

**MPC CONTAINER SHIPS INVEST B.V.**

# **FINANCIAL REPORT**

**H1 2020**

# MPC CONTAINER SHIPS INVEST B.V.

## SECOND QUARTER AND HALF-YEAR 2020 HIGHLIGHTS

- Total revenues in Q2 2020 were USD 25.0 million (Q1 2020: USD 28.8 million).
- Net loss for Q2 2020 was USD 11.8 million (Q1 2020: net loss of USD 6.9 million).
- The container shipping industry has been impacted and will continue to be impacted by reduced activity level and demand following the COVID-19 virus outbreak. MPC Container Ships Invest B.V. ("the Company" or together with its subsidiaries "the Group") has continued its focus into 2020 on reducing cost and capital spending and thereby continue maintaining an industry low cash break even.
- Subsequent to the balance sheet date, on 3 July 2020, the Company received support from the majority of bondholders for its listed bonds to certain amendments under the bond agreement .

## COMMENT FROM THE MANAGEMENT BOARD

*"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 Parent 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 uncharted 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."*

## 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 were in Q2 USD 25.0 million (Q1 2020: USD 28.8 million). The gross profit from vessel operations was USD 1.7 million (Q1 2020: USD 4.7 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 net loss for the period was USD 11.8 million (Q1 2020: net loss of USD 6.9 million).

### Financial position

The Group's total assets amounted to USD 404.2 million as at 30 June 2020 (USD 412.9 million as at 31 December 2019). Non-current assets in the amount of USD 388.4 million comprise of vessels, vessels held for sale and restricted cash.

Total equity was USD 183.9 million as at 30 June 2020 (USD 198.2 million as at 31 December 2019) with minority interest of USD 0.7 million. As at 30 June 2020, the Group had interest-bearing financial loans in the amount of USD 195.9 million (USD 195.0 million as at 31 December 2019), the increase relates to amortization of capitalized loan fees.

### Cash flow

In the second quarter of 2020, the Group generated a positive cash flow from operating activities of USD 0.8 million (Q1 2020: positive cash flow of USD 0.1 million). The cash flow from investing activities was negative by USD 4.6 million (Q1 2020: negative by USD 9.0 million) due to investments into dry-dockings, other upgrades and part of the remaining obligations for the scrubber program. The group had a cash flow from financing activities of USD 3.0 million after proceeds from shareholders compared to a cash flow in Q1 2020 of USD 5.8 million.

The total net change in cash and cash equivalents from 31 December 2019 to 30 June 2020 was USD -3.8 million.

Cash and cash equivalents including restricted cash as at 30 June 2020 were USD 12.0 million, compared to USD 15.8 million as at 31 December 2019.

## 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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

For full-year 2020, current GDP growth forecasts are 1% for China, -6.7% for the Euro Area and -5.9% for the US.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup>

<sup>1</sup> Clarksons Research, Covid-19: Shipping Market Impact Tracker, 17<sup>th</sup> August 2020.

<sup>2</sup> International Monetary Fund, World Economic Outlook, June 2020.

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

<sup>4</sup> International Monetary Fund, IMF online DateMapper, August 2020.

<sup>5</sup> Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.

<sup>6</sup> Clarksons Research, SIN Online Database, August 2020; International Monetary Fund, World Economic Outlook, June 2020.

## 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.<sup>7</sup> 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.<sup>8</sup>

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).<sup>9</sup> Operators increased capacity with a 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.<sup>10</sup> 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).<sup>11</sup> 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.<sup>12</sup>

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.<sup>13</sup>

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 where 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.<sup>14</sup>

<sup>7</sup> Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.

<sup>8</sup> Ibid.

<sup>9</sup> Braemar Weekly Container Briefing, 4 August 2020.

<sup>10</sup> Ibid.

<sup>11</sup> Maritime Strategies International, Horizon, online data, 19 August 2020.

<sup>12</sup> Clarksons Research, SIN, online data, 19 August 2020.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid; Maritime Strategies International, Horizon, online data, 19 August 2020.

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).<sup>15</sup> 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.<sup>16</sup>

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.<sup>17</sup>

### **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.<sup>18</sup>

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.<sup>19</sup>

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.<sup>20</sup>

<sup>15</sup> Clarksons Research, SIN, online data, 19 August 2020.

<sup>16</sup> Maritime Strategies International, Horizon, online data, 12 May 2020.

<sup>17</sup> Ibid; Clarksons Research, Container Intelligence Monthly, Volume 22 No 7, July 2020.

<sup>18</sup> Drewry, COVID-19 impact on sailings, 6 May 2020.

<sup>19</sup> Alphaliner, Weekly Newsletter, Volume 2020 Issue 32.

<sup>20</sup> Clarksons Research, SIN, online data, 19 August 2020.

Time charter rates (6-12 months) in July 2020<sup>21</sup>:

- 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).<sup>22</sup> It is 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.<sup>23</sup>

### 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 began 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

---

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

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 Invest B.V. cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

# 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 Management Board' 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 position of the Group.

28 August 2020

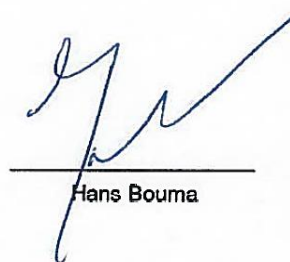
The Management Board of  
MPC Container Ships Invest B.V.



Lammert de Graaf



Constantin Baack



Hans Bouma



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

in USD thousands	Note	Q2 2020 (unaudited)	Q1 2020 (unaudited)	Q2 2019 (unaudited)	H1 2020 (unaudited)	H1 2019 (unaudited)
Operating revenues	3	24,980	28,809	29,237	53,789	57,967
Commissions		-839	-1,051	-1,095	-1,891	-2,088
Vessel voyage expenditures		-3,690	-4,926	-2,635	-8,616	-6,062
Vessel operation expenditures		-17,178	-16,558	-18,440	-33,736	-38,469
Ship management fees		-1,538	-1,592	-1,531	-3,130	-3,065
<b>Gross profit</b>		<b>1,734</b>	<b>4,682</b>	<b>5,536</b>	<b>6,416</b>	<b>8,282</b>
Administrative expenses		-616	-556	-669	-1,172	-1,276
Depreciation and impairment	4	-7,921	-7,327	-5,668	-15,249	-11,445
Impairment	4	-1,500	0	0	-1,500	0
Other expenses		-204	-1	-332	-205	-581
Gain from disposal of vessels		0	0	460	0	3,129
Other income		335	106	120	440	189
<b>Operating result (EBIT)</b>		<b>-8,173</b>	<b>-3,096</b>	<b>-553</b>	<b>-11,269</b>	<b>-1,701</b>
Finance income		13	-19	99	-6	221
Finance costs	6	-3,640	-3,796	-3,909	-7,436	-8,003
<b>Profit/Loss before income tax (EBT)</b>		<b>-11,800</b>	<b>-6,911</b>	<b>-4,364</b>	<b>-18,711</b>	<b>-9,483</b>
Income tax expenses	4	4	-1	-80	3	-80
<b>Profit/Loss for the period</b>		<b>-11,796</b>	<b>-6,912</b>	<b>-4,444</b>	<b>-18,708</b>	<b>-9,563</b>
Attributable to:						
Equity holders of the Company		-11,788	-6,909	-4,444	-18,697	-9,562
Minority interest		-8	-3	0	-11	-1

## 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		-11,796	-6,912	-4,444	-18,708	-9,563
<b>Items that may be subsequently transferred to profit or loss</b>		<b>-26</b>	<b>-4,609</b>	<b>-2,353</b>	<b>-4,634</b>	<b>-3,983</b>
Cash flow hedge reserve		-22	-4,609	-2,353	-4,630	-3,983
Foreign currency		-4	0	0	-4	0
<b>Items that will not be subsequently transferred to profit or loss</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive profit/loss</b>		<b>-11,821</b>	<b>-11,521</b>	<b>-6,797</b>	<b>-23,342</b>	<b>-13,546</b>
Attributable to:						
Equity holders of the Company		-11,813	-11,519	-6,797	-23,332	-13,545
Non-controlling interest		-8	-3	0	-11	-1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	30 June 2020 (unaudited)	31 Dec. 2019 (audited)
<b>Assets</b>		<b>404,216</b>	<b>412,911</b>
Non-current Assets		388,361	391,458
Vessels	4	373,361	381,458
Vessels held for sale	4	5,000	0
Long-term restricted cash		10,000	10,000
Current assets		15,855	21,453
Inventories		3,109	2,501
Trade and other receivables		10,758	13,142
Cash and cash equivalents		1,987	5,810
<b>Equity and liabilities</b>		<b>404,216</b>	<b>412,911</b>
Equity		183,899	198,221
Share capital	5	0	0
Capital reserves		241,295	232,274
Retained losses		-50,685	-31,987
Legal reserve		-7,383	-2,749
Minority interest		672	683
Non-current Liabilities		195,860	195,339
Interest bearing long-term debt	6	195,860	195,094
Other liabilities		0	245
Current Liabilities		24,457	19,351
Trade and other payables		14,401	14,036
Payables to affiliated companies		5,163	4,135
Other liabilities		4,893	1,180

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share premium	Retained losses	OCI	Total equity attributable to the equity holders of the Company	Minority interest	Total equity
Equity as at 1 Jan. 2020	0	232,273	-31,987	-2,749	197,538	683	198,220
Contribution in kind	0	9,022	0	0	9,022	0	9,022
Capital increase from non-controlling interest	0	0	0	0	0	0	0
Result of the period	0	0	-18,697	0	-18,697	-11	-18,708
Cash flow hedge reserve	0	0	0	-4,630	-4,630	0	-4,630
Foreign currency translation	0	0	0	-4	-4	0	-4
<b>Equity as at 30 June 2020</b>	<b>0</b>	<b>241,295</b>	<b>-50,685</b>	<b>-7,383</b>	<b>183,227</b>	<b>672</b>	<b>183,899</b>
Equity as at 1 Jan. 2019	0	213,090	-6,104	1,018	208,004	302	208,306
Contribution in kind	0	19,183	0	0	19,183	0	19,183
Capital increase from non-controlling interest	0	0	0	0	0	390	390
Result of the period	0	0	-25,883	0	-25,883	-9	-25,892
Cash flow hedge reserve	0	0	0	-3,767	-3,767	0	-3,767
Foreign currency translation	0	0	0	0	0	0	0
<b>Equity as at 31 December 2019</b>	<b>0</b>	<b>232,273</b>	<b>-31,987</b>	<b>-2,749</b>	<b>197,538</b>	<b>683</b>	<b>198,221</b>

## 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 taxes		-11,800	-6,911	-4,364	-18,711	-9,483
Income tax paid		0	0	0	0	0
Finance expenses, net		3,627	3,815	3,811	7,442	7,782
Interest paid		-3,006	-3,394	-3,842	-6,400	-7,429
Net other Interest received		-229	10	99	-219	221
Net change in current assets		2,308	532	7,190	2,840	3,358
Net change in current liabilities		583	3,615	-1,938	4,196	-727
Cash upfront payment for hedge instruments		-60	380	-1,700	320	-2,800
Repayment of MTM value		0	-5,243	0	-5,243	0
Depreciation and impairment		9,421	7,327	5,668	16,748	11,445
Gain/loss from disposal of vessels		0	0	-460	0	-3,129
<b>Cash flow from operating activities</b>		<b>845</b>	<b>131</b>	<b>4,464</b>	<b>974</b>	<b>-762</b>
Proceeds from disposals of vessels		0	0	1,709	0	10,739
Purchase of vessels		0	0	0	0	0
Dry-docking and other investments		-4,611	-8,985	-7,726	-13,596	-11,200
Prepayment on vessels		0	0	0	0	0
<b>Cash flow from investing activities</b>		<b>-4,611</b>	<b>-8,985</b>	<b>-6,017</b>	<b>-13,596</b>	<b>-461</b>
Proceeds from shareholder's contribution		3,000	6,022	10,810	9,022	10,810
Gross proceeds debt financing		0	0	0	0	0
Bond issuing costs		0	-222	0	-222	0
<b>Cash flow from financing activities</b>		<b>3,000</b>	<b>5,800</b>	<b>10,810</b>	<b>8,800</b>	<b>10,810</b>
Net change in cash and cash equivalents		-767	-3,055	9,258	-3,823	9,588
Net foreign exchange differences		0	0	0	0	0
Cash and cash equivalents at beginning of period		12,754	15,810	19,582	15,810	19,252
<b>Cash and cash equivalents at the end of period<sup>24</sup></b>		<b>11,987</b>	<b>12,755</b>	<b>28,840</b>	<b>11,987</b>	<b>28,840</b>

<sup>24</sup> Whereof USD 10.0 million is restricted as at 30 June 2020 and as at 31 December 2020

## NOTES

### Note 1 - General information

MPC Container Ships Invest B.V. (the “Company”, together with its subsidiaries the “Group”) is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Oever 5, 3161 GR Rhoon NL, the Netherlands and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and operating activity commenced in September 2017. This consolidated financial report comprises the Company and its subsidiaries. The principal activity of the Group is the investment in as well as operating and financing of container vessels.

The Company is controlled by MPC Container Ships ASA (the “Parent”), a public limited liability company incorporated and domiciled in Norway, with registered address at Munkedamsveien 45 A, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Group is included in the consolidated financial statements of the Parent. The shares of the Parent are listed on the Oslo Stock Exchange under the ticker “MPCC”.

### Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 30 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.

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 3 - Revenue

in USD thousands	Q2 2020 (unaudited)	Q1 2020 (unaudited)
Time charter revenue	16,199	18,066
Pool charter revenue	6,824	8,287
Other revenue	1,957	2,456
<b>Total operating revenue</b>	<b>24,980</b>	<b>28,809</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	Q2 2020 (unaudited)	Q1 2020 (unaudited)
Service element	8,914	12,106
Other revenue	1,957	2,456
<b>Total revenue from customer contracts</b>	<b>10,871</b>	<b>14,562</b>
Lease revenue	14,110	14,247
<b>Total operating revenue</b>	<b>24,980</b>	<b>28,809</b>

#### Note 4 - Vessels and vessels held for sale

in USD thousands	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>Acquisition cost at 1 January</b>	<b>426,748</b>	<b>396,851</b>
Contributions of fixed assets and capitalized investments	0	0
Disposals of vessels	0	-7,954
Acquired vessels and capitalized investments	13,652	37,852
<b>Acquisition cost at end of period</b>	<b>440,401</b>	<b>426,748</b>
Accumulated depreciation 1 January	-45,291	-20,344
Disposal of vessels	0	593
Depreciation for the year	-15,249	-24,070
Impairment for the year	-1,500	-1,469
<b>Accumulated depreciation at end of period</b>	<b>-62,039</b>	<b>-45,291</b>
<b>Closing balance at end of period</b>	<b>378,361</b>	<b>381,458</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 vessel</i>	

The Group has entered into new Memorandum of Agreements for the sale of Laurretta with new buyers after the initial buyers were not able to perform under the initial contract. As stated in Note 7, the sale agreement for AS Laurretta was entered into subsequent to the balance sheet date. As the vessel had not been delivered to its new owners as at 30 June 2020, the vessel was 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 1.5 million, was recorded in the three months period ending 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 5 - Share capital

	Number of shares	Share capital (USD)	Share premium (USD)
<b>31 December 2019</b>	<b>1</b>	<b>1</b>	<b>232,273</b>
Equity injections in Q1 2020	0	0	6,022
Equity injections in Q2 2020	0	0	3,000
<b>30 June 2020</b>	<b>1</b>	<b>1</b>	<b>241,295</b>

As at 30 June 2020, the share capital of the Company consists of 1 share with nominal value per share of EUR 1, paid on 13 October 2017. Share premium represents the additional contributions made by the Parent (substantially through vessels and cash).

## Note 6 - Interest-bearing loans

The Company has in 2017 and 2018 issued a senior secured bond with a total outstanding as at 30 June 2020 of USD 200 million. The bond is listed at Oslo Stock Exchange with ticker code "MPCBV". The Group has entered into fixed interest-rate swap agreements for USD 50 million of the bond loan. For the remaining bond loan of USD 150 million, the Group has entered into interest cap and collar agreements.

in USD thousands	30 June 2020 (unaudited)	31 December 2019 (audited)
Nominal value of issued bonds	200,000	200,000
Issuance costs	-4,140	-4,906
<b>Interest-bearing debt</b>	<b>195,860</b>	<b>195,094</b>

In addition to customary protection rights for the benefit of the bond holders, the following financial covenants, as defined in the bond terms, are applicable at the level of the Parent's consolidated figures:

- The consolidated book-equity ratio of the Parent shall at all times be higher than 40%.

The following financial covenant, as defined in the bond terms, is applicable at the level of the Company's consolidated figures:

- The Group shall maintain a minimum liquidity of 5% of the consolidated financial indebtedness; and
- Vessel loan to value ratio of the Company and its subsidiaries shall not exceed 75%.

The bond is guaranteed by the Parent and all subsidiaries of the Company.

The bond terms contain voluntary call options to early redeem the bonds, which is currently not expected. In addition, there is also a mandatory put option upon change in controlling shareholder.

Subsequent to the balance sheet, the Company received support from the majority of bondholders for its listed bonds to certain amendments under the bond agreement. See Note 7 for further details.

## Note 7 - Group companies

The Group's consolidated financial statements include the financial reports of the Company and its subsidiaries listed in the table below:

Name	Principal activity	Country of incorporation	Equity interest	Initial consolidation
"AS LAETITIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAGUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PAULINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS PETRONIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017

"AS CLARA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS ANGELINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FATIMA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FLORETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FAUSTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FABRIZIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIORELLA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS COLUMBIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CLARITA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FRIDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CALIFORNIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FIONA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS CONSTANTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FORTUNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS LAURETTA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS SAVANNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2017
"AS FILIPPA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SOPHIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SERENA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CLEMENTINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SICILIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SEVILLIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS PATRIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS PALATIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CYPRIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS CARELIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FABIANA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FEDERICA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FLORIANA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS RICCARDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS RICCARDA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS RAGNA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS ROMINA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS ROSALIA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS SARA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS FLORA" ShipCo C.V.	Ship-owning entity	Netherlands	99.9%	2018
"AS LAETITIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS LAGUNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS PAULINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS PETRONIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CLARA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS ANGELINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FATIMA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FLORETTA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FAUSTINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017

"AS FABRIZIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FIORELLA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS COLUMBIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CLARITA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FRIDA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CALIFORNIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FIONA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS CONSTANTINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FORTUNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS LAURETTA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS SAVANNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2017
"AS FILIPPA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS SOPHIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS SERENA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS CLEMENTINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS SICILIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS SEVILLIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS PATRIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS PALATIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS CYPRIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS CARELIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS FABIANA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS FEDERICA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS FLORIANA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS RICCARDA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS RICCARDA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS RAGNA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS ROMINA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS ROSALIA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS SARA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018
"AS FLORA" OpCo B.V.	General partner entity	Netherlands	100.0%	2018

Ownership rights equal voting rights in all subsidiaries.

#### **Note 8 - Subsequent events**

On 3 July 2020, the Company, 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 3 July 2020, a subsidiary of the Group entered into a Memorandum of Agreement for the sale of AS Lauretta. See Note 4

On 13 July 2020, the Parent announced that 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. And on 31 July



it was confirmed that USD 20 million out of this had been injected into the Company from the Parent as equity, including the other conditions precedent had been fulfilled and accordingly the amended terms was effective from this date.

In relation to the private placement the Parent 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.