



**MPC CONTAINER SHIPS ASA**  
**FINANCIAL REPORT**  
**Q3 2018**

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# MPC CONTAINER SHIPS ASA

## THIRD QUARTER AND YEAR-TO-DATE 2018 HIGHLIGHTS

- As of Q3 2018 all 69 acquired vessels have been taken over.
- Total operating revenues were USD 55.8 million in Q3 2018, compared to USD 46.9 million in Q2 2018. For the nine-month period ending Q3 2018, revenues were USD 131.0 million.
- EBITDA were USD 14.6 million in Q3 2018, compared to USD 13.3 million in Q2 2018. For the nine-month period ending Q3 2018, EBITDA were USD 35.8 million.
- Net profit for the period was USD 1.2 million in Q3 2018, compared to USD 1.8 million in Q2 2018. For the nine-month period ending Q3 2018, net profit was USD 3.5 million.
- Total ownership days of consolidated vessels were 5,443 in Q3 2018, compared to 4,976 in Q2 2018. Year-to-date ("YTD") 2018 total ownership days of consolidated vessels were 13,666.
- Total trading days of consolidated vessels were 4,994 in Q3 2018, compared to 4,494 in Q2 2018. YTD 2018 total trading days of consolidated vessels were 12,446. The utilization for Q3 2018 was 91.8%. Excluding dry docking related off-hire, Q3 2018 utilization was 92.6% compared to 92.4% in Q2 2018.
- Average time charter equivalent ("TCE") was USD 10,230 per day in Q3 2018 (USD 9,841 per day in Q2 2018) and USD 9,881 per day YTD 2018.
- Average operating expenses ("OPEX") were USD 5,144 per day in Q3 2018 (USD 5,238 per day in Q2 2018) and USD 5,100 per day YTD 2018.
- Equity ratio as of Q3 2018 was 63.8% (Q2 2018: 63.6%) and the leverage ratio was 33.9% (Q2 2018: 34.5%).

## SUBSEQUENT EVENTS

- On 14 November 2018, the MPC Container Ships ASA ("the Company", together with its subsidiaries "the Group") announced that it has entered into agreements for the purchase of five exhaust gas cleaning systems ("scrubbers") and options to retrofit up to an additional 50 vessels (see note 12 for further description).

## BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

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

In 2018, the Company has issued 19,000,000 new shares in two equity private placements with gross proceeds of USD 125 million; 11,750,000 new shares at a subscription price of NOK 50.00 per share in February 2018 and 7,250,000 new shares at a subscription price of NOK 54.00 per share in June 2018. In February 2018, MPC Container Ships Invest B.V., a subsidiary of the Company, completed a tap issue of a further USD 100 million in the senior secured bond entered into in 2017, and subsequently listed the bond at the Oslo Stock Exchange in June. In May 2018, MPCC First Financing GmbH & Co. KG, a wholly-owned subsidiary of the Company, entered into an agreement for a non-recourse senior secured term loan of approximately USD 50 million with a five-year tenor, floating interest rate of three-month LIBOR + 4.75% and an accordion option at the lender's discretion for a further approximately USD 250 million. As at 30 September 2018, the Group has acquired and taken over 69 container vessels between 966 TEU and 2,846 TEU. Of these, 61 are consolidated and 8 are operated in a joint venture.

## THIRD QUARTER AND YEAR-TO-DATE 2018 RESULTS

### Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues were USD 55.8 million during Q3 2018 (Q2 2018: USD 46.9 million) and USD 131.0 million YTD 2018. The gross profit from vessel operations was USD 17.6 million in Q3 2018 (Q2 2018: USD 14.9 million) and USD 42.0 million YTD 2018.

The financial performance of the Group in 2018 needs to be put in perspective, given that the Group is in the ramp-up phase of its operations. For the quarter and nine-month period ending 30 September 2018, the operating result of the Group is impacted by frequent vessel take-overs as well as one-off costs for the start-up phase associated with the establishment and development of the Group. The Group has taken over 40 vessels during the first nine months of 2018.

The Group reports a profit before taxes of USD 1.3 million in Q3 2018 (Q2 2018: USD 1.9 million) and USD 3.7 million YTD 2018. The net result for the period was USD 1.2 million in Q3 2018 (Q2 2018: USD 1.8 million) and USD 3.5 million YTD 2018.

### Financial position

The Group's total assets amounted to USD 730.1 million at 30 September 2018 (USD 451.1 million at 31 December 2017). Non-current assets in the amount of USD 632.8 million comprises of vessels taken over and operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 465.9 million at 30 September 2018 (USD 340.5 million at 31 December 2017) with non-controlling interest of USD 4.7 million. As at 30 September 2018, the Group had interest-bearing debt in the amount of USD 247.5 million (USD 102.3 million as at 31 December 2017), the increase in long-term debt resulting from the second bond tap in February 2018 and the non-recourse senior secured term loan completed in May 2018.

### Cash flow

The total net change in cash and cash equivalents from 30 June 2018 to 30 September 2018 was USD -38.8 million.

During Q3 2018, the Group generated a positive cash flow from operating activities of USD 2.2 million (Q2 2018: USD 11.3 million). The cash flow from investing activities was USD -40.1 million (Q2 2018: USD -65.7 million) mainly due to vessel acquisitions. The Group had a negative cash flow from financing activities of USD -0.8 million (Q2 2018: USD 85.9 million) due to repayment of debt and interests.

Cash and cash equivalents as at 30 September 2018 were USD 67.7 million.

## CONTAINER MARKET UPDATE

After a strong first half in 2018, weaker than expected demand growth led to a market softening in Q3 2018. Growing economic uncertainties also had a dampening effect on market sentiment. For the full year 2018, container ship fleet growth is being projected at 5.8%, exceeding an estimated 4.5% growth rate in container trade volume.

Idle fleet capacity rose to around 2.0% of the total fleet at the end of September, reflecting softening market conditions. Consequently, charter rates and asset values slightly weakened during the three-months period ended on 30 September 2018, but are largely up in 2018 YTD.

## Demand

In their latest issue, the IMF lowered its forecast for global economic growth from 3.9% to 3.7% for 2018 and 2019. Growth in industrialized countries indicates economic stagnation, while the beginning of an economic slowdown can be observed in some emerging markets. The IMF also warns that the likelihood of further negative shocks to its growth forecast has increased.

Container demand growth projections have been downward-adjusted to 4.5% for 2018, primarily due to weaker than anticipated trade growth on Mainlane and Non-Mainlane East-West trades, e.g. Asia-Europe. Growing uncertainties about the global economic development under the influence of potentially escalating trade tensions have also affected the revised indicator. However, a solid expansion of 7.0% in North-South trades and 6.8% in Intra-Asian trades is still being estimated. In the Intra-European, Intra-Latin American and Caribbean trades, market analysts are forecasting solid growth rates of between 4 and 5%.

## Supply

Container fleet growth estimates for 2018 have been adjusted upwards to 5.9%, mainly due to very subdued demolition activities of container vessels during the first nine months of 2018, with only 25 units of approximately 43,000 TEU having been sold as scrap. Scrapping activity is, however, expected to pick up in the coming months due to increasing bunker prices, the softer charter market and new regulatory requirements coming into force in the next 18 months (Ballast Water Management in Q3 2019 and Low Sulphur Fuel Emissions in Q1 2020).

Container ship deliveries for 2018 are expected to reach 1.35 million TEU in 2018 (2017: 1.19 million TEU). Deliveries are leaning towards larger-sized vessels, with ships over 10,000 TEU accounting for 83% of the fleet growth this year. In the smaller segments below 3,000 TEU, moderate fleet growth of around 2.3% of the existing fleet is projected.

Over 150 newbuildings with slightly more than 1 million TEU have been contracted in the first nine months of 2018 (2017: 122 units, 0.8 million TEU), with a large part focusing on feeder vessels of 1,800 - 2,800 TEU and many of the recent orders coming directly from liner shipping companies.

## Asset prices

Newbuilding prices have increased significantly for feeder container ships during 2018. The increase has been higher than in the other main shipping segments, e.g. dry bulk or tankers, and can be explained by high contracting demand and increased material costs (steel plate prices rose by 25% over a twelve-month period).

Newbuilding prices in September 2018:

- 1,000 TEU: USD 19.0 million (up 10% YTD)
- 1,700 TEU: USD 26.0 million (up 12% YTD)
- 2,750 TEU: USD 34.75 million (up 17% YTD)
- 4,800 TEU: USD 49.75 million (up 12% YTD)

The number of secondhand ships for sale has increased in the third quarter, reflecting a hesitation of buyers caused by economic uncertainties. Q3 2018 recorded the lowest sale-and-purchase activity in container shipping over the last two years. Consequently, second hand prices for container ships fell somewhat in the reporting period, but largely stayed above the levels seen at the beginning of the year.

Secondhand prices (10yr old) in September 2018:

- 1,000 TEU: USD 6.75 million (down 10% YTD)
- 1,700 TEU: USD 11.25 million (up 18% YTD)
- 2,750 TEU: USD 14.0 million (up 22% YTD)
- 4,300 TEU: USD 13.25 million (up 26% YTD)

## Charter rates

During the first half of 2018, the charter market improved strongly as most liner shipping companies chartered-in tonnage to extend existing services or open new services in anticipation of strong demand. However, weak operating margins, caused by disappointing freight rates and rising fuel prices, put pressure on liner companies to manage their capacity. The closure of services and other efficiency measures led to declining demand for charter tonnage in the third quarter. Despite the weakened market sentiment, charter rates in most segments were still up YTD at the end of September.

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

- 1,000 TEU: USD 7,250 (up 7%YTD)
- 1,700 TEU: USD 9,500 (up 1% YTD)
- 2,750 TEU: USD 11,350 (up 23% YTD)
- 4,300 TEU: USD 11,900 (up 36% YTD)

## IMO2020 sulphur emission cap regulation

As of 1 January 2020, the global limit on sulphur content for all marine fuels will be limited to 0.5 percent, a regulation set forth by the International Maritime Organization (“IMO”). Consequently, during 2018, the shipping industry has placed great emphasis on the sulphur dioxide emission regulation and the alternatives for IMO compliance.

The Group must be able to efficiently manage the challenges and requirements society imposes on its activities, and environmental regulation compliance is of high importance. Referring to the market announcement made on 14 November 2018, the Group has entered into agreements for the purchase of five exhaust gas cleaning systems (“scrubbers”) and options to retrofit up to an additional 50 vessels within its fleet (see note 12 for further description).

The Company will carefully evaluate its scrubber retrofit options vis-à-vis reliance on compliant low sulphur fuels post-2020.

Sources: *Clarksons Research, Alphaliner, MSI, IMF*

## OUTLOOK

At present, negative market sentiment seems to outweigh fundamentals as several market participants are concerned about rising bunker prices, an escalating trade war and weak trade growth between Asia and Europe. These uncertainties are causing charterers to pursue a more defensive strategy and to keep charter periods as short and flexible as possible. Nevertheless, the container sector is still in a phase of rebalancing, in which total fleet capacity expansion is expected to fall to around 3% in 2019 against a backdrop of total trade volume growth of 4-5%. Intra-regional trades are expected to grow by around 5-6%, while supply growth in the feeder segment is estimated to be around 2% in 2019, suggesting a modest demand surplus.

Despite the softening of charter markets and increased uncertainties the Group still expects to generate a positive result for the full year 2018.

## FORWARD-LOOKING STATEMENTS

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

in USD thousands	Notes	Q3 2018 (unaudited)	Q2 2018 (unaudited)	Q3 2017 (unaudited)	Q3 2018 YTD (unaudited)	Q3 2017 YTD (unaudited)
Operating revenue	5	55,799	46,935	6,997	130,994	8,219
Commissions		-2,016	-1,789	-204	-4,848	-251
Vessel voyage expenditures		-6,955	-2,759	-1,046	-10,943	-1,329
Vessel operation expenditures		-28,001	-26,062	-4,445	-69,693	-5,093
Ship management fees		-2,254	-1,785	-345	-5,266	-421
Share of profit or loss from joint venture	6	981	394	275	1,725	470
<b>Gross profit</b>		<b>17,555</b>	<b>14,934</b>	<b>1,231</b>	<b>41,969</b>	<b>1,594</b>
Administrative expenses		-3,124	-1,863	-435	-6,398	-850
Other expenses		-173	-385	-90	-964	-90
Other income		313	574	393	1,177	395
<b>EBITDA</b>		<b>14,572</b>	<b>13,260</b>	<b>1,099</b>	<b>35,784</b>	<b>1,048</b>
Depreciation and impairment	7	-7,987	-7,277	-1,039	-20,180	-1,295
<b>Operating result (EBIT)</b>		<b>6,585</b>	<b>5,983</b>	<b>60</b>	<b>15,604</b>	<b>-246</b>
Other finance income		54	118	161	492	214
Finance costs		-5,328	-4,204	-56	-12,377	-240
<b>Profit/Loss before income tax (EBT)</b>		<b>1,311</b>	<b>1,897</b>	<b>165</b>	<b>3,719</b>	<b>-272</b>
Income tax expenses		-132	-124	-64	-264	-64
<b>Profit/Loss for the period</b>		<b>1,179</b>	<b>1,773</b>	<b>100</b>	<b>3,455</b>	<b>-336</b>
Attributable to:						
Equity holders of the Company		988	1,971	99	3,536	-337
Minority interest		191	-198	1	-81	1
<b>Basic earnings per share – in USD</b>		<b>0.01</b>	<b>0.02</b>	<b>0.00</b>	<b>0.04</b>	<b>-0.01</b>
<b>Diluted earnings per share – in USD</b>		<b>0.01</b>	<b>0.02</b>	<b>0.00</b>	<b>0.04</b>	<b>-0.01</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Q3 2018 (unaudited)	Q2 2018 (unaudited)	Q3 2017 (unaudited)	Q3 2018 YTD (unaudited)	Q3 2017 YTD (unaudited)
Profit/loss for the period	1,179	1,773	100	3,455	-336
<b>Items that may be subsequently transferred to profit or loss</b>	<b>381</b>	<b>527</b>	<b>36</b>	<b>2,434</b>	<b>50</b>
Foreign currency effects, net of taxes	-73	-51	36	23	50
Profit/loss from hedging reserves, net of taxes	454	578	0	2,411	0
<b>Items that will not be subsequently transferred to profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other comprehensive profit/loss, net of taxes	0	0	0	0	0
Other comprehensive profit/loss from joint ventures and affiliates	0	0	0	0	0
<b>Total comprehensive profit/loss</b>	<b>1,560</b>	<b>2,301</b>	<b>136</b>	<b>5,889</b>	<b>-286</b>
Attributable to:					
Equity holders of the Company	1,369	2,498	136	5,969	-287
Non-controlling interest	191	-198	1	-81	1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In USD thousands	Note	30 September 2018 (unaudited)	31 December 2017 (audited)
<b>Assets</b>		<b>730,061</b>	<b>451,125</b>
Non-current Assets		632,774	281,250
Vessels	7	605,305	207,069
Prepayment of vessels	7	0	57,787
Investment in joint venture	6	27,468	16,394
Current assets		97,287	169,875
Inventories		5,515	1,675
Trade and other receivables	11	24,094	3,877
Cash and cash equivalents		67,678	164,323
Unrestricted cash		52,695	119,171
Restricted cash		14,983	45,152
<b>Equity and liabilities</b>		<b>730,061</b>	<b>451,125</b>
Equity		465,878	340,520
Ordinary shares	10	457,726	338,477
Share capital		101,121	77,155
Capital reserves		356,605	261,322
Retained earnings / (losses)		897	-2,639
Other reserves		2,573	140
Non-controlling interests		4,683	4,542
Non-current Liabilities		244,563	102,108
Interest bearing long-term debt	8	244,563	102,108
Current Liabilities		19,620	8,497
Interest bearing short-term debt	8	2,979	158
Provisions		3,776	3,197
Trade and other payables		9,605	4,005
Payables to affiliated companies		40	53
Other liabilities		3,218	1,083



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	Share capital (unaudited)	Share premium (unaudited)	Retained earnings (unaudited)	Other reserves (unaudited)	Non-controlling interests (unaudited)	Total equity (unaudited)
Equity as at 1 Jan. 2018	77,155	261,322	-2,639	140	4,542	340,520
Share issuance	23,965	95,283				119,248
Capital increase from non-controlling interest					222	222
Result of the period			3,536		-81	3,455
Foreign currency effects				22		23
Other comprehensive income				2,411		2,411
<b>Equity as at 30 Sept. 2018</b>	<b>101,120</b>	<b>356,605</b>	<b>897</b>	<b>2,573</b>	<b>4,683</b>	<b>465,878</b>
Incorporation 9 Jan. 2017	3					3
Share issuance	40,832	130,073				170,905
Capital increase from non-controlling interest					4,389	4,389
Result of the period			-337		1	-336
Foreign currency effects				50		50
<b>Equity as at 30 Sept. 2017</b>	<b>40,835</b>	<b>130,073</b>	<b>-337</b>	<b>50</b>	<b>4,390</b>	<b>175,011</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Q3 2018 (unaudited)	Q2 2018 (unaudited)	Q3 2017 (unaudited)	Q3 2018 YTD (unaudited)	Q3 2017 YTD (unaudited)
Profit/Loss before income tax	1,311	1,897	165	3,719	-272
Income tax expenses paid	-132	-123	-64	-263	-64
Net change in current assets	-13,898	-3,120	-3,493	-23,112	-5,033
Net change in provisions	1,027	-1,293	490	738	1,364
Net change in current liabilities	1,119	2,367	2,922	6,528	4,210
Fair value change in derivatives	454	578	0	2,411	0
Depreciation	7,987	7,277	1,039	20,180	1,295
Interest expenses (net)	5,274	4,086	-6	11,885	-25
Share of profit or loss from joint venture	-981	-394	-374	-1,725	-470
<b>Cash flow from operating activities</b>	<b>2,160</b>	<b>11,275</b>	<b>679</b>	<b>20,362</b>	<b>1,005</b>
Purchase of vessels	-34,003	-55,874	-83,136	-331,323	-131,187
Dry docks and other upgrades on vessels	-6,378	-12,666	-1,633	-29,306	-3,564
Purchase of long-term financial assets	231	2,794	0	-9,350	-16,000
Interest received	54	60	161	432	214
<b>Cash flow from investing activities</b>	<b>-40,096</b>	<b>-65,686</b>	<b>-84,608</b>	<b>-369,546</b>	<b>-150,537</b>
Proceeds from share issuance	6,377	41,505	4,390	122,378	175,373
Share issuance costs	-831	-750	-11	-3,134	-74
Proceeds from debt financing		51,150	100,000	151,150	100,000
Repayment of debt	-1,023		0	-1,023	0
Interest paid	-4,926	-3,953	-8	-11,325	-8
Debt issuance costs	-432	-2,101	-3,448	-5,234	-3,448
<b>Cash flow from financing activities</b>	<b>-835</b>	<b>85,850</b>	<b>100,923</b>	<b>252,812</b>	<b>271,843</b>
Net change in cash and cash equivalents	-38,771	31,439	16,995	-96,373	122,312
Net foreign exchange differences	-209	-176	-88	-209	-28
Cash and cash equivalents at beginning of period	106,721	75,458	105,377	164,323	0
<b>Cash and cash equivalents at the end of period</b>	<b>67,741</b>	<b>106,721</b>	<b>122,284</b>	<b>67,741</b>	<b>122,284</b>

## NOTES

### Note 1 - General information

MPC Container Ships ASA (the "Company") is a public limited liability company (Norwegian: *allmennaksjeselskap*) incorporated and domiciled in Norway, with registered address at Dronning Mauds gate 3, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Company was incorporated on 9 January 2017 and commenced operations in April 2017, when the first vessels were acquired. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is the investment in and operation of container vessels.

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

### Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 30 September 2018 are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The statements have not been subject to audit. The statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. The consolidated financial statements are presented in USD thousands unless otherwise indicated.

Standards and interpretations that are issued but not yet effective are disclosed below. Only standards and interpretations that are applicable to the Group have been included and the Group reviews the impact of these changes in its financial statements. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

- IFRS 16 – Leases

### Note 3 - Significant accounting policies

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

The implementation of IFRS 15 on revenues from contracts with customers and IFRS 9 on financial instruments, both effective from annual periods beginning on or after 1 January 2018, have not had a material impact on the Group's result and financial position.

### Note 4 - Segment information

All of the Group's vessels earn revenue from seaborne container transportation globally. The vessels exhibit similar economic, trading and financial characteristics. The Group is organized in one operating segment, i.e. the container shipping segment.

## Note 5 - Revenue

in USD thousands	Q3 2018	YTD 2018	Number of vessels
Time charter revenue	38,426	91,470	45
Pool charter revenue	12,665	31,506	16
Other revenue	4,708	8,017	-
<b>Total operating revenue</b>	<b>55,799</b>	<b>130,994</b>	<b>69</b>

Pool revenues are based on average revenues across the pool the vessels are employed in.

## Note 6 - Interest in joint ventures

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

in USD thousands	Q3 2018	Q3 2018 YTD
Operating revenue	7,327	19,499
Operating costs	-5,066	-15,376
Net financial income/expense	-271	-645
Income tax	-28	-28
<b>Profit after tax for the period</b>	<b>1,963</b>	<b>3,450</b>
<b>Total comprehensive income for the period</b>	<b>1,963</b>	<b>3,450</b>
<b>Group's share of profit for the period</b>	<b>981</b>	<b>1,725</b>

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

## Note 7 - Vessels and prepayments

in USD thousands	Prepayments	Vessels	Total
<b>As at 1 January 2018, net of accumulated depreciation</b>	<b>57,787</b>	<b>207,069</b>	<b>264,856</b>
Additions (mainly upgrades and docking of vessels)		29,306	29,306
Vessel purchases*		331,323	331,323
Reclassifications to vessels	-57,787	57,787	0
Depreciation for the period		-20,180	-20,180
<b>As at 30 September 2018, net of accumulated depreciation</b>	<b>0</b>	<b>605,305</b>	<b>605,305</b>

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

## Note 8 - Interest-bearing debt

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

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

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

in USD thousands	30 September 2018
Nominal value of issued bonds	200,000
Non-recourse senior secured term loan	50,127
Other long-term debt including accrued interest	5,432
<b>Total interest bearing debt outstanding</b>	<b>255,559</b>
Debt issuance costs	-8,017
<b>Total interest bearing debt outstanding</b>	<b>247,542</b>

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

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

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

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

The Group is in compliance with all bond and loan covenants as per 30 September 2018.

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

## Note 9 - Related party disclosure

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

The Company is responsible for the technical ship management of the vessels owned by the Group. Performance of technical ship management services is sub-contracted to Ahrenkiel Steamship GmbH & Co. KG and Ahrenkiel Steamship B.V., subsidiaries of MPC Münchmeyer Petersen Capital AG, for 58 of the 69 vessels owned by the Group and joint venture entities.

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

The following table provides the total amount of service transactions that have been entered into with related parties as of Q3 2018 YTD:

in USD thousands - Q3 2018 YTD	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	4,406	581
Contchart Hamburg Leer GmbH & Co.KG	1,624	232
MPC Maritime Investments GmbH	792	-
MPC Münchmeyer Petersen Capital AG	396	-
<b>Total</b>	<b>7,218</b>	<b>813</b>

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

## Note 10 Share capital

	Number of shares	Share capital (USD thousands)	Share premium (USD thousands)
<b>1 January 2018</b>	<b>65,253,000</b>	<b>77,155</b>	<b>261,322</b>
16 February 2018	77,003,000	92,254	319,167
20 June 2018	83,289,000	99,939	352,236
2 July 2018	84,253,000	101,120	356,605
<b>30 September 2018</b>	<b>84,253,000</b>	<b>101,120</b>	<b>356,605</b>

The share capital of the Company consists of 84,253,000 shares as at 30 September 2018, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

Total share issuance costs from incorporation until 30 September 2018 amounts to USD 13.3 million.

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

## Note 11 - Trade and other receivables

in USD thousands	30 September 2018
Trade receivables	2,802
Derivative financial instruments	2,568
Claims related to insurance cases	6,782
Insurance premium prepayments	6,364
Other receivables and prepayments	5,579
<b>Total Trade and other receivables</b>	<b>24,094</b>

## Note 12 - Subsequent events

At 14 November 2018, the Group announced that it has entered into agreements for the purchase of five exhaust gas cleaning systems ("scrubbers") which are to be retrofitted on five selected vessels within the Group's fleet prior to the 1 January 2020 implementation of the new sulphur emission cap regulation, as set forth by the IMO. The agreements also include options to purchase scrubbers for up to 50 additional vessels, allowing for further installations in both 2019 and 2020, respectively.

# ALTERNATIVE PERFORMANCE MEASURES

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

## EBITDA

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

in USD thousands	Q3 2018 (unaudited)	Q2 2018 (unaudited)	Q3 2017 (unaudited)	Q3 2018 YTD (unaudited)	Q3 2017 YTD (unaudited)
Operating result (EBIT)	6,585	5,983	60	15,604	-246
Depreciation	7,987	7,277	1,039	20,180	1,295
<b>EBITDA</b>	<b>14,572</b>	<b>13,260</b>	<b>1,099</b>	<b>35,784</b>	<b>1,048</b>

## AVERAGE TIME CHARTER EQUIVALENT ("TCE")

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

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

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

## UTILIZATION

Utilization in percentage is a commonly used KPI in the shipping industry. Utilization in percentage represents total trading days divided by the total number of ownership days during the period.

## LEVERAGE RATIO

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

## EQUITY RATIO

Total book equity divided by total assets.

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