MPC CONTAINER SHIPS ASA

FINANCIAL REPORT
H1 2020

CONTENTS

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SECOND QUARTER AND HALF-YEAR 2020 HIGHLIGHTS

- Total operating revenues for Q2 2020 were USD 39.1 million compared to USD 46.0 million for Q1 2020.
- EBITDA was USD 1.4 million in Q2 2020 (Q1 2020: USD 7.5 million).
- Operating cash flow for Q2 2020 was USD 2.5 million (Q1 2020: USD 12.8 million).
- Net loss for the period was USD 17.6 million (Q1 2020: net loss of USD 10.7 million).
- Total ownership days of fully owned vessels were 5,460 (Q1 2020: 5,460) and total trading days were 4,545 (Q1 2020: 4,772). Utilization in Q2 2020 was 87.0%[1] (Q1 2020: 88.8%).
- Average time charter equivalent ("TCE") was USD 7,938 per day (Q1 2020: USD 8,969 per day).
- Average operating expenses ("OPEX") were USD 4,901 per day (Q1 2020: USD 4,624 per day).
- Equity ratio as at 30 June 2020 was 55.5% (31 March 2020: 56.6%) and the leverage ratio was 39.9% (31 March 2020: 38.9%).
- While the container shipping industry has been impacted and will continue to be impacted by reduced demand following the COVID-19 virus outbreak, MPC Container Ships ASA ("the Company" and together with its subsidiaries as "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.

CEO COMMENT

"The Group's Q2 2020 financials were severely affected by the spread of COVID-19 across multiple continents, causing global lockdowns, port closures and abrupt restrictions imposed on crew changes. The subsequent economic downturn prompted an immediate need for the Group to take certain measures and secure additional liquidity in order to safeguard values for stakeholders. In July, the Group successfully completed a stepwise recapitalisation process and re-emerged with a longer liquidity runway, debt covenant waivers and a bond maturity extension, all to address the market uncertainties due to COVID-19.

The world is navigating unchartered waters of extreme uncertainty and hence the market remains fragile. While it is challenging to take a firm view on the industry's near-term outlook as a charter market rebound is conditional upon a continued COVID-19 recovery, we see encouraging signs of improvement in several important industry indicators. Total idle container fleet, which increased dramatically during the onset of the pandemic, has seen an equally substantial retraction over the summer as liners are re-instating services. Charter rates are yet again improving, and the supply side remains insufficient due to an historically low order book and the re-opening of recycling yards in the Indian subcontinent. To this end, the Group is well-positioned to benefit from a much-anticipated market rehabilitation."

SUBSEQUENT EVENTS

- On 3 July 2020, MPC Container Ships Invest B.V., a wholly owned subsidiary of the Company, received support from the majority of bondholders of its listed bonds to certain amendments under the bond agreement. This included, among others, a waiver of the LTV covenant until 31 December 2021, reduced minimum

[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.

liquidity from USD 10 million to USD 7.5 million until 31 December 2021 including six months extension of the bond maturity until 22 March 2023.

- On 9 July 2020, the Company announced a decrease of the share capital by NOK 823,527,000 to NOK 91,503,000 through a reduction of the nominal value of each of the Company's share to NOK 1. The reduction amount was allocated to share premium
- On 13 July 2020, the private placement of 260,000,000 new shares with a nominal value of NOK 1.00, raising a total of NOK 260,000,000 in new equity, was approved and finally completed.
- In relation to the private placement, the Company on 20 August 2020 successfully completed the subsequent offering for 35,000,000 new shares at a nominal value of NOK 1.00, raising new equity of NOK 35,000,000.
- On 5 August 2020, MPCC Second Financing GmbH & Co. KG, a wholly owned subsidiary of the Company, entered into an amendment and restatement agreement for its USD 40 million revolving credit facility, changing the agreement into a term loan of USD 29 million.

SECOND QUARTER AND HALF-YEAR 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 39.1 million (Q1 2020: USD 46.0 million). The gross profit from vessel operations was USD 3.4 million (Q1 2020: USD 9.4 million). The decrease in gross profit compared to the previous quarter, mainly due to the implications on the charter market caused by the COVID-19 pandemic.

The Group reports a loss of USD 17.6 million in Q2 2020 (Q1 2020: USD 10.7 million).

Financial position

The Group's total assets amounted to USD 698.1 million as at 30 June 2020 (USD 718.1 million as at 31 December 2019). Non-current assets in the amount of USD 644.6 million comprises of vessels operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 387.6 million as at 30 June 2020 (USD 410.5 million as at 31 December 2019) with non-controlling interest of USD 1.7 million. The decrease in equity during the first half 2020 mainly relates to the net loss for the period of USD 28.3 million and to the negative fair value change of USD 6.2 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 30 June 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.

Subsequent to the balance sheet date, the Group has successfully completed a stepwise recapitalisation plan, and thereby securing additional liquidity to weather a prolonged pandemic and strengthen the Group's financial position. See Note 11 for further description.

Cash flow

In Q2 2020, the Group generated a positive cash flow from operating activities of USD 2,5 million (Q1 2020: USD 12.8 million). The cash flow from investing activities was USD -9.7 million (Q1 2020: USD -12.1 million) mainly due to investments into dry-dockings and other upgrades. The Group had a negative cash flow from financing activities of USD -4.8 million in the second quarter of 2020 (Q1 2020: USD 0.1 million) which relates to repayment of debt and accrued interest.

Cash and cash equivalents as at 30 June 2020 were USD 29.1 million.

CONTAINER MARKET UPDATE

COVID-19 and the global economy

After a weak 1.7% of container demand growth in 2019, driven by low economic growth and the US-China trade conflict, the spread of COVID-19 in H1 2020 resulted in a global economic downturn turning 2020 into one of history's worst years for container trade. Global GDP forecasts for full-year 2020 have been gradually downgraded, levelling off at -4.9% in June.[2] The International Monetary Fund ("IMF") expects world trade to decrease by 11.9% in 2020, noting that the pandemic will trigger the deepest recession seen since the Great Depression in the 1930's.[3]

The initial lockdown by the Chinese administration at the end of January 2020 brought Chinese production to its knees and disordered sourcing patterns and global supply chains worldwide. As a consequence, long-lasting structural shifts in sourcing strategies and regional trade patterns are expected. As soon as the virus reached the western world, lockdowns in Europe and the US followed with severe implications for global demand. China returned to work in March after seemingly having close to contained further spread of the virus. The western economies followed suit, alleviating economic and social restraints in May. Macroeconomic May figures thus depict the climax of the crisis, including the most negative economic forecasts and the lowest sentiment indicators. With the ease of lockdowns in the US and Europe, a recovery began taking shape. However, what quickly became apparent was that the recovery will be gradual rather than following a V-shaped path, with macroeconomic indicators expected to normalise in 2021. Moreover, any recovery is fragile and dependent on a second wave of US and European lockdowns being avoided. The pandemic continues to spread with record high numbers of new infections even post-summer. As per mid-August, a total of 22 million COVID-19 infections, 14 million recoveries and 770 thousand deaths were recorded globally.[4]

For full-year 2020, current GDP growth forecasts are 1% for China, -6.7% for the Euro Area and -5.9% for the US.[5] With decreasing GDP, the IMF expects world trade to decline by 11.9% in 2020. As for seaborne container trade, the latest forecasts assume a 7.2% decrease for full-year 2020.[6] For 2021, without a second wave of lockdowns in major economies, global GDP is forecasted to rebound by 5.4% while international and seaborne trade are expected to increase by 8.0% and 6.8%, respectively.[7]

Container demand

At 1.7%, 2019 already saw the lowest seaborne container demand since the financial crisis in 2008. Sluggish economic growth, the US-China trade conflict and geopolitical tensions put downward pressure on the market.[8] The COVID-19 driven global recession will result in an even weaker seaborne container demand growth for 2020 (-7.2%). For the container shipping industry, being an important logistic sector and the backbone of international trade, 2020 will likely turn out to be one of the worst years for container trade on record.[9]

After the ease of lockdowns in the US and Europe in May, container demand, consumer and managers sentiment all recovered and are presently on an upward trajectory. Manufacturing PMIs climbed back above 50 points in important major economies in July (US 50.9; EU: 51.8; China 52.8).[10] Operators increased capacity with a

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[2] Clarksons Research, Covid-19: Shipping Market Impact Tracker, 17th August 2020.
[3] International Monetary Fund, World Economic Outlook, June 2020.
[4] Johns Hopkins University, COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE).
[5] International Monetary Fund, IMF online DateMapper, August 2020.
[6] Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.
[7] Clarksons Research, SIN Online Database, August 2020; International Monetary Fund, World Economic Outlook, June 2020.
[8] Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.
[9] Ibid.
[10] Braemar Weekly Container Briefing, 4 August 2020.

remarkable rebound on transpacific trades, where capacity has now reached levels slightly exceeding July 2019 figures. After rebounding to pre-crisis levels, container demand is expected to increase with 6.8% in 2021.[11] This, however, is again conditional upon a second wave of lockdowns being avoided.

Intra-regional demand (i.e. Intra-Asia, Intra-Europe and Intra-Caribbean trades) performed slightly better than the overall industry. An expected decrease of 6.2% for full-year 2020 is nevertheless still significant. For 2021, a growth of 10.8% is expected. In the mid-term, until 2024, intra-regional container trade is forecasted to grow with 3.8% p.a. (compared to an average of 3.4% p.a. for the total market).[12] A possible rethinking of global production patterns towards more diversified structures or "near shoring" can be expected to have additional positive implications on intra-regional trade and to call for small flexible container vessels.

Fleet development

As per August 2020, the global container fleet comprises 5,380 vessels with a total capacity of 23.2 million TEU. The feeder fleet (1,000 to 3,000 TEU) amounts to 1,942 vessels with a total capacity of 3.526 million TEU.[13]

Deliveries and scrapping came close to a halt in Q2 2020 as COVID-19 lockdowns made vessel handovers near impossible. 64 container vessels with a total capacity of 417,544 TEU have been delivered year-to-date August 2020. During the same period in 2019, 100 container vessel comprising 690,704 TEU of capacity were delivered. In the feeder segment, 46 vessels (88,659 TEU capacity) have been delivered year-to-date August 2020, compared to 45 vessels (80,814 TEU) during the same period in 2019. The relatively large number of deliveries were centred around the spring (peak) months of the pandemic. The majority of the feeder order book is scheduled for delivery in 2020.[14]

At 9.3% of the total fleet (2.1 million TEU capacity), the container vessel order book is currently at historical low levels. The feeder segment order book is marginally larger (9.9% or 351,000 TEU). Nearly half of all feeder orders are scheduled for delivery by end-of 2020. Significant slippage is however expected, but deliveries should nevertheless drop significantly from H1 2021. A relatively scarce 159,000 TEU of new orders have been placed thus far in 2020 (compared to 279,000 TEU during the same period of 2019), underpinning the unpredictable market environment and difficulties deciding on the right propulsion technology going forward. This holds especially true for the feeder segment were only 15,000 TEU of new orders have been placed year-to-date 2020 (compared to 80,000 TEU during the same period in 2019). The feeder segment is expected to maintain a thin order book at least until end-of 2023, resulting in a decreasing fleet in the coming years.[15]

The demolition market was severely impacted by the COVID-19 crisis in early Q2 2020, most notably due to Indian Subcontinent lockdowns, with several vessels observed as sold for scrapping but still afloat. Following the ease of lockdowns in India, Pakistan and Bangladesh, scrapping figures have increased markedly, with more than 30 vessels (of which 18 feeders) scrapped since June and a total of 143,000 TEU removed from the market year-to-date 2020. During the same period in 2019, only 120,942 TEU were demolished. Within the feeder segment, 50,000 TEU have been taken from the market year-to-date 2020 (year-to-date 2019: 64,000 TEU).[16] Analysts estimate a total scrapping of 300,000 TEU in 2020 and a further 400,000 TEU in 2021. Due to a relatively old fleet and the enforcement of the IMO's Ballast Water Management Systems Code since October 2019, the feeder fleet is expected to shred 100,000 - 150,000 TEU through recycling in 2020 and a further 150,000 - 200,000 in 2021.[17]

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[11] Ibid.
[12] Maritime Strategies International, Horizon, online data, 19. August 2020.
[13] Clarksons Research, SIN, online data, 19 August 2020.
[14] Ibid.
[15] Ibid; Maritime Strategies International, Horizon, online data, 19 August 2020.
[16] Clarksons Research, SIN, online data, 19 August 2020.
[17] Maritime Strategies International, Horizon, online data, 12 May 2020.

In sum, as COVID-19 has put a spell on demand, an extensive excess supply situation should unfold in 2020. In accordance with aforementioned figures, supply growth is expected to come in at 1.3% while demand will see a decrease of 7.2%. When accounting for vessels being taken out of the market for scrubber retrofitting, full-year 2020 supply growth might end up at -0.9%, still far from the 7.2% drop in demand. For 2021, total container fleet is expected to increase by 3% while container trade should see a 6.8% rebound. Expected fleet growth in the feeder segment are -0.2% in 2020 and -1.5% in 2021, respectively. Intra-regional TEU throughput is expected to decrease by 6.2% in 2020 and thereafter to increase with 10.8% in 2021.[18]

Charter market

COVID-19 has put the time-charter market under exposed pressure. Operators have managed to strategically optimize traded capacity in terms of freight rates and blank sailings. Around 450 sailings have been blanked during the crisis, most of them on mainlane trades connecting Asia with the US and Europe.[19]

This has led idle statistics to increase to record highs. At the end of May 2020, 550 vessels comprising 2.7 million TEU (11.6% of total fleet) were available for charters. In the feeder segment, 195 vessels were observed as idle. With the pull-back of regional lockdowns and the recovery in trade flows, idle numbers have decreased significantly since June. As at 3 August 2020, only 264 vessels (1.2 million TEU or 5.1% of the total fleet) were idle across all size segments. Idle feeder vessels more than halved to 94 vessels. Pending a continued COVID-19 recovery, a further tightening of time-charter vessel availability is expected.[20]

Time-charter rates decreased across all size segments in parallel with increasing idle statistics early on in the pandemic. Larger sizes saw a stronger decrease. Rates for a 1,700 TEU grd feeder vessel decreased from USD 8,300 per day primo 2020 to USD 5,800 per day in June (-29%). Similarly, rates for a 4,400 TEU vessel decreased from USD 13,800 per day primo 2020 to USD 7,000 per day in June (-49%). Following the recovery in June, larger vessels have also been the first to experience an upswing in rates, with a 4,400 TEU vessel fetching 29% more in July compared to June. As there was more idle tonnage available for charterers in the feeder segment, feeder rates started to increase only a few weeks later: rates for a 1,700 TEU grd vessel was at USD 5,900 per day in July (+2% month-to-month) and USD 7,000 per day as per mid-August.[21]

Time charter rates (6-12 months) in July 2020[22]:

- 1,000 TEU grd: USD 5,240 (-15% since January 2020)
- 1,700 TEU grd: USD 5,880 (-29% since January 2020)
- 2,750 TEU: USD 7,710 (-27% since January 2020)
- 3,500 TEU: USD 7,870 (-26% since January 2020)
- 4,400 TEU: USD 9,030 (-35% since January 2020)

Asset prices

Newbuilding prices have remained relatively stable. The price for larger feeder vessels (2,750 TEU gls) decreased from USD 31.5 million in January 2020 to USD 30 million in July (7% below 10-year average). For a 1,700 TEU grd vessel, the newbuild acquisition price was quoted at USD 24.5 million in July 2020, while the price for a 1,000 TEU grd vessel was USD 17.75 million. Those prices also only marginally decreased by 1% since January and are also below their latest 10-year averages (-6% for 1,700 TEU grd vessels and -5% for 1,000 TEU grd vessels).[23] It is

[18] Ibid; Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.
[19] Drewry, COVID-19 impact on sailings, 6 May 2020.
[20] Alphaliner, Weekly Newsletter, Volulme 2020 Issue 32.
[21] Clarksons Research, SIN, online data, 19 August 2020.
[22] Ibid.
[23] Ibid.

important to note, however, that price observations 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.

Second-hand container vessel prices further decreased since January 2020. The price for a 10-year old 2,750 TEU gls vessel was quoted at USD 8.0 million in July, while the price for a 10-year old 1,700 TEU gls vessel decreased from USD 7.75 million in January 2020 to USD 4.0 million in July. Prices for a 10-year old 1,000 TEU grd vessel decreased from USD 4.75 million in January 2020 to USD 3.75 million in July.[24]

Market outlook

COVID-19 and the imposed countermeasures led to a severe global recession in early 2020, affecting all major economies and a wide range of industries. Transportation and logistics sectors were particularly affected. Seaborne container trade is expected to see a significant drop in 2020 as demand decreased sharply in the western world. The climax of the crisis appears to have been reached at the end of May.

After an ease in lockdowns, markets begun a gradual recovery with an increase in trade flows, consumer and managers sentiments, despite a steadily increasing and record high COVID-19 infection rate. A normalization of the global economy is expected for 2021, but any further recovery is highly dependent on preventing a second lockdown in the US and Europe. If a second lockdown period is deemed necessary, improvements in H2 2020 will be marginal and with downside potential. The crisis may continue well into 2021 and seaborne trade growth remains under significant pressure.

In the mid-term, when markets rebound to pre-crisis figures, container trade growth forecasts are encouraging particularly within intra-regional trades, with growth forecasts of 3.8% p.a. until 2024. Supply growth, on the other hand, will be manageable: In the feeder segment, the historically low order book and a limited number of new orders are expected to keep supply growth low, at least in the mid-term. The uncertainty surrounding future propulsion technology is an added barrier for investors to place newbuild orders, and the age structure of the current operating feeder fleet points towards an increase in scrapping going forward. Annual feeder capacity growth is expected to be negative with around -1% p.a. until end-of 2023.

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 “near shoring” and more diversified production locations will likely lead to additional growth for regional trades, in what can be assumed to increase the demand for smaller and more flexible container tonnage. The crisis is also affecting the longer-term green transition and industry technology standards. Several planned IMO meetings have been delayed. Major industry decisions regarding e.g. decarbonisation have been paused and there are no important decisions expected soon. On a positive note, the crisis may lead to an increased recycling of older tonnage and yards might push green technology in light of depressed newbuilding prices.

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.

[24] Ibid.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements presented in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm to the best of our knowledge that the Board of Directors' discussion and analysis for the first half of 2020 gives a true and fair overview of the main development and performance of the business and the positon of the Group.

Oslo, 28 August 2020

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

Constantin Baack (CEO)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in USD thousands	Notes	Q2 2020 (unaudited)	Q1 2020 (unaudited)	Q2 2019 (unaudited)	H1 2020 (unaudited)	H1 2019 (unaudited)
Operating revenues	5	39,095	46,036	47,815	85,131	94,471
Commissions		-1,314	-1,578	-1,728	-2,892	-3,345
Vessel voyage expenditures		-5,285	-6,875	-4,218	-12,159	-9,309
Vessel operation expenditures		-27,432	-25,728	-28,798	-53,161	-58,749
Ship management fees		-2,252	-2,319	-2,293	-4,571	-4,528
Share of profit or loss from JV	6	590	-107	-283	483	-807
Gross profit		**3,402**	**9,430**	**10,495**	**12,831**	**17,733**
Administrative expenses		-1,922	-1,991	-2,090	-3,913	-4,118
Other expenses		-509	-341	-582	-850	-2,835
Other income		453	426	253	879	2,045
Gain from disposal of vessels		0	0	460	0	3,129
EBITDA		**1,424**	**7,524**	**8,536**	**8,948**	**15,953**
Depreciation	7	-12,581	-11,935	-9,943	-24,515	-19,748
Impairment	7	-1,500	-1,000	0	-2,500	0
Operating result (EBIT)		**-12,656**	**-5,411**	**-1,406**	**-18,067**	**-3,794**
Finance income		179	141	109	319	251
Finance costs	8	-5,097	-5,421	-5,049	-10,518	-10,507
Profit/Loss before income tax (EBT)		**-17,574**	**-10,692**	**-6,346**	**-28,266**	**-14,051**
Income tax expenses		-3	-56	-93	-59	-99
Profit/Loss for the period		**-17,578**	**-10,747**	**-6,439**	**-28,325**	**-14,149**
Attributable to:						
Equity holders of the Company		-17,575	-10,744	-6,432	-28,314	-14,128
Minority interest		-3	-3	-7	-11	-22
Basic earnings per share – in USD		**-0.19**	**-0.12**	**-0.08**	**-0.09**	**-0.17**
Diluted earnings per share – in USD		**-0.19**	**-0.12**	**-0.07**	**-0.09**	**-0.17**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	Q2 2020 (unaudited)	Q1 2020 (unaudited)	Q2 2019 (unaudited)	H1 2020 (unaudited)	H1 2019 (unaudited)
Profit/loss for the period		-17,578	-10,747	-6,439	-28,325	-14,149
Items that may be subsequently transferred to profit or loss		**-86**	**-6,174**	**-3,558**	**-6,228**	**-5,143**
Foreign currency effects, net of taxes		41	-113	16	-40	-52
Change in hedging reserves, net of taxes		-127	-6,061	-3,573	-6,188	-5,091
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		**-17,664**	**-16,921**	**-9,996**	**-34,553**	**-19,292**
Attributable to:						
Equity holders of the Company		-17,7661	-16,919	-9,989	-34,517	-19,271
Non-controlling interest		-3	-3	-7	-36	-22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	At 30 June 2020 (unaudited)	At 31 December 2019 (audited)
Assets		**698,105**	**718,079**
Non-current Assets		644,608	649,287
Vessels	7	606,199	621,861
Vessel held for sale	7	10,500	0
Investment in joint venture	6	27,910	27,426
Current Assets		53,496	68,792
Inventories		5,507	4,538
Trade and other receivables		18,924	24,049
Cash and cash equivalents		29,065	40,205
Unrestricted cash		15,705	26,765
Restricted cash		13,359	13,440
Equity and Liabilities		**698,105**	**718,078**
Equity		387,564	410,458
Share capital	10	108,041	101,121
Share premium		361,305	356,566
Treasury shares		-1,143	-1,143
Retained losses		-72,262	-43,948
Other reserves		-10,046	-3,819
Non-controlling interest		1,670	1,681
Non-current Liabilities		276,132	276,862
Interest bearing loans	8	276,132	276,862
Current Liabilities		34,408	30,758
Interest bearing loans and borrowings	8	2,710	2,753
Trade and other payables		21,338	20,519
Payables to affiliated companies		22	46
Other liabilities		10,339	7,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited)	Share premium (unaudited)	Treasury shares (unaudited)	Retained losses (unaudited)	Other reserves (unaudited)	Non-controlling interest (unaudited)	Total equity (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**
Capital increase to non-controlling interest	0	0	0	0	0	0	**0**
Capital increase	6,920	4,740	0	0	0	0	**11,659**
Result of the period	0	0	0	-28,314	0	-11	**-28,325**
Foreign currency effects	0	0	0	0	-40	0	**-40**
Hedging reserves	0	0	0	0	-6,188	0	**-6,188**
Equity as at 30 June 2020	**108,041**	**361,305**	**-1,143**	**-72,262**	**-10,046**	**1,670**	**387,564**
Equity as at 1 Jan. 2019	101,121	356,605	0	-4,247	985	4,687	**459,151**
Purchase of own shares	0	0	-1,143	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	-23	0	**-23**
Hedging reserves	0	0	0	0	-4,781	0	**-4,781**
Equity as at 31 Dec. 2019	**101,121**	**356,566**	**-1,143**	**-43,948**	**-3,819**	**1,681**	**410,458**

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Notes	Q2 2020 (unaudited)	Q1 2020 (unaudited)	Q2 2019 (unaudited)	H1 2020 (unaudited)	H1 2019 (unaudited)
Profit/Loss before income tax		-17,574	-10,692	-6,346	-28,266	-14,051
Income tax expenses paid		0	0	0	0	0
Net change in current assets		2,527	1,576	2,475	4,155	-1,499
Net change in current liabilities (ex. capex payables)		-806	4,456	2,562	3,651	3,497
Fair value change in derivatives		-127	-818	-3,558	-945	-5,075
Depreciation		12,581	11,935	9,943	24,516	19,748
Finance costs (net)		4,918	5,281	4,940	10,199	10,256
Share of profit or loss from joint venture		-590	107	283	-483	807
Impairment		1,500	1,000	0	2,500	0
Gain from disposal of vessels		0	0	-460	0	-3,129
Cash flow from operating activities		**2,481**	**12,845**	**9,838**	**15,326**	**10,554**
Purchase of vessels		0	0	0	0	0
Proceeds from disposal of vessels		0	0	1,709	0	10,739
Dry docks and other upgrades on vessels		-9,724	-12,129	-13,381	-21,853	-20,647
Investment in subsidiaries and affiliated companies		0	0	0	0	-4,900
Interest received		25	51	109	76	251
Purchase of own shares		0	0	-457	0	-968
Cash flow from investing activities		**-9,699**	**-12,078**	**-12,020**	**-21,777**	**-15,525**
Proceeds from share issuance		0	11,936	0	11,936	391
Share issuance costs		-11	-265	0	-276	0
Proceeds from debt financing		0	0	13,000	0	13,000
Repayment of debt		-500	-1,223	0	-1,723	-6,383
Interest paid		-4,158	-4,908	-4,827	-9,066	-9,352
Debt issuance costs		-48	-222	-812	-270	-1,107
Other interest paid		-49	0	0	-49	0
Repayment of MTM value of collar		0	-5,243	0	-5,243	0
Cash flow from financing activities		**-4,765**	**75**	**7,361**	**-4,690**	**-3,451**
Net change in cash and cash equivalents		-11,983	842	5,178	-11,140	-8,422
Net foreign exchange differences		0	0	0	0	0
Cash and cash equivalents at beginning of period		41,047	40,205	46,628	40,205	60,228
Cash and cash equivalents at the end of period[25]		**29,065**	**41,047**	**51,806**	**29,065**	**51,806**

[25] Whereof USD 13.4 million is restricted as at 30 June 2020 and as 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 30 June 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	Q2 2020 (unaudited)	Q2 2019 (unaudited)
Time charter revenue	28,682	34,319
Pool charter revenue	7,395	10,701
Other revenue	3,019	2,795
Total operating revenue	**39,095**	**47,815**

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	Q2 2020 (unaudited)	Q2 2019 (unaudited)
Service element	14,215	19,933
Other revenue	3,019	2,795
Total revenue from customer contracts	**17,234**	**22,727**
Lease element	21,861	25,087
Total operating revenue	**39,095**	**47,815**

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 Schifffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method.

in USD thousands	Q2 2020 (unaudited)	Q2 2019 (unaudited)
Operating revenue	6,970	6,852
Operating costs and depreciation	-5,571	-7,156
Net financial income/expense	-213	-261
Income tax	-7	0
Profit after tax for the period	**1,180**	**-565**
Total comprehensive income for the period	**1,180**	**-565**
Group's share of profit for the period	**590**	**-283**

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

Note 7 - Vessels and Vessels held for sale

in USD thousands	At 30 June 2020 (unaudited)	At 31 December 2019 (audited)
Acquisition cost at 1 January	**697,533**	**639,871**
Acquisition of vessels	0	0
Prepayments reclassified to vessels	0	1,549
Prepayments	0	0
Capitalized dry-docking and other expenses	21,853	64,067
Disposals of vessels	0	-7,954
Acquisition cost	**719,386**	**697,533**
Accumulated depreciations 1 January	-75,672	-32,573
Disposal of vessels	0	593
Depreciation for the year-to-date	-24,515	-41,109
Impairment	-2,500	-2,583
Accumulated depreciations and impairment at end of period	**-102,687**	**-75,672**
Closing balance at end of period	**616,699**	**621,861**
Depreciation method	*Straight-line*	*Straight-line*
Useful life (vessels)	*25 years*	*25 years*
Useful life (dry docks)	*5 years*	*5 years*
Useful life (scrubbers)	*Remaining useful life vessel*	

The Group has entered into new Memorandum of Agreements for the sale of AS Leona and AS Lauretta with new buyers after the initial buyers were not able to perform under the initial contracts. The contract for AS Leona was entered into in May 2020, and as stated in Note 11, the agreement for AS Lauretta was entered into subsequent to the balance sheet date. As both of these vessels had not been delivered to its new owners as at 30 June 2020, both were classified as held for sale to the sale at the same date. The difference between the estimated fair value less cost to sell of the vessel and the vessel's carrying value, amounting to USD 2.5 million, was recorded in the six-month period ended June 30 2020.

At each reporting date, the Group evaluate whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. As the container market has been heavily affected by the outbreak of COVID-19 during the first half of 2020 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 all vessels in the Group as at 30 June 2020. In accordance with the Group's methodology as set out in the Group's annual financial statements as at 31 December 2019, the key assumptions has been updated, considering the current market and the Group's updated long-term assumptions, including using multiple scenarios in the analysis. As the recoverable amounts exceeds the carrying amounts for all vessels not classified as held for sale, no additional impairment charges have been included in the financial results for the first half of 2020.

The impairment test shows that the model is highly sensitive to changes in its key assumptions and the timing of a recovery including the development in charter rates and utilization in the periods ahead will have an impact on the Group's impairment assessment going forward.

Note 8 Interest-bearing debt

in USD thousands	Ticker	Currency	Facility amount	Interest	Maturity	As at 30 June 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	56,198	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						267	310
Total outstanding						**285,465**	**287,231**
Debt issuance costs						-6,622	-7,615
Total interest bearing debt outstanding						**278,842**	**279,616**

** 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%.

Subsequent to the balance sheet, MPC Container Ships Invest B.V. received support from the majority of bondholders for its listed bonds to certain amendments under the bond agreement. See Note 11 for further details.

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%.

Subsequent to the balance sheet, MPCC Second Financing GmbH & Co. KG entered into an amendment and restatement agreement for its USD 40 million revolving credit facility. See Note 11 for further details.

The Group is in compliance with all bond and loan covenants as at 30 June 2020.

Note 9 - Related party disclosure

The following table provides the total amount of service transactions that have been entered into with related parties in Q2 2020:

in USD thousands – Q2 2020	Type of services	Group	2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	Technical	4,167	482
Harper Petersen & Co. GmbH /B.V.	Commercial	557	158
MPC Maritime Investments GmbH	Corporate	118	0
MPC Münchmeyer Petersen Capital AG	Corporate	236	0
Total		**5,078**	**640**

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 30 June 2020 after the equity private placement announced 14 February 2020, with nominal value per share of NOK 10. All issued shares in the table below are of equal rights and are fully paid up.

	Number of shares	Share capital (USD thousands)
1 January 2020	**84,253,000**	**101,121**
Capital increase from equity private placement announced 14 February 2020	7,250,000	6,920
30 June 2020	**91,503,000**	**108,041**

As at 30 June 2020 the Company holds 351,098 treasury shares.

After the balance sheet date, the Company has issues additional shares in a private placement and a subsequent offering, see Note 11 – Subsequent events for further details.

Note 11 - Subsequent events

On 3 July 2020, MPC Container Ships Invest B.V, received support from the majority of bondholders for its listed bonds to certain amendments under the bond agreement . This included among others, a waiver of the LTV covenant until 31 December 2021, reduced minimum liquidity from USD 10 million to USD 7.5 million until 31 December 2021 including 6 months extension of the bonds maturity until 22 March 2023.

On 9 July 2020, the Company announced a decrease of the share capital by NOK 823,527,000 to NOK 91,503,000 through a reduction of the nominal value of each of the Company's share to NOK 1. The reduction amount was allocated to Share premium

On 13 July 2020, the private placement of 260,000,000 new shares with a nominal value of NOK 1.00, raising a total of NOK 260,000,000 in new equity was approved and finally completed.

In relation to the private placement the Company on 20 August 2020 successfully completed the subsequent offering for 35,000,000 new shares at a nominal value of NOK 1.00, raising new equity of NOK 35,000,000.

On 3 July 2020, a subsidiary of the Group entered into a Memorandum of Agreement for the sale of AS Lauretta. See note 7 for further description

On 5 August 2020, MPCC Second Financing GmbH & Co. KG, entered into an amendment and restatement agreement for its USD 40 million revolving credit facility, changing the agreement into a term loan of USD 29 million.

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	Q2 2020 (unaudited)	Q1 2020 (unaudited)	Q2 2019 (unaudited)	H1 2020 (unaudited)	H1 2019 (unaudited)
Operating result (EBIT)	(12,656)	(5,411)	(1,406)	(18,067)	(3,794)
Depreciation	12,581	11,935	9,943	24,515	19,748
Impairment	1,500	1,000	-	2,500	-
EBITDA	**1,424**	**7,524**	**8,536**	**8,948**	**15,953**

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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