



MPC CONTAINER SHIPS ASA
FINANCIAL REPORT
Q3 2019

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MPC CONTAINER SHIPS ASA

THIRD QUARTER AND YEAR-TO-DATE 2019 HIGHLIGHTS

- Total operating revenues for Q3 2019 were USD 46.0 million compared to USD 47.8 million for Q2 2019.
- EBITDA was USD 4.5 million in Q3 2019 (Q2 2019: USD 8.1 million).
- Operating cash flow for Q3 2019 was USD 1.3 million (Q2 2019: USD 9.8 million).
- Net loss for the period in Q3 2019 was USD 11.4 million (Q2 2019: net loss of USD 6.4 million).
- Total ownership days of fully owned vessels in Q3 2019 were 5,520 (Q2 2019: 5,460). Total ownership days year-to-date (“YTD”) were 16,380 days.
- Total trading days of fully owned vessels in Q3 2019 were 4,695 (Q2 2019: 4,963). Q3 2019 utilization was 92.9%¹ (Q2 2019: 93.0%). Considering off-hire days related to retrofitting works, repositioning of these vessels and class renewals, Q3 2019 utilization was 85.1% (Q2 2019: 90.9%).
- Average time charter equivalent (“TCE”) was USD 8,718 per day in Q3 2019 (Q2 2019: USD 9,071 per day). For the nine-month period ending Q3 2019, TCE was 9,013 per day.
- Average operating expenses (“OPEX”) in Q3 2019 were USD 4,969 per day (Q2 2019: USD 5,026 per day). For the nine-month period ending Q3 2019, OPEX were USD 5,060.
- Equity ratio as at 30 September 2019 was 59.3% (30 June 2019: 61.5%) and the leverage ratio was 38.2% (30 June 2019: 35.8%).

BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships ASA’s (the “Company”) 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 order to position the Group to benefit from expected market improvements whilst ensuring manoeuvrability under current conditions, the Group focuses on maintaining a low cash break-even, prudent leverage profile and stringent capital allocation.

IMO 2020 – SCRUBBER PROGRAMME

With the International Maritime Organisation’s (“IMO”) sulphur emission cap regulation only one month away, more reports are surfacing on delays in retrofitting exhaust gas cleaning systems (“scrubbers”) aboard vessels. Shipyards, particularly in Asia, are experiencing congestions, shortage of labour and constrained capacity, and owners’ scrubber programmes are postponed well into 2020. One readily available countermeasure for reducing fuel costs for vessels running on low-sulphur fuel oils from next year is slow steaming. Speed reductions and vessels in dry-dock should have a dampening effect on container shipping supply in 2020, further supporting a fundamental market rebalancing.

The Group is well underway with its IMO 2020 compliance programme, including the previously announced retrofits of selected vessels with exhaust gas cleaning systems (“scrubbers”) as well as a fuel change-over programme for all remaining vessels.

¹ Utilization in percentage represents total trading days including off-hire days related to dry-docks divided by the total number of ownership days during the period

As per end of November 2019, a total of six vessels have been successfully retrofitted with scrubbers.

In Q3 2019, a total of 8 of the Group's vessels were in dry-dock for scrubber installations, class renewals and upgrades. This had notable impact on the Group's Q3 2019 utilization due to off-hire days related to both retrofitting works performed as well as the logistics and commercial considerations associated with positioning vessels for dry-docking and repositioning them for charters following yard visits. As a consequence, utilization in Q3 2019 was only 85.1%.

The schedule for completing the remaining four scrubber retrofits is expected to be in line with the planned timeline by year-end 2019.

For a total of nine out of the ten vessels equipped with scrubbers, the Group has concluded charter parties with major operators at attractive base rates plus a savings sharing mechanism. Of these, eight vessels are chartered out for periods of 2-3 years while one vessel is chartered out on a short-term contract.

The Group's remaining fleet of 58 vessels will comply with the IMO 2020 regulation by way of the on-going fuel change-over programme and subsequently operate on compliant, low-sulphur fuel oils. Individual ship implementation plans have been rolled out, and tank cleaning activities are closely monitored. The Group expects all vessels to have consumed or discharged remaining high-sulphur fuel oil quantities by year-end 2019.

THIRD QUARTER AND YEAR-TO-DATE 2019 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 46.0 million during Q3 2019 (Q2 2019: USD 47.8 million) and 140.5 million YTD 2019. The gross profit from vessel operations was USD 6.7 million in Q3 2019 (Q2 2019: USD 10.5 million) and USD 24.4 million YTD 2019.

Container shipping continues to face a high degree of uncertainty, ranging from the additional costs and off-hire associated with IMO 2020 to the possibility of an economic recession, in particular due to on-going US-China tensions. The Group's earnings continue to be affected by the challenging shipping markets.

The Group reports a loss after taxes of USD 11.4 million in Q3 2019 (Q2 2019: USD 6.4 million) and a loss YTD 2019 of USD 25.6 million.

Financial position

The Group's total assets amounted to USD 714.1 million as at 30 September 2019 (USD 722.1 million as at 31 December 2018). Non-current assets in the amount of USD 640.4 million comprises of vessels operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 423.6 million as at 30 September 2019 (USD 459.2 million as at 31 December 2018) with non-controlling interest of USD 1.7 million. The decrease in equity mainly relates to the net loss for the period on USD 25.6 million and to the negative fair value change of USD 5.8 million for the hedging reserves. As at 30 September 2019, the Group had interest-bearing debt in the amount of USD 273.0 million (USD 247.7 million as at 31 December 2018). The increase in long-term debt is mainly due to a drawdown of the revolving credit facility in Q2 and Q3 2019 and the additional draw down on the Non-recourse senior secured term loan during Q3 2019. This partly offset by repayments of debt during 2019.

Cash flow

In Q3 2019, the Group generated a positive cash flow from operating activities of USD 1.3 million (Q2 2019: USD 9.8 million). The cash flow from investing activities was USD -23.1 million (Q2 2019: USD -12.1 million) mainly due to investments into dry-dockings, scrubber retrofits and other upgrades. The Group had a positive cash flow

from financing activities of USD 13.6 million (Q2 2019: USD 7.4 million) mainly due to the drawdown on the revolving credit facility and the non-recourse senior secured term loan (see note 8).

Cash and cash equivalents as at 30 September 2019 were USD 43.5 million, down from USD 51.8 million as at 30 June 2019.

CONTAINER MARKET UPDATE

Global Economy

The International Monetary Fund ("IMF") in its October 2019 World Economic Outlook expects global growth of 3.0% in 2019 and 3.4% in 2020. Emerging market economies are foreseen to be the main drivers of this recovery. For a group of systemic relevant economies (US, EU, China and Japan), economic growth is expected to remain at low levels in 2020. In the same forecast, the IMF forecasts global trade growth of 1.1% in 2019 with a slight recovery to 3.2% in 2020. For subsequent years, trade growth is estimated at 3.8%, supported by the anticipated recovery of the global economy in 2020 and increased demand for investments in both emerging markets and developing economies.

Container Demand

2019 world seaborne container trade growth is estimated as moderate, with Clarkson Research forecasts indicating 2.2%. Except for 2015, where world container trade grew by 2.1%, 2019 is set to endure the lowest growth rate in decades. For 2020, as the global economy is assumed to regain speed, container trade growth is estimated to be 3.2%.

The US-China trade conflict has had a significant impact on Transpacific trade volumes, assumed to decrease with 1.7% in 2019. For 2020, a slight decrease of 0.8% is expected. Transatlantic, Far East-Europe and Intra-Asia trades growth rates are, by contrast, expected to be relatively robust with 3.8%, 3.9% and 3.4%, respectively. For 2020, analysts expect 3.2% for Transatlantic trades, 2.6% for Far East-Europe trades and 4.0% for Intra-Asia trades.

Intra-regional trades (i.e. Intra-Asia, Intra-Europe, Intra-Caribbean, ME/ISC-South and South-South trades) is expected to contribute with the strongest growth rates both for 2019 and 2020, with 5.4% and 5.2%, respectively.

Fleet Development

As per October 2019, global container fleet comprised 5,357 vessels with a total capacity of 22.8 million TEU. The feeder segment fleet (1,000 to 3,000 TEU) amounted to 1,920 vessels with a total capacity of 3.5 million TEU.

For the total container fleet, 690,704 TEU worth of capacity has been delivered YTD 2019, the lowest number in years. New capacity has been modest also in the feeder segment, with a total of 80,814 TEU delivered YTD 2019. Seeing as the order book is showing historical low numbers (in total 9.6% of the current container fleet as per October 2019), one may assume that deliveries will remain modest also during upcoming quarters.

Demolition is at relative low levels as well, with 120,724 TEU demolished YTD 2019. For the feeder segment, YTD 2019 total recycled tonnage amounts to 63,803 TEU. Due to the IMO's ballast water management system code enforced from October 2019, increased demolition particularly in the feeder segment (where the sailing fleet is relatively high) is expected.

In accordance with above-mentioned market data, the container shipping market should be characterised by a slight oversupply both in 2019 and 2020. Due to vessels entering dry-dock for scrubber retrofitting and other IMO 2020 preparatory works, container capacity supply is expected to be reduced by a further 1.2% in 2019 and 1.1% in 2020, with "net growth" of 2.4% in 2019 and 2020, respectively. For 2020, demand is expected to strengthen yet again with 3.2%, supporting an excess demand of 0.8%. Supply-side impacts from IMO 2020 are assumed to persist until mid-2020.

Asset Prices

Newbuilding prices for larger feeder vessels (2,750 TEU gls) have decreased by 9% since the start of 2019, from USD 35 million to USD 32 million. Nevertheless, these prices are still 1% above the 10-year average. For a 1,700 TEU grd container vessel, the acquisition price of a newbuild was quoted at USD 26.25 million in October 2019. The assumed price for a 1,000 TEU grd vessel was USD 19.25 million. Prices are unchanged compared to January 2019 and slightly below their latest 10-year averages (-1% for 1,700 TEU grd vessels and -2% for the 1,000 TEU grd vessels).

Second-hand container vessel prices are currently witnessing large fluctuations. A 10-year old 2,750 TEU gls vessel was estimated at USD 9.5 million in October 2019 (-24% compared with price as per January 2019). As per the same date, second-hand prices for a 10-year old 1,700 TEU gls and a 10-year old 1,000 TEU grd vessel were estimated at USD 7.75 million and USD 5.75 million (down by 18% and 15% compared to January 2019), respectively.

Charter Market

As vessels are temporarily decommissioned for scrubber retrofittings, especially the larger vessel segments enjoyed significant charter rate increases during 2019. However, since January 2019, a gap between the rate developments for larger feeders (>1,700 TEU) and smaller feeders (<1,700 TEU) has been observed. Within the >1,700 TEU category, earnings for larger sizes increased significantly during 2019 (2,500 TEU and 2,800 TEU vessels earning above USD 10,000 per day) while rates in the smaller feeder segments saw larger fluctuations but only modest growth.

The number of available vessels decreased during H1 2019 following a slight market consolidation. Since July, however, idle numbers have risen within all TEU segments. A significant part of the idle capacity, being 45% of the total idle fleet and 14% of the feeder fleet, is currently in dry-dock for scrubber retrofitting.

Time charter rates (6-12 months) in September 2019:

- 1,000 TEU: USD 6,200 (down 2% year-to-date)
- 1,700 TEU: USD 8,800 (up 18% year-to-date)
- 2,750 TEU: USD 10,400 (up 9% year-to-date)
- 4,300 TEU: USD 14,600 (up 62% year-to-date)

Market Outlook

On a macroeconomic level, the outlook for Q4 2019 and 2020 will remain influenced by issues relating to IMO 2020, the current slowdown of the global economy and geopolitical tensions.

The container shipping charter rate environment has stabilised in recent months. Larger vessels have lead the way in terms of rate increases with smaller-size vessels slowly following suit, albeit with a more hesitant growth trajectory to date.

As part of IMO 2020 preparations, some 44 vessels totalling 375,000 TEU are currently in dry-dock for scrubber installations. Of these, 11 vessels (total capacity of 24,000 TEU) are within the feeder segment. The retrofitting installation process has increased significantly throughout 2019. It is expected that scrubber retrofits will continue to hamper the supply of container vessels until mid- 2020 at the earliest.

Demand for container vessels will remain sensitive to macroeconomic uncertainty. Intra-regional trade demand is, however, benefitting from stronger growth. As for the supply side, an aging feeder fleet and advancements in the regulatory environment are deemed to intensify the focus on ship recycling, thereby curbing supply growth.

Despite 2019 turning out to be more volatile than many had hoped, container market fundamentals are still intact and should make for attractive opportunities and charter rate recovery potential in 2020 and onwards.

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

in USD thousands	Notes	Q3 2019 (unaudited)	Q2 2019 (unaudited)	Q3 2018 (unaudited)	Q3 2019 YTD (unaudited)	Q3 2018 YTD (unaudited)
Operating revenue	5	46,044	47,815	55,799	140,516	130,994
Commissions		-1,550	-1,728	-2,016	-4,896	-4,848
Vessel voyage expenditures		-7,535	-4,218	-6,955	-16,843	-10,943
Vessel operation expenditures		-28,365	-28,798	-28,001	-87,114	-69,693
Ship management fees		-2,161	-2,293	-2,254	-6,690	-5,266
Share of profit or loss from JV	6	264	-283	981	-543	1,725
Gross profit		6,698	10,495	17,555	24,430	41,969
Administrative expenses		-2,308	-2,090	-3,124	-6,426	-6,398
Other expenses		-172	-582	-173	-3,007	-964
Other income		234	253	313	2,279	1,177
EBITDA		4,451	8,077	14,572	17,277	35,784
Depreciation	7	-10,373	-9,943	-7,987	-30,121	-20,180
Gain from disposal of vessels	7	0	460	0	3,129	0
Operating result (EBIT)		-5,922	-1,406	6,585	-9,715	15,604
Other finance income		117	109	54	367	492
Finance costs		-5,628	-5,049	-5,328	-16,135	-12,377
Profit/Loss before income tax (EBT)		-11,433	-6,346	1,311	-25,483	3,719
Income tax expenses		-3	-93	-132	-102	-264
Profit/Loss for the period		-11,435	-6,439	1,179	-25,585	3,455
Attributable to:						
Equity holders of the Company		-11,432	-6,432	988	-25,561	3,536
Minority interest		-3	-7	191	-25	-81
Basic earnings per share – in USD		-0.14	-0.08	0.01	-0.30	0.04
Diluted earnings per share – in USD		-0.14	-0.08	0.01	-0.30	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Note	Q3 2019 (unaudited)	Q2 2019 (unaudited)	Q3 2018 (unaudited)	Q3 2019 YTD (unaudited)	Q3 2018 YTD (unaudited)
Profit/loss for the period		-11,435	-6,439	1,179	-25,585	3,455
Items that may be subsequently transferred to profit or loss		-716	-3,589	381	-5,858	2,434
Foreign currency effects, net of taxes		-41	-16	-73	-92	23
Change in hedging reserves, net of taxes		-675	-3,573	454	-5,765	2,411
Items that will not be subsequently transferred to profit or loss		0	0	0	0	0
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
Total comprehensive profit/loss		-12,151	-9,997	1,560	-31,442	5,889
Attributable to:						
Equity holders of the Company		-12,148	-9,989	1,369	-31,418	5,970
Non-controlling interest		-3	-7	191	-25	-81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	At 30 September 2019 (unaudited)	At 31 December 2018 (audited)
Assets		714,063	722,062
Non-current Assets		640,429	633,658
Vessels	7	607,245	605,749
Prepayment on vessels	7	5,866	1,549
Investment in joint venture	6	27,318	26,360
Current Assets		73,634	88,404
Inventories		5,973	4,853
Trade and other receivables		24,148	23,322
Cash and cash equivalents		43,514	60,228
Unrestricted cash		30,196	44,087
Restricted cash		13,318	16,141
Equity and Liabilities		714,063	722,062
Equity		423,555	459,150
Ordinary shares	10	456,544	457,726
Share capital		101,121	101,121
Share premium		356,566	356,605
Treasury shares		-1,143	0
Retained losses		-29,808	-4,247
Other reserves		-4,873	984
Non-controlling interest		1,692	4,688
Non-current Liabilities		270,503	244,766
Interest bearing loans	8	270,503	244,766
Current Liabilities		20,005	18,145
Interest bearing loans and borrowings	8	2,482	2,942
Trade and other payables		8,856	6,369
Payables to affiliated companies		46	53
Other liabilities		8,621	8,781

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	Share capital (unaudited)	Share premium (unaudited)	Treasury shares (unaudited)	Retained losses (unaudited)	Other reserves (unaudited)	Non-controlling interest (unaudited)	Total equity (unaudited)
Equity as at 1 Jan. 2019	101,121	356,605	0	-4,247	985	4,687	459,150
Purchase of own shares	0	0	-1,143	0	0	0	-1,143
Capital increase to non-controlling interest	0	0	0	0	0	391	391
Changes in ownership in subsidiaries that do not result in loss of control	0	-39	0	0	0	-3,361	-3,400
Result of the period	0	0	0	-25,561	0	-25	-25,585
Foreign currency effects	0	0	0	0	-92	0	-92
Hedging reserves	0	0	0	0	-5,765	0	-5,765
Equity as at 30 Sept. 2019	101,121	356,566	-1,143	-29,808	-4,873	1,692	423,555
Equity as at 1 Jan. 2018	77,155	261,322	0	-2,639	140	4,542	340,520
Share issuance	23,966	95,283	0	0	0	0	119,249
Capital increase to non-controlling interest	0	0	0	0	0	137	136
Result of the period	0	0	0	-1,608	0	9	-1,599
Foreign currency effects	0	0	0	0	-30	0	-30
Hedging reserves	0	0	0	0	874	0	875
Equity as at 31 Dec. 2018	101,121	356,605	0	-4,247	984	4,688	459,150

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Notes	Q3 2019 (unaudited)	Q2 2019 (unaudited)	Q3 2018 (unaudited)	Q3 2019 YTD (unaudited)	Q3 2018 YTD (unaudited)
Profit/Loss before income tax		-11,433	-6,346	1,311	-25,484	3,719
Income tax expenses paid		0	0	-132	0	-263
Net change in current assets		-446	2,475	-13,898	-1,945	-23,112
Net change in current liabilities		-1,797	2,562	2,146	1,700	7,266
Fair value change in derivatives		-675	-3,558	454	-5,750	2,411
Depreciation		10,373	9,943	7,987	30,121	20,180
Finance costs (net)		5,511	4,940	5,274	15,768	11,885
Share of profit or loss from joint venture		-264	283	-981	543	-1,725
Gain from disposal of vessels		0	-460	0	-3,129	0
Cash flow from operating activities		1,269	9,838	2,160	11,823	20,361
Proceeds from disposal of vessels		0	1,709	0	10,739	0
Dry docks and other upgrades on vessels		-23,070	-13,440	-40,381	-43,901	-360,629
Investment in subsidiaries and affiliated companies		0	0	231	-4,900	-9,350
Interest received		117	109	54	367	432
Purchase of own shares		-175	-457	0	-1,143	0
Cash flow from investing activities		-23,129	-12,079	-40,096	-38,838	-369,546
Proceeds from share issuance		0	0	6,377	391	122,378
Share issuance costs		0	0	-831	0	-3,134
Proceeds from debt financing		20,000	13,000		33,000	151,150
Repayment of debt		-1,183	0	-1,023	-7,566	-1,023
Interest paid		-4,845	-4,827	-4,926	-14,197	-11,325
Debt issuance costs		-404	-753	-432	-1,327	-5,234
Cash flow from financing activities		13,568	7,420	-835	10,301	252,812
Net change in cash and cash equivalents		-8,292	5,178	-38,771	-16,715	-96,373
Net foreign exchange differences		0	0	-209	0	-209
Cash and cash equivalents at beginning of period		51,806	46,628	106,721	60,228	164,323
Cash and cash equivalents at the end of period²		43,514	51,806	67,741	43,514	67,741

² Whereof USD 13.3 million is restricted as at 30 September 2019, USD 13.3 million at 30 June 2019 and USD 16.1 million at 31 December 2018.

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 to invest in and to operate maritime assets in the container shipping segment.

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 30 September 2019 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 2018. The consolidated financial statements are presented in USD thousands unless otherwise indicated.

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.

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 2018 except for the new standards effective as at 1 January 2019.

The Company implemented IFRS 16 starting 1 January 2019. The new standard is replacing IAS 17 Leases. The Company has implemented the new standard using the modified retrospective approach for the implementation of IFRS 16 where comparative figures are not restated. The Company has used the practical expedients when applying the new standard to leases previously classified as operating leases under IAS 17. As the Group do not charter in any vessels and do not have any other lease agreements exceeding 12 months, there has been no material impacts from the implementation of the new standard.

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

in USD thousands	Q3 2019 (unaudited)	Q3 2018 (unaudited)
Time charter revenue	31,130	38,426
Pool charter revenue	9,801	12,665
Other revenue	5,113	4,708
Total operating revenue	46,044	55,799

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 from time charter services (service element) and other revenue (e.g. bunkers and other services) are accounted for in accordance IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

in USD thousands	Q3 2019 (unaudited)	Q3 2018 (unaudited)
Service element	17,383	26,160
Other revenue	5,113	4,708
Total revenue from customer contracts	22,495	30,868
Lease element	23,549	24,930
Total operating revenue	46,044	55,799

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.

in USD thousands	Q3 2019 (unaudited)	Q3 2018 (unaudited)
Operating revenue	6,570	7,327
Operating costs and depreciation	-5,786	-5,066
Net financial income/expense	-246	-271
Income tax	-8	-28
Profit after tax for the period	528	1,962
Total comprehensive income for the period	528	1,962
Group's share of profit for the period	264	981

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

in USD thousands	At 30 September 2019 (unaudited)	At 31 December 2018 (audited)
Acquisition cost at 1 January	639,871	268,158
Acquisition of vessels	0	273,536
Prepayments reclassified to vessels	1,549	57,787
Prepayments	4,317	1,549
Capitalized dry-docking and other expenses	37,743	38,841
Disposals of vessels	-7,361	0
Acquisition cost	676,119	639,871
Accumulated depreciations 1 January	-32,887	-3,302
Depreciation for the year-to-date	-30,121	-29,271
Accumulated depreciations at end of period	-63,008	-32,573
Closing balance at end of period	613,111	607,298
<i>Depreciation method</i>	<i>Straight-line</i>	<i>Straight-line</i>
<i>Useful life (vessels)</i>	<i>25 years</i>	<i>25 years</i>
<i>Useful life (dry docks)</i>	<i>5 years</i>	<i>5 years</i>

The disposal of vessel relates to the declaration of AS Fortuna as a total loss after her grounding in September 2018 and the subsequent sale of the vessel in June 2019. These events lead to a gain on disposals in H1 2019 of USD 3.1 million.

Note 8 Interest-bearing debt

in USD thousands	Ticker	Currency	Facility amount	Interest	Maturity	As at 30 September 2019 (unaudited)	As at 31 December 2018 (audited)
Nominal value of issued bonds	MPCBV	USD	200,000	Floating + 4.75%	September 2022	200,000	200,000
Non-recourse senior secured term loan	N/A	USD	59,150	Floating + 4.75%	May 2023	55,921	50,127
Revolving Credit Facility*	N/A	USD	40,000	Floating + 3.5%	April 2022	25,000	0
Other long-term debt incl accrued interest						278	5,484
Total outstanding						281,039	255,611
Debt issuance costs						-8,214	-7,903
Total interest bearing debt outstanding						272,985	247,708

* The amount of USD 40 million presented under facility amount represents the maximum commitments that are available for the Group under the agreement.

On 25 April 2019, MPCC Second Financing GmbH & Co. KG, a wholly-owned subsidiary of the Group, entered into an agreement for a three-year revolving credit facility of USD 40 million ("the RCF").

For the non-recourse senior secured term loan, the Group has an accordion option at the lender's discretion for additional 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.

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 following main financial covenants are defined in the terms of the RCF:

- Vessel loan-to-value ratio of MPCC Second Financing GmbH & Co. KG and its subsidiaries shall not exceed 55%;
- the book-equity ratio of the Group shall at all times be higher than 40%;
- the Group shall maintain a minimum liquidity of the higher of 5% of the financial indebtedness of the Group and USD 200 thousand multiplied with the number of consolidated vessels within the Group; and
- the Group shall maintain an EBITDA to total interest expenses for at least 2.5 if the Vessel loan-to-value ratio of the MPCC Second Financing GmbH & Co. KG and its subsidiaries exceeds 40%.

The Group is in compliance with all bond and loan covenants as at 30 September 2019.

Note 9 - Related party disclosure

The following table provides the total amount of service transactions that have been entered into with related parties for the third quarter of 2019:

in USD thousands - Q3 2019	Type of services	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	Technical	1,964	252
Contchart Hamburg Leer GmbH & Co.KG	Commercial	536	78
MPC Maritime Investments GmbH	Corporate	85	0
MPC Münchmeyer Petersen Capital AG	Corporate	170	0
Total		2,755	330

All related party transactions are carried out at market terms. Please see Note 19 in the Company's 2018 Annual Report for additional description.

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

Note 10 - Share capital

	Number of shares	Share capital (USD thousands)
1 January 2018	65,253,000	101,121
16 February 2018	77,003,000	92,254
20 June 2018	83,289,000	99,939
2 July 2018	84,253,000	101,121
31 December 2018	84,253,000	101,121
Changes in shares and share capital in the period	0	0
30 September 2019	84,253,000	101,121

The share capital of the Company consists of 84,253,000 shares as at 30 September 2019, 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 30 September 2019 amounts to USD 13.3 million. As at 30 September 2019 the Company holds 351,098 treasury shares.

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 2018 for further information.

Note 11 - Subsequent events

None

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 is 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 and gain/loss from disposals of vessels to the operating result ("EBIT").

in USD thousands	Q3 2019 (unaudited)	Q2 2019 (unaudited)	Q3 2018 (unaudited)	Q3 2019 YTD (unaudited)	Q3 2018 YTD (unaudited)
Operating result (EBIT)	-5,922	-1,406	6,585	-9,716	15,604
Depreciation	10,373	9,943	7,987	30,121	20,180
Gain from disposal of vessels	0	-460	0	-3,129	0
EBITDA	4,451	8,077	14,572	17,277	35,784

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 excluding tonnage taxes and operating expenses reimbursed by the charterers 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

MPC Container Ships ASA

Postbox 1251 Vika
0111 Oslo, Norway

Org no. 918 494 316

www.mpc-container.com