



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

# **FINANCIAL REPORT**

**Q3 2020**

# MPC CONTAINER SHIPS INVEST B.V.

## THIRD QUARTER 2020 HIGHLIGHTS

- Total revenues in Q3 2020 were USD 26.1 million (Q2 2020: USD 25.0 million).
- Net loss for Q3 2020 was USD 12.3 million (Q2 2020: net loss of USD 11.8 million).
- In Q3 2020, MPC Container Ships Invest B.V. ("the Company", together with its subsidiaries "the Group") received support for certain amendments under its bond agreement. The amendments included a waiver of the LTV covenant and reduced minimum liquidity restrictions until, but excluding, 31 December 2021 and a six-month bond maturity extension. After completing the recapitalisation process during Q3 2020, the Group is equipped with a comfortable liquidity runway and is well-positioned to benefit from an improving charter market.

## COMMENT FROM THE MANAGEMENT BOARD

*"For container shipping, the operating environment YTD 2020 has been genuinely bipolar. The charter market pre-summer hit perilously low levels as a consequence of COVID-related port closures and global lockdowns, only to recuperate this autumn to 10-year highs across vessel segments.*

*Part of the recent rally in charter rates was caused by catch-up effects in the aftermath of COVID lockdowns and adhering bottlenecks in international trade. The favourable mid- to long-term fundamentals of container shipping, however, still persist. In fact, the pandemic has necessitated changes in trading patterns which reconfirm the need for a flexible fleet of intra-regional vessels. At the same time, the order book for new tonnage remains at a record low.*

*In a very strong Q4 2020 charter market and until end-of Q1 2021, the Group expects to renew or enter into new charter contracts for a significant portion of our total fleet. Whilst our Q3 2020, and to some degree Q4 2020, financials are affected by the depressed market during the spring and summer months, the strong fixtures concluded as of late will significantly improve the company's position in 2021 and onwards."*

## THIRD QUARTER 2020 RESULTS

### Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues were in Q3 USD 26.1 million (Q2 2020: USD 25.0 million). The gross profit from vessel operations was USD 2.5 million (Q2 2020: USD 1.7 million). The increase in operating and gross profit compared to the previous quarter is driven by the improvement in the charter market, in turn leading to reduced idle time and increased utilization for the Group's vessels.

The Group reports a loss of USD 12.3 million in Q3 2020 (Q2 2020: USD 11.8 million) after the impairment of USD 1.7 million (Q2 2020: USD 1.5 million) and increased amortization related to the approved amended terms under the bond agreement, including a one-off accounting effect as a loss of USD 0.3 million.

## Financial position

The Group's total assets amounted to USD 413.9 million as at 30 September 2020 (USD 412.9 million as at 31 December 2019). Non-current assets in the amount of USD 375.9 million comprise of vessels, vessels held for sale and restricted cash. Total equity was USD 191.8 million as at 30 September 2020 (USD 198.2 million as at 31 December 2019) with minority interest of USD 0.7 million. As at 30 September 2020, the Group had interest-bearing financial loans in the amount of USD 197.6 million (USD 195.1 million as at 31 December 2019), the increase relates to amortization of capitalized loan fees and settlement of the 2/3 of the third quarter interest payment as payment in kind ("PIK") by way of issuing additional bonds in accordance with the amended bond terms.

## Cash flow

In the third quarter of 2020, the Group generated a negative cash flow from operating activities of USD 1.7 million (Q2 2020: positive cash flow of USD 0.8 million). The cash flow from investing activities was positive by USD 0.4 million (Q2 2020: negative by USD 4.6 million) due to proceeds from disposals of vessels exceeding the investments into dry-dockings and other upgrades. The group had a net cash flow from financing activities of USD 18.3 million after proceeds from shareholders compared to a cash flow in Q2 2020 of USD 3.0 million.

The total net change in cash and cash equivalents from 31 December 2019 to 30 September 2020 was USD 13.2 million.

Cash and cash equivalents including restricted cash as at 30 September 2020 were USD 29.0 million, compared to USD 15.8 million as at 31 December 2019.

## CONTAINER MARKET UPDATE

### COVID-19

The spread of COVID-19 in H1 2020, the extensive lockdowns in major western economies and the drop in demand resulted in a global economic downturn, turning 2020 into one of the worst years for container trade in history. GDP growth for full year 2020 will be negative in most industrialized economies, leading to an expected 4.4% global GDP decline. International trade in particular is expected to suffer, with an estimated 10.4% volume decline in 2020.<sup>1</sup> As at end-of April 2020, during the peak of the first global wave of the pandemic, full-year 2020 container trade was forecasted to decline by 11%.<sup>2</sup> With the ease of lockdowns from May 2020, the markets started to recover. Due to the unexpected strong and fast recovery, the revised forecast for 2020 are now a decline of 3%.<sup>3</sup> The recovery still continues, despite the record number of new COVID-19 infections.

With the ease of lockdowns in the US and Europe in May 2020, the recovery started. It became quickly obvious that, regarding macroeconomic numbers, the global recovery will not follow a v-shaped path. Instead, it could more be a stepwise recovery process with figures getting back to normal levels in 2021. Current forecasts are a full year 2021 GDP growth of 5.2% and an increase in international trade volumes by 8%.<sup>4</sup>

As mentioned above, for the container vessel market, the recovery has been unexpectedly strong and fast, outperforming every expectation. One reason behind that development might be that the crisis hit the service sector and non-tradable goods in particular, while private consumption recovered quickly. For 2021, growth in container market of 5.5% is expected and thus, as supply in 2021 will be moderate with around 2.8%, a significant rebalancing toward an excess demand situation are forecasted.<sup>5</sup>

However, the sustainability of the market recovery is subject to the outcome of further spread and the implications of the Coronavirus.

<sup>1</sup> International Monetary Fund, World Economic Outlook, October 2020.

<sup>2</sup> Clarkson Research, Container Intelligence Monthly, Volume 22, No. 4 (April)

<sup>3</sup> Clarkson Research, Container Intelligence Monthly, Volume 22, No. 10 (October).

<sup>4</sup> Clarkson Research, Shipping Intelligence Network, November, 2020, Numbers base on IMF forecasts.

<sup>5</sup> Clarkson Research, Container Intelligence Monthly, Volume 22 No 10, July 2020.

## Container Demand

Already in 2019 the industry experienced the lowest number of seaborne container demand since the financial crisis in 2008, with a low growth of 1.7%. However, the COVID-19 driven global recession is expected to result in a much worse seaborne container demand growth for 2020 (-3.0%). While the container shipping industry, as an important logistic sector and the backbone of international trade, will look at 2020 as one of the worst years in history for container trade, the main downturn occurred in H1 2020.<sup>6</sup>

After the ease of lockdowns in the US and Europe in May, container demand recovered significantly and unexpectedly fast. Operators started to increase capacity with a remarkable rebound on Transpacific and North-South trades, where capacity already reached a level above July 2019 numbers. After rebounding to pre-crisis levels, container demand is expected to increase by 5.5% in 2021.<sup>7</sup> For vessels below 3,000 TEU, the expected decline in demand are lower than for the total sector, as the expected decline for these vessels are 1.4% compared to 3.0% for the full sector.

Mid-term demand forecasts for the Container Vessel Market are encouraging. Demand growth is currently estimated with a compound annual growth rate (CAGR) of 5% until the end of 2024. Numbers are even more favorable for smaller vessels as demand growth on Intra-Regional trades (the main deployment of feeder tonnage) is relatively strong with a CAGR of 6% until 2024.<sup>8</sup> A possible change in global production patterns towards more diversified structures or “near shoring” can be expected to have an positive impact on intra-regional trades.

## Fleet Development

Regarding the supply side of the container vessel market, the global container fleet comprised 5,400 vessels with a total capacity of 23.5 million TEU as per November 2020. The feeder fleet (1,000 to 3,000 TEU) amounted to 1,927 vessels with a total capacity of 3.486 million TEU.<sup>9</sup>

The COVID-19 induced lockdowns made vessel handovers impossible for a while so that deliveries and scrapping came nearly to a halt in Q2 2020. Until November 2020, 104 container vessels with a capacity of 701,730 TEU have been delivered. The same period of 2019, 143 container vessels was delivered, with 944,470 TEU capacity. In the feeder segment (1,000 to 3,000 TEU) 69 vessels have been delivered until November 2020 (with 137,324 TEU capacity) compared with 71 vessels delivered in the same period in 2019 (131,129 TEU). The reason behind the relative high number of feeder deliveries despite the COVID-19 lockdown in Q2 are due to strong delivery numbers around the crisis' climax months. The major fraction of the feeder order book is scheduled for delivery until Q2 2021.<sup>10</sup>

With 8.0% of the total fleet (1.9m TEU capacity), the order book is currently at historical low levels. The order book in the feeder segment is only slightly larger with 8.6% (306k TEU). Nearly 50% of the feeder orders is scheduled for delivery until Q2 2021. The uncertain market environment and difficulties to decide about the right propulsion technology resulted in only 235,546 TEU new orders in 2020 year-to-date, a relative scarce ordering activity (compared to 584,305 TEU in the same period of 2019). This holds especially for the feeder segment with only 42,658 TEU new orders in 2020 year-to-date (compared to 96,905 TEU in 2019 same period). The thin order book in the feeder sector is expected to remain at low levels at least until the end of 2023 and will result in a decreasing feeder fleet in the coming years.<sup>11</sup>

<sup>6</sup> Clarkson Research, Container Intelligence Monthly, Volume 22 No. 10, July 2020.

<sup>7</sup> Ibid.

<sup>8</sup> Maritime Strategies International, Horizon, 10 November 2020.

<sup>9</sup> Clarkson Research, Shipping Intelligence Network, 10 November 2020..

<sup>10</sup> Ibid.

<sup>11</sup> Ibid; Maritime Strategies International, Horizon, 10 November 2020.

Also the demolition market has come to a halt in Q2 2020 due to the COVID-19 crisis, especially because of the lockdown imposed on the Indian Subcontinent. During the crises a list of vessels could be monitored that was sold for scrapping but could not be beached. Consequently, scrapping numbers increased significantly after the ease of lockdowns, when demolitions became again possible in India, Pakistan and Bangladesh. Since June, a significant increase in demolition activities with more than 60 vessels being scrapped; Among them 33 feeder vessels. Thus, despite the lockdown in Q2, 184,380 TEU could already be deleted from the market in 2020 year-to-date. The same period in 2019 saw only 161,888 TEU demolished. Regarding the feeder segment, 64,053 TEU have been taken from the market, compared with 79,302 TEU in the same period of 2019.<sup>12</sup> Due to the IMO's Ballast Water Management Systems Code as enforced from October 2019, increased demolition activity is expected particularly in the feeder segment, where the average fleet age is relative old.

As COVID-19 has led to a decline in demand, 2020 is expected to see an extensive excess supply situation. In accordance with above-mentioned numbers, an expected 2.3% supply growth stands against a 3.0% decrease in container demand. Adjusted for dry-dock for scrubber retrofiting, supply in 2020 might be lower with around -1%, but by far not reaching the 3% drop in demand. In 2021, the total container fleet is expected to increase by 2.8% and container trade to rebound with 5.5%.

### Charter Market

The spread of COVID-19 and the induced lockdowns have put the time charter market under exposed pressure in Q2 2020. The idle statistics increased to a record high number of 550 available vessels until the end of May (2.7m TEU; 11.6% of the fleet). In the feeder segment between 1,000 and 3,000 TEU, 195 vessels was idle. Consequently, time charter rates decreased across all size segments. Rates for a 1,700 TEU geared feeder vessel by 29% decreased from 8,300 USD/day at the beginning of the year to 5,800 USD/day in June 2020. While a 4,400 TEU vessel, decreased by 49 % from 13,800 USD/day in January 2020 to 7,000 USD/day in June.

With the ease of the lockdown and the recovery in trade flows, the charter market saw an unexpected strong and rapid rebound. Idle numbers decreased significantly since June. As at 26 October, only 107 vessels have been idle across all size segments (379 thousand TEU and 1.6% of the total fleet). The feeder idle statistics decreased by around 70% – 80% to only 50 idle vessels.<sup>13</sup> As there was more idle tonnage available for charterers in the feeder segment, feeder rates started to increase. The current rate level is above January 2020 levels and even above 2019 levels across all size segments. The Braemar ACM's BOXi tc-rate index increased to 91.95 in October, the highest reading since July 2011.<sup>14</sup>

Time charter rates (6-12 months) at 6 November 2020<sup>15</sup>:

- 1,000 TEU grd: USD 6,950 (+34% since June 2020)
- 1,700 TEU grd: USD 11,000 (+93% since June 2020)
- 2,750 TEU: USD 16,000 (+121% since June 2020)
- 3,500 TEU: USD 17,150 (+149% since June 2020)
- 4,400 TEU: USD 22,500 (+224% since June 2020)

### Asset Prices

In contrast to time charter rates, that improved significantly with the market recovery, the second hand prices have remained relative stable and accordingly there has been a decoupling between second hand prices and time charter rates. The price for a 10-year old 4,400 TEU vessel was at USD 11.0 million in October (+5% month-on-month),

<sup>12</sup> Clarkson Research, Shipping Intelligence Network, 10 November 2020.

<sup>13</sup> Alphaliner, Weekly Newsletter, Volume 2020 Issue 44.

<sup>14</sup> Clarkson Research, Shipping Intelligence Network, 10 November 2020; Braemar, Container Market Developments Weekly, Week 42, 2020.

<sup>15</sup> Clarkson Research, Shipping Intelligence Network, 10 November 2020.

the price for a 2,750 TEU vessel at USD 9.0 million (+13% month-on-month), the price for a 1,700 TEU geared vessel at 6.3 million USD (+/- 0% month-on-month) and the price for a 1,000 TEU geared vessel at USD 3.75 million (+/- 0% month-on-month).<sup>16</sup>

New building prices are in October 2020 at USD 53.5 million for a 4,400 TEU vessel, at USD 30 million for a 2,800 TEU vessel, at USD 23.5 million for a 1,700 TEU vessel and at USD 17.5 million for a 1,000 TEU vessel.<sup>17</sup>

### **Market Outlook**

COVID-19 and the imposed lockdowns led to a severe global recession in Q2 2020, affecting all major economies and a wide range of industries. The transportation and logistics sectors were particularly affected. Seaborne container trade is expected to see a significant drop in 2020 full year numbers as demand decreased sharply. The current climax of the crisis was reached at the end of May.

After an ease of lockdowns, the markets started to recover stepwise with an increase in trade flows and an increase in consumer and managers sentiment as well. The container vessel charter market experienced an unexpected strong and fast rebound in Q3 2020. First, the market recovered for larger size classes. After the idle statistic decreased more and more also in the feeder segment, the recovery started for smaller sizes as well. Since the beginning of Q4, the number of COVID-19 infections has increased at record pace and several economies imposed a second wave of social and economic lockdowns end October. Macroeconomic numbers show first signs of a flattening of the recovery process. The charter market, however, continues its strong upward tendency.

Latest analyses illuminate that the current wave of lockdowns might not impact the economy as intensively as the first round of lockdowns. As the non-traded goods sector and local / regional services suffer most, commodity trade can be assumed to be less exposed to a current down-turn. Market analysts nevertheless expect softening numbers in Q4 2020. However, the numbers are expected to improve again in 2021, when also macroeconomic numbers are forecasted to rebound.

In the mid-term, when the market rebounds to numbers seen before the crisis, container vessel market fundamentals are healthy. Trade forecasts are encouraging, especially for Intra-regional trades. 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 or even negative, at least in the mid-term. 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 going forward.

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 have left those trades in 2020. It has to be monitored closely, if this is a structural shift in deployment patterns or of temporary manner.

The crisis is also affecting green-transition and technology standards of the industry in the long term. 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 the low new-build prices.

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<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

## 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.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

in USD thousands	Note	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 YTD 2020 (unaudited)	Q3 YTD 2019 (unaudited)
Operating revenues	3	26,139	24,980	28,771	79,929	86,737
Commissions		-961	-839	-1,009	-2,852	-3,098
Vessel voyage expenditures		-3,034	-3,690	-4,574	-11,650	-10,636
Vessel operation expenditures		-18,058	-17,178	-18,122	-51,794	-56,591
Ship management fees		-1,598	-1,538	-1,501	-4,727	-4,566
<b>Gross profit</b>		<b>2,489</b>	<b>1,734</b>	<b>3,564</b>	<b>8,905</b>	<b>11,846</b>
Administrative expenses		-633	-616	-616	-1,805	-1,892
Depreciation and impairment	4	-9,556	-9,421	-6,037	-26,305	-17,482
Other expenses		-115	-204	86	-319	-495
Gain from disposal of vessels		0	0	460	0	3,129
Other income		89	335	135	529	324
<b>Operating result (EBIT)</b>		<b>-7,726</b>	<b>-8,173</b>	<b>-2,868</b>	<b>-18,995</b>	<b>-4,569</b>
Finance income		1	13	70	-5	292
Finance costs	6	-4,574	-3,640	-4,101	-12,010	-12,104
<b>Profit/Loss before income tax (EBT)</b>		<b>-12,300</b>	<b>-11,800</b>	<b>-6,899</b>	<b>-31,010</b>	<b>-16,382</b>
Income tax expenses		0	4	-56	3	-136
<b>Profit/Loss for the period</b>		<b>-12,300</b>	<b>-11,796</b>	<b>-6,955</b>	<b>-31,007</b>	<b>-16,518</b>
Attributable to:						
Equity holders of the Company		-12,292	-11,788	-6,952	-30,989	-16,514
Minority interest		-7	-8	-3	-18	-4

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 YTD 2020 (unaudited)	Q3 YTD 2019 (unaudited)
Profit/Loss for the period		-12,300	-11,796	-6,955	-31,007	-16,518
<b>Items that may be subsequently transferred to profit or loss</b>		<b>212</b>	<b>-26</b>	<b>-510</b>	<b>-4,422</b>	<b>-4,493</b>
Cash flow hedge reserve		211	-22	-510	-4,419	-4,493
Foreign currency		1	-4	0	-3	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>-12,087</b>	<b>-11,820</b>	<b>-7,465</b>	<b>-35,430</b>	<b>-21,011</b>
Attributable to:						
Equity holders of the Company		-12,080	-11,812	-7,462	-35,411	-21,007
Non-controlling interest		-7	-8	-3	-18	-4



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	30 September 2020 (unaudited)	31 December 2019 (audited)
<b>Assets</b>		<b>413,906</b>	<b>412,911</b>
Non-current Assets		375,859	391,458
Vessels	4	364,437	380,603
Vessels held for sale	4	3,923	0
Long-term restricted cash		7,500	10,000
Prepayment on vessels		0	855
Current assets		38,046	21,453
Inventories		3,204	2,501
Trade and other receivables		13,379	13,142
Cash and cash equivalents		21,463	5,810
<b>Equity and liabilities</b>		<b>413,906</b>	<b>412,911</b>
Equity		191,811	198,221
Capital		261,295	232,273
Share capital	5	0	0
Capital reserves		261,295	232,273
Retained losses		-62,977	-31,987
Legal reserve		-7,171	-2,749
Minority interest		664	683
Non-current Liabilities		197,645	195,339
Interest-bearing loans	6	197,645	195,094
Other liabilities		0	245
Current Liabilities		24,450	19,351
Trade and other payables		14,322	14,036
Payables to affiliated companies		4,552	4,135
Other current liabilities		5,576	1,180

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in USD thousands	Share capital	Share premium	Retained losses	Legal reserve	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	198,221
Contribution in kind	0	29,022	0	0	29,022	0	29,022
Capital increase from non-controlling interest	0	0	0	0	0	0	0
Result of the period	0	0	-30,989	0	-30,989	-18	-31,007
Cash flow hedge reserve	0	0	0	-4,419	-4,419	0	-4,419
Foreign currency translation	0	0	0	-3	-3	0	-3
<b>Equity as at 30 Sept. 2020</b>	<b>0</b>	<b>261,295</b>	<b>-62,977</b>	<b>-7,171</b>	<b>191,147</b>	<b>664</b>	<b>191,811</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 Dec. 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	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 YTD 2020 (unaudited)	Q3 YTD 2019 (unaudited)
Profit/Loss before taxes		-12,300	-11,800	-6,899	-31,010	-16,382
Income tax paid		0	0	0	0	0
Finance expenses, net		4,574	3,627	4,031	12,016	11,813
Interest paid		-861	-3,006	-3,705	-7,243	-11,134
Net other Interest received		-208	-229	70	-671	292
Net change in current assets		-2,716	2,308	-4,266	124	-1,299
Net change in current liabilities		34	583	3,611	4,232	2,971
Cash upfront payment for hedge instruments		210	-60	-24	530	-2,824
Repayment of MTM value		0	0	0	-5,243	0
Depreciation and impairment		9,556	9,422	6,038	26,305	17,482
Gain/loss from disposal of vessels		0	0	0	0	-3,129
<b>Cash flow from operating activities</b>		<b>-1,711</b>	<b>845</b>	<b>-1,144</b>	<b>-961</b>	<b>-2,210</b>
Proceeds from disposals of vessels		5,000	0	0	5,000	10,739
Purchase of vessels		0	0	0	0	0
Dry-docking and other investments		-4,610	-4,611	-10,414	-18,206	-21,312
Prepayment on vessels		0	0	-3,387	0	-3,386
<b>Cash flow from investing activities</b>		<b>390</b>	<b>-4,611</b>	<b>-13,801</b>	<b>-13,206</b>	<b>-13,959</b>
Proceeds from shareholder's contribution		20,000	3,000	4,950	29,022	15,760
Gross proceeds debt financing		0	0	0	0	0
Bond issuing costs		-1,703	0	-250	-1,703	-250
<b>Cash flow from financing activities</b>		<b>18,297</b>	<b>3,000</b>	<b>4,700</b>	<b>27,319</b>	<b>15,510</b>
Net change in cash and cash equivalents		16,976	-767	-10,245	13,153	-659
Net foreign exchange differences		0	0	0	0	0
Cash and cash equivalents at beginning of period		11,987	12,754	28,840	15,810	19,252
<b>Cash and cash equivalents at the end of period<sup>18</sup></b>		<b>28,963</b>	<b>11,987</b>	<b>18,595</b>	<b>28,963</b>	<b>18,593</b>

<sup>18</sup> Whereof USD 7.5 million is restricted as at 30 September 2020 and USD 10.0 million as at 31 December 2019.

## 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 September 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	Q3 2020 (unaudited)	Q3 2019 (unaudited)
Time charter revenue	16,082	16,158
Pool charter revenue	7,754	9,334
Other revenue	2,303	3,278
<b>Total operating revenue</b>	<b>26,139</b>	<b>28,771</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	Q3 2020 (unaudited)	Q3 2019 (unaudited)
Service element	7,755	10,340
Other revenue	2,303	3,278
<b>Total revenue from customer contracts</b>	<b>10,058</b>	<b>13,618</b>
Lease revenue	16,081	15,153
<b>Total operating revenue</b>	<b>26,139</b>	<b>28,771</b>

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

in USD thousands	30 September 2020 (unaudited)	31 December 2019 (audited)
<b>Acquisition cost at 1 January</b>	<b>427,342</b>	<b>396,851</b>
Contributions of fixed assets and capitalized investments	0	0
Disposals of vessels	-6,832	-7,954
Acquired vessels and capitalized investments	18,206	37,852
<b>Acquisition cost at end of period</b>	<b>438,716</b>	<b>426,748</b>
Accumulated depreciation 1 January	-45,883	-20,344
Disposal of vessels	1,832	593
Depreciation for the year	-23,072	-24,070
Impairment for the year	-3,232	-1,469
<b>Accumulated depreciation at end of period</b>	<b>-70,355</b>	<b>-45,291</b>
<b>Closing balance at end of period</b>	<b>368,360</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>	<i>Remaining useful life vessel</i>

The Group has entered into a Memorandum of Agreements for the sale of AS Fiona with expected delivery in November 2020. As the vessel has not been delivered to its new owners as at 30 September 2020, the vessel is classified as held for sale. The difference between the estimated fair value less cost to sell of the vessel and the vessel's carrying value, amounting to USD 1.7 million, was recorded in the quarter ended 30 September 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 have been heavily affected outbreak of COVID'19 during the first half of 2020 and into the third quarter and the Parent's market capitalization has continued to be below the carrying amount of the Parent's equity, management has performed impairment tests for all vessels in the Group as at 30 September 2020. However, as the idle numbers in the container market has decreased significantly since June 2020 and the charter rates for feeder vessels also has increased significantly in the same period, the headroom in the impairment test has increased compared to the last reporting period.

The impairment test as at 30 September 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 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 third quarter of 2020.

The impairment assessment is depending on a gradual recovery in the market. 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
Equity injections in Q3 2020	0	0	20,000
<b>30 September 2020</b>	<b>1</b>	<b>1</b>	<b>261,295</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 September 2020 of USD 202.1 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 September 2020 (unaudited)	31 December 2019 (audited)
Nominal value of issued bonds	202,064	200,000
Issuance costs	-4,419	-4,906
<b>Interest-bearing debt</b>	<b>197,645</b>	<b>195,094</b>

On 3 July 2020, the Company 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 Parent Group at a minimum of 40% are suspended to (but excluding) 31 March 2021.

Accordingly, the following main financial covenants are applicable as at 30 September 2020 in accordance with the terms for the bond loan:

- The Group, shall maintain a minimum liquidity of USD 7.5 million

In September 2020, the Company in accordance with the new terms under bond agreement, for the third 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, outstanding bonds as at 30 September 2020 are USD 202.1 million.

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

## 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.	Empty shelf company	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 2 October 2020, the Group entered into a sale agreement for vessel AS Fiona. The vessel is scheduled to be delivered to new owner during Q4 2020.