



**MPC CONTAINER SHIPS ASA**

# **FINANCIAL REPORT**

**Q4 2018**

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# MPC CONTAINER SHIPS ASA

## FORTH QUARTER AND FULL-YEAR 2018 HIGHLIGHTS

- As of Q4 2018 all 69 acquired vessels have been taken over. Of these, 61 are fully owned and 8 are owned through a joint venture.
- Total operating revenues were USD 52.5 million in Q4 2018 (Q3 2018: USD 55.8 million). For the twelve-month period in 2018, operating revenues were USD 183.5 million.
- EBITDA was USD 9.5 million in Q4 2018 (Q3 2018: USD 14.6 million). For the twelve-month period in 2018, EBITDA was USD 45.3 million.
- Net loss for the period was USD -5.1 million in Q4 2018 (Q3 2018: net profit of USD 1.2 million). For the twelve-month period in 2018, net loss was USD -1.6 million.
- Total ownership days of fully owned vessels were 5,612 in Q4 2018 (Q3 2018: 5,443). For FY 2018, total ownership days of fully owned vessels were 19,279.
- Total trading days of fully owned vessels were 4,871 in Q4 2018 (Q3 2018: 4,994). For FY 2018, total trading days were 17,318. The utilization for Q4 2018 was 88.6% (Q3 2018: 92.1%).
- Average time charter equivalent ("TCE") was USD 9,991 per day in Q4 2018 (Q3 2018: USD 10,230 per day) and USD 9,911 per day in 2018.
- Average operating expenses ("OPEX") were USD 4,927 per day in Q4 2018 (Q3 2018: USD 5,144 per day) and USD 5,049 per day in 2018.
- Equity ratio as at Q4 2018 was 63.6% (Q3 2018: 63.8%) and the leverage ratio was 34.3% (Q3 2018: 33.9%).

## SUBSEQUENT EVENTS

- On 17 January 2019, the Company's extraordinary general meeting adopted the proposal to grant the Board of Directors authority to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000, representing 10% of the Company's share capital. Subsequently, in a board meeting held on 27 February 2019, the Board of Directors resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019.
- On February 25 2018, the Company entered into an agreement for the transfer of the remaining 20% ownership in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. After the acquisition, the Company holds an interest of 100% in the two entities which are the legal owners of the vessels AS Palina and AS Petra, respectively.

## BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships ASA ("the Company", together with its subsidiaries "the Group") was incorporated on 9 January 2017 as a private limited liability company under the laws of Norway, and converted to a Norwegian public limited liability company on 16 January 2018. The Group's principal business activity is to invest in and operate maritime assets in the container shipping segment. As a dedicated owner and operator of container ships, the Group has a focus on feeder vessels, mainly between 1,000 and 3,000 TEU, that are chartered out to liner shipping companies and regional carriers.

In 2018, the Company has issued 19,000,000 new shares in two equity private placements with gross proceeds of USD 125 million; 11,750,000 new shares at a subscription price of NOK 50.00 per share in February 2018 and 7,250,000 new shares at a subscription price of NOK 54.00 per share in June 2018. In February 2018, MPC Container Ships Invest B.V., a subsidiary of the Company, completed a tap issue of a further USD 100 million

in the senior secured bond entered into in 2017, and subsequently listed the bond at the Oslo Stock Exchange in June. In May 2018, MPCC First Financing GmbH & Co. KG, a wholly-owned subsidiary of the Company, entered into an agreement for a non-recourse senior secured term loan of approximately USD 50 million with a five-year tenor, floating interest rate of three-month LIBOR + 4.75% and an accordion option at the lender's discretion for a further approximately USD 250 million. As at 31 December 2018, the Group has acquired and taken over 69 container vessels between 966 TEU and 2,846 TEU. Of these, 61 are fully owned and 8 are operated in a joint venture.

On 14 November 2018, the Group announced that it has entered into agreements for the purchase of five exhaust gas cleaning systems ("scrubbers") which are to be retrofitted on five selected vessels within the Group's fleet prior to the 1 January 2020 implementation of the new sulphur emission cap regulation, as set forth by the International Maritime Organization ("IMO"). Subsequently, on 30 November 2018, the Group announced that it had exercised options to equip additional five vessels with scrubbers and that charters for six scrubber-retrofitted vessels had been agreed. The charter agreements concluded at favourable rates will be initiated after scrubber retrofitting and with a duration into 2022.

The Company's scrubber agreements also include options to retrofit scrubbers on an additional 45 vessels, allowing further installations in both 2019 and 2020, respectively.

## PRELIMINARY Q4 2018 AND FULL-YEAR 2018 RESULTS

### Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues were USD 52.5 million during Q4 2018 (Q3 2018: USD 55.8 million) and USD 183.5 million in 2018. The gross profit from vessel operations was USD 11.8 million in Q4 2018 (Q3 2018: USD 17.6 million) and USD 53.8 million in 2018.

The financial performance of the Group in 2018 needs to be put in perspective, given that the Group was in the ramp-up phase of its operations. For the twelve-month period ending 31 December 2018, 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. The Group took over 40 vessels during 2018.

The Group reports a loss before taxes of USD -4.9 million in Q4 2018 (Q3 2018: profit of USD 1.3 million) and a loss of USD -1.2 million in 2018. The loss for the period was USD -5.1 million in Q4 2018 (Q3 2018: profit of USD 1.2 million) and a loss of USD -1.6 million in 2018.

### Financial position

The Group's total assets amounted to USD 722.1 million as at 31 December 2018 (USD 451.1 million as at 31 December 2017). Non-current assets in the amount of USD 633.7 million comprises of vessels taken over and operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 459.2 million as at 31 December 2018 (USD 340.5 million as at 31 December 2017) with non-controlling interest of USD 4.7 million. As at 31 December 2018, the Group had interest-bearing debt in the amount of USD 247.7 million (USD 102.3 million as at 31 December 2017), the increase in long-term debt resulting from the second bond tap in February 2018 and the non-recourse senior secured term loan completed in May 2018.

### Cash flow

The total net change in cash and cash equivalents from 30 September 2018 to 31 December 2018 was USD -7.5 million.

During Q4 2018, the Group generated a positive cash flow from operating activities of USD 8.8 million (Q3 2018: USD 2.4 million). The cash flow from investing activities was USD -11.2 million (Q3 2018: USD -40.6 million) mainly due to dry dockings and other upgrades on the vessels. The Group had a negative cash flow from financing activities of USD -5.0 million (Q3 2018: USD -0.8 million) due to repayment of debt and interests. In 2018, total restricted cash decreased from USD 45.2 million to USD 16.1 million due to the reductions on escrow accounts from vessel acquisitions completed and fully paid during the course of the year. Restricted cash at 31 December 2018 mainly relates to minimum liquidity requirements within the loan agreements.

Cash and cash equivalents as at 31 December 2018 were USD 60.2 million.

## CONTAINER MARKET UPDATE

While the first half of 2018 was characterized by strongly improving containership markets, the second half was the exact opposite with a growing idle fleet and charter rates decreasing to early 2018 levels or below. Secondhand prices tracked reduction in earnings at a slower pace and the transaction volume shrank. The demand side was negatively affected by a number of geopolitical and economic factors, leading to a slower container trade growth of 4.3% (2017: 5.6%). The supply side experienced an acceleration in newbuilding deliveries in the first half of 2018, and demolition levels picked up only towards the end of the year, both markets driven by the changing market sentiment from early to late 2018, leading to overall fleet growth of 5.6% (2017: 3.8%).

### Demand

The demand side developed relatively healthy in 2018 overall, although a number of trades did underperform (e.g. Asia-Europe, Middle East, South America) and various political and economic factors took their toll on volumes and sentiment. Container trade is estimated to have grown by about 2.5% on Mainlane East-West trades, 2.5% on Non-Mainlane East-West trades, 5.3% on North-South trades and 5.7% on Intra-Regional trades.

Trade tariffs and the threat thereof were a key topic in 2018 and continue to be a major factor in 2019. While the anticipation of additional tariffs did boost Transpacific volumes in Q4 2018, other trades were generally not affected significantly in 2018. However, the overall effect on market sentiment and the danger of an escalating trade war are posing major risks to the demand side in 2019. Furthermore, global economic growth projections have been adjusted downwards recently e.g. the IMF now forecasts 3.5% and 3.6% for 2019 and 2020, respectively, downward-adjusted from 3.7%.

For 2019, container trade growth projections range from 3.8% to 4.4%, representing a relatively healthy level in the base case, which is generally subject to an escalation of trade tensions.

### Fleet development

Fleet growth in 2018 was driven by positive market sentiment early in the year with the consequence of very high newbuilding delivery levels in the first quarter following a slow-down in each subsequent quarter. Overall, deliveries added up to about 1.3 million TEU in 2018 with a major share of 85% accountable to large vessels above 10,000 TEU.

In parallel, demolitions were almost negligible in the first three quarters until picking up again in the last quarter. 39 ships have been recycled in Q4 2018, a significant pick-up compared to 28 ships in the three previous quarters combined. Demolitions were mainly focused on feeder vessels, as can be expected based on the age profile in this segment.

Overall, net fleet growth is estimated to have reached 5.6% in 2018, while the feeder fleet between 1,000 and 3,000 TEU is expected to have grown by around 3%.

Contracting of newbuildings picked up significantly in 2018 with about 1.2 million TEU for over 200 units, compared to only 140 units of 0.9 million TEU in 2017. Korean and Taiwanese liners invested substantially in large vessels, but in particular newbuilding contracts for feeder vessels increased, making up about 66% of ordered vessels.

A total of 125 orders (0.25 million TEU) were placed for feeder vessels in 2018, mainly by or on behalf of Asian operators.

In 2019, fleet growth is expected to slow to about 2.9% overall and 3.5% in the feeder segment. Reduced pressure on the supply side should definitely be a positive for 2019, especially considering the risks on the demand side.

### **Asset prices**

Newbuilding prices have increased by about 15% for feeder containerships in 2018, higher than in other main shipping segments such as dry bulk and tankers. The main reasons are high demand for newbuilding contracts and increased material costs.

Newbuilding prices in December 2018:

- 1,000 TEU: USD 19.0 million (up 10% year-to-date)
- 1,700 TEU: USD 26.0 million (up 12% year-to-date)
- 2,750 TEU: USD 35.0 million (up 18% year-to-date)
- 4,800 TEU: USD 49.75 million (up 12% year-to-date)

Secondhand volumes had a mixed year with robust activity levels from Q1 to Q2 2018 succeeded by a weaker second half-year. In total, 181 container ships with 0.59 million TEU were sold in 2018, corresponding to about half of the capacity changing hands in the record year 2017.

In Q3 and Q4, there was no shortage of sales candidates, but uncertainties in the market outlook created a rather hesitant purchasing market which negatively impacted buying sentiment. Consequently, secondhand values of containerships declined in recent months, but are still up year-on-year.

Secondhand prices (10yr old) in December 2018:

- 1,000 TEU: USD 5.5 million (down 27% year-to-date)
- 1,700 TEU: USD 10.5 million (up 11% year-to-date)
- 2,750 TEU: USD 13.5 million (up 17% year-to-date)
- 4,300 TEU: USD 11.0 million (up 5% year-to-date)

### **Charter rates**

In May and June 2018, charter rates reached their highest level in three years after a solid start to the year. A shift was then brought about by the efforts of liner shipping companies to improve their profitability by implementing more conservative capacity management and redelivering chartered tonnage. The expected late summer/early autumn upswing failed to materialize and general market sentiment turned negative in Q3 amidst weak trade data (e.g. Asia-Europe) and intensifying Sino-American trade tensions. Idle fleet increased by around one third in the course of Q4 2018 and stood at 2.8% of the total fleet as at 31 December, albeit far below the corresponding figure of 7.8% from the same quarter of 2016. In Q3 and Q4, charter rates fell to around January 2018 levels for vessels between 2,000 and 3,000 TEU, while the segment between 1,000 and 2,000 TEU was hit harder and closed the year well below early 2018 levels.

Time charter rates (6-12 months) in December 2018:

- 1,000 TEU: USD 6,350 (down 7% year-to-date)
- 1,700 TEU: USD 7,500 (down 20% year-to-date)
- 2,750 TEU: USD 9,500 (up 3% year-to-date)
- 4,300 TEU: USD 9,000 (up 3% year-to-date)

## Market outlook

The outlook into 2019 is driven by three major topics: IMO 2020, global economic growth and the threat of a trade war.

As the deadline for compliance with IMO 2020 regulations is fast approaching, ship owners are preparing to bunker compliant fuel or install scrubbers in order to continue burning high sulphur fuel oil. The new regulations introduce a high level of uncertainty, as demonstrated by different compliance strategies of the liner companies, but this also brings opportunities. Supply growth, expected to be limited compared to 2018, is likely to be impacted by increased demolition activities, slow steaming and IMO 2020 (e.g. ships taking out of service for tank cleaning as well as scrubber installations).

The outlook on global economic growth has recently been adjusted downwards due to risks such as weakening developed economies or a slowdown in China. Further, a major risk to container trade growth is an escalation of trade tensions, particularly between the US and China. The outcome is difficult to predict and while the downside risks are high, market sentiment is already driven by these uncertainties. If tensions ease off and situations normalize, there is certainly also an upside case.

## FORWARD-LOOKING STATEMENTS

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

<i>in USD thousands</i>	Notes	Q4 2018 (unaudited)	Q3 2018 (unaudited)	Q4 2017 (unaudited)	FY 2018 (unaudited)	FY 2017 (audited)
Operating revenue	5	52,489	55,799	13,180	183,483	21,390
Commissions		-1,800	-2,016	-536	-6,649	-771
Vessel voyage expenditures		-8,056	-6,955	-1,505	-18,999	-2,834
Vessel operation expenditures		-27,650	-28,001	-9,138	-97,343	-14,213
Ship management fees		-2,129	-2,254	-675	-7,396	-1,097
Share of profit or loss from joint venture	6	-1,071	981	-76	654	394
<b>Gross profit</b>		<b>11,782</b>	<b>17,555</b>	<b>1,249</b>	<b>53,751</b>	<b>2,869</b>
Administrative expenses		-2,107	-3,124	-1,262	-8,505	-2,114
Other expenses		-718	-173	-216	-1,682	-322
Other income		527	314	491	1,704	879
<b>EBITDA</b>		<b>9,484</b>	<b>14,572</b>	<b>263</b>	<b>45,268</b>	<b>1,312</b>
Depreciation	7	-9,091	-7,987	-2,007	-29,271	-3,302
<b>Operating result (EBIT)</b>		<b>393</b>	<b>6,585</b>	<b>-1,744</b>	<b>15,997</b>	<b>-1,990</b>
Other finance income		73	54	1,862	565	2,076
Finance costs		-5,378	-5,328	-2,234	-17,755	-2,474
<b>Profit/Loss before income tax (EBT)</b>		<b>-4,912</b>	<b>1,311</b>	<b>-2,116</b>	<b>-1,193</b>	<b>-2,388</b>
Income tax expenses		-142	-132	-82	-406	-146
<b>Profit/Loss for the period</b>		<b>-5,054</b>	<b>1,179</b>	<b>-2,198</b>	<b>-1,599</b>	<b>-2,534</b>
Attributable to:						
Equity holders of the Company		-5,144	988	-2,302	-1,608	-2,639
Minority interest		90	191	104	9	105
<b>Basic earnings per share – in USD</b>		<b>-0.06</b>	<b>0.01</b>	<b>-0.05</b>	<b>-0.02</b>	<b>-0.10</b>
<b>Diluted earnings per share – in USD</b>		<b>-0.06</b>	<b>0.01</b>	<b>-0.05</b>	<b>-0.02</b>	<b>-0.09</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in USD thousands</i>	Notes	Q4 2018 (unaudited)	Q3 2018 (unaudited)	Q4 2017 (unaudited)	FY 2018 (unaudited)	FY 2017 (audited)
Profit/loss for the period		-5,054	1,179	-2,198	-1,599	-2,534
<b>Items that may be subsequently transferred to profit or loss</b>		<b>-1,589</b>	<b>381</b>	<b>182</b>	<b>845</b>	<b>140</b>
Foreign currency effects, net of taxes		-52	-73	25	-30	-17
Change in hedging reserves, net of taxes		-1,537	454	157	875	157
<b>Items that will not be subsequently transferred to profit or loss</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other comprehensive profit/loss, net of taxes		0	0	0	0	0
Other comprehensive profit/loss from joint ventures and affiliates		0	0	0	0	0
<b>Total comprehensive profit/loss</b>		<b>-6,643</b>	<b>1,560</b>	<b>-2,016</b>	<b>-754</b>	<b>-2,394</b>
Attributable to:						
Equity holders of the Company		-6,733	1,369	-2,120	-763	-2,499
Non-controlling interest		90	191	104	9	105

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>in USD thousands</i>	Notes	31 December 2018 (unaudited)	31 December 2017 (audited)
<b>Assets</b>		<b>722,062</b>	<b>451,125</b>
Non-current Assets		633,658	281,250
Property, plant and equipment	7	605,749	207,069
Prepayment on vessels	7	1,549	57,787
Other financial assets	6	26,360	16,394
Current assets		88,404	169,875
Inventories		4,853	1,675
Trade and other receivables		23,322	3,877
Cash and cash equivalents		60,228	164,323
Unrestricted cash		44,087	119,171
Restricted cash		16,141	45,152
<b>Equity and liabilities</b>		<b>722,062</b>	<b>451,125</b>
Equity		459,150	340,520
Ordinary shares	10	457,726	338,477
Share capital		101,121	77,155
Capital reserves		356,605	261,322
Retained earnings		-4,247	-2,639
Other comprehensive income		984	140
Minority interest in equity		4,688	4,542
Non-current Liabilities		244,766	102,108
Interest bearing loans	8	244,766	102,108
Current Liabilities		18,145	8,497
Interest bearing loans and borrowings	8	2,942	158
Trade and other payables		6,369	7,202
Payables to affiliated companies		53	53
Other liabilities		8,781	1,083

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In USD thousands</i>	Share capital (unaudited)	Share premium (unaudited)	Retained earnings (unaudited)	Other reserves (unaudited)	Non-controlling interest (unaudited)	Total equity (unaudited)
Equity as at 1 Jan. 2018	77,155	261,322	-2,639	140	4,542	340,520
Share issuance	23,966	95,283				119,249
Capital increase to non-controlling interest					136	136
Result of the period			-1,608		9	-1,599
Foreign currency effects				-30		-30
Other comprehensive income				875		875
<b>Equity as at 31 Dec. 2018</b>	<b>101,121</b>	<b>356,605</b>	<b>-4,247</b>	<b>984</b>	<b>4,688</b>	<b>459,150</b>
Incorporation	3					3
Share issuance	77,152	261,322			4,437	342,911
Capital increase to non-controlling interest						0
Result of the period			-2,639		105	-2,534
Foreign currency effects				-17		-17
Other comprehensive income				157		157
<b>Equity as at 31 Dec. 2017</b>	<b>77,155</b>	<b>261,322</b>	<b>-2,639</b>	<b>140</b>	<b>4,542</b>	<b>340,520</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

<i>in USD thousands</i>	Notes	Q4 2018 (unaudited)	Q3 2018 (unaudited)	Q4 2017 (unaudited)	FY 2018 (unaudited)	FY 2017 (audited)
Profit/Loss before income tax		-4,912	1,311	-2,116	-1,193	-2,388
Income tax expenses paid		0	0	0	0	0
Net change in current assets		1,433	-14,842	-519	-22,624	-5,552
Net change in current liabilities		-1,686	3,181	2,906	6,456	8,300
Fair value change in derivatives		-1,537	454	157	874	157
Depreciation		9,091	7,987	2,007	29,271	3,302
Finance costs (net)		5,305	5,274	372	17,190	398
Share of profit or loss from joint venture		1,071	-981	76	-654	-394
<b>Cash flow from operating activities</b>		<b>8,765</b>	<b>2,384</b>	<b>2,883</b>	<b>29,320</b>	<b>3,823</b>
Purchase of vessels		0	-34,003	-125,406	-331,323	-252,973
Dry docks and other upgrades on vessels		-11,323	-6,872	-7,601	-40,437	-15,185
Purchase of long-term financial assets		37	231	0	-9,313	-15,597
Interest received		62	54	308	495	469
<b>Cash flow from investing activities</b>		<b>-11,223</b>	<b>-40,590</b>	<b>-132,699</b>	<b>-380,578</b>	<b>-283,286</b>
Proceeds from share issuance		0	6,377	170,988	122,378	353,232
Share issuance costs		0	-831	-3,420	-3,134	-10,161
Proceeds from debt financing		0		6,000	151,150	106,024
Repayment of debt		-160	-1,023	0	-1,503	0
Interest paid		-4,736	-4,926	-1,402	-16,061	-1,535
Debt issuance costs		-95	-432	-311	-5,604	-3,758
<b>Cash flow from financing activities</b>		<b>-4,991</b>	<b>-835</b>	<b>171,855</b>	<b>247,225</b>	<b>443,802</b>
Net change in cash and cash equivalents		-7,450	-39,041	42,039	-104,032	164,339
Net foreign exchange differences		0	-2	0	-63	-16
Cash and cash equivalents at beginning of period		67,678	106,721	122,284	164,323	0
<b>Cash and cash equivalents at the end of period<sup>1</sup></b>		<b>60,228</b>	<b>67,678</b>	<b>164,323</b>	<b>60,228</b>	<b>164,323</b>

1) Whereof USD 16.1 million is restricted as at 31 December 2018 and USD 45.2 million as at 31 December 2017

## NOTES

### Note 1 - General information

MPC Container Ships ASA (the "Company") is a public limited liability company (Norwegian: *allmennaksjeselskap*) 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 was incorporated on 9 January 2017 and commenced operations in April 2017, when the first vessels were acquired. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is the investment in and operation of container vessels.

The shares of the Company are listed at the Oslo Stock Exchange as at 3 May 2018 under the ticker "MPCC".

### Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 31 December 2018 are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The statements have not been subject to audit. The statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. The consolidated financial statements are presented in USD thousands unless otherwise indicated.

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 and the Group reviews the impact of these changes in its financial statements. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

The Group has performed a preliminary assessment of IFRS 16, and the new standard will not have a material impact on the Group's result and financial position.

### Note 3 - Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial reporting are consistent with those applied in the preparation of the Group's consolidated financial statements for the period ended 31 December 2017 except for the new standards effective as of January 2018.

The Company implemented IFRS 15 starting 1 January 2018. Based on the assessment performed by the Group, the time charter contracts are separated into a lease element, which is accounted for using the lease standard, and a service element component which is accounted for using IFRS 15. The standard has been implemented using the modified retrospective approach. The cumulative effect of initial applying of the standard recorded to equity was assessed to be zero. Hence, the implementation of IFRS 15 has only affected the note disclosures. See note 5 for further details. The implementation of IFRS 9 on financial instruments have not had a material impact on the Group's result and financial position.

### Note 4 - 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.

## Note 5 - Revenue

<i>in USD thousands</i>	Q4 2018	FY 2018
Time charter revenue	37,030	128,279
Pool charter revenue	10,330	42,046
Other revenue	5,129	13,158
<b>Total operating revenue</b>	<b>52,489</b>	<b>183,483</b>

The Group's time charter contracts are separated into a lease element and a service element. The lease element of the vessel represents the use of the vessel without any associated performance obligations and are accounted for in accordance with the lease standard. Revenues for time charter services (service element) and other revenue are accounted for in accordance with IFRS 15.

<i>in USD thousands</i>	Q4 2018	FY 2018
Service element	25,489	86,722
Other revenue	5,129	13,158
<b>Total revenue from customer contracts</b>	<b>30,618</b>	<b>99,930</b>
Lease element	21,870	83,553
<b>Total operating revenue</b>	<b>52,489</b>	<b>183,483</b>

## Note 6 - Interest in joint ventures

The Group has a 50% interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company owning eight container vessels through respective wholly-owned subsidiaries.

<i>in USD thousands</i>	Q4 2018	FY 2018
Operating revenue	5,680	25,179
Operating costs	-7,535	-22,911
Net financial income/expense	-269	-914
Income tax	-17	-45
<b>Profit after tax for the period</b>	<b>-2,142</b>	<b>1,308</b>
<b>Total comprehensive income for the period</b>	<b>-2,142</b>	<b>1,308</b>
<b>Group's share of profit for the period</b>	<b>-1,071</b>	<b>654</b>

In view of the shared control structure in the joint venture, the Group's interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method.

## Note 7 - Vessels and prepayments

<i>in USD thousands</i>	Prepayments	Vessels	Total
<b>As at 1 January 2018, net of accumulated depreciation</b>	<b>57,787</b>	<b>207,069</b>	<b>264,856</b>
Additions (mainly upgrades and docking of vessels)	1,549	38,840	40,390
Vessel purchases <sup>1</sup>		331,323	331,323
Reclassifications to vessels	-57,787	57,787	0
Depreciation for the period		-29,271	-29,271
<b>As at 31 December 2018, net of accumulated depreciation</b>	<b>1,549</b>	<b>605,749</b>	<b>607,298</b>

<sup>1)</sup> The additions on vessel includes the values of belonging time charter contracts from vessel acquisitions where charter rates are assumed to be different from market rates. The value of the time charter contracts are amortized over the remaining period of the contracts (2018-2020).

In 2018 the Group identified impairment indicators and an impairment test for all cash generating units ("CGU's") was performed. The assessment and impairment test did not lead to any impairment charges.

Prepayments in 2018 relates to prepayments for the scrubber contracts for the retrofitting of ten vessels prior to the IMO 2020 regulation.

## Note 8 - Interest-bearing debt

On 8 September 2017, through its subsidiary MPC Container Ships Invest B.V., the Group 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 five-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. On 22 May 2018, MPC Container Ships Invest B.V. announced that all USD 200 million bond proceeds had been successfully invested in accordance with the bond terms. On 14 June 2018, MPC Container Ships Invest B.V. listed the bond at the Oslo Stock Exchange with ticker code "MPCBV".

On May 15 2018, MPCC First Financing GmbH & Co. KG, a subsidiary of the Company, entered into an agreement for a non-recourse senior secured term loan of approximately USD 50 million with a five-year tenor, floating interest rate of three-month LIBOR + 4.75% and an accordion option at the lender's discretion for a further approximately USD 250 million.

The Group has entered into fixed interest-rate swap agreements for USD 50 million of the USD 200 million bond loan in MPC Container Ships Invest B.V. For the remaining bond loan of USD 150 million the Group has entered into interest cap and collar agreements. For the non-recourse senior secured term loan, the Group has entered into collar agreements.

<i>in USD thousands</i>	31 December 2018
Nominal value of issued bonds	200,000
Non-recourse senior secured term loan	50,127
Other long-term debt including accrued interest	5,484
<b>Total interest bearing debt outstanding</b>	<b>255,611</b>
Debt issuance costs	-7,903
<b>Total interest bearing debt outstanding</b>	<b>247,708</b>

The following main financial covenants are defined in the terms for the bond loan:

- Vessel loan-to-value ratio of MPC Container Ships Invest B.V. and its subsidiaries shall not exceed 75%;
- MPC Container Ships Invest B.V., together with its subsidiaries, shall maintain a minimum liquidity of 5% of the financial indebtedness of MPC Container Ships Invest B.V. and its subsidiaries; and
- the book-equity ratio of the Group shall at all times be higher than 40%.

The following main financial covenants are defined in the terms of the non-recourse senior secured term loan:

- Vessel loan-to-value ratio of MPCC First Financing GmbH & Co. KG and its subsidiaries shall not exceed 75%; and
- MPCC First Financing GmbH & Co. KG shall maintain a minimum liquidity of 5% of the financial indebtedness of MPCC First Financing GmbH & Co. KG and its subsidiaries.

The Group is in compliance with all bond and loan covenants as per 31 December 2018.

The bond is guaranteed by the Company and all subsidiaries of MPC Container Ships Invest B.V. The loan is guaranteed by the General Partner of MPCC First Financing GmbH & Co. KG and of all of its subsidiaries.

## Note 9 - Related party disclosure

The Company has entered into a corporate service agreement to purchase administrative and corporate services from MPC Münchmeyer Petersen Capital AG and its subsidiaries. All transactions with related parties are carried out at market terms.

The Company is responsible for the technical ship management of the vessels owned by the Group. Performance of technical ship management services is sub-contracted to Ahrenkiel Steamship GmbH & Co. KG and Ahrenkiel Steamship B.V., subsidiaries of MPC Münchmeyer Petersen Capital AG, for 62 of the 69 vessels owned by the Group and joint venture entities as of 31 December 2018.

Commercial ship management of the vessels owned by the Group and associated joint ventures is contracted to Contchart Hamburg Leer GmbH & Co. KG and Contchart B.V., subsidiaries of MPC Münchmeyer Petersen Capital AG.

The following table provides the total amount of service transactions that have been entered into with related parties for the twelve months period in 2018:

in USD thousands - 2018	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	6,245	797
Contchart Hamburg Leer GmbH & Co. KG / Contchart B.V.	2,234	288
MPC Maritime Investments GmbH	799	-
MPC Münchmeyer Petersen Capital AG	645	-
<b>Total</b>	<b>9,923</b>	<b>1,085</b>

See Note 10 – Share capital regarding warrants allocated to the founding shareholders.

#### Note 10 - Share capital

	Number of shares	Share capital (USD thousands)	Share premium (USD thousands)
<b>1 January 2018</b>	<b>65,253,000</b>	<b>77,155</b>	<b>261,322</b>
16 February 2018	77,003,000	92,254	319,167
20 June 2018	83,289,000	99,939	352,236
2 July 2018	84,253,000	101,121	356,605
<b>31 December 2018</b>	<b>84,253,000</b>	<b>101,121</b>	<b>356,605</b>

The share capital of the Company consists of 84,253,000 shares as at 31 December 2018, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

Total share issuance costs from incorporation until 31 December 2018 amounts to USD 13.3 million.

During 2017, the Company issued a total of 2,121,046 warrants to MPC Capital Beteiligungsgesellschaft mbH & Co. KG as the founding shareholder. Each warrant gives the holders the right, but no obligation, to subscribe for one share in the Company at the exercise price of the NOK equivalent of USD 5.00 per share, given that the vesting conditions are met. The warrants issued to the founding shareholder are recognized as equity instruments in accordance with IAS 32. See Note 22 in the Company's annual report 2017 for further information.

### **Note 11 - Subsequent events**

On 17 January 2019, the Company's extraordinary general meeting adopted the proposal to grant the Board of Directors authority to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000, representing 10% of the Company's share capital. Subsequently, in a board meeting held on 27 February 2019, the Board of Directors resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019.

On February 25 2018, the Company entered into an agreement for the transfer of the remaining 20% ownership in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. After the acquisition, the Company holds an interest of 100% in the two entities which are the legal owners of the vessels AS Palina and AS Petra, respectively.

# ALTERNATIVE PERFORMANCE MEASURES

The Group's financial information is prepared in accordance with international financial reporting standards ("IFRS"). In addition, it is the management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. The Group is in the initial phase of operation and performance measures are therefore subject to change. The alternative performance measures are intended to enhance comparability of the results and to give supplemental information to the users of the Group's external reporting.

## GROSS PROFIT

Gross profit a key financial parameter for the Group and is derived directly from the income statement by deducting cost of sales (vessel voyage expenditures, ship management fees, vessel operating expenditures and commissions) from the operating revenues.

## EBITDA

Earnings before interest, tax, depreciations and amortizations ("EBITDA") is a key financial parameter for the Group and is derived directly from the income statement by adding back depreciation to the operating result ("EBIT").

in USD thousands	Q4 2018 (unaudited)	Q3 2018 (unaudited)	Q4 2017 (unaudited)	FY 2018 (unaudited)	FY 2017 (audited)
Operating result (EBIT)	393	6,585	-1,744	15,997	-1,990
Depreciation	9,091	7,987	2,007	29,271	3,302
<b>EBITDA</b>	<b>9,484</b>	<b>14,572</b>	<b>263</b>	<b>45,268</b>	<b>1,312</b>

## AVERAGE TIME CHARTER EQUIVALENT ("TCE")

TCE is a commonly used Key Performance Indicator ("KPI") in the shipping industry. TCE represents time charter revenue and pool revenue divided by the number of trading days for the consolidated vessels during the reporting period. Trading days are ownership days minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days.

## AVERAGE OPERATING EXPENSES ("OPEX") PER DAY

OPEX per day is a commonly used KPI in the shipping industry. OPEX per day represents operating expenses divided by the number of ownership days of consolidated vessels during the reporting period.

## UTILIZATION

Utilization in percentage is a commonly used KPI in the shipping industry. Utilization in percentage represents total trading days including off-hire days relates to dry docks divided by the total number of ownership days during the period.

## LEVERAGE RATIO

Interest bearing long-term debt and interest bearing short-term debt divided by total assets.

## EQUITY RATIO

Total book equity divided by total assets.

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