



MPC CONTAINER SHIPS ASA

FINANCIAL REPORT

Q4 2020

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MPC CONTAINER SHIPS ASA

FOURTH QUARTER AND FULL-YEAR 2020 HIGHLIGHTS

- Total operating revenues for Q4 2020 were USD 45.6 million compared to USD 41.2 million for Q3 2020.
- EBITDA was USD 4.5 million in Q4 2020 (Q3 2020: USD 2.7 million).
- Operating cash flow for Q4 2020 was USD 1.5 million (Q3 2020: USD -0.3 million).
- Net loss for the period was USD 18.4 million (Q3 2020: net loss of USD 17.8 million).
- Total ownership days of fully owned vessels were 5,297 (Q3 2020: 5,399) and total trading days were 5,045 (Q3 2020: 5,016). Utilization in Q4 2020 was 97.0%¹ (Q3 2020: 93.8%).
- Average time charter equivalent (“TCE”) was USD 8,115 per day (Q3 2020: USD 7,412 per day).
- Average operating expenses (“OPEX”) were USD 5,251 per day (Q3 2020: USD 4,905 per day).
- Equity ratio as at 31 December 2020 was 56.5% (30 September 2020: 57.1%) and the leverage ratio was 40.8% (30 September 2020: 39.1%).
- MPC Container Ships ASA (“the Company”, together with its subsidiaries “the Group”) entered into a Memorandum of Agreement at 7 December 2020 for the purchase of the 2007 built TEU 3,500 vessel MV Nordspring (to be renamed AS Nadia) at USD 10 million. The vessel was taken over by the Group, subsequent to the balance sheet date at 19 January 2021.
- In Q4 2020, the Group entered into a Memorandum of Agreement for the sale of AS Laguna. The TEU 1,000 vessel will be delivered to its new owner during the first half of 2021.

CEO COMMENT

The year 2020 proved unexpectedly volatile, but the v-shaped recovery during the latter half boded very well for the container shipping industry in particular. Tonnage providers such as MPC Container Ships are greatly benefitting from the sharp upturn in charter rates, albeit with a certain time lag as our customers exhausted their pre-recovery charterparties to their fullest.

By now, the strong market momentum has pushed charter rates to 10-year highs whilst extending achievable charter periods. In the midst of these ideal market dynamics, the Group has re-chartered out the majority of our fleet and will see more vessels coming open during the next months. As such, the Group is accumulating a sizeable charter backlog and secured earnings.

The world has witnessed more than one demand disruption during the past few years, and one should not discard similar occurrences going forward. That being mentioned, we view the current market momentum and fundamentals as very compelling, and look forward to 2021.

FOURTH QUARTER AND FULL-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 45.6 million (Q3 2020: USD 41.2 million). The gross profit from vessel

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

operations was USD 7.9 million (Q3 2020: USD 5.0 million). The increase in operating revenues and gross profit compared to the previous quarter is driven by the recovery in the charter market and container demand, in turn leading to reduced idle time and increased utilization for the Group's fleet. Q4 2020 TCE has seen an increase compared to Q3 2020 as impacts from the currently strong charter market are more visible in the Group's operating revenues. However, the financials for the fourth quarter are still affected by the fixed contracts concluded in the depressed market during spring and summer months. Accordingly the reported TCE is far below the average charter rate the Group has entered into in Q4 2020 and the beginning of 2021. These fixtures concluded will significantly improve the Group's earnings in 2021 and onwards.

The Group reports a loss of USD 18.4 million in Q4 2020 (Q3 2020: USD 17.8 million) after the impairment of USD 4.8 million (Q3 2020: USD 1.7 million) related to the sale of two smaller vessels between TEU 1,000 and TEU 1,200, which are to be delivered to its new owners in 2021.

For the full year 2020, the Group reported operating revenues of USD 171.9 million (2019: 184.7 million) and gross profit of USD 25.7 million (2019: USD 32.1 million). The decrease in gross profit compared to the previous year is mainly due to the implications on the charter market caused by the COVID-19 pandemic. The Group reported a net loss of USD 64.5 million (2019: Net loss of USD 39.7 million).

Financial position

The Group's total assets amounted to USD 678.1 million as at 31 December 2020 (USD 718.1 million as at 31 December 2019). Non-current assets in the amount of USD 621.1 million reflects the carrying amounts of the vessels operated by the Group including the equity investments into a joint venture holding 8 additional vessels.

Total equity was USD 383.0 million as at 31 December 2020 (USD 410.5 million as at 31 December 2019) with non-controlling interest of USD 1.7 million. The change in equity during 2020 mainly relates to the net loss for the period of USD 64.5 million and to the negative change of USD 5.3 million for the hedging reserves, partly offset by the private placements concluded in March and July and the subsequent offering in August 2020, raising a total of USD 42.2 million net of share issuance costs. As at 31 December 2020, the Group had interest-bearing debt in the amount of USD 276.9 million (USD 279.6 million as at 31 December 2019). The decrease in long-term debt is due to repayments of debt offsetting issuance of USD 4.1 million new bonds as payment-in-kind interest, accrued interest and amortization of capitalized loan fees and premiums.

Cash flow

In Q4 2020, the Group generated a positive cash flow from operating activities of USD 1.5 million (Q3 2020: negative by USD -0.3 million). The cash flow from investing activities was USD -9.5 million (Q3 2020: USD 1.9 million) from the investments into dry-dockings and other upgrades partly offset by the proceeds from disposals of vessels. The Group had a negative cash flow from financing activities of USD -2.8 million in Q4 2020 (Q3 2020: USD 19.5 million) resulting mainly from payment of interest.

For the full year the Group reports an operating cash flow of USD 16.5 million (2019: USD 25.5 million), where the decrease is caused mainly by the implications on the charter market caused by the COVID-19 pandemic. The cash flow from investing activities was negative by USD 29.4 million (2019: Negative by USD 55.9 million), mainly due to investments and upgrades on the vessels. And the cash flow from financing activities was positive by USD 12.0 million (2019: USD 11.3 million) after the proceeds from the share issuances net of USD 42.1 million, partly offset by regular interest payments.

Cash and cash equivalents as at 31 December 2020 were USD 39.3 million.

CONTAINER MARKET UPDATE

COVID-19

In 2020, the Covid-19 pandemic put the container vessel market on a roller coaster ride. Due to lockdowns in major western economies in H1 2020 and a resulting drop in demand, World trade in 2020 declined -10.4%. End of April 2020, container trade growth for full year 2020 was forecasted with -11% and analysts expected 2020 to be one of the worst years for container trade ever. With the ease of lockdowns in May 2020, markets started to recover. While macroeconomic numbers recovered only slightly and stepwise, the container vessel market saw an unexpected fast and strong bounce back, outperforming every expectation.

Following a V-shaped recovery, container volumes jumped back on track and full year demand forecasts got continuously revised upwards. Finally, 2020 will experience a slight decline of seaborne container trade of -1.1%. With the tremendous bounce back in trade volumes, freight rates increased to record high numbers, time-charter rates followed in tandem and the idle statistics decreased to record low levels. Second hand transactions and new-build orders increased as well, whereas scrapping came nearly to a halt at the end of 2020.

Therefore, the container vessel market started into 2021 with strong momentum, historical proper fundamentals and excess demand expectations for two to three years at least. Neither the continuously growing numbers of new Covid-19 infections nor the second wave of lockdowns around the globe seem to lower container vessel market expectations. The reason lies within an interplay of trade volumes, equipment shortage, a shift in consumer behavior from non-tradable local services to consumption goods, a change in global sourcing patterns (more diversified sourcing strategies) and corporate inventory levels (to cushion risks of a future demand dip) and a wise capacity management of a consolidated liner industry.

Container Demand

Despite the fast and significant bounce back of trade volumes, 2020 will see one of the worst years for container trade ever. Full year TEU demand is calculated with -1.1%. The main downturn occurred in H1 2020. After the ease of lockdowns in the US and Europe in May 2020, container demand recovered significantly and unexpectedly fast. Operators started to increase capacity with a remarkable rebound on Transpacific and North-South trades, where capacity soon reached higher levels than pre-crisis levels.

Currently, container demand growth is forecasted with 5.7% for 2021. As it is still early in the year, this forecast is still exposed to the impact of the second wave of lockdowns on retail trade and, thus, also container demand. Full year demand expectations are even stronger for intra-regional trades with 7.6%.

Mid-term demand forecasts for the Container Vessel Market are encouraging as well. Demand growth is currently estimated with an average annual growth rate of 5% until the end of 2025. Numbers are even more favorable for smaller and intermediate vessels as demand growth on intra-regional trades (the main deployment of vessels smaller than 6k TEU) is relatively strong with an average annual growth rate of 5.4% until 2025. A possible rethinking of global production patterns towards more regional diversification can be expected to have additional positive implications on intra-regional trades (especially in Asia) and to increase the demand for small and flexible container vessels.

Fleet Development

Regarding the supply side of the container vessel market, the global container fleet comprised 5,431 vessels with a total capacity of 23.6 million TEU as per January 2021. The feeder fleet (1,000 to 3,000 TEU) amounted to 1,973 vessels with a total capacity of 3.2 million TEU.

The COVID-19 induced lockdowns made vessel handovers impossible for a while so that deliveries and scrapping came nearly to a halt in Q4 2020. With the ease of lockdowns, demolition peaked in June and July. As soon as

vessel owners got aware of the increased market momentum and respective earnings possibilities, scrapping came again nearly to a halt in H2 2020. In full year 2020, 80 vessels with a capacity of 189 thousand TEU have been scrapped (compared to 93 vessels with a capacity of 183 thousand TEU in 2019). In the feeder segment (1-3 thousand TEU), 45 vessels with 67 thousand TEU have been deleted, compared to 61 vessels and 93 thousand TEU in 2019. In the Classic Panmax segment (3-6 thousand TEU), 16 vessels with 79 thousand TEU have been scrapped in 2020, compared to 17 vessels and 81 thousand TEU in 2019.

New-build deliveries have been very low in 2020. 137 container vessels with a capacity of 854 thousand TEU have been delivered. While numbers for 2019 have already been relative low, still 165 container vessel deliveries have been recorded with 1.1 million TEU capacity. In the feeder segment (1,000 to 3,000 TEU) 90 vessels have been delivered in 2020 (with 185 thousand TEU capacity) compared to 84 vessels delivered in 2019 (153 thousand TEU).

With 10.5% of the total fleet (2.5 million TEU capacity), the order book is currently at very low levels. The lowest order book was observed in October 2020 with 8% and 1.9 million TEU. Due to the current market momentum, also new-build orders increased. In Q4 2020, vessels with a total capacity of 654 thousand TEU have been ordered. Also feeder orders (1-3 thousand TEU) are at very low levels with 301 thousand TEU capacity in the books (8.4% of the feeder fleet). Compared with the total fleet, feeder orders did increase only marginal in Q4 2020. Only 15 Classic Panmax vessels (3-6 thousand TEU) are currently on order (56 thousand TEU, 0.9% of the respective fleet). Planned delivery of feeder vessels is slightly higher in H1 2021 than afterwards. As of August 2021, monthly new-build deliveries will be at a low level, at least until the end of 2022. Difficulties to decide about the right propulsion technology are expected to put restrictions on new orders, especially in the feeder segment.

Supply / Demand Balance

Accordingly, an excess demand situation is expected for the coming years. The expected demand growth in 2021 of 5.7% will most likely outperform supply growth, currently forecasted with 3.8%. An even stronger excess demand is expected for smaller vessel sizes, as demand growth on intra-regional trades is forecasted with 7.6% in 2021 and vessels smaller than 5,200 TEU are expected to grow with only 0.2% in 2021.

Current forecasts for 2022 are even better. The total fleet is expected to grow by only 1.5% and the size cluster below 5,200 TEU are expected to shrink by 0.6%. Container demand growth for 2022 is forecasted with 3.6% and intra-regional trade demand even with 6.3%.

Charter Market

With the recovery of traded TEU volumes, also the charter market improved to levels not seen in the last ten years. A wise capacity management of the liners, equipment shortage on main shipping hubs, increased trade flows and a shift in consumer behaviour from non-tradable local services to consumption goods pushed freight rates to historical high numbers. The SCFI Comprehensive increased from 1,050 in July 2020 to 2,900 in January 2021. The increase of freight rates started on Transpacific trades and followed on North-South trades and meanwhile Asia – Europe trades as well. Shippers from Asia to Europe have already been asked to pay in excess of USD 10k / 40ft container.

Lagging by one to two months, time-charter rates have also increased to record high numbers. The Clarksons Time-Charter Rate Index increased from 44 points in July 2020 to 96 points in January 2021.

Time charter rates (6-12 months) at 22 January 2021:

- 1,000 TEU grd: USD 9,500 (+83% since June 2020)
- 1,700 TEU grd: USD 13,300 (+131% since June 2020)
- 2,750 TEU: USD 19,500 (+167% since June 2020)
- 3,500 TEU: USD 22,000 (+219% since June 2020)
- 4,400 TEU: USD 26,000 (+282% since June 2020)

Idle numbers decreased significantly since June. As of 1 February 2021, only 66 vessels have been idle across all size segments (251 thousand TEU and 1% of the total fleet). The feeder idle statistics decreased by around 80% to only 30 idle vessels. The idle number for vessels between 3,000 - 5,100 TEU decreased from 106 in June 2020 to 9 in February 2021 (-85%).

With the upswing in the charter market, also the charter duration and other contract details got more favourable for vessel owners. The average charter period for smaller vessels (1,000 - 5,100 TEU) increased from 4.2 months in June 2020 to 11.9 months in December 2020. The min-max redelivery spread decreased from 3.4 months in June 2020 to 1.5 months in December 2021.

Asset Prices

With the improvement of the market momentum, also second hand sales activity and prices increased. Q4 2020 saw 65 container vessel sales. Prices increased from USD 3.75 million for a ten year old 1k TEU vessel in June 2020 to USD 5 million in January 2021. For a ten year old 1.7k TEU vessel, the price increased from USD 6 million in June 2020 to USD 9 million in January 2021 and from 8m USD to USD 13 million for a 10 year old 2.8k TEU vessel.

There is not yet such increasing tendency for new-building prices visible. New building prices are currently (as of 22nd January 2021) at USD 40.25 million for a 3.5 to 4k TEU vessel, at USD 30 million for a 2.8k TEU vessel, at USD 23.5 million for a 1.7k TEU vessel and at USD 18.75 million for a 1k TEU vessel. 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.

Market Outlook

With increasing trade volumes, a shift in consumption patterns, capacity management of liners and a shift in production and sourcing strategies, all accompanied by expansive fiscal and monetary policy, the industry saw an unexpected boom in H2 2020, leading to the best market fundamentals not seen in the past ten years. The further increase in Covid-19 infections and the second wave of lockdown do not seem to be impacting the current market momentum significantly.

The proper market fundamentals provide an encouraging picture for the coming two to three years. Order books are at record low levels, freight rates and charter rates at record high levels and the idle statistic negligible. Investors already jumped on board and second hand activities and prices went upwards. Scrapping nearly came to a halt and new orders entered the books. Trade forecasts are encouraging as well, especially for Intra-regional trades. Supply growth, on the other hand, will be manageable. As it takes time for a container vessel to be build, analysts expect an excess demand situation for at least the coming two years. The uncertainty surrounding future propulsion technology is an additional boundary for investors to place new-build orders and the age structure of the current operating feeder fleet points towards an increase in scrapping when the market movements get back to a more normal situation. Beyond the supply side, also trade forecasts are encouraging, especially for Intra-regional trades.

The implications of Covid-19 are also expected to induce a long-term shift in regional trade flows towards a more regionally diversified sourcing pattern. This will most likely lead to additional growth for regional trades, which can be assumed to increase the demand for smaller and more flexible container tonnage. This tendency can already be observed on intra-regional trades. While very large container vessels entered intra-regional trades in 2018, and where able to expand their share up to 3% in 2019, they left those trades during 2020. It has to be monitored closely, if this is a structural shift in deployment patterns or manner.

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	Q4 2020 (unaudited)	Q3 2020 (unaudited)	Q4 2019 (unaudited)	FY 2020 (unaudited)	FY 2019 (audited)
Operating revenues	5	45,573	41,194	44,227	171,898	184,743
Commissions		-1,782	-1,493	-1,670	-6,166	-6,566
Vessel voyage expenditures		-5,750	-5,068	-5,390	-22,978	-22,233
Vessel operation expenditures		-28,323	-27,432	-27,243	-108,915	-114,356
Ship management fees		-2,210	-2,283	-2,353	-9,065	-9,042
Share of profit or loss from joint venture	6	363	90	109	936	-434
Gross profit		7,871	5,007	7,681	25,710	32,111
Administrative expenses		-2,007	-1,955	-2,391	-7,874	-8,817
Other expenses		-2,019	-616	-685	-3,485	-3,692
Other income		683	250	243	1,812	2,521
Gain (loss) from disposal of vessels		0	0	0	0	3,129
EBITDA		4,529	2,687	4,847	16,164	25,252
Depreciation	7	-12,798	-12,340	-10,988	-49,653	-41,109
Impairment	7	-4,764	-1,732	-2,583	-8,996	-2,583
Operating result (EBIT)		-13,033	-11,386	-8,724	-42,486	-18,439
Finance income		172	242	163	733	530
Finance costs	8	-5,510	-6,637	-5,611	-22,665	-21,746
Profit/Loss before income tax (EBT)		-18,371	-17,781	-14,172	-64,418	-39,656
Income tax expenses		-10	-4	21	-73	-81
Profit/Loss for the period		-18,381	-17,785	-14,151	-64,491	-39,736
Attributable to:						
Equity holders of the Company		-18,374	-17,778	-14,140	-64,465	-39,701
Minority interest		-8	-7	-10	-26	-35
Basic earnings per share – in USD		-0.05	-0.05	-0.17	-0.27	-0.47
Diluted earnings per share – in USD		-0.05	-0.05	-0.17	-0.27	-0.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	Q4 2020 (unaudited)	Q3 2020 (unaudited)	Q4 2019 (unaudited)	FY 2020 (unaudited)	FY 2019 (audited)
Profit/loss for the period		-18,381	-17,785	-14,151	-64,491	-39,736
Items that may be subsequently transferred to profit or loss		761	408	1,053	-5,059	-4,803
Foreign currency effects, net of taxes		216	81	70	257	-22
Change in hedging reserves, net of taxes		545	327	983	-5,316	-4,781
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		-17,620	-17,377	-13,098	-69,550	-44,539
Attributable to:						
Equity holders of the Company		-17,612	-17,370	-13,087	-69,524	-44,504
Non-controlling interest		-8	-7	-10	-26	-35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	At 31 December 2020 (unaudited)	At 31 December 2019 (audited)
Assets		678,138	718,079
Non-current Assets		621,079	649,287
Vessels	7	588,816	621,861
Vessel held for sale	7	3,900	0
Investment in joint venture	6	28,362	27,426
Current Assets		57,059	68,792
Inventories		3,373	4,538
Trade and other receivables		14,432	24,049
Cash and cash equivalents		39,254	40,205
Unrestricted cash		27,717	26,765
Restricted cash		11,537	13,440
Equity and Liabilities		678,138	718,079
Equity		383,032	410,458
Share capital	10	43,047	101,121
Share premium		456,764	356,566
Treasury shares		-1,143	-1,143
Retained losses		-108,413	-43,948
Other reserves		-8,877	-3,819
Non-controlling interest		1,655	1,681
Non-current Liabilities		274,484	276,862
Interest bearing loans	8	274,484	276,862
Current Liabilities		20,623	30,758
Interest bearing loans and borrowings	8	2,436	2,753
Trade and other payables		13,275	20,519
Payables to affiliated companies		20	46
Other liabilities		4,891	7,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	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
Change in nominal value	-97,236	97,236	0	0	0	0	0
Capital increase	39,162	2,962	0	0	0	0	42,124
Result of the period	0	0	0	-64,465	0	-26	-64,491
Foreign currency effects	0	0	0	0	257	0	257
Hedging reserves	0	0	0	0	-5,316	0	-5,316
Equity as at 31 Dec. 2020	43,047	456,764	-1,143	-108,413	-8,877	1,655	383,032
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	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
Equity as at 31 Dec. 2019	101,121	356,566	-1,143	-43,948	-3,819	1,682	410,458

CONSOLIDATED STATEMENT OF CASH FLOW

In USD thousands	Notes	Q4 2020 (unaudited)	Q3 2020 (unaudited)	Q4 2019 (unaudited)	FY 2020 (unaudited)	FY 2019 (audited)
Profit/Loss before income tax		-18,371	-17,781	-14,172	-64,418	-39,656
Income tax expenses paid		0	0	0	0	0
Net change in current assets		5,384	1,241	1,534	8,961	-412
Net change in current liabilities (ex. capex payables)		-8,606	-4,426	5,412	-7,615	7,112
Fair value change in derivatives		544	327	984	-73	-4,766
Depreciation		12,798	12,340	10,988	49,654	41,109
Finance costs (net)		5,338	6,396	5,449	21,933	21,216
Share of profit or loss from joint venture		-363	-90	-109	-936	434
Impairment		4,764	1,733	2,583	8,997	2,583
Gain (loss) from disposal of vessels		0	0	0	0	-3,129
Cash flow from operating activities		1,488	-260	12,668	16,502	24,491
Proceeds from disposal of vessels		3,922	10,500	0	14,525	10,739
Scrubbers, dry docks and other upgrades on vessels		-13,465	-8,608	-17,413	-44,029	-61,081
Investment in affiliated companies		0	0	0	0	-4,900
Interest received		3	3	163	82	530
Purchase of own shares		0	0	0	0	-1,143
Cash flow from investing activities		-9,540	1,895	-17,250	-29,422	-55,855
Proceeds from share issuance		0	31,418	0	43,354	391
Share issuance costs		-28	-916	0	-1,220	0
Proceeds from debt financing		0	0	6,000	0	39,000
Repayment of debt		0	-6,603	0	-8,326	-7,566
Interest paid		-1,759	-2,070	-4,815	-12,732	-19,061
Debt issuance costs		-473	-1,895	87	-2,638	-1,424
Other interest paid		-587	-481	0	-1,226	0
Repayment of MTM value of collar		0	0	0	-5,243	0
Cash flow from financing activities		-2,847	19,453	1,273	11,969	11,340
Net change in cash and cash equivalents		-10,899	21,088	-3,309	-951	-20,024
Cash and cash equivalents at beginning of period		50,153	29,065	43,514	40,205	60,228
Cash and cash equivalents at the end of period²		39,254	50,153	40,205	39,254	40,205

² Whereof USD 11.5 million is restricted as at 31 December 2020 and USD 13.4 million 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 31 December 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. There are no new standards effective as at 1 January 2020 with a significant impact on the Group.

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	Q4 2020 (unaudited)	Q4 2019 (unaudited)
Time charter revenue	31,888	32,607
Pool charter revenue	9,051	8,987
Other revenue	4,634	2,633
Total operating revenue	45,573	44,227

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	Q4 2020 (unaudited)	Q4 2019 (unaudited)
Service element	14,886	17,746
Other revenue	4,634	2,634
Total revenue from customer contracts	19,519	20,379
Lease element	26,053	23,847
Total operating revenue	45,573	44,227

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	Q4 2020 (unaudited)	Q4 2019 (unaudited)
Operating revenue	7,216	5,993
Operating costs	-5,049	-4,505
Depreciation	-1,251	-1,012
Net financial income/expense	-178	-255
Income tax	-11	-3
Profit after tax for the period	727	218
Total comprehensive income for the period	727	218
Group's share of profit for the period	363	109

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 Vessels held for sale

in USD thousands	At 31 December 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	43,569	64,067
Disposals of vessels	-25,025	-7,954
Acquisition cost	716,077	697,533
Accumulated depreciations and impairments 1 January	-75,672	-32,573
Depreciation for the year	-49,653	-41,109
Impairment	-8,996	-2,583
Disposal of vessels	10,961	593
Accumulated depreciations and impairments at end of period	-123,360	-75,672
Closing balance at end of period	592,716	621,861
<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 vessel</i>	<i>Remaining useful life vessel</i>

The Group entered into a Memorandum of Agreements at 7 December 2020 for the purchase of the 2007 built TEU 3,500 vessel MV Nordspring (to be renamed AS Nadia) at USD 10 million. The vessel was taken over by the Group, subsequent to the balance sheet date at 19 January 2021.

At 10 December 2020, the Group entered into a Memorandum of Agreement for the sale of AS Laguna with the expected delivery to the new owners in the first half of 2021. As the vessel has not been delivered to its new owners as at 31 December 2020, the vessels is classified as held for sale. Subsequent to the balance sheet date the Group entered into a Memorandum of Agreement for the sale of AS Frida. As the net sales prices for these vessels are below the carrying amounts, an impairment of USD 4.8 million has been recognized in Q4 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 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 31 December 2020.

The impairment test as at 31 December 2020, has been performed by updating the key assumptions, in accordance with the Group's methodology as set out in the Group's annual financial statement as at 31 December 2019. The key assumptions has been updated also considering the current market including secured time charter contracts which will commence in 2021 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 the remaining vessels, no additional impairment charges have been included in the financial results for the fourth quarter of 2020.

The impairment assessment is depending on a continued strong charter market for container vessels and accordingly 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 31 December 2020 (unaudited)	As at 31 December 2019 (audited)
Nominal value of issued bonds	MPCBV	USD	204,056	Floating + 4.75%	September 2022	204,056	200,000
Non-recourse senior secured term loan	N/A	USD	59,150	Floating + 4.75%	May 2023	49,595	57,921
Term loan	N/A	USD	29,000	Floating + 3.5%	April 2022	29,000	29,000
Other long-term debt incl accrued interest						229	310
Total outstanding						282,880	287,231
Debt issuance costs						-5,960	-7,615
Total interest bearing debt outstanding						276,920	279,616

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 USD 150 million bond loan 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. And in relation to the USD 29 million term loan, the Group has entered into fixed interest-rate swap agreements for a notional of USD 15 million.

On 3 July 2020, MPC Container Ships B.V. received support from the majority of its bondholders for certain amendments under the bond agreement, which included among others a waiver of the loan-to-value covenant and reduced minimum liquidity restrictions until but excluding 31 December 2021, including a six month extension of the maturity. The book-equity ratio of the Group at a minimum of 40% are suspended to (but excluding) 31 March 2021.

Accordingly, the following main financial covenants are applicable as at 31 December 2020 in accordance with the terms for the bond loan:

- MPC Container Ships Invest B.V., together with its subsidiaries, shall maintain a minimum liquidity of USD 7.5 million

In December 2020, MPC Container Ships Invest B.V. in accordance with the new terms under bond agreement, for the fourth quarter interest payment, settled 1/3 of the payment in cash and the remaining 2/3 as payment in kind (“PIK”) by way of issuing additional bonds. Accordingly, after also the settlement of 2/3 of the interest payments as PIK by way of issuing new bonds also in the third quarter, outstanding bonds as at 31 December 2020 are USD 204.1 million.

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 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 applicable as at 31 December under the terms of the USD 29 million term loan:

- the Group shall maintain a minimum liquidity of the higher of USD 11 million, 5% of the financial indebtedness of the Group and USD 200 thousand multiplied with the number of consolidated vessels within the Group

The Group is in compliance with all bond and loan covenants as at 31 December 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 Q4 2020:

in USD thousands - Q4 2020	Type of services	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Wilhelmsen Ahrenkiel Ship Man. GmbH & Co. KG / B.V.	Technical	2,021	241
Harper Petersen & Co. GmbH	Commercial	534	85
MPC Maritime Investments GmbH	Corporate	59	0
MPC Münchmeyer Petersen Capital AG	Corporate	118	0
Total		2,733	326

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

Note 10 - Share capital

The share capital of the Company consists of 394,256,127 shares as at 31 December 2020. The nominal value per share is NOK 1 after the decrease on nominal value from NOK 10 to NOK 1 as announced 9 July. 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
Reduction in nominal value announced 9 July 2020	0	-97,236
Capital increase from equity private placement announced 9 July 2020	266,353,127	28,197
Capital increase from equity subsequent offering announced 20 August 2020	36,400,000	4,045
31 December 2020	394,256,127	43,047

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

Note 11 - Subsequent events

On 27 January 2021 the Group entered into a sale agreement for the vessel AS Frida. The total sales price is agreed at USD 4.7 million and the vessel will be delivered to its new owner during first half of 2021.

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 impairment of vessels to the operating result ("EBIT").

in USD thousands	Q4 2020 (unaudited)	Q3 2020 (unaudited)	Q4 2019 (unaudited)	FY 2020 (unaudited)	FY 2019 (audited)
Operating result (EBIT)	(13,033)	(11,386)	(8,724)	(42,486)	(18,439)
Depreciation	12,798	12,340	10,988	49,653	41,109
Impairment	4,764	1,732	2,583	8,996	2,583
EBITDA	4,529	2,687	4,847	16,164	25,252

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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