



MPC CONTAINER SHIPS ASA

FINANCIAL REPORT

Q3 2021

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MPC CONTAINER SHIPS ASA

THIRD QUARTER 2021 HIGHLIGHTS

- MPC Container Ships ASA (“the Company” or together with its subsidiaries “the Group”) completed on 9 August 2021 the transaction announced on 22 June 2021 regarding the share purchase agreement to acquire Songa Container AS (“Songa”). The Transaction comprised of 11 vessels with an average size of 2,250 TEU and an average age of 11.9 years. The acquired fleet is included in the consolidated income statement of the Group from the completion date of 9 August 2021. See note 11 for further details.
- Total operating revenues for Q3 2021 were USD 118.5 million compared with USD 68.8 million for Q2 2021.
- EBITDA was USD 73.6 million in Q3 2021 (Q2 2021: USD 31.9 million), of which USD 15.4 million was contributed by the acquired Songa entities, from the transaction date 9 August 2021.
- Operating cash flow for Q3 2021 was USD 60.4 million (Q2 2021: USD 35.6 million).
- Net profit for the period was USD 46.5 million (Q2 2021: USD 12.0 million).
- Earnings per share for the period was USD 0.11 (Q2 2021: USD 0.03 per share).
- Total ownership days for wholly owned vessels came to 5,735 (Q2 2021: 5,121) and total trading days came to 5,417 (Q2 2021: 4,896). Utilisation in Q3 2021 was 97.7%¹ (Q2 2021: 96.9%).
- Average time charter equivalent (“TCE”) was USD 19,656 per day (Q2 2021: USD 13,437 per day).
- Average operating expenses (“OPEX”) were USD 5,340 per day (Q2 2021: USD 5,377 per day).
- Equity ratio at 30 September 2021 was 58.4% (30 June 2021: 58.8%) and the leverage ratio was 34.8% (30 June 2021: 37.7%).
- On 29 July 2021 the Group entered into a USD 70 million three-year revolving credit facility agreement with CIT Group and an initial drawdown of USD 40 million was made to refinance the existing debt. As a consequence, the term loan of USD 29 million and the non-recourse senior secured term loan of USD 59.2 million were repaid in full. Further drawdowns under the new facility may be used for vessel upgrades, investments or general corporate purposes.
- On 18 August 2021, a subsidiary of 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG, where the Group has a 50% interest, entered into an agreement for the sale of AS Cordelia for USD 39.0 million. The vessel was delivered to its new owner in October 2021 and the estimated gain of approximate USD 16 million, which represents the Group’s 50% share, will be recognised in Q4 2021.

SUBSEQUENT EVENTS

- On 20 October 2021, the Group entered into an agreement for a USD 180 million five-year senior secured credit facility with Hamburg Commercial Bank (“HCOB”). The credit facility consists of a USD 130 million term loan and a revolving credit facility of USD 50 million. During Q4 2021, the Group intends to use the credit facility, together with parts of the proceeds from the vessel sales (as set out below) to refinance the DNB acquisition financing, as well as the outstanding USD 204 million bond financing. With this, as a consequence, the previous acquisition financing with DNB and the outstanding senior secured bonds will be repaid in full and more than 30 of the vessels owned by the Group will subsequently be unencumbered.

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

- On 20 October 2021, the Group announced that it has agreed to sell six smaller vessels with an average size of 1,200 TEU for a total of USD 135 million, which implies a significant premium to the current MPCC share price. The vessels are expected to be handed over to their new owners during Q4 2021.

CEO COMMENTS

We continue to witness historically strong container markets with significant demand growth and high freight and charter rates. This is further amplified by global supply chain disruptions, a situation that we believe is unlikely to ease anytime soon. In this unique market environment charterers continue to compete for tonnage whilst only limited newbuilds are anticipated to be delivered during the next two to three years. We expect the favourable conditions for a tight containership market to continue going forward.

In these market conditions, the Company has already executed 53 multi-year charter fixtures YTD and has executed on a number of portfolio measures, leading to a significant increase in charter revenues and a current EBITDA backlog of more than USD 840 million, thus improving the earnings visibility and cash generation going forward.

We have further been able to arbitrage the disparity between asset and charter values, by adding 12 vessels to the fleet during the first nine months of 2021, which were subsequently fixed at attractive charters or partly sold at a substantial premium. This follows our strategy of focusing on transactions that are accretive on a per share basis.

Simultaneously, we have executed a comprehensive refinancing and balance sheet optimization measures, as part of which the Company since July has also taken the opportunity to divest nine vessels at attractive prices. Once we have completed the balance optimization measures, which are expected finalized during Q4 2021, the Company will have reduced its cost of debt, deleveraged significantly and, most importantly, will enjoy a high degree of flexibility by having more than 50% of the fleet unencumbered. This also paves the way for substantial return of capital to investors in the quarters and years ahead.

THIRD QUARTER 2021 RESULTS

Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues for the quarter were USD 118.5 million (Q2 2021: USD 68.8 million). Gross profit from vessel operations was USD 79.6 million (Q2 2021: USD 35.1 million). The increase in operating revenues and gross profit compared with the previous quarter was driven by the strong charter market and container demand, leading to improved charter rates for the Group's fleet compared with earlier quarters. Accordingly, the Q3 2021 TCE (per trading day) increased from USD 13,437 in Q2 2021 to USD 19,656.

Additionally, the acquisition of Songa Container, which was consolidated from 9 August 2021, has contributed to this improvement with an effect of about USD 15.4 million effect on gross profit in the period from 9 August 2021 until 30 September 2021.

Following the Group's strategy to reduce the risk profile and to optimize the funding structure for the future, the finance costs shows a non-recurring increase compared to the previous quarter, up from USD 6.3 million to USD 12.3 million. This increase is driven by the non-recurring effects from break-up fees and write-offs of capitalized transaction costs related to the non-recourse term loan of USD 2.5 million, including a non-recurring impact from a discontinuation of hedge accounting for a derivative leading to a finance cost of USD 1.4 million.

The Group reports a net profit of USD 46.5 million for Q3 2021 (Q2 2021: USD 12.0 million).

Financial position

The Group's total assets amounted to USD 1,017.1 million as at 30 September 2021 (USD 678.1 million as at 31 December 2020). Non-current assets of USD 826.0 million (USD 617.2 million as at 31 December 2020) reflected the carrying amounts of the vessels operated by the Group including the equity investments into a joint venture covering eight additional vessels. The growth in vessels during Q3 2021 mainly reflected the acquisition of Songa Container AS which increased the total fleet by 11 vessels with a fair value of USD 296.5 million and Capex for the quarter, partly offset by depreciations and the reclassification of six vessels as held for sale. The rise of the investment in joint venture during Q3 2021 reflected USD 2.3 million in the share of profit from the joint venture.

Total equity was USD 593.5 million as at 30 September 2021 (USD 383.0 million as at 31 December 2020) with a non-controlling interest of USD 0.8 million. The change in equity in 2021 mainly reflects the capital increase of USD 149.5 million related to the acquisition of Songa Container (see note 11) and the net profit for the period of USD 61.9 million.

At 30 September 2021, the Group had total interest-bearing debt in the amount of USD 353.7 million (USD 276.9 million as at 31 December 2020). The increase in long-term debt derives mainly from USD 188.5 million in total proceeds of debt financing, made up of USD 127.5 million from the Songa acquisition financing and USD 55 million from the new RCF. This was partly offset by the repayment of USD 114.6 million in debt related to the non-recourse term loan of USD 49.6 million, the term loan of USD 29 million and the OVB financing of USD 6 million, and the instalment of USD 30 million on the acquisition facility in September 2021.

Cash flow

In Q3 2021, the Group generated a positive cash flow from operating activities of USD 60.4 million (Q2 2021: USD 35.6 million). Cash flow from investing activities was negative by USD 83.5 million (Q2 2021: negative at USD 3.9 million) resulting from the acquisition of Songa Container AS with a net cash consideration of USD 72.7 in addition to USD 10.8 million from investments into dry dockings and other upgrades. The Group had a positive cash flow from financing activities of USD 53.3 million in Q3 2021 (Q2 2021: negative of USD 33.5 million) mainly affected by proceeds of USD 182.5 million from debt financing which was partly offset by USD 118.2 million in repayment of debt, whereof USD 34.1 million related to the repayment of debt from Songa Container, USD 3.7 million in quarterly interests payment and USD 5.1 million in debt issuance cost capitalised during the quarter.

Cash and cash equivalents as at 30 September 2021 came to USD 76.5 million. Total restricted cash at 30 September 2021 was USD 2.6 million, mainly related to cash on a blocked account under the bond terms, compared with USD 11.5 million as at 31 December 2020. The decrease reflected the use of proceeds in the blocked account during 2021 related to internal relocation of vessels between different funding structures in the Group.

CONTAINER MARKET UPDATE

Historic container vessel market boom

Following the recovery from the effects of COVID-19 in the first half of 2020, the container vessel market has experienced an unprecedented boom with rapidly rising prices, rates and volume growth. The pandemic has had an impact, as did the Ever Given blocking of the Suez Canal and the further COVID-19 disruptions in China and South-East Asia. However, the main determinant of the boom can be traced back to a supply web problem, where several weaknesses have been exposed by the boom in a single trade: Transpacific eastbound. An unexpectedly strong bounce-back in container volumes between Asia and the USA caused port and hinterland congestions which led to a shortage of trade equipment around the globe. What followed was an unprecedented supply shortage with tight capacity characterising the container vessel market since then.

As a result, key industry parameters such as freight rates or time-charter rates sky-rocketed to unprecedented levels

and the commercial idle statistics fell to a record low. At the beginning of September, time-charter rates and freight rates appear to have reached a peak. There are no signs of this changing at the moment and it is difficult to forecast when the market will normalise and what the new norm will look like.

Global economy is performing well, but not really supportive

The global economy, the macroeconomic environment and international trade figures do not speak the language of a boom. Although the recovery from the effects induced by Covid-19 has been significant in 2021, and seems to be robust, international trade figures paint a picture of an ongoing, slightly growing globalisation, but not one of a market spike. US imports are an exception, and increased significantly owing to a shift in spending from regional services to consumer goods. PMIs saw a strong recovery in 2021, but meanwhile made a downward correction in advanced western economies at least. Consumer sentiment is also showing a declining trend. New Covid-19 lockdowns, further supply chain disruptions and raw material shortages add to the momentum. The RCEP (an Asian trade pact including China, Japan, South Korea and South-East Asian Economies and others) reaffirmed its target of putting the trade pact into effect by early next year. We can assume that the Asian market will grow relatively strongly, with China continuing to act as a workhorse. One future threat is inflation. Fiscal and monetary policy is unable to maintain the stimuli in the future. With inflation already at 4% to 5% in the UK and the USA, the Bank of England and the US FED gave some warning signals recently. Overall, economic figures are back on track, increasing slightly and moving forward, but clearly not supporting or fuelling such a market boom as intensive as the one the container vessel industry currently faces.

Industry fundamentals are encouraging, especially for intra-regional trades and smaller vessels

Container Vessel Market fundamentals are in good shape. For 2021, analysts expect an increase in TEU demand of 8.2%, whereas supply (the container vessel fleet) is expected to grow by 4.1%.² The figures are especially encouraging for intra-regional trades and smaller vessel size classes. Demand in intra-regional trades is expected to increase during 2021 by 7.2%. Vessels smaller than 5.2k TEU (which mainly serve intra-regional markets) are expected to grow by only 2% in 2021.³ Looking further ahead, analysts expect an excess demand in the coming two years, which will be pronounced for vessels serving intra-regional trades. In the mid-term, supply developments for smaller tonnage are negative even taking account of the recent ordering spike. Second-hand transactions and new-build orders increased and so did second-hand prices (up by around 600% over the past 12 months) and newbuilding prices as well (up by around 30% year-on-year).⁴ The increase in new-build orders since October 2020 is strongly biased towards larger sized vessels, so that smaller vessels below 5.2k TEU are still seeing a manageable order-book-to-fleet ratio. Ordered TEU is currently at 23.1% of the total TEU capacity. The order-book-to-fleet ratio below 12k TEU is still around 8%.⁵ The new order-book-spike will start to be delivered in 2023 and the market will then see an increase in new-build deliveries of larger sized vessels. That will make it important to monitor possible cascading flows closely. Since 45% of vessels (in TEU terms) are more than 14 years old with a strong bias towards smaller tonnage, a significant increase in scrapping numbers is expected when the current market surge eases and when environmental regulations come into force in 2023. (700k TEU are expected to leave the fleet in 2023-24, while 2021 year-to-date saw only 12k TEU scrapped).⁶

A temporary new normal: The chaos induced by bottleneck, congestions and disruptions

The main drivers of the current container vessel market spike are port and hinterland congestions, disruptions and

² Maritime Strategies International, Horizon, November 2021.

³ Ibid.

⁴ Clarksons Research, Shipping Intelligence Network, November 2021

⁵ Clarksons Research, Shipping Intelligence Network, November 2021.

⁶ Maritime Strategies International, Horizon, November 2021; Clarksons Research, Shipping Intelligence Network, November 2021.

equipment shortages. Caused by an extraordinary US Import boom and a strong increase in Transpacific eastbound TEU volumes, these disruptions created very tight supply of capacity which was driving rates and prices up. Varying by size cluster, time-charter rates are currently up by around 500% on a year-on-year basis. Freight rates are also significantly elevated, by around 200% to 400% year-on-year.⁷ Commercial idle numbers fell to record lows. Transpacific rates as well as charter rates for smaller, feeder vessels saw some downward correction lately. However, this should be interpreted more as a correction to an overheated market environment than as a market turnaround. We do not see any relief to the disruptions and congestions. On the contrary, bottleneck problems have not disappeared and port and hinterland congestion climbed to record levels in recent weeks. The Clarksons Port Congestion index reached a record high lately of more than 9m TEU.⁸ Recently published TEU volume data confirm the tendency we have seen in 2021, namely a normal level of growth with a substantial boom in US demand. This also lends support to the notion that the boom is unlikely to end in the short term.

Market momentum expected to continue well into 2022

Analysts and industry specialists argue that the surge may continue for months, well into 2022. Network pressures will persist well into the middle of next year and perhaps beyond. Port congestion may indeed get worse before improving. It is not possible to solve issues like port capacity and lack of infrastructure including a shortage of lorry drivers, rail and warehouse capacity overnight. And, even when the pressure and the logistic problems ease, demand will remain strong. Freight rates are still at elevated levels and charter rates are expected to stay at historically high levels as demand continues to far outstrip supply. Some analysts even argue that the main problems are unlikely to be solved before 2023. The market outlook for the rest of the year and for 2022 therefor remains very positive.

FORWARD-LOOKING STATEMENTS

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

⁷ Clarksons Research, Shipping Intelligence Network, November 2021.

⁸ Clarksons Research, Shipping Intelligence Network, November 2021.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In USD thousands	Notes	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q3 2020 (unaudited)	Q3 2021 YTD (unaudited)	Q3 2020 YTD (unaudited)
Operating revenues	5, 11	118,463	68,825	41,194	242,162	126,325
Commissions		-3,346	-2,363	-1,493	-7,844	-4,385
Vessel voyage expenditures		-3,567	-2,978	-5,068	-7,847	-17,227
Vessel operation expenditures		-31,992	-28,402	-27,432	-88,336	-80,593
Ship management fees		-2,237	-2,190	-2,283	-6,584	-6,854
Share of profit or loss from joint venture	6	2,313	2,254	90	6,194	573
Gross profit		79,634	35,147	5,007	137,745	17,839
Administrative expenses		-5,580	-2,480	-1,955	-10,514	-5,867
Other expenses		-781	-903	-616	-2,142	-1,466
Other income		312	141	250	2,657	1,129
EBITDA		73,584	31,906	2,687	127,747	11,635
Depreciation	7	-17,098	-13,674	-12,340	-43,912	-36,855
Impairment	7	0	0	-1,732	0	-4,232
Bargain gain business combination	11	2,312	0	0	2,312	0
Operating result (EBIT)		58,798	18,232	-11,386	86,147	-29,453
Finance income		37	52	242	104	561
Finance costs	8	-12,250	-6,272	-6,637	-24,130	-17,155
Profit/Loss before income tax (EBT)		46,585	12,012	-17,781	62,122	-46,047
Income tax expenses		-132	-25	-4	-196	-62
Profit/Loss for the period		46,453	11,986	-17,785	61,926	-46,110
Attributable to:						
Equity holders of the Company		46,420	11,977	-17,778	61,880	-46,091
Minority interest		33	10	-7	46	-19
Basic earnings per share – in USD		0.11	0.03	-0.05	0.15	-0.25
Diluted earnings per share – in USD		0.11	0.03	-0.05	0.15	-0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In USD thousands	Notes	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q3 2020 (unaudited)	Q3 2021 YTD (unaudited)	Q3 2020 YTD (unaudited)
Profit/loss for the period		46,453	11,986	-17,785	61,926	-46,110
Items that may be subsequently transferred to profit or loss		1,664	538	408	2,618	-5,820
Foreign currency effects, net of taxes		-136	107	81	-197	41
Change in hedging reserves, net of taxes		1,800	431	327	2,816	-5,861
Items that will not be subsequently transferred to profit or loss		0	0	0	0	0
Other comprehensive profit/loss, net of taxes		0	0	0	0	0
Other comprehensive profit/loss from joint ventures and affiliates		0	0	0	0	0
Total comprehensive profit/loss		48,117	12,524	-17,377	64,545	-51,929
Attributable to:						
Equity holders of the Company		48,084	12,514	-17,370	64,499	-51,910
Non-controlling interest		33	10	-7	46	-19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In USD thousands	Notes	At 30 September 2021 (unaudited)	At 31 December 2020 (audited)
Assets		1,017,100	678,138
Non-current Assets		825,964	617,179
Vessels	7, 11	793,408	587,816
Prepayments on vessels	7	0	1,000
Investment in joint venture	6	32,556	28,362
Current Assets		191,136	60,959
Vessel held for sale	7	78,164	3,900
Inventories		5,119	3,373
Trade and other receivables		31,358	14,432
Cash and cash equivalents		76,495	39,254
Unrestricted cash		73,910	27,717
Restricted cash		2,585	11,537
Equity and Liabilities		1,017,100	678,138
Equity		593,504	383,032
Share capital	10, 11	48,630	43,047
Share premium	11	547,812	456,764
Other paid in equity	11, 9	49,268	0
Treasury shares		-1,143	-1,143
Retained losses		-45,635	-108,413
Other reserves		-6,258	-8,877
Non-controlling interest		830	1,655
Non-current liabilities		303,703	274,484
Interest-bearing loans	8	298,337	274,484
Acquired TC contracts, non-current	11	5,366	0
Current liabilities		119,892	20,623
Interest-bearing loans and borrowings	8	55,328	2,436
Acquired TC contracts, current	11	29,296	0
Trade and other payables		14,718	13,275
Payables to affiliated companies		0	20
Other liabilities		20,550	4,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	Share capital (unaudited)	Share premium (unaudited)	Other paid in capital (unaudited)	Treasury shares (unaudited)	Retained losses (unaudited)	Other reserves (unaudited)	Non-controlling interest (unaudited)	Total equity (unaudited)
Equity as at 1 Jan. 2021	43,047	456,764	0	-1,143	-108,413	-8,877	1,655	383,032
Change in non-controlling interest	0	0	0	0	900	0	-871	29
Capital increase / Contribution in kind	5,583	91,048	52,822	0	0	0	0	149,452
Result of the period	0	0	0	0	61,880	0	46	61,926
Foreign currency effects	0	0	0	0	0	-197	0	-197
Settlement of warrants	0	0	-3,554	0	0	0	0	-3,554
Hedging reserves	0	0	0	0	0	2,816	0	2,816
Equity at 30 September 2021	48,630	547,812	49,268	-1,143	-45,635	-6,258	830	593,504
Equity as at 1 Jan. 2020	101,121	356,566	0	-1,143	-43,948	-3,819	1,681	410,457
Change in nominal value	-97,236	97,236	0	0	0	0	0	0
Capital increase	39,162	2,962	0	0	0	0	0	42,124
Result of the period	0	0	0	0	-64,465	0	-26	-64,491
Foreign currency effects	0	0	0	0	0	257	0	257
Hedging reserves	0	0	0	0	0	-5,316	0	-5,316
Equity at 31 December 2020	43,047	456,764	0	-1,143	-108,413	-8,877	1,655	383,032

CONSOLIDATED STATEMENT OF CASH FLOW

In USD thousands	Notes	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q3 2020 (unaudited)	Q3 2021 YTD (unaudited)	Q3 2020 YTD (unaudited)
Profit/Loss before income tax		46,585	12,012	-17,781	62,122	-46,047
Income tax expenses paid		0	0	0	0	0
Fair value change in derivatives		-462	432	327	554	-618
Net change Inventory and Trade and Other receivables		-14,720	-479	1,241	-18,882	5,397
Net change other current and Trade and other payables		7,465	6,015	-4,426	13,526	-776
Acquired working capital	11	5,608	0	0	5,608	0
Depreciation		17,098	13,674	12,340	43,912	36,855
Finance costs (net)		12,213	6,220	6,396	24,025	16,595
Share of profit or loss from joint venture		-2,313	-2,254	-90	-6,194	-573
Impairment		0	0	1,732	0	4,232
Bargain gain business combination	11	-2,312	0	0	-2,312	0
Amortization of acquired time charter contracts	4, 11	-8,811	0	0	-8,811	0
Cash flow from operating activities		60,351	35,620	-260	113,548	15,067
Proceeds from disposal of vessels		0	3,900	10,500	8,506	10,500
Scrubbers, dry dockings and other vessel upgrades		-10,800	-9,820	-8,608	-25,688	-30,461
Purchase of new vessel		0	0	0	-9,000	0
Interest received		25	9	3	38	79
Dividend received from joint venture investment		0	2,000	0	2,000	0
Cash from entities acquired	11	11,918	0	0	11,918	0
Cash consideration acquisition	11	-84,610	0	0	-84,610	0
Cash flow from investing activities		-83,468	-3,911	1,895	-96,836	-19,882
Proceeds from share issuance		0	0	31,418	0	43,354
Share issuance costs		-190	0	-916	-190	-1,192
Proceeds from debt financing		182,500	0	0	188,500	0
Repayment of debt		-84,159	-29,333	-6,603	-114,595	-8,326
Repayment of acquired debt		-34,071	0	0	-34,071	0
Interest paid		-3,661	-3,430	-2,070	-10,542	-11,136
Debt issuance costs		-5,074	-48	-1,895	-5,240	-2,165
Other finance paid		-2,073	-681	-481	-3,333	-530
Repayment of hedging instrument		0	0	0	0	-5,243
Cash flow from financing activities		53,272	-33,492	19,453	20,529	14,762
Net change in cash and cash equivalents		30,156	-1,783	21,088	37,241	9,948
Net foreign exchange differences		0	0	0	0	0
Cash and cash equivalents at the beginning of the period		46,339	48,122	29,065	39,254	40,205
Cash and cash equivalents at the end of the period⁹		76,495	46,339	50,153	76,495	50,153

⁹ Of which restricted cash is USD 2.6 million at 30 September 2021 and USD 11.5 million at 31 December 2020.

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 its registered address at Munkedamsveien 45 A, 0250 Oslo, Norway and Norwegian registered enterprise number 918 494 316. The Company was incorporated on 9 January 2017 and commenced operations in April 2017 when the first vessels were acquired. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is to invest in and to operate maritime assets in the container shipping segment.

The shares of the Company are listed on the Oslo Stock Exchange under the ticker "MPCC".

Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 30 September 2021 have been 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 the 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 2020. The consolidated financial statements are presented in USD thousands unless otherwise stated.

Only standards and interpretations that are applicable to the Group have been included and the Group reviews the impact of these changes in its financial statements. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

Note 3 - Significant accounting policies

The accounting policies adopted in preparing 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 2020. No new standards were effective as at 1 January 2021 with a significant impact on the Group.

Note 4 - Segment information

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

Note 5 - Revenue

In USD thousands	Q3 2021 (unaudited)	Q3 2020 (unaudited)
Time charter revenue	88,796	28,996
Pool charter revenue	17,682	8,177
Other revenue	11,985	4,021
Total operating revenue	118,463	41,194

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

Other revenue are reimbursements of bunkers and other services, including amortization of acquired value of time

charter contracts. In Q3 the amortization of acquired time charter contracts were USD 8.8 million (Q2 2021: USD 0.0 million). The amortisation of acquired time charter contracts relates to the Songa acquisition (see note 11) and is amortised over the remaining contract period.

In USD thousands	Q3 2021 (unaudited)	Q3 2020 (unaudited)
Service element	80,154	12,949
Other revenue	11,985	4,021
Total revenue from customer contracts	92,130	16,970
Lease element	26,325	24,224
Total operating revenue	118,463	41,194

Note 6 - Interest in joint ventures

In USD thousands	Q3 2021 (unaudited)	Q3 2020 (unaudited)
Operating revenue	11,674	6,322
Operating costs	-5,558	-4,747
Depreciation	-1,334	-1,185
Net financial income/expense	-152	-192
Income tax	-6	-19
Profit after tax for the period	4,626	179
Total comprehensive income for the period	4,626	179
Group's share of profit for the period	2,313	90

The Group has a 50% interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company which owns eight container vessels through respective wholly-owned subsidiaries. In view of the shared control structure in the joint venture, the Group's interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method.

Note 7 - Vessels and prepayments

In USD thousands	At 30 June 2021 (unaudited)	At 31 December 2020 (audited)
Acquisition cost at 1 January	707,924	697,533
Acquisition of vessels	10,000	0
Acquisition of Songa Container (see note 11)	296,584	0
Prepayments	-1,000	1,000
Capitalised dry-docking and other expenses	25,688	42,569
Disposals of vessels	-9,236	-25,025
Vessels held for sale	-86,601	-8,153
Acquisition cost	943,360	707,924
Accumulated depreciations and impairment 1 January	-119,107	-75,672
Depreciation for the year-to-date	-43,912	-49,653
Impairment	0	-8,996
Disposal of vessels	4,630	10,961
Vessels held for sale	8,437	4,253
Accumulated depreciations and impairment at end of period	-149,953	-119,107
Closing balance at end of period	793,407	588,816
<i>Depreciation method</i>	<i>Straight-line</i>	<i>Straight-line</i>
<i>Useful life (vessels)</i>	<i>25 years</i>	<i>25 years</i>
<i>Useful life (dry dockings)</i>	<i>5 years</i>	<i>5 years</i>
<i>Useful life (scrubbers)</i>	<i>Remaining useful life vessel</i>	<i>Remaining useful life vessel</i>

The amount of USD 296.6 million from the acquisition of Songa Container represents the fair value of the acquired vessels at the transaction date of 9 August 2021. See note 11 for further details.

At 30 September 2021, the Group has classified six vessels as held for sale since it has entered into agreements for the sale of these vessels after the balance sheet date (see subsequent events). These vessels were classified as held for sale at 30 September 2021, since the sales were highly probable at that date.

At each reporting date, the Group evaluates whether there is an indication that an asset may be impaired. An assessment of the recoverable amount performed when an impairment indicator exists. At 30 September 2021, no such indicators were identified by management and no impairment test was therefore performed.

Note 8 Interest-bearing debt

In USD thousands	Ticker	Currency	Facility amount	Interest	Initial Maturity	At 30 September 2021 (unaudited)	At 31 December 2020 (audited)
Nominal value of issued bonds*	MPCBV	USD	204,056	Floating + 4.75%	September 2022	204,056	204,056
Non-recourse senior secured term loan	N/A	USD	59,150	Floating + 4.75%	May 2023	0	49,595
CIT Revolving credit facility	N/A	USD	55,000	Floating + 3.25%	June 2024	55,000	0
DNB acquisition facility	N/A	USD	127,500	Floating + 5.00%	August 2023	97,500	0
Term loan	N/A	USD	29,000	Floating + 3.5%	April 2022	0	29,000
Other long-term debt incl accrued interest						330	229
Total outstanding						354,444	282,880
Debt issuance costs						-3,221	-5,960
Total interest bearing debt outstanding						353,665	276,920

* As part of the bond amendments resolved on 3 July 2020, the redemption price at the new maturity date being 22 March 2023 is set to 104%.

The Group entered into a prepayment and release agreement for the non-recourse senior secured term loan of USD 59.2 million where the repayment in its full was completed at 28 July 2021.

On 29 July 2021 the Group entered into a USD 70 million three-year revolving credit facility agreement with CIT Group, where MPCC Second Financing GmbH & Co. KG, a subsidiary of the Company, is the borrower. The initial drawdown of USD 40 million was made to refinance the existing debt. As a consequence the term loan of USD 29 million and the non-recourse senior secured term loan of USD 59.2 million were repaid in full. Further drawdowns under the new facility may be used for vessel upgrades, investments or general corporate purposes.

In relation to the acquisition of Songa Container AS as described in Note 11, DNB Bank ASA committed to provide a USD 127.5 million acquisition facility with a two-year tenor and an effective interest rate of 500 bps plus Libor, with MPCC Third Financing AS, a subsidiary of the Company, as the borrower. The drawdown on this acquisition facility was made on 9 August 2021 as part of the closing of the transaction. See Note 11 for further details.

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. With respect to the USD 150 million bond loan is concerned, the Group has entered into interest cap and collar agreements. With respect to the senior secured term loan, the Group has entered into collar agreements.

On 3 July 2020, MPC Container Ships B.V. received support from the majority of its bondholders for certain amendments under the bond agreement, which included among others a waiver of the loan-to-value covenant, reduced minimum liquidity restrictions until but excluding 31 December 2021, as well as a six-month extension of the maturity. The book-equity ratio of the Group was reintroduced at 20% for the period commencing on 31 March

2021 and reinstated at 40% at 31 December 2021 and for any period thereafter.

Accordingly, the following main financial covenants were applicable at 30 September 2021 in accordance with the terms for of the bond loan:

- The Group will maintain a minimum equity ratio of 20%
- MPC Container Ships Invest B.V., together with its subsidiaries will maintain a minimum liquidity of USD 7.5 million

The following main financial covenants are defined in the terms of the CIT Revolving credit facility,:

- The Group will maintain a minimum equity ratio of 40%
- Vessel loan-to-value ratio of MPCC Second Financing GmbH & Co. KG and its subsidiaries will not exceed 65% for the first 12 months after draw down, then 62.5% for the next 12 months and then 60% thereafter
- The Group will maintain a minimum liquidity equivalent to the higher of 5% of the financial indebtedness of the Group and USD 250 000 per vessel consolidated in the Group.

The following main financial covenants are defined in the terms of the DNB acquisition facility,:

- The Group will maintain a minimum equity ratio of 40%
- Vessel loan-to-value ratio of MPCC Third Financing AS and its subsidiaries will not exceed 75%; and
- The Group will maintain a minimum liquidity equivalent to the higher of 5% of the financial indebtedness of the Group and USD 250 000 per vessel consolidated in the Group.

The Group was in compliance with all bond and loan covenants at 30 September 2021.

Subsequent to the balance sheet date, on 20 October 2021, the Group entered into an agreement for a USD 180 million five-year senior secured credit facility with Hamburg Commercial Bank ("HCOB"). The credit facility consists of a USD 130 million term loan and a revolving credit facility of USD 50 million. During Q4 2021, the Group intends to use the credit facility, together with parts of the proceeds from the vessel sales (as described above) to refinance the DNB acquisition financing, as well as the outstanding UD 204 million bond financing. As a consequence, the previous acquisition financing with DNB and the outstanding senior secured bonds will be repaid in full and a significant number of vessels owned by the Group will subsequently be unencumbered.

Note 9 - Related party disclosure

The following table provides the total amount of service transactions which have been entered into with related parties in Q3 2021:

in USD thousands - Q3 2021	Type of services	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Wilhelmsen Ahrenkiel Ship Man. GmbH & Co. KG / B.V.	Technical	2,106	241
Harper Petersen & Co. GmbH	Commercial	1,485	136
MPC Münchmeyer Petersen Capital AG	Corporate	202	0
Total		3,793	377

All related party transactions are carried out at market terms. Please see Note 19 in the Company's 2020 Annual Report for additional details.

On 3 September 2021, the Company entered into an agreement with the warrant holders MPC Capital Beteiligungsgesellschaft mbH & Co. KG, to settle the 3,740,604 warrants already vested for a cash consideration of USD 3.5 million. The settlement has been recognised in Q3 21 as a reduction in other paid in equity. At 30 September 2021 the cash consideration for the warrant settlement is still outstanding. Since the cash consideration falls due by 30 June 2022, the provision is included under current liabilities. Following this settlement agreement, the warrant

holder continues to hold 1,870,302 warrants, which may be exercised at an exercise price of USD 1.89, providing the vesting criterias are met, no later than on 20 April 2022.

Note 10 - Share capital

The share capital of the Company consisted of 444,051,377 shares at 30 September 2021. The nominal value per share is NOK 1.00. All issued shares in the table below carry equal rights and are fully paid up.

	Number of shares	Share capital (USD thousands)
31 December 2020	394,256,127	43,047
Share capital increase 9 August 2021	49,795,250	5,584
30 September 2021	444,051,377	48,630

At 30 September 2021 the Company held 351,098 treasury shares.

On 9 August 2021 the Group completed the acquisition of Songa Container AS. A total of 49,795,250 new shares were issued as part of the consideration paid. See note 11 for further details.

Note 11 - Business combination

On 22 June 2021, the Group entered into a share purchase agreement to acquire Songa Container AS ("Songa") for an aggregate purchase price of USD 210.25 million ("the Transaction"). The Transaction, covering 100% of the shares in Songa, including a minority interest in a Songa subsidiary, was completed on 9 August 2021 ("the Transaction date"). The consideration was paid partly in cash and partly in new shares, and a total of 49,795,250 new shares were issued under the Transaction.

With the acquisition of Songa and its 11 container vessels which have an average size of 2,250 TEU, the Group aims to reinforce its position as the leading intra-regional container tonnage-provider with a combined fleet of 75 ships (including eight joint-venture vessels) and a total capacity of about 158,000 TEU. The Transaction will add significant scale and operating leverage to the MPCC platform in a persistently strong container market, with rates, charter durations and asset values strengthening on a continuous basis. The acquired Songa SPVs are subject to Norwegian tonnage taxes.

It was agreed that USD 84.6 million of the purchase price would be settled in cash based on the preliminary cash and working capital of Songa. This amount includes the repayment of the outstanding bond in Songa. The remaining share issuance totalling 49,795,250 new shares in the Company was based on a financial effective date of the Transaction of 31 May 2021 when a mutual understanding of the main terms of the Transaction was reached between the parties the Company's closing share price was NOK 17.34.

The preliminary purchase price paid at closing on 9 August 2021 for the shares in Songa was USD 236.4 million. Out of the preliminary purchase price, a total of USD 84.6 million was paid in cash at the transaction date based on the preliminary cash and working capital of Songa. The remaining portion was settled through issuing 49,795,250 consideration shares in the Company and the fair value of the subscription price was set at USD 3.01 (NOK 26.80) per share based on the closing price of the share of the Company at the transaction date and a USD/NOK exchange rate of 8.918. The preliminary purchase price and the cash consideration are subject to customary post-closing adjustments. Based on the preliminary purchase price, the fair value of Songa's net assets and liabilities for the Group is as follows:

In USD thousands	
Total fair value of net identifiable assets	236,566
Estimated fair value of share consideration	149,643
Cash consideration	84,612
Bargain purchase gain	2,312

During the negotiations between the buyer and the seller, an assumed fair value of the consideration shares was set at NOK 17.34 per share equal to the opening share price at 31 May 2021. Under the IFRS, the fair value is set at the share price at the transaction date of NOK 26.80 per share, which is significantly above the agreed price. The main reason for the variance is assumed to be the continued positive developments in charter rates and asset prices from the financial effective date until the transaction date as described above.

The preliminary bargain purchase gain of USD 2.1 million can be considered as a forecast effect of the continued positive developments in assets prices and charter rates on the fair value of the net identifiable assets acquired. These are expected to exceed the impacts on the total consideration since only a portion of the total consideration has taken the form of consideration shares.

Estimated total transaction costs related to the acquisition and the acquisition facility are USD 5.9 million, whereof the majority of the cost is related to fees for the new (acquisition) financing.

From 9 August 2021 to 30 September 2021, the acquisition of Songa contributed EBITDA of USD 15.7 million and a net profit of USD 12.2 million. This is reflected in the consolidated income statement of the Group for Q3. Had the acquisition been completed as of January 2021, management estimates that the consolidated EBITDA for the nine months would have been USD 20.5 million and the consolidated net profit for the same period would have been USD 9.2 million. These amounts have been determined by applying the accounting principles of the Group and assuming that the fair values arising on the date of the acquisition would have been the same had the acquisition been completed at 1 January 2021.

The following tables summarise the assumed fair value of the asset and liabilities acquired at the date of the acquisition:

In USD thousands	Book value Songa at 9 August 2021 (unaudited)	Adjustments (unaudited)	PPA Songa at 9 August 2021 (unaudited)
Assets	141,436	176,738	318,174
Non-current Assets	119,846	176,738	296,584
Vessels	119,846	176,738	296,584
Current Assets	21,590	0	21,590
Inventories	1,066	0	1,066
Trade and other receivables	8,605	0	8,605
Cash and cash equivalents	11,919	0	11,919
Equity and Liabilities	141,437	-59,828	81,608
Equity	103,301	-103,301	0
Share capital	8,925	-8,925	0
Share premium	66,065	-66,065	0
Retained earnings	27,303	-27,303	0
Non-controlling interest	1,008	-1,008	0
Non-current Liabilities	34,071	7,417	41,488
Interest bearing loans	34,071	0	34,071
Acquired TC contracts, non-current	0	7,417	7,417
Current Liabilities	4,063	36,056	40,120
Acquired TC contracts, current	0	36,056	36,056
Trade and other payables	2,362	0	2,362
Other liabilities	1,701	0	1,701

Total net identifiable assets acquired	0	236,566	236,566
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The preliminary purchase price allocation has been estimated based on facts and circumstances that are known about the acquisition at the date of this report. Should any new information be obtained within one year from the transaction date, the accounting for the acquisition will be revised.

In relation to the cash consideration DNB Bank ASA committed to providing a USD 127.5 million acquisition facility with a two-year year tenor and an effective interest rate of 500 bps plus Libor, which was drawn down on the transaction date of 9 August 2021.

Note 12 - Subsequent events

On 20 October 2021, the Group entered into an agreement for a USD 180 million five-year senior secured credit facility with Hamburg Commercial Bank (“HCOB”). The credit facility consists of a USD 130 million term loan and a revolving credit facility of USD 50 million. During Q4 2021, the Group intends to use the credit facility, together with parts of the proceeds from the vessel sales (as set out above), to refinance DNB acquisition financing, as well as the outstanding USD 204 million bond financing. As a consequence, the previous acquisition financing with DNB and the outstanding senior secured bonds will be repaid in full and a significant number of the vessels owned by the Group will subsequently be unencumbered.

On 20 October 2021, the Group announced that it had entered into memorandum of agreements on the sale of six smaller vessels with an average size of 1,200 TEU for a total of USD 135 million. The vessels to be sold are Anne Sibus, Stefan Sibus, Grete Sibus, AS Federica, AS Faustina and AS Riccarda. Parts of these proceeds will be used to refinance the DNB acquisition financing as well as the outstanding bond. These vessels are included as held for sale as at 30 September 2021. They are expected to be handed over to their new owners during Q4 2021.

On 17 November 2021, the Group entered into an agreement for the sale of the 50% owned vessel AS Petulia for USD 35.8 million and the fully owned vessel AS Palatia for USD 35.8 million. In addition the Group agreed under the same agreement to extend the charter period under the time charter contracts for 4 vessels. AS Petulia and AS Palatia are expected to be handed over to its new owner in the fourth quarter.

ALTERNATIVE PERFORMANCE MEASURES

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

GROSS PROFIT

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

EBITDA

in USD thousands	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q3 2020 (unaudited)	Q3 2021 YTD (unaudited)	Q3 2020 YTD (unaudited)
Operating result (EBIT)	58,798	18,232	-11,386	86,147	-29,453
Depreciation	17,098	13,674	12,340	43,912	36,855
Impairment	0	0	1,732	0	4,232
Bargain gain business combination	-2,312	0	0	-2,312	0
EBITDA	73,584	31,906	2,687	127,747	11,635

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

AVERAGE TIME CHARTER EQUIVALENT ("TCE")

TCE is a commonly used Key Performance Indicator ("KPI") in the shipping industry. It 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 docking related off-hire days.

AVERAGE OPERATING EXPENSES ("OPEX") PER DAY

OPEX per day is a commonly used KPI in the shipping industry. OPEX per day represents operating expenses excluding tonnage taxes and operating expenses reimbursed by the charterers divided by the number of ownership days for consolidated vessels during the reporting period.

UTILISATION

Utilisation in percentage is a commonly used KPI in the shipping industry. It represents total trading days including off-hire days relates to dry dockings 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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