MPC CONTAINER SHIPS INVEST B.V.

ANNUAL REPORT
2018

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MANAGEMENT BOARD'S REPORT

BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships Invest B.V. (the “Company”, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam 1077 NL, and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and its operating activity commenced in September 2017. This Annual Report comprises the Company and its subsidiaries. The principal activity of the Group is the investment in, as well as operating and financing of, container vessels. The Group has a focus on feeder vessels, that are chartered out to liner shipping companies and regional carriers.

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

These consolidated financial statements were approved by the Company’s Management Board on 28 March 2019.

The following significant events occurred in 2018:

On 2 February 2018, the Company completed a tap issue of a further USD 100 million under the senior secured bond issued in 2017. and on 14 June 2018 the Company listed its USD 200 million senior secured bond on the Oslo Stock Exchange under the ticker “MPCBV01”. The senior secure bond issuance has a five-year tenor and a floating interest rate of three-month LIBOR + 4.75%.

On 29 January 2018, the Parent uplisted from Merkur Market at the Oslo Stock Exchange to Oslo Axess. On 3 May 2018 the Parent uplisted to the Mainboard of the Oslo Stock Exchange. During 2018, the Parent has issued 19,000,000 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 2018 the Group has taken ownership of additional 22 feeder container vessels. After the take overs, the Group is the owner of 40 container vessels between 1,100 and 2,800 TEU. Out of these 40 vessels, a total of 34 vessels has been fully or partially contributed from the Parent.

As of 31 December 2018, the Company’s share capital is EUR 1 comprised by 1 share, with a nominal value of EUR 1.

Key performance indicators[1] 2018:

- Total ownership days of the vessels were 13,246
- Total trading days of the vessels were 12,206
- The utilization in 2018 was 91%
- Average time charter equivalent (“TCE”) was USD 9,395 per day in 2018
- Average vessel operating expenditures (“OPEX”) was USD 5,000 per day in 2018
- Equity ratio as at 31 December 2018 was 50.3% and the leverage ratio was 46.8%

[1] See Alternative Performance Measures on page 50 in this annual report for further description

Events after the balance sheet date:

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 have any environmental spill nor personal injuries on the crew.

CONSOLIDATED FINANCIAL RESULTS

FINANCIAL PERFORMANCE

The financial performance of the Group needs to be put into perspective, given that the Group during 2017 and 2018 was in the growth phase of its operations. In 2018, the Group took over additional 22 vessels, which impacted the operating results as well as non-recurring costs for the start-up phase associated with the establishment and development of the operations throughout the year.

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues during 2018 were USD 122.7 million (2017: USD 10.5 million). Vessel-related expenses were USD 90.4 million (2017: USD 9.9 million), resulting in gross profit from vessel operations of USD 32.3 million (2017: USD 0.6 million).

Administrative expenses, depreciation, other income and other expenses totalled USD 20.7 million in 2018 (2017: USD 1.9 million). The Group thus reported an operating profit (EBIT) of USD 11.6 million, compared to an operating loss of USD 1.3 million in 2017.

Net loss for the twelve-month period ending 31 December 2018 was USD 3.1 million (2017: USD 2.9 million), as a result of finance costs of USD 14.7 million (2017: USD 1.7 million). The Management Board has proposed that the net loss for the period is allocated to retained losses.

FINANCIAL POSITION

The Group's total assets amounted to USD 414 million as at 31 December 2018 (31 December 2017: USD 225.7 million). Non-current assets in the amount of USD 388.0 million (31 December 2017: USD 167.4 million) mainly comprise vessels taken over and operated by the Group.

Total equity was USD 208.3 million as at 31 December 2018 (31 December 2017: USD 123.5 million) and non-current financial liabilities were USD 194.0 million (31 December 2017: USD 96.2 million), resulting from a bond issued by the Company in both 2017 and 2018.

The above movements were largely driven by the impacts of the contribution in kind (i.e. vessels) received in 2018 from the Parent (for USD 86.9 million), in addition to the USD 100 million additional tap issue of the senior secured bond in February 2018, largely used to finance vessel acquisitions.

CASH FLOW

During 2018, the Group generated positive cash flow from operating activities of USD 9.0 million (2017: USD 0.5 million). The cash flow absorbed by investing activities into vessels was USD 145.9 million (2017: USD 45.9 million). The positive cash flow from financing activities of USD 96.6 million (2017: USD 105 million) was mainly due to the net proceeds from the senior secured bond issue completed in February 2018.

Largely driven by the above, the total net change in cash and cash equivalents in 2018 was USD -40.3 million, compared to USD 59.5 million for the period between 6 September and 31 December 2017.

Cash and cash equivalents as of 31 December 2018 are USD 19.3 million (31 December 2017: USD 59.5 million), whereof USD 10 million is restricted cash related to the minimum liquidity terms in the bond agreements.

GOING CONCERN

The Management Board confirms that the financial statements of the Company have been prepared on a going concern basis. This assumption is based on profit forecasts for 2019 and the Group's long-term strategic forecasts. The Group's economic and financial position is deemed sound.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group is in the development phase of its operations after the delivery of the remaining vessels in 2018. At present no further significant investments are expected in 2019. As at 31 December 2018, the Group does not have employees and thus has not assessed its working environment, leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

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

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

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Group is subject to the corporate governance and corporate social responsibility requirements as set out by the Parent. The Group 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
- contribute to learning and distribution of knowledge; and
- establish long-term working relationships and utilise the shipping sector's expertise for the further development of the industry.

The corporate governance principles of the Company are based on the corporate governance principles as adopted by the Board of Directors of the Parent.

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

MANAGEMENT BOARD AND RISK & AUDIT COMMITEE

As per 31 December 2018, the Management Board of the Company comprises three men. The Company is in the start-up phase of its operation and the composition of the Management Board in terms of gender equality will be reconsidered for future vacancies. The Board of Directors of the Parent fulfils the gender equality requirements applicable under the Norwegian Public Limited Liability Companies Act Sec. 6-11a, which states that a Board of Directors comprising four to five board members must be represented by a minimum of two women and two men.

None of the Directors of the Company has received compensation for the directorships in the Company until 31 December 2018 from the Group. Corporate management fees are charged by the Parent to the Group, which include remuneration for key executive positions and other admin support services. As the Company is in its start-up phase, the audit committee requirements within Article 2(2) of the Royal Decree of 26 July 2008 is served through the involvement of the Risk & Audit Committee of the Parent. The Risk & Audit Committee of the Parent comprises three members from the Board of Directors of the Parent. The Risk & Audit Committee is considered to have sound knowledge of the relevant sector of the Company, to be independent of the Company and to have the required competence.

CONTAINER MARKET UPDATE

While the first half of 2018 was characterized by strongly improving containership markets, the second half was weaker, with a growing idle fleet and charter rates decreasing to early 2018 levels, or below. Second-hand prices tracked reduction in earnings at a slower pace, and the transaction volume shrank. The demand 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

Overall the demand side developed relatively healthily in 2018, although a number of trade routes underperformed (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 boosted 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 however generally subject to an escalation of trade tensions.

FLEET DEVELOPMENT

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

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

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

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

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

Second-hand 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, second-hand values of containerships declined in recent months, but are still up year-on-year.

Second-hand 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 of the year. A shift was then brought 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 about 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 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. Overall, management expects 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 and at 31 December 2018 owns 40 feeder container vessels. 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 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 face market uncertainties and industry disruptions, but also to take advantage of the dynamic developments in the container industry as a leading and focused tonnage provider.

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

RISK FACTORS

The Company is exposed to a variety of risks. It is considered practically impossible to systematically and sustainably generate risk-free profit. Risks are part and parcel of every company's business activities, and dealing with these risks is among the most important entrepreneurial duties. The Company is a part of the systematic risk management system of the Parent, developed not only to satisfy the requirements set out by law but also to ensure dynamic growth for the Group. The objective of the Group's risk management is to manage, rather than eliminate, exposure to risks related to the successful conduct of the Group's business.

Through (i) quarterly reviews of the Group’s most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines, (iii) the appointment of a Risk & Audit Committee on Parent level to act as a preparatory and advisory body for the Parent’s Board of Directors (the “Board”) and support the Board in the exercise of its responsibility for financial reporting, internal control and risk management and (iv) the appointment of a dedicated risk management unit at Parent level to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, the Board aims to ensure that the Group has sound internal control systems for risk management that are appropriate in relation to the extent and nature of the Group’s activities.

The Parent has identified approximately 50 Group-level 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 Parent’s organization and a defined set of countermeasures and control frequencies. A summary of the Group’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. None of the below risks had a significant impact on the Group in 2018.

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. In general, the Group regards market risks as inevitable and hence to a varying degree acceptable. The Group 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 the Group's technical, operational, environmental and reputational factors that carries both risks and opportunities. The Group addresses these risk and opportunities by assigning responsibilities, monitoring and reporting routines to dedicated teams within its organization (e.g. asset management, treasury and owner controlling), utilizing and continuingly develop portfolio management tools, and by engaging subject matter consultants to conduct routine compliance and quality management assessments. In order to operate its business efficiently, the Company accepts a low to moderate risk appetite for certain operational and technical risks. Nevertheless, the Group stresses a zero tolerance for performance risks related to health, safety and the environment.

The Company's vessels have insurance covering (where applicable) P&I, hull & machinery, loss of hire and crew negligence. Moreover, all vessels carry Loss Prevention, Safety and Quality manuals to ensure sound HSE routines. Third party contracting related to the Company's and the Group'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 prosecutions. For operational considerations, the Company accepts a certain degree of legal risks. The Group seeks to mitigate these risks by maintaining a well-functioning risk management system, management guidelines and dedicated compliance and legal functions.

PERSONNEL RISKS

The continued progress of the Group depends heavily on the knowledge and network of key personnel as well as access to new talent. Personnel risks are inevitable and hence acceptable to certain degree, but only in parallel with risk mitigation procedures such as pre- and post-hire preparations, routine employee development reviews, jour fixes and a methodical expansion of the Group's human 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 around the world, including the shipping sector. The Group purchases IT services from third parties that offer comprehensive security strategies that closely matches the Group's business objectives, with an aim to reduce IT risks to an absolute minimum.

FINANCIAL RISKS

The Group seeks to actively manage its financial risk exposures through the use of dedicated finance, treasury and owner controlling teams within its organization. The Company's liquidity and covenant risks are monitored on an on-going basis. Currency and interest rate risks are mitigated via financial instruments where deemed appropriate. The Group acknowledges that financial risks will not be eliminated in full, and accepts residual risks placed under systematic monitoring.

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 Group. The need to consider major initiatives may arise from strategic considerations or from shifts in market dynamics or regulatory changes outside of the Group's control. The Group 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 annual report are based on various assumptions. The assumptions are subject to uncertainties and contingencies that are difficult or impossible to predict. MPC Container Ships Invest B.V. cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

RESPONSIBILITY STATEMENT

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

Amsterdam, 28 March 2019

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

Lammert de Graaf

Constantin Baack

Hans Bouma

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in USD thousands	Note	2018	2017
Operating revenue	6	122,730	10,540
Commissions		-4,707	-417
Vessel voyage expenditures	7	-12,738	-1,489
Vessel operation expenditures	8	-67,340	-7,435
Ship management fees		-5,604	-607
Gross profit		**32,341**	**591**
Administrative expenses	9	-2,310	-146
Depreciation	13	-18,698	-1,646
Other expenses		-452	-77
Other income		713	18
Operating result (EBIT)		**11,593**	**-1,260**
Finance income	10	251	179
Finance costs	10. 16	-14,954	-1,849
Profit/Loss before income tax (EBT)		**-3,110**	**-2,930**
Income tax expenses	11	-30	-22
Profit/Loss for the period		**-3,140**	**-2,952**
Attributable to:			
Equity holders of the Company		-3,153	-2,951
Minority interest		13	-1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	2018	2017
Profit/loss for the period		-3,140	-2,952
Items that may be subsequently transferred to profit or loss		**879**	**139**
Cash flow hedge reserve	17	865	157
Foreign currency		14	-18
Items that will not be subsequently transferred to profit or loss		**0**	**0**
Total comprehensive profit/loss		**-2,261**	**-2,813**
Attributable to:			
Equity holders of the Company		-2,274	-2,812
Non-controlling interest		13	-1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2018	31 December 2017
Assets		**414,040**	**225,673**
Non-current Assets		388,003	167,368
Vessels	13	376,507	148,386
Prepayment on vessels	13	0	13,419
Long-term restricted cash	14	10,000	5,000
Other assets		1,496	563
Current assets		26,037	58,305
Inventories		3,545	1,051
Trade and other receivables	15	13,240	2,706
Cash and cash equivalents	14	9,252	54,548
Unrestricted cash		9,252	13,694
Restricted cash		0	40,854
Equity and liabilities		**414,040**	**225,673**
Equity		208,306	123,490
Capital	19	213,090	126,150
Share capital		0	0
Share premium		213,090	126,150
Retained losses		-6,104	-2,951
Other comprehensive income	17	1,018	139
Minority interest	12	302	152
Non-current Liabilities		193,963	96,242
Interest bearing loans	16	193,963	96,242
Current Liabilities		11,771	5,941
Trade payables	17	6,419	4,678
Payables to affiliated companies		2,789	529
Other liabilities		2,562	734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share premium	Retained losses	OCI	Total equity attributable to the equity holders of the Company	Minority interest	Total equity
Incorporation (6 Sept. 2017)	0				**0**		**0**
Contribution in kind		126,150			**126,150**	153	**126,303**
Result of the period			-2,951		**-2,951**	-1	**-2,952**
Other comprehensive income				157	**157**		**157**
Foreign currency translation				-18	**-18**		**-18**
Equity as at 31 Dec. 2017	**0**	**126,150**	**-2,951**	**139**	**123,338**	**152**	**123,490**

in USD thousands	Share capital	Share premium	Retained losses	OCI	Total equity attributable to the equity holders of the Company	Minority interest	Total equity
Equity as at 1 Jan. 2018	0	126,150	-2,951	139	**123,338**	152	**123,490**
Contribution in kind		86,940			**86,940**		**86,940**
Capital increase from non-controlling interest					**0**	136	**136**
Result of the period			-3,153		**-3,153**	13	**-3,140**
Cash flow hedge reserve				865	**865**		**865**
Foreign currency translation				14	**14**		**14**
Equity as at 31 Dec. 2018	**0**	**213,090**	**-6,104**	**1,018**	**208,004**	**302**	**208,306**

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Note	2018	2017
Profit/Loss before taxes		-3,110	-2,930
Income tax paid		0	0
Finance expenses, net	10	14,703	1,670
Interest paid	16	-13,651	-1,535
Interest received		250	178
Net change in current assets		-13,185	-3,757
Net change in current liabilities		5,771	5,791
Cash upfront payment for hedge instruments		-474	-566
Depreciation	13	18,698	1,646
Cash flow from operating activities		**9,003**	**496**
Purchase of vessels[2]	13	-117,463	-27,537
Dry-docking and other investments	13	-28,414	-4,989
Prepayment on vessels	13	0	-13,419
Cash flow from investing activities		**-145,877**	**-45,945**
Proceeds from shareholder's contribution[2]		136	8,937
Gross proceeds debt financing	16	100,000	100,000
Bond issuing costs	16	-3,555	-3,940
Cash flow from financing activities		**96,581**	**104,997**
Net change in cash and cash equivalents		-40,293	59,548
Net foreign exchange differences		-3	0
Cash and cash equivalents at beginning of period		59,548	0
Cash and cash equivalents at the end of period[3]	**14**	**19,252**	**59,548**

[2] In 2018 the Parent contributed, fully or partially, 19 vessels to the Group by means of contributions in kind, for USD 86.9 million (2017: USD 117.5 million). In total, as at 31 December 2018, the Parent has contributed, fully or partially, a total of 34 vessels to the Group (See Note 13 – Vessels).

[3] Whereof USD 10 million and USD 45.9 million is restricted as at 31 December 2018 and 2017, respectively, of which USD 10.0 million and USD 5.0 million reported as long-term asset as at 31 December 2018 and 2017, respectively.

NOTES

Note 1 - General information

MPC Container Ships Invest B.V. (the "Company", together with its subsidiaries the "Group") is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam 1077 NL, Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and its operating activity commenced in September 2017. A total of 34 vessels owned by the Group as of 31 December 2018 has been contributed (partially or fully) by MPC Container Ships ASA (the "Parent"). These consolidated financial statements comprise the Company and its subsidiaries. The principal activity of the Group is the investment in, as well as operating and financing of, container vessels.

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

This consolidated financial statements and accompanying notes were approved by the Company's Management Board 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.

Certain reclassifications have been made to the prior year reported balances in order to conform to the current year presentation.

Going concern assumption

The financial statements are based on the going concern assumption. See also Note 21 - Financial risk management, for further description.

Financial statement classification

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

Current assets are assets that are:

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

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

Current liabilities are those:

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

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

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

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

Basis of measurement

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of MPC Container Ship Invest B.V. and its subsidiaries may only be included in the consolidated financial statements for subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over such entity.

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

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- Potential voting rights.

The consolidation of subsidiaries is carried out from the date as of which the Group obtains the control over such companies and subsidiaries continue to be consolidated until the date that such control ceases. A change in the ownership interest in 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 resulting gain or loss is recognized in the income statement. Any investment retained is recognized at fair value.

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

Minority interests represent the portion of income (or loss), comprehensive income (or loss), and net assets that are not attributable to the Parent of the Group, and are presented separately in the consolidated statement of income, comprehensive income, within equity in the consolidated statement of financial position and in the consolidated statement of changes in equity.

The subsidiaries of the Company listed in Note 23 have been included in this consolidated financial statements.

Functional and presentation currency

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

New and amended standards and interpretations not yet effective

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 lease transactions for both 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 and no other significant lease agreements are in place. Accordingly, the implementation of IFRS 16 will not have any material impact on the Group's results and financial position.

Note 3 - Significant accounting policies

Implementation of IFRS 15 Revenue from contracts with customers

The Group implemented IFRS 15 starting from 1 January 2018. Based on the assessment performed by the Group, the time charter contracts are separated into a lease element, which is accounted for using the lease standard, and a service element, which is accounted for using IFRS 15. The standard has been implemented using the modified retrospective approach. The cumulative effect of the initial application of the standard recorded to equity was assessed to be nil. 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 recognising and 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 amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial asset under IFRS 9 is generally based on the business model according to which a financial asset is managed and its contractual cash flow characteristics. The new standard IFRS 9 largely retains the previous requirements of IAS 39 for the classification and measurement of financial liabilities.

The table below summarises the classification of financial instruments according to IFRS 9, compared to the previous IAS 39 designation:

	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	2,549	2,549
Derivatives	Cash flow hedge (OCI)	FVOCI	157	157
Long-term restricted cash	Cash (amortized cost)	Cash (amortized cost)	5,000	5,000
Cash and cash equivalents	Cash (amortized cost)	Cash (amortized cost)	54,548	54,548
Total financial assets			**62,254**	**62,254**
Interest bearing loans	Other financial liabilities at amortized cost	Other financial liabilities at amortized cost	96,371	96,371
Trade and other liabilities	Other financial liabilities at amortized cost	Other financial liabilities at amortized cost	5,813	5,813
Total financial liabilities			**102,184**	**102,184**

Except for trade and other receivables, the Group has limited financial assets subject to the new expected credit loss model required by 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 of 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 has not had a material impact on the Group's result and financial position.

Foreign currency translation

In accordance with IAS 21, foreign exchange gains and losses resulting from the settlement of monetary transactions denominated in currencies different from the functional currencies are recognized in the income statement. Non-monetary items that are recognized in a foreign currency are maintained at the exchange rates as at the dates of the initial recognition.

For those subsidiaries with functional currencies other than USD, financial position items are translated into USD, which is the presentation currency of these financial statements, at the exchange rate at the balance sheet date, whereas income statement items are translated at the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation are recognised 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, if any, plus capitalizeable expenditures. Upon acquisition, each component of the vessels, with a cost significant in relation to the total acquisition cost, is separately identified and depreciated over that component's useful life, on a straight-line basis.

Depreciation is calculated on a straight-line basis over the useful life of the assets, taking residual values into consideration, and adjusted for impairment charges, if any. Residual values of the vessels are estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. Expected useful lives of assets and related 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. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized.

Impairment of vessels

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

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

Each vessel is considered to be a separate cash generating unit.

Future cash flows are based on an assessment of expected development in charter rates and estimated level of operating expense (including maintenance and repair) and dry-docking over the remaining useful life of the vessel, plus any residual value.

The net present value of future estimated cash flows of each cash generating unit is based on a discount rate according to a pre-tax weighted average cost of capital (see Note 13 – Vessels). The weighted average cost of capital is calculated based on the expected long-term borrowing rate and risk-free rate, plus a risk premium.

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

Intangible assets

Intangible assets acquired are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

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 related to any future obligation is recognized through income statement, net of any expected reimbursement.

Trade 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 bunkers, lube oils and stores on board of the vessels, at the lower of cost and net realizable value. Inventories are accounted for on a first-in/first-out basis.

Cash and cash equivalents

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

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

Share issuance

Costs related to share issuances are recognized directly in equity.

Financial liabilities

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have been classified as other financial liabilities at amortised cost under IFRS 9. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using assumptions that market participants would use when pricing the asset or the liability.

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

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

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

Derivative financial instruments and hedging

The Group may use certain hedging instruments, such as forward contracts or options, to manage foreign exchange or interest rate risk, for instance. Such derivative financial instruments are initially recognized at fair value as at the date on which a derivative contract is entered into, and are subsequently remeasured at fair value at each reporting date. 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 of 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 forecast transaction.

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 for its exposure to interest rate fluctuations in connection with its bond financing.

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

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

Leases

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

The Group leases its vessels to liner shipping companies through time charter contracts, which are considered operating leases.

There are no significant leases in place whereby the Group acts as the lessee.

Revenue recognition

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

Time charter, pool and other revenues from contracts with customers are recognised when control of goods or services are transferred to the customer. It is recognised 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 did not have a material impact on the Groups' revenue recognition, compared to IAS 18.

The service element of the Group's time charter contracts is recognised over time in the period when the services are rendered, since the performance obligation is satisfied over time. When the customer simultaneously receives and consumes the benefits provided by the Group's performance (such as revenues from reimbursements, bunkers and other goods and services provided to customers), related revenues are recognised in the period in which such goods or services are transferred to the customers.

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 from the disposal of investments are deducted from the disposal proceeds.

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

Interest income and expenses

Interest income and expenses recognized are presented as financial income and expenses in the income statement. The interest expenses incurred on the senior secured bond are recognized in the income statement using the effective interest method.

Taxes

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

The Group is subject to the Dutch tonnage tax regime, i.e. taxable income is calculated as a lump sum depending on the net tonnage of the respective vessels, and is therefore 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 to the ordinary taxation rules applicable in the resident country of each respective company. Tonnage tax is classified as "Vessel operation expenditures".

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

Segment reporting

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

Note 4 - Significant judgements, estimates and assumptions

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

Judgements

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

Assets contributions and acquisitions: judgement is required to determine if a transaction qualifies as a business combination or an asset acquisition, depending on the nature of the transaction. The management makes this determination based on whether the Group has acquired an “integrated set of activities and assets”, as defined in IFRS 3 Business Combination, by assessing the underlying inputs, processes applied to those inputs, and resulting outputs. 34 of the vessels reported as at 31 December 2018 represent full or partial contributions from the Parent, and were accounted for in the Parent’s consolidated financial accounts as assets acquisitions. The carrying values in the Parent’s consolidated financial accounts have been deemed representative of related fair values given that they were purchased in an open market and in the same year in which they were contributed to the Group. The remaining 8 vessel acquisitions completed by the Group were considered as asset acquisitions, given that no processes capable to generate outputs were part of the acquisitions.

Assumptions and estimation uncertainties

The following assumptions and estimation uncertainties can result in a material adjustment to the carrying amounts of the Group’s vessels and/or impact the reported results prospectively:

Initial recognition and depreciation of vessels: depreciation is based on estimates of the vessels’ useful lives, the related residual values less scrapping costs and the depreciation method, which are reviewed by the management at each balance sheet date. Any changes in estimated useful lives and/or residual values would impact the depreciation of the vessels prospectively. Also, 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, which also have an impact on the depreciation timeline and related charges.

Impairment of vessels: indicators of impairment of assets are assessed at each reporting date. The impairment assessments demand a considerable degree of estimation. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses. The Group’s impairment test for operating vessels is based on the value in use as assessed by performing discounted cash flow calculations. Value in use calculations involve a high degree of estimation and a number of critical assumptions, such as time charter rates, operational expenses, residual values and discount rates. The key assumptions used in the impairment assessment are disclosed in Note 13.

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 of the Group’s vessels as a whole. Further, the assets and liabilities are reviewed at the consolidated basis and in a consistent manner with the consolidated statement of financial position.

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

Note 6 - Revenue

in USD thousands	2018	2017
Time charter revenue	75,783	6,586
Pool charter revenue	38,893	3,275
Other revenue	8,055	680
Total operating revenue	**122,730**	**10,540**

The Group's time charter contracts are separated into a lease element and a service element. The lease element represents the use of the vessel, and is accounted for in accordance with the lease standard. Revenues from time charter services (service element) and other revenue (eg. revenues from bunkers sold and other services provided to customers) are accounted for in accordance with IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

in USD thousands	2018	2017
Service element	55,259	2,780
Other revenue	8,055	680
Total revenue from customer contracts	**63,314**	**3,460**
Lease revenue	59,416	7,080
Total operating revenue	**122,730**	**10,540**

Other revenue includes USD 6.6 million related to revenue from sale of bunker to charterers.

Contracted revenues based on fixed time charter contracts open 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	31,597	16,098	48,345	**96,040**

The table below shows a comparable table for the fixed time charter contracts open as at 31 December 2017:

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

Note 7 - Voyage expenditures

in USD thousands	2018	2017
Bunker consumption	-11,789	-1,327
Other voyage expenses	-949	-162
Total voyage expenditures	**-12,738**	**-1,489**

When the vessels are on time charter contracts, bunker consumption is a charterer's expense. Bunker consumption also includes costs related to periods when the vessels have been idle, repositioning or under maintenance and repair, which is a Group's expense.

Note 8 - Operating expenditures

in USD thousands	2018	2017
Crew	-36,361	-3,868
Lube oil	-3,417	-49
Insurances	-6,472	-633
Maintenance and repair	-15,710	-2,401
General OPEX	-5,380	-485
Total operating expenditures	**-67,340**	**-7,435**

Note 9 - Administrative expenses

in USD thousands	2018	2017
Legal and advisory services	-486	-70
Audit fees	-371	-90
Other administrative expenses	-1,453	13
Total administrative expenses	**-2,310**	**-146**

Other administrative expenses includes corporate management fees from the Parent. See Note 18 for further description.

Note 10 - Finance income and costs

in USD thousands	2018	2017
Interest income	251	179
Total financial income	**251**	**179**
Interest expenses	-13,528	-1,664
Other financial expenses	-1,425	-185
Total financial costs	**-14,954**	**-1,849**

During 2018 interest paid under the bond agreement and including interest on derivatives amounted to USD 13.7 million. Financial costs mainly relate to interest expenses incurred on the senior secured bond and are recognized using the effective interest method.

Note 11 - Income tax

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

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

Note 12 - Non-controlling interests

in USD thousands	31 December 2018	31 December 2017
Non-controlling interest	302	152
Total non-controlling interests	**302**	**152**

The non-controlling interest is the sum of the 0.1% contributions including the non-controlling interest share of result that the ship managers hold in the ship-owning entities of the Group, see Note 23 – Group companies.

Note 13 - Vessels

in USD thousands	2018	2017
Acquisition cost at 1 January	**150,032**	**-**
Contributions of fixed assets and capitalized investments	86,940	117,506
Acquired vessels and capitalized investments	159,879	32,526
Acquisition cost at 31 December	**396,851**	**150,032**
Accumulated depreciation 1 January	-1,646	-
Depreciation for the year	-18,698	-1,646
Accumulated depreciation 31 December	**-20,344**	**-1,646**
Closing balance	**376,507**	**148,386**
Depreciation method	*Straight-line*	*Straight-line*
Useful life (vessels)	*25 years*	*25 years*
Average remaining useful life (vessels)	*14 years*	*15 years*
Useful life (dry-docks)	*5 years*	*5 years*

As at 31 December 2018, the Group owns and operates 40 vessels through consolidated subsidiaries.

Vessels contributions: as at 31 December 2018, a total of 34 vessels has been partially or fully contributed from the Parent. The original transactions to acquire the vessels were accounted for as asset acquisitions in the Parent's consolidated accounts.

Impairment: given the container market conditions that have been present during the second half of 2018, management has performed impairment tests on all vessels in the Group as at 30 September 2018, with an update assessment through 31 December 2018. This assessment did not lead to any impairment charges, given that the recoverable amounts are higher than the related 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 average remaining useful life of 14 years)
Growth rate for operating expenses:	2.0% p.a.
Charter rates:	Contractual values and historic long-term as estimates of time charter rates for open periods
Utilization:	96% of available trading days, not including dry dockings
Residual value:	Scrap value based on estimated steel price less costs of scrapping at the end of the useful life

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.

Note 14 - Cash and cash equivalents

in USD thousands	31 December 2018	31 December 2017
Bank deposits denominated in USD	17,955	58,974
Bank deposits denominated in EUR	1,297	574
Total cash and cash equivalents	**19,252**	**59,548**

The fair value of cash and cash equivalents at 31 December 2018 is USD 19.3 million. Based on the terms of the senior secured bond, USD 10.0 million in cash is restricted due to the minimum liquidity requirement (see Note 16), and classified as long-term restricted cash.

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

Note 15 - Trade and other receivables

in USD thousands	31 December 2018	31 December 2017
Trade receivables	3,794	943
Receivables to affiliated companies	144	170
Claims related to insurance cases	5,467	452
Other receivables and prepayments	3,836	1,142
Total Trade and other receivables	**13,240**	**2,706**

Trade receivables relate to receivables due from the charterers for the Group’s time charter contracts. Insurance claims are receivables for reimbursements of damages and repairs covered by insurance agreements, which the Group expects to receive within the next 12 months. The table below shows the ageing of trade receivables:

in USD thousands	Total	Current	Days past due			
			<30 days	30-60 days	61-90 days	>90 days
31 December 2018	3,794	3,794		0	0	0

in USD thousands	Total	Current	Days past due			
			<30 days	30-60 days	61-90 days	>90 days
31 December 2017	943	943		0	0	0

The Group applies the simplified approach to provide for lifetime expected credit losses in accordance with IFRS 9. The nominal amount is considered to approximate the amortised cost method due to the short maturity of the receivables. No impairment losses have been recognised in 2018 and 2017, hence no estimated credit losses have been assessed. See Note 21 – Financial risk management, regarding management of credit risk.

Note 16 - Interest-bearing debt

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

On 2 February 2018, a USD 100 million tap issue on the above-mentioned bond was completed. As such, the total nominal amount of bonds outstanding is USD 200 million, which shall be repaid in full at the maturity date on 22 September 2022. On 22 May 2018 the Group announced that all USD 200 million bond proceeds had been successfully invested in accordance with the bond terms. On 14 June 2018, the Group listed the bond at the Oslo Stock Exchange (regulated market), with ticker code “MPCBV”.

The Group has entered into fixed interest-rate swap agreements for USD 50 million to cover the interest rate risk. For the remaining USD 150 million the Group has entered into interest cap and collar agreements.

in USD thousands	31 December 2018	31 December 2017
Nominal value of issued bonds	200,000	100,000
Issuance costs	-6,036	-3,758
Total Interest bearing loans	**193,963**	**96,242**

In addition to customary protection rights for the benefit of the bondholders, the following financial covenant, as defined in the bond terms, is applicable at the level of the Parent's consolidated figures at all times and shall be reported quarterly:

- The consolidated equity ratio of the Parent shall at all times be higher than 40%. As at 31 December 2018, the consolidated equity ratio of the Parent was 63.6%.

The following financial covenants, as defined in the bond terms, are applicable at the level of the Company's consolidated figures at all times and shall be reported quarterly (minimum liquidity) or semi-annually (vessel loan to value ratio):

- The Group shall maintain a minimum liquidity of 5% of the consolidated financial indebtedness; and
- Vessel loan to value ratio of the Company and its subsidiaries shall not exceed 75%. As at 31 December 2018, the Vessel loan to value ratio of the Company was 49%.

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

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

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

See Note 10 for further information on interest income and total interest expenses and Note 21 for an overview of the future repayment structure for the interest bearing loans. The table below shows the reconciliation of movements of interest bearing loans to cash flows from financing activities, including non-cash movements and reconciliation to total interest bearing loans at 31 December 2018.

in USD thousands	Other liabilities	Interest bearing long-term loans	Total
31 December 2017	**129**	**96,242**	**96,371**
Proceeds from bond tap		100,000	100,000
Repayment of bond loan			0
Interest paid	-13,651		-13,651
Bond issuance cost		-3,553	-3,553
Total cash flow from financing activities	**-13,651**	**96,447**	**82,796**
Amortization of bond issuance costs		1,273	1,273
Accrued interest	13,680		13,680
31 December 2018	**158**	**193,963**	**194,121**

in USD thousands	Other liabilities	Interest bearing long-term loans	Total
Proceeds from bond tap		100,000	100,000
Repayment of bond loan			0
Interest paid	-1,535		-1,535
Bond issuance cost		-3,940	-3,940
Total cash flow from financing activities	**-1,535**	**96,060**	**94,525**
Amortization of bond issuance costs		182	182
Accrued interest	1,664		1,664
31 December 2017	**129**	**96,242**	**96,371**

Note 17 - Financial instruments

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

in USD thousands	31 December 2018	31 December 2017
Derivatives designed as hedging instruments		
Interest rate swap	733	110
Interest rate caps	289	47
Debt instruments at amortized cost		
Trade and other receivables	13,240	2,549
Total financial assets	**14,263**	**2,706**
Financial liabilities at amortized cost		
Interest bearing debt	193,963	96,242
Trade and other payables	11,771	5,941
Total financial liabilities	**205,734**	**102,183**

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

The fair value of interest-bearing debt is estimated by discounting future cash flows using rates for debt on similar terms, credit risk and remaining maturities. Fair value of interest-bearing debt approximates its carrying amount as there have been no significant changes in the market rates for similar debt financing instruments 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 fair values during the year ended 31 December 2018 are described below.

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

in USD thousands	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	733	0	110	0
Interest rate caps	289	0	47	0
Total	**1,022**	**0**	**157**	**0**

The terms of the derivatives match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the statement of profit or loss. An amount of USD 1.0 million is included in OCI. The respective asset position is recognized in the consolidated statement of financial position.

The swaps and caps agreements classified as effective cash flow hedges under IFRS9 terminate consistent with the maturity of the senior secured bond.

Note 18 - Related party disclosure

Technical ship management of the vessels owned by the Group is contracted to the Parent. The ship management fees paid to the Parent until 31 December 2018 total USD 5.2 million (2017: USD million 0.6). The Parent has sub-contracted parts of the ship-management activities to Ahrenkiel Steamship, a subsidiary of MPC Münchmeyer Petersen Capital AG, which also holds 0.1% ownership in the ship-owning entities within the Group. MPC Münchmeyer Petersen Capital AG is considered a related party as the chairman of the Board of Directors of the Parent is the Chief Executive Officer of this company. In addition, the vessel-owning subsidiaries of the Company have corporate management fee agreements with the Parent. Total fees paid under the corporate management agreements in 2018 amounted to USD 0.8 million (2017: 0.1 million).

Commercial ship management of the vessels owned by the Group is contracted to Contchart Hamburg Leer GmbH & Co.KG, a subsidiary of MPC Münchmeyer Petersen Capital AG. The commission fees paid to the Contchart in 2018 was a total of USD 1.5 million (2017: USD 0.2 million).

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

19 of the vessels owned by the Group until 31 December 2018 were partially or fully contributed from the Parent in 2018 that acquired the vessels during the first and second quarter of 2018. The vessels were contributed to the Group at book values as the best estimate of market values.

None of the Directors of the Company has received compensation for the directorships in the Company until 31 December 2018 from the Group. Corporate management fees are charged by the Parent to the Group, which include remuneration for key executive positions and other admin support services.

Note 19 - Share capital

	Number of shares	Share capital (USD)	Share premium (USD thousands)
31 December 2017	1	1	126,150
Capital contributions in kind	0	0	86,940
31 December 2017	**1**	**1**	**213,090**

The share capital of the Company consists of 1 share at 31 December 2018, with nominal value per share of EUR 1, paid on 13 October 2017. Share premium represents the additional contributions made by the Parent (substantially through vessels).

Note 20 - Commitments

On 14 November 2018, the Parent 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 Parent’s fleet prior to the 1 January 2020 implementation of the new sulphur emission cap regulation, as sets forth by the International Maritime Organization (“IMO”). Subsequently, on 30 November 2018, the Parent announced that it had exercised options to equip additional five vessels with scrubbers. The Parent’s scrubber agreements also include options to retrofit scrubbers on additional 45 vessels, allowing further installations in 2019 and 2020. A total of 4 of these exercised scrubber options are within the Group. Net of the first prepayments made by the Parent as at 31 December 2018, the respective commitments for the Group totals EUR 5.5 million.

Note 21 - Financial risk management

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

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

Market risk

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligation with floating interest rates, i.e. interests payable on the bond issued in September 2017 and in February 2018 depend on the short-term LIBOR. The Group manages its interest rate risk by using interest rate hedging instruments. To do so, the Group entered into interest rate swaps and interest rate caps. These hedging instruments are accounted for using hedge accounting. Taking into account these hedging instruments, an increase of the short-term LIBOR rate by 50 basis points would cause the Group's annualized interest expenses to increase by USD 0.3 million, or 4%.

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

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

Credit risk

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

It is the aim of the Group to enter into contracts with creditworthy counterparties, only. Prior to concluding a charter contract, 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 made 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 Management report for further description. To ensure this, the Group continuously monitors projected cash flows using a liquidity planning tool. This includes, weekly cash reporting and monthly liquidity forecasts to management, including rolling 12 months liquidity forecasts to executive management.

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

in USD thousands	< 1 year	1-5 years	> 5 years	Total
Interest bearing loans and borrowings	0	-200,000	0	**-200,000**
Interest payments	-14,233	-38,838	0	**-53,071**
Trade payables	-6,419	0	0	**-6,419**
Total	**-20,652**	**-238,838**	**0**	**-259,490**

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

Note 22 - Capital management

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

The Group monitors its capital structure using the book equity ratio, which stands at 50.3% at 31 December 2018.

in USD thousands	31 December 2018	31 December 2017
Book equity	208,306	123,490
Total assets	414,040	225,673
Book-equity ratio	**50.3%**	**54.7%**

The Parent is subject to financial covenants under the bond issued in 2017 and 2018 (see Note 16 – Interest-bearing debt): at 31 December 2018 the consolidated equity ratio of the Parent was 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 Management Board and will depend upon the Group's financial position, earnings, capital requirements, debt covenants and other factors. There are no current estimates regarding the potential future dividend level or timing of dividend payments.

Note 23 - Group companies

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

Entity	Principal activity	Country of incorporation	Equity interest	Initial consolidation
"AS LAETITIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAGUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PAULINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PETRONIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CLARA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS ANGELINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FATIMA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FLORETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FAUSTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FABRIZIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIORELLA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS COLUMBIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CLARITA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FRIDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CALIFORNIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIONA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CONSTANTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FORTUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAURETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS SAVANNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FILIPPA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SOPHIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SERENA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CLEMENTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SARA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SICILIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SEVILLA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS PATRIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS PALATIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CYPRIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CARELIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FABIANA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FEDERICA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FELICIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FLORIANA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS RICCARDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS RAGNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS ROMINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS ROSALIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FLORA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018

Ownership rights equal voting rights in all subsidiaries.

Note 24 - Subsequent events

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 have any environmental spill nor personal injuries on the crew.

COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

in USD thousands	Notes	2018	2017
Administrative expenses	5	-669	0
Other expenses		-25	-1
Other income		21	3
Operating result (EBIT)		**-673**	**2**
Other finance income	6	251	179
Finance costs	6	-14,951	-1,849
Profit/Loss before income tax (EBT)		**-15,373**	**-1,668**
Income tax expenses	7	-30	-22
Profit/Loss for the period		**-15,403**	**-1,690**
Attributable to:			
Equity holders of the Company		-15,403	-1,690

STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	2018	2017
Profit/loss for the period		-15,403	-1,690
Items that may be subsequently transferred to profit or loss		**865**	**157**
Cash flow hedge reserve	12	865	157
Items that will not be subsequently transferred to profit or loss		**0**	**0**
Total comprehensive profit/loss		**-14,538**	**-1,533**
Attributable to:			
Equity holders of the Company		-14,538	-1,533

STATEMENT OF FINANCIAL POSITION

in USD thousands	Note	31 December 2018	31 December 2017
Assets		**393,029**	**223,693**
Non-current Assets		**391,673**	**169,231**
Investments in subsidiaries	8	390,177	168,051
Prepayments on vessels	8	0	617
Other assets		1,496	563
Current assets		**1,356**	**54,462**
Trade and other receivables	10	47	191
Cash and cash equivalents	9	1,309	54,271
Unrestricted cash		0	13,417
Restricted cash		0	40,854
Equity and liabilities		**393,029**	**223,693**
Equity		**197,020**	**124,618**
Capital	14	213,090	126,150
Share capital		0	0
Share premium		213,090	126,150
Retained losses		-17,093	-1,690
Legal reserve		1,022	158
Non-current Liabilities		**193,963**	**96,242**
Interest bearing loans	11	193,963	96,242
Current Liabilities		**2,046**	**2,833**
Trade and other payables	12	651	460
Payables to affiliated companies		1,395	2,373

STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share capital	Retained losses	Legal reserve	Total equity
Incorporation (6 Sept. 2017)					**0**
Contribution in kind		126,150			**126,150**
Result of the period			-1,690		**-1,690**
Cash flow hedge reserve				158	**157**
Equity as at 31 Dec. 2017	**0**	**126,150**	**-1,690**	**158**	**124,618**

in USD thousands	Share capital	Share capital	Retained losses	Legal reserve	Total equity
Equity as at 1 Jan. 2018	0	126,150	-1,690	158	**124,618**
Contribution in kind		86,940			**86,940**
Result of the period			-15,403		**-15,403**
Cash flow hedge reserve				865	**865**
Equity as at 31 Dec. 2018	**0**	**213,090**	**-17,093**	**1,023**	**197,020**

STATEMENT OF CASH FLOW

in USD thousands	Note	2018	2017
Profit/Loss before income tax		-15,373	-1,668
Income taxes paid		0	0
Finance expenses, net	6	14,701	1,670
Interest paid	11	-13,651	-1,535
Interest received		250	178
Other finance costs		-158	-129
Net change in current assets		144	-191
Net change in current liabilities		-787	2,819
Cash upfront payment for hedge instruments		-474	-566
Depreciation		0	0
Cash flow from operating activities		**-15,348**	**578**
Investments in subsidiaries	8	-134,059	-42,100
Prepayment on vessels		0	-617
Cash flow from investing activities		**-134,059**	**-42,717**
Contributions from Parent		0	350
Gross proceeds debt financing	11	100,000	100,000
Bond issuing costs	11	-3,555	-3,940
Cash flow from financing activities		**96,445**	**96,410**
Net change in cash and cash equivalents		-52,962	54,271
Cash and cash equivalents at beginning of period		54,271	0
Cash and cash equivalents at the end of period	9	**1,309**	**54,271**

NOTES

Note 1 - General information

MPC Container Ships Invest B.V. (the “Company“, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Strawinskylaan 835, World Trade Center, Tower B, 8th floor, Amsterdam 1077 NL, Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and its operating activity commenced in September 2017.

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

These financial statements and accompanying notes were approved by the Company’s Management Board on 28 March 2019.

Note 2 - Basis of preparation

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

Certain reclassifications have been made to the prior year reported balances in order to conform to the current year presentation.

Going concern assumption

The financial statements are based on the going concern assumption.

Financial statement classification

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

Current assets are assets that are:

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

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

Current liabilities are those:

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

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

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

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

Basis of measurement

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

Functional and presentation currency

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

New and amended standards and interpretations not yet effective

Standards and interpretations that are issued but not yet effective are disclosed below. Only standards and interpretations that are applicable to the Company has been included and the Company reviews the impact of these changes on its financial statements. The Company'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.

Note 3 Significant accounting policies

Implementation of IFRS 9 Financial instruments

IFRS 9 defines requirements for recognising and 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 Company has applied IFRS 9 retrospectively as at 1 January 2018. IFRS contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model according to which a financial asset is managed and its contractual cash flow characteristics. The new standard IFRS 9 largely retains the previous requirements of IAS 39 for the classification and measurement of financial liabilities.

The table below summarises 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	34	34
Derivatives	Cash flow hedging (OCI)	FVOCI	157	157
Cash and cash equivalents	Cash (amortized cost)	Cash (amortized cost)	54,271	54,271
Total financial assets			**54,462**	**54,462**
Interest bearing loans	Other financial liabilities (amortized cost)	Other financial liabilities (amortized cost)	96,242	96,242
Trade and other liabilities	Other financial liabilities (amortized cost)	Other financial liabilities (amortized cost)	2,833	2,833
Total financial liabilities			**99,075**	**99,075**

Except for trade and other receivables, the Company has limited financial assets subject to the new expected credit loss model required by IFRS 9. For trade and other receivables, the Company 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 Company'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 has not had a material impact on the Company's result and financial position.

Foreign currency translation

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

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

Investments in subsidiaries

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

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

Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Provisions

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

Trade and other payables

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Share issuance

Costs related to share issuances are recognized directly in equity.

Financial liabilities

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have not been classified as other financial liabilities at amortized cost under IFRS 9. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using assumptions that market participants would use when pricing the asset or the liability.

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

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

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

Derivative financial instruments and hedging

The Company may use certain hedging instruments, such as forward contracts or options, to manage foreign exchange or interest rate risk, for instance. Such derivative financial instruments are initially recognized at fair value as at the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. 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 Company 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 Company 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 forecast transaction.

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

Cash flow hedges: As at 31 December 2018, the Company uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its bond financing.

The effective portion of the gain or loss on the hedging instrument is recognized in 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 is incurred, 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.

Interest income and expenses

Interest income and expenses are recognized as accrued and are presented as financial income and expenses in the income statement. The interest expenses incurred on the senior secured bond are recognized in the income statement using the effective interest method.

Taxes

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

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

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

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

Note 4 - Significant judgements, estimates and assumptions

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

Judgements

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

Assets contributions and acquisitions: judgement is required to determine if a transaction qualifies as a business combination or an asset acquisition, depending on the nature of the transaction. Management makes this determination based on whether the Company has acquired an “integrated set of activities and assets”, as defined in IFRS 3 Business Combination, by assessing the underlying inputs, processes applied to those inputs, and resulting outputs. During 2017 and 2018, 34 vessels were partially or fully contributed from the Parent to the Company and subsequently from the Company to the subsidiaries based on their carrying values, deemed representative of related fair value.

Assumptions and estimation uncertainties

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

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

Note 5 - Administrative expenses

in USD thousands	2018	2017
Advisory fees	-413	0
Audit fees	-183	0
Other admin expenses	-73	0
Total administrative expenses	**-669**	**0**

Advisory fees mainly relates to fees paid to the Company’s legal advisors. Audit fees are the fees paid to the Company’s auditor Ernst & Young Accountants LLP (Dutch statutory auditor) for the 2018 audit were EUR 62 thousand.

Note 6 - Finance income and expenses

in USD thousands	2018	2017
Interest income	251	179
Total financial income	**251**	**179**
Interest expenses	-13,528	-1,664
Other financial expenses	-1,423	-185
Total financial expenses	**-14,951**	**-1,849**

Interest income is due to interest earned on bank deposits. Financial costs mainly relate to interest expenses incurred on the senior secured bond and are recognized using the effective interest method.

Note 7 - Income tax

The Company is subject to ordinary corporation tax in the Netherlands for activities not related to the shipping operations.

Note 8 - Investments in subsidiaries

The most significant subsidiaries of the Company are listed below. The Company has assessed its ability of controlling its subsidiaries as a result of the majority of the interest owned and the voting rights. The changes in investment in subsidiaries in 2018 of USD 222.1 million relates to contribution in kind of vessels to vessel-owning entities and contributions in cash.

in USD thousands	Carrying value 31 December 2018	Carrying value 31 December 2017
"AS Angelina" ShipCo C.V.	7,905	7,215
"AS California" ShipCo C.V.	13,826	11,616
"AS Carelia" ShipCo C.V.	11,725	
"AS Clara" ShipCo C.V.	8,479	9,409
"AS Clarita" ShipCo C.V.	10,497	9,376
"AS Clementina" ShipCo C.V.	9,731	
"AS Columbia" ShipCo C.V.	8,279	9,339
"AS Constantina" ShipCo C.V.	7,607	9,030
"AS Cypria" ShipCo C.V.	11,065	
"AS Fabiana" ShipCo C.V.	8,819	
"AS Fabrizia" ShipCo C.V.	10,700	10,195
"AS Fatima" ShipCo C.V.	10,079	8,679
"AS Faustina" ShipCo C.V.	9,980	9,910
"AS Federica" ShipCo C.V.	9,182	
"AS Felicia" ShipCo C.V.	8,826	
"AS Filippa" ShipCo C.V.	9,085	
"AS Fiona" ShipCo C.V.	5,458	5,459
"AS Fiorella" ShipCo C.V.	7,763	8,652
"AS Flora" ShipCo C.V.	11,147	
"AS Floretta" ShipCo C.V.	9,759	9,394
"AS Floriana" ShipCo C.V.	10,051	
"AS Fortuna" ShipCo C.V.	8,530	8,132
"AS Frida" ShipCo C.V.	9,326	6,376
"AS Laetitia" ShipCo C.V.	6,061	6,286
"AS Laguna" ShipCo C.V.	9,211	5,800
"AS Lauretta" ShipCo C.V.	8,271	850
"AS Palatia" ShipCo C.V.	10,956	
"AS Patria" ShipCo C.V.	10,659	
"AS Paulina" ShipCo C.V.	10,377	10,042
"AS Petronia" ShipCo C.V.	9,184	9,409
"AS Ragna" ShipCo C.V.	10,914	
"AS Riccarda" ShipCo C.V.	10,824	
"AS Romina" ShipCo C.V.	11,011	
"AS Rosalia" ShipCo C.V.	10,649	
"AS Sara" ShipCo C.V.	12,106	
"AS Savanna" ShipCo C.V.	10,945	12,882
"AS Serena" ShipCo C.V.	9,213	
"AS Sevillia" ShipCo C.V.	10,062	
"AS Sicilia" ShipCo C.V.	12,205	
"AS Sophia" ShipCo C.V.	9,708	
Total	**390,177**	**168,051**

In addition to the vessel-owning limited partnerships, the Company holds interest in the corresponding general partner entities (limited liability entities) in the amount of USD 55 (units of USD).

Note 9 - Cash and cash equivalents

in USD thousands	31 December 2018	31 December 2017
Bank deposits denominated in USD	1,209	54,166
Bank deposits denominated in EUR	100	105
Total cash and cash equivalents	**1,309**	**54,271**

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

Note 10 - Trade and other receivables

in USD thousands	Total	Current	Past due			
			<30 days	30-60 days	61-90 days	>90 days
31 December 2018	47	47	47	0	0	0

in USD thousands	Total	Current	Past due			
			<30 days	30-60 days	61-90 days	>90 days
31 December 2017	191	191	191	0	0	0

The Company applies the simplified approach to provide for lifetime expected credit losses in accordance with IFRS 9. The nominal amount is considered to approximate the amortised cost method due to the short maturity of the receivables. No impairment losses have been recognised in 2018 and 2017, hence no expected credit losses have been assessed.

Note 11 - Interest-bearing debt

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

On 2 February 2018, a USD 100 million tap issue on the above-mentioned bond was completed. As such, the total nominal amount of bonds outstanding is USD 200 million, which shall be repaid in full at the maturity date on 22 September 2022.

in USD thousands	31 December 2018	31 December 2017
Nominal value of issued bonds	200,000	100,000
Issuance costs	-6,038	-3,758
Total Interest-bearing loans	**193,963**	**96,242**

In addition to the amounts reported in the table above, a total of USD 158 thousand (2017: USD 129 thousand) in accrued interest on the senior secured bond is included under trade and other payables. See Note 16 in the consolidated financial statements of the Group for disclosures regarding the movement in debt in accordance with IAS 7.44.

The Group is in compliance with all covenants as at 31 December 2018. See Note 16 in the consolidated financial statements of the Group for further details.

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

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

Note 12 - Financial instruments

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

in USD thousands	31 December 2018	31 December 2017
Derivatives designed as hedging instruments		
Interest rate swap	733	110
Interest rate caps	289	47
Debt instruments at amortized cost		
Trade and other receivables	47	34
Total financial assets	**1,069**	**191**
Financial liabilities at amortized cost		
Interest bearing debt	193,963	96,242
Trade and other payables	651	460
Total financial liabilities	**194,615**	**96,703**

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

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

See Note 17 in the consolidated financial statements for the Group for further description regarding the cash flow hedges.

Note 13 - Related party disclosure

See Note 18 Related party disclosures in the consolidated financial statements of the Group for details around transactions incurred at the Group level.

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

34 of the vessels owned by subsidiaries of the Company at 31 December 2018 were contributed from the Parent.

Note 14 - Share capital and legal reserve

	Number of shares	Share capital (USD)	Share premium (USD thousands)
31 December 2017	1	0	126,150
Equity injections in 2018	0	0	86,940
31 December 2018	**1**	**0**	**213,091**

The share capital of the Company consists of 1 share at 31 December 2018, with nominal value per share of EUR 1, paid on October 13, 2017. Share premium represents the additional contributions made by the Parent (substantially through vessel contributions and cash).

The hedge reserve amounting to USD 1.0 million is a legal reserve and cannot be distributed.

For remuneration of Directors and key executives, see Note 18 in the consolidated financial statements of the Group.

Note 15 Financial risk and capital management

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

Reference is made to Note 21 and Note 22 in the consolidated financial statements of the Group for further description of the applicable risks in addition to this section.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company'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. The Company is part of the Group's and Parent's risk management system and liquidity planning tool (reference is also made to Note 21 in the consolidated financial statements of the Group and to the Management board's report). The Company's bonds are guaranteed by the Parent, including all the subsidiaries of the Company.

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

in USD thousands	< 1 year	1-5 years	> 5 years	Total
Interest bearing loans and borrowings	0	-200,000	0	**-200,000**
Interest payments	-14,233	-38,838	0	**-53,071**
Trade payables	-651	0	0	**-651**
Total	**-14,884**	**-238,838**	**0**	**-253,722**

For information on how the Company manages its capital, refer to the Note 22 in the consolidated financial statements of the Group.

Note 16 - Subsequent events

No such events.

OTHER INFORMATION

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

Amsterdam, 28 March 2019

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

Lammert de Graaf

Constantin Baack

Hans Bouma

AUDITOR'S REPORT

EY
Building a better working world

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Independent auditor's report

To: the shareholder and audit committee of MPC Container Ships Invest B.V.

Report on the audit of the 2018 financial statements included in the annual report

Our opinion

We have audited the 2018 financial statements of MPC Container Ships Invest B.V. (hereinafter: the company), incorporated in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of MPC Container Ships Invest B.V. as at December 31, 2018, and of its result and its cash flows for 2018, in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company statement of financial position as at December 31, 2018
- The following consolidated and company statements for 2018: the income statement, the statements of comprehensive income, changes in equity and cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	US$3.1 million (2017: US$2.3 million)
Benchmark applied	Approximately 1.5% of consolidated equity
Explanation	We consider a capital-based measure, particularly equity, as the appropriate basis for determining our materiality due to the start-up phase of the operations of the group and the significant amount of vessels and debt reported in the financial statements

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of US$150 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

MPC Container Ships Invest B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of MPC Container Ships Invest B.V.

Our group audit mainly focused on significant group entities. Group entities are considered significant because of their individual financial significance or because they are more likely to include significant risks of material misstatement due to their specific nature or circumstances. All significant group entities were included in the scope of our group audit. The entities included in the group audit scope represent the totality of the group's total assets, net revenues and profit before taxes, and were assigned a full scope.

In establishing the overall approach to the audit, we determined the work to be performed by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our coordination and supervision. We have performed the following procedures:

- We audited the consolidation entries and reviewed the adequacy and completeness of the EU-IFRS disclosures included in the financial statements, with the support of EY Norway.
- We visited EY Germany and reviewed the audit work performed on: (i) the accounting for the initial recognition of the 22 additional vessels partially contributed in kind from the parent company and partially acquired during 2018 (key audit matter), (ii) the revenues reported by the shipping-owning entities, and (iii) the accounting for the US$100 million additional tap issue made in 2018 on the senior secured loan, amongst other areas.
- We reviewed EY Norway's assessment of the impairment test of vessels performed by management (key audit matter).

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Our 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. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

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.

Acquisition and initial recognition of vessels	
Risk	In 2018 the group has acquired 22 additional vessels, partially funded through contributions in kind from its parent MPC Container Ships ASA and partially through the senior secured loan external financing. 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. Management has disclosed its accounting policy related to the initial recognition of vessels under note 3: significant accounting policies, and the key information around these acquisitions and contributions in note 13: vessels.
Our audit approach	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 adequacy of the disclosures included in group's financial statements.
Key observations	As a result of the audit procedures performed we did not identify any material misstatement in the acquisition and initial recognition of vessels reported and disclosed in the group's financial statements.

Impairment assessment of vessels	
Risk	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. Management 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 13: vessels.

Impairment assessment of vessels	
Our audit approach	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 budget 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 adequacy of the disclosures included in the financial statements.
Key observations	As a result of the audit procedures performed we did not identify any material misstatement in the impairment assessment of vessels performed by management and disclosed in the group's financial statements.

Report on other information included in the annual report

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

- The management board's report
- Other information, as required by Part 9 of Book 2 of the Dutch Civil Code

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged as auditor of MPC Container Ships Invest B.V. on January 9, 2018, as of the audit for the year 2017, and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the audit committee for the financial statements

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

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

The audit committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements 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, not communicating the matter is in the public interest.

Rotterdam, March 28, 2019

Ernst & Young Accountants LLP

/s/ Pieter Laan

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.

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 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 VESSEL OPERATING EXPENDITURES ("OPEX") PER DAY

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

UTILIZATION

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

LEVERAGE RATIO

Interest- bearing long-term debt divided by total assets.

EQUITY RATIO

Total book equity divided by total assets.