



**MPC CONTAINER SHIPS ASA**  
**FINANCIAL REPORT**  
Q1 2020

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# MPC CONTAINER SHIPS ASA

## FIRST QUARTER 2020 HIGHLIGHTS

- Total operating revenues for Q1 2020 were USD 46.0 million compared to USD 44.2 million for Q4 2019.
- EBITDA was USD 7.5 million in Q1 2020 (Q4 2019: USD 4.8 million).
- Operating cash flow for Q1 2020 was USD 12.8 million (Q4 2019: USD 12.7 million).
- Net loss for the period was USD 10.7 million (Q4 2019: net loss of USD 14.2 million).
- Total ownership days of fully owned vessels were 5,460 (Q4 2019: 5,520) and total trading days were 4,772 (Q4 2019: 4,890). Utilization in Q1 2020 was 88.8%<sup>1</sup> (Q4 2019: 95.7%).
- Average time charter equivalent (“TCE”) was USD 8,969 per day (Q4 2019: USD 8,505 per day).
- Average operating expenses (“OPEX”) were USD 4,624 per day (Q4 2019: USD 4,844 per day)
- Equity ratio as at 31 March 2020 was 56.6% (31 December 2019: 57.2%) and the leverage ratio was 38.9% (31 December 2019: 38.9%).
- On 14 February 2020, MPC Container Ships ASA (the “Company”, together with its subsidiaries the “Group”) announced the successful completion of an equity private placement raising NOK 125 million to ensure additional liquidity reserves in a volatile market.
- The Group concluded in total 40 new fixtures during the first quarters of 2020 securing continuous employment in an environment of increasing uncertainty in relation to trade demand.
- While the container shipping industry has been impacted and will continue to be impacted by reduced demand following the COVID-19 virus outbreak, the Group has continued its focus into 2020 on reducing cost and capital spending and thereby continue to maintain an industry low cash break even.

## COVID-19 UPDATE

Following the outbreak of COVID-19, the Group is experiencing significantly reduced charter rates and utilization of its fleet due to lower containerized freight volumes globally. These developments are expected to adversely impact the Group's liquidity and ability to be in compliance with covenants under some of its loan agreements in the short to mid-term. Consequently, the Group will engage in dialogues with creditors and other stakeholders to address these issues, and has engaged DNB Markets and Pareto Securities to advise the Group in this regard.

The Group's financial position has also been affected as the initial contractual buyer of AS Leona and AS Lauretta has not fulfilled its legal commitments in the contract and accordingly the sale of the vessels has not been executed. The Group is in the process of taking legal actions against the contractual buyer for any loss occurred due to the cancellation of the contracts.

The effects from the weakening charter rates and low fuel spreads are expected to impact the second quarter of 2020 in greater magnitude than in the first quarter of 2020.

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<sup>1</sup> 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

## SUBSEQUENT EVENTS

- On 26 May 2020 the Group entered into a new sale agreement for the vessel AS Leona as the initial sale agreement as previously communicated has not been executed as the buyer has not fulfilled its commitments under the contract.

## FIRST QUARTER 2020 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 46.0 million (Q4 2019: USD 44.2 million). The gross profit from vessel operations was USD 9.4 million (Q4 2019: USD 7.7 million).

The Group reports a loss of USD 10.7 million in Q1 2020 (Q4 2019: USD 14.2 million).

### Financial position

The Group's total assets amounted to USD 716.4 million as at 31 March 2020 (USD 718.1 million as at 31 December 2019). Non-current assets in the amount of USD 648.4 million comprises of vessels operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 405.2 million as at 31 March 2020 (USD 410.6 million as at 31 December 2019) with non-controlling interest of USD 1.7 million. The decrease in equity mainly relates to the net loss for the period of USD 10.7 million and to the negative fair value change of USD 6.1 million for the hedging reserves, partly offset by the private placement executed in March 2020, raising USD 11.7 million net of share issuance costs. As at 31 March 2020, the Group had interest-bearing debt in the amount of USD 278.8 million (USD 279.6 million as at 31 December 2019). The decrease in long-term debt is due to scheduled repayments of debt offsetting accrued interest and amortization of capitalized loan fees.

### Cash flow

In Q1 2020, the Group generated a positive cash flow from operating activities of USD 12.8 million (Q4 2019: USD 12.7 million). The cash flow from investing activities was USD -12.1 million (Q4 2019: USD -17.3 million) mainly due investments into dry-dockings, other upgrades and payments of parts of the remaining obligations on the scrubber retrofit program. The Group had a positive cash flow from financing activities of USD 0.1 million (Q4 2019: USD 1.3 million) mainly due to the proceeds from the private placement, partly offset by regular interest payments and a one-off buy-out of a collar arrangement to reduce the risk of future margin calls, totalling to USD 5.2 million.

Cash and cash equivalents as at 31 March 2020 were USD 41.0 million.

## CONTAINER MARKET UPDATE: SEVERE IMPACT OF COVID-19

### Global Economy

After the first outbreak of COVID-19 in Wuhan (China), the virus turned into a pandemic with severe implications for the world economy and its international trading system. As a consequence, global GDP is expected to contract by 3% in 2020 with economies around the world shrinking at their fastest pace in decades.<sup>2</sup> IMF economists describe the global economic downturn as the strongest recession since the Great Depression in the 1930s.

As the Chinese administration became aware of the extent of the virus at the end of January 2020, it extended

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<sup>2</sup> Clarksons Research, Covid-19 Shipping Impact Assessment, Update No. 5, 17 April 2020.

Chinese New Year festivities and implemented a lockdown that brought Chinese production, transportation and trade almost to a standstill in February. The immediate stop of trading by Chinese intermediaries disordered global supply chains and production patterns and long-term lasting structural shifts in sourcing strategies and regional trade patterns are expected. Short-term implications turned out to be severe as China has developed into a core production hub during the last two decades. While the Chinese economy was the first that was brought to its knees, European economies and the US followed like domino pieces as soon as stocks were depleted. While the crisis was originally supply-driven, it turned into a demand shock as the lockdown of the western world significantly reduced demand and distorted consumer sentiment. While China returned to work in March, the western economies started to ease economic and social restraints only recently in early May 2020. Until the beginning of May, there were 3.3m COVID-19 infections confirmed worldwide, 1m recoveries observed and 230k deaths recorded.<sup>3</sup>

During the course of Q1 2020, Global, Chinese, European and US GDP forecasts for the full year were increasingly revised downwards. While global GDP growth in 2020 was still expected to grow by 2% in mid-February, forecasts turned slightly negative in mid-March and reached -3% in April. Current GDP growth forecasts for China are, if ever, only slightly positive for 2020; US and European GDP forecasts reached -6% and below in April.<sup>4</sup> With declining GDP, world trade is also expected to shrink significantly in 2020. The WTO expects a decline between 13% and 32%. Regarding seaborne container trade, the latest forecasts assume a decrease of 11% in full year 2020.<sup>5</sup> After a strong drop in the container vessel market, the economy is expected to normalize in 2021: Global GDP for 2021 is forecasted to increase by 5.8%, international trade by 21.3% and seaborne container trade by 9.6%.<sup>6</sup> The timing and the extent of the recovery are, however, more than uncertain. Based on demand and supply forecasts the outlook after the expected market recovered is encouraging.

### **Container Demand**

In 2019, a slow economic growth, the US-China trade conflict and geopolitical tensions put already downward pressure on seaborne container demand and kept growth low at 1.8% for the full year, the lowest number since the financial crises in 2008.<sup>7</sup> At the turn of the year, analysts still presumed an economic recovery in 2020. The COVID-19 implications came along with a dramatic disillusionment and as a consequence 2020 is expected to be much worse than 2019, and in fact one of the worst years on record for container trade.

Clarksons Research expects a decline in container demand growth of -11% for the full year 2020, with the strongest decline on mainline trades. In 2021, container demand is forecasted to increase by 10%.<sup>8</sup> A rebound is expected in the second half of 2020 with container demand increasing by 10% in 2021.<sup>9</sup> Whether these numbers depict a realistic scenario will depend crucially on the timing and the extent of the rebound: They might be realistic if the western economies get out of lockdown during the summer months and if consumer sentiment recovers.

As soon as the situation normalizes, intra-regional trades (i.e. Intra-Asia, Intra-Europe and Intra-Caribbean trades) are expected to contribute with comparable strong growth rates. Until 2024, intra-regional container trade is forecasted to grow by 3.4% p.a.<sup>10</sup> A possible rethinking of global production patterns towards more diversified structures or “near shoring” can be expected to have positive implications on intra-regional trade flows. This shift in trading patterns may strengthen intra-regional trade flows and call for small flexible container vessels.

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<sup>3</sup> Johns Hopkins University, COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE).

<sup>4</sup> Clarksons Research, Covid-19 Shipping Impact Assessment, Update No. 5, 17 April 2020.

<sup>5</sup> Clarksons Research, Container Intelligence Monthly, Volume 22 No 4, April 2020.

<sup>6</sup> Clarksons Research, SIN Online Database, May 2020, Numbers based on statistics from the IMF and the WTO.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Maritime Strategies International, Horizon, online data, 12 May 2020.

## Fleet Development

Regarding the supply side of the container vessel market, the global container fleet comprised 5,383 vessels with a total capacity of 23.0 million TEU as per May 2020. The feeder segment fleet (1,000 to 3,000 TEU) amounted to 1,941 vessels with a total capacity of 3.5 million TEU.<sup>11</sup>

Due to COVID-19, vessel deliveries and demolitions have been relatively low in Q1 2020. 35 container vessels with a capacity of 149,000 TEU have been delivered since January 2020. Within the same period of 2019, 55 container vessels with 349,000 TEU capacity were delivered. Driven by a large number of deliveries in January, more deliveries could be observed in the feeder segment (1,000 to 3,000 TEU) year-to-date compared with the same period in 2019. Since January 2020, the feeder segment saw 29 new vessels with a capacity of 56,000 TEU. In the same period of 2019, only 22 feeder vessels with a capacity of 40,000 TEU were added to the market.<sup>12</sup>

With 10.2% of the total fleet (2.3m TEU capacity), the order book is currently at historical low levels. The order book in the feeder segment is only slightly larger with 10.6% (373,000 TEU). Of these 373,000 TEU feeder orders, 220,000 TEU (60%) is scheduled for delivery in 2020. As the COVID-19 disruptions result(ed) in delays both, the delivery of new build tonnage and scrubber retrofit programmes will be delayed. Significant slippage is thus expected for 2020. The uncertain market environment resulted in only 150,000 TEU new orders in 2020 year-to-date, a relative scarce ordering activity. This holds especially for the feeder segment with only 9,000 TEU new orders in 2020 year-to-date. A significant decrease in feeder deliveries is thus expected in 2021, with a shrinking feeder fleet forecasted for the years 2022 to 2024. The order book is expected to remain at low levels at least until the end of 2024.<sup>13</sup>

While the industry hoped for an increase in demolition numbers, that have been relatively low during the previous years, COVID-19 has led to a low number of scrapping thus far in 2020. While only 38,000 TEU have been deleted from the market in 2020 year-to-date, the same period in 2019 saw 94,000 TEU demolished, and the 2019-numbers have already been the lowest for years. Regarding the feeder segment, 16,000 TEU have been taken from the market, compared with 39,000 TEU in the same period of 2019.<sup>14</sup> As analysts nevertheless expect above 300,000 TEU of total scrapping in 2020 and above 400,000 TEU in 2021, it is expected that numbers will increase significantly as the situation normalizes.<sup>15</sup> Internal observations show that solely in Q1 2020, 20 vessels with 41,701 TEU capacity and an average age of 23.8 years have been sold for scrapping but could not be deleted until now. Due to the IMO's Ballast Water Management Systems Code as enforced from October 2019, increased demolition activity is expected particularly in the feeder segment, where the average fleet age is relatively old.

As COVID-19 has put a spell on the demand side of the markets, 2020 is expected to see an extensive excess supply situation. In accordance with above-mentioned market numbers, an expected 2.2% supply growth stands against a 10.6% decrease in container demand. In 2021, the total container fleet is expected to increase by 3%. Expected growth rates in the feeder segment are 2.3% in 2020 and 0.5% in 2021.

## Charter Market

Thus far in 2020, COVID-19 and its implications have put the time-charter market under exposed pressure. Around 450 sailings have been blanked, most of them on mainlane trades connecting Asia with the US and Europe.<sup>16</sup> Consequently, also smaller vessels that sail mainly on intra-regional trades have been affected as soon as the reduced tonnage arrived at the main hubs in Europe and the US. This has increased the idle statistics to record high numbers and has put time-charter rates under downward pressure across all size segments, but with stronger

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<sup>11</sup> Clarksons Research, SIN, online data, 12 May 2020.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid; Maritime Strategies International, Horizon, online data, 12 May 2020.

<sup>14</sup> Clarksons Research, SIN, online data, 12 May 2020; MSI Horizon online data, 22 May 2020.

<sup>15</sup> Maritime Strategies International, Horizon, online data, 12 May 2020

<sup>16</sup> Drewry, COVID-19 impact on sailings, 6 May 2020.

negative effects for larger tonnage. Open vessels across all size segments are facing difficulties finding new employment.

The idle statistics climbed up to 524 available units (2.6m TEU; 11.3% of the total fleet) as of 11 May 2020. In the feeder segment between 1,000 and 3,000 TEU, 162 vessels are idle. As even more blank sailings are planned for the coming weeks, the idle statistic is expected to increase even further. The number of inactive vessels for scrubber retrofits decreased to 659,600 TEU (25% of the inactive capacity).<sup>17</sup>

Time-charter rates have decreased across all size segments. Rates for a 2,000 TEU feeder vessel decreased from 9,300 USD/day at the beginning of the year to 7,000 USD/day at the beginning of May 2020 (-25%). For a 3,500 TEU vessel, 8,300 USD needed to be paid at the beginning of May, whereas the rate was still at 10,800 USD at the beginning of January 2020 (-23% decrease). Time-charter rates for a 4,400 TEU vessel decreased even stronger with 33% from 13,800 USD/day in January 2020 to 9,300 USD at the beginning of May 2020. A 6,800 TEU vessel experienced the strongest decrease in time-charter rates of 35% from 25,000 USD/day at the beginning of 2020 to only 16,300 USD at the beginning of May.<sup>18</sup>

Time charter rates (6-12 months) in May 2020<sup>19</sup>:

- 1,000 TEU grd: USD 5,500 (-12% since January 2020)
- 2,000 TEU: USD 7,000 (-25% since January 2020)
- 3,500 TEU: USD 8,300 (-23% since January 2020)
- 4,400 TEU: USD 9,300 (-33% since January 2020)
- 6,800 TEU: USD 16,300 (-35% since January 2020)

### Asset Prices

Newbuilding prices have remained relatively stable. The price for larger feeder vessels (2,750 TEU gls), decreased slightly from USD 31.5 million to USD 31 million. This price is still 4% above the 10-year average. For a 1,700 TEU grd container vessel, the new build acquisition price was quoted at USD 25.25 million in April 2020, while the assumed price for a 1,000 TEU grd vessel was USD 18.5 million. Those prices also only decreased slightly by 1% and are slightly above their latest 10-year averages (3% for 1,700 TEU grd vessels and 2% for the 1,000 TEU grd vessels).<sup>20</sup> It is important to note, however, that the observation of prices are based on vessels with traditional forms of propulsion. Consequently, price reductions may have only limited effects on attracting new orders as propulsion uncertainties add additional market entry barriers.

Furthermore, second-hand container vessel prices have stayed more or less unchanged since January 2020. The price for a 10-year old 2,750 TEU gls vessel stayed at USD 9.0 million. Second-hand prices for a 10-year old 1,700 TEU gls decreased from USD 7.75 million in January 2020 to USD 7.0 million in April. Prices for a 10-year old 1,000 TEU grd vessel decreased from USD 4.75 million in January 2020 to USD 4.25 million in April.<sup>21</sup>

### Market Outlook

COVID-19 implications led to a severe global recession in early 2020, affecting all major economies and a wide range of industries. Transportation and logistics sectors are in particular affected by the restrictions and the lockdown the administrations imposed. Seaborne container trade will see a significant drop in 2020 as consumption decreased

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<sup>17</sup> Alphaliner, Weekly Newsletter, Volume 2020 Issue 18.

<sup>18</sup> Clarksons Research, SIN, online data, 12 May 2020.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

sharply in the western world. A normalization of the global economy is expected, but the extent and the timing will crucially depend on how long the lockdown in Europe and the US will last and how fast and sustainable consumer confidence can be restored.

Pre COVID-19 the feeder container market was on an upwards trajectory, indicating a tightening supply and demand balance. When the current situation normalizes, the implied container trade growth forecasts are encouraging. Intra-regional trades are forecasted to grow until 2024 by annual 3.4%. Supply growth will be manageable in the feeder segment and the historically low order book and limited new-build orders are expected to keep supply growth low, at least in the mid-term. After an increase of the feeder fleet of 2.3% in 2020, annual growth in feeder capacity is expected to be negative with -0.7% until 2024. The uncertainty surrounding future propulsion technology is an additional boundary for newbuild orders and the age structure of the currently operating fleet points towards an increase in scrapping going forward. Due to logistical challenges, scrapping has proven to be difficult in the midst of the virus and an increase in scrapping activity is expected as soon as the logistical issues are resolved. Our internal observations show that 20 vessels with 41,701 TEU capacity and an average age of 23.8 years have been sold for scrapping in Q1 2020 but could not yet be deleted from the market.

The implications of COVID-19 are also expected to induce a long-term shift in regional trade flows and global sourcing patterns. An increase in nearshoring and more diversified production locations will most likely lead to additional growth for regional trades, what can be assumed to increase the demand for smaller and more flexible container tonnage.

## 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 | Q1 2020<br>(unaudited) | Q4 2019<br>(unaudited) | Q1 2019<br>(unaudited) |
|--|-------|------------------------|------------------------|------------------------|
| Operating revenues                         | 5     | 46,036                 | 44,227                 | 46,657                 |
| Commissions                                |       | -1,578                 | -1,670                 | -1,618                 |
| Vessel voyage expenditures                 |       | -6,875                 | -5,390                 | -5,091                 |
| Vessel operation expenditures              |       | -25,728                | -27,243                | -29,951                |
| Ship management fees                       |       | -2,319                 | -2,353                 | -2,235                 |
| Share of profit or loss from JV            | 6     | -107                   | 109                    | -524                   |
| <b>Gross profit</b>                        |       | <b>9,430</b>           | <b>7,681</b>           | <b>7,238</b>           |
| Administrative expenses                    |       | -1,991                 | -2,391                 | -2,028                 |
| Other expenses                             |       | -341                   | -685                   | -2,253                 |
| Other income                               |       | 426                    | 243                    | 1,791                  |
| Gain from disposal of vessels              |       | 0                      | 0                      | 2,669                  |
| <b>EBITDA</b>                              |       | <b>7,524</b>           | <b>4,847</b>           | <b>4,748</b>           |
| Depreciation                               | 7     | -11,935                | -10,988                | -9,805                 |
| Impairment                                 | 7     | -1,000                 | -2,583                 | 0                      |
| <b>Operating result (EBIT)</b>             |       | <b>-5,411</b>          | <b>-8,724</b>          | <b>-2,388</b>          |
| Other finance income                       |       | 141                    | 163                    | 142                    |
| Finance costs                              | 8     | -5,421                 | -5,611                 | -5,458                 |
| <b>Profit/Loss before income tax (EBT)</b> |       | <b>-10,692</b>         | <b>-14,172</b>         | <b>-7,704</b>          |
| Income tax expenses                        |       | -56                    | 21                     | -6                     |
| <b>Profit/Loss for the period</b>          |       | <b>-10,747</b>         | <b>-14,151</b>         | <b>-7,711</b>          |
| Attributable to:                           |       |                        |                        |                        |
| Equity holders of the Company              |       | -10,744                | -14,140                | -7,696                 |
| Minority interest                          |       | -3                     | -11                    | -14                    |
| <b>Basic earnings per share – in USD</b>   |       | <b>-0.12</b>           | <b>-0.17</b>           | <b>-0.09</b>           |
| <b>Diluted earnings per share – in USD</b> |       | <b>-0.12</b>           | <b>-0.17</b>           | <b>-0.09</b>           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in USD thousands   | Notes | Q1 2020<br>(unaudited) | Q4 2019<br>(unaudited) | Q1 2019<br>(unaudited) |
|--|-------|------------------------|------------------------|------------------------|
| Profit/loss for the period   |       | -10,747                | -14,151                | -7,711                 |
| <b>Items that may be subsequently transferred to profit or loss</b>      |       | <b>-6,174</b>          | <b>1,053</b>           | <b>-1,585</b>          |
| Foreign currency effects, net of taxes                                   |       | -113                   | 70                     | -68                    |
| Change in hedging reserves, net of taxes                                 |       | -6,061                 | 983                    | -1,517                 |
| <b>Items that will not be subsequently transferred to profit or loss</b> |       | <b>0</b>               | <b>0</b>               | <b>0</b>               |
| Other comprehensive profit/loss, net of taxes                            |       | 0                      | 0                      | 0                      |
| Other comprehensive profit/loss from joint ventures and affiliates       |       | 0                      | 0                      | 0                      |
| <b>Total comprehensive profit/loss</b>                                   |       | <b>-16,922</b>         | <b>-13,098</b>         | <b>-9,296</b>          |
| Attributable to:   |       |                        |                        |                        |
| Equity holders of the Company  |       | -16,919                | -13,087                | -9,281                 |
| Non-controlling interest   |       | -3                     | -10                    | -14                    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| in USD thousands                      | Notes | At 31 March 2020<br>(unaudited) | At 31 December 2019<br>(audited) |
|---------------------------------------|-------|---------------------------------|----------------------------------|
| <b>Assets</b>                         |       | <b>716,432</b>                  | <b>718,079</b>                   |
| Non-current Assets                    |       | 648,375                         | 649,287                          |
| Vessels                               | 7     | 615,555                         | 621,861                          |
| Vessels held for sale                 | 7     | 5,500                           | 0                                |
| Investment in joint venture           | 6     | 27,320                          | 27,426                           |
| Current Assets                        |       | 68,057                          | 68,792                           |
| Inventories                           |       | 4,820                           | 4,538                            |
| Trade and other receivables           |       | 22,191                          | 24,049                           |
| Cash and cash equivalents             |       | 41,045                          | 40,205                           |
| Unrestricted cash                     |       | 27,638                          | 26,765                           |
| Restricted cash <sup>22</sup>         |       | 13,407                          | 13,440                           |
| <b>Equity and Liabilities</b>         |       | <b>716,432</b>                  | <b>718,078</b>                   |
| Equity                                |       | 405,208                         | 410,458                          |
| Share capital                         | 10    | 108,041                         | 101,121                          |
| Share premium                         |       | 361,317                         | 356,566                          |
| Treasury shares                       |       | -1,143                          | -1,143                           |
| Retained losses                       |       | -54,693                         | -43,948                          |
| Other reserves                        |       | -9,992                          | -3,819                           |
| Non-controlling interest              |       | 1,678                           | 1,681                            |
| Non-current Liabilities               |       | 276,010                         | 276,862                          |
| Interest bearing loans                | 8     | 276,010                         | 276,862                          |
| Current Liabilities                   |       | 35,214                          | 30,758                           |
| Interest bearing loans and borrowings | 8     | 2,743                           | 2,753                            |
| Trade and other payables              |       | 22,296                          | 20,519                           |
| Payables to affiliated companies      |       | 47                              | 46                               |
| Other liabilities                     |       | 10,128                          | 7,439                            |

<sup>22</sup> Restricted cash as at 31 March 2020 and 31 December 2019, mainly relates to minimum liquidity requirements under the loan agreements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In USD thousands   | Share capital<br>(unaudited) | Share premium<br>(unaudited) | Treasury shares<br>(unaudited) | Retained losses<br>(unaudited) | Other reserves<br>(unaudited) | Non-controlling interest<br>(unaudited) | Total equity<br>(unaudited) |
|--|------------------------------|------------------------------|--------------------------------|--------------------------------|-------------------------------|---|-----------------------------|
| Equity as at 1 Jan. 2020   | 101,121                      | 356,566                      | -1,143                         | -43,948                        | -3,819                        | 1,681                                   | 410,458                     |
| Purchase of own shares   | 0                            | 0                            | 0                              | 0                              | 0                             | 0                                       | 0                           |
| Capital increase to non-controlling interest                               | 0                            | 0                            | 0                              | 0                              | 0                             | 0                                       | 0                           |
| Capital increase   | 6,920                        | 4,751                        | 0                              | 0                              | 0                             | 0                                       | 11,671                      |
| Result of the period   | 0                            | 0                            | 0                              | -10,744                        | 0                             | -3                                      | -10,747                     |
| Foreign currency effects   | 0                            | 0                            | 0                              | 0                              | -113                          | 0                                       | -113                        |
| Hedging reserves   | 0                            | 0                            | 0                              | 0                              | -6,061                        | 0                                       | -6,061                      |
| <b>Equity as at 31 March 2020</b>  | <b>108,041</b>               | <b>361,317</b>               | <b>-1,143</b>                  | <b>-54,693</b>                 | <b>-9,992</b>                 | <b>-1,678</b>                           | <b>405,208</b>              |
| Equity as at 1 Jan. 2019   | 101,121                      | 356,605                      | 0                              | -4,247                         | 985                           | 4,687                                   | 459,150                     |
| Purchase of own shares   | 0                            | 0                            | -1,143                         | 0                              | 0                             | 0                                       | -1,143                      |
| Capital increase to non-controlling interest                               | 0                            | 0                            | 0                              | 0                              | 0                             | 391                                     | 391                         |
| Changes in ownership in subsidiaries that do not result in loss of control | 0                            | -39                          | 0                              | 0                              | 0                             | -3,361                                  | -3,400                      |
| Result of the period   | 0                            | 0                            | 0                              | -39,701                        | 0                             | -36                                     | -39,737                     |
| Foreign currency effects   | 0                            | 0                            | 0                              | 0                              | -22                           | 0                                       | -22                         |
| Hedging reserves   | 0                            | 0                            | 0                              | 0                              | -4,781                        | 0                                       | -4,781                      |
| <b>Equity as at 31 Dec. 2019</b>   | <b>101,121</b>               | <b>356,566</b>               | <b>-1,143</b>                  | <b>-43,948</b>                 | <b>-3,819</b>                 | <b>1,681</b>                            | <b>410,458</b>              |

## CONSOLIDATED STATEMENT OF CASH FLOW

| in USD thousands   | Notes | Q1 2020<br>(unaudited) | Q4 2019<br>(unaudited) | Q1 2019<br>(unaudited) |
|--|-------|------------------------|------------------------|------------------------|
| Profit/Loss before income tax                                      |       | -10,692                | -14,172                | -7,704                 |
| Income tax expenses paid   |       | 0                      | 0                      | 0                      |
| Net change in current assets                                       |       | 1,576                  | 1,534                  | -3,974                 |
| Net change in current liabilities (ex. capex payables)             |       | 4,456                  | 5,412                  | 935                    |
| Fair value change in derivatives                                   |       | -818                   | 984                    | -1,517                 |
| Depreciation   |       | 11,935                 | 10,988                 | 9,805                  |
| Finance costs (net)  |       | 5,281                  | 5,449                  | 5,316                  |
| Share of profit or loss from joint venture                         |       | 107                    | -109                   | 524                    |
| Impairment   |       | 1,000                  | 2,583                  | 0                      |
| Gain from disposal of vessels                                      |       | 0                      | 0                      | -2,669                 |
| <b>Cash flow from operating activities</b>                         |       | <b>12,845</b>          | <b>12,668</b>          | <b>717</b>             |
| Purchase of vessels  |       | 0                      | 0                      | 0                      |
| Proceeds from disposal of vessels                                  |       | 0                      | 0                      | 9,030                  |
| Scrubbers, dry docks and other upgrades on vessels                 |       | -12,129                | -17,413                | -7,391                 |
| Investment in subsidiaries and affiliated companies                |       | 0                      | 0                      | -4,900                 |
| Interest received  |       | 51                     | 163                    | 142                    |
| Purchase of own shares   |       | 0                      | 0                      | -511                   |
| <b>Cash flow from investing activities</b>                         |       | <b>-12,078</b>         | <b>-17,250</b>         | <b>-3,630</b>          |
| Proceeds from share issuance                                       |       | 11,936                 | 0                      | 391                    |
| Share issuance costs   |       | -265                   | 0                      | 0                      |
| Proceeds from debt financing                                       |       | 0                      | 6,000                  | 0                      |
| Repayment of debt  |       | -1,223                 | 0                      | -6,383                 |
| Interest paid  |       | -4,908                 | -4,815                 | -4,525                 |
| Debt issuance costs  |       | -222                   | 87                     | -170                   |
| Repayment of hedging instrument                                    |       | -5,243                 | 0                      | 0                      |
| <b>Cash flow from financing activities</b>                         |       | <b>75</b>              | <b>1,273</b>           | <b>-10,688</b>         |
| Net change in cash and cash equivalents                            |       | 840                    | -3,309                 | -13,600                |
| Net foreign exchange differences                                   |       | 0                      | 0                      | 0                      |
| Cash and cash equivalents at beginning of period                   |       | 40,205                 | 43,514                 | 60,228                 |
| <b>Cash and cash equivalents at the end of period<sup>23</sup></b> |       | <b>41,045</b>          | <b>40,205</b>          | <b>46,628</b>          |

<sup>23</sup> Whereof USD 13.4 million is restricted as at 31 March 2020 and at 31 December 2019.

## 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 Munkedamsveien 45 A, 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 to invest in and to operate maritime assets in the container shipping segment.

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

### Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 31 March 2020 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 2019. The consolidated financial statements are presented in USD thousands unless otherwise indicated.

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 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 2019 except for the new standards effective as at 1 January 2020.

### 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               | Q1 2020<br>(unaudited) | Q1 2019<br>(unaudited) |
|--------------------------------|------------------------|------------------------|
| Time charter revenue           | 33,905                 | 35,237                 |
| Pool charter revenue           | 8,896                  | 9,404                  |
| Other revenue                  | 3,235                  | 2,016                  |
| <b>Total operating revenue</b> | <b>46,036</b>          | <b>46,657</b>          |

The Group's time charter contracts are separated 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 are accounted for in accordance with the lease standard. Revenues from time charter services (service element) and other revenue (e.g. bunkers and other services) are accounted for in accordance IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

| in USD thousands                             | Q1 2020<br>(unaudited) | Q1 2019<br>(unaudited) |
|--|------------------------|------------------------|
| Service element                              | 21,414                 | 19,736                 |
| Other revenue                                | 3,235                  | 2,016                  |
| <b>Total revenue from customer contracts</b> | <b>24,649</b>          | <b>21,752</b>          |
| Lease element                                | 21,387                 | 24,904                 |
| <b>Total operating revenue</b>               | <b>46,036</b>          | <b>46,657</b>          |

#### 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 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.

| in USD thousands                                 | Q1 2020<br>(unaudited) | Q1 2019<br>(unaudited) |
|--|------------------------|------------------------|
| Operating revenue                                | 6,997                  | 5,693                  |
| Operating costs and depreciation                 | -6,954                 | -6,476                 |
| Net financial income/expense                     | -247                   | -266                   |
| Income tax                                       | -9                     | 0                      |
| <b>Profit after tax for the period</b>           | <b>-213</b>            | <b>-1,049</b>          |
| <b>Total comprehensive income for the period</b> | <b>-213</b>            | <b>-1,049</b>          |
| <b>Group's share of profit for the period</b>    | <b>-107</b>            | <b>-524</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   | At 31 March 2020<br>(unaudited)                | At 31 December 2019<br>(audited)               |
|--|--|--|
| <b>Acquisition cost at 1 January</b>                             | <b>697,533</b>                                 | <b>639,871</b>                                 |
| Acquisition of vessels   | 0  | 0  |
| Prepayments reclassified to vessels                              | 0  | 1,549  |
| Prepayments  | 0  | 0  |
| Capitalized dry-docking and other expenses                       | 12,129   | 64,067   |
| Disposals of vessels   | 0  | -7,954   |
| <b>Acquisition cost</b>  | <b>709,662</b>                                 | <b>697,533</b>                                 |
| Accumulated depreciations 1 January                              | -75,672  | -32,573  |
| Disposal of vessels  | 0  | 593  |
| Depreciation for the year-to-date                                | -11,935  | -41,109  |
| Impairment   | -1,000   | -2,583   |
| <b>Accumulated depreciations and impairment at end of period</b> | <b>-88,606</b>                                 | <b>-75,672</b>                                 |
| <b>Closing balance at end of period</b>                          | <b>621,056</b>                                 | <b>621,861</b>                                 |
| <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 docks)</i>                                   | <i>5 years</i>                                 | <i>5 years</i>                                 |
| <i>Useful life (scrubbers)</i>                                   | <i>Remaining useful life<br/>of the vessel</i> | <i>Remaining useful life<br/>of the vessel</i> |

The Group performed an impairment test as at year end 2019. The key assumptions used to determine the recoverable amounts for the different cash generating units were disclosed in the Group's annual financial statements as at 31 December 2019.

Subsequent to the balance sheet date the Group entered into a sales agreement for AS Leona (see Note 11), resulting in an impairment of USD 1.0 million recognized in Q1 2020 seeing as estimated net sales price were below the carrying amounts. As at 31 March 2020 the vessel is classified as held for sale.

As the container market conditions have worsened with the outbreak of COVID'19 and the Company's market capitalization has continued to be below the carrying amount of the Company's equity, management has performed impairment tests for the remaining vessels in the Group as at 31 March 2020. As the recoverable amounts are higher than the carrying amounts for these vessels, no impairment charges have been included in the financial results for the first quarter of 2020 for these remaining vessels.

#### Note 8 Interest-bearing debt

| in USD thousands                               | Ticker | Currency | Facility amount | Interest         | Maturity       | As at 31 March 2020 (unaudited) | As at 31 Dec 2019 (audited) |
|--|--------|----------|-----------------|------------------|----------------|---------------------------------|-----------------------------|
| Nominal value of issued bonds                  | MPCBV  | USD      | 200,000         | Floating + 4.75% | September 2022 | 200,000                         | 200,000                     |
| Non-recourse senior secured term loan          | N/A    | USD      | 59,150          | Floating + 4.75% | May 2023       | 56,698                          | 57,921                      |
| Revolving Credit Facility*                     | N/A    | USD      | 40,000          | Floating + 3.5%  | April 2022     | 29,000                          | 29,000                      |
| Other long-term debt incl accrued interest     |        |          |                 |                  |                | 299                             | 310                         |
| <b>Total outstanding</b>                       |        |          |                 |                  |                | <b>285,997</b>                  | <b>287,231</b>              |
| Debt issuance costs                            |        |          |                 |                  |                | -7,244                          | -7,615                      |
| <b>Total interest bearing debt outstanding</b> |        |          |                 |                  |                | <b>278,753</b>                  | <b>279,616</b>              |

\* The amount of USD 40 million presented under facility amount represents the maximum commitments that are available for the Group under the agreement.

For the non-recourse senior secured term loan, the Group has an accordion option at the lender's discretion for additional approximately USD 240 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.

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 following main financial covenants are defined in the terms of the RCF:

- Vessel loan-to-value ratio of MPCC Second Financing GmbH & Co. KG and its subsidiaries shall not exceed 55%;
- the book-equity ratio of the Group shall at all times be higher than 40%;

- the Group shall maintain a minimum liquidity of the higher of 5% of the financial indebtedness of the Group and USD 200 thousand multiplied with the number of consolidated vessels within the Group; and
- the Group shall maintain an EBITDA to total interest expenses for at least 2.5 if the Vessel loan-to-value ratio of the MPCC Second Financing GmbH & Co. KG and its subsidiaries exceeds 40%.

The Group is in compliance with all bond and loan covenants as at 31 March 2020.

Following the outbreak of COVID-19, the Group is experiencing significantly reduced charter rates and utilization of its fleet due to lower containerized freight volumes globally. These developments are expected to adversely impact the Group's liquidity and ability to be in compliance with covenants under some of its loan agreements in the short to mid-term. Consequently, the Group will engage in dialogue with creditors and other stakeholders to address these issues.

#### Note 9 - Related party disclosure

The following table provides the total amount of service transactions that have been entered into with related parties in Q1 2020:

| in USD thousands - Q1 2020               | Type of services | Group        | 2. Bluewater Holding<br>Schiffahrtsgesellschaft GmbH &<br>Co. KG |
|--|------------------|--------------|--|
| Ahrenkiel Steamship GmbH & Co. KG / B.V. | Technical        | 2,148        | 241  |
| Harper Petersen & Co. GmbH               | Commercial       | 557          | 73   |
| MPC Maritime Investments GmbH            | Corporate        | 59           | 0  |
| MPC Münchmeyer Petersen Capital AG       | Corporate        | 118          | 0  |
| <b>Total</b>                             |                  | <b>2,882</b> | <b>315</b>   |

All related party transactions are carried out at market terms. Please see Note 19 in the Company's 2019 Annual Report for additional description.

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

#### Note 10 - Share capital

The share capital of the Company consists of 91,503,000 shares as at 31 March 2020 after the equity private placement announced 14 February 2020, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

|   | Number of shares  | Share capital (USD thousands) |
|---|-------------------|-------------------------------|
| <b>31 December 2019</b>   | <b>84,253,000</b> | <b>101,121</b>                |
| Capital increase from equity private placement announced 14 February 2020 | 7,250,000         | 6,920                         |
| <b>31 March 2020</b>  | <b>91,503,000</b> | <b>108,041</b>                |

As at 31 March 2020 the Company holds 351,098 treasury shares.

#### Note 11 - Subsequent events

On 26 May 2020 the Group entered into a new sale agreement for the vessel AS Leona as the initial sale agreement as previously communicated has not been executed as the buyer has not fulfilled its commitments under the contract.

# 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 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

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

| in USD thousands             | Q1 2020 (unaudited) | Q4 2019 (unaudited) | Q1 2019 (unaudited) |
|------------------------------|---------------------|---------------------|---------------------|
| Operating result (EBIT)      | -5,411              | -8,724              | -2,388              |
| Depreciation                 | 11,935              | 10,988              | 9,805               |
| Impairment                   | 1,000               | 2,583               | -                   |
| Gain from disposal of vessel | -                   | -                   | -2,669              |
| <b>EBITDA</b>                | <b>7,524</b>        | <b>4,848</b>        | <b>4,748</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 excluding tonnage taxes and operating expenses reimbursed by the charterers 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 and interest bearing short-term debt divided by total assets.

## EQUITY RATIO

Total book equity divided by total assets.



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