**MPC CONTAINER SHIPS ASA**

# FINANCIAL REPORT

## H1 2019

# CONTENTS

# MPC CONTAINER SHIPS ASA

## SECOND QUARTER AND HALF-YEAR 2019 HIGHLIGHTS

- Total operating revenues for Q2 2019 were USD 47.8 million compared to USD 46.7 million for Q1 2019. For H1 2019, operating revenues were USD 94.5 million.
- EBITDA was USD 8.1 million in Q2 2019 compared to USD 4.7 million in Q1 2019. For H1 2019, EBITDA was 12.8 million.
- Operating cash flow for Q2 2019 was USD 9.8 million (Q1 2019: USD 0.7 million). For H1 2019, the operating cash flow was USD 10.6 million.
- Net loss for the period in Q2 2019 was USD -6.4 million compared to a net loss of USD -7.7 million in Q1 2019. Total net loss for H1 2019 was USD -14.1 million.
- Total ownership days of fully owned vessels in Q2 2019 were 5,460 (Q1 2019: 5,400). Total ownership days in H1 2019 were 10,860 days.
- Total trading days of fully owned vessels in Q2 2019 were 4,963 (Q1 2019: 4,831). Second quarter utilization was 93.0% compared to 89.9% in Q1 2019. For H1 2019, utilization was 91.5%.
- Average time charter equivalent ("TCE") was USD 9,071 per day in Q2 2019 (Q1 2019: USD 9,240 per day). For H1 2019, TCE was USD 9,154 per day.
- Average operating expenses ("OPEX") in Q2 2019 were USD 5,172 per day (Q1 2019: USD 5,274 per day). For H1 2019, OPEX per day were USD 5,222.
- Equity ratio as at 30 June 2019 was 61.5% (31 March 2019: 63.3%) and the leverage ratio was 35.8% (31 March 2019: 34.3%).
- AS Fortuna was sold and delivered to its new owner in June 2019. After the sale of this vessel the fleet of MPC Container Ships ASA and its subsidiaries (the "Group") constitute of 68 container vessels, whereof 60 is fully owned and 8 are owned through a joint venture.

## SUBSEQUENT EVENTS

- On 15 August 2019, under the senior secured term loan agreement with Beal Bank, the Group exercised the accordion option by the amount up to USD 13.0 million. The amounts made available will be used party for the refinancing of AS Palina and AS Petra and partly for investments in docking and installation of scrubbers on the two vessels.

## BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships ASA's (the "Company") principal business activity is to invest in and operate maritime assets in the container shipping segment. As a dedicated owner and operator of container ships, the Group has a focus on feeder vessels, mainly between 1,000 and 3,000 TEU, that are chartered out to liner shipping companies and regional carriers.

In order to position the Group to benefit from expected market improvements whilst ensuring manoeuvrability under current conditions, the Group focuses on maintaining a low cash break-even, prudent leverage profile and stringent capital allocation. During H1 2019, in accordance with the share buy-back programmes announced on 28 February 2019 and 5 June 2019, respectively, the Company has acquired 351,098 own shares for a total consideration of USD 1.0 million. Moreover, the Group has obtained new debt financing at favourable terms (see note 8), thereby ensuring flexibility and additional financial strength.

In the first half of 2019, the Group declared a constructive total loss for vessel AS Fortuna after her grounding in September 2018. The vessel value was fully insured and insurance proceeds exceeded the book value of the vessel. The vessel was sold and delivered to new owners in June 2019. A total gain on disposal amounting to USD 3.1 million is reflected in the H1 2019 financial accounts.

## IMO 2020 – SCRUBBER PROGRAM

In 2018, the Group announced that it has entered into agreements for the purchase of a total of ten exhaust gas cleaning systems ("scrubbers") which are to be retrofitted on ten selected vessels within the Group's fleet prior to the 1 January 2020 implementation of the new sulphur emission cap regulation, as set forth by the International Maritime Organization ("IMO"). In addition the Group in 2018 announced that it had entered into charters for six scrubber-retrofitted vessels with favourable rates and a duration into 2022.

The Group has commenced the installation of scrubbers on one of the selected vessels in June 2019 and will continue with scrubber installations on the remaining nine vessels during the second half of 2019.

## SECOND QUARTER AND HALF-YEAR 2019 RESULTS

### Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues were USD 47.8 million during Q2 2019 (Q1 2019: USD 46.7 million) and 94.5 million in H1 2019. The gross profit from vessel operations was USD 10.5 million in Q2 2019 (Q1 2019: USD 7.2 million) and USD 17.7 million in H1 2019.

Container shipping continues to face a high degree of uncertainty, ranging from the additional costs associated with IMO 2020 to the possibility of an economic recession, in particular due to on-going US-China tensions. The Group's earnings continue to be affected by the challenging shipping markets.

The Group reports a loss after taxes of USD -6.4 million in Q2 2019 (Q1 2019: USD -7.7 million) and a loss for H1 2019 of USD -14.1 million.

### Financial position

The Group's total assets amounted to USD 709.3 million as at 30 June 2019 (USD 722.1 million as at 31 December 2018). Non-current assets in the amount of USD 627.8 million comprises of vessels operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 435.9 million as at 30 June 2019 (USD 459.2 million as at 31 December 2018) with non-controlling interest of USD 1.7 million. The decrease in equity relates in addition to the net loss for the period on USD 14.1 million to the negative fair value change of USD 5.1 million for the hedging reserves. As at 30 June 2019, the Group had interest-bearing debt in the amount of USD 254.1 million (USD 247.7 million as at 31 December 2018). The increase in long-term debt is mainly due to a drawdown of the revolving credit facility in Q2 2019, partly offset by repayments of debt in Q1 2019.

### Cash flow

In Q2 2019, the Group generated a positive cash flow from operating activities of USD 9.8 million (Q1 2019: USD 0.8 million). The cash flow from investing activities was USD -12.1 million (Q1 2019: USD -3.6 million) due to dry-dockings, scrubber retrofits and other upgrades and repurchase of own shares. The Group had a positive cash flow from financing activities of USD 7.4 million (Q1 2019: USD -10.7 million) mainly due to the drawdown on the revolving credit facility (see note 8).

Cash and cash equivalents as at 30 June 2019 were USD 51.8 million, up from USD 46.6 million as at 31 March 2019. For H1 2019, the cash and cash equivalents has decreased from USD 60.3 million as at 31 December 2019 to USD 51.8 million as at 30 June 2019.

## CONTAINER MARKET UPDATE

Charter rates for container ships in the Post-Panamax segment began to rise in March this year. In the following months, this development filtered through into the smaller segments, recently affecting also the feeder market. One determining factor for this development is the installation of exhaust gas cleaning systems (scrubbers) to meet the requirements set forth in the IMO 2020 regulation and the adhering need for replacement tonnage during retrofits. As a result, the idle container fleet grew from a low of 1.3% (April 2019) to 2.5% (August 2019) of the total fleet.

Container ship deliveries in H1 2019 reached a historically low level, while the newbuilding market was equally subdued. Scrapping activity in the feeder segment remained at a comparable high level in Q2 2019 as in the previous quarter.

Various economic and political circumstances had a dampening effect on global container trade, compelling analysts to lower their full-year growth forecasts. However, estimates for global container trade growth for FY 2019 ranges between 3% and 3.5% while growth in active container fleet capacity (fleet development less scrubber retrofits) is estimated to grow only 1.9%.

### Demand

Global seaborne box trade was estimated to grow by 2% in H1 2019, but headwinds from the global economy put pressure on certain trade routes. Trade conflicts and other forms of geopolitical tensions, regionalisation and environmental concerns, as well as the combination of these factors have prompted analysts to lower their FY 2019 demand forecasts.

For FY 2019, Clarksons Research expects global container trade to grow by 3.1% (2018: 4.2%). Intra-regional trades are, however, expected to grow by 4.6% (2018: 5.7%). Even in the event of a "domino effect" from other trade lanes due to US-Sino tensions, Clarksons still predict 4.1% growth for FY 2019 (2018: 5.7%). Feeder ships below 3,000 TEU provide the majority of capacity on intra-regional container services. 34% of all container ships and 53% of all feeder container ships are currently deployed on intra-regional trades. What is more, the share of intra-regional trade as a portion of global trade has increased from 33% in 2001 to 42% in 2018.

Other trade lanes carry growth estimates below the aggregate 3.1% estimate for FY 2019. Next to the decreasing effect that the US-China trade conflict has on trade volumes for Transpacific routes, a trade diversion leads to increasing trade flows within Asia, already visible e.g. in the increased export and import volumes to and from Vietnam.

### Fleet development

“Active” container ship fleet capacity growth, accounting for vessels being temporarily decommissioned to undergo scrubber retrofits, is estimated at 1.9% for FY 2019, while the overall full-year fleet capacity growth is forecasted at 3.1% (2018: 5.6%). This represents a 30% decline year-on-year and hence the second-lowest fleet growth in history.

Total deliveries during H1 2019 stood at 76 units (0.51m TEU), with vessels larger than 12,000 TEU accounting for 0.39m TEU (76% of the total growth) while ships below 3,000 TEU accounting for remaining 0.07m TEU (14% of total growth).

H1 2019 container ship scrapping stood at 59 units totalling 120,000 TEU, on par with total boxship capacity recycled during all of FY 2018. Feeder container ships of less than 3,000 TEU accounted for more than half of the recycled capacity.

The introduction of low-sulphur fuel regulations in January 2020 may be perceived as creating a competitive advantage for larger vessels and modern eco tonnage. However, due to physical and logistical restrictions, regional trades continue to be dominated by feeder vessels which represent an appealing sub-segment of the overall fleet. Estimates of a slow-down in feeder fleet growth to around 0.3% for 1,000 - 2,000 TEU vessels additionally supports the market perspective of the smaller segment.

The container ship newbuilding market was generally quiet during Q2 2019. Overall, newbuild contracting activity in the first six months of 2019 amounted to 54 vessels totalling 0.26m TEU capacity, a decrease of 60% compared to H1 2018 in TEU terms. At present, the newbuilding orderbook amounts to approximately 11% of the fleet and hence is at its lowest level for years.

**Asset prices**

Newbuilding prices at the larger-sized container ships (except for special designs) remained stable, while quotes for feeder designs have in general remained unchanged. An impending reduction of the global orderbook across all vessel types will place downward pressure on shipyards' forward cover, the main driver of newbuild prices. Analysts thus expect a slight decline in newbuild prices during H2 2019.

Newbuilding prices in June 2019:

- 1,000 TEU: USD 19.5 million (up 3% year-to-date)
- 1,700 TEU: USD 26.25 million (up 1% year-to-date)
- 2,750 TEU: USD 34.5 million (down 1% year-to-date)
- 4,800 TEU*: USD 53.0 million (up 7% year-to-date)

** wide-beam design*

Secondhand container ship values have been trending downwards since mid-2018, albeit based on a limited number of transactions. The recent improvement in charter rates for larger vessels has yet to have a significant impact on these values. At the end of June 2019, prices for most feeder vessels – with the exception of the smallest sizes – were noticeably lower compared to January.

In H1 2019, a total of 66 sales of secondhand tonnage were reported, totalling 0.26 million TEU. This represents a decrease of 46% compared to H1 2018, and secondhand activity remains at its lowest level since late 2016.

Once again, factors outside the secondhand container ship market have adversely affected market sentiment, dampened demand and led to prices dipping below the conventional correlation with earnings for most ship sizes.

Secondhand prices (10-year old) in June 2019:

- 1,000 TEU: USD 6.0 million (up 9% year-to-date)
- 1,700 TEU: USD 8.0 million (down 24% year-to-date)
- 2,750 TEU: USD 11.5 million (down 15% year-to-date)
- 4,300 TEU: USD 9.25 million (down 16% year-to-date)

**Charter rates**

As of March 2019, rates for the larger vessels have increased due to liner companies needing to cover trade routes while vessels are taken out of service for scrubber installations. Since scrubber systems are less frequently installed on smaller vessels, the dynamic has excluded feeder vessels from rate increases for most of Q2 2019.

At the end of June 2019, demand filtered through into the Panamax segment, and experts pointed towards a top-down support which should increase revenues in the feeder segments. This occurred only recently when the market successfully averted a traditional summer downturn with solid activity and improving rates for the smaller segments as well.

The idle container ship fleet has decreased sharply from 4.0% of total fleet (6.5% of the feeder fleet) in March 2019 to 1.3% (2.6%) in April, a development supported by a brisk Intra-Asian trade where new service offerings were particularly helpful for smaller segments. As per August, total idle fleet jumped to 2.5% on the back of vessels entering shipyards for scrubber retrofits. This trend is expected to continue over the coming months for vessels above 7,500 TEU, placing further pressure on the charter market.

Time charter rates (6 - 12 months) in June 2019:

- 1,000 TEU: USD 6,150 (down 3% year-to-date)
- 1,700 TEU: USD 8,300 (up 11% year-to-date)
- 2,750 TEU: USD 9,150 (down 4% year-to-date)
- 4,300 TEU: USD 9,400 (up 4% year-to-date)

**Market outlook**

On an overall macroeconomic level, the outlook for H2 2019 and the first months of 2020 will remain influenced by issues relating to IMO 2020, a complex economic situation as well as the associated possibility of escalating US-Sino trade disputes. Financial turmoil in emerging markets and a looming weakening of industrialized economies could all intensify.

The changes that will come along with the introduction of the IMO 2020 regulations in January are already beginning to show effect. Scrubber retrofit works presently being carried out have removed 31 vessels carrying 350,000 TEU from the market, six months before regulation enforcement, increasingly reducing the availability of chartered tonnage. It is expected that a meaningful number of scrubber retrofits will be postponed to Q4 2019 and continue well into H1 2020. As of late, it has become increasingly apparent that in many cases the originally envisaged installation time has been or will be exceeded, further improving the positive effects on the charter market. Adding to this is vessels without scrubbers sailing on lower operating speeds to reduce low-sulphur fuel consumption, and increased recycling of non-competitive vessels.

What is more, the upward trend of the various charter market indices point towards good activity and improving charter rates even during and after the usually quiet summer period. The Howe Robinson Container Index rose in late August to its highest value for the current week in 7 years. Thus far in Q3 2019, the index has risen 13%, the second strongest increase in 10 years.

As the supply side does not appear overly worrisome, with current estimates indicating moderate growth of 3% for 2019 and 2020 (2018: 5.6%), non-feeder vessels dominating the orderbook and feeder orders mainly being replacement tonnage or tailored for the fast-growing Intra-Asian market, a demand-supply rebalancing appears to hold up as a realistic scenario.

## 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.

# RESPONSIBILITY STATEMENT

Today, the Board of Directors and the CEO have resolved the report and the interim condensed consolidated financial statements for MPC Container Ships ASA per 30 June 2019 and for the first half year of 2019, including interim condensed consolidated figures for comparison per 30 June 2018 and for the first half year 2018.

The half year report is submitted in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, and in accordance with further requirements in the Norwegian Securities Trading Act.

The Board of Directors and the CEO confirm, to the best of our knowledge, that the interim financial statements for the first half year of 2019 have been prepared in accordance with prevailing accounting standards, and that the information given in the financial statements gives a true and fair view of the Company’s consolidated assets, liabilities, financial position and results for the period. To the best of our knowledge, the Board of Directors’ discussion and analysis for the first half year of 2019 gives a true and fair overview of the main activities in the period.

Oslo, 29 August 2019

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

Constantin Baack (CEO)

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

| in USD thousands | Notes | Q2 2019 (unaudited) | Q1 2019 (unaudited) | Q2 2018 (unaudited) | H1 2019 (unaudited) | H1 2018 (unaudited) |
|---|---|---|---|---|---|---|
| Operating revenue | 5 | 47,815 | 46,657 | 46,935 | 94,471 | 75,196 |
| Commissions | | -1,728 | -1,618 | -1,789 | -3,345 | -2,833 |
| Vessel voyage expenditures | | -4,218 | -5,091 | -2,759 | -9,309 | -3,988 |
| Vessel operation expenditures | | -28,798 | -29,951 | -26,062 | -58,749 | -41,692 |
| Ship management fees | | -2,293 | -2,235 | -1,785 | -4,528 | -3,012 |
| Share of profit or loss from joint venture | 6 | -283 | -524 | 394 | -807 | 744 |
| **Gross profit** | | **10,495** | **7,238** | **14,934** | **17,733** | **24,415** |
| Administrative expenses | | -2,090 | -2,028 | -1,863 | -4,118 | -3,274 |
| Other expenses | | -582 | -2,253 | -385 | -2,835 | -791 |
| Other income | | 253 | 1,791 | 574 | 2,045 | 863 |
| **EBITDA** | | **8,077** | **4,748** | **13,260** | **12,825** | **21,213** |
| Depreciation | 7 | -9,943 | -9,805 | -7,277 | -19,748 | -12,194 |
| Gain from disposal of vessels | 7 | 460 | 2,669 | | 3,129 | 0 |
| **Operating result (EBIT)** | | **-1,406** | **-2,388** | **5,983** | **-3,794** | **9,019** |
| Other finance income | | 109 | 142 | 118 | 251 | 437 |
| Finance costs | | -5,049 | -5,458 | -4,204 | -10,507 | -7,049 |
| **Profit/Loss before income tax (EBT)** | | **-6,346** | **-7,704** | **1,897** | **-14,050** | **2,408** |
| Income tax expenses | | -93 | -6 | -123 | -99 | -132 |
| **Profit/Loss for the period** | | **-6,439** | **-7,711** | **1,773** | **-14,149** | **2,276** |
| Attributable to: | | | | | | |
| Equity holders of the Company | | -6,432 | -7,696 | 1,971 | -14,128 | 2,547 |
| Minority interest | | -7 | -14 | -198 | -22 | -272 |
| **Basic earnings per share – in USD** | | **-0.08** | **-0.09** | **0.02** | **-0.17** | **0.03** |
| **Diluted earnings per share – in USD** | | **-0.07** | **-0.09** | **0.02** | **-0.16** | **0.03** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in USD thousands | Notes | Q2 2019 (unaudited) | Q1 2019 (unaudited) | Q2 2018 (unaudited) | H1 2019 (unaudited) | H1 2018 (unaudited) |
|---|---|---|---|---|---|---|
| Profit/loss for the period | | -6,439 | -7,711 | 1,773 | -14,149 | 2,276 |
| **Items that may be subsequently transferred to profit or loss** | | -3,558 | -1,585 | **390** | **-5,143** | **1,781** |
| Foreign currency effects, net of taxes | | 16 | -68 | -189 | -52 | -177 |
| Change in hedging reserves, net of taxes | | -3573 | -1,517 | 578 | -5,091 | 1,957 |
| **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** | | **-9,997** | **-9,296** | **2,163** | **-19,292** | **4,057** |
| Attributable to: | | | | | | |
| Equity holders of the Company | | -9,989 | -9,282 | 2,361 | -19,271 | 4,329 |
| Non-controlling interest | | -7 | -14 | -198 | -22 | -272 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| in USD thousands | Notes | At 30 June 2019 (unaudited) | At 31 March 2019 (unaudited) | At 31 December 2018 (audited) |
|---|---|---|---|---|
| **Assets** | | **709,262** | **704,691** | **722,062** |
| Non-current Assets | | 627,781 | 625,914 | 633,658 |
| Vessels | 7 | 600,728 | 598,578 | 605,749 |
| Prepayment on vessels | 7 | 0 | 0 | 1,549 |
| Investment in joint venture | 6 | 27,053 | 27,336 | 26,360 |
| Current Assets | | 81,480 | 78,777 | 88,404 |
| Inventories | | 5,058 | 4,437 | 4,853 |
| Trade and other receivables | | 24,617 | 27,712 | 23,322 |
| Cash and cash equivalents | | 51,806 | 46,628 | 60,228 |
| Unrestricted cash | | 38,831 | 33,607 | 44,087 |
| Restricted cash | | 12,975 | 13,021 | 16,141 |
| **Equity and Liabilities** | | **709,262** | **704,691** | **722,062** |
| Equity | | 435,883 | 446,334 | 459,150 |
| Ordinary shares | 10 | 456,721 | 457,176 | 457,726 |
| Share capital | | 101,121 | 101,121 | 101,121 |
| Share premium | | 356,566 | 356,566 | 356,605 |
| Treasury shares | | -966 | -511 | 0 |
| Retained losses | | -18,375 | -11,944 | -4,247 |
| Other reserves | | -4,158 | -600 | 984 |
| Non-controlling interest | | 1,695 | 1,702 | 4,688 |
| Non-current Liabilities | | 251,737 | 239,277 | 244,766 |
| Interest bearing loans | 8 | 251,737 | 239,277 | 244,766 |
| Current Liabilities | | 21,642 | 19,080 | 18,145 |
| Interest bearing loans and borrowings | 8 | 2,369 | 2,511 | 2,942 |
| Trade and other payables | | 6,205 | 7,071 | 6,369 |
| Payables to affiliated companies | | 47 | 34 | 53 |
| Other liabilities | | 13,021 | 9,464 | 8,781 |

## 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. 2019 | 101,121 | 356,605 | 0 | -4,247 | 984 | 4,688 | **459,150** |
| Purchase of own shares | | | -966 | | | | **-966** |
| Capital increase to non-controlling interest | | | | | | 391 | **391** |
| Changes in ownership in subsidiaries that do not result in loss of control | | -39 | | | | -3,361 | **-3,400** |
| Result of the period | | | | -14,128 | | -22 | **-14,150** |
| Foreign currency effects | | | | | -52 | | **-52** |
| Hedging reserves | | | | | -5,091 | | **-5,091** |
| **Equity as at 30 June 2019** | **101,121** | **356,566** | **-966** | **-18,375** | **-4,158** | **1,695** | **435,883** |
| | | | | | | | |
| Equity as at 1 Jan. 2018 | 77,155 | 261,322 | 0 | -2,639 | 140 | 4,542 | **340,520** |
| Share issuance | 23,966 | 95,283 | | | | | **119,249** |
| Capital increase to non-controlling interest | | | | | | 136 | **136** |
| Result of the period | | | | -1,608 | | 9 | **-1,599** |
| Foreign currency effects | | | | | -30 | | **-30** |
| Hedging reserves | | | | | 875 | | **875** |
| **Equity as at 31 Dec. 2018** | **101,121** | **356,605** | **0** | **-4,247** | **984** | **4,688** | **459,150** |

## CONSOLIDATED STATEMENT OF CASH FLOW

| in USD thousands | Notes | Q2 2019 (unaudited) | Q1 2019 (unaudited) | Q2 2018 (unaudited) | H1 2019 (unaudited) | H1 2018 (unaudited) |
|---|---|---|---|---|---|---|
| Profit/Loss before income tax | | -6,346 | -7,704 | 1,897 | -14,050 | 2,408 |
| Income tax expenses paid | | 0 | 0 | 0 | 0 | 0 |
| Net change in current assets | | 2,475 | -3,974 | -3,093 | -1,499 | -9,216 |
| Net change in current liabilities | | 2,562 | 935 | 1,075 | 3,497 | 4,962 |
| Fair value change in derivatives | | -3,558 | -1,517 | 578 | -5,075 | 1,957 |
| Depreciation | | 9,943 | 9,805 | 7,277 | 19,748 | 12,194 |
| Finance costs (net) | | 4,940 | 5,316 | 4,086 | 10,256 | 6,611 |
| Share of profit or loss from joint venture | | 283 | 524 | -394 | 807 | -744 |
| Gain from disposal of vessels | | -460 | -2,669 | 0 | -3,129 | 0 |
| **Cash flow from operating activities** | | **9,838** | **717** | **11,425** | **10,554** | **18,172** |
| Proceeds from disposal of vessels | | 1,709 | 9,030 | 0 | 10,739 | 0 |
| Dry docks and other upgrades on vessels | | -13,440 | -7,391 | -68,371 | -20,831 | -319,562 |
| Investment in subsidiaries and affiliated companies | | 0 | -4,900 | 2,794 | -4,900 | -9,580 |
| Interest received | | 109 | 142 | 60 | 251 | 378 |
| Purchase of own shares | | -457 | -511 | 0 | -968 | 0 |
| **Cash flow from investing activities** | | **-12,079** | **-3,630** | **-65,517** | **-15,709** | **-328,764** |
| Proceeds from share issuance | | 0 | 391 | 41,505 | 391 | 116,002 |
| Share issuance costs | | 0 | 0 | -750 | 0 | -2,303 |
| Proceeds from debt financing | | 13,000 | 0 | 51,150 | 13,000 | 151,150 |
| Repayment of debt | | 0 | -6,383 | -160 | -6,383 | -320 |
| Interest paid | | -4,827 | -4,525 | -3,953 | -9,352 | -6,399 |
| Debt issuance costs | | -753 | -170 | -2,376 | -923 | -5,077 |
| **Cash flow from financing activities** | | **7,420** | **-10,688** | **85,415** | **-3,267** | **253,052** |
| Net change in cash and cash equivalents | | 5,178 | -13,600 | 31,323 | -8,422 | -57,540 |
| Net foreign exchange differences | | 0 | 0 | -60 | 0 | -62 |
| Cash and cash equivalents at beginning of period | | 46,628 | 60,228 | 75,458 | 60,228 | 164,323 |
| **Cash and cash equivalents at the end of period[1]** | | **51,806** | **46,628** | **106,721** | **51,806** | **106,721** |

[1] *Whereof USD 13.0 million is restricted as at 30 June 2019, USD 13.0 million as at 31 March 2019 and USD 16.1 million at 31 December 2018*

# 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 Dronning Mauds gate 3, 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 as at 3 May 2018 under the ticker “MPCC”.

### Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 30 June 2019 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 2018. 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 2018 except for the new standards effective as of 1 January 2019.

The Company implemented IFRS 16 starting 1 January 2019. The new standard is replacing IAS 17 Leases. The Company has implemented the new standard using the modified retrospective approach for the implementation of IFRS 16 where comparative figures are not restated. The Company has used the practical expedients when applying the new standard to leases previously classified as operating leases under IAS 17. As the Group do not charter in any vessels and do not have any other lease agreements exceeding 12 months, there has been no material impacts from the implementation of the new standard.

### Note 4 - Segment information

All of the Group’s vessels earn revenue from seaborne container transportation globally. The vessels exhibit similar economic, trading and financial characteristics. The Group is organized in one operating segment, i.e. the container shipping segment.

### Note 5 - Revenue

| in USD thousands | Q2 2019 | Q1 2019 |
|---|---|---|
| Time charter revenue | 34,319 | 35,237 |
| Pool charter revenue | 10,701 | 9,404 |
| Other revenue | 2,795 | 2,016 |
| **Total operating revenue** | **47,815** | **46,657** |

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 2019 | Q1 2019 |
|---|---|---|
| Service element | 19,933 | 19,736 |
| Other revenue | 2,795 | 2,016 |
| **Total revenue from customer contracts** | **22,727** | **21,752** |
| Lease element | 25,087 | 24,904 |
| **Total operating revenue** | **47,815** | **46,657** |

### Note 6 - Interest in joint ventures

The Group has a 50% interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company owning eight container vessels through respective wholly-owned subsidiaries.

| in USD thousands | Q2 2019 | Q1 2019 |
|---|---|---|
| Operating revenue | 6,852 | 5,693 |
| Operating costs and depreciations | -7,156 | -6,476 |
| Net financial income/expense | -261 | -266 |
| Income tax | 0 | 0 |
| **Profit after tax for the period** | **-565** | **-1,049** |
| **Total comprehensive income for the period** | **-565** | **-1,049** |
| **Group's share of profit for the period** | **-283** | **-524** |

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

### Note 7 - Vessels and prepayments

| in USD thousands | At 30 June 2019 (unaudited) | At 31 December 2018 (audited) |
|---|---|---|
| **Acquisition cost at 1 January** | **639,871** | **268,158** |
| Acquisition of vessels | 0 | 273,536 |
| Prepayments reclassified to vessels | 1,549 | 57,787 |
| Prepayments | -1,549 | 1,549 |
| Capitalized dry-docking and other expenses | 20,539 | 38,841 |
| Disposals of vessel | -7,361 | 0 |
| **Acquisition cost** | **653,049** | **639,871** |

| | | |
|---|---|---|
| Accumulated depreciations 1 January | -32,573 | -3,302 |
| Depreciation for the year-to-date | -19,748 | -29,271 |
| **Accumulated depreciations at end of period** | **-52,321** | **-32,573** |
| | | |
| **Closing balance at end of period** | **600,728** | **607,298** |
| | | |
| *Depreciation method* | *Straight-line* | *Straight-line* |
| *Useful life (vessels)* | *25 years* | *25 years* |
| *Useful life (dry docks)* | *5 years* | *5 years* |

The disposal of vessel relates to the declaration of AS Fortuna as a total loss after her grounding in September 2018 and the subsequent sale of the vessel in June 2019. These events lead to a gain on disposals in H1 2019 of USD 3.1 million.

### Note 8 Interest-bearing debt

| in USD thousands | Ticker | Currency | Facility amount | Interest | Maturity | 30 June 2019 (unaudited) | 31 Dec 2018 (audited) |
|---|---|---|---|---|---|---|---|
| Nominal value of issued bonds | MPCBV | USD | 200,000 | Floating + 4.75% | September 2022 | 200,000 | 200,000 |
| Non-recourse senior secured term loan | N/A | USD | 51,150 | Floating + 4.75% | May 2023 | 49,104 | 50,127 |
| Revolving Credit Facility* | N/A | USD | 40,000 | Floating + 3.5% | April 2022 | 13,000 | 0 |
| Other long-term debt incl. accrued interest | | | | | | 326 | 5,484 |
| **Total outstanding** | | | | | | **262,430** | **255,611** |
| Debt issuance costs | | | | | | -8,323 | -7,903 |
| **Total interest bearing debt outstanding** | | | | | | **254,107** | **247,708** |

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

On 25 April 2019, MPCC Second Financing GmbH & Co. KG, a wholly-owned subsidiary of the Group, entered into an agreement for a three-year revolving credit facility of USD 40 million ("the RCF").

For the non-recourse senior secured term loan, the Group has an accordion option at the lender's discretion for additional approximately USD 250 million. The Group has entered into fixed interest-rate swap agreements for USD 50 million of the USD 200 million bond loan in MPC Container Ships Invest B.V. For the remaining bond loan of USD 150 million the Group has entered into interest cap and collar agreements. For the non-recourse senior secured term loan, the Group has entered into collar agreements.

The following main financial covenants are defined in the terms for the bond loan:

- Vessel loan-to-value ratio of MPC Container Ships Invest B.V. and its subsidiaries shall not exceed 75%;
- MPC Container Ships Invest B.V., together with its subsidiaries, shall maintain a minimum liquidity of 5% of the financial indebtedness of MPC Container Ships Invest B.V. and its subsidiaries; and
- the book-equity ratio of the Group shall at all times be higher than 40%.

The following main financial covenants are defined in the terms of the non-recourse senior secured term loan:

- Vessel loan-to-value ratio of MPCC First Financing GmbH & Co. KG and its subsidiaries shall not exceed 75%; and
- MPCC First Financing GmbH & Co. KG shall maintain a minimum liquidity of 5% of the financial indebtedness of MPCC First Financing GmbH & Co. KG and its subsidiaries.

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

- Vessel loan-to-value ratio of MPCC Second Financing GmbH & Co. KG and its subsidiaries shall not exceed 55%;
- the book-equity ratio of the Group shall at all times be higher than 40%;
- the Group shall maintain a minimum liquidity of the higher of 5% of the financial indebtedness of the Group and USD 200 thousand multiplied with the number of consolidated vessels within the Group; and
- the Group shall maintain an EBITDA to total interest expenses for at least 2.5 if the Vessel loan-to-value ratio of the MPCC Second Financing GmbH & Co. KG and its subsidiaries exceeds 40%.

The Group is in compliance with all bond and loan covenants as at 30 June 2019.

### Note 9 - Related party disclosure

The following table provides the total amount of service transactions that have been entered into with related parties for the second quarter of 2019:

| in USD thousands – Q2 2019 | Type of services | Group | 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG |
|---|---|---|---|
| Ahrenkiel Steamship GmbH & Co. KG / B.V. | Technical | 2,013 | 252 |
| Contchart Hamburg Leer GmbH & Co. KG / B.V. | Commercial | 590 | 68 |
| MPC Maritime Investments GmbH | Corporate | 173 | 0 |
| MPC Münchmeyer Petersen Capital AG | Corporate | 86 | 0 |
| **Total** | | **2,861** | **320** |

All related party transactions are carried out at market terms. Please see Note 19 in the Company's 2018 Annual Report for additional description.

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

### Note 10 - Share capital

| | Number of shares | Share capital (USD thousands) |
|---|---|---|
| **1 January 2018** | **65,253,000** | **101,121** |
| 16 February 2018 | 77,003,000 | 92,254 |
| 20 June 2018 | 83,289,000 | 99,939 |
| 2 July 2018 | 84,253,000 | 101,121 |
| **31 December 2018** | **84,253,000** | **101,121** |
| Changes in shares and share capital in the period | 0 | 0 |
| **30 June 2019** | **84,253,000** | **101,121** |

The share capital of the Company consists of 84,253,000 shares as at 30 June 2019, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

Total share issuance costs from incorporation until 30 June 2019 amounts to USD 13.3 million.

During 2017, the Company issued a total of 2,121,046 warrants to MPC Capital Beteiligungsgesellschaft mbH & Co. KG as the founding shareholder. Each warrant gives the holders the right, but no obligation, to subscribe for one share in the Company at the exercise price of the NOK equivalent of USD 5.00 per share, given that the vesting conditions are met. The warrants issued to the founding shareholder are recognized as equity instruments in accordance with IAS 32. See Note 22 in the Company's Annual Report 2018 for further information.

**Note 11 - Subsequent events**

On 15 August 2019, under the senior secured term loan agreement with Beal Bank, the Group exercised the accordion option by the amount up to USD 13.0 million. The amounts made available will be used party for the refinancing of AS Palina and AS Petra and partly for investments in docking and installation of scrubbers on these two vessels.

# 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 a key financial parameter for the Group and is derived directly from the income statement by deducting cost of sales (vessel voyage expenditures, ship management fees, vessel operating expenditures and commissions) from the operating revenues.

## EBITDA

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

| in USD thousands | Q2 2019 (unaudited) | Q1 2019 (unaudited) | Q2 2018 (unaudited) | H1 2019 (unaudited) | H1 2018 (unaudited) |
|---|---|---|---|---|---|
| Operating result (EBIT) | -1,406 | -2,388 | 5,983 | -3,794 | 9,019 |
| Depreciation | 9,943 | 9,805 | 7,277 | 19,748 | 12,194 |
| Gain from disposal of vessels | -460 | -2,669 | 0 | -3,129 | 0 |
| **EBITDA** | **8,077** | **4,748** | **13,260** | **12,825** | **21,213** |

## 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 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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