MPC CONTAINER SHIPS ASA

ANNUAL REPORT 2018

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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 3,000 TEU, that are chartered out to liner shipping companies and regional carriers.

In 2018, the Company has issued 19,000,000 new shares in two equity private placements with gross proceeds of USD 125 million; 11,750,000 new shares at a subscription price of NOK 50.00 per share in February 2018 and 7,250,000 new shares at a subscription price of NOK 54.00 per share in June 2018. In February 2018, MPC Container Ships Invest B.V., a subsidiary of the Company, completed a USD 100 million tap issue of the senior secured bond entered into in 2017, and subsequently listed the bond at the Oslo Stock Exchange in June. In May 2018, MPCC First Financing GmbH & Co. KG, a wholly-owned subsidiary of the Company, entered into an agreement for a non-recourse senior secured term loan of approximately USD 50 million with a five-year tenor, floating interest rate of three-month LIBOR + 4.75% and an accordion option at the lender’s discretion for a further approximately USD 250 million. As at 31 December 2018, the Group has acquired and taken over 69 container vessels between 966 TEU and 2,846 TEU. Of these, 59 are fully owned, 2 vessels are 80% owned and 8 are operated in a joint venture.

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

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

Key performance indicators 2018:

- Total ownership days of the fully owned vessels were 19,279
- Total trading days of fully owned vessels were 17,318
- The utilization in 2018 was 92.1%
- Average time charter equivalent (“TCE”) was USD 9,911 per day in 2018
- Average operating expenses (“OPEX”) were USD 5,049 per day in 2018
- Equity ratio as at 31 December 2018 was 63.6% and the leverage ratio was 34.3%

The following significant events occurred after the balance sheet date:

- On 17 January 2019, the Company’s extraordinary general meeting adopted the proposal to grant the Board of Directors (the “Board”) authority to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000, representing 10% of the Company's share capital. Subsequently, in a board meeting held on 27 February 2019, the Board resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019. As at 28 March 2018, the Company has repurchased 161,362 shares at an average price of NOK 30.14 per share.

- On February 25 2019, the Company entered into an agreement with the 80% owned company Sao Paulo Project Holding GmbH & Co. KG for the acquisition of the 100% of the interest in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. After the acquisition, the Company holds an interest of 100% in the two entities which are the legal owners of the vessels AS Palina and AS Petra, respectively.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

The financial performance of the Group in 2018 needs to be put in perspective, given that the Group was in the ramp-up phase of its operations. For the twelve-month period ending 31 December 2018, the operating result of the Group was impacted by frequent vessel take-overs as well as one-off costs for the start-up phase associated with the development of the Group. The Group took over 40 vessels during 2018.

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues during 2018 were USD 183.5 million (2017: USD 21.4 million). Vessel-related expenses were USD -130.4 million (2017: -18.9 million), resulting in gross profit from vessel operations including share of profit from joint venture of USD 53.8 million (2017: 2.9 million).

Administrative expenses, other income and other expenses totalled USD -8.5 million (2017: USD -1.6 million). The Group thus reported earnings before interest tax and depreciations ("EBITDA") of USD 45.3 million (2017: USD 1.3 million).

Loss before tax were USD -1.2 million (2017: USD -2.4 million), and income tax expenses were USD 0.4 million (2017: USD 0.1 million), resulting in a loss for the period of USD -1.6 million (2017: USD -2.5 million).

Earnings per share

Basic and diluted earnings per share for the year were negative with USD -0.02 (2017: USD -0.10) and USD -0.02 (2017: USD -0.09) per share, respectively.

Financial position

The Group's total assets amounted to USD 722.1 million as at 31 December 2018 (USD 451.1 million as at 31 December 2017). Non-current assets in the amount of USD 633.7 million (USD 281.3 million as at 31 December 2017) comprises of vessels taken over and operated by the Group as well as the equity investments into a joint venture.

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

Cash flow

During 2018, the Group generated a positive cash flow from operating activities of USD 29.3 million (2017: USD 3.8 million). The cash flow from investing activities was USD -380.6 million (2017: USD -283.3 million) mainly due to purchase of vessels, dry-dockings and other vessel upgrades. The Group had a positive cash flow from financing activities of USD 247.2 million (2017: USD 443.8 million) due to proceeds from share issuances and debt financing, partly offset by repayment of debt and interests. In 2018, total restricted cash decreased from USD 45.2 million to USD 16.1 million due to the reductions on escrow accounts from vessel acquisitions completed and fully paid during the course of the year. Restricted cash as at 31 December 2018 mainly relates to minimum liquidity requirements within the loan agreements.

The total net change in cash and cash equivalents during 2018 were USD -104.0 million.

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

PARENT FINANCIAL STATEMENTS

Income statement

Revenues during 2018 were USD 11.5 million (2017: USD 1.2 million). Payroll and other operating expenses were USD -15.7 million (2017: USD -2.4 million), resulting in an operating result of USD -4.2 million (2017: USD -1.2 million). Net financial income/expense was USD -0.5 million (2017: USD 2.0 million).

Losses before tax was USD -4.7 million (2017: profit before tax of USD 0.8 million), resulting in a net loss for the period of USD -4.7 million (2017: profit after tax of USD -0.8 million). The Board has proposed that the net loss for the period is allocated to retained losses.

Financial position

The Company's total assets amounted to USD 455.0 million as at 31 December 2017 (31 December 2017: USD 341.1 million). Non-current assets in the amount of USD 428.8 million (2017: 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 453.8 million at 31 December 2018 (31 December 2017: USD 339.3 million). Total liabilities were USD 1.3 million at 31 December 2018 (31 December 2017: USD 1.8 million).

Cash flow

During 2018, the Company generated a negative cash flow from operating activities of USD -7.1 million (2017: positive of USD 1.6 million). The cash flow from investing activities into vessels and joint venture investments was USD -190.5 million (2017: USD -239.7 million). The positive cash flow from financing activities of USD 119.2 million (2017: USD 338.5 million) is due to the net proceeds from two equity private placements during 2018.

The total net change in cash and cash equivalents in 2018 was USD -78.4 million.

Cash and cash equivalents as at 31 December 2018 were USD 22.0 million (31 December 2017: USD 100.4 million).

Dividend considerations

The Company's intention is to pay regular dividends in support of its objective of maximizing returns to shareholders. The timing and amount of dividends is at the discretion of the Board. Any future dividends proposed will depend upon the Group's financial position, earnings, debt covenants, distribution restrictions, capital requirements, investment opportunities, and other factors. The Board has proposed to not declare any dividend based on the 2018 financial statements.

GOING CONCERN

In accordance with the Norwegian Accounting Act § 3-3a, the Board confirm that the going concern assumption on which the financial statements have been prepared, is appropriate. This assumption is based on budgeted future cash flows for 2019 and the Group's long-term strategic forecasts.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group is still in an operational growth phase. As at 31 December 2018, the Group employs 11 people. In early 2019, a further 4 people were employed by the Group. The working environment is considered to be good, and efforts for improvements are made on an on-going basis through among others employee development review and feedback sessions. No leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year. Offshore personnel operating the Group's vessels are not employed by the Group, however we have high focus on health and safety on board our vessels and no significant health and safety incidents have occurred in 2018.

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, 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 at 31 December 2018, the Board consists of two women and three men. The executive management consists of two men.

INTERNAL CONTROLS AND RISK MANAGEMENT

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 realize existing opportunities.

Through (i) quarterly reviews of the Company's most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management unit to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, 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.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Good corporate governance is a prerequisite for cooperation based on trust between the owners, the Board and management of the Group, with a view of achieving long-term growth. Of equal importance is the Company's corporate social responsibility, which shall be reflected in our core values, the quality of our work and services, and in our entire range of activities. The Company shall:

- operate our business with integrity and respect laws, different cultures, human dignity and human rights;
- operate our business in accordance with fundamental human rights as enshrined in the United Nations Universal Declaration of Human Rights and follow the standards of the International Labour Organization, which are guiding principles encouraged and implemented by the European Union;
- show consideration for the local communities in which we are a part of, and emphasise spin-off effects of the Company's activities;
- contribute to learning and distribution of knowledge; and
- establish long-term working relationships and utilize the shipping sector's expertise for the further development of the industry.

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 at 31 December 2018, there are no significant deviations between the Code and how the Company complies with the Code. The corporate governance principles of the Company are adopted by the Board.

Please see the Corporate Governance Report and our Corporate Social Responsibility Statement embedded in this Annual Report. The Corporate Governance Report, Corporate Social Responsibility Statement and the Company's Code of Conduct may also be found on the Company's website: www.mpc-container.com.

CONTAINER MARKET UPDATE

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

Demand

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

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

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

Fleet development

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

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

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

Contracting of newbuildings picked up significantly in 2018 with about 1.2 million TEU for over 200 units, compared to only 140 units of 0.9 million TEU in 2017. Korean and Taiwanese liners invested substantially in large vessels, but in particular newbuilding contracts for feeder vessels increased, making up about 66% of ordered vessels. A total of 125 orders (0.25 million TEU) were placed for feeder vessels in 2018, mainly by or on behalf of Asian operators.

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

Asset prices

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

Newbuilding prices in December 2018:

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

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

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

Secondhand prices (10yr old) in December 2018:

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

Charter rates

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

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

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

OUTLOOK AND STRATEGY

The container market in 2019 is projected to gradually regain its path to recovery after the slowdown in the second half of 2018. With supply growth expected to stay below demand growth, the fundamentals suggest a rebalancing this year, in particular in the feeder segment. The supply side should benefit from increased scrapping as well as from the upcoming IMO 2020 regulations due to increased off-hire times in 2019 and slow steaming in 2020. However, the current idle fleet is still a hurdle for substantial charter rate improvements in the short-term, although there have already been some improvement for feeder vessels in the weeks prior to the publication of this report. Demand side risks such as slower global economic growth and trade tariffs are still causing uncertainty in the market. All in all, we expect markets to regain positive traction in the second half of 2019 and to continue their recovery in the new regulatory landscape of 2020 and beyond.

In 2017 and 2018, the Group has grown to become the largest feeder owner globally and the most relevant feeder platform in the capital markets. Equipped with a strong balance sheet, the Group is committed to maintain moderate leverage and low cash break-even levels. The Group focuses on keeping a solid liquidity position in the current market environment and intends to selectively take advantage of opportunities for value creation, such as buying back shares, being active in the sale and purchase market or entering into strategic business with liner companies, among others. The Group is well positioned in the feeder container market to not only weather market uncertainties and industry disruptions, but to take advantage of the dynamic developments in the container industry as a leading and focused tonnage provider. Along the way, the key strategic pillars of the Group remain stringent capital allocation and moderate leverage.

RISK FACTORS

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 objectives and activities. Together with management, the Board has identified approximately 50 risk factors divided into seven categories. The Risk Inventory is quantified and monitored taking a Probability-Impact approach. Each risk is assigned a Risk Owner within the Company's organization and a defined set of countermeasures and control frequencies.

A summary of the Company's risk categories is outlined below. Descriptions are not exhaustive, and the sequence of risk categories is not set out according to importance or priority.

Market and industry risks

As a supplier of ocean-going container vessels to the international sea trade, the Company is exposed to changes in trade patterns and the supply/demand for (imports/exports of) containerised goods caused by e.g. macroeconomic and geopolitical events, which in turn necessitates risk surveillance and mitigation procedures related to the charter market, fluctuation in vessel values and competitors, among others. The Company strives to maintain a dynamic chartering strategy, a reliable fleet and a close dialogue with the shipping market intelligence community so as to proactively adjust operations according to prevailing and future market environments.

Performance risks

The Company's performance depends heavily on technical, operational, environmental and reputational factors that carries both risks and opportunities. The Company addresses these risk and opportunities by assigning responsibilities, monitoring and reporting routines to dedicated teams within its organization (e.g. asset management, treasury and controlling), utilizing and continuingly developing portfolio management tools, and by engaging subject matter consultants to conduct routine compliance and quality management assessments.

The Company's vessels have insurance covering (where applicable) P&I, hull & machinery, loss of hire and crew negligence. However, risks remain as to whether the vessels are covered under all conditions. Vessels carry Loss Prevention, Safety and Quality manuals to ensure sound HSE routines. Third party contracting related to the Company's performance shall comply with applicable laws and regulations, for instance and where applicable the International Maritime Organization's ISM Code and the SOLAS, STCW and Maritime Labour conventions.

Legal risks

The Company is exposed to changes in legal, tax and regulatory regimes within relevant jurisdictions as well as potential private litigation and public prosecution. The Company seeks to mitigate legal risks by maintaining a well-functioning risk management system, management guidelines and dedicated compliance and legal functions.

Personnel risks

The continued progress of the Company depends heavily on the knowledge and network of key personnel as well as access to new talent. Personnel risk mitigation procedures include pre- and post-hire preparations, routine employee development reviews, jour fixes and a methodical expansion of internal resources on business-critical processes.

IT risks

IT and cyber risks make up an increasing share of a company's risk universe, as evident from the 2017 WannaCry and NotPetya cyber attacks which disrupted a host of industries globally, including the shipping sector. The Company purchases IT services from third parties that offer comprehensive security strategies that closely matches the Company's business objectives.

Financial risks

The Company seeks to actively manage its financial risk exposures through the use of dedicated finance, treasury and owner controlling teams within its organization. Liquidity and covenant risks are monitored on an on-going basis. Currency and interest rate risks are mitigated via financial instruments where deemed appropriate. Liquidity and covenant risks are monitored on an on-going basis. 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. Outstanding interest-bearing debt on the balance sheet at 31 December 2018 is USD 247.7 million, net of debt issuance costs, which will be repaid through the cash flow generated from the vessels or through refinancing. As at 31 December 2018, the Group had EUR 14.0 million in remaining off-balance sheet capital commitments in relation to the scrubber contracts. This compared to USD 60.3 million in available liquidity as cash and cash equivalents.

Other risks

From time to time, the Company will be required to consider major business initiatives which – if implemented – entail a considerable amount of costs and resources. Moreover, if executed without due care and planning, such strategic initiatives may have a material adverse impact on the Company. The need to consider major initiatives may arise from strategic considerations or from shifts in market dynamics or regulatory changes outside of the Company's control. The Company will seek to mitigate risks arising from such initiatives, as well as all other risks not assorted into the above-mentioned six risk categories, on a case-by-case basis by implementing e.g. project steering committees comprising relevant stakeholders/expertise, be it internal or external.

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, 28 March 2019

The Board of Directors of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

CORPORATE SOCIAL RESPONSIBILITY

In order to achieve the Company's objectives, it is essential that we are trusted by society. As a corporation, we must be able to efficiently manage the challenges and requirements society imposes on our activities.

The Company is engaged in the global marine transportation of containerised goods. The business activity of the Company is to invest in maritime assets with a particular focus on feeder container vessels, chartering out the vessels per time charter agreements, operate and sell them.

This report constitutes the Company's reporting according to the requirements of the Norwegian Accounting Act §3-3c on social responsibility reporting.

CORPORATE RESPONSIBILITY AND OUR PRINCIPLES

Corporate responsibility shall be reflected in our core values, in the quality of our work and services, and in our entire range of activities. There must be coherence between what we say and what we do. The Company shall:

- operate our business with integrity and respect laws, human rights, different cultures and human dignity;
- operate our business in accordance with fundamental human rights as enshrined in the United Nations Universal Declaration of Human Rights and follow the standards of the International Labour Organization, which are guiding principles encouraged and implemented by the European Union;
- show consideration for the local communities in which we are a part of, the environment in which we operate, and emphasise spin-off effects of the Company's activities;
- contribute to learning and distribution of knowledge;
- establish long-term working relationships and utilize the shipping sector's expertise for the further development of the industry; and
- meet public authorities and customers with insight, respect and understanding and in an open and appropriate manner, and treat suppliers impartially and justly.

ETHICS

The Company adheres to a Code of Conduct which requires our employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities.

When acting on behalf of the Company, employees shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or other unfair dealing practices.

The Company's Code of Conduct prohibits unlawful discrimination against our employees, shareholders, directors, customers and suppliers on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of the Company's policy. All persons shall be treated with dignity and respect and they shall not be unreasonably interfered with in the conduct of their duties and responsibilities.

No employee should be misguided by loyalty to the Company or desire for the Company's profitability to disobey any applicable law or the Company's policy.

ENVIRONMENTAL IMPACT

The international shipping industry is of great economic importance, with a majority of worldwide transported goods being carried out by ocean-going ships. Such economic impact also comes with an environmental footprint – particularly carbon and sulphur dioxides. This poses both risks and opportunities for the shipping industry due to its significance and potential role in optimising global supply chains for its customers. As in other industries, green strategies are about seizing opportunities and creating value for customers, shareholders and other stakeholders.

The industry is governed by a global and uniform regulatory framework. This framework, created by the International Maritime Organization ("IMO"), has significantly contributed to lessening the industry's impact on the environment by enforcing the adoption of certain technical and operational measures to reduce the industry's impact on the environment. One of the basic frameworks of the IMO has been the International Convention for the Prevention of Pollution from Ships ("MARPOL"). Since its ratification in 1973, MARPOL has undergone numerous amendments, continuously expanding its framework to require increasing compliance from the shipping industry.

Environmental regulation affects the ownership and operation of our vessels in a significant manner. The Company is subject to international conventions and national, port state and local laws and regulations applicable to international waters and/or territorial waters of the countries in which our vessels may operate or are registered.

The environmental impact of our operations relates mainly to (i) emissions from container vessel fuel consumption, (ii) the risk of major environmental accidents and (iii) waste management including ballast water and spills.

Our vessels run on ordinary heavy fuel oil or gasoil. The potential for major environmental accidents relates to the risk of a vessel accidentally running aground or suffering a breach, with a subsequent leak of bunkers oil into the environment. The last potential impact is waste produced by the vessels, discharge of untreated ballast water and potential spills of chemicals, bilge water and sludge etc. into the environment. Discharge of untreated ballast water may potentially introduce non-native organisms into marine environments worldwide.

The Company is continuously working on optimising fleet operations in terms of e.g. speed/fuel consumption. The Company has signed agreements to retrofit selected vessels with exhaust gas cleaning systems ("scrubbers") as one alternative measure to comply with the IMO's January 2020 sulphur emission cap regulation. Additional scrubber retrofits are evaluated on a continued basis. All of our vessels either have – or will have – ballast water treatment systems in place according to the IMO's Ballast Water Management Convention so as to prevent the spread of potentially harmful aquatic organisms and pathogens in the ships' ballast water.

The Company subcontracts performance of technical ship management services to firms that have environmental policies and procedures in place. Our aim is to conduct operations with the utmost regard for the safety of employees, the public, the environment and to meet or exceed the industry and customer's requirements. Third party managers are certified according to e.g. ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System), and are required to comply with applicable regulations, codes, guidelines and standards such as the IMO's ISM Code.

QUALITY, HEALTH AND SAFETY

The Company's policy is to operate our business in a manner designed to protect the health and safety of our employees, customers, the public and the environment, and in accordance with all applicable environmental and safety laws and regulations so as to ensure the protection of the environment, our personnel and property.

Our employees should conduct themselves in a manner that is consistent with this policy. Any departure or suspected departure from this policy must be reported promptly.

The Company shall be a professional and positive workplace with an inclusive working environment. All employees shall help to create a work environment free from any discrimination due to e.g. religion, skin colour, gender, sexual orientation, age, nationality, race and disability. We do not tolerate behaviour that can be perceived as degrading or threatening.

Seafarer crewing is subcontracted to third party ship managers who comply with e.g. the IMO's ISM Code, Safety of Life at Sea ("SOLAS") Convention, International Convention on Standards of Training, Certification and Watchkeeping for Seafarers as well as the ILO Maritime Labour Convention. Masters, officers and ratings must be qualified, certified and experienced in their duties. This qualification level has to be maintained by regular training and education. Accidents, incidents, near-miss incidents and non-conforming processes are investigated and deficiencies are identified, analysed and evaluated.

ANTI-CORRUPTION

Value creation at the Company must be achieved in compliance with the Company's Code of Conduct and applicable legislation. Our overarching goal is to develop a corporate culture characterized by good judgement and the ability to deal with difficult situations. The Company has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition.

Our Code of Conduct describes the Company's standards and guidelines relating to key integrity issues. The management is responsible for communicating the Company's Code of Conduct to every employee and making all employees who may be exposed to risk aware of the requirements in the anti-corruption and competition law manuals.

As part of the Company's due diligence procedures in connection with acquisitions and major investments, we assess the risk of becoming involved in breaches of anti-corruption and competition law. The Company will take necessary risk-mitigating actions to prevent independent business partners, including customers and joint venture partners, from participating in corruption or other illegal or unethical activities in connection with their business dealings with the Company.

The Company's anti-corruption policy includes the following principles:

- We do not tolerate active corruption (attempts to bribe others by e.g. offering or giving anything of value) or passive corruption (allowing oneself to be bribed by way of demanding, soliciting, receiving, accepting, etc. an offer of an improper advantage).
- Gifts must be made openly. They must not be made in the form of cash, must have a clear, legitimate basis in local business relationships and must have a minimal cash value.
- Expenses relating to travel, meals and events paid for customers or other persons must be clearly justified by business considerations, must be reasonable and well documented and must be paid openly.
- We do not tolerate acts of corruption carried out by our agents or representatives. Agents and other representatives acting on behalf of the Company must comply with the same anti-corruption standards as the Company.
- The Company must not make financial contributions to political campaigns or the like.

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 explains possible deviations from the Norwegian Code of Practice for Corporate Governance (the "Code").

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

As at 31 December 2018, 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 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 3,500 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 the Oslo Stock Exchange with ticker "MPCC".

As set out in the Risk factors section in the Board of Director's report in the Annual Report 2018, the Board has defined clear objectives, strategies and risk profiles for the Company's business activities to ensure shareholder value creation. The Board will evaluate these objectives, strategies and risk profiles on a regular basis, and routinely monitor risk exposure vis-à-vis its business objectives.

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 at 31 December 2018, the Company's share capital is NOK 842,530,000 divided into 84,253,000 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.

Capital structure

The Board regards its capital structure and equity ratio as appropriate 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 maximizing 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. 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 2018, the Board did not hold a mandate regarding purchase of the Company's own shares. In an extraordinary general meeting held 17 January 2019, the Board was granted authorisation to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000 and with a consideration per share of no less than NOK 10 and no more than NOK 200. Subsequently, in a board meeting held on 27 February 2019, the Board of Directors resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019.

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 and disclosed in Note 19 of the Group's consolidated financial statements.

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

SHARES AND NEGOTIABILITY

The Company's shares are listed on the Oslo Stock Exchange 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 limitation, and the Company does not limit any party's ability to own, trade or vote for shares in the Company.

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 sent at the latest two weeks before the meeting. 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 request 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 have two board sub committees: the Risk & Audit Committee and the Remuneration Committee. The Risk & Audit Committee is made up of Ulf Holländer (Chairman), Laura Carballo and Ellen Hanetho. The Remuneration Committee is made up of Ulf Holländer (Chairman), Darren Maupin and Paul Gough.

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. Regardless, the Company shall account for the interests of the shareholders when considering the composition of the Board. This is done by (i) seeking a diverse and highly qualified pool of Board candidates with relevant competence and industry expertise and (ii) ensuring that shareholder input on Board member nomination, election and evaluation are properly addressed. The Board must take appropriate measures to avoid self-perpetuation.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Company's articles of association, the Board shall consist of between three to seven 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.

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 objectives, main risks and challenges, and the common interest of all shareholders. The Board composition adheres to the requirement regarding gender equality and representation of both sexes on the board of directors of Norwegian public entities, as set forth in the Norwegian Public Limited Liability

Companies Act Section 6-11a. Further, 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. The Board does not include executive personnel of the Company.

As at 31 December 2018, 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 2018, Ulf Holländer participated in 10 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 2018, Dr. Axel Schroeder participated in 9 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 (2000-2002), STAR Capital Partners Ltd. and successor STAR Capital Partnership LLP from 2004.

Other matters: in 2018, Laura Carballo participated in 10 board meetings.

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 2018, Darren Daupin participated in 8 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 Kongsberg Automotive ASA, Fearnley Securities AS and Stokke Industri AS, among others.

Other matters: in 2018, Ellen Hanetho participated in 9 board meetings.

Ellen Hanetho and Darren Maupin are considered independent of the Company's day-to-day management, majority shareholders and major business connections.

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 defining the Company's objectives, strategies and risk profiles to ensure value-creation for its shareholders. The Board is also responsible for following-up that the objectives and strategies are implemented, and 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.

Conflicts of interest and disqualification

Members of the Board and executive management cannot consider matters in which they may hold a special interest. In order to ensure that items brought to the Board's attention can be considered in an unbiased and satisfactory way, Board members and executive management have a duty to inform the Board of any potential special interest in Board matters, and the Board must account for the individual's interest in its consideration of the item.

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 EU IFRS (group level) and Norwegian GAAP (parent level), 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 five times each year, and receives monthly reports on the Company's operational and financial performance, market updates etc. Furthermore, the Board is consulted on or informed about matters of special importance.

Risk & Audit Committee

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

A Risk & 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 realize existing opportunities.

Through (i) quarterly reviews of the Company's most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management unit to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, 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 2018, each Board member will receive NOK 200,000 in remuneration, covering work related to both Board representation and sub-committee participation, as 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 considered to be 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 considered to reflect market conditions, 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 at 31 December 2018, the Company's CFO holds 4,045 shares in the Company. 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 Group's consolidated financial statements.

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 and through regulatory and non-regulatory disseminations at the Oslo Stock Exchange.

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 Risk & Audit Committee that cover interim, quarterly and annual financial reporting, board meetings that deal with the annual accounts, as well as the annual general meeting. At these meetings, the auditor reviews any deviations in the accounting principles applied, comments on key aspects of the audit, 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 and discusses annually with the Risk & 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 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

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, 28 March 2019

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[1]

in USD thousands	Note	2018	2017[2]
Operating revenue	6	183,483	21,390
Commissions		-6,649	-771
Vessel voyage expenditures	7	-18,999	-2,834
Vessel operation expenditures	8	-97,343	-14,213
Ship management fees		-7,396	-1,097
Share of profit or loss from joint venture	12	654	394
Gross profit		**53,751**	**2,869**
Administrative expenses	9	-8,505	-2,114
Other expenses		-1,682	-322
Other income		1,704	879
EBITDA		**45,268**	**1,312**
Depreciation	14	-29,271	-3,302
Operating result (EBIT)		**15,997**	**-1,990**
Other finance income		565	2,076
Finance costs	10, 17	-17,755	-2,474
Profit/Loss before income tax (EBT)		**-1,193**	**-2,388**
Income tax expenses	11	-406	-146
Profit/Loss for the period		**-1,599**	**-2,534**
Attributable to:			
Equity holders of the Company		-1,608	-2,639
Non-controlling interest		9	105
Basic earnings per share – in USD	21	**-0.02**	**-0.10**
Diluted earnings per share – in USD	21	**-0.02**	**-0.09**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Note	2018	2017
Profit/loss for the period		-1,599	-2,534
Items that may be subsequently transferred to profit or loss		**845**	**140**
Foreign currency effects, net of taxes		-30	-17
Change in hedging reserves, net of taxes	18	875	157
Items that will not be subsequently transferred to profit or loss		**0**	**0**
Other comprehensive profit/loss, net of taxes		0	0
Other comprehensive profit/loss from joint ventures and affiliates		0	0
Total comprehensive profit/loss		**-754**	**-2,394**
Attributable to:			
Equity holders of the Company		-763	-2,499
Non-controlling interest		9	105

[1] See separate section on Alternative Performance Measures (“APM”) for a description of the APM’s applied in this Annual Report
[2] As the Company was incorporated on 9 January 2017, the consolidated income statements, including consolidated statement of comprehensive income and statement of cash flows for 2017 are for the period 9 January 2017 until 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2018	31 December 2017
Assets		**722,062**	**451,125**
Non-current Assets		633,658	281,250
Vessels	14	605,749	207,069
Prepayment on vessels	14	1,549	57,787
Investment in joint venture	12	26,360	16,394
Current assets		88,404	169,875
Inventories		4,853	1,675
Trade and other receivables	16	23,322	3,877
Cash and cash equivalents	15	60,228	164,323
Unrestricted cash		44,087	119,171
Restricted cash		16,141	45,152
Equity and liabilities		**722,062**	**451,125**
Equity		459,150	340,520
Ordinary shares	20, 22	457,726	338,477
Share capital		101,121	77,155
Share premium		356,605	261,322
Retained losses		-4,247	-2,639
Other reserves		984	140
Non-controlling interest	13	4,688	4,542
Non-current Liabilities		244,766	102,108
Interest-bearing loans	17, 24	244,766	102,108
Current Liabilities		18,145	8,497
Interest-bearing loans and borrowings	17, 24	2,942	158
Trade and other payables		6,369	7,202
Payables to affiliated companies	19	53	53
Other liabilities		8,781	1,083

Oslo, 28 March 2019

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	Share capital	Share premium	Retained losses	Other reserves	Non-controlling interest	Total equity
Equity as at 1 Jan. 2018	77,155	261,322	-2,639	140	4,542	**340,520**
Share issuance	23,966	95,283				**119,249**
Capital increase from non-controlling interest					136	**136**
Result of the period			-1,608		9	**-1,599**
Foreign currency effects				-30		**-30**
Hedging reserves				875		**875**
Equity as at 31 Dec. 2018	**101,121**	**356,605**	**-4,247**	**984**	**4,688**	**459,150**
Incorporation 9. Jan. 2017	3					**3**
Share issuance	77,152	261,322				**338,474**
Capital increase from non-controlling interest					4,437	**4,437**
Result of the period			-2,639		105	**-2,534**
Foreign currency effects				-17		**-17**
Hedging reserves				157		**157**
Equity as at 31 Dec. 2017	**77,155**	**261,322**	**-2,639**	**140**	**4,542**	**340,520**

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Notes	2018	2017
Profit/Loss before income tax		-1,193	-2,388
Income tax paid	11	0	0
Net change in current assets		-22,624	-5,552
Net change in current liabilities		6,456	8,300
Fair value change in derivatives		874	157
Depreciation	14	29,271	3,302
Finance costs (net)		17,190	398
Share of profit or loss from joint venture		-654	-394
Cash flow from operating activities		**29,320**	**3,823**
Purchase of vessels	14	-331,323	-252,973
Dry-docks and other upgrades on vessels incl. scrubber prepayments	14	-40,437	-15,185
Investment in joint venture	12	-9,313	-15,597
Interest received		495	469
Cash flow from investing activities		**-380,578**	**-283,286**
Proceeds from share issuance		122,378	353,232
Share issuance costs	20	-3,134	-10,161
Proceeds from debt financing	17	151,150	106,024
Repayment of debt	17	-1,503	0
Interest paid	17	-16,061	-1,535
Debt issuance costs	17	-5,604	-3,758
Cash flow from financing activities		**247,225**	**443,802**
Net change in cash and cash equivalents		-104,032	164,339
Net foreign exchange differences		-63	-16
Cash and cash equivalents at beginning of period		164,323	0
Cash and cash equivalents at the end of period[3]	15	**60,228**	**164,323**

[3] Whereof USD 16.1 million is restricted as at 31 December 2018 and USD 45.2 million as at 31 December 2017

NOTES

Note 1 - General information

MPC Container Ships ASA (the "Company") 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 on the Oslo Stock Exchange as at 3 May 2018 under the ticker "MPCC".

The financial statements were approved by the Company's Board of Directors on 28 March 2019.

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; or
- 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 that are:

- expected to be settled within the entity's normal operating cycle;
- held for purpose of trading; or
- 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, except for derivative instruments assets and liabilities which are measured at fair value.

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 2018. 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; and
- 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 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 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. The Group does not charter in any vessels, further no other significant lease agreements, accordingly the implementation of IFRS 16 will not have any material impact on the Group's result and financial position.

Note 3 - Significant accounting policies

Implementation of IFRS 15 Revenue from contracts with customers

The Group implemented IFRS 15 starting 1 January 2018. The time charter contracts are separated into a lease element, which is accounted for using the lease standard, and a service element which is accounted for using IFRS 15, similar as under the old standard. IFRS 15 requires identification of performance obligations for the transfer of goods and services in each contract with customers. Revenue is recognized upon satisfaction of the performance obligations. The standard has been implemented using the modified retrospective approach. Upon transition to the new standard, there were no material impacts on equity. Hence, the implementation of IFRS 15 has only affected the note disclosures. See Note 6 for further details.

Implementation of IFRS 9 Financial instruments

IFRS 9 defines requirements for recognizing ad measuring financial assets and financial liabilities. The new standard replaces "IAS 39 Financial Instruments" for annual periods beginning on or after 1 January 2018. The Group has applied IFRS 9 retrospectively as at 1 January 2018. IFRS contains three principal classification categories for financial assets; measured at amortized cost, Fair value through Other Comprehensive Income ("FVOCI") and Fair value through Profit or Loss ("FVPL"). The classification on financial asset under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new standard IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The table below summarizes the reclassifications of financial instruments on adoption of IFRS 9:

	Measurement category		*Carrying amount at transition date*	
	Previous (IAS 39)	**New (IFRS 9)**	**Previous (IAS 39)**	**New (IFRS 9)**
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost	3,720	3,720
Derivatives	Cash flow hedge (OCI)	FVOCI	157	157
Cash and cash equivalents	Cash (amortized cost)	Cash (amortized cost)	164,323	164,323
Total financial assets			**168,200**	**168,200**
Interest-bearing loans	Other financial liabilities at amortized cost	Other financial liabilities at amortized cost	102,266	102,266
Trade and other liabilities	Other financial liabilities at amortized cost	Other financial liabilities at amortized cost	8,338	8,338
Total financial liabilities			**110,604**	**110,604**

Except for trade and other receivables, the Group has limited financial assets subject to the new expected credit loss model in IFRS 9. For trade and other receivables, the Group has applied the simplified approach to provide for expected credit losses as defined under IFRS 9. The new model did not lead to any changes to allowance for doubtful receivables as at 1 January 2018.

The Group's existing risk management strategies and hedge documentation are aligned with the requirements within IFRS 9. Implementation of the new standard has not resulted in any hedge accounting impacts on transition date.

The implementation of IFRS 9 on financial instruments have not had a material impact on the Group's result and financial position.

Foreign currency translation

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.

For those subsidiaries with functional currencies other than USD, financial position items are translated at the rate of exchange at the balance sheet date, and income statements are translated at the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation are recognized in other comprehensive income as foreign currency differences.

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. Any identified acquired time charter contracts are presented under vessels and amortized over the remaining charter period.

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. 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 flows.

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 administrative and operating expenses (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. 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.

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 re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally documents the relationship between the hedge instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness if the hedging relationship.

The Group makes an assessment at inception and on an on-going basis according to IFRS 9, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect profit or loss.

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 probable transactions.

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

<u>Cash flow hedges</u>: As at 31 December 2018, 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 and for the non-recourse senior secured term loan.

The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income ("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 as lessor

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. Payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the time charter contract.

Revenue recognition

The Group's time charter contract revenues are separated into a lease element accounted for in accordance with IAS 17 (see above under leases as lessor) and service element which is accounted for in accordance with IFRS 15.

Time charter, pool revenue and other revenue from contracts with customers is recognized when control of goods or services are transferred to the customer. It is recognized at an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes. The implementation of IFRS 15 had not had a material impact on the Groups' revenue recognition compared to IAS 18 Revenues.

The service element from the Group's time charter contracts are recognized over time, as the performance obligation is satisfied over time. This since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from bunkers and other goods and services from customers are recognized in the period the goods or services are transferred to the customer.

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 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.

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 on-going 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. As per 31 December 2018, 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. In 2018 the Group at 31 December 2018 identified impairment indicators (see Note 14 for further description), 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 (13.6%) and Maersk Line, Denmark (11.6%).

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	2018	2017
Asia	54,816	4,955
South America	45,285	6,339
Europe	32,939	2,169
Middle East	2,411	92
Africa	0	0
Other geographical locations (worldwide trades)	34,874	6,342
Total time charter and pool revenue	**170,325**	**19,897**

Note 6 - Revenue

in USD thousands	2018	2017
Time charter revenue	128,279	14,951
Pool charter revenue	42,046	4,945
Other revenue	13,158	1,494
Total operating revenue	**183,483**	**21,390**

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

in USD thousands	2018	2017
Service element	86,772	7,095
Other revenue	13,158	1,494
Total revenue from customer contracts	**99,930**	**8,589**
Lease element	83,553	12,801
Total operating revenue	**183,483**	**21,390**

Reference to Note 5 for disaggregation of time charter and pool revenues on geographical regions.

Contracted revenues based on fixed time charter contracts as at 31 December 2018 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	65,090	28,007	60,216	**153,313**

Contracted revenues based on fixed time charter contracts as at 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	2018	2017
Bunker consumption	-17,404	-2,501
Other voyage expenses	-1,595	-333
Total voyage expenses	**-18,999**	**-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	2018	2017
Crew	-52,583	-7,649
Lube oil	-5,268	-813
Maintenance and repair	-21,213	-3,031
Insurances	-9,092	-1,169
General OPEX	-9,187	-1,551
Total operating expenses	**-97,343**	**-14,213**

Note 9 - Administrative expenses

in USD thousands	2018	2017
Legal and advisory services	-867	-713
Audit fees	-1,584	-605
Other administrative expenses	-6,054	-795
Total administrative expenses	**-8,505**	**-2,114**

Other administrative expenses includes remuneration to the Board of Directors and executive management, and fees paid for corporate management services from MPC Maritime Investments GmbH and MPC Münchmeyer Petersen Capital AG see Note 19 for further description. The following table details the administrative expenses incurred in relation to audit and related services.

in USD thousands	2018	2017
Audit fee (EY)	1,377	477
Attestation services	29	0
Tax services	111	36
Other non-audit services	67	92
Total audit fees	**1,584**	**605**

Note 10 - Finance income and expenses

in USD thousands	2018	2017
Interest income	490	469
Other financial income	74	1,607
Total financial income	**565**	**2,076**
Interest expenses	-17,618	-1,694
Other financial expenses	-137	-780
Total financial expenses	**-17,755**	**-2,474**

Note 11 - Income tax

The Company's subsidiaries in which the vessels are held are 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	2018	2017
Basis for ordinary corporation tax expense		
Loss before taxes	-1,193	-2,388
Tax at ordinary Norwegian corporation tax rate (23%)	0	0
Basis for tax on controlled foreign corporation		
Taxable profit of foreign controlled entities	0	261
Tax at ordinary corporation tax rate (23%)	0	-64
Other taxes	-406	-82

In Norway, the Group has an estimated tax loss carried forward amounting to USD 27.6 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.

Other taxes of USD 0.4 million consists of accruals for corporate income tax in Netherland and Germany, including provisions for tonnage taxes and trade taxes.

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 eight 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:

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.

in USD thousands	31 December 2018	31 December 2017
Non-current assets	67,526	30,169
Cash and cash equivalents	4,046	2,774
Other current assets	1,910	948
Non-current liabilities	16,935	0
Current liabilities	3,681	1,112
Equity	**52,866**	**32,779**
Group's carrying amount of the investment	**26,360**	**16,394**

in USD thousands	2018	2017
Revenue	25,179	10,163
Cost of sales	-20,358	-8,568
Administrative expenses	-606	-156
Other income	117	95
Other expenses	78	-149
Depreciation	-2,142	-598
Interest income	1	1
Interest expenses	-915	0
Income tax	-45	0
Profit after tax for the period	**1,308**	**787**
Total comprehensive income for the period	**1,308**	**787**
Group's share of profit for the period	**654**	**394**
Dividends received	**0**	**0**

Note 13 - Non-controlling interests

in USD thousands	31 December 2018	31 December 2017
MPC Container Ships Invest B.V.	399	250
Sao Paulo Project Holding GmbH & Co. KG	4,289	4,292
Total non-controlling interests	**4,688**	**4,542**

Line item for MPC Container Ships Invest B.V. is the sum of the 0.1% shares the ship managers hold in the ship-owning entities of the Group including the minority interest's share of result within these ship-owning entities, 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 through respective subsidiaries (see Note 26 – Group companies):

After the balance sheet date the Group has acquired the remaining 20% of the shares in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. See Note 27 for further description.

in USD thousands	31 December 2018	31 December 2017
Non-current assets	25,132	24,776
Current asset	4,154	3,430
Non-current liabilities	4,586	5,866
Current liabilities	2,862	496
Equity	**21,838**	**21,845**

in USD thousands	2018	2017
Revenue	7,926	1,616
Profit after tax for the period	-19	518
Total comprehensive income for the period	**-19**	**518**
Dividends received	**0**	**0**

Note 14 - Vessels

in USD thousands	2018	2017
Acquisition cost at 1 January	**268,158**	**-**
Acquisition of vessels	273,536	199,092
Prepayments reclassified to vessels	57,787	
Prepayments	1,549	57,787
Capitalized dry-docking and other expenses	38,841	11,279
Acquisition cost	**639,871**	**268,158**
Accumulated depreciations 1 January	-3,302	-
Depreciation for the year	-29,271	-3,302
Accumulated depreciations 31 December	**-32,573**	**-3,302**
Closing balance	**607,298**	**264,856**
Depreciation method	*Straight-line*	*Straight-line*
Useful life (vessels)	*25 years*	*25 years*
Useful life (dry-docks)	*5 years*	*5 years*

As at 31 December 2018, the Group operated 61 vessels in consolidated subsidiaries and 8 vessels through a joint venture arrangement.

Vessel acquisitions: The transaction to acquire the Group's vessels are accounted for as asset acquisitions. See Note 4 Significant judgements, estimates and assumptions.

Impairment: Given the container market conditions that have been present with increased idle fleet and reduced charter rates during the second half of 2018 and that the Company's market capitalization has been below the carrying value of the Company's equity, management has performed impairment tests on all vessels in the Group as at 31 December 2018. This assessment did not lead to any impairment charges as 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: 8.4% p.a. (for remaining useful life of 15 years)
- Growth rate for operating expenses: 2.0% p.a.
- Charter rates: Contractual values and historic long-term estimates of time charter rates for open periods. The historical long-term estimate rates are based on using the newbuilding parity rates, based on the current observable newbuilding prices.
- Utilization: 96% of available trading days, not including dry-dockings
- Residual value: Scrap value based on estimated scrap prices less cost scrapping

A few of the Group's cash generating units ("CGUs") are more sensitive to changes in the assumptions applied in the value in use calculation. For most of the CGU's minor changes in the assumptions applied in the value in use calculations will not lead to impairment charges.

The vessel AS Fortuna grounded in September 2018 and possibly will be concluded a total loss. The vessel is fully insured (hull, machinery and P&I). If the vessel is concluded a total loss, proceeds from the insurance company will cover the book value of the vessel. The grounding did not cause any environmental spill nor personal injuries.

Note 15 - Cash and cash equivalents

in USD thousands	31 December 2018	31 December 2017
Bank deposits denominated in USD	56,131	161,309
Bank deposits denominated in EUR	3,552	1,387
Bank deposits denominated in NOK	546	1,627
Total cash and cash equivalents	**60,228**	**164,323**

The fair value of cash and cash equivalents at 31 December 2018 is USD 60.3 million. Based on the terms of the senior secured bond and the non-recourse senior secured term loan, USD 10 million and USD 2.5 million are considered as restricted cash due to the minimum liquidity of 5% requirements within the agreements (see Note 17). Additionally USD 3.0 million are classified as restricted cash from the loan in Sao Paolo Project Holding GmbH & Co. KG., mainly related to the cash balance on dry-dock reserve accounts of USD 2.5 million.

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	31 December 2018	31 December 2017
Trade receivables	5,301	1,177
Receivables from affiliated companies	784	38
Insurance claims	9,136	452
Derivative financial instruments	1,031	157
Other receivables and prepayments	7,070	2,053
Total Trade and other receivables	**23,322**	**3,877**

Trade receivables relates to receivables against the charterers for the Group's time charter contracts. Insurance claims are the Group's claims covered by insurance agreements which the Group expect to receive within the next twelve months.

The Group had outstanding receivables per year end amounting to USD 5,301 (USD 1,177). Historically, the Group have not had any credit losses. An assessment made both at the transition date and at 31 December 2018 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The Group manage to collect receivables timely.

The Group applies the simplified approach to provide for lifetime Expected Credit Losses in accordance with IFRS 9. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortized cost method. No impairment losses has been recognized in 2018 and 2017. See Note 24 – Financial risk management regarding management of credit risk.

Note 17 - Interest-bearing debt

On 8 September 2017, through its subsidiary MPC Container Ships Invest B.V., the Group issued a USD 100 million senior secured bond with a total borrowing limit of USD 200 million. The bond has a floating interest rate of LIBOR + 4.75% and a five-year maturity. The bond shall be repaid in full on the maturity date (22 September 2022). On 2 February 2018, a USD 100 million tap issue on the above-mentioned bond was completed. On 22 May 2018, MPC Container Ships Invest B.V. announced that all USD 200 million bond proceeds had been successfully invested in accordance with the bond terms. On 14 June 2018, MPC Container Ships Invest B.V. listed the bond on the Oslo Stock Exchange with ticker code “MPCBV”.

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

The Group has entered into fixed interest-rate swap agreements for USD 50 million of the USD 200 million bond loan in MPC Container Ships Invest B.V. For the remaining bond loan of USD 150 million the Group has entered into interest cap and collar agreements. For the non-recourse senior secured term loan, the Group has entered into collar agreements. See Note 18 for further information on the cash flow hedges.

in USD thousands	31 December 2018	31 December 2017
Nominal value of issued bonds	200,000	100,000
Non-recourse senior secured term loan	50,127	0
Other financial debt	5,484	6,024
Total outstanding	**255,611**	**106,024**
Debt issuance costs	-7,903	-3,758
Total interest-bearing debt outstanding	**247,708**	**102,266**

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

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

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

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

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

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

See Note 10 for further information on interest income and total interest expenses and Note 24 for an overview of the future repayment structure for the interest-bearing debt. The table below shows the reconciliation of movements of interest-bearing debt to cash flows from financing activities, including non-cash movements and reconciliation to total interest-bearing debt at 31 December 2018.

in USD thousands	Interest-bearing short-term debt	Interest-bearing long-term debt	Total
31 December 2017	**158**	**102,108**	**102,266**
Proceeds from debt financing		151,150	151,150
Repayment of debt		-1,503	-1,503
Interest paid	-16,061		-16,061
Debt issuance costs		-5,604	-5,604
Total cash flow from financing activities	**-16,061**	**144,043**	**127,981**
Amortization of debt issuance costs		1,302	1,302
Reclassification	2,686	-2,686	0
Accrued interest	16,159		16,159
31 December 2018	**2,942**	**244,767**	**247,709**

	Interest-bearing short-term debt	Interest-bearing long-term debt	Total
9 January 2017	**0**	**0**	**0**
Proceeds from debt financing		106,024	106,024
Repayment of debt			
Interest paid	-1,535		-1,535
Debt issuance costs		-4,101	-4,101
Total cash flow from financing activities	**-1,535**	**101,923**	**100,388**
Amortization of debt issuance costs		185	185
Reclassification			
Accrued interest	1,693		1,693
31 December 2017	**158**	**102,108**	**102,266**

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.

See Note 3 for table showing the reclassifications of financial instruments on adoption of IFRS 9.

	31 December 2018	31 December 2017
Derivatives designed as hedging instruments		
Interest rate swaps including caps and collars	1,032	157
Debt instruments at amortized cost		
Trade and other receivables	22,290	3,720
Cash and cash equivalents	60,228	164,323
Total financial assets	**83,551**	**168,200**
Financial liabilities at amortized cost		
Interest-bearing debt	247,708	102,266
Trade and other payables	6,369	7202.41
Total financial liabilities	**254,077**	**109,469**

Fair value of trade receivables, cash and cash equivalents and trade payables approximate their carrying amounts measured at amortized cost 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 2018 are described below. For a description of the Group's hedging strategy, see Note 3 under cash flow hedges and Note 24 for further information regarding risk.

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.

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	733	0	110	0
Interest rate caps	299	0	47	0
Total	**1,032**	**0**	**157**	**0**

The terms of the interest rate derivative 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 accumulated amount of USD 1.0 is included in OCI as at 31 December 2018.

The swap and cap agreements classified as effective cash flow hedges under IFRS 9.

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 and Ahrenkiel Steamship B.V., subsidiaries of MPC Münchmeyer Petersen Capital AG, for 62 of the 69 vessels owned by the Group and joint venture entities at 31 December 2018.

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

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

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

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**

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

	Shares at 31 December 2018	Warrants	2018 remuneration
Ulf Holländer (Chairman)	-	-	NOK 200,000
Dr. Axel Schroeder	319,000	-	NOK 200,000
Darren Maupin	-	-	NOK 200,000
Laura Carballo	-	-	NOK 200,000
Ellen Hanetho	-	-	NOK 200,000
Constantin Baack (CEO)	-	-	NOK 3,981,408
Harald Wilke (CFO)	4,045	-	NOK 1,065,565

	Shares at 31 December 2017	Warrants	2017 remuneration
Ulf Holländer (Chairman)	-	-	NOK 100,000
Dr. Axel Schroeder	-	-	NOK 100,000
Darren Maupin	-	-	NOK 100,000
Dr. Ottmar Gast (resigned 16 January 2018)	-	-	NOK 100,000
Robert Knapp (resigned 16 January 2018)	-	-	NOK 100,000
Laura Carballo (elected 16 January 2018)	-	-	-
Ellen Hanetho (elected 16 January 2018)	-	-	-
Constantin Baack (CEO)	-	-	NOK 500,000

In USD thousands	Base salary	Variable pay	Total
Constantin Baack (CEO)[4]	389	100	489
Harald Wilke (CFO)[5]	113	18	131

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 total remuneration to the Board of Directors and executive management in 2018 was USD 0.7 million.

Guidelines for compensation to the CEO and CFO

The main purpose of the compensation to the executive management is to attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the Company and its shareholders.

The total compensation to the CEO and CFO consists of base salary, bonus and other benefits. The Company practices standard employment contracts, with standard terms and conditions regarding notice period and severance pay for the executive management. The executive management participate in a variable bonus scheme where the purpose is to provide incentive to contribute to the value creation of the Company and its shareholders.

The Board of Directors intends to implement a long term incentive plan (LTIP) for senior management. The LTIP shall be based on the Company's shares as well as consider book value per share growth as key performance indicator, a vesting period, leaver rules and other common parameters.

[4] USD 89,489 relates to compensation for fiscal year 2017
[5] Harald Wilke joined the Company 1 September 2018. Accordingly, the figure represents compensation for the period 1 September 2018 - 31 December 2018

Note 20 - Share capital

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

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

Share issuance costs until 31 December 2018 amounted to USD 13.3 million.

Overview of the 20 largest shareholders as at 31 December 2018

Shareholder	Number of shares	in %	Type
Star Spike Limited	16,346,000	19.4%	Ordinary
CSI Beteiligungsgesellschaft mbH	10,987,500	13.0%	Ordinary
State Street Bank and Trust Comp	6,309,711	7.5%	Nominee
J.P. Morgan Securities LLC	4,044,172	4.8%	Nominee
Citibank, N.A.	3,778,454	4.5%	Nominee
Pilgrim Global ICAV CLT AC	2,992,860	3.6%	Ordinary
KAS Bank N.V.	2,777,160	3.3%	Nominee
Euroclear Bank S.A./N.V.	2,402,708	2.9%	Nominee
Brown Brothers Harriman (Lux.) SCA	2,330,798	2.8%	Nominee
Credit Suisse Securities (USA) LLC	2,267,217	2.7%	Nominee
Uthalden AS	1,736,163	2.1%	Ordinary
Morgan Stanley & Co. LLC	1,688,663	2.0%	Ordinary
Brown Brothers Harriman (Lux.) SCA	1,625,000	1.9%	Nominee
Morgan Stanley & Co. International	1,336,017	1.6%	Ordinary
First Generator	1,125,500	1.3%	Ordinary
KLP Aksje Norge	1,110,000	1.3%	Ordinary
J.P. Morgan Bank Luxembourg S.A.	1,101,702	1.3%	Nominee
Songa Trading INC	932,500	1.1%	Ordinary
JPMorgan Chase Bank, N.A., London	809,371	1.0%	Nominee
DZ Privatbank S.A.	800,000	0.9%	Nominee
Total	**66,501,496**	**78.9%**	

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

in USD thousands	2018	2017
Profit/(loss) for year attributable to ordinary equity holders – in USD thousands	-1,608	-2,639
Weighted average number of shares outstanding, basic	80,172,667	26,273,158
Weighted average number of shares outstanding, diluted	82,293,713	28,300,639
Basic earnings per share – in USD	**-0.02**	**-0.10**
Diluted earnings per share – in USD	**-0.02**	**-0.09**

Note 22 - Warrants

On 20 April 2017, the Company 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 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 as at 31 December 2018.

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

On 14 November 2018, the Group announced that it has entered into agreements for the purchase of five exhaust gas cleaning systems ("scrubbers") which are to be retrofitted on five selected vessels within the Group's fleet prior to the 1 January 2020 implementation of the new sulphur emission cap regulation, as set forth by the International Maritime Organization ("IMO"). Subsequently, on 30 November 2018, the Group announced that it had exercised options to equip additional five vessels with scrubbers. The Group's scrubber agreements also include options to retrofit scrubbers on an additional 45 vessels, allowing further installations in both 2019 and 2020, respectively. Net of the first prepayments made as at 31 December 2018, the respective commitments totals EUR 14.0 million.

See Note 14 for prepayments under the contracts as at 31 December 2018.

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 and the non-recourse senior secured term loan 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 1.0 million or 6%.

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. See Board of Directors' report for further description. To ensure this, the Group continuously monitors projected cash flows using a liquidity planning tool. This includes furnishing management with weekly cash reporting, monthly liquidity forecasts and furnishing management and the Board of Directors with rolling twelve-months liquidity forecasts.

The following table summarizes the contractual maturities of financial liabilities on an undiscounted basis as at 31 December 2018:

in USD thousands	< 1 year	1-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-2,686	-10,858	-241,943	0	-255,487
Interest payments	-18,066	-35,117	-14,666	0	-67,849
Trade and other payables	-6,369	0	0	0	-6,369
Total	**-27,121**	**-45,975**	**-256,609**	**0**	**-329,705**

The following table summarizes the contractual maturities of financial liabilities on an undiscounted basis as at 31 December 2017:

in USD thousands	< 1 year	1-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-600	-5,250	-100,000	0	-105,850
Interest payments	-7,816	-23,166	-5,552	0	-36,533
Trade and other payables	-7,202	0	0	0	-7,202
Total	**-15,618**	**-28,416**	**-105,552**	**0**	**-149,585**

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 Group level.

The Group monitors its capital structure using the book-equity ratio, which stands at 63.6% as at 31 December 2018. The Group is mainly subject to financial covenants under the bond loan and the non-recourse secured term loan (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 2018
Book equity	459,150
Total assets	722,062
Book-equity ratio	**63.6%**

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. See the board of directors report for further description.

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. The table excludes all General partner companies and non-operating companies.

Entity	Country	Principal activity	Ownership
"AS SAMANTA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS SABRINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS FREYA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS FENJA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS PAOLA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS PAULINE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS RAFAELA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%

Entity	Country	Principal activity	Ownership
"AS PENELOPE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
MPC Container Ships GmbH & Co. KG	Germany	Management Company	100.00%
"AS SELINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
Sao Paulo Project Holding GmbH & Co. KG	Germany	Holding company	80.00%
Rio Teslin OpCo GmbH & Co. KG	Germany	Ship-owning entity	80.00%
Rio Thelon OpCo GmbH & Co. KG	Germany	Ship-owning entity	80.00%
MPCC First Financing GmbH & Co. KG	Germany	Holding company	100.00%
"AS Camellia" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Carlotta" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Carolina" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Christiana" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Franziska" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Leona" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Roberta" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Serafina" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Susanna" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Svenja" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
MPC Container Ships Invest B.V.	Netherlands	Holding company	100.00%
"AS Angelina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS California" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Carelia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clara" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clarita" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clementina CV" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Columbia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Constantina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Cypria" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fabiana" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fabrizia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fatima" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Faustina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Federica" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Felicia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Filippa" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fiona" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fiorella" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Flora" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Floretta" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Floriana" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fortuna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Frida" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Laetitia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Laguna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Lauretta" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Palatia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Patria" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Paulina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Petronia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Ragna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Riccarda" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Romina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Rosalia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sara" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%

Entity	Country	Principal activity	Ownership
"AS Savanna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Serena" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sevillia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sicilia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sophia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%

Ownership rights equal voting rights in all subsidiary entities.

Note 27 - Subsequent events

On 17 January 2019, the Company's extraordinary general meeting adopted the proposal to grant the Board of Directors authority to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000, representing 10% of the Company's share capital. Subsequently, in a board meeting held on 27 February 2019, the Board of Directors resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019. As at 28 March 2018, the Company has repurchased 161,362 shares at an average price of NOK 30.14 per share.

On February 25 2019, the Company entered into an agreement with the 80% owned company Sao Paulo Project Holding GmbH & Co. KG for the acquisition of the 100% of the interest in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. After the acquisition, the Company holds an interest of 100% in the two entities which are the legal owners of the vessels AS Palina and AS Petra, respectively.

PARENT FINANCIAL STATEMENTS

INCOME STATEMENT

in USD thousands	Note	2018	2017[6]
Revenue	2,10	11,537	1,209
Revenue		**11,537**	**1,209**
Payroll	5	-1,415	-106
Other operating expenses	11	-14,321	-2,299
Operating result (EBIT)		**-4,200**	**-1,196**
Finance income	11	468	4,393
Finance expense	11	-988	-2,352
Profit/Loss before income tax (EBT)		**-4,719**	**845**
Income tax	4	0	-64
Profit/Loss for the period		**-4,719**	**781**

Transfer of profit/loss to retained earnings	6	**-4,719**	**781**
Earnings per share	13	**-0,06**	**0,03**

[6] As the Company was incorporated 9 January 2017, the 2017 figures only constitute of financial result within this period

STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2018	31 December 2017
Assets		**455,055**	**341,072**
Non-current assets		428,818	239,741
Deferred tax asset	4	0	0
Investments in Subsidiaries	8	401,709	179,238
Loans to Subsidiaries	9	519	12,900
Investments in affiliated companies	8	25,630	16,033
Loans to affiliated companies	9	0	1,280
Deposit vessels		959	30,270
Other loans		0	20
Current assets		26,237	101,331
Short-term receivables group	10	3,637	834
Other short-term receivables		602	140
Cash and cash equivalents	3	21,999	100,357
Equity and liabilities		**455,055**	**341,073**
Equity		453,766	339,258
Share capital	6,7	101,120	77,155
Share premium	6	356,585	261,322
Retained earnings	6	-3,939	781
Current liabilities		1,289	1,815
Accounts payable		392	1,250
Accounts payable Group	10	0	166
Social security, VAT, etc.		266	22
Other short-term liabilities		631	377

Oslo, 28 March 2019

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	Note	2018	2017[7]
Profit/Loss before income tax		-4,719	845
Income tax expenses		0	0
Net change in provisions		0	0
Net change in current assets		-3,264	-974
Net change in current liabilities		526	1,751
Depreciation		0	0
Loss/gain from the disposal of fixed assets		382	0
Cash flow from operating activities		**-7,075**	**1,622**
Prepayments vessels		-959	-30,270
Net change in loans given		13,681	-44,470
Purchase of long-term financial assets	8	-203,249	-165,001
Cash flow from investing activities		**-190,527**	**-239,741**
Net proceeds from share issuance	6	122,378	348,643
Share issuance costs	6	-3,134	-10,167
Proceeds from debt financing		0	0
Debt issuance costs		0	0
Cash flow from financing activities		**119,244**	**338,476**
Net change in cash and cash equivalents		-78,358	100,357
Net foreign exchange differences		0	0
Cash and cash equivalents at beginning of period		100,357	0
Cash and cash equivalents at the end of period	**3**	**21,999**	**100,357**

[7] As the Company was incorporated 9 January 2017, the 2017 figures only constitute of cash flow within this period

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 public 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 in subsidiaries including affiliated companies 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	2018	2017
Ship management fees	7,804	1,127
Corporate management fees	1,115	82
Reimbursments	2,618	-
Total operating revenue	**11,537**	**1,209**

Note 3 - Cash and cash equivalents

in USD thousands	2018	2017
Bank deposits denominated in USD	20,491	98,548
Bank deposits denominated in EUR	959	182
Bank deposits denominated in NOK	548	1,627
Total	**21,999**	**100,357**

Bank deposits in NOK consists of in total USD 181 thousand in funds held for employee taxes payable to the Norwegian government.

Note 4 - Income tax

The Company is subject to ordinary corporation tax in Norway:

in USD thousands	2018	2017
Basis for ordinary corporation tax expense		
Profit before taxes	-4,719	845
Tax at ordinary Norwegian corporation tax rate (23%)		0
Basis for deferred tax		
Taxable profit of foreign controlled entities	0	261
Tax at ordinary corporation tax rate (23%)	0	-64

In Norway, the Company has an estimated tax loss carried forward amounting to USD 27.6 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	2018	2017
Payroll	1,214	37
Social security	55	5
Other personnel expenses	42	3
Accrued Board of Directors remuneration	104	61
Total payroll expenses	**1,415**	**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 at 31 December 2018.

Please refer to Note 19 of the consolidated financial statements for the remuneration of the Board of Directors and key management.

Compensation to auditors (in USD thousands)		
Fees related to audit services	1,260	330
Fees related to other services	50	30
Fees recorded towards equity	0	11
Total auditor compensation	**1,310**	**371**

Note 6 - Equity

in USD thousands	Share capital	Share premium	Retained earnings/losses	Total
Total equity as at 1 January 2018	77,155	261,322	781	339,258
Capital increase 16 February 2018	15,099	57,823		72,922
Capital increase 20 June 2018	7,685	33,069		40,754
Capital increase 2 July 2018	1,182	4,369		5,551
Profit/loss			-4,719	-4,719
Total equity as at 31 December 2018	**101,121**	**356,583**	**-3,938**	**453,766**

in USD thousands	Share capital	Share premium	Retained earnings/losses	Total
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 as at 31 December 2017	**77,155**	**261,322**	**781**	**339,258**

Note 7 - Shareholders

As at 31 December 2018, the share capital of the Company consists of 84,253,000 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 at 31 December 2018.

Note 8 - Investments in Subsidiaries and affiliated companies

Investments in subsidiaries

Entity	Country	Equity	Profit/Loss	Book value	Ownership
MPC Container Ships Invest B.V.	Netherlands	196,801	-15,403	213,180	100.00%
"AS SAMANTA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	14,360	1,330	13,037	100.00%
"AS SABRINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	13,976	1,526	12,370	100.00%
MPCC First Financing GmbH & Co. KG	Germany	68,225	-2,427	68,895	100.00%
"AS FREYA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	8,224	87	8,245	100.00%
"AS FENJA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	10,007	-1,317	11,333	100.00%
"AS PAOLA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	12,628	-272	12,901	100.00%
"AS PAULINE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	12,121	-168	12,290	100.00%
"AS RAFAELA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	10,580	201	10,388	100.00%
"AS PENELOPE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	11,640	-770	12,438	100.00%
MPC Container Ships GmbH & Co. KG	Germany	474	-250	726	100.00%
"AS SELINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	14,739	-488	15,226	100.00%
F-Schiffe OpCo GmbH KG	Germany	26	2	29	100.00%
MPC Container Ships Verwaltungs GmbH	Germany	23	-1	29	100.00%
MPC Container Ships Sourcing GmbH	Germany	174	8	31	100.00%
"AS ANGELINA" OpCo GmbH	Germany	25	1	31	100.00%
“AS CLARA” OpCo GmbH	Germany	174	7	31	100.00%
AS Shipping OpCo 1 GmbH	Germany	23	0	31	100.00%
"AS PAULINA" OpCo GmbH	Germany	25	1	31	100.00%
"AS PETRONIA" OpCo GmbH	Germany	24	0	31	100.00%
"AS FORTUNA" OpCo GmbH	Germany	25	1	31	100.00%
AS Shipping OpCo 2 GmbH	Germany	34	11	31	100.00%
Sao Paulo Project Holding GmbH & Co. KG	Germany	20,842	-473	10,377	80.00%
Total		**395,170**	**-18,395**	**401,709**	

The major investment in subsidiaries of the Company are direct or indirect holding investments in container vessels where the future discounted values of the vessels exceeds the book values. Accordingly, there are not identified any need for impairment on the Company’s investments in subsidiaries.

Investments in affiliated companies

in USD thousands	Country	Equity	Profit/Loss	Book value	Ownership
2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG	Germany	49,475	-1,082	22,563	50.00%
Bluewater Holding SFG	Germany	70,409	226	3,004	50.00%
Bluewater OpCo GmbH	Germany	27	2	63	50.00%
Total		**119,911**	**-854**	**25,630**	

Note 9 - Loans to Group and affiliated companies

in USD thousands	2018	2017
MPC Container Ships Invest B.V.	0	12,900
2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG	0	1,280
Sao Paolo Project Holding GmbH & Co. KG	519	0

The loan against Sao Paolo Project Holding GmbH & Co KG 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 as at 31 December 2018	Payables as at 31 December 2018	Revenue/Expenses in 2018 (+/-)
Intercompany balances/transactions	3,637	0	11,537

in USD thousands	Receivables as at 31 December 2017	Payables as at 31 December 2017	Revenue/Expenses in 2017 (+/-)
Intercompany balances/transactions	834	0	1,208

Revenue is related to invoiced ship management fees and corporate management fees including other reimbursements.

Note 11 - Specification of P/L records

in USD thousands	2018	2017
Other operating expenses		
Fees from auditors	-1,311	-360
Ship management fees	-7,289	-1,018
Legal fees	-2,233	-182
Other fees	-2,919	-582
Other operating expenses	-569	-157
Total operating expenses	**-14,321**	**-2,299**
Finance income		
Interest income	258	285
Income from exchange	1	1,607
Other financial income	15	0
Profit from shares sold	194	2,501
Total finance income	**468**	**4,393**
Finance expense		
Interest expense	-275	0
Expense from exchange	96	-547
Other financial expenses	-233	0
Loss from shares sold	-575	-1,805
Total finance expense	**-988**	**-2,352**

Note 12 - Specification of profit and loss from investments

in USD thousands	Purchase price	Sales price	Profit/Loss (+/-)
"AS Christiania" Schifffahrtsgesellschaft mbH & Co. KG	10,925	10,950	25
"AS Carlotta" Schifffahrtsgesellschaft mbH & Co. KG	10,925	10,949	24
"AS Franziska" Schifffahrtsgesellschaft mbH & Co. KG	7,183	6,990	-193
"AS Carolina" Schifffahrtsgesellschaft mbH & Co. KG	10,950	10,750	-200
"AS Susanna" Schifffahrtsgesellschaft mbH & Co. KG	15,450	15,450	0
"AS Serafina" Schifffahrtsgesellschaft mbH & Co. KG	15,608	15,613	5
"AS Svenja" Schifffahrtsgesellschaft mbH & Co. KG	15,182	15,187	5
"AS Camellia" Schifffahrtsgesellschaft mbH & Co. KG	10,900	10,800	-100
"AS Leona" Schifffahrtsgesellschaft mbH & Co. KG	8,313	8,310	-3
"AS Sara" ShipCo C.V.	13,650	13,785	135
"AS Petulia" Schifffahrtsgesellschaft mbH & Co. KG	9,425	9,345	-80
Total profit/loss			**-382**

Note 13 - Earnings per share

	2018	2017
Profit/loss for the year for the Company (in USD thousands)	-4.719	781
Weighted average number of shares outstanding	80,172,667	26,273,158
Basic earnings per share (in USD)	**-0.06**	**0.03**

Note 14 - Guarantees

The Company has guaranteed for the bond loan of MPC Container Ships Invest B.V., together with the subsidiaries of MPC Container Ships Invest B.V. The non-recourse senior secured term loan of MPCC First Financing GmbH & Co. KG are guaranteed by the general partner MPCC First Financing Verwaltungs GmbH, a wholly owned subsidiary of the Company.

Note 15 - Financial risk management

Foreign exchange

The risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company has exposure in EUR and NOK as part of administrative and operating expenses and a portion of cash and cash equivalents and trade payables are denominated in EUR and NOK. The Company does not have financial instruments in place to mitigate this risk.

Credit risk

Credit risk relates to loans to subsidiaries and affiliated companies, guarantees to subsidiaries, deposits with external banks and receivables against related parties. Loss provisions are provided in situations of negative equity and where the companies are not expected to be able to fulfil its loan obligations from future earnings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations when they fall due and is managed through maintaining sufficient cash. Development in the Group’s and thereby the Company’s available liquidity, is continuously monitored through a liquidity planning tool which includes weekly cash reporting and monthly cash flow forecasts.

Note 16 - Subsequent events

On 17 January 2019, the Company’s extraordinary general meeting adopted the proposal to grant the Board of Directors authority to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000, representing 10% of the Company's share capital. Subsequently, in a board meeting held on 27 February 2019, the Board of Directors resolved to initiate the share buy-back programme and to continue the programme until the next annual general meeting, scheduled for 25 April 2019. As at 28 March 2018, the Company has repurchased 161,362 shares at an average price of NOK 30.14 per share.

On February 25 2019, the Company entered into an agreement with the 80% owned company Sao Paulo Project Holding GmbH & Co. KG for the acquisition of the 100% of the interest in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG. After the acquisition, the Company holds an interest of 100% in the two entities which are the legal owners of the vessels AS Palina and AS Petra, respectively.

AUDITOR'S REPORT

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

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 2018, the income statement and statement of cash flow 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 2018, the statements of income, comprehensive income, cash flow 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 2018, 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 2018 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 and the Group 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 for 2018. 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.

Building a better working world

Acquisition and initial recognition of vessels

In 2018 the Group has acquired 37 vessels directly and 3 vessels through a joint venture. Initial recognition of the vessels includes management's judgment in establishing assumptions regarding useful life, residual value, the fair value of the dry-docking element and of any charter agreements, and assessing whether a purchase is a business combination or an asset acquisition. Considering the magnitude of vessels acquired, and management's estimates and judgment involved, the acquisition and initial recognition of vessels is considered a key audit matter.

The Group has disclosed its accounting policy related to the initial recognition of vessels under note 3: significant accounting policies.

Our audit procedures included an assessment of the purchase agreements, as well as ensuring that the control of the vessels was transferred to the Group. We further assessed management's judgment and estimates in accounting for the vessels as asset acquisitions in relation to the identification of the relevant assets acquired and in the establishment of their remaining useful lives and residual values in accordance with contracts, technical assessments, industry practice and external market data, where available.

Finally, we reviewed the disclosures included in the Group's financial statements.

Impairment assessment of vessels

Management identified indications of potential impairment for the Group's vessels as a result of a challenging market situation with growing idle fleet and declining charter rates. Therefore, management performed an impairment test to determine the recoverable amount for each of the vessels and to measure it against the related book value. When estimating the recoverable amount, management used assumptions of future market and economic conditions as well as Group's specific factors.

Key assumptions included the future time charter rates, expected utilization, the trend of operating expenses, expected capital expenditures, newbuilding prices and discount rate. Considering the degree of management's judgment in establishing the key assumptions and the potential impacts on the estimated recoverable amounts of changes in such key assumptions, we considered the impairment assessment as a key audit matter.

Management concluded there were no impairment charges necessary, as the estimated recoverable amounts of the vessels exceeded the related book values.

The Group has disclosed its accounting policy related to impairment under note 3: significant accounting policies, and the key assumptions used in the impairment assessment and the sensitivities performed under note 14: vessels.

Our audit procedures included an assessment of the key assumptions and methods used by management in the impairment assessment. We performed an evaluation of the discounted cash flows projected by management through review of the underlying key assumptions, including comparison to external data sources and third-party valuation reports for the container ship market sector. In addition, we compared the key estimates to current applicable agreements and Board approved budgets and historical data.

Furthermore, we involved our internal valuation experts and assessed the reasonability of the weighted average cost of capital (the discount rate) used in the discounted cash flow model by comparing the estimated equity beta, risk-free interest rates on government bonds, market risk premium and cost of debt to peer group data, relevant external sources and the Group's specific factors. We also tested the mathematical accuracy of the valuation model, and performed sensitivity analysis on the most critical assumptions.

Finally, we reviewed the disclosures included in the Group's financial statements.

Building a better working world

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. We obtained the Board of Directors' report prior to the date of our auditor's report. The Board of Directors and Chief Executive Officer (management) are 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 on 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.

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, 28 March 2019
ERNST & YOUNG AS

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

GROSS PROFIT

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

EBITDA

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

in USD thousands	2018	2017
Operating result (EBIT)	15,997	-1,990
Depreciation	29,271	3,302
EBITDA	**45,268**	**1,312**

AVERAGE TIME CHARTER EQUIVALENT ("TCE")

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

AVERAGE OPERATING EXPENSES ("OPEX") PER DAY

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

UTILIZATION

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

LEVERAGE RATIO

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

EQUITY RATIO

Total book equity divided by total assets.

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