MPC CONTAINER SHIPS ASA

ANNUAL REPORT 2017

CONTENTS

BOARD OF DIRECTORS' REPORT

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 3,500 TEU, that are chartered out to liner shipping companies and regional carriers.

The following significant events occurred in 2017:

- In April, the Company registered on the NOTC-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 Company uplisted to the Merkur Market at the Oslo Stock Exchange.
- In June, the Company issued 15,000,000 new shares at a subscription price of NOK 43.00 per share in a second private placement. The respective gross proceeds were USD 76 million.
- In September, MPC Container Ships Invest B.V., a wholly-owned subsidiary of 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 Company 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 NOK 652,530,000 divided into 65,253,000 shares, each with a nominal value of NOK 10.00. As of the same date, the Group has acquired 36 container vessels between 957 TEU and 2,824 TEU through wholly-owned subsidiaries. Moreover, the Group holds a 50% interest in a joint venture that has taken over five 2,824 TEU container vessels via respective subsidiaries. Of the total 41 vessels, 29 vessels had been taken over as of 31 December 2017.

The following significant events occurred after the balance sheet date:

- In January 2018, the Company converted to a Norwegian public limited liability company (ASA).
- In January 2018, the Company uplisted to Oslo Axess at the Oslo Stock Exchange.
- In January 2018, the Company entered into agreements to acquire three 2,800 TEU container vessels with a total purchase price of USD 32.3 million.
- In February 2018, MPC Container Ships Invest B.V. completed a tap issue of USD 100 million in the above-mentioned senior secured bond.
- In February 2018, the Company issued 11,750,000 new shares at a subscription price of NOK 50.00 per share in a fourth private placement, resulting in gross proceeds of USD 75 million. Following registration of the share capital increase, the Company will have a share capital of NOK 770,030,000 divided into 77,003,000 shares, each with a nominal value of NOK 10.00.
- In February 2018, the Company entered into agreements to acquire a further 14 container vessel between 1,300 TEU and 2,800 TEU with a total purchase price of USD 139.5 million.
- In March 2018, the Company entered into agreements to acquire a further six container vessels between 1,201 TEU and 1,440 TEU with a total purchase price of USD 48.5 million.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

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 taken over by the Company in April 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 21.4 million. Vessel-related expenses were USD -18.9 million, resulting in gross profit from vessel operations of USD 2.5 million.

Administrative expenses, depreciation, impairment and other expenses totalled USD 5.7 million. Other income, mainly relates to a gain from sale of a vessel amounting to USD 0.4 million. The Group thus reported an operating result (EBIT) of USD -2.4 million.

Loss before tax was USD -2.4 million, and income tax expenses were USD 0.1 million, resulting in a loss for the period of USD -2.5 million. The Board of Directors has proposed that the net loss for the period is allocated to retained losses.

Earnings per share

Basic and diluted earnings per share for the year were negative with USD -0.10 and USD -0.09 per share, respectively.

Financial position

The Group's total assets amounted to USD 451.1 million at 31 December 2017. Non-current assets in the amount of USD 281.3 million comprise of vessels taken over and operated by the Group as well as the equity investments into joint ventures.

Total equity was USD 340.5 million at 31 December 2017 with minority interest of USD 4.4 million. As at 31 December 2017, the Group had interest-bearing financial liabilities in the amount of USD 102.1 million resulting from the bond issue and a loan facility.

Cash flow

During 2017, the Group generated a positive cash flow from operating activities of USD 3.2 million. The cash flow from investing activities into vessels and joint venture investments was USD -284.2 million. The positive cash flow from financing activities of USD 445.3 million is due to the net proceeds from three equity private placements and debt financing completed during 2017.

The total net change in cash and cash equivalents from 9 January 2017 through 31 December 2017 was USD 164.3 million.

Cash and cash equivalents as of 31 December 2017 was USD 164.3 million.

PARENT FINANCIAL STATEMENTS

Income statement

Revenues during 2017 were USD 1.2 million. Payroll and other operating expenses were USD -2.4 million, resulting in an operating result of USD -1.2 million. Net financial income was USD 2.0 million.

Profit before tax was USD 0.8 million, resulting in a net profit for the period of USD 0.8 million. The Board of Directors has proposed that the net profit for the period is allocated to retained earnings.

Financial position

The Company's total assets amounted to USD 341.1 million at 31 December 2017. Non-current assets in the amount of USD 239.7 million comprise of vessels taken over and operated by the Company and subsidiaries as well as equity investments into affiliated companies.

Total equity was USD 339.3 million at 31 December 2017. Total liabilities were USD 1.8 million.

Cash flow

During 2017, the Company generated a positive cash flow from operating activities of USD 1.6 million. The cash flow from investing activities into vessels and joint venture investments was USD -239.7 million. The positive cash flow from financing activities of USD 338.5 million is due to the net proceeds from three equity private placements during 2017.

The total net change in cash and cash equivalents from 9 January 2017 through 31 December 2017 was USD 100.4 million.

Cash and cash equivalents as of 31 December 2017 are USD 100.4 million.

Dividend considerations

The Company's intention is to pay regular dividends in support of its objective of maximising returns to shareholders. The timing and amount of dividends is at the discretion of the Board of Directors. Any future dividends proposed will depend upon the Group's financial position, earnings, debt covenants, distribution restrictions, capital requirements, investment opportunities, and other factors. Dividends will be proposed by the Board of Directors for approval by the general meeting. Given that the Group is in the growth phase of its operation, there are no current estimates regarding the potential future dividend level or timing of dividend payments.

GOING CONCERN

In accordance with the Norwegian Accounting Act § 3-3a, the Board of Directors confirm that the financial statements of the Company have been prepared under the assumption of going concern and that this assumption is deemed realistic. 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 operation. As per 31 December 2017, the Company employs two people. In early 2018, a further two people were employed by the Group. The working environment is considered to be good, and efforts for improvements are made on an ongoing basis. No leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

The Norwegian Discrimination Act's objective is 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 the act's purpose within our business, and aims to be a workplace with equal opportunities. This is reflected in the Company's Code of Conduct, applicable to all entities controlled by the Company and all employees, directors, officers and agents.

As per 31 December 2017, the Board of Directors comprised five men. As of January 2018, two female directors replaced male counterparts. As such, the current Board of Directors consists of two women and three men.

INTERNAL CONTROLS AND RISK MANAGEMENT

In accordance with the principles underlying value-based management, the Board of Directors places great importance on systematic risk management. This is done not only to satisfy the requirements set out by law, but also to ensure the Company's dynamic growth. In addition to identifying existing risk exposures, the Company's management seeks to realize existing opportunities.

Through (i) an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management officer, the Board of Directors aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Good corporate governance is a prerequisite for cooperation based on trust between the owners, the Board of Directors and management of the Group, with a view of achieving long-term growth.

The Board of Directors actively adheres to good corporate governance standards and will ensure that the Company either complies with or explain possible deviations from the Norwegian Code of Practice for Corporate Governance (the "Code"). The Code can be found at www.nues.no.

As of 31 December 2017, there are no significant deviations between the Code and how the Company complies with the Code. Two deviations under Section 5 on general meetings and one deviation under Section 6 on the nomination committee have been justified and disclosed. Please refer to the 2017 Corporate Governance Report in this Annual Report.

The Group is in the growth phase of its operation, with the first vessels taken over in April 2017. As such, the Company is still in the process of finalizing guidelines and measures relating to our corporate social responsibility which, when completed, will be made available on the Company's web pages.

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, 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 secondhand tonnage in the feeder containership segment (1,000 – 3,000 TEU) as one of the most attractive investment opportunities in shipping. Consequently, the Company 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 Company 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 increase 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 gains during 2017. Along with rising earnings and positive sentiment in the market, secondhand prices surged even more. Although the improvements seen year-on-year ("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)

Secondhand 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 secondhand 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 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 secondhand 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.

The Group's chartering strategy is to employ all vessels at fixed time charters with varying short- to mid-term durations, depending on market opportunities. For the year 2018 and including vessels acquired after the balance sheet date, about 24% of the Group's total charter market exposure is managed by a pool. For non-pool vessels, about 30% of the charter market exposure is covered through the respective minimum time charter periods.

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 favor 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.

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.

Operational risks

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 vessel availability may result in 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

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

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 in 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

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

US Dollar (“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 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 consequently the investors' return, book value and value adjusted equity of subsidiaries in other currencies than USD.

The shares are priced and traded in NOK at Oslo Axess at the Oslo Stock Exchange as of 29 January 2018 and hence there is a foreign exchange risk associated with conversion from the reporting currency to NOK. Any future payments of dividends on the shares will be denominated in NOK.

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 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.

Oslo, 26 March 2018

The Board of Directors of
MPC Container Ships ASA

Ulf Holländer (Chairman)	Dr. Axel Schroeder	Laura Carballo
Darren Maupin	Ellen Hanetho	

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements presented in this 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 Board of Directors' 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.

Oslo, 26 March 2018

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)	Dr. Axel Schroeder	Laura Carballo
Darren Maupin	Ellen Hanetho	Constantin Baack (CEO)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in USD thousands	Note	9 January 2017 – 31 December 2017
Operating revenue	6	21,390
Commissions		-771
Vessel voyage expenditures		-2,834
Vessel operation expenditures	8	-14,213
Ship management fees		-1,097
Gross profit		**2,475**
Administrative expenses	9	-2,114
Depreciation and impairment	14	-3,302
Other expenses		-322
Other income		879
Operating result (EBIT)		**-2,384**
Share of profit or loss from joint venture	12	394
Other finance income		2,076
Finance costs	10, 17	-2,474
Profit/Loss before income tax (EBT)		**-2,388**
Income tax expenses	11	-146
Profit/Loss for the period		**-2,534**
Attributable to:		
Equity holders of the Company		-2,639
Non-controlling interest		105
Basic earnings per share – in USD		**-0.10**
Diluted earnings per share – in USD		**-0.09**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Note	9 January 2017 – 31 December 2017
Profit/loss for the period		-2,534
Items that may be subsequently transferred to profit or loss		**157**
Foreign currency effects, net of taxes		0
Other comprehensive profit/loss, net of taxes		157
Items that will not be subsequently transferred to profit or loss		**-17**
Other comprehensive profit/loss, net of taxes		-17
Other comprehensive profit/loss from joint ventures and affiliates		0
Total comprehensive profit/loss		**-2,394**
Attributable to:		
Equity holders of the Company		-2,499
Non-controlling interest		105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2017
Assets		**451,125**
Non-current assets		281,250
Vessels	14	207,069
Prepayments on vessels	14	57,787
Investment in joint ventures	12	16,394
Current assets		169,875
Inventories		1,675
Trade and other receivables	16	3,877
Cash and cash equivalents	15	164,323
Unrestricted cash		119,171
Restricted cash		45,152
Equity and liabilities		**451,125**
Equity		340,520
Ordinary shares	20, 22	338,477
Share capital		77,155
Share premium		261,322
Retained losses		-2,534
Other reserves		140
Non-controlling interest	13	4,437
Non-current liabilities		102,108
Interest bearing loans	17	102,108
Current liabilities		8,497
Interest bearing borrowings	17, 24	158
Trade and other payables	18	7,202
Payables to affiliated companies	18, 19	53
Other liabilities		1,083

Oslo, 26 March 2018

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

Constantin Baack (CEO)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in USD thousands	Note	Share capital	Share premium	Retained earnings	Hedge reserves	Other reserves	Non-controlling interest	Total equity
Incorporation		3						**3**
Share issuance	20	77,152	271,483				4,333	**352,968**
Share issuance costs			-10,161					**-10,161**
Result of the period				-2,534			105	**-2,430**
Other comprehensive income					157	-17		**140**
Equity as at 31 Dec. 2017		**77,155**	**261,322**	**-2,534**	**157**	**-17**	**4,437**	**340,520**

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Note	9 January 2017 – 31 December 2017
Profit/Loss before income tax		-2,388
Income tax expenses		-146
Net change in current assets		-5,552
Net change in current liabilities		8,338
Depreciation		3,302
Loss/gain from the disposal of fixed assets		-394
Cash flow from operating activities		**3,160**
Proceeds from the disposal of tangible assets		394
Purchase of vessels	14	-268,158
Purchase of long-term financial assets	12	-16,394
Cash flow from investing activities		**-284,158**
Proceeds from share issuance	20	353,232
Share issuance costs		-10,161
Proceeds from debt financing	17	106,024
Debt issuance costs		-3,758
Cash flow from financing activities		**445,337**
Net change in cash and cash equivalents		164,340
Net foreign exchange differences		-17
Cash and cash equivalents at beginning of period	15	0
Cash and cash equivalents at the end of period	**15**	**164,323**

NOTES

Note 1 - General information

MPC Container Ships ASA (the "Company") 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 (*Norwegian: allmennaksjeselskap)* on 16 January 2018. The Company has its registered address at Dronning Mauds gate 3, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. Operations commenced in April 2017, when the Company acquired its first vessels. 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 Oslo Axess at the Oslo Stock Exchange as of 29 January 2018 under the ticker "MPCC". On 21 March 2018 the Company's application for transfer of its shares to Oslo Børs was approved by Oslo Stock Exchange with first day of listing no later than 4 May 2018. Shares issued following the private placement in February 2018 are temporarily listed on the Merkur Market at the Oslo Stock Exchange. Upon approval of a listing prospectus by the Financial Supervisory Authority of Norway, these shares will be admitted to trading on Oslo Axess or Oslo Børs and will convert to the regular ISIN number of the Company's existing shares.

The financial statements where approved by the Company's Board of Directors on 26 March 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 statement of financial position based on current/non-current classification.

Current assets are assets that are:

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

Cash or 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 entity's normal operating cycle
- held for purpose of trading
- due to be settled within twelve months for which the entity does not have an unconditional right to defer settlement beyond twelve months.

All other liabilities are non-current. If a liability has become payable given a breach of an undertaking 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 were prepared on the basis of historical cost.

The Group's financial year corresponds to the calendar year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of MPC Container Ship ASA and its subsidiaries as at 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 the entity and has the ability to affect those returns through its power over the 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 power 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 at 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 is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent 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 in full.

Non-controlling interests represent the portion of comprehensive income and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity.

The Group has included the subsidiaries listed in Note 26 in the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in US Dollar (USD), which is the functional currency of the parent company of the Group. 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 and the Group reviews the impact of these changes on its financial statements. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval 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. The Group 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. The Group foresees no major impact from the new standard except for increased note 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

The consolidated financial statements are presented in USD, which is the functional currency of the parent company of the Group. In accordance with IAS 21, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using 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. 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 to the total acquisition costs, 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 profit or loss in the period 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; and 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 higher of 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 of sale 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 lows. The following assumptions have been 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 like 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 14 – Vessels). The weighted average cost of capital is calculated based on the expected long-term borrowing rate and risk-free USD LIBOR rate plus an equity 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.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method, whereas the investment in an associate or a joint venture is initially recognized at cost and thereafter adjusted for the Groups share of post-acquisition profits or losses, movements in other comprehensive income or dividends received. To recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

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 profit or loss in the period in which the expenditure 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 profit and loss 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 of lube oils and stores on board 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 a 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 on the balance sheet date.

Share issuance

Costs related to share issuances are recognized directly in equity.

Warrants

The warrants issued by the Company are classified as equity instruments in accordance with IAS 32. Accordingly, the subscription rights are not recognized in the Group's financial statements at the time they are granted. At the time of the execution, the Company issues shares and receives a cash contribution. The cash contribution is accounted for in share capital and capital reserves (in the amount a premium or discount to the shares' par value).

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.

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 on the date on which a derivative contract is entered into and are subsequently remeasured 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.

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

<u>Cash flow hedges</u>: As of 31 December 2017, 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.

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 input that is significant to 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 18 – Financial instruments.

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 assets to liner shipping companies through time charter contracts.

Revenue recognition

Revenue is recognized to the extent that it is probably 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

Interest income is recognized as accrued and is presented in financial income in the statement of comprehensive income.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share are calculated by dividing the profit for the reporting period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Taxes

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

The Company is subject to tax on its income in accordance with the general tax rules pertaining to companies tax resident in Norway.

The Company's vessel-owning subsidiaries are expected to be subject to the German or 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 assets 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.

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

- Asset 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 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. The current and completed vessel acquisitions of the Group are considered as asset acquisitions.
- Consolidation and joint arrangements: The Group has determined that it controls and consolidates its subsidiaries. The Groups holds a 80% interest in Sao Paulo Project Holding GmbH & Co. KG and the Group has determined that it controls the venture in view of voting majorities and board representation; the entity is consolidated as a subsidiary. In addition, the Group holds a 50% ownership interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG; the Group has determined that it has joint control over the investee and the ownership is shared with the joint venture partner.

Assumptions and estimation uncertainties

The following assumptions and estimation uncertainties can have a significant risk of resulting 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 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 14.
- 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 following customers of the Group represent more than 10% of the Group's total charter revenue: CMA CGM S.A., France (37%) and Maersk Line, Denmark (13%).

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. The Company provides geographical data for revenue only, as the Group's revenue predominantly stems from vessels that may be employed globally. Gross revenue specific foreign countries which contribute significantly to total revenue are disclosed below.

in USD thousands	2017
Asia	4,955
South America	6,339
Europe	2,169
Middle East	92
Africa	0
Other geographical locations (worldwide trades)	6,342
Total time charter and pool revenue	**19,897**

Note 6 - Revenue

in USD thousands	2017	Number of vessels
Time charter revenue	14,951	18
Pool charter revenue	4,945	6
Other revenue	1,494	-
Total operating revenue	**21,390**	**24**

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 in subsidiaries:

in USD thousands	< 6 months	6 – 12 months	>12 months	Total
Time charter revenue	12,255	4,066	2,020	**18,341**

Note 7 - Voyage expenses

in USD thousands	2017
Bunker expenses	-2,501
Other voyage expenses	-333
Total voyage expenses	**-2,834**

Bunker expenses relate to periods where the vessels have been idle, repositioning or under maintenance and repair. Bunker expenses are partially compensated by income from sale of bunkers upon delivery into a time charter (see Note 6, other revenue). When the vessels are on time charter contracts bunker consumption is for the charterer's expense.

Note 8 - Operating expenses

in USD thousands	2017
Crew	-7,649
Lube oil	-813
Maintenance and repair	-3,031
Insurances	-1,169
General Opex	-1,551
Total operating expenses	**-14,213**

Note 9 - Administrative expenses

in USD thousands	2017
Legal and advisory services	-1,318
Other administrative expenses	-796
Total administrative expenses	**-2,114**

The following table details the administrative expenses incurred in relation to audit and related services.

in USD thousands	2017
Audit fee (EY)	-477
Attestation services	0
Tax services	-36
Other non-audit services	-92
Total auditor services	**-605**

Audit fees include fees for a full audit of the Group's accounts as of 30 September 2017, which was required for listing of the Company's shares at Oslo Axess.

Note 10 - Finance income and expenses

in USD thousands	2017
Interest income	469
Share of profit or loss from joint venture	394
Other financial income	1,607
Total financial income	**2,470**
Interest expenses	-1,694
Other financial expenses	-780
Total financial expenses	**-2,474**

Note 11 - Income tax

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

The parent company is subject to ordinary corporation tax in Norway:

in USD thousands	2017
Basis for ordinary corporation tax expense	
Loss before taxes	-2,388
Tax at ordinary Norwegian corporation tax rate (24%)	-
Basis for tax on controlled foreign corporation	
Taxable profit of foreign controlled entities	261
Tax at ordinary corporation tax rate (24%)	-64
Other taxes	-82
Total tax expense	**-146**

In Norway, the Group has an estimated tax loss carried forward amounting to USD 19.7 million. The tax loss relates mainly to transaction cost on capital increase in Norway and can be carried forward indefinitely. Currently, no convincing evidence of using the tax loss exists. Accordingly, the criteria for recognition of deferred tax assets are not met.

Note 12 - Interest in joint ventures

The Group has a 50% interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company owning five 2,824 TEU container vessels through respective fully owned subsidiaries.

In view of the shared control structure in the joint venture, the Group´s interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method. Summarized financial information of the joint venture, based on its IFRS financial statements, is set out below:

in USD thousands	31 December 2017
Non-current assets	30,169
Cash and cash equivalents	2,774
Other current assets	948
Non-current liabilities	0
Current liabilities	1,112
Equity	**32,779**
Group's carrying amount of the investment	**16,394**
Revenue	10,163
Cost of sales	-8,568
Administrative expenses	-156
Other income	95
Other expenses	-149
Depreciation	-598
Interest income	1
Interest expenses	0
Income tax	0
Profit after tax for the period	**787**
Total comprehensive income for the period	**787**
Group's share of profit for the period	**394**
Dividends received	**0**

The joint venture had no contingent liabilities or capital commitments. 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG cannot distribute its profits without the consent from the two partners.

Note 13 - Non-controlling interests

in USD thousands	31 December 2017
Aggregated information	145
Sao Paulo Project Holding GmbH & Co. KG	4,292
Total non-controlling interests	**4,437**

The line item "Aggregated information" is the sum of the 0.1% shares of the ship managers hold in the ship-owning entities of the Group, see Note 26 – Group Companies.

Summarized financial information of Sao Paulo Project Holding GmbH & Co. KG, based on its IFRS financial statements, is set out below for the period included in the consolidated financial statements. Sao Paulo Project Holding GmbH & Co. KG owns two feeder container vessels trough respective subsidiary (see Note 26 – Group companies):

in USD thousands	31 December 2017
Non-current assets	24,776
Current asset	3,430
Non-current liabilities	5,866
Current liabilities	496
Equity	**21,845**
Revenue	1,616
Profit after tax for the period	518
Total comprehensive income for the period	**518**
Dividends received	**0**

Note 14 - Vessels

in USD thousands	31 December 2017
Closing balance previous period	**-**
Acquisition of fixed assets	199,092
Prepayments	57,787
Capitalized dry-docking and other expenses	11,279
Acquisition cost	**268,158**
Depreciation	-3,302
Impairment	0
Depreciation and impairment	**-3,302**
Closing balance	**264,856**
Depreciation method	*Straight-line*
Useful life (vessels)	*25 years*
Useful life (dry-docks)	*5 years*

As of 31 December 2017, the Group operated 24 vessels in consolidated subsidiaries and 5 vessels through a joint venture arrangement.

Vessel	Built	TEU	Gear	Yard	Consolidation
AS LAETITIA	2007	966	2	Yangfan Group Co. Ltd.	Subsidiary
AS LAGUNA	2008	966	2	Yangfan Group Co. Ltd.	Subsidiary
AS FORTUNA	2009	1,345	2	Jiangsu Yangzijiang Shipbuilding	Subsidiary
AS FLORETTA	2007	1,284	2	Zhejiang Ouhua Shipbuilding Co.	Subsidiary
AS FAUSTINA	2007	1,284	2	Zhejiang Ouhua Shipbuilding Co.	Subsidiary
AS FABRIZIA	2008	1,284	2	Zhejiang Ouhua Shipbuilding Co.	Subsidiary
AS FIORELLA	2007	1,296	2	Zhejiang Ouhua Shipbuilding Co.	Subsidiary
AS FIONA	2003	1,200	0	Peene-Werft GmbH	Subsidiary
AS FATIMA	2008	1,284	0	Zhejiang Ouhua Shipbuilding Co.	Subsidiary
FSL SANTOS	2003	1,200	0	Peene-Werft GmbH	Subsidiary
AS ANGELINA	2007	2,127	3	Aker MTW Werft GmbH	Subsidiary

RIO TESLIN	2004	2,556	4	Hyundai Heavy Industries (Ulsan)	Subsidiary
RIO THELON	2004	2,556	4	Hyundai Heavy Industries (Ulsan)	Subsidiary
RIO TAKU	2004	2,556	4	Hyundai Heavy Industries (Ulsan)	Subsidiary
AS PETRONIA	2004	2,556	4	Hyundai Heavy Industries (Ulsan)	Subsidiary
WUHAN TRADER	2008	2,564	3	Xiamen Shipbuilding Industry Co. Ltd.	Subsidiary
AS CONSTANTINA	2005	2,742	0	Aker MTW Werft GmbH	Subsidiary
AS CLARA	2006	2,742	0	Aker MTW Werft GmbH	Subsidiary
AS COLUMBIA	2006	2,742	0	Aker MTW Werft GmbH	Subsidiary
AS CLARITA	2006	2,846	0	STX Shipbuilding (Jinhae)	Subsidiary
AS CALIFORNIA	2008	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Subsidiary
VILANO	2006	2,742	3	Aker MTW Werft GmbH	Subsidiary
CAP PASADO	2006	2,742	3	Aker MTW Werft GmbH	Subsidiary
CAP BLANCHE	2006	2,742	3	Aker MTW Werft GmbH	Subsidiary
AS CARINTHIA	2003	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Joint venture
CARDONIA	2003	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Joint venture
CORDELIA	2003	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Joint venture
CARPATHIA	2003	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Joint venture
CIMBRIA	2002	2,824	0	Hyundai Mipo Dockyard Co. Ltd.	Joint venture

Vessel acquisitions: The transaction to acquire the Group's vessels are accounted for as asset acquisitions.

Impairment: Given the container market conditions that have been present during the past years, management has performed impairment tests on all vessels in the Group as of 31 December 2017. This assessment did not lead to any impairment charges, given that no impairment indicators have been identified and 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 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

Minor changes in the assumptions applied in the value in use calculations will not lead to impairment charges.

Note 15 - Cash and cash equivalents

in USD thousands	31 December 2017
Bank deposits denominated in USD	161,309
Bank deposits denominated in EUR	1,387
Bank deposits denominated in NOK	1,627
Total cash and cash equivalents	**164,323**

The fair value of cash and cash equivalents at 31 December 2017 is USD 164.3 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 six months. Release of funds from the escrow account are subject to vessel acquisitions and fulfilment of all conditions precedent. The bond terms include a requirement to list the bonds at Oslo Stock Exchange within twelve months from issuing 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 16 - 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	**3,877**	3,877	3,877	0	0	0

No receivables are past due and no impairment has been required on trade receivables. See Note 24 – Financial risk management regarding management of credit risk.

Note 17 - Interest-bearing debt

On 8 September 2017, via the Company's wholly-owned 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 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
Other debt	5,866
Book value of debt	102,108

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

- 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%. See Note 25 – Capital management for compliance with this covenant.

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

The bond is guaranteed by the Company and all subsidiaries of MPC Container Ships Invest B.V.

See Note 10 for further information on interest income and total interest expenses.

Note 18 - 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 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	3,877	3,877
Derivatives used for hedging	3	157	157
Cash and cash equivalents	1	164,323	164,323
Financial asset		**168,357**	**168,357**
Interest-bearing debt	3	102,108	102,108
Trade and other current payables	2	8,497	8,497
Financial liabilities		**110,605**	**110,605**

Fair value of trade receivables, cash and cash equivalents and trade 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 interest rate swaps 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 foreign currency forward contracts 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 is included in OCI. The respective asset position is shown under the position "Derivative financial instruments" in the consolidated statement of financial position.

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

Note 19 - Related party disclosure

The Group has entered into a corporate service agreement to purchase administrative and corporate services from MPC Münchmeyer Petersen Capital AG and its subsidiaries.

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, a subsidiary of MPC Münchmeyer Petersen Capital AG, for 23 of the vessels owned by the Group and joint venture entities.

Commercial ship management of the vessels owned by the Group associated joint ventures is contracted to Contchart Hamburg Leer GmbH & Co.KG, a subsidiary 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 relevant period:

in USD thousands / 2017	Group	2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG	-836	-378
Contchart Hamburg Leer GmbH & Co.KG	-261	-127
MPC Maritime Investments GmbH	-67	-
MPC Münchmeyer Petersen Capital AG	-33	-
Total	**-1,197**	**-506**

In order to secure vessel acquisitions prior to the final establishment of the Group, MPC Capital Beteiligungsgesellschaft mbH & Co. KG, a subsidiary of MPC Münchmeyer Petersen Capital AG, temporarily warehoused AS LAETITIA, AS LAGUNA and AS PAULINA and the shares in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG prior to the final establishment of the Group.

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

See Note 22 – Warrants regarding the warrants allocated to the founding shareholders.

Directors' and executive management's compensation and shareholding

	Independent	Shares	Warrants	2017 remuneration
Ulf Holländer (Chairman)	No[1]	-	-	NOK 100,000
Dr. Axel Schroeder	No[2]	-	-	NOK 100,000
Darren Maupin	Yes	-	-	NOK 100,000
Dr. Ottmar Gast (resigned 16 January 2018)	Yes	-	-	NOK 100,000
Robert Knapp (resigned 16 January 2018)	Yes	-	-	NOK 100,000
Laura Carballo (elected 16 January 2018)	No[3]	-	-	-
Ellen Hanetho (elected 16 January 2018)	Yes	-	-	-
Constantin Baack (Managing Director)	-	-	-	NOK 500,000

[1] Ulf Holländer currently serves as the CEO of MPC Münchmeyer Petersen Capital AG, a related party of the Company.

[2] Dr. Axel Schroeder currently serves as Managing Partner at CSI Beteiligungsgesellschaft mbH, one of the larger shareholders of the Company and as Chairman of the Board of MPC Münchmeyer Petersen Capital AG.

[3] Laura Carballo currently serves as Partner and Head of Portfolio Management at STAR Capital Partnership LLP, which trough Star Spike Limited is one of the larger shareholders of the Company.

On January 16 2018, the Company's general meeting unanimously resolved that each member of the Board of Directors shall receive NOK 200,000 in remuneration for the fiscal year 2018.

The Company is in the growth phase of its operation. As of 31 December 2017, the CEO was entitled to a compensation of NOK 500,000 from the Company. The Board of Directors will propose management compensation guidelines to the Company's general meeting when applicable and in connection with the yearly assessment of the CEO.

Note 20 - Share capital

	Number of shares	Share capital (USD thousands)	Share premium (USD thousands)
9 January 2017	300	3	-
20 April 2017	3,000	3	-
20 April 2017	20,003,000	23,132	73,872
19 June 2017	35,003,000	40,836	130,073
11 December 2017	65,253,000	77,155	261,322
31 December 2017	**65,253,000**	**77,155**	**261,322**

The share capital of the Company consists of 65,253,000 shares at 31 December 2017, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

Share issuance costs until 31 December 2017 amounted to USD 10.2 million.

See Note 27 – Subsequent events for information on a capital increase completed after the balance sheet date.

Overview of the 20 largest shareholders as of 31 December 2017

Shareholder	No. of shares	in %	Type
Star Spike Limited	12,947,500	19.8%	
CSI Beteiligungsgesellschaft mbH	9,951,000	15.2%	
KAS Bank N.V.	3,044,691	4.7%	Nom
PILGRIM GLOBAL ICAV CLT AC	2,494,000	3.8%	
Morgan Stanley & Co. LLC	2,350,000	3.6%	Nom
J.P. Morgan Securities LLC	2,190,212	3.4%	Nom
State Street Bank and Trust Comp	2,000,000	3.1%	Nom
Credit Suisse Securities (USD) Llc	1,970,000	3.0%	Nom
Brown Brothers Harriman (Lux.) SCA	1,914,500	2.9%	Nom
Euroclear Bank S.A./N.V.	1,773,059	2.7%	Nom
Brown Brothers Harriman (Lux.) SCA	1,625,000	2.5%	Nom
Morgan Stanley And Co Intl Plc	1,400,000	2.1%	
Verdipapirfondet Delphi Norden	1,150,000	1.8%	
Uthalden A/S	1,150,000	1.8%	
Goldman Sachs & Co. LLC	1,118,150	1.7%	Nom
KLP AKSJENORGE	1,110,000	1.7%	
J.P. Morgan Securities Plc	986,000	1.5%	Nom
Songa Trading Inc	932,500	1.4%	
KLP Alfa Global Energi	907,000	1.4%	
Datum AA	905,000	1.4%	
Total	**51,918,612**	**79.6%**	

Dr. Axel Schroeder and Ulf Holländer hold indirect ownership interest in the Company through an indirect minority interest in CSI Beteiligungsgesellschaft mbH. Laura Carballo holds indirect ownership interest in the Company through a fund managed by STAR Capital Partnership LLP. Darren Maupin holds indirect ownership interest in the Company through a minority ownership in Pilgrim Global ICAV.

Note 21 - Earnings per share

Profit/(loss) for year attributable to ordinary equity holders – in USD thousands	2017
Profit or loss attributable to equity holders of the Company	-2,639
Weighted average number of shares outstanding, basic	26,273,158
Weighted average number of shares outstanding, diluted	28,300,639
Basic earnings per share – in USD	**-0.10**
Diluted earnings per share – in USD	**-0.09**

Note 22 - Warrants

On 20 April 2017, the Company has issued 1,700,000 warrants to MPC Capital Beteiligungsgesellschaft mbH & Co. KG as the founding shareholder, corresponding to 8.5% of the shares issued in the private placement in April 2017. Under the same warrant agreement, on 19 June 2017, the Company has issued 421,046 additional warrants to

MPC Capital Beteiligungsgesellschaft mbH & Co. KG considering the equity private placement in June 2017. The total number of independent subscription rights granted to founding shareholders is 2,121,046.

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. Conditions for exercise are structured in three tranches: 1/3 of the warrants may be exercised at any time after the Company's share price has exceed the NOK equivalent of USD 6.25, the next 1/3 of the warrants may be exercised at any time after the share price has exceed the NOK equivalent of USD 7.25 and the last 1/3 of the warrants may be exercised at any time after the share price has exceed the NOK equivalent of USD 8.25. The warrants are valid for a period of 5 years from 20 April 2017.

The warrants issued to the founding shareholder are recognized as equity instruments in accordance with IAS 32.

Note 23 - Commitments

The Group has entered into agreements for the acquisition of 15 secondhand container vessels. The Group is committed to pay the purchase prices upon takeover of the vessels, which is expected for the first half of 2018. Net of deposit payments made as of 31 December 2017, the respective commitment totals USD 116 million.

See Note 27 – Subsequent events for additional vessel acquisitions after the balance sheet date.

Note 24 - 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 vessels 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 comprise 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 with the short-term LIBOR. The Group manages its interest rate risk by using interest rate hedging instruments. To do so, the Group has entered into interest rate swaps and interest rate caps, are 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 most 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 and NOK 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 and NOK. Currently, no financial instruments have been entered into to mitigate this risk. An increase of the USD/EUR exchange rate by 10% would increase cause the vessel operating expenses to increase by approx. 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 has been entered into to reduce this shipping market risk. The Group will normally have limited exposure to risks associated with bunker price fluctuations as the bunkers are for the charterers account 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 on an undiscounted basis as of 31 December 2017:

in USD thousands	< 1 year	1-5 years	> 5 years	Total
Interest bearing loans and borrowings	600	105,250	0	105,850
Interest payments	7,816	28,717	0	36,533
Trade and other payables	7,202	0	0	7,202
Total	**15,617**	**133,967**	**0**	**149,585**

[1] The senior secured bond settled 22 September 2017 and 2 February 2018, with maturation on 22 September 2022, in the amount of its nominal value of USD 200 million.

Note 25 - 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 shareholder value. 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 on the Group level.

The Group monitors its capital structure using the book-equity ratio, which stands at 75% at 31 December 2017. The Group is subject to financial covenants under the bond issued in September 2017 (see Note 17 – Interest-bearing debt). The Group aims at maintaining an equity ratio with adequate headroom to the respective covenant requirements.

in USD thousands	31 December 2017
Book equity	340,520
Total assets	451,125
Book-equity ratio	**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 Board of Directors 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 26 - Group companies

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

Name	Country of incorporation	Principal activity	Equity interest	Direct / Indirect
"AS PETULIA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%	Direct
"AS Cleopatra" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%	Direct
"AS Christiana" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%	Direct
"AS Carlotta" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%	Direct
Dolphin Container Asset Ltd.	Liberia	Ship-owning entity	100.00%	Direct
MPC Container Ships Invest B.V.	Netherlands	Holding company	100.00%	Direct
Sao Paulo Project Holding GmbH & Co. KG	Germany	Holding company	80.00%	Direct
"AS F-Schiffe" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS ANGELINA" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS CLARA" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS CONSTANTINA" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS PAULINA" OpCo GmbH	Germany	General partner	100.00%	Direct

"AS PETRONIA" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS FORTUNA" OpCo GmbH	Germany	General partner	100.00%	Direct
"AS FIONA" OpCo GmbH	Germany	General partner	100.00%	Direct
MPC Container Ships GmbH & Co KG	Germany	Management Company	100.00%	Direct
"AS LAETITIA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS LAGUNA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS PAULINA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS PETRONIA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS CLARA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS ANGELINA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FATIMA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FLORETTA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FAUSTINA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FABRIZIA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FIORELLA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS COLUMBIA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS CLARITA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FRIDA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS CALIFORNIA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FIONA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS CONSTANTINA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS FORTUNA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS LAURETTA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
"AS SAVANNA" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%	Indirect
Rio Teslin OpCo GmbH & Co. KG	Germany	Ship-owning entity	80.00%	Indirect
Rio Thelon OpCo GmbH & Co. KG	Germany	Ship-owning entity	80.00%	Indirect
"AS LAETITIA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS LAGUNA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS PAULINA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS PETRONIA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS CLARA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS ANGELINA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FATIMA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FLORETTA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FAUSTINA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FABRIZIA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FIORELLA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS COLUMBIA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS CLARITA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FRIDA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS CALIFORNIA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FIONA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS CONSTANTINA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS FORTUNA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS LAURETTA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
"AS SAVANNA" OpCo. B.V.	Netherlands	General partner	100.00%	Indirect
Rio Teslin OpCo Verwaltung GmbH	Germany	General partner	80.00%	Indirect
Rio Thelon OpCo Verwaltungs GmbH	Germany	General partner	80.00%	Indirect
2. Bluewater Holding Verwaltung GmbH	Germany	General partner	50.00%	Indirect
2. Bluewater OpCo GmbH	Germany	General partner	50.00%	Indirect

Ownership rights equal voting rights in all subsidiary entities.

Note 27 - Subsequent events

On 16 January 2018, the Company converted into a Norwegian public limited liability company (Norwegian: *allmennaksjeselskap*). Under a resolution approved by the extraordinary general meeting of the Company held on 16 January 2018, the Board of Directors is authorized to increase the Company's share capital by up to NOK 163,132,500. The pre-emptive rights of the shareholders may be set aside by the Board of Directors. In addition, the Board of Directors is authorized to resolve to take up convertible loans with an aggregate principal amount of up to NOK 1,000,000,000. Upon conversion of loans taken up pursuant to this authorization, the Company's share capital may be increased by up to NOK 163,132,500.

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

On 30 January 2018, the Group entered into purchase agreements for the acquisition of two feeder container vessels with a total purchase price of USD 21.8 million.

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 Group completed a tap issue of USD 100 million in its senior secured bond facility.

On 16 February 2018, the Company issued 11,750,000 new shares at a subscription price of NOK 50.00 per share in a private placement, resulting in gross proceeds of USD 75 million. Shares issued following the private placement in February 2018 are temporarily listed on the Merkur Market at the Oslo Stock Exchange. Upon approval of a listing prospectus by the Financial Supervisory Authority of Norway, these shares will be admitted to trading on Oslo Axess and will convert to the regular ISIN number of the Company's existing shares. Following registration of the share capital increase, the Company has a share capital of NOK 770,030,000 divided into 77,003,000 shares, each with a nominal value of NOK 10.00.

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 9 March 2018, the Group entered into purchase agreements for the acquisition of a feeder container vessel with a purchase price of USD 6.6 million.

On 16 March 2018, the Group entered into purchase agreements for the acquisition of five feeder container vessels with a purchase price of USD 41.9 million.

On 21 March 2018, the Company's application for transfer of its shares to Oslo Børs was approved by Oslo Stock Exchange with first day of listing no later than 4 May 2018.

PARENT FINANCIAL STATEMENTS

INCOME STATEMENT

in USD thousands	Note	9 January 2017 – 31 December 2017
Revenue	2,10	1,209
Revenue		**1,209**
Payroll	5	-106
Other operating expenses	12	-2,299
Operating result (EBIT)		**-1,196**
Finance income	12	4,393
Finance expense	12	-2,352
Profit/Loss before income tax (EBT)		**845**
Income tax	4	-64
Profit/Loss for the period		**781**

Transfer of profit to retained earnings	6	**781**

STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2017
Assets		**341,072**
Non-current assets		239,741
Deferred tax asset	4	0
Investments in Subsidiaries	8	179,238
Loans to Subsidiaries	9	12,900
Investments in affiliated companies	8	16,033
Loans to affiliated companies	9	1,280
Deposit vessels		30,270
Other loans		20
Current assets		101,331
Short-term receivables group	10	834
Other short-term receivables		140
Cash and cash equivalents	3	100,357
Equity and liabilities		**341,073**
Equity		339,258
Share capital	6,7	77,155
Share premium	6	261,322
Retained earnings	6	781
Current liabilities		1,815
Accounts payable		1,250
Accounts payable Group	10	166
Social security, VAT, etc.	4	22
Other short-term liabilities		313

Oslo, 26 March 2018

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

Constantin Baack (CEO)

STATEMENT OF CASH FLOW

in USD thousands	9 January 2017 – 31 December 2017
Profit/Loss before income tax	845
Income tax expenses	0
Net change in provisions	0
Net change in current assets	-974
Net change in current liabilities	1,751
Depreciation	0
Loss/gain from the disposal of fixed assets	0
Cash flow from operating activities	**1,622**
Proceeds from the disposal of tangible assets	0
Net change in loans given	-44,470
Purchase of long-term financial assets	-195,271
Cash flow from investing activities	**-239,741**
Proceeds from share issuance	348,643
Share issuance costs	-10,167
Proceeds from debt financing	0
Debt issuance costs	0
Cash flow from financing activities	**338,476**
Net change in cash and cash equivalents	100,357
Net foreign exchange differences	0
Cash and cash equivalents at beginning of period	0
Cash and cash equivalents at the end of period	**100,357**

NOTES

Note 1 – Significant accounting policies

MPC Container Ships ASA (the "Company") 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 (Norwegian: *allmennaksjeselskap*) on 16 January 2018.

The financial statements are prepared in accordance with Norwegian Standards (NGAAP) for limited liability companies.

Current assets are assets that are expected to be realized in the Company's normal circle, held primarily for the purpose of trading and that are expected to be realized within twelve months after the reporting period. Current liabilities are liabilities that are expected to be settled within the Company's normal operating cycle. Other assets are classified as non-current assets and other liabilities are classified as non-current liabilities.

Accounts receivable are recognized at fair value after provisions for bad debts.

Long-term investments in shares are recognized at original cost, but are reduced to fair value if the decrease in value is not temporary.

Revenue and expenses from operations are booked in the same period as they occur.

The financial statements are presented in US Dollar (USD), which is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

All financial information presented in USD has been rounded to the nearest thousand USD, except otherwise indicated. Differences from currency translations are classified as financial income.

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

Deferred tax liabilities are classified as non-current assets 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 2 – Revenue

in USD thousands	2017
Ship management fees	1,127
Corporate management fees	82
Total operating revenue	1,209

Note 3 – Cash and cash equivalents

in USD thousands	2017
Bank deposits denominated in USD	98,548
Bank deposits denominated in EUR	182
Bank deposits denominated in NOK	1,627
Total cash and cash equivalents	100,357

in USD thousands	2017
Restricted cash	17
Liabilities to be covered by restricted cash	-17
Liabilities not covered by restricted cash	0

Note 4 – Income tax

The Company is subject to ordinary corporation tax in Norway:

in USD thousands	2017
Basis for ordinary corporation tax expense	
Profit before taxes	-272
Tax at ordinary Norwegian corporation tax rate (24%)	0
Basis for deferred tax	
Taxable profit of foreign controlled entities	261
Tax at ordinary corporation tax rate (24%)	-64

In Norway, the Company has an estimated tax loss carried forward amounting to USD 19.7 million. The tax loss relates mainly to transaction cost on capital increase and can be carried forward indefinitely. Currently, no convincing evidence of using the tax loss exists. Accordingly, the criteria for recognition of deferred tax assets are not met.

Note 5 – Payroll expenses, Board of Directors remuneration, compensations, etc.

in USD thousands	2017
Payroll	37
Social security	5
Other personnel expenses	3
Accrued Board of Directors remuneration	61
Total payroll expenses	106

In accordance with Norwegian law, the Company is required to have an occupational pension scheme. The Company's pension scheme was in compliance with Norwegian law as per 31 December 2017.

The CEO performs services for various companies within the Group. For 2017, the CEO was entitled to a compensation of NOK 500,000 for his services. No loans or compensations have been provided to management. Please refer to Note 19 of the consolidated financial statements for the remuneration of the Board of Directors.

Compensation to auditors (in USD thousand)	
Fees related to audit services	330
Fees related to other services	30
Fees booked towards equity	11

Note 6 – Equity

in USD thousands	Share capital	Share premium	Retained earnings	Total
Changes in equity				
Establishment per 9 January 2017	4	0	0	4
Capital increase 20 April 2017	23,132	76,868	0	100,000
Capital increase 19 June 2017	17,700	58,425	0	76,125
Capital increase 4 December 2017	36,319	136,196	0	172,515
Capital increase cost	0	-10,167	0	-10,167
Profit/loss	0	0	781	781
Total equity	**77,155**	**261,322**	**781**	**339,258**

Note 7 – Shareholders

As of 31 December 2017, the share capital of the Company consists of 65,253,000 shares with nominal value per share of NOK 10.00. All issued shares are of equal rights and are fully paid up.

Please refer to Note 20 of the consolidated financial statements for an overview of the 20 largest shareholders of the Company as of 31 December 2017.

Note 8 – Investments in Subsidiaries and affiliated companies

Investments in subsidiaries

(in USD thousands)	Country	Equity	Profit/Loss	Booked value	Ownership
MPC Container Ships Invest B.V.	Netherlands	124,618	-1,690	126,240	100.00%
"AS PETULIA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	6,346	71	9,425	100.00%
"AS CHRISTIANA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	10,932	7	10,925	100.00%
"AS CARLOTTA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	10,942	17	10,925	100.00%
"AS CLEOPATRA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	11,135	10	11,125	100.00%
"AS ANGELINA" OpCo GmbH	Germany	30	-4	36	100.00%
"AS CLARA" OpCo GmbH	Germany	22	-7	31	100.00%
"AS CONSTANTINA" OpCo GmbH	Germany	24	-6	31	100.00%
"AS PAULINA" OpCo GmbH	Germany	25	-5	31	100.00%
"AS PETRONIA" OpCo GmbH	Germany	24	-5	31	100.00%
"AS FORTUNA" OpCo GmbH	Germany	25	-5	31	100.00%
"AS FIONA" OpCo GmbH	Germany	24	-6	31	100.00%
MPC Container Ships GmbH & Co. KG	Germany	0	0	0	100.00%
Dolphin Container Assets Ltd.	Liberia	260	260	0	100.00%
Sao Paulo Project Holding GmbH & Co. KG	Germany	21,463	48	10,377	80.00%
Total		**185,870**	**-1,316**	**179,238**	

Investments in affiliated companies

(in USD thousands)	Country	Equity	Profit/Loss	Booked value	Ownership
2. Bluewater OpCo GmbH	Germany	26	-4	32	50.00%
2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG	Germany	31,917	-68	16,001	50.00%
Total		**31,943**	**-71**	**16,033**	

Note 9 – Loans to Group and affiliated companies

(in USD thousands)	2017
MPC Container Ships Invest B.V.	12,900
2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG	1,280

Both loans are due later than one year and are classified as non-current assets in the balance sheet.

Note 10 – Group transactions

(in USD thousands)	Receivables	Payables	Revenue/ expense (+/-)
Intercompany balances/transactions	834		1,208

Revenue is related to invoiced ship management fees and corporate management fees.

Note 11 – Currency

The financial statements are presented in US Dollar (USD), which is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Exchange rates used are according to the National Bank of Norway.

Note 12 – Specification of P/L records

in USD thousands	2017
Other operating expenses	
Fees from auditors	-360
Ship management fees	-1,018
Legal fees	-182
Other fees	-582
Other operating expenses	-157
Total operating expenses	**-2,299**
Finance income	
Interest income	285
Income from exchange	1,607
Profit from shares sold	2,501
Total finance income	**4,393**
Finance expense	
Expense from exchange	-547
Loss from shares sold	-1,805
Total finance expense	**-2,352**

Note 13 – Specification of profit and loss from investments

(in USD thousands)	Purchase price	Sales price	Profit/Loss (+/-)
"AS ANGELINA" Schifffahrtsgesellschaft mbH & Co. KG	6,769	6,534	-235
"AS CLARA" Schifffahrtsgesellschaft mbH & Co. KG	9,518	9,157	-361
"AS COLUMBIA" Schifffahrtsgesellschaft mbH & Co. KG	8,711	9,137	426
"AS CONSTANTINA" Schifffahrtsgesellschaft mbH & Co. KG	8,385	8,077	-308
"AS FABRIZIA" Schifffahrtsgesellschaft mbH & Co. KG	9,344	9,922	577
"AS FATIMA" Schifffahrtsgesellschaft mbH & Co. KG	8,085	8,446	361
"AS FAUSTINA" Schifffahrtsgesellschaft mbH & Co. KG	9,483	9,644	161
"AS FIONA" Schifffahrtsgesellschaft mbH & Co. KG	5,554	5,312	-242
"AS FIORELLA" Schifffahrtsgesellschaft mbH & Co. KG	8,551	8,935	384
"AS FORTUNA" Schifffahrtsgesellschaft mbH & Co. KG	8,011	7,913	-98
"AS LAETITIA" Schifffahrtsgesellschaft mbH & Co. KG	6,386	5,825	-561
"AS LAGUNA" Schifffahrtsgesellschaft mbH & Co. KG	5,883	5,634	-249
"AS PETRONIA" Schifffahrtsgesellschaft mbH & Co. KG	9,130	9,156	26
"AS PAULINA" Schifffahrtsgesellschaft mbH & Co. KG	9,973	10,700	727
"AS FLORETTA" Schifffahrtsgesellschaft mbH & Co. KG	8,602	8,690	88
Total profit/loss			**696**

CORPORATE GOVERNANCE REPORT

Good corporate governance is a prerequisite for cooperation based on trust between the owners, the Board of Directors (the “Board”) and management of the Group, with a view of achieving long-term growth.

The Board actively adheres to good corporate governance standards and will ensure that the Company either complies with or explain possible deviations from the Norwegian Code of Practice for Corporate Governance (the "Code").

The Code can be found at www.nues.no.

As of 31 December 2017, there are no significant deviations between the Code and how the Company complies with the Code. Two deviations under Section 5 on general meetings and one deviation under Section 6 on the nomination committee have been justified and disclosed.

BUSINESS

The business activity of the Company is engaged is clearly set out in article 3 of its articles of association: "The Company’s business activity is to (i) invest in maritime assets (vessels, shares in ship-owning companies, loans secured by vessels and/or shares in ship-owning companies) with a main focus on small-size container ships between 1,000 and 4,500 TEU, (ii) chartering-out the vessels per time charter agreements, operate and sell them as well as (iii) working-out the acquired maritime loans in order to take over the securing assets."

The Company is listed on Oslo Axess with ticker “MPCC”.

Deviations from the Code: None

EQUITY AND DIVIDENDS

Share capital

All shares issued in the Company are equal in all respects. The Company has one class of shares, each carrying one vote and an equal right to dividend. All Shares are validly issued and fully paid. The shares are issued in accordance with the laws of Norway and registered in the Norwegian Central Securities Depository (VPS) with ISIN NO001 0791353. As of 31 December 2017, the Company’s share capital is NOK 652,530,000 divided in 65,253,000 issued shares, each with a nominal value of NOK 10.00.

Any increase of the Company’s share capital must be mandated by the general meeting. If a mandate is to be granted to the Board to increase the Company's share capital, such mandate will be restricted to a defined purpose. If the general meeting is to consider mandates to the Board for the issuance of shares for different purposes, each mandate will be considered separately by the general meeting.

MPC Münchmeyer Petersen Capital AG ("MPC Capital"), through its subsidiary MPC Capital Beteiligungsgesellschaft mbH & Co. KG has been granted warrants to subscribe for additional shares in the Company. Please refer to Note 22 of the consolidated financial statements for additional information.

On the Company’s general meeting held 16 January 2018, the Board was authorised to increase the Company’s share capital by up to NOK 163,132,500. Subject to this aggregate amount limitation, the Board’s authority may be used on more than one occasion. The authority may only be used (i) to issue shares as consideration in connection with acquisitions, (ii) to issue shares in connection with the exercise of options to subscribe for shares in the Company and (iii) to raise new equity in order to finance acquisitions or strengthen the Company’s capital.

The Board's authority shall remain in force until the annual general meeting in 2019, but not later than 30 June 2019. Pre-emptive rights of existing shareholders may be set aside. The authority covers (i) capital increases against contributions in cash and non-cash, (ii) the right to incur special obligations for the Company and (iii) resolutions on mergers.

Equity

The Company regards its consolidated equity to be at an appropriate level considering the Group's objectives, strategy and risk profile.

Dividend policy

The Company's intention is to pay regular dividends in support of its objective of maximising returns to shareholders. The timing and amount of dividends is at the discretion of the Board. Any future dividends proposed will depend upon the financial position, earnings, debt covenants, distribution restrictions, capital requirements and other factors related to the Company and its subsidiaries. Dividends will be proposed by the Board for approval by the general meeting. Seeing as the Company is still in its infancy, there are no current estimates regarding the potential future dividend level or timing of dividend payments and there can be no assurance that dividends will actually be proposed or declared.

Purchase of own shares

As at 31 December 2017, the Board did not hold a mandate regarding purchase of the Company's own shares.

Deviations from the Code: None

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment

Equal treatment of all shareholders is a core governance principle of the Company. The Company has one class of shares, and each share confers one vote at the general meeting. The articles of association contain no restrictions on voting rights and all shares have equal rights.

Transactions in own shares

The Company's transactions in own shares are carried out over the stock exchange or by other means at market price. Should there be an increase in capital which involves a waiver of the existing shareholders' pre-emptive rights, and the Board resolves to carry out such an increase on the basis of a mandate granted by the general meeting, the Board will explain the justification for waiving the pre-emptive rights in the stock exchange announcement.

Transactions with close associates

The Board and management are committed to promoting equal treatment of all shareholders.

In relation to its ordinary business, the Group may enter into transactions with certain entities in which the Group has ownership interests in or entities otherwise deemed as close associates of the Group, its shareholders, Board or executive personnel. Such transactions are carried out on an arm's length basis.

Guidelines regulating loyalty, ethics, impartiality and conflict of interests are stipulated in the Company's Code of Conduct, applicable to all entities controlled by the Company and all employees, directors, officers and agents.

Deviations from the Code: None

FREELY NEGOTIABLE SHARES

The Company's shares are listed on Oslo Axess and are freely negotiable. The Company has one class of shares, each carrying one vote at the general meeting. The shares have no trading restrictions in the form of Board consent or ownership limitations.

Deviations from the Code: None

GENERAL MEETINGS

The general meeting of shareholders is the Company's supreme corporate body. It serves as a democratic and effective forum for interaction between the Company's shareholders, Board and management.

According to the Company's articles of association, the annual general meeting shall be held once a year before the end of June. Furthermore, extraordinary general meetings may be convened either by the Board, the auditor or shareholders representing at least 5% of the Company's share capital.

Notice of meeting

Notice of the general meeting is usually sent with 21 days' notice. All shareholders registered in the Norwegian Central Securities Depository (VPS) will receive a notice of meeting and are entitled to submit proposals and vote directly or via proxy. Agenda papers will also be published on the Company's website.

Pursuant to the Company's articles of association, when documents concerning matters to be discussed at general meetings have been made available to the shareholders on the Company's website, the Board may decide that the documents shall not be sent to the shareholders. If so, a shareholder may demand that documents concerning matters to be discussed at the general meeting be sent to him or her. The Company cannot charge any form of compensation for sending the documents to the shareholders.

The agenda papers must contain all necessary information so that the shareholders can decide on the issues to be addressed. The registration deadline for the general meeting will be as close to the general meeting as practically possible but no sooner than five days prior to the meeting, cf. the Company's articles of association.

Registration and proxy

Registration should be made in writing, either via mail or e-mail. The Board will facilitate so that as many shareholders as possible are able to participate. Shareholders who are unable to attend in person, are encouraged to appoint a proxy. A special proxy form is available which facilitates separate voting instructions for each issue to be considered by the general meeting and for each of the candidates nominated for election. The Company will nominate one or more persons to vote as proxy for shareholders. Representatives from the Board, management and the auditor will participate in the general meeting.

If shares are registered by a nominee in the Norwegian Central Securities Depository (VPS) and the beneficial shareholder wants to vote for their shares, the beneficial shareholder must re-register the shares in a separate VPS account in their own name prior to the general meeting. If the holder can prove that such steps have been taken and that the holder has a de facto shareholder interest in the Company, the shareholder will be allowed to vote for the shares. Decisions regarding voting rights for shareholders and proxy holders are made by the person opening the meeting, whose decisions may be reversed by the general meeting by simple majority vote.

Minutes from meeting

The minutes of the general meetings are made available on the Company's website immediately after the meeting.

Deviations from the Code: The Board might not make arrangements for an independent chairperson for general meetings as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Similarly, the Board may not deem it appropriate for all Board members and the auditor to participate on all general meetings.

NOMINATION COMMITTEE

Considering the scope of the Company's operations, the Board considers it reasonable and appropriate that the Company should only have one board committee: the audit committee. The audit committee is made up of Ulf Holländer (Chairman), Laura Carballo and Ellen Hanetho. The Board aims to ensure that the interests of the shareholders are taken into account regarding the composition of the Board.

Deviations from the Code: Contrary to the recommendations of The Code, due to the above considerations, the Company presently does not have a dedicated nomination committee.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company employs less than 200 people and hence is not required to elect a corporate assembly, cf. the Norwegian Public Limited Liability Companies Act.

Pursuant to the Company's articles of association, the Board shall consist of 3-7 members who are elected by the general meeting for up to four years at a time. MPC Capital has the right to elect 40% of the members of the Board (rounded down). If the aggregate share ownership of MPC Capital and affiliates falls below 20% of the total number of shares in the Company, MPC Capital shall only have the right to elect one Board member. If neither MPC Capital nor any affiliates own any shares in the Company, MPC Capital shall not have the right to elect a Board member.

Board appointments are communicated through the notice of general meetings and the members are elected by majority vote.

As of the date of the Company's annual report, the Board comprises the following members:

Ulf Holländer (chairman)

Term of office: Re-elected on 16 January 2018 for a period of two years.

Experience: Commerce degree from the University of Hamburg. Audit assistant and auditor at Dr. W Schlage & Co Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in Hamburg (1984-1987). Various positions at shipping group Hamburg Süd and affiliated companies in Australia and the U.S. (1987-2000) such as financial controller at Columbus Overseas Services Pty. (1990-1992), commercial director at Columbus Line USA Inc. (1992-1996) and head of Hamburg Süd's finance and accounting department (1997-2000). CFO of MPC Capital (2000-2015). CEO of MPC Capital from 2015.

Other matters: in 2017, Ulf Holländer participated in 7 Board meetings.

Dr. Axel Schroeder

Term of office: Re-elected on 16 January 2018 for a period of two years.

Experience: Economics and Social Science studies at the University of Hamburg (1985-1990) followed by a doctorate (1993). Various positions within the MPC Group since 1990, including engagements in MPC Capital from its infancy in 1994. CEO of MPC Capital (1999-2015), during which period the company was listed at the Frankfurt Stock Exchange (2000). Chairman of the Supervisory Board of MPC Capital since 2015. Managing partner of MPC Münchmeyer Petersen & Co. GmbH, MPC Participia GmbH and CSI Beteiligungsgesellschaft mbH.

Other matters: in 2017, Dr. Axel Schroeder participated in 6 Board meetings.

Laura Carballo

Term of office: Elected on 16 January 2018 for a period of two years.

Experience: B.S. in Economics from Duke University. MBA from INSEAD. Merrill Lynch (1998-2000), Compass Partners International (2000-2004), STAR Capital Partners Ltd. and successor STAR Capital Partnership LLP from 2004.

Other matters: Laura Carballo was appointed member of the Board in January 2018 and did not participate in Board meetings during 2017.

Darren Maupin

Term of office: Re-elected on 16 January 2018 for a period of two years.

Experience: BA in Economics and Finance from Boston College. Further studies at the London School of Economics and Beijing Language and Culture University. Analyst and fund manager at Fidelity Investments in Boston, London, and Hong Kong (1998-2007). Founder and a director of the Pilgrim Global ICAV, its predecessors, and associated value-oriented investment funds since 2009. Founder and executive director of Anglo International Shipping Co. Ltd. and non-executive director of both private and publicly listed companies in a variety of industries.

Other matters: in 2017, Darren Daupin participated in 5 Board meetings.

Ellen Hanetho

Term of office: Elected on 16 January 2018 for a period of two years.

Experience: MBA from Solvay Business School. BSBA in Business and Administration from Boston University. Analyst and senior associate at the investment bank division of Goldman Sachs International Ltd. (1997-2002). Investment manager and later partner at Credo Partners AS (2003-2012). Currently CEO of Frigaard Invest AS (part of the Frigaard Group) and board member of NextGenTel Holding ASA, Kongsberg Automotive ASA and Fearnley Securities AS.

Other matters: Ellen Hanetho was appointed member of the Board in January 2018 and did not participate in Board meetings during 2017.

Ellen Hanetho and Darren Maupin are considered independent of the Company’s day-to-day management, majority shareholders and major business connections. The Board does not include executive personnel of the Company.

The Board considers its composition to be diverse and competent with respect to the expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges, and the common interest of all shareholders. Furthermore, the Board deems its composition to be made up of individuals who are willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

Deviations from the Code: None

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board

The Board has overall responsibility for management of the Company and for supervising the day-to-day management and the Company's operations. This involves developing the Company's strategy and following-up that the strategy is implemented. The Board is also responsible for control functions to ensure that the Company has proper operations as well as asset and risk management.

Instructions for the Board

Pursuant to the provisions of the Norwegian Public Limited Liability Companies Act, the Board has established rules of procedures that provide detailed regulations and guidelines for the Boards' work and administrative procedures and as to the functions and duties of the managing director towards the Board.

Instructions for the CEO

A clear division of responsibilities and tasks has been established between the Board and executive management. The CEO, appointed by the Board, has a particular responsibility to ensure that the Board receives accurate, relevant and timely information that is sufficient to allow the Board to carry out its duties.

Financial reporting

The Board receives periodic reports with comments on the Company's financial status. In terms of the annual account which the Board is asked to adopt, the Board may ask the executive management to confirm that accounts have been prepared in accordance with generally accepted accounting practice, that all the information included is in accordance with the actual situation of the Company and that nothing of material importance has been omitted.

Chairman of the Board

The principal duty of the Chairman is to ensure that the Board operates well and carries out its duties. In addition, the Chairman has certain specific duties in respect of the general meetings. Matters to be considered by the Board are prepared by the CEO in collaboration with the Chairman, who chairs the Board meetings.

In order to ensure an independent approach by the Board, some other member should take the chair when the Board considers matters of a material nature in which the Chairman has, or has had, an active involvement.

Meeting structure

The Board intends to meet at least four times each year and receives a monthly report on the Company's operations.
In addition, the Board is consulted on or informed about matters of special importance.

Audit committee

The audit committee shall act as a preparatory and advisory body for the Board and support the Board in the exercise of its responsibility for financial reporting, internal control and risk management. Furthermore, the audit committee shall review and discuss with the Company's management and statutory auditor the Company's annual and quarterly financial statements, and assess and monitor the independence of the statutory auditor.

The audit committee shall meet at least four times a year and at such other times as the Chairman of the audit committee deems appropriate.

An audit committee consisting of three members, of which one is independent of the Company's business activities and main shareholders, was established in January 2018.

The Boards' self-evaluation

The Board conducts an annual evaluation of its performance, way of working and expertise.

Deviations from the Code: None

RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with the principles underlying value-based management, the Board places great importance on systematic risk management. This is done not only to satisfy the requirements set out by law, but also to ensure the Company's dynamic growth. In addition to identifying existing risk exposures, the Company's management seeks to realise existing opportunities.

Through (i) an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management officer, the Board aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities.

Deviations from the Code: None

REMUNERATION OF THE BOARD OF DIRECTORS

For fiscal year 2017, each Board member received NOK 100,000 in remuneration. For fiscal year 2018, each Board member will receive NOK 200,000 in remuneration. Board remuneration for both fiscal years 2017 and 2018 were approved by the general meeting on 16 January 2018.

The remuneration of the Board is not linked to the Company's performance. Board members have no options to buy shares in the Company, nor do they receive compensation other than the Board remuneration. Board remuneration is based on market terms.

Deviations from the Code: None

REMUNERATION OF EXECUTIVE PERSONNEL

Pursuant to the Norwegian Public Limited Liability Companies Act, the Board prepares guidelines for the remuneration of the Company's CEO and other executive personnel. The guidelines set out the main principles applied in determining the salary and other remuneration of the executive personnel, and helps to ensure convergence of the financial interests of the executive personnel and shareholders.

The Board's statement on executive personnel remuneration is communicated to the annual general meeting in a separate appendix, highlighting which guidelines are advisory and which, if any, are binding.

Any performance-related remuneration such as incentive programmes, share option schemes or similar shall be linked to value-creation for shareholders and results delivered in the Group over time. Such arrangements aim to drive performance and be based on financial, operational and other quantifiable measures over which the employee in question can impact. Performance-related remuneration are subject to limits.

As of 31 December 2017, no executive personnel holds shares in the Company, and the Company does not offer share option schemes to its employees.

For information about remuneration of the Company's CEO and other executive personnel, see Note 19 in the consolidated accounts.

Deviations from the Code: None

INFORMATION AND COMMUNICATIONS

The Company seeks to treat all participants in the securities market equally through publishing interim reports, annual reports, press releases all relevant information to the market in a timely, efficient and non-discriminating manner. All reports will be available on the Company's website and on the Oslo Stock Exchange's news site, www.newsweb.no.

The Board has adapted an investor relations policy to ensure that the Company's investor relations are carried out in compliance with applicable rules, regulations and recommended practises. The policy shall also ensure awareness of investor relations amongst the management and the Board.

The Company's current financial calendar with dates of important events including the annual general meeting, publishing of quarterly reports and its presentations, etc. are publicly accessible on the Company's website www.mpc-container.com.

Deviations from the Code: None

TAKE-OVERS

The Company has implemented guidelines on how to act in the event of a takeover bid.

In the event of a take-over bid being made for the Company, the Board will follow the overriding principle of equal treatment for all shareholders and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board will strive to ensure that shareholders are given sufficient information and time to evaluate an offer the Board considers as attractive to the shareholders.

The Board will not seek to prevent any take-over bid unless it believes that the interests of the Company and the shareholders justify such actions.

If a take-over bid is made, the Board will issue a statement with a recommendation on whether such bid should be accepted or not by the shareholders. Such statement shall, inter alia, include information on whether the assessment of the bid is unanimous, and if not, on which basis individual Board members have made reservations regarding the Board's statement.

In the event of a take-over bid, the Board will consider obtaining a valuation from independent experts. If a major shareholder, any member of the Board or executive management, or related parties or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in a take-over bid, the Board will arrange for an independent valuation.

Deviations from the Code: None

AUDITOR

Under Norwegian law the auditor of the Company is elected by the general meeting. Ernst & Young AS (org. no. 976 389 387) was elected as the Company's auditor on 18 May 2017.

The auditor participates in meetings of the Board that deal with the annual accounts as well as the annual general meeting. At these meetings, the auditor reviews any variations in the accounting principles applied, comments on material accounting estimates and issues of special interest to the auditor, including possible disagreements between the auditor and the management.

At least once a year the auditor and the Board meet without members of the executive management present.

The auditor presents annually to the audit committee the main features of its plan for the audit of the Company, as well as a review of the Company's internal control procedures.

The remuneration of the auditor and all details regarding the fees of the audit work and other specific assignments are presented at the annual general meeting.

The auditor shall annually submit a written confirmation that the auditor continues to satisfy with the requirements for independence and a summary of all services in addition to audit work that has been undertaken for the Company.

Deviations from the Code: None

AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of MPC Container Ships ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MPC Container Ships ASA comprising the financial statements of the parent company and the Group.

The financial statements of the parent company comprise the statement of financial position as at 31 December 2017, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Acquisition and initial recognition of vessels

The Group was established in 2017, and has, since inception, acquired 36 vessels directly and 5 vessels through a joint venture. Of these vessels, 29 vessels have been taken over as at 31 December 2017. Initial recognition of the vessels include management's judgment in establishing assumptions regarding useful life, residual value, decomposition including the docking element, and assessing whether a purchase is a business combination or an asset acquisition. Considering the magnitude of vessels acquired to the financial statements, and management's estimates and judgment involved, initial recognition was a key audit matter.

Our audit procedures included an assessment of the purchase agreements and that ownership of the vessels were transferred to the Group. We further assessed management's judgment of accounting for the vessels as asset acquisitions and not as businesses combinations against the requirements in IFRS. We evaluated management's judgments and estimates related to remaining useful life, residual value, decomposition and depreciation period of the vessels against contracts, technical assessments, industry practice and external market data where available. For the residual value, we assessed the residual value applied against external observable steel prices.

We refer to note 4 in notes to the Groups financial statement for critical estimates and judgment applied.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of 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 the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 27 March 2018
ERNST & YOUNG AS

Jon-Michael Grefsrød

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

ALTERNATIVE PERFORMANCE MEASURES

The Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition it is 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.

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 impairments to the operating result (EBIT).

in USD thousands	2017
Operating result (EBIT)	-2,336
Depreciation and impairment	-3,307
EBITDA	**971**

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