2018.

Note 2 - Basis of preparation

The financial statements of the Company are prepared in accordance with the accounting principles prescribed by International Financial Reporting Standards (IFRS), as adopted by the European Union. The difference in equity and net result between the consolidated financial statements and the company financial statements relates to the result of the subsidiaries, since they are measured at cost.

Going concern assumption

The financial statements are based on the going concern assumption.

Financial statement classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Current assets are assets that are:

- expected to be realized in the Company's normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period.

Cash and cash equivalents are classified as current assets unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The current share of long-term assets or liability will be classified as current. All other assets are non-current.

Current liabilities are those:

- expected to be settled within the Company's normal operating cycle;
- held for purpose of trading;
- due to be settled within 12 months and for which the Company does not have an unconditional right to defer settlement beyond 12 months.

All other liabilities are non-current. If a liability has become payable given a breach of a condition under a long-term loan agreement, the liability is classified as current.

The income statement of the Company is presented using the cost of sales method.

The cash flow statement of the Company is prepared using the indirect method.

Basis of measurement

The financial statements are prepared on the basis of historical cost, unless otherwise stated.

Functional and presentation currency

The financial statements are presented in US Dollar (USD), which is the functional currency of the Company, given that revenues, expenses as well as other financial obligations are predominantly denominated in USD. Differences from currency translations are classified as financial income/expense. All financial information presented in USD has been rounded to the nearest thousand USD, except otherwise indicated.

New and amended standards and interpretations

Standards and interpretations that are issued but not yet effective are disclosed below. Only standards and interpretations that are applicable to the Company have been included. Management reviews the impact of these changes on the Company's financial statements regularly. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU endorsement before the financial statements are issued.

- IFRS 9 – Financial instruments: effective for annual periods beginning on or after 1 January 2018. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. Management has made a preliminary assessment of the effects of replacing IAS 39 with IFRS 9, and has not identified any material impact on the Company's financial position.
- IFRS 15 – Revenue from contracts with customers: effective for annual periods beginning on or after 1 January 2018. The standard will supersede all current revenue recognition requirements under IFRS. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring transportation services to the customers. Management foresees that the standard is not applicable to the Company and therefore no major impact from the new standard except for increased disclosure requirements.
- IFRS 16 – Leases: effective for annual periods beginning on or after 1 January 2019. The standard will replace existing IFRS leases requirements. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for each party to a contract, i.e. the lessee and the lessor. The new standard requires lessees to recognize assets and liabilities for most leases, as the principal distinction between operating and finance leases is removed. For lessors, however, IFRS 16 maintains the principal accounting requirements in IAS 17 and lessors continue to differentiate operating leases and finance leases. Management foresees that the standard is not applicable to the Company and therefore no major impact from the new standard except for increased disclosure requirements.

Note 3 - Significant accounting policies

Foreign currency translation

The financial statements are presented in USD, which is the functional currency of the Company.

Foreign exchange gains and losses resulting from the settlement of monetary transactions denominated in currencies different from the functional currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are maintained at the exchange rates as at the dates of the initial transaction.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the cost method and adjusted for impairment, if applicable. Investments are impaired to their fair value if a reduction in value is expected to be of a non-temporary nature.

Dividends from such investments are recognized only to the extent received or receivable.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the income statement in the period in which is incurred.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through income statement, net of any reimbursement.

Trade and other payables

Trade and other payables represent non-interest-bearing liabilities for goods and services provided to the Company prior to the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other receivables

Trade receivables and other short-term receivables are measured at fair value upon initial recognition and subsequently measured at amortized cost.

Inventories

The Company values its inventories, which comprise mainly lube oils and stores on board of the vessels, at the lower of cost and net realizable value. They are accounted for on a first-in/first-out basis.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks, on hand and short-term deposits with an original maturity of three months or less. Cash equivalents represent short-term, liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less.

Cash and cash equivalents are recorded at their nominal values. Liquid funds denominated in foreign currencies are translated at the exchange rate at the balance sheet date.

Share issuance

Costs related to share issuances are recognized directly in equity.

Financial liabilities

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have not been designated as at fair value through profit or loss. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Fair value estimation

Fair value 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, using assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair values are measured or disclosed in the financial reports are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant for the fair value measurement as a whole:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included in Level 1 are directly or indirectly observable.
- Level 3: Inputs are unobservable.

Additional explanations of fair values can be found in Note 11 – Financial instruments.

Derivative financial instruments and hedging

The Company may use certain hedging instruments, such as forward contracts or options, to manage foreign exchange or interest rate risk, for instance. Such derivative financial instruments are initially recognized at fair value as of the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. With respect to option contracts, the initial time value of the respective agreement is amortized to profit or loss over the term of the hedging relationship.

At the inception of a hedging relationship, the Company formally designates and documents the hedge relationship to which the Company applies hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges: the Company uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its bond financing.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenues can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Interest income and expenses

Interest income and expenses are recognized as accrued and are presented as financial income and expenses in the income statement.

Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

The Company is subject to tax on its income in accordance with the general tax rules pertaining to companies' tax resident in Netherlands for operations not related to shipping activities.

The Company's vessel-owning subsidiaries are expected to be subject to the Dutch tonnage tax regime, i.e. taxable income is calculated as a lump sum depending on the net tonnage of the respective vessels, independent of the realized earnings. Income not derived from the operation of the vessels in international waters, such as financial income, is usually taxed according the ordinary taxation rules applicable in the resident country of each respective company. Tonnage tax is classified as an operating cost.

Deferred tax liabilities are classified as non-current liabilities and are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Note 4 - Significant judgements, estimates and assumptions

The preparation of financial statements conforming to IFRS requires management to make judgments, estimates and assumptions that may affect assets, liabilities, revenues, expenses and information in notes to these financial statements. Estimates are management's best assessment based on information available at the date the financial statements are authorized for issue. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have significant effect on the amounts recognized in the financial statements:

- Assets contributions and acquisitions: judgement is required to determine if a transaction qualifies as a business combination or an asset acquisition, depending on the nature of the transaction. Management makes this determination based on whether the Company has acquired an "integrated set of activities and assets", as defined in IFRS 3 Business Combination, by relevance to the acquisition of underlying inputs, processes applied to those inputs, and resulting outputs. 15 of the vessels reported as of 31 December 2017 represent contributions from the Parent and accounted for in the Parent's consolidated financial statements as assets acquisitions. The carrying value in the Parent's consolidated financial statements has been deemed representative of related fair value.

Assumptions and estimation uncertainties

The following assumptions and estimation uncertainties can result in a material adjustment to the carrying amounts of assets:

- Impairment of subsidiaries: indicators of impairment of subsidiaries are based on the assessment of indicators for impairment for the respective vessels owned by the subsidiaries (see Note 13 of the consolidated financial statements. Such indicators are assessed at each reporting date. The impairment assessments demand a considerable degree of estimation.

Note 5 - Finance income and expenses

in USD thousands	2017
Interest income	179
Total financial income	**179**
Interest expenses	-1,664
Other financial expenses	-185
Total financial expenses	**-1,849**

Interest income is due to interest earned on bank deposits

Note 6 - Income tax

The Company's subsidiaries in which the vessels are held are expected to be subject to Dutch tonnage tax. Companies subject to tonnage tax are exempt from ordinary tax on income derived from operations in international waters.

The Company is subject to ordinary corporation tax in the Netherlands.

Note 7 - Investments in subsidiaries

The most significant subsidiaries of the Company are listed below. The Company has assessed its ability of controlling its subsidiaries as a result of the majority of the interest owned and the voting rights.

in USD thousands	Carrying value 31 December 2017
"AS Angelina" ShipCo C.V.	7,215
"AS California" ShipCo C.V.	11,616
"AS Clara" ShipCo C.V.	9,409
"AS Clarita" ShipCo C.V.	9,376
"AS Columbia" ShipCo C.V.	9,339
"AS Constantina" ShipCo C.V.	9,030
"AS Fabrizia" ShipCo C.V.	10,195
"AS Fatima" ShipCo C.V.	8,679
"AS Faustina" ShipCo C.V.	9,910
"AS Fiona" ShipCo C.V.	5,459
"AS Fiorella" ShipCo C.V.	8,652
"AS Floretta" ShipCo C.V.	9,394
"AS Fortuna" ShipCo C.V.	8,132
"AS Frida" ShipCo C.V.	6,376
"AS Laetitia" ShipCo C.V.	6,286
"AS Laguna" ShipCo C.V.	5,800
"AS Lauretta" ShipCo C.V.	850
"AS Paulina" ShipCo C.V.	10,042
"AS Petronia" ShipCo C.V.	9,409
"AS Savanna" ShipCo C.V.	12,882
Total	**168,051**

In addition to the ship-owning limited partnerships, the Company holds interest in the corresponding general partner entities (limited liability entities) in the amount of USD 216.

As of 31 December 2017, the Company made a deposit payment in the amount of USD 0.6 million for a vessel to be taken over after the balance sheet date.

Note 8 - Cash and cash equivalents

in USD thousands	2017
Bank deposits denominated in USD	54.166
Bank deposits denominated in EUR	105
Total cash and cash equivalents	**54,271**

The fair value of cash and cash equivalents at 31 December 2017 is USD 54.3 million. Based on the terms of the senior secured bond, USD 40.8 million in cash are restricted bank balance held in an escrow account as of 31 December 2017; it is expected that the funds will be drawn from the escrow account for vessel acquisitions within less than 6 months. Releases of funds from the escrow account are subject to vessel acquisitions and fulfilment of customary conditions included in the bond agreement. The bond terms include a requirement to list the bonds at the Oslo Stock Exchange within twelve months from the issuance of the bonds.

Bank deposits earn interest at floating rates based on applicable bank deposit rates. Short-term deposits are made for varying periods, depending on the cash requirements of the Company.

Note 9 - Trade and other receivables

in USD thousands	Total	Neither past due / impaired	Past due but not impaired <30 days	30-60 days	61-90 days	>90 days
31 December 2017	**191**	191	0	0	0	0

No receivables are past due and no impairment has been required on trade receivables.

Note 10 - Interest-bearing debt

On 8 September 2017, the Company issued a USD 100 million senior secured bond with a total borrowing limit of USD 200 million. The bond has a floating interest rate of LIBOR + 4.75% and a 5-year maturity. Settlement of the bond was 22 September 2017 and the bond shall be repaid in full on the maturity date (22 September 2022).

On 2 February 2018, a USD 100 million tap issue on the above-mentioned bond was completed. As such, the total nominal amount of bonds outstanding is USD 200 million as of February 2018.

in USD thousands	31 December 2017
Nominal value of issued bonds	100,000
Debt issuance costs	-3,758
Book value of issued bonds	**96,242**

The Group is in compliance with all covenants as at 31 December 2017.

The bond is guaranteed by the Parent and all subsidiaries of the Company.

The bond terms contain voluntary call options to early redeem the bonds, which is currently not expected. In addition, there is also a mandatory put option upon change in controlling shareholder.

Note 11 - Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

in USD thousands	Level	Carrying value 31 December 2017	Fair value 31 December 2017
Trade and other receivables	2	34	34
Hedge reserve	3	157	157
Cash and cash equivalents	1	54,271	54,271
Financial asset		**54,462**	**54,462**
Interest-bearing debt	3	96,242	96,242
Trade and other current payables	2	2,833	2,833
Financial liabilities		**99,075**	**99,075**

Fair value of trade receivables, cash and cash equivalents and trade and other current payables approximate their carrying amounts due to the short-term maturities of these instruments.

The fair value of interest-bearing debt is estimated by discounting future cash flows using rates for debt on similar terms, credit risk and remaining maturities. Fair value of interest-bearing debt approximates the carrying amounts as there have been no significant changes in the market rates for similar debt financing between the date of securing the debt financing and the reporting date.

Note 12 - Related party disclosure

Technical ship management of the vessels owned by subsidiaries of the Company is contracted to the Parent. The Parent has sub-contracted parts of the ship-management activities to Ahrenkiel Steamship, a subsidiary of MPC Münchmeyer Petersen Capital AG.

Commercial ship management of the vessels owned by the Group is contracted to Contchart Hamburg Leer GmbH & Co.KG, a subsidiary of MPC Münchmeyer Petersen Capital AG.

All transactions with related parties are carried out at market terms.

15 of the vessels owned by subsidiaries of the Company until 31 December 2017 were contributed from the Parent that acquired the vessels during the second and third quarter of 2017.

Note 13 - Share capital and legal reserve

	Number of shares	Share capital (USD)	Share premium (USD)
6 September 2017	1	1	-
31 December 2017	1	1	126,150,341

The share capital of the Company consists of 1 share at 31 December 2017, with nominal value per share of EUR 1, paid on October 13, 2017. Share premium represents the additional contributions made by the Parent (substantially through vessel contributions and cash).

The hedge reserve amounting to USD 0.2 million is a legal reserve and cannot be distributed.

Note 14 - Subsequent events

On 16 January 2018, the Parent converted into a Norwegian public limited liability company (Norwegian: *allmennaksjeselskap*).

As of 29 January 2018, the shares of the Parent are listed at Oslo Axess, Oslo Stock Exchange.

On 31 January 2018, the Company entered into a purchase agreement for the acquisition of a feeder container vessel with a purchase price of USD 10.5 million.

On 2 February 2018, the Company completed a tap issue of USD 100 million in its senior secured bond facility.

On 20 February 2018, the Company entered into purchase agreements for the acquisition of 14 feeder container vessels with a total purchase price of USD 139.5 million.

On 3 April 2018, the Parent contributed one feeder container vessel to the Group.

On 18 April 2018, the Group took over one feeder container vessel.

The loss of the period ended 31 December 2017 is allocated to retained earnings.

OTHER INFORMATION

As per the Company's articles of association, profits, as determined through the adoption of the annual accounts, shall be at the disposal of the general meeting. The general meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the reserves that must be maintained by law. A resolution to make a distribution shall not take effect as long as the management board has not given its approval. The Management Board may only withhold such approval if it knows or should reasonably foresee that, following the distribution, the Company will be unable to continue paying its due and payable debts. In addition, dividend distributions from the Company to the Parent are subject to restrictions set out in the bond terms.

Amsterdam, 26 April 2018

The Management Board of MPC Container Ships Invest B.V.

Lammert de Graaf

Constantin Baack

Tobias Junge

EY
Building a better working world

Independent auditor's report

To: the shareholders and the management board of MPC Container Ships Invest B.V.

Report on the audit of the 2017 financial statements included in the annual report

Our opinion

We have audited the 2017 financial statements of MPC Container Ships Invest B.V., incorporated in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of MPC Container Ships Invest B.V. as at 31 December 2017, and of its result and its cash flows for 2017, in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and Company statements of financial position as at 31 December 2017
- The following statements for 2017: the consolidated and Company income statement, the consolidated and Company statements of comprehensive income, cash flows and changes in equity
- The notes, comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of MPC Container Ships Invest B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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 company's internal control

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management'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 company'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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 26 April 2018

Ernst & Young Accountants LLP

signed by P.W.J. Laan