MPC CONTAINER SHIPS ASA

ANNUAL REPORT 2019

CONTENTS

BOARD OF DIRECTORS' REPORT

BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships ASA (the "Company" or "MPCC", together with its subsidiaries the "Group") was incorporated on 9 January 2017 as a private limited liability company under the laws of Norway, and converted to a Norwegian public limited liability company on 16 January 2018. The Group's 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 the first half of 2019, in accordance with the share buy-back programmes announced on 28 February 2019 and 5 June 2019, respectively, the Company acquired 351,098 own shares for a total consideration of USD 1.0 million. Moreover, the Group obtained new debt financing at favourable terms with a three-year revolving credit facility of USD 40 million (the "RCF"), 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 profit/loss for 2019.

Subsequent to the balance sheet date, on 5 February 2020, two subsidiaries of the Company entered into agreements for the sale of AS Leona and AS Lauretta, two 1,000 TEU vessels. The total sales price is agreed at USD 6.5 million per vessel and the vessels will be delivered to their new owners during H1 2020. The agreed sales price implies a Net Asset Value ("NAV") materially above the current share price at the date of this report.

Further, on 14 February 2020, the Company announced the successful completion of an equity private placement supported by three large shareholders. The private placement was later approved by the extraordinary general meeting on 9 March 2020. In the transaction, the Company issued 7,250,000 new shares at a subscription price of NOK 17.25 per share, thereby raising NOK 125 million to maintain flexibility and ensure additional liquidity reserves in a continuously volatile market impacted especially by the Novel Coronavirus ("COVID-19").

Transition into IMO 2020:

With the International Maritime Organisation's ("IMO") sulphur emission cap regulation entering into force on 1 January 2020, the Group successfully transited into the new year with its balanced strategy of retrofitting a selected 10 vessels with exhaust gas cleaning systems ("scrubbers") while having remaining 58 vessels undergo a fuel change-over programme.

As per mid-February 2020, all 10 vessels have successfully completed scrubber retrofittings. For the same vessels, the Group has concluded charter contracts with major operators at attractive terms and fuel saving sharing mechanisms linked to the fuel spread between compliant low-sulphur fuel and high-sulphur fuel (eight vessels until 2022/2023 and two trading on shorter periods until end-of 2020/early 2021).

For the remaining fleet of 58 vessels being subject to operations on compliant, low-sulphur fuel oils, the Group completed an extensive fuel change-over programme with individual ship implementation plans and tank cleaning activities. By the beginning of 2020, the 58 vessels had either consumed or discharged all remaining high-sulphur fuel oil quantities.

With approximately 77% of global scrubber retrofits undertaken in China, the outbreak of the COVID-19 is heavily impacting both scrubber installation lead times and future planned retrofitting works at Chinese ship yards. The Group finalized all its scrubber installations at Chinese yards prior to the COVID-19 outbreak and hence the virus will not affect the Group's scrubber installations.

Key performance indicators 2019:

- Total ownership days of the vessels fully owned were 21,900 (2018: 19,279)
- Total trading days of fully owned vessels were 19,380 (2018: 17,318)
- The utilization in 2019 was 92.9% (2018: 92.1%)
- Average time charter equivalent ("TCE") was USD 8,885 per day in 2019 (2018: USD 9,911 per day)
- Average operating expenses ("OPEX") were USD 5,005 per day in 2019 (2018: 5,049 per day)
- Equity ratio as at 31 December 2019 was 57.2% and the leverage ratio was 38.9%

COVID-19

While the global economy was expected to recover in 2020, the outbreak of COVID-19 has affected the markets and postponed economic recovery with severe implications around the globe. In December 2019, COVID-19 spread from a farmers market in Wuhan (China). By end-of January 2020, the virus was declared a global public health emergency by the World Health Organization ("WHO"). Until mid-February 2020, the virus spread extensively in China, inducing nearly a standstill in production. Because of the importance of the Chinese economy for global production and international trade (accounting for 22% of global imports), ports and yards closures, transportation constraints and interruptions of logistical chains immediately led to a spill-over of the economic implications to the rest of the world. Global gross domestic product ("GDP") growth forecasts were significantly reduced downwards. The transportation and logistics industry in particular, including seaborne trade, will face severe disruptions, and stock markets have plunged. The NYSE halted trading both on Monday and Thursday of Week 11. Moreover, the breakout of an oil price war between Russia and Saudi Arabia led to significant decline in the oil price.

The reduced Chinese production and port activities in the beginning of February had significant effects on operations world-wide. Seaborne container trade was strongly impacted as operators announced void sailings or kept on sailing with only 10% of cargo loaded. In the first two months of 2020, 334 fixtures were concluded by vessels across all size categories, which was notably below the comparable figure during the same period in 2019. Reduced port and yard activity also posed risks to technical operations with potential delays in the delivery of spare-parts and effects on outstanding class services, one consequence being that class renewals are expected to require more lead time due to limited yard availabilities and limited personnel. Further, crew-related risks such as crew changes and follow-up effects on physical and psychological health are keeping operators busy.

During these uncertain weeks, the Group has implemented detailed business continuity plans with its partners and suppliers in an effort to secure the continuation of operations while caring for the health and well-being of its employees. Liquidity and covenant risks are being monitored on an on-going basis. The sale of two vessels AS Leona and AS Lauretta in a challenging market at acceptable prices, as well as the successful completion a private placement of 7,250,000 new shares raising gross proceeds of NOK 125 million subsequent to the balance sheet date have ensured additional liquidity in a volatile and uncertain market environment.

The Group concluded 36 fixtures by mid-March 2020 with an average duration period of 4.9 months, securing continuous employment of the vessels. The fixtures were made on time charter rates with sufficient margin to the average OPEX per day within the Group. Accordingly, the Group has secured cash flows on these vessels in an environment of increasing uncertainty in relation to trade demand.

Due to reduced demand in the market, time charter rates have decreased since the beginning of 2020. The ClarkSea index is down 26% year-to-date. However, the ClarkSea year-to-date average is still 22% above the average for the same period in 2019. Combined with the recent pick-up of Chinese port and yard activities, these are encouraging data points for the container shipping industry. In China, the number of new COVID-19 cases is significantly reduced as of late, production is returning to normal, chartering activity has improved and port calls has already reached 2019 levels. Meanwhile, the virus is spreading aggressively across Europe and the US. Governments have implemented unprecedented measures such as travel bans and lockdowns to mitigate further spread. Implications are highly uncertain and in need of cautious monitoring as the risk of a severe recession remains. According to figures recently published by Clarksons Research, analysts expect a reduction in 2020 global GDP growth to 1.4% while Chinese GDP is expected to barely surpass 4% over the same period. Seaborne container trade growth forecasts are revised downwards by 1.2 percentage points to a modest 1.6% in 2020.

Since temporary restrictions in China driven by the outbreak of COVID-19 and impacting global trade were initiated after the balance sheet date, this is considered a non-adjusting event. See Note 14 Vessels and prepayments and Note 27 Subsequent events.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

Container shipping faced a high degree of uncertainty during 2019, ranging from the additional costs and off-hire associated with IMO 2020 and US-China trade tensions. As such, the Group's earnings have been significantly affected.

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues during 2019 were USD 184.7 million (2018: USD 183.5 million). Vessel-related expenses were USD -152.2 million (2018: -130.4 million), resulting in gross profit from vessel operations including share of profit from joint venture of USD 32.1 million (2018: 53.8 million).

The Group's earnings before interest tax and depreciations ("EBITDA") was USD 25.3 million compared to USD 45.3 million in 2018.

Loss before tax was USD -39.7 million (2018: USD -1.2 million), and income tax expenses were USD 0.1 million (2018: USD 0.4 million), resulting in a loss for the period of USD -39.7 million (2018: USD -1.6 million).

Earnings per share

Basic and diluted earnings per share for the year were negative with USD -0.47 (2018: USD -0.02) and USD -0.47 (2018: USD -0.02), respectively.

Financial position

The Group's total assets amounted to USD 718.1 million as at 31 December 2019 (USD 722.1 million as at 31 December 2018). Non-current assets in the amount of USD 649.3 million comprise of vessels operated by the Group as well as the equity investments into a joint venture.

Total equity was USD 410.5 million as at 31 December 2019 (USD 459.2 million as at 31 December 2018) with non-controlling interest of USD 1.7 million. The decrease in equity mainly relates to the net loss for the period of USD 39.7 million and to the negative fair value change of USD 4.8 million for the hedging reserves. As at 31 December 2019, the Group had interest-bearing debt in the amount of USD 279.6 million (USD 247.7 million as at 31 December 2018). The increase in long-term debt is mainly due to a drawdown of the RCF in 2019 and the additional drawdown on the non-recourse senior secured term loan during Q3 2019. This is partly offset by repayments of debt during 2019.

Cash flow

During 2019, the Group generated a positive cash flow from operating activities of USD 24.5 million (2018: USD 29.3 million). The cash flow from investing activities was USD -55.9 million (2018: USD -380.6 million), mainly relating to investments into scrubbers on nine of the consolidated vessels, dry-dockings and other vessel upgrades. The Group had a positive cash flow from financing activities of USD 11.3 million (2018: USD 247.2 million) due to debt financing mainly from the RCF, partly offset by repayment of debt and interests.

Restricted cash as at 31 December 2019 mainly relates to minimum liquidity requirements within the loan agreements.

The total net change in cash and cash equivalents during 2019 were USD -20.0 million.

Cash and cash equivalents as at 31 December 2019 were USD 40.2 million.

PARENT FINANCIAL STATEMENTS

Income statement

Revenues during 2019 were USD 14.3 million (2018: USD 11.5 million). Payroll and other operating expenses were USD -21.2 million (2018: USD -15.7 million), resulting in an operating result of USD -6.9 million (2018: USD -4.2 million). Net financial income/expense was USD 5.7 million (2018: USD -0.5 million).

Losses before tax were USD -1.2 million (2018: USD -4.7 million), resulting in a net loss for the period of USD -1.1 million (2018: USD -4.7 million). The Board of Directors has proposed that the net loss for the period is allocated to retained losses.

Financial position

The Company's total assets amounted to USD 454.2 million as at 31 December 2019 (USD 455.0 million as at 31 December 2018). Non-current assets in the amount of USD 445.6 million (2018: USD 428.8 million) comprise of vessels taken over and operated by the Group as well as equity investments into affiliated companies.

Total equity was USD 451.5 million as at 31 December 2019 (2018: USD 453.8 million). Total liabilities were USD 2.7 million at 31 December 2019 (2018: USD 1.3 million).

Cash flow

During 2019, the Company generated a positive cash flow from operating activities of USD 9.7 million (2018: negative of USD -7.1 million). The cash flow from investing activities into vessels and joint venture investments was USD -27.4 million (2018: USD -190.5 million). The negative cash flow from financing activities of USD -1.1 million (2018: positive of USD 119.2 million) is due to buy-back of own shares.

The total net change in cash and cash equivalents in 2019 was USD -18.8 million.

Cash and cash equivalents as at 31 December 2019 are USD 3.2 million (31 December 2018: USD 22.0 million).

Dividend considerations

The Company's intention is to pay regular dividends in support of its objective of maximizing returns to shareholders. The timing and amount of dividends is at the discretion of the Board of Directors. Any future dividends proposed will depend upon the Group's financial position, earnings, debt covenants, distribution restrictions, capital requirements, investment opportunities, and other factors. The Board of Directors has proposed to not declare any dividend based on the 2019 financial statements.

GOING CONCERN

In accordance with the Norwegian Accounting Act § 3-3a, the Board of Directors confirm that the going concern assumption on which the financial statements have been prepared, is appropriate. This assumption is based on budgeted future cash flows for 2020 and the Group's long-term strategic forecasts.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group is still in an operational growth phase. As at 31 December 2019, the Group employs 21 people. The working environment is considered to be good, and efforts for improvements are made on an on-going basis through among others employee development review and feedback sessions. No leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year. Offshore personnel operating the Group's vessels is not employed by the Group, however we have high focus on health and safety on board on our vessels and no significant accidents have occurred in 2019.

The Norwegian Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, language, religion and faith. The Group is working actively, determined and systematically to encourage the act's purpose within our business, and aims to be a workplace with equal opportunities. This is reflected in the Company's Code of Conduct, applicable to all entities controlled by the Company and all employees, directors, officers and agents.

As at 31 December 2019, the Board of Directors consists of two women and three men. The executive management consists of two men.

INTERNAL CONTROLS AND RISK MANAGEMENT

In accordance with the principles underlying value-based management, the Board of Directors places great importance on systematic risk management. This is done not only to satisfy the requirements set out by law, but also to ensure the Company's governance in a highly dynamic market environment by identifying existing and potential risk exposures.

Through (i) quarterly reviews of the Company's most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management unit to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, the Board of Directors aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Good corporate governance is a prerequisite for cooperation based on trust between the owners, the Board of Directors and management of the Group, with a view of achieving long-term growth. Of equal importance is the Company's corporate social responsibility, which shall be reflected in our core values, the quality of our work and services, and in our entire range of activities. The Company shall:

- operate our business with integrity and respect laws, different cultures and human dignity;
- operate our business in accordance with fundamental human rights as enshrined in the United Nations Universal Declaration of Human Rights and follow the standards of the International Labour Organization, which are guiding principles encouraged and implemented by the European Union;
- show consideration for the local communities in which we are a part of, and emphasise spin-off effects of the Company's activities;

- contribute to learning and distribution of knowledge; and
- establish long-term working relationships and utilize the shipping sector's expertise for the further development of the industry.

The Board of Directors actively adheres to good corporate governance standards and will ensure that the Company either complies with or explain possible deviations from the Norwegian Code of Practice for Corporate Governance (the "Code"). The Code can be found at www.nues.no.

As at 31 December 2019, there are no significant deviations between the Code and how the Company complies with the Code. The corporate governance principles of the Company are adopted by the Board of Directors.

Please see the Corporate Governance Report and our Corporate Social Responsibility Statement embedded in this Annual Report. The Corporate Governance Report, Corporate Social Responsibility Statement and the Company's Code of Conduct may also be found on the Company's website: www.mpc-container.com.

CONTAINER MARKET UPDATE

Global Economy

Due to Implications of COVID-19 (see above), analysts expect a reduction of global GDP growth for full year 2020 down to 1.4% (from previously forecasted 3.3%). Growth prospects for China were downgraded significantly below 5% this year.

Container Demand

The slow-down of economic growth, the US-China trade war and geopolitical tensions put downward pressure on seaborne container demand in 2019. Full-year container trade growth was 1.8%, the lowest growth rate observed since the financial crises twelve years ago. Thus far in 2020, COVID-19 has placed a firm dampening on economic recovery. Clarkson research foresee a container demand growth of 1.6% in 2020, already including the latest downward revisions due to COVID-19 of -1.2 percentage points. On a positive note, the signing of the "Phase 1 Deal" between the US and China and the customs reduction announced by the Chinese government is believed to weigh in on improved container demand situation as the economies get back to normal.

Intra-regional trades (i.e. Intra-Asia, Intra-Europe and Intra-Caribbean trades) are expected to contribute with the strongest growth rates in the coming years. Until 2024, intra-regional container trade is forecasted to grow by 4.3% p.a., albeit not yet considering the on-going COVID-19 turmoil and its implications. To that end, intra-regional trade disruptions are expected as soon as the reduced amount of containers leaving China arrive at other regional trade hubs. Disruptions may be short-dated as an increase in Chinese port calls and TEU lifts to levels seen 12 months ago is already observed.

Fleet Development

As per January 2020, the global container fleet comprised 5,369 vessels with a total capacity of 23.0 million TEU. The feeder segment fleet (1,000 to 3,000 TEU) amounted to 1,926 vessels with a total capacity of 3.5 million TEU.

For the total container fleet, only 1,060,745 TEU worth of capacity has been delivered in 2019. New capacity has been modest also in the feeder segment, with a total of 146,289 TEU delivered in 2019. While the order book is at historically low levels (10.6% for the total fleet), the number of feeder orders is slightly larger compared to other segments (431,000 TEU; 12.4% of the feeder fleet). Of these, 312,000 TEU (72%) is scheduled for delivery in 2020. Thereafter, delivery of new tonnage is expected to drop sharply. A modest 95,858 TEU of feeder capacity was ordered in 2019 (-63% down from 261,974 TEU feeder orders in 2018), and no new feeder tonnage has been contracted thus far in 2020.

On the supply side, COVID-19 is creating significant market disruptions on the account of e.g. Chinese ship yards, where reduced activity is resulting in delays both in delivery of newbuild tonnage and scrubber retrofit programmes. It is thus expected that a significant share of newbuild deliveries will be postponed to 2021. The situation in China has meanwhile improved but subsequent effects in Europe and the US need to be monitored.

Vessel demolition is at relative low levels, totalling 182,556 TEU throughout 2019. For the feeder segment, recycled tonnage amounted to 93,063 TEU in 2019. Due to the IMO's Ballast Water Management Systems Code, enforced from October 2019, increased demolition activity is expected particularly in the feeder segment, where average fleet age is relatively old.

In accordance with above-mentioned market data, IMO 2020 effects will contribute in reducing net supply growth in 2020, whereas COVID-19 implications will put downward pressure on demand. 2020 container supply growth is forecasted as reduced by 1.9 percentage points due to scrubber retrofitting and other IMO 2020 preparatory works, resulting in a full-year "net supply growth" of 1.2%. On the demand side, Clarksons Research currently expects a 1.2 percentage point reduction and hence a "net demand growth" of 1.6% for 2020.

Asset Prices

Newbuilding prices for larger feeder vessels (2,750 TEU gls) have decreased by 10% since the start of 2019, from USD 35.0 million to USD 31.5 million. Nevertheless, these prices are still 3% above the 10-year average. For a 1,700 TEU grd container vessel, the newbuild acquisition price was quoted at USD 26.0 million in January 2020, while the assumed price for a 1,000 TEU grd vessel was USD 18.8 million. Prices decreased slightly compared to January 2019 (-4% for a 1,000 TEU grd vessel and -1% for a 1,700 TEU grd vessel) and are on par with or slightly above their latest 10-year averages (0% for 1,700 TEU grd vessels and 2% for the 1,000 TEU grd vessels). It is important to note, however, that these price indices are based on 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 are currently witnessing large fluctuations. The price for a 10-year old 2,750 TEU gls vessel was estimated at USD 9.0 million in February 2020 (-28% compared with January 2019). As per the same date, second-hand prices for a 10-year old 1,700 TEU gls and a 10-year old 1,000 TEU grd vessel were estimated at USD 7.75 million and USD 4.75 million, respectively (down by 18% and 5% compared to January 2019).

Charter Market

Thus far in 2020, COVID-19 and its implications on trade, transportation and production has heavily impacted the container charter market. Due to restrictions and reduced container trade in and around China, open vessels in Asia across all size segments are facing difficulties finding new employment. Moreover, a prolonged Chinese New Year holiday and on-going transportation restrictions is effectively extending the usually calm start of the year. However, once regional container transportation and logistics resume normal operations, available feeder vessels should again be in high demand. As the situation seems to stabilize in China, the COVID-19 implications spill-over to the US and Europe with long-term implications still uncertain.

Scrubber retrofits affected the market in Q4 2019 and are assumed to continue reducing supply in 2020. While larger vessel segments enjoyed significant charter rate increases during 2019, the rate development in the feeder segment during the same period was a story of two tales. Earnings increased for >1,700 TEU vessels but saw larger fluctuations and only modest growth in the smaller feeder segments.

The number of available vessels decreased during H1 2019 following a slight market consolidation. Since July 2019, however, idle numbers have risen within all TEU segments. A significant part of the idle capacity, being 63% of the total idle fleet and 14% of the idle feeder fleet, is currently in dry-dock for scrubber retrofitting.

Time charter rates (6-12 months) in January 2020 (Source: Clarksons Research):

- 1,000 TEU: USD 6,200 (up 3% since January 2019)
- 1,700 TEU: USD 8,300 (up 19% since January 2019)
- 2,750 TEU: USD 10,600 (up 19% since January 2019)
- 4,300 TEU: USD 13,300 (up 55% since January 2019)

Market Outlook

After a 2019 with modest growth, the world economy in January 2020 saw encouraging signs of recovery. First, the US and China signed a much-anticipated “Phase 1 Deal”, thereby lessening uncertainties surrounding the two countries’ trade conflict. Second, the UK left the EU with an agreed-upon 11-month Transition Period wherein the former effectively remains in the latter's customs union and single market while negotiating a trade deal.

At the same time as above-mentioned milestones contributed in easing market uncertainties, news broke about the spreading COVID-19. During February, the virus outbreak caused severe short-term effects and has effectively deterred further global economic recovery. In China, recorded cases of new infections has already come down. Recently, other countries in the European Union and the US are affected. While the long-term implications are still uncertain and much remains to be done to respond and recover, current base case scenarios indicate Q2 2020 as a turning point in recorded new cases. Once container logistics return to normal, economic activity will rebound and resume its growth trajectory.

With regards to the container vessel market in particular, containerized seaborne trade is expected to grow by 1.6%, taking COVID-19 implications into account. On the supply side, due to vessels entering dry-dock for scrubber retrofitting, a net supply growth of only 1.2% is expected for 2020. A total of 92 vessels with 704,000 TEU carrying capacity are currently in dry-dock for scrubber installations. Of these, 13 ships totalling 27,500 TEU are feeder vessels. As COVID-19 is significantly reducing yard and dock activity, retrofit projects are already delayed. Moreover, while 312,000 TEU of new feeder tonnage (representing 72% of the total feeder order book) is scheduled for delivery in 2020, no new feeder orders have been recorded thus far in 2020 and analysts expect the feeder order book-to-fleet ratio to decrease to 6% until 2024.

OUTLOOK AND STRATEGY

While the effects of COVID-19 will put near-term pressure on shipping logistics and transportation, feeder container market fundamentals remain intact and should provide for attractive opportunities going forward. How severe long-term implications of COVID-19 may affect the global economy and the shipping industry in particular will depend crucially on how fast and extensive the virus will spread among major industrialized economies.

The Company has taken measures with the sale of two 1,000 TEU vessels and the private placement with gross proceeds of NOK 125 million to cope with the volatile market environment and uncertainty, especially related to the COVID-19 outbreak. Further, the additional liquidity shall provide the Company with flexibility to take advantage of market opportunities once the markets return to normality.

The above-mentioned uncertainty and also pre-emptive measures taken by the Company confirm the strategic principles of the Company maintaining a low cash break-even, prudent leverage profile and stringent capital allocation to ensure manoeuvrability under current conditions and to benefit from expected market improvements.

RISK FACTORS

The Board of Directors aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's objectives and activities. Together with management, the Board of Directors has identified approximately 52 risk factors divided into seven categories.

The Risk Inventory is quantified and monitored taking a Probability-Impact approach. Each risk is assigned a Risk Owner within the Company's organization and a defined set of countermeasures and control frequencies.

A summary of the Company's risk categories is outlined below. Descriptions are not exhaustive, and the sequence of risk categories is not set out according to importance or priority.

Market and industry risks

As a supplier of ocean-going container vessels to the international sea trade, the Company is exposed to changes in trade patterns and the supply/demand for (imports/exports of) containerised goods caused by e.g. macroeconomic and geopolitical events, which in turn necessitates risk surveillance and mitigation procedures related to the charter market, fluctuation in vessel values and competitors, among others. As recently seen with the COVID-19, see separate section above. The Company strives to maintain a dynamic chartering strategy, a reliable fleet and a close dialogue with the shipping market intelligence community so as to proactively adjust operations according to prevailing and future market environments.

Environmental, social and governance risks

Risks related to climate change impacts mitigation and adaptation, environmental management practices and duty care working and safety condition, respect for human rights, gender diversification, anti-bribery and corruption practices, and compliance to relevant laws, regulations and best-practise guidelines.

Performance risks

The Company's performance depends heavily on technical, operational, environmental and reputational factors that carries both risks and opportunities. The Company addresses these risk and opportunities by assigning responsibilities, monitoring and reporting routines to dedicated teams within its organization (e.g. asset management, treasury and owner controlling), utilizing and continuingly develop portfolio management tools, and by engaging subject matter consultants to conduct routine compliance and quality management assessments. The Company's vessels have insurance covering (where applicable) P&I, hull & machinery, loss of hire and crew negligence. However, risks remain as to whether the vessels are covered under all conditions. Vessels carry Loss Prevention, Safety and Quality manuals to ensure sound HSE routines. Third party contracting related to the Company's performance shall comply with applicable laws and regulations, for instance and where applicable the International Maritime Organization's ISM Code and the SOLAS, STCW and Maritime Labour conventions.

Legal risks

The Company is exposed to changes in legal, tax and regulatory regimes within relevant jurisdictions as well as potential private litigation and public prosecution. The Company seeks to mitigate legal risks by maintaining a well-functioning risk management system, management guidelines and dedicated compliance and legal functions.

Personnel risks

The continued progress of the Company depends heavily on the knowledge and network of key personnel as well as access to new talent. Personnel risk mitigation procedures include pre- and post-hire preparations, routine employee development reviews, jour fixes and a methodical expansion of internal resources on business-critical processes.

IT risks

IT and cyber risks make up an increasing share of a company's risk universe. The Company purchases IT services from third parties that offer comprehensive security strategies that closely matches the Company's business objectives.

Financial risks

The Company seeks to actively manage its financial risk exposures through the use of dedicated finance, treasury and owner controlling teams within its organization. Liquidity and covenant risks are monitored on an on-going basis, also considering latest macroeconomic event such as COVID-19. Currency and interest rate risks are mitigated via financial instruments where deemed appropriate. The compliance with certain debt covenants, including covenants in relation to the market value of the Group's fleet, may be beyond the control of the Group. Outstanding interest-bearing debt on the balance sheet at 31 December 2019 is USD 276.9 million, net of debt issuance costs, which will be repaid through the cash flow generated from the vessels or through refinancing. As at 31 December 2019, the Group had USD 4.6 million in remaining off-balance sheet capital commitments in relation to the scrubber contracts. This compared to USD 40.2 million in available liquidity as cash and cash equivalents. After the balance sheet date, the Company successfully completed the private placement of NOK 125 million to ensure more financial liquidity into a volatile market, especially affected short term by the COVID-19.

Other risks

From time to time, the Company will be required to consider major business initiatives which – if implemented – entail a considerable amount of costs and resources. Moreover, if executed without due care and planning, such strategic initiatives may have a material adverse impact on the Company. The need to consider major initiatives may arise from strategic considerations or from shifts in market dynamics or regulatory changes outside of the Company's control. The Company will seek to mitigate risks arising from such initiatives, as well as all other risks not assorted into the above-mentioned six risk categories, on a case-by-case basis by implementing e.g. project steering committees comprising relevant stakeholders/expertise, be it internal or external.

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.

Oslo, 23 March 2020

The Board of Directors of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

SUSTAINABILITY REPORT

PREAMBLE

The Company is a Oslo Stock Exchange-listed containership company specialising in the feeder segment, As of December 2019, the Group owns and operates 68 feeder container vessels with a carrying capacity of between 1,000 and 3,500 TEU. Of these, eight vessels are operated in a joint venture.

Our vessels are chartered out on time charter contracts to global liner shipping companies and regional carriers. Under such time charter contracts, the Group makes available the vessel and crew, and performs services related to the vessel's operation. The charterer determines – and is responsible for – the vessel's trading route, port calls, sailing speed, container stowage logistics and other operational matters. Voyage-related expenses, such as fuel costs and port fees, are covered by the charterer. The performance of crewing, commercial and technical ship management services are sub-contracted to third party ship managers. The Group remains responsible for the due performance of the services towards the ship-owning subsidiaries and the safety and well-being of seafarers serving aboard our vessels.

Container shipping is the dominant method of international transportation for a broad range of industrial and consumer goods, chemicals and foodstuff. Compared to other modes of long-distance commercial transportation, shipping is recognised as the most carbon-efficient alternative.[1] According to the third and latest greenhouse gas study conducted by IMO, international maritime shipping in 2007-2012 made up an average 2.8% p.a. of global greenhouse gas emissions.[2] In the years and decades to come, our industry will serve as an important contributor to the collective effort to drastically lower global greenhouse gas emissions, as still-increasing global trade and a continued reliance on containerised transportation will necessitate more energy-efficient and environmentally friendly vessel operations.

The Company commenced operations in April 2017 and went on to rapidly expand our capital base, fleet and organisational structure throughout 2017-18. Having concluded 2019 as the Group's first full year of operations post-growth, we deem in timely to premiere our sustainability reporting in a first effort to (i) furnish stakeholders with an understanding of the environmental and social consequences of our business operations, (ii) provide a standardised overview of our non-financial information, and (iii) support stakeholders' risk assessments.

Our sustainability reporting will evolve in parallel with developing expectations towards – and maturing frameworks for – environmental, social and governance ("ESG") reporting. Acknowledging ESG transparency as an integral part of driving change, we encourage an open dialogue with stakeholders on how to further improve the Group's sustainable operations and information-sharing.

As a Oslo Stock Exchange-listed company, we follow the Euronext guidance on ESG reporting of January 2020.[3] The reporting process is based on the Global Reporting Initiative's standards for corporate responsibility reporting (commonly referred to as the "GRI Standards"), the most widely used international framework for sustainability reporting.

This Sustainability Report and its data cover the period 1 January to 31 December 2019.

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[1] http://www.worldshipping.org/industry-issues/environment/air-emissions/carbon-emissions

[2] http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Pages/Greenhouse-Gas-Studies-2014.aspx

[3] https://www.oslobors.no/ob_eng/Oslo-Boers/Listing/Shares-equity-certificates-and-rights-to-shares/Oslo-Boers-and-Oslo-Axess/Guidelines-for-ESG-reporting

ESG AWARENESS

In order to reach our objectives and maintain society's trust, MPCC must be able to efficiently manage the challenges and requirements society imposes on our activities. For the purpose of creating awareness of ESG matters and preserve the integrity of MPCC, our Board of Directors have resolved a Code of Conduct (link), a Corporate Social Responsibility Statement (link) and a series of management guidelines applicable to the Company's employees, directors, officers and agents. Further, the Group places great emphasis on cooperating with business partners that promote high standards of good business practice. As such, suppliers and service providers are required to adhere to MPCC's Business Partner Guideline (link).

Our Board of Directors has established a Risk & Audit Committee to act as a preparatory and advisory body for the Board of Directors and support the Board of Directors in the exercise of its responsibility for financial reporting, internal control and risk management.

Several ESG-related challenges may be addressed more efficiently as a joint effort amongst industry participants. In order to exchange best practices and work towards common goals, MPCC is partnering with other ship owners, authorities and subject matter experts through collective initiatives such as the Maritime Anti-Corruption Network, the Clean Shipping Alliance 2020 and the Trident Alliance.

MACN Maritime Anti-Corruption Network

CLEANSHIPPING ALLIANCE2020

TRIDENT ALLIANCE

MATERIALITY ANALYSIS

Methodology

The Company has carried out a materiality analysis in order to define our principal stakeholders, being organisations and individuals that either significantly affect MPCC or are affected by our operations. The outcome of said analysis functions as the basis for this Sustainability Report. Prominent stakeholders and their interests have been defined in the below table, allowing MPCC to map and rank what risks and opportunities are most relevant for our value creation.

Prominent stakeholders

Stakeholder group	Expectations towards the Company	Areas of dialogue	Actions by the Group
Board of Directors & sub-committees	▪ Sound corporate governance ▪ Transparency and communication ▪ Agile and responsive leadership ▪ Sustainable business model ▪ Create opportunities and monetise on industry trends ▪ Proactive risk management	▪ Board of Directors and sub-committee meetings and briefs ▪ Ad-hoc proposals and approval requests in accordance with the Company's authority matrix	▪ Board of Directors' / sub-committee meeting calendar ▪ Timely and frequent reporting ▪ Dedicated corporate functions, e.g. Corporate Secretary, Treasury, Risk Management & Compliance Officer ▪ Dedicated asset management and market research functions
Employees	▪ Professional and positive workplace ▪ Secure jobs ▪ Equal treatment and fair terms of employment ▪ Financial hygiene ▪ Transparency (e.g. performance feedback and opportunities for development) ▪ Employer brand value	▪ Company-wide and team-specific jour fixes each week ▪ Individual assessment meetings (annually and upon request) ▪ Social and sporting events in Norway and Germany	▪ Code of Conduct ▪ Cross-border IT accessibility ▪ Empowerment of employees through flat hierarchy ▪ Engagement through company / employee assessments ▪ Clear communication of business strategy via Mission & Vision Statements

Stakeholder group	Expectations towards the Company	Areas of dialogue	Actions by the Group
Seafarers	▪ Safe and predictable work environment ▪ Commitment to health and safety ▪ Equal treatment and fair terms of employment ▪ Financial hygiene	▪ Crewing outsourced to third parties, hence seafarer HR management handled by crewing managers	▪ Ensure crew awareness of efficient and sustainable ship operations and conscious use of consumables ▪ Support crew by utilisation of riding gangs etc. ▪ To be prioritised: increase ship owner involvement in crew welfare
Shareholders	▪ Value creation / return on investment ▪ Responsible and cost-efficient operations ▪ Prompt and transparent disclosures and financial reporting ▪ Sound corporate governance ▪ Regulatory compliance ▪ Sustainable business model	▪ Annual / Extraordinary general meetings ▪ Quarterly financial reporting and earnings calls ▪ Regulatory / non-regulatory stock exchange disclosures ▪ Meetings with investors and analysts ▪ Company website and social media platforms ▪ Industry and investor conferences	▪ Prioritise / award long-term, strategic decisions aimed at maximising expected shareholder value ▪ Align senior executives' incentives and risk with shareholders' ▪ Dividend policy ▪ Financial and ESG reporting ▪ Earnings call presentations and road shows
Bondholders & debt providers	▪ Downside risk protection ▪ Proactive risk management ▪ Sound corporate governance ▪ Prompt and transparent disclosures and financial reporting ▪ Timely interest and debt repayments ▪ Sustainable business model	▪ Quarterly financial reporting and earnings calls ▪ Regulatory / non-regulatory stock exchange disclosures ▪ Meetings with investors and analysts ▪ Company website and social media platforms ▪ Industry and investor conferences	▪ Financial and ESG reporting ▪ Earnings call presentations and road shows
Charterers (Customers)	▪ Reliable and customisable service offering ▪ Safe and efficient vessel operations ▪ Good bilateral communication and performance reporting ▪ Transparent and trustworthy business partner	▪ (Via commercial managers) On-going dialogue on e.g. quality of ship and ship management performance	▪ Emphasis on vessel maintenance, safe and sustainable operations ▪ Act as a transparent and trustworthy business partner ▪ Add value by offering flexible / customised solutions
Business partners / suppliers	▪ Fair and transparent collaboration ▪ Financial hygiene ▪ Clear communication on expectations, scope of collaboration, etc.	▪ Routine engagements (e.g. class societies, insurers and market analysts) ▪ Course of daily business ▪ Regular jour fixes with business partners of strategic relevance	▪ Alignment of interests via Business Partner Guideline ▪ Impartially and justly treatment
Civil society	▪ Business integrity ▪ Regulatory and human rights compliance ▪ Responsible, sustainable and transparent operations	▪ Harbour-side / where vessels are operating ▪ Company website and social media platforms ▪ Regulatory / non-regulatory reporting via the Oslo Stock Exchange ▪ Industry and trade press ▪ Events (conferences, shipping sector panels etc.) ▪ Ad-hoc dialogue with e.g. NGO's and interest groups	▪ Code of Conduct, corporate governance reports, Corporate Social Responsibility Statement and Business Partner Guideline ▪ Financial and ESG reporting ▪ Emphasis on safe and sustainable operations ▪ Show consideration for the local communities in which MPCC is part of ▪ Meet society with insight, respect and understanding
Authorities	▪ Regulatory compliance ▪ Timely disclosures of (financial, tax, fuel emissions) reporting obligations	▪ Regulatory / non-regulatory stock exchange disclosures ▪ Financial, tax and fuel emissions reporting ▪ Port State Controls ▪ Class society reporting ▪ Flag state reporting ▪ EU MRV and IMO DCS reporting	▪ Code of Conduct, corporate governance reports and Corporate Social Responsibility Statement ▪ "4 Eyes" principle ▪ Proactively monitor regulatory changes (seminars and workshops) ▪ Reliance on professional support from subject matter experts

Material topics

The identification of prominent stakeholders' interests and subsequent ranking of such topics by importance, in combination with rating the topics by relevance for the Company, has resulted in a set of material topics. In the following, for sake of ease, these matters have been clustered as either environmental, social or governance, and addressed separately. Relevant, industry-specific ESG key performance indicators ("KPIs") have been included where deemed appropriate and in so far available under operational data collection procedures being in place throughout 2019. In line with the rapid evolution of sustainability reporting, MPCC is already preparing for a more extensive ESG data collection and KPI disclosure pertaining to fiscal year 2020 (e.g. conditions of class, sulphur dioxide and nitrogen oxides emissions data).

ENVIRONMENTAL TOPICS

	FY 2019
Greenhouse gas emissions (metric tonnes)	1,688,699
Number of reported overboard oil spills	0
Total vessel waste generated / disposed of (cubic meters)	5,000
Number of vessels with ballast water management systems	15

The shipping industry is governed by a global and uniform regulatory framework. This framework, created by the IMO, has significantly contributed in lessening the industry's impact on the environment by enforcing the adoption of certain technical and operational measures. One of the basic frameworks of the IMO has been the International Convention for the Prevention of Pollution from Ships ("MARPOL"). Since its ratification in 1973, MARPOL has undergone numerous amendments, continuously expanding its framework to require increasing compliance from the shipping industry.

Environmental regulation affects the ownership and operation of our vessels in a significant manner. The Group is subject to international conventions and national, port state and local laws and regulations applicable to international waters and/or territorial waters of the countries in which our vessels may operate or are registered.

Greenhouse gas emissions and air pollution

Today, ocean-going vessels enable long-distance commercial transportation of approximately 90% of global trade, and is the world's most carbon-efficient mode of transportation. Nonetheless, pollution derived from maritime shipping is significantly impacting air and water quality. With increasing levels of international trade, so too is air pollution from ships. As a response, global emission standards are becoming more stringent. MARPOL Annex VI limits the main air pollutants originating from vessels' exhaust gas, including sulphur oxides and nitrogen oxides, and prohibits deliberate emissions of ozone-depleting substances. The NO_x Emission Tier III standard in Emission Control Areas enforced from 2016 and the IMO's 0.5% global sulphur cap for marine fuel oils enforced from 2020 ("IMO 2020") both represents major advancements for the global shipping industry in terms of combatting pollution.

The increasing energy efficiency from vessel operations and the adhering reduction of greenhouse gas emissions carry both environmental and economic benefits, and is a key material topic for MPCC, the liner companies chartering our vessels and other stakeholders. During 2019, in preparation for IMO 2020, the Company made significant investments in retrofitting exhaust gas cleaning system aboard a selected ten vessels within our fleet whilst having the remaining 58 vessels undergo an extensive tank cleaning and fuel change-over programme.

The Company and our ship managers are working diligently with each vessel's Ship Energy Efficiency Management Plan to improve long-term operating efficiency by implementing energy and fuel saving measures. In this regard, it should be noted that operating decisions impacting a vessel's fuel consumption, such as trading route and port calls, sailing speed and container stowage logistics, are all determined by the Company's customers, being the liner companies chartering our vessels. During 2019, the MPCC fleet emitted a total of 1,688,699 metric tonnes of greenhouse gases.

In the years to come, in order to maintain an attractive and competitive fleet, the Company must seek to continuously optimise vessel performance and minimise the environmental impact of our business by proactively exploring viable options for pollutant emission reductions. To that end, the Company will continue its close collaboration with our ship managers and engage in sustainable shipping partnerships such as the Clean Shipping Alliance 2020 and the Trident Alliance, each a coalition of ship owners and operators supporting effective and transparent enforcement of the IMO 2020 for the benefit of the environment, human health and responsible businesses.

Land, water and acoustic pollution

The shipping industry's environmental impact is caused not only by airborne pollutant emissions, but carries environmental and reputational risks also in the form of potential spills, discharges to land and water and through underwater-radiated anthropogenic noise. The Company aims to mitigate such risks by partnering with reputable third party technical and crewing ship managers that are certified according to ISO 9001:2015 and/or 14001:2015 (quality and environmental management systems) and that perform their duties in strict compliance with applicable environmental laws and regulations, e.g. the IMO's International Safety Management Code (the "ISM Code") for the safe management and operation of ships and pollution prevention.

With regards to underwater-radiated noise caused by commercial shipping and its effects on marine life, especially that of marine mammals, the Company is closely monitoring the on-going research carried out by the IMO's Marine Environment Protection Committee on underwater noise. Although the main components of underwater noise can be attributed to a ship's design (i.e. hull form, propeller, the interaction of the hull and propeller, and machinery configuration), operational modifications and maintenance measures such as hull and propeller cleaning should be considered as ways of reducing noise for both new and existing ships. In accordance with the recommendations set out in the IMO's 2014 non-mandatory technical guideline for the reduction of underwater noise from commercial shipping to address adverse impacts on marine life, our technical ship managers are regularly reviewing the vessels' performance in order to detect a potential for propeller and hull fouling and cleaning.

Ballast water is essential for safe and efficient shipping operations. However, the multitude of marine species carried in the vessels' ballast water may also represent serious ecological, economic and health risks. The handling of ballast water is regulated by the International Convention for the Control and Management of Ships' Ballast Water and Sediments. As of 31 December 2019, 15 out of our 68 vessels have installed ballast water treatment systems. A further eight installations are scheduled for 2020, while installations on remaining 43 vessels are planned for, and will occur in line with each vessel's triggering date of compliance.

The Company recognises that oil spills have long-lasting adverse impacts on ecosystems and that incidents may cause grave injuries and fatalities. Moreover, oil spills necessitates extensive recovery efforts and may entail reputational damage and economic fines. The Company did not record any material incidents relating to spills during 2019.

The prevention of pollution by garbage from ships is regulated by MARPOL's Annex V, which prohibits the discharge of most waste into the sea. Instead, regulated waste accumulated aboard a vessel is to be disposed of at designated port reception facilities. During 2019, the MPCC fleet discharged a total of 5,000 cubic meters of waste at port reception facilities world-wide.

Ship recycling

The ship recycling industry supports the economy of many developing countries and functions as an important contributor to global sustainability by recycling metals and other components, hence extending the useful life of these resources. MPCC is committed to sustainable and socially responsible recycling of ships, thereby safeguarding the environment, human health and safety. As per 2019, the average age of the Group's fleet is approximately 13 years and the Group has not been involved in ship recycling activities. Any future recycling of owned vessels will be conducted in accordance with applicable laws and regulations, in particular the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships, the Basel Convention on the Control of the Transboundary Movements of Hazardous Wastes and their Disposal and, where applicable, the EU Ship Recycling Regulation.

SOCIAL TOPICS

	FY 2019
Number of staff employed at the Group	20
Average number of seafarers working on board the Group vessels [4]	18.75
Fatalities	0
Lost Time Injury Frequency	3.01
Reported material incidents	1
Port State Control Deficiency ratio	1.25
Port State Control Detention ratio	0.01

Health and safety conditions

Maritime transportation comes with inherent health and safety risks. Ensuring a safe working environment for both the crew serving on board our vessels and our onshore employees is of highest priority for MPCC and our stakeholders, and hence qualifies as a material topic. The Group's Code of Conduct and Business Partner Guideline outlines policies for ensuring employees and business partners conduct their duties and responsibilities in a manner designed to protect their health and safety and that of the Group's customers, the public and the environment, and in accordance with all applicable environmental and safety laws and regulations.

Our third party technical managers are certified according to the ISO 9001:2015 quality management system. Third party crewing agencies ensure employment of seafarers in accordance with the IMO's ISM Code and the SOLAS, STCW and International Labour Standards' Maritime Labour conventions.[5] Further, seafarers undergo regular mandatory and voluntary training.

The Group did not record any onshore or offshore fatalities during 2019, but had one material incident [6] occuring. This relates to our 2,800 TEU vessel Stadt Dresden (tbn AS Clara) who experienced a fire in an engine room compartment while in the port of Venice (Italy) on 16 February 2019. Following the incident, the crew took immediate action, sealing the engine room and filling it with CO_2 where after the fire was successfully extinguished. No injuries were reported following the incident, and all relevant authorities were informed. A first on-site report was prepared for MPCC the following day, and the vessel completed necessary repairs and recommenced operation soon thereafter.

[4] The Group has sub-contracted crewing to third party ship managers, but remains responsible for the safety and well-being of seafarers serving aboard our vessels. Seeing as the Group's fleet comprises several size segments, the required number of crew on board each vessel will vary.

[5] International Convention for the Safety of Life at Sea ("SOLAS"), International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW").

[6] The Group defines an incident as "material" if our Emergency Response Team is summoned to address the situation.

During 2019, the Group's Lost Time Injury Frequency, being the number of work-related fatalities, lost workdays cases, permanent partial disabilities and permanent total disabilities per one million exposure hours, was 3.01. For the same period, the Group registered a Port State Control Deficiency ratio of 1.25 and a Port State Control Detention ratio of 0.01.

Human rights

The Group conducts its business in accordance with fundamental human rights as enshrined in the United Nations Universal Declaration of Human Rights [7] and follow the standards of the International Labour Organization, which are guiding principles encouraged and implemented by the European Union. We advocate fair and equal opportunities and treatment for employees irrespective of ethnic or national origin, age, sex or religion. Through our Business Partner Guideline, our suppliers and service providers are required to adhere to the same standards of good business practice.

Work environment

The Company's good name and the trust of stakeholders are two of our most important assets. Maintaining a professional and positive workplace is of paramount importance for protecting MPCC's reputation and increase employee engagement. In this regard, senior management places great emphasis on utilising MPCC's flat organisational structure to create an inclusive working environment and to ensure our employees are offered personal development, guidance and motivation.

At sea, our ship managers have put in place various voluntary measures aimed at addressing crew welfare. These include a cadet programme aimed at coaching and retaining crew, ensuring free and reliable internet access, furnishing the vessels' recreation rooms with sports equipment, karaoke machines and musical instruments, sponsoring monthly entertainment allowances, developing diet suggestion programmes in collaboration with chief cooks, and facilitating vessel visits for crew family members and church visits during shore leaves. Moreover, crew members may be offered loans and accelerated salary pay-outs to cater for special needs and unforeseen events.

Through the establishment of closed groups on social media platforms such as Facebook, ship managers have established a line of communication which has proven popular among seafarers for communicating e.g. working conditions, career planning and non-work-related topics.

GOVERNANCE TOPICS

	FY 2019
Number of port calls in 20 lowest ranking countries in Transparency International's Corruption Perception Index	82
Monetary losses as a result of legal proceedings associated with bribery or corruption	0

Agile and responsive company culture

As the vast majority of world trade is carried by sea, the shipping industry is widely regarded as a barometer of the global economy. Ship owners therefore need to stay on top of abrupt macroeconomic and geopolitical shifts, changes in trading patterns and technological, regulatory and political disruptions. Moreover, following the financial crisis, shipping has witnessed an increasingly tiered financing market where availability of funding both from traditional banks and alternative sources have been skewed towards top-tier ship owners whilst ship owning remains substantially capital-intensive.

[7] https://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf

As of December 2019, the Group comprises 20 full-time employees located at offices in Oslo (Norway), Hamburg (Germany) and Amsterdam (The Netherlands).[8] We take great pride in our organisational build-up which today consists of a cohesive and close-knitted team of professionals, thus ensuring MPCC can maintain the necessary agility in response to fast-paced shipping markets.

Anti-corruption

A level playing field is vital for sustainable and ethical business. MPCC's stakeholders expect transparency and tangible actions around our commercial operations, and the seafarers serving our vessels deserve a safe work environment. As such, business integrity has been emphasised as a material topic for the Group. Our stance on anti-corruption is laid out in our Code of Conduct, Corporate Social Responsibility Statement and Business Partner Guideline. We tolerate neither active (attempts to bribe others) nor passive corruption (allowing oneself to be bribed). Any demands for 'facilitation payments', i.e. payment of small amounts to civil servants, for example, in order to have routine services carried out, must be rejected firmly and clearly. Similarly, our ship managers and charterers impose anti-corruption and anti-bribery policies in varying shapes and forms, applicable for the crew operating the Group's chartered-out vessels.

Tackling systemic integrity challenges requires collective action. During the fall of 2019, MPCC joined the Marine Anti-Corruption Network ("MACN"), the global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. By raising awareness of the challenges faced, implementing the MACN Anti-Corruption Principles, co-developing and sharing best practices and collaborating with governments, non-governmental organisations and civil society, the MACN and its members seek to identify and mitigate the root causes of corruption and create a culture of integrity within the maritime community.

During 2019, while on charter to our customers, 17 of the Group's 68 vessels made a total of 82 port calls in seven of the 20 lowest ranking countries in Transparency International's 2019 Corruption Perception Index.[9] During the same period, the Group did not register any monetary losses as a result of legal proceedings associated with bribery or corruption.

Business ethics

The Group's Code of Conduct and Business Partner Guideline outlines policies for ensuring employees and business partners observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and practice fair dealing, honesty and integrity in every aspect of dealing with others. Employees shall help to create a work environment free from any discrimination due to e.g. religion, skin colour, gender, sexual orientation, age, nationality, race and disability. If an employee observes or becomes aware of a situation that he/she believes to be a violation of the Code of Conduct, said employee has an obligation to notify his/her immediate superior, the executive management or a member of the Board of Directors unless the Code of Conduct directs otherwise. Violations involving a manager should be reported directly to a member of the Board of Directors. If an employee reporting a violation wishes to remain anonymous, MPCC warrants to take all reasonable steps in order to keep the employee's identity confidential. All communications will be taken seriously and, if warranted, any reports of violations will be investigated.

[8] The latter office was relocated to Rhoon (The Netherlands) in February 2020.

[9] Berbera (Somalia), Mukalla (Yemen), La Guaira and Puerto Cabello (Venezuela), Lafiteau and Port au Prince (Haiti), Bingazi, Al Khums, Misurata and Tripoli (Libya), Kâmpóng Saôm (Cambodia), Corinto (Nicaragua).

Sound corporate governance and proactive risk management

An a Oslo Stock Exchange-listed company, MPCC prepares corporate social responsibility and corporate governance reports in accordance with the Norwegian Accounting Act and the recommendations of the Norwegian Corporate Governance Board, respectively. The Group's suppliers and service providers are required to adhere to MPCC's Business Partner Guideline. Further, the Company perform business partner checks, including sanctions and bad press screenings, on counterparties of strategic, financial or reputational relevance.

CORPORATE SOCIAL RESPONSIBILITY

In order to achieve the Company's objectives, it is essential that we are trusted by society. As a corporation, we must be able to efficiently manage the challenges and requirements society imposes on our activities.

The Company is engaged in the global marine transportation of containerised goods. The business activity of the Company is to invest in maritime assets with a particular focus on feeder container vessels, chartering out the vessels per time charter agreements, operate and sell them.

This report constitutes the Company's reporting according to the requirements of the Norwegian Accounting Act §3-3c on social responsibility reporting.

CORPORATE RESPONSIBILITY AND OUR PRINCIPLES

Corporate responsibility shall be reflected in our core values, in the quality of our work and services, and in our entire range of activities. There must be coherence between what we say and what we do. The Company shall:

- operate our business with integrity and respect laws, different cultures and human dignity;
- operate our business in accordance with fundamental human rights as enshrined in the United Nations Universal Declaration of Human Rights and follow the standards of the International Labour Organization, which are guiding principles encouraged and implemented by the European Union;
- show consideration for the local communities in which we are a part of, the environment in which we operate, and emphasise spin-off effects of the Company's activities;
- contribute to learning and distribution of knowledge;
- establish long-term working relationships and utilize the shipping sector's expertise for the further development of the industry; and
- meet public authorities and customers with insight, respect and understanding and in an open and appropriate manner, and treat suppliers impartially and justly.

ETHICS

The Company adheres to a Code of Conduct which requires our employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities.

When acting on behalf of the Company, employees shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or other unfair dealing practices.

The Company's Code of Conduct prohibits unlawful discrimination against our employees, shareholders, directors, customers and suppliers on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of the Company's policy. All persons shall be treated with dignity and respect and they shall not be unreasonably interfered with in the conduct of their duties and responsibilities.

No employee should be misguided by loyalty to the Company or desire for the Company's profitability to disobey any applicable law or the Company's policy.

ENVIRONMENTAL IMPACT

The international shipping industry is of great economic importance, with a majority of worldwide transported goods being carried out by ocean-going ships. Such economic impact also comes with an environmental footprint

– particularly carbon and sulphur dioxides. This poses both risks and opportunities for the shipping industry due to its significance and potential role in optimising global supply chains for its customers. As in other industries, green strategies are about seizing opportunities and creating value for customers, shareholders and other stakeholders.

The industry is governed by a global and uniform regulatory framework created by the IMO. The framework has significantly contributed to lessening the industry's impact on the environment by enforcing the adoption of certain technical and operational measures to reduce the industry's impact on the environment. One of the basic frameworks of the IMO has been the International Convention for the Prevention of Pollution from Ships ("MARPOL"). Since its ratification in 1973, MARPOL has undergone numerous amendments, continuously expanding its framework to require increasing compliance from the shipping industry.

Environmental regulation affects the ownership and operation of our vessels in a significant manner. The Company is subject to international conventions and national, port state and local laws and regulations applicable to international waters and/or territorial waters of the countries in which our vessels may operate or are registered.

The environmental impact of our operations relates mainly to (i) emissions from container vessel fuel consumption, (ii) the risk of major environmental accidents and (iii) waste management including ballast water and spills and (iv) the disposal of vessels at the end of their useful life.

Our vessels run on ordinary heavy fuel oil or gasoil. The potential for major environmental accidents relates to the risk of a vessel accidentally running aground or suffering a breach, with a subsequent leak of bunker oil into the environment. The last potential impact is waste produced by the vessels, discharge of untreated ballast water and potential spills of chemicals, bilge water and sludge etc. into the environment. Discharge of untreated ballast water may potentially introduce non-native organisms into marine environments worldwide.

The Company is continuously working on optimising fleet operations in terms of e.g. speed/fuel consumption. The Company has retrofitted selected vessels with exhaust gas cleaning systems ("scrubbers") as one alternative measure to comply with the IMO's January 2020 sulphur emission cap regulation. Remaining vessels will operate on compliant low-sulphur fuel oils. Through participation in maritime environmental organisations such as the Clean Shipping Alliance 2020 and the Trident Alliance, MPCC aims to align our company with networks of like-minded industry peers and support efforts for sustainable shipping.

All of our vessels have ballast water treatment systems in place according to the IMO's Ballast Water Management Convention so as to prevent the spread of potentially harmful aquatic organisms and pathogens in the ships' ballast water.

The ship recycling industry supports the economy of many developing countries and functions as an important contributor to global sustainability by recycling metals and other components, hence extending the useful life of these resources. MPCC is committed to sustainable and socially responsible recycling of ships, thereby safeguarding the environment, human health and safety. Any recycling of owned vessels will be conducted in accordance with applicable laws and regulations, specifically in compliance with the requirements of the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships and in respect for human rights, the Basel Convention on the Control of the Transboundary Movements of Hazardous Wastes and their Disposal and, where applicable, the EU Ship Recycling Regulation.

The Company subcontracts performance of technical ship management services to firms that have environmental policies and procedures in place. Our aim is to conduct operations with the utmost regard for the safety of employees, the public, the environment and to meet or exceed the industry and customer's requirements. Third party managers are certified according to e.g. ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System), and are required to comply with applicable regulations, codes, guidelines and standards such as the IMO's ISM Code.

QUALITY, HEALTH AND SAFETY

The Company's policy is to operate our business in a manner designed to protect the health and safety of our employees, customers, the public and the environment, and in accordance with all applicable environmental and safety laws and regulations so as to ensure the protection of the environment, our personnel and property.

Our employees should conduct themselves in a manner that is consistent with this policy. Any departure or suspected departure from this policy must be reported promptly.

The Company shall be a professional and positive workplace with an inclusive working environment. All employees shall help to create a work environment free from any discrimination due to e.g. religion, skin colour, gender, sexual orientation, age, nationality, race and disability. We do not tolerate behaviour that can be perceived as degrading or threatening.

Seafarer crewing is subcontracted to third party ship managers who comply with e.g. the IMO's ISM Code, Safety of Life at Sea ("SOLAS") Convention, International Convention on Standards of Training, Certification and Watchkeeping for Seafarers as well as the ILO Maritime Labour Convention. Masters, officers and ratings must be qualified, certified and experienced in their duties. This qualification level has to be maintained by regular training and education. Accidents, incidents, near-miss incidents and non-conforming processes are investigated and deficiencies are identified, analysed and evaluated.

ANTI-CORRUPTION

Value creation at the Company must be achieved in compliance with our Code of Conduct and applicable legislation. The Company's overarching goal is to develop a corporate culture characterized by good judgement and the ability to deal with difficult situations. The Company has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition.

Our Code of Conduct describes the Company's standards and guidelines relating to key integrity issues. The management is responsible for communicating the Company's Code of Conduct to every employee and making all employees who may be exposed to risk aware of the requirements in the anti-corruption and competition law manuals.

As part of the Company's due diligence procedures in connection with acquisitions and major investments, we assess the risk of becoming involved in breaches of anti-corruption and competition law. The Company will take necessary risk-mitigating actions to prevent independent business partners, including customers and joint venture partners, from participating in corruption or other illegal or unethical activities in connection with their business dealings with the Company.

The Company's anti-corruption policy includes the following principles:

- We do not tolerate active corruption (attempts to bribe others by e.g. offering or giving anything of value) or passive corruption (allowing oneself to be bribed by way of demanding, soliciting, receiving, accepting, etc. an offer of an improper advantage).
- Gifts must be made openly. They must not be made in the form of cash, must have a clear, legitimate basis in local business relationships and must have a minimal cash value.
- Expenses relating to travel, meals and events paid for customers or other persons must be clearly justified by business considerations, must be reasonable and well documented and must be paid openly.

- We do not tolerate acts of corruption carried out by our agents or representatives. Agents and other representatives acting on behalf of the Company must comply with the same anti-corruption standards as the Company.
- The Company must not make financial contributions to political campaigns or the like.

CORPORATE GOVERNANCE REPORT

Good corporate governance is a prerequisite for cooperation based on trust between the owners, the Board of Directors (the “Board”) and management of the Group, with a view of achieving long-term growth.

The Board actively adheres to good corporate governance standards and will ensure that the Company either complies with or explains possible deviations from the Norwegian Code of Practice for Corporate Governance (the “Code”).

The Code can be found at www.nues.no.

As at 31 December 2019, there are no significant deviations between the Code and how the Company complies with the Code. Two deviations under Section 5 on general meetings and one deviation under Section 6 on the nomination committee have been justified and disclosed.

BUSINESS

The business activity of the Company is set out in article 3 of its articles of association: "The Company’s business activity is to (i) invest in maritime assets (vessels, shares in ship-owning companies, loans secured by vessels and/or shares in ship-owning companies) with a main focus on small-size container ships between 1,000 and 3,500 TEU, (ii) chartering-out the vessels per time charter agreements, operate and sell them as well as (iii) working-out the acquired maritime loans in order to take over the securing assets."

The Company is listed on the Oslo Stock Exchange with ticker “MPCC”.

As set out in the risk factors section in the Board of Director’s report in the Annual Report 2019, the Board has defined clear objectives, strategies and risk profiles for the Company’s business activities to ensure shareholder value creation. The Board will evaluate these objectives, strategies and risk profiles on a regular basis, and routinely monitor risk exposure vis-à-vis its business objectives.

Deviations from the Code: None

EQUITY AND DIVIDENDS

Share capital

All shares issued in the Company are equal in all respects. The Company has one class of shares, each carrying one vote and an equal right to dividend. All Shares are validly issued and fully paid. The shares are issued in accordance with the laws of Norway and registered in the Norwegian Central Securities Depository (VPS) with ISIN NO001 0791353. As at 31 December 2019, the Company’s share capital is NOK 842,530,000 divided into 84,253,000 shares, each with a nominal value of NOK 10.00. On 9 March 2020, the Company’s extraordinary general meeting resolved to increase the share capital by NOK 72,500,000 through the issuance of 7,250,000 new shares in a private placement carried out on 14 February 2020. Following registration of the share capital increase on 16 March 2020, the Company’s share capital is NOK 915,030,000 divided into 91,503,000 shares, each with a nominal value of NOK 10.

Any increase of the Company’s share capital must be mandated by the general meeting. If a mandate is to be granted to the Board to increase the Company's share capital, such mandate will be restricted to a defined purpose. If the general meeting is to consider mandates to the Board for the issuance of shares for different purposes, each mandate will be considered separately by the general meeting.

MPC Münchmeyer Petersen Capital AG ("MPC Capital"), through its subsidiary MPC Capital Beteiligungsgesellschaft mbH & Co. KG has been granted warrants to subscribe for additional shares in the Company. Please refer to Note 22 of the consolidated financial statements for additional information.

On the Company's extraordinary general meeting held 9 March 2019, the Board was authorised to increase the Company's share capital by up to NOK 138,132,500 (See Note 27. A private placement of NOK 125 million was approved by the extraordinary general meeting at 9 March 2020). Subject to this aggregate amount limitation, the Board's authority may be used on more than one occasion. The authority may only be used (i) to issue shares as consideration in connection with acquisitions, (ii) to issue shares in connection with the exercise of options to subscribe for shares in the Company and (iii) to raise new equity in order to finance acquisitions or strengthen the Company's capital. The Board's authority shall remain in force until the annual general meeting in 2020, but not later than 30 June 2020. Pre-emptive rights of existing shareholders may be set aside. The authority covers (i) capital increases against contributions in cash and non-cash, (ii) the right to incur special obligations for the Company and (iii) resolutions on mergers.

Capital structure

The Board regards its capital structure and equity ratio as appropriate considering the Group's objectives, strategy and risk profile.

Dividend policy

Dividends will be proposed by the Board for approval by the general meeting. Any future dividend proposal will depend upon the financial position, earnings, debt covenants, distribution restrictions, capital requirements and other factors related to the Group.

Purchase of own shares

As at 31 December 2019, the Company owns 351,098 treasury shares. On the annual general meeting held 25 April 2019, the Board was granted authorisation to acquire shares in the Company with an aggregate nominal value of up to NOK 84,253,000 and with a consideration per share of no less than NOK 10 and no more than NOK 200. Subsequently, in a board meeting held on 4 June 2019, the Board of Directors resolved to initiate a share buy-back programme and to continue the programme as deemed appropriate until the next annual general meeting, however no later than 30 June 2020.

Deviations from the Code: None

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment

Equal treatment of all shareholders is a core governance principle of the Company. The Company has one class of shares, and each share confers one vote at the general meeting. The articles of association contain no restrictions on voting rights and all shares have equal rights.

Transactions in own shares

The Company's transactions in own shares are carried out over the stock exchange or by other means at market price. Should there be an increase in capital which involves a waiver of the existing shareholders' pre-emptive rights, and the Board resolves to carry out such an increase on the basis of a mandate granted by the general meeting, the Board will explain the justification for waiving the pre-emptive rights in the stock exchange announcement.

Transactions with close associates

The Board and management are committed to promoting equal treatment of all shareholders.

In relation to its ordinary business, the Group may enter into transactions with certain entities in which the Group has ownership interests in or entities otherwise deemed as close associates of the Group, its shareholders, Board or executive personnel. Such transactions are carried out on an arm's length basis and disclosed in Note 19 of the Group's consolidated financial statements.

Guidelines regulating loyalty, ethics, impartiality and conflict of interests are stipulated in the Company's Code of Conduct, applicable to all entities controlled by the Company and all employees, directors, officers and agents.

Deviations from the Code: None

SHARES AND NEGOTIABILITY

The Company's shares are listed on the Oslo Stock Exchange and are freely negotiable. The Company has one class of shares, each carrying one vote at the general meeting. The shares have no trading restrictions in the form of Board consent or ownership limitation, and the Company does not limit any party's ability to own, trade or vote for shares in the Company.

Deviations from the Code: None

GENERAL MEETINGS

The general meeting of shareholders is the Company's supreme corporate body. It serves as a democratic and effective forum for interaction between the Company's shareholders, Board and management.

According to the Company's articles of association, the annual general meeting shall be held once a year before the end of June. Furthermore, extraordinary general meetings may be convened either by the Board, the auditor or shareholders representing at least 5% of the Company's share capital.

Notice of meeting

Notice of the general meeting is sent at the latest two weeks before the meeting. All shareholders registered in the Norwegian Central Securities Depository (VPS) will receive a notice of meeting and are entitled to submit proposals and vote directly or via proxy. Agenda papers will also be published on the Company's website.

Pursuant to the Company's articles of association, when documents concerning matters to be discussed at general meetings have been made available to the shareholders on the Company's website, the Board may decide that the documents shall not be sent to the shareholders. If so, a shareholder may request that documents concerning matters to be discussed at the general meeting be sent to him or her. The Company cannot charge any form of compensation for sending the documents to the shareholders.

The agenda papers must contain all necessary information so that the shareholders can decide on the issues to be addressed. The registration deadline for the general meeting will be as close to the general meeting as practically possible but no sooner than five days prior to the meeting, cf. the Company's articles of association.

Registration and proxy

Registration should be made in writing, either via mail or e-mail. The Board will facilitate so that as many shareholders as possible are able to participate. Shareholders who are unable to attend in person, are encouraged to appoint a proxy. A special proxy form is available which facilitates separate voting instructions for each issue to be considered by the general meeting and for each of the candidates nominated for election. The Company will nominate one or more persons to vote as proxy for shareholders. Representatives from the Board, management and the auditor will participate in the general meeting.

If shares are registered by a nominee in the Norwegian Central Securities Depository (VPS) and the beneficial shareholder wants to vote for their shares, the beneficial shareholder must re-register the shares in a separate VPS account in their own name prior to the general meeting. If the holder can prove that such steps have been taken and that the holder has a de facto shareholder interest in the Company, the shareholder will be allowed to vote for the shares. Decisions regarding voting rights for shareholders and proxy holders are made by the person opening the meeting, whose decisions may be reversed by the general meeting by simple majority vote.

Minutes from meeting

The minutes of the general meetings are made available on the Company's website immediately after the meeting.

Deviations from the Code: The Board might not make arrangements for an independent chairperson for general meetings as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Similarly, the Board may not deem it appropriate for all Board members and the auditor to participate in all general meetings.

NOMINATION COMMITTEE

Considering the scope of the Company's operations, the Board considers it reasonable and appropriate that the Company should have two board sub committees: the Risk & Audit Committee and the Remuneration Committee. The Risk & Audit Committee is made up of Ulf Holländer (Chairman), Laura Carballo and Ellen Hanetho. The Remuneration Committee is made up of Ulf Holländer (Chairman), Darren Maupin and Paul Gough.

Deviations from the Code: Contrary to the recommendations of The Code, due to the above considerations, the Company presently does not have a dedicated Nomination Committee. Regardless, the Company shall account for the interests of the shareholders when considering the composition of the Board. This is done by (i) seeking a diverse and highly qualified pool of Board candidates with relevant competence and industry expertise and (ii) ensuring that shareholder input on Board member nomination, election and evaluation are properly addressed. The Board must take appropriate measures to avoid self-perpetuation.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Company's articles of association, the Board shall consist of between three to seven members who are elected by the general meeting for up to four years at a time. MPC Capital has the right to elect 40% of the members of the Board (rounded down). If the aggregate share ownership of MPC Capital and affiliates falls below 20% of the total number of shares in the Company, MPC Capital shall only have the right to elect one Board member. If neither MPC Capital nor any affiliates own any shares in the Company, MPC Capital shall not have the right to elect a Board member.

Board appointments are communicated through the notice of general meetings and the members are elected by majority vote.

The Board considers its composition to be diverse and competent with respect to the expertise, capacity and diversity appropriate to attend to the Company's objectives, main risks and challenges, and the common interest of all shareholders. The Board composition adheres to the requirement regarding gender equality and representation of both sexes on the board of directors of Norwegian public entities, as set forth in the Norwegian Public Limited Liability Companies Act Section 6-11a. Further, the Board deems its composition to be made up of individuals who are willing and able to work as a team, resulting in the Board working effectively as a collegiate body. The Board does not include executive personnel of the Company.

As at 31 December 2019, the Board comprises the following members:

Ulf Holländer (chairman)

Term of office: Re-elected on 25 April 2019 for a period of two years.

Experience: Commerce degree from the University of Hamburg. Audit assistant and auditor at Dr. W Schlage & Co Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in Hamburg (1984-1987). Various positions at shipping group Hamburg Süd and affiliated companies in Australia and the U.S. (1987-2000) such as financial controller at Columbus Overseas Services Pty. (1990-1992), commercial director at Columbus Line USA Inc. (1992-1996) and head of Hamburg Süd's finance and accounting department (1997-2000). CFO of MPC Capital (2000-2015). CEO of MPC Capital from 2015.

Other matters: in 2019, Ulf Holländer participated in 9 board meetings.

Dr. Axel Schroeder

Term of office: Re-elected on 25 April 2019 for a period of two years.

Experience: Economics and Social Science studies at the University of Hamburg (1985-1990) followed by a doctorate (1993). Various positions within the MPC Group since 1990, including engagements in MPC Capital from its infancy in 1994. CEO of MPC Capital (1999-2015), during which period the company was listed at the Frankfurt Stock Exchange (2000). Chairman of the Supervisory Board of MPC Capital since 2015. Managing partner of MPC Münchmeyer Petersen & Co. GmbH, MPC Participia GmbH and CSI Beteiligungsgesellschaft mbH.

Other matters: in 2019, Dr. Axel Schroeder participated in 8 board meetings.

Laura Carballo

Term of office: Re-elected on 25 April 2019 for a period of two years.

Experience: B.S. in Economics from Duke University. MBA from INSEAD. Merrill Lynch (1998-2000), Compass Partners International (2000-2002), STAR Capital Partners Ltd. and successor STAR Capital Partnership LLP from 2004.

Other matters: in 2019, Laura Carballo participated in 9 board meetings.

Darren Maupin

Term of office: Re-elected on 25 April 2019 for a period of two years.

Experience: BA in Economics and Finance from Boston College. Further studies at the London School of Economics and Beijing Language and Culture University. Analyst and fund manager at Fidelity Investments in Boston, London, and Hong Kong (1998-2007). Founder and a director of the Pilgrim Global ICAV, its predecessors, and associated value-oriented investment funds since 2009. Founder and executive director of Anglo International Shipping Co. Ltd. and non-executive director of both private and publicly listed companies in a variety of industries.

Other matters: in 2019, Darren Maupin participated in 8 board meetings.

Ellen Hanetho

Term of office: Re-elected on 25 April 2019 for a period of two years.

Experience: MBA from Solvay Business School. BSBA in Business and Administration from Boston University. Analyst and senior associate at the investment bank division of Goldman Sachs International Ltd. (1997-2002). Investment manager and later partner at Credo Partners AS (2003-2012). Currently CEO of Frigaard Invest AS (part of the Frigaard Group) and board member of Kongsberg Automotive ASA, Fearnley Securities AS and Stokke Industri AS, among others.

Other matters: in 2019, Ellen Hanetho participated in 9 board meetings.

Ellen Hanetho and Darren Maupin are considered independent of the Company's day-to-day management, majority shareholders and major business connections.

Deviations from the Code: None

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board

The Board has overall responsibility for management of the Company and for supervising the day-to-day management and the Company's operations. This involves defining the Company's objectives, strategies and risk profiles to ensure value-creation for its shareholders. The Board is also responsible for following-up that the objectives and strategies are implemented, and for control functions to ensure that the Company has proper operations as well as asset and risk management.

Instructions for the Board

Pursuant to the provisions of the Norwegian Public Limited Liability Companies Act, the Board has established rules of procedures that provide detailed regulations and guidelines for the Boards' work and administrative procedures and as to the functions and duties of the managing director towards the Board.

Conflicts of interest and disqualification

Members of the Board and executive management cannot consider matters in which they may hold a special interest. In order to ensure that items brought to the Board's attention can be considered in an unbiased and satisfactory way, Board members and executive management have a duty to inform the Board of any potential special interest in Board matters, and the Board must account for the individual's interest in its consideration of the item.

Instructions for the CEO

A clear division of responsibilities and tasks has been established between the Board and executive management. The CEO, appointed by the Board, has a particular responsibility to ensure that the Board receives accurate, relevant and timely information that is sufficient to allow the Board to carry out its duties.

Financial reporting

The Board receives periodic reports with comments on the Company's financial status. In terms of the annual account which the Board is asked to adopt, the Board may ask the executive management to confirm that accounts have been prepared in accordance with EU IFRS (group level) and Norwegian GAAP (parent level), that all the information included is in accordance with the actual situation of the Company and that nothing of material importance has been omitted.

Chairman of the Board

The principal duty of the Chairman is to ensure that the Board operates well and carries out its duties. In addition, the Chairman has certain specific duties in respect of the general meetings. Matters to be considered by the Board are prepared by the CEO in collaboration with the Chairman, who chairs the board meetings.

In order to ensure an independent approach by the Board, some other member should take the chair when the Board considers matters of a material nature in which the Chairman has, or has had, an active involvement.

Meeting structure

The Board intends to meet at least five times each year, and receives monthly reports on the Company's operational and financial performance, market updates etc. Furthermore, the Board is consulted on or informed about matters of special importance.

Risk & Audit Committee

The Risk & Audit Committee shall act as a preparatory and advisory body for the Board and support the Board in the exercise of its responsibility for financial reporting, internal control and risk management. Furthermore, the Risk & Audit Committee shall review and discuss with the Company's management and statutory auditor the Company's annual and quarterly financial statements, and assess and monitor the independence of the statutory auditor.

The Risk & Audit Committee shall meet at least four times a year and at such other times as the Chairman of the committee deems appropriate.

A Risk & Audit Committee consisting of three members, of which one is independent of the Company's business activities and main shareholders, was established in January 2018.

Remuneration Committee

The Remuneration Committee is a subcommittee of MPC Container Ships' Board of Directors and shall assist the Board of Directors in its work in relation to the company's remuneration policies and terms of employment for the CEO.

The Boards' self-evaluation

The Board conducts an annual evaluation of its performance, way of working and expertise.

Deviations from the Code: None

RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with the principles underlying value-based management, the Board places great importance on systematic risk management. This is done not only to satisfy the requirements set out by law, also to ensure the Company's governance in a highly dynamic market environment by identifying existing and potential risk exposures.

Through (i) quarterly reviews of the Company's most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management unit to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, the Board aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities.

Deviations from the Code: None

REMUNERATION OF THE BOARD OF DIRECTORS

For fiscal year 2019, each Board member will receive NOK 200,000 in remuneration, covering work related to both Board representation and sub-committee participation, as approved by the annual general meeting on 25 April 2019.

The remuneration of the Board is not linked to the Company's performance. Board members have no options to buy shares in the Company, nor do they receive compensation other than the Board remuneration. Board remuneration is considered to be on market terms.

Deviations from the Code: None

REMUNERATION OF EXECUTIVE PERSONNEL

Pursuant to the Norwegian Public Limited Liability Companies Act, the Board prepares guidelines for the remuneration of the Company's CEO and other executive personnel. The guidelines set out the main principles applied in determining the salary and other remuneration of the executive personnel considered to reflect market conditions, and helps to ensure convergence of the financial interests of the executive personnel and shareholders.

The Board's statement on executive personnel remuneration is communicated to the annual general meeting in a separate appendix, highlighting which guidelines are advisory and which, if any, are binding.

Any performance-related remuneration such as incentive programmes, share option schemes or similar shall be linked to value-creation for shareholders and results delivered in the Group over time. Such arrangements aim to drive performance and be based on financial, operational and other quantifiable measures over which the employee in question can impact. Performance-related remuneration are subject to limits.

As at 31 December 2019, the Company's CFO holds 4,045 shares in the Company. The Company does not offer share option schemes to its employees.

For information about remuneration of the Company's CEO and other executive personnel, see Note 19 in the Group's consolidated financial statements.

Deviations from the Code: None

INFORMATION AND COMMUNICATIONS

The Company seeks to treat all participants in the securities market equally through publishing interim reports, annual reports, press releases all relevant information to the market in a timely, efficient and non-discriminating manner. All reports will be available on the Company's website www.mpc-container.com and on the Oslo Stock Exchange's news site, www.newsweb.no.

The Board has adapted an investor relations policy to ensure that the Company's investor relations are carried out in compliance with applicable rules, regulations and recommended practises. The policy shall also ensure awareness of investor relations amongst the management and the Board.

The Company's current financial calendar with dates of important events including the annual general meeting, publishing of quarterly reports and its presentations, etc. are publicly accessible on the Company's website www.mpc-container.com and through regulatory and non-regulatory disseminations at the Oslo Stock Exchange.

Deviations from the Code: None

TAKE-OVERS

The Company has implemented guidelines on how to act in the event of a takeover bid.

In the event of a take-over bid being made for the Company, the Board will follow the overriding principle of equal treatment for all shareholders and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board will strive to ensure that shareholders are given sufficient information and time to evaluate an offer the Board considers as attractive to the shareholders.

The Board will not seek to prevent any take-over bid unless it believes that the interests of the Company and the shareholders justify such actions.

If a take-over bid is made, the Board will issue a statement with a recommendation on whether such bid should be accepted or not by the shareholders. Such statement shall, inter alia, include information on whether the assessment of the bid is unanimous, and if not, on which basis individual Board members have made reservations regarding the Board's statement.

In the event of a take-over bid, the Board will consider obtaining a valuation from independent experts. If a major shareholder, any member of the Board or executive management, or related parties or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in a take-over bid, the Board will arrange for an independent valuation.

Deviations from the Code: None

AUDITOR

Under Norwegian law the auditor of the Company is elected by the general meeting. Ernst & Young AS (org. no. 976 389 387) was elected as the Company's auditor on 18 May 2017.

The auditor participates in meetings of the Risk & Audit Committee that cover interim, quarterly and annual financial reporting, board meetings that deal with the annual accounts, as well as the annual general meeting. At these meetings, the auditor reviews any deviations in the accounting principles applied, comments on key aspects of the audit, material accounting estimates and issues of special interest to the auditor, including possible disagreements between the auditor and the management.

At least once a year the auditor and the Board meet without members of the executive management present.

The auditor presents and discusses annually with the Risk & Audit Committee the main features of its plan for the audit of the Company, as well as a review of the Company's internal control procedures.

The auditor shall annually submit a written confirmation that the auditor continues to satisfy with the requirements for independence and a summary of all services in addition to audit work that has been undertaken for the Company.

Deviations from the Code: None

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements presented in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm to the best of our knowledge that the Board of Directors' report includes a fair review of the development and performance of the business and the position of the Group and a description of risks and uncertainties.

Oslo, 23 March 2020

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT[10]

in USD thousands	Notes	2019	2018
Operating revenues	6	184,743	183,483
Commissions		-6,566	-6,649
Vessel voyage expenditures	7	-22,233	-18,999
Vessel operation expenditures	8	-114,356	-97,343
Ship management fees		-9,042	-7,396
Share of profit or loss from joint venture	12	-434	654
Gross profit		**32,111**	**53,751**
Administrative expenses	9	-8,817	-8,505
Other expenses		-3,692	-1,682
Other income		2,521	1,704
Gain/loss from disposals of vessels	14	3,129	0
EBITDA		**25,252**	**45,268**
Depreciation	14	-41,109	-29,271
Impairment	14	-2,583	0
Operating result (EBIT)		**-18,439**	**15,997**
Finance income		530	565
Finance costs	10, 17	-21,746	-17,755
Profit/Loss before income tax (EBT)		**-39,656**	**-1,193**
Income tax expenses	11	-81	-406
Profit/Loss for the period		**-39,736**	**-1,599**
Attributable to:			
Equity holders of the Company		-39,701	-1,608
Minority interest		-35	9
Basic earnings per share – in USD	21	**-0.47**	**-0.02**
Diluted earnings per share – in USD	21	**-0.47**	**-0.02**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	2019	2018
Profit/loss for the period		-39,736	-1,599
Items that may be subsequently transferred to profit or loss		**-4,803**	**845**
Foreign currency effects, net of taxes		-22	-30
Change in hedging reserves, net of taxes	18	-4,781	875
Items that will not be subsequently transferred to profit or loss		**0**	**0**
Other comprehensive profit/loss, net of taxes		0	0
Other comprehensive profit/loss from joint ventures and affiliates		0	0
Total comprehensive profit/loss		**-44,539**	**-754**
Attributable to:			
Equity holders of the Company		-44,504	-763
Non-controlling interest		-35	9

[10] See separate section on Alternative Performance Measures ("APM") for a description of the APM's applied in this Annual Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	31 December 2019	31 December 2018
Assets		**718,079**	**722,062**
Non-current Assets		649,287	633,658
Vessels	14	621,861	605,749
Prepayment on vessels	14	0	1,549
Investment in joint venture	12	27,426	26,360
Current assets		68,792	88,404
Inventories		4,538	4,853
Trade and other receivables	16	24,049	23,322
Cash and cash equivalents	15	40,205	60,228
Unrestricted cash		26,765	44,087
Restricted cash		13,440	16,141
Equity and liabilities		**718,079**	**722,062**
Equity		410,458	459,150
Share capital	20, 22	101,121	101,121
Share premium	20, 22	356,566	356,605
Treasury shares		-1,143	0
Retained losses		-43,948	-4,247
Other reserves		-3,819	984
Non-controlling interest	13	1,682	4,688
Non-current Liabilities		276,862	244,766
Interest bearing loans	17, 24	276,862	244,766
Current Liabilities		30,758	18,145
Interest bearing loans and borrowings	17, 24	2,753	2,942
Trade and other payables		20,519	6,369
Payables to affiliated companies	19	46	53
Other liabilities		7,439	8,781

Oslo, 23 March 2020

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)

Dr. Axel Schroeder

Laura Carballo

Darren Maupin

Ellen Hanetho

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	Share capital	Share premium	Treasury shares	Retained losses	Other reserves	Non-controlling interest	Total equity
Equity as at 1 Jan. 2019	101,121	356,605	0	-4,247	984	4,688	**459,150**
Purchase of own shares	0	0	-1,143	0	0		**-1,143**
Capital increase from non-controlling interest	0	0	0	0	0	391	**391**
Changes in ownership in subsidiaries that do not result in loss of control	0	-39	0	0	0	-3,361	**-3,400**
Result of the period	0	0	0	-39,701	0	-35	**-39,736**
Foreign currency effects	0	0	0	0	-22	0	**-22**
Hedging reserves	0	0	0	0	-4,781	0	**-4,781**
Equity as at 31 Dec. 2019	**101,121**	**356,566**	**-1,143**	**-43,948**	**-3,819**	**1,682**	**410,458**
Equity as at 1 Jan. 2018	77,155	261,322	0	-2,639	140	4,542	**340,520**
Share issuance	23,966	95,283	0	0	0	0	**119,249**
Capital increase to non-controlling interest	0	0	0	0	0	136	**136**
Result of the period	0	0	0	-1,608	0	9	**-1,599**
Foreign currency effects	0	0	0	0	-30	0	**-30**
Hedging reserves	0	0	0	0	875	0	**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	2019	2018
Profit/Loss before income tax		-39,656	-1,193
Income tax expenses paid		0	0
Net change in current assets		-412	-22,624
Net change in current liabilities (ex. capex payables)		7,112	6,456
Fair value change in derivatives		-4,766	874
Depreciation	14	41,109	29,271
Finance costs (net)		21,216	17,190
Share of profit or loss from joint venture		434	-654
Impairment		2,583	0
Gain/loss from disposal of vessels		-3,129	0
Cash flow from operating activities		**24,491**	**29,320**
Purchase of vessels	14	0	-331,323
Proceeds from disposal of vessels	14	10,739	0
Scrubbers, dry docks and other upgrades on vessels	14	-61,081	-40,437
Investments in affiliated companies	12	-4,900	-9,313
Interest received		530	495
Purchase of own shares		-1,143	0
Cash flow from investing activities		**-55,855**	**-380,578**
Proceeds from share issuance		391	122,378
Share issuance costs		0	-3,134
Proceeds from debt financing	17	39,000	151,150
Repayment of debt	17	-7,566	-1,503
Interest paid	17	-19,061	-16,061
Debt issuance costs	17	-1,424	-5,604
Cash flow from financing activities		**11,340**	**247,225**
Net change in cash and cash equivalents		-20,024	-104,032
Net foreign exchange differences		0	-63
Cash and cash equivalents at beginning of period		60,228	164,323
Cash and cash equivalents at the end of period[11]		**40,205**	**60,228**

[11] Whereof USD 13 million is restricted as at 31 December 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 Munkedamsveien 45A, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Company was incorporated on 9 January 2017 and commenced operations in April 2017, when the first vessels were acquired. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The principal activity of the Group is to invest in and to operate maritime assets in the container shipping segment.

The shares of the Company are listed at the Oslo Stock Exchange under the ticker “MPCC”.

The financial statements were approved by the Company’s Board of Directors on 23 March 2020.

Note 2 - Basis of preparation

The consolidated financial statements of the Group are prepared in accordance International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Going concern assumption

The financial statements are based on the going concern assumption.

Financial statement classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

Current assets are assets that are:

- expected to be realized in the entity's normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash and cash equivalents (unless restricted)

The current share of long-term assets or liability will be classified as current. All other assets are non-current.

Current liabilities are those that are:

- expected to be settled within the entity's normal operating cycle;
- held for purpose of trading; or
- due to be settled within twelve months; or
- for which the entity does not have an unconditional right to defer settlement beyond twelve months.

All other liabilities are non-current. If a liability has become payable given a breach of an undertaking under a long-term loan agreement, the liability is classified as current.

The income statement of the Group is presented using the cost of sales method.

The cash flow statement of the Group is prepared using the indirect method.

Basis of measurement

The consolidated financial statements were prepared on the basis of historical cost, except for derivative instruments assets and liabilities which are measured at fair value.

The Group’s financial year corresponds to the calendar year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of MPC Container Ship ASA and its subsidiaries as at 31 December 2019. The assets and liabilities, expenditure and income may only be included in the consolidated financial statements for subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In general, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The consolidation of subsidiaries is carried out from the date at which the Group obtains the control over such companies and subsidiaries continue to be consolidated until the date that such control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses, unrealized gains and losses as well as cash flows resulting from intercompany transactions are eliminated in full.

Non-controlling interests represent the portion of comprehensive income and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity.

The Group has included the subsidiaries listed in Note 26 in the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in US Dollar ("USD"), which is the functional currency of the parent company of the Group. All financial information presented in USD has been rounded to the nearest thousand USD, except otherwise indicated.

New and amended standards and interpretations

Only standards and interpretations that are applicable to the Group have been included and the Group reviews the impact of these changes on its financial statements. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued. New and amended standards not yet effective are not expected to have a significant impact on the consolidated financial statements of the Group.

Note 3 - Significant accounting policies

Implementation of IFRS 16

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. As the Group do not charter in any vessels, further no other significant lease agreements where the Group are acting as the lessee, accordingly the implementation of IFRS 16 has not had any material impact on the Group's result and financial position.

Foreign currency translation

In accordance with IAS 21, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

For those subsidiaries with functional currencies other than USD, financial position items are translated at the rate of exchange at the balance sheet date, and income statements are translated at the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation are recognized in other comprehensive income as foreign currency differences.

Vessels and other property, plant and equipment

Fixed assets are stated at historical cost, less subsequent depreciation and impairment. For vessels purchased, these costs include capitalizable expenditures that are directly attributable to the acquisition of the vessels. Upon acquisition, each component of the vessels, with a cost significant to the total acquisition costs, is separately identified and depreciated over that component's useful life on a straight-line basis.

Depreciation is calculated on a straight-line basis over the useful life of the assets, taking residual values into consideration, and adjusted for impairment charges, if any. Residual values of the vessels are estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. Expected useful lives of assets, and residual values, are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation calculations are altered accordingly.

Ordinary repairs and maintenance expenses are charged to the income statement as incurred. Costs related to dry-docking or other major overhauls are recognized in the carrying amount of the vessels. The recognition is made when the dry-docking has been performed and is depreciated based on estimated time to the next class renewal. The remaining costs that do not meet the recognition criteria are expensed as repairs and maintenance.

The scrubbers installations is recognized in the carrying amount of the vessels, and depreciated over the remaining useful life of the vessels.

Vessels and other property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognized.

Impairment of vessels

Vessels and other fixed assets are assessed for impairment indicators each reporting period. If impairment indicators are identified, the recoverable amount is estimated; and if the carrying amount exceeds its recoverable amount an impairment loss is recognized, i.e. the asset is written down to its recoverable amount. An asset's recoverable amount is calculated as the higher of the fair value less cost of sale and its value in use. The net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of sale and the value in use is the present value of estimated future cash flows expected from the continued use of an asset.

Assets are grouped at the lowest level where there are separately identifiable independent cash flows.

The following assumptions have been made when calculating the value in use for container vessels:

- Each vessel is considered to be a separate cash generating unit.
- Future cash flows are based on an assessment of expected development in charter rates and estimated level of administrative and operating expenses (including maintenance and repair) and dry-docking over the remaining useful like of the vessel plus any residual value.
- The net present value of future estimated cash flows of each cash generating unit is based on a discount rate according to a pre-tax weighted average cost of capital (see Note 14 – Vessels). The weighted average cost of capital is calculated based on the expected long-term borrowing rate and risk-free USD LIBOR rate plus an equity risk premium.

An impairment loss recognized in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are accounted for using the equity method. The investment in a joint venture is initially recognized at cost and thereafter adjusted for the Groups share of post-acquisition profits or losses, movements in other comprehensive income or dividends received. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The financial statements of the joint venture are prepared for the same reporting period as the Group.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through profit and loss net of any reimbursement.

Trade and other payables

Trade and other payables represent non-interest-bearing liabilities for goods and services provided to the Group prior to the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other receivables

Trade receivables and other short-term receivables are measured at fair value upon initial recognition and subsequently measured at amortized cost less expected credit losses.

Inventories

The Group values its inventories, which comprise mainly of lube oils and bunkers on board the vessels, at the lower of cost and net realizable value. They are accounted for on a first-in/first-out basis.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks, on hand and short-term deposits with a maturity of three months or less. Cash equivalents represent short-term, liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less.

Cash and cash equivalents are recorded at their nominal values. Liquid funds denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Cash not available for general use by the Group due to minimum liquidity requirements in the loan agreements are classified as restricted cash.

Share issuance

Costs related to share issuances are recognized directly in equity.

Warrants

The warrants issued by the Company are classified as equity instruments in accordance with IAS 32. Accordingly, the subscription rights are not recognized in the Group's financial statements at the time they are granted. At the time of the execution, the Company issues shares and receives a cash contribution. The cash contribution is accounted for in share capital and capital reserves (in the amount a premium or discount to the shares' par value).

Financial liabilities

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated as at fair value through profit or loss. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments and hedging

The Group may use certain hedging instruments, such as forward contracts or options, to manage foreign exchange or interest rate risk, for instance. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally documents the relationship between the hedge instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness if the hedging relationship.

The Group makes an assessment at inception and on an on-going basis according to IFRS 9, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable transactions.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges: As at 31 December 2019, The Group uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its bond financing and for the non-recourse senior secured term loan.

The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income ("OCI") in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included in Level 1 are directly or indirectly observable.
- Level 3: Inputs are unobservable.

Additional explanations of fair values can be found in Note 18 – Financial instruments.

Leases as lessor

The determination of whether an arrangement contains a lease element is based on the substance of the arrangement at the inception of the lease. Leases are classified as finance leases if the terms of the lease agreement transfer substantially all the risks and benefits related to ownership of the leased item. All other leases are classified as operating leases.

The Group leases its assets to liner shipping companies through time charter contracts. Payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the time charter contract.

Revenue recognition

The Group's time charter contract revenues are separated into a lease element accounted for in accordance with IFRS 16 *Leases* (see above under leases as lessor) and service element which is accounted for in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Time charter, pool revenue and other revenue from contracts with customers is recognized when control of goods or services are transferred to the customer and when each separate performance obligation in the customer contract is fulfilled following the “over-time principle”. It is recognized at an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes.

The Group acts as a participant in the pool arrangements. The performance obligation under the pool arrangements are equal as set under the time charter contracts. Revenues for the vessels employed in the pool are based on average revenues across the pool the vessels are employed in, i.e. the vessels earn the average charter rate of the pool for the respective month.

The service element from the Group’s time charter contracts are recognized over time, as the performance obligation is satisfied over time. This since the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue from bunkers and other goods and services from customers are recognized in the period the goods or services are transferred to the customer, following the “point in time principle”.

Operating expenses

Operating expenses are accounted for on an accruals basis. Expenses are charged to the income statement, except for those incurred in the acquisition of an investment which are capitalized as part of the cost of the investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

Operating expenses of the Group are expenses related to the operation of vessels, such as (but not limited to) crewing expenses, expenses for maintenance and repair, insurance and lube oil.

Interest income

Interest income is recognized as accrued and is presented in financial income in the statement of comprehensive income.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share are calculated by dividing the profit for the reporting period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities.

The Company is subject to tax on its income in accordance with the general tax rules pertaining to companies tax resident in Norway.

The Company's vessel-owning subsidiaries are subject to the German or Dutch tonnage tax regime, i.e. taxable income is calculated as a lump sum depending on the net tonnage of the respective vessels, independent of the realized earnings. Income not derived from the operation of the vessels in international waters, such as financial income, is usually taxed according the ordinary taxation rules applicable in the resident country of each respective company. Tonnage taxes is classified as “Vessel operating expenditures”.

Deferred tax liabilities are classified as non-current assets and are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers in the Group. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of the Company. The Group has identified one operating segment as it employs one type of vessels: "Container vessels".

Note 4 - Significant judgements, estimates and assumptions

The preparation of consolidated financial statements conforming to IFRS requires management to make judgments, estimates and assumptions that may affect assets, liabilities, revenues, expenses and information in notes to these financial statements. Estimates are management's best assessment based on information available at the date the financial statements are authorized for issue. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an on-going basis.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amounts recognized in the consolidated financial statements:

- Asset acquisitions: Judgement is required to determine if a transaction qualifies as a business combination or an asset acquisition, depending on the nature of the transaction. Management makes this determination based on whether the Group has acquired an "integrated set of activities and assets" as defined in IFRS 3 Business Combination, by relevance to the acquisition of underlying inputs, processes applied to those inputs, and resulting outputs. The completed vessel acquisitions of the Group have been considered as asset acquisitions.
- Joint arrangements: The Group holds a 50% ownership interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG; the Group has determined that it has joint control over the investee based on terms and conditions in the shareholder agreement and the ownership is shared with the joint venture partner.

Assumptions and estimation uncertainties

The following assumptions and estimation uncertainties can have a significant risk of resulting in a material adjustment to the carrying amounts of assets:

- Depreciation of vessels (including scrubbers): Depreciation is based on estimates of the vessels' useful lives, residual values less scrapping costs and the depreciation method, which are reviewed by management at each balance sheet date. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively.
- Impairment of vessels: Indicators of impairment of assets are assessed at each reporting date. In 2019 the Group identified impairment indicators (see Note 14 for further description). The impairment assessments demand a considerable degree of estimation. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses. The Group's impairment test for operating vessels is based on the value in use as assessed by performing discounted cash flow calculations. Value in use calculations involve a high degree of estimation

and a number of critical assumptions such as time charter rates, operational expenses, residual values and discount rates. The key assumptions used in the impairment assessment are disclosed in Note 14.

Note 5 - 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.

The chief operating decision makers measure the financial performance based on the consolidated results for the Group's vessels. Further, the assets and liabilities are reviewed at a consolidated basis in a consistent manner with the statement of financial position.

The following customers of the Group represent more than 10% of the Group's total charter revenue: CMA CGM S.A., France (10.9%) and Maersk Line, Denmark (26.4%).

The Group's vessels trade globally and are suitable to be deployed in various global trading patterns. Therefore, there is no particular focus on a geographic region. The Company provides geographical data for revenue only, as the Group's revenue predominantly stems from vessels that may be employed globally. Gross revenue specific foreign countries which contribute significantly to total revenue are disclosed below.

in USD thousands	2019	2018
Asia	66,408	54,816
South America	57,166	45,285
Europe	19,854	32,939
Middle East	8,215	2,411
Africa	8,044	0
Other geographical locations (worldwide trades)	11,467	34,874
Total time charter and pool revenue	**171,155**	**170,325**

Note 6 - Revenue

in USD thousands	2019	2018
Time charter revenue	132,295	128,279
Pool charter revenue	38,860	42,046
Other revenue	13,588	13,158
Total operating revenue	**184,743**	**183,483**

The Group's time charter contracts and pool charter revenues are separated into a lease element and 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 IFRS 16 *Leases* 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	2019	2018
Service element	76,378	86,772
Other revenue	13,588	13,158
Total revenue from customer contracts	**89,966**	**99,930**
Lease element	94,777	83,553
Total operating revenue	**184,743**	**183,483**

Reference to Note 5 for disaggregation of time charter and pool revenues on geographical regions.

Contracted revenues based on fixed time charter contracts as at 31 December 2019 are set out below, based on minimum contract periods of vessels held in subsidiaries:

in USD thousands	< 6 months	6 – 12 months	>12 months	Total
Time charter revenue	47,928	12,626	27,996	**88,550**

Contracted revenues based on fixed time charter contracts as at 31 December 2018 are set out below, based on minimum contract periods of vessels held in subsidiaries:

in USD thousands	< 6 months	6 – 12 months	>12 months	Total
Time charter revenue	65,090	28,007	60,216	**153,313**

Note 7 - Vessel voyage expenditures

in USD thousands	2019	2018
Bunker consumption	-20,200	-17,404
Other voyage expenses	-2,034	-1,595
Total vessel voyage expenditures	**-22,233**	**-18,999**

Bunker expenses relate to periods where the vessels have been idle, repositioning or under maintenance and repair. Bunker expenses are partially compensated by income from sale of bunkers upon delivery into a time charter (see Note 6 where revenue from bunker reimbursements are shown under other revenue). When the vessels are on time charter contracts bunker consumption is for the charterer’s expense.

Note 8 Vessel operation expenditures

in USD thousands	2019	2018
Crew	-59,329	-52,583
Lube oil	-5,965	-5,268
Maintenance and repair	-27,742	-21,213
Insurances	-11,126	-9,092
General Opex	-10,195	-9,187
Total operating expenses	**-114,356**	**-97,343**

Vessel operating expenditures are partially compensated by income from reimbursements from the charterer (see Note 6 where revenue from reimbursements are shown under other revenue).

Note 9 - Administrative expenses

in USD thousands	2019	2018
Legal and advisory services	-1,285	-867
Auditor services	-1,537	-1,584
Salary and employee expenses	-3,225	-1,863
Other administrative expenses	-2,770	-4,191
Total administrative expenses	**-8,817**	**-8,505**

Other administrative expenses includes remuneration to the Board of Directors and executive management, and fees paid for corporate management services from MPC Maritime Investments GmbH and MPC Münchmeyer Petersen Capital AG see Note 19 for further description. The following table details the administrative expenses incurred in relation to audit and related services.

in USD thousands	2019	2018
Audit fee (EY)	-1,019	-1,377
Attestation services	0	-29
Tax services	-518	-111
Other non-audit services	0	-67
Total auditor services	**-1,537**	**-1,584**

Note 10 - Finance income and expenses

in USD thousands	2019	2018
Interest income	103	490
Other financial income	427	74
Total financial income	**530**	**565**
Interest expenses	-21,515	-17,618
Other financial expenses	-231	-137
Total financial expenses	**-21,746**	**-17,755**

Note 11 - Income tax

The Company's subsidiaries in which the vessels are held are subject to German or Dutch tonnage tax, as applicable. Companies subject to tonnage tax are exempt from ordinary tax on income derived from operations in international waters.

The parent company is subject to ordinary corporation tax in Norway:

in USD thousands	2019	2018
Basis for ordinary corporation tax expense		
Loss before taxes	-39,656	-1,193
Tax at ordinary Norwegian corporation tax rate (22%)	0	0
Basis for tax on controlled foreign corporation		
Taxable profit of foreign controlled entities	0	0
Tax at ordinary corporation tax rate (22%)	0	0
Other taxes	-81	-406
Total tax expense	**-81**	**-406**

In Norway, the Group has an estimated tax loss carried forward amounting to USD 28.7 million. The tax loss relates mainly to transaction cost on capital increase in Norway and can be carried forward indefinitely. Currently, no convincing evidence of using the tax loss exists. Accordingly, the criteria for recognition of deferred tax assets are not met.

Other taxes of USD 0.1 million consists of accruals for corporate income tax in Netherland and Germany. In 2018, other taxes also are including provisions for tonnage taxes and trade taxes. In 2019 a total of USD 0.4 million related to provisions for tonnage taxes and trade taxes which are presented under Vessel operating expenditures.

Note 12 - Interest in joint ventures

The Group has a 50% interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company owning eight 2,824 TEU container vessels through respective fully owned subsidiaries.

In view of the shared control structure in the joint venture, the Group's interest in 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method. Summarized financial information of the joint venture, based on its IFRS financial statements, is set out below:

The joint venture had no contingent liabilities or capital commitments. 2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG cannot distribute its profits without the consent from the two partners.

in USD thousands	31 December 2019	31 December 2018
Non-current assets	67,640	67,526
Cash and cash equivalents	5,519	4,046
Other current assets	2,176	1,910
Non-current liabilities	18,000	16,935
Current liabilities	2,366	3,681
Equity	**54,968**	**52,866**
Group's carrying amount of the investment	**27,426**	**26,360**

in USD thousands	2019	2018
Revenue	25,107	25,179
Cost of sales	-20,483	-20,358
Administrative expenses	-538	-606
Other income	472	117
Other expenses	-320	78
Depreciation	-4,066	-2,142
Interest income	0	1
Interest expenses	-1,028	-915
Income tax	-12	-45
Profit after tax for the period	**-868**	**1,308**
Total comprehensive income for the period	**-868**	**1,308**
Group's share of profit for the period	**-434**	**654**
Dividends received	**0**	**0**

Note 13 - Non-controlling interests

in USD thousands	31 December 2019	31 December 2018
MPC Container Ships Invest B.V	782	399
Sao Paulo Project Holding GmbH & Co. KG	901	4,289
Total non-controlling interests	**1,682**	**4,688**

Line item for MPC Container Ships Invest B.V. is the sum of the 0.1% shares the ship managers hold in the ship-owning entities of the Group including the minority interest's share of result within these ship-owning entities, see Note 26 – Group Companies.

The balances for Sao Paulo Project Holding GmbH & Co. KG represents the Company's 80% interest in this Company. The changes in balances from 31 December 2018 to 31 December 2019 relates to the Company's acquisition in 2019 of the remaining 20% shares in Rio Teslin OpCo GmbH & Co. KG and Rio Thelon OpCo GmbH & Co. KG, which were subsidiaries of Sao Paulo Project Holding GmbH & Co. KG until the transaction and subsequent reorganization.

Note 14 - Vessels and prepayments

in USD thousands	2019	2018
Acquisition cost at 1 January	**639,871**	**268,158**
Acquisition of vessels	0	273,536
Prepayments reclassified to vessels	1,549	57,787
Prepayments	0	1,549
Capitalized dry-docking, scrubbers and other expenses	64,067	38,841
Disposals of vessels	-7,954	0
Acquisition cost	**697,533**	**639,871**
Accumulated depreciations 1 January	-32,573	-3302
Disposal of vessels	593	0
Depreciation for the year	-41,109	-29,271
Impairment	-2,583	0
Accumulated depreciations 31 December	**-75,672**	**-32,573**
Closing balance	**621,861**	**607,298**
Depreciation method	*Straight-line*	*Straight-line*
Useful life (vessels)	*25 years*	*25 years*
Useful life (dry docks)	*5 years*	*5 years*
Useful life (scrubbers)	*Remaining useful life vessels*	

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 2019 of USD 3.1 million.

As at 31 December 2019, the Group operated 60 vessels in consolidated subsidiaries and 8 vessels through a joint venture arrangement. On 5 February 2020, two subsidiaries of the Company entered into agreements for the sale of AS Leona and AS Lauretta, two 1,000 TEU vessels. The total sales price is agreed at USD 6.5 million per vessel and the vessels will be delivered to their new owners during the first half of 2020. The sale decision was based on a portfolio analysis resulting in sale of two non-tier 1 ships in a still illiquid sale & purchase market resulting in an estimated loss of USD 2.6 million which was recognized as an impairment.

Impairment: Given the container market conditions that have been present with increased idle fleet and reduced charter rates in 2019 impacted by global trade tension and low container growth and that the Company's market capitalization has been below the carrying value of the Company's equity, management has performed impairment tests on all vessels in the Group as at 31 December 2019. This assessment did not lead to any impairment charges as the recoverable amounts are higher than carrying amounts for all vessels (except AS Leona and AS Lauretta with reference to above). The value in use calculations are based on a discounted cash flow model with the following main inputs:

- Weighted average cost of capital: 7.8% p.a.
- Growth rate for operating expenses: 1.0 - 2.0% p.a.

- Charter rates: Contractual values and historic long-term as estimates of time charter rates for open periods for the following years. For the remaining period, the estimated charter rates are based on using the newbuilding parity rates, based on the current observable newbuilding prices.
- Utilization: 95% of available trading days
- Residual value: Scrap value based on estimated scrap prices less cost scrapping

A few of the Group's cash generating units ("CGUs") are more sensitive for changes in the assumptions applied in the value in use calculation. For most of the CGU's minor changes in the assumptions applied in the value in use calculations will not lead to impairment charges.

In total, the Group would experience a USD 0.3 million impairment with a utilization at 92%, a USD 0.3 million impairment loss if the long-term TC rates was decreased by 5% and a USD 9.3 million impairment if a utilization at 92% and the long-term TC rates was decreased by 5%. If the weighted average cost of capital ("WACC") increased to 9.8% this would lead to an impairment of USD 0.7 million.

Thus far in 2020, COVID-19 and its implications on trade, transportation and production has heavily impacted the container charter market as described in note 27 subsequent event and Board of Directors report. Since temporary restrictions in China impacting global trade was initiated after balance sheet date, this is considered a non-adjusting event, and is not reflected in the impairment test. So far in 2020, the Company has experienced a drop in freight rates and utilisation and the Company have performed additional stress-testing of the vessel values, and with an assumed 5 % drop for open charter rates during 2020 and unchanged charter rates in the long run, would not have resulted in any impairment if the restrictions were put in place in 2019. Since implications of COVID-19 is on an early stage, there are significant uncertainty related to impact on the container market on short and long term. Vessels subject to scrubber retrofitting had left the restricted areas prior to restrictions.

Note 15 - Cash and cash equivalents

in USD thousands	31 December 2019	31 December 2018
Bank deposits denominated in USD	38,164	56,131
Bank deposits denominated in EUR	1,828	3,552
Bank deposits denominated in NOK	213	546
Total cash and cash equivalents	**40,205**	**60,228**

The fair value of cash and cash equivalents at 31 December 2019 is USD 40.2 million (USD 60.2 million at 31 December 2018). Based on the terms of the senior secured bond and the non-recourse senior secured term loan, USD 10 million and USD 2.9 million are considered as restricted cash due to the minimum liquidity of 5% requirements within the agreements (see Note 17). Additionally USD 0.5 million of cash and cash equivalents from other activities are classified as restricted cash, which in total at 31 December 2019 is USD 13.4 million (USD 16.1 million at 31 December 2018).

Bank deposits earn interest at floating rates based on applicable bank deposit rates. Short-term deposits are made for varying periods, depending on the cash requirements of the Group.

Note 16 - Trade and other receivables

in USD thousands	31 December 2019	31 December 2018
Trade receivables	7,605	5,301
Receivables to affiliated companies	705	784
Claims related to insurance cases	6,691	9,136
Derivative financial instruments	0	1,031
Other receivables and prepayments	9,048	7,070
Total Trade and other receivables	**24,049**	**23,322**

Trade receivables relates to receivables against the charterers for the Group's time charter contracts. Insurance claims are the Group's claims covered by insurance agreements which the Group expect to receive within the next twelve months.

The Group had outstanding receivables per year end amounting to USD 7,605 (USD 5,301). Historically, the Group have not had any credit losses. At 31 December 2019 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The Group manage to collect receivables timely.

The Group applies the simplified approach to provide for lifetime Expected Credit Losses in accordance with IFRS 9. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortized cost method. No impairment losses has been recognized in 2018 and 2019. See Note 24 – Financial risk management regarding management of credit risk.

Note 17 - Interest-bearing debt

in USD thousands	Ticker	Currency	Facility amount	Interest	Maturity	As at 31 December 2019	As at 31 December 2018
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	61,150	Floating + 4.75%	May 2023	57,921	50,127
Revolving Credit Facility*	N/A	USD	40,000	Floating + 3.5%	April 2022	29,000	0
Other long-term debt incl. accrued interest						310	5,484
Total outstanding						**287,231**	**255,611**
Debt issuance costs						-7,615	-7,903
Total interest bearing debt outstanding						**279,616**	**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 240 million.

The Group has entered into fixed interest-rate swap agreements for USD 50 million of the USD 200 million bond loan in MPC Container Ships Invest B.V. For the remaining bond loan of USD 150 million the Group has entered into interest cap and collar agreements. For the non-recourse senior secured term loan, the Group has entered into collar agreements. See Note 18 for further information on the cash flow hedges.

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 31 December 2019.

The bond is guaranteed by the Company and all subsidiaries of MPC Container Ships Invest B.V. The loan is guaranteed by the General Partner of MPCC First Financing GmbH & Co, MPCC First Financing Verwaltungs GmbH. KG and of all of its subsidiaries.

See Note 10 for further information on interest income and total interest expenses and Note 24 for an overview of the future repayment structure for the interest-bearing debt. The table below shows the reconciliation of movements of interest-bearing debt to cash flows from financing activities, including non-cash movements and reconciliation to total interest-bearing debt at 31 December 2019.

in USD thousands	Interest bearing short-term debt	Interest bearing long-term debt	Total
31 December 2018	**2,941**	**244,767**	**247,708**
Proceeds from debt financing	0	39,000	39,000
Repayment of debt	-2,686	-4,880	-7,566
Interest paid	-19,061	0	-19,061
Debt issuance	0	-1,424	-1,424
Total cash flow from financing activities	**-21,747**	**32,696**	**10,949**
Amortization of debt issuance costs	0	1,846	1,846
Reclassification	2,378	-2,446	-68
Accrued interest	19,180	0	19,180
31 December 2019	**2,753**	**276,863**	**279,615**

in USD thousands	Interest-bearing short-term debt	Interest-bearing long-term debt	Total
31 December 2017	**158**	**102,108**	**102,266**
Proceeds from debt financing	0	151,150	151,150
Repayment of debt	0	-1,503	-1,503
Interest paid	-16,061	0	-16,061
Debt issuance costs	0	-5,604	-5,604
Total cash flow from financing activities	**-16,061**	**144,043**	**127,981**
Amortization of debt issuance costs	0	1,302	1,302
Reclassification	2,686	-2,686	0
Accrued interest	16,159	0	16,159
31 December 2018	**2,942**	**244,767**	**247,709**

Note 18 - Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

in USD thousands	31 December 2019	31 December 2018
Derivatives designed as hedging instruments		
Interest rate swaps including caps and collars	0	1,032
Debt instruments at amortized cost		
Trade and other receivables	24,049	22,290
Cash and cash equivalents	40,205	60,228
Total financial assets	**64,253**	**83,551**
Derivatives designed as hedging instruments		
Interest rate swaps including caps and collars	3 750	0
Financial liabilities at amortized cost		
Interest bearing debt	279 616	247,708
Trade and other payables	20 519	6,369
Total financial liabilities	**303,885**	**254,077**

Fair value of trade receivables, cash and cash equivalents and trade payables approximate their carrying amounts measured at amortized cost due to the short-term maturities of these instruments.

The fair value of interest-bearing debt is estimated by discounting future cash flows using rates for debt on similar terms, credit risk and remaining maturities. Fair value of interest-bearing debt approximates the carrying amounts as there have been no significant changes in the market rates for similar debt financing between the date of securing the debt financing and the reporting date.

Cash Flow Hedges

The details of new hedge activities entered into by the Group and hedges with significant changes in value during the year ended 31 December 2019 are described below. For a description of the Group's hedging strategy, see Note 3 under cash flow hedges and Note 24 for further information regarding risk.

The Group uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its debt and bond financing.

in USD thousands	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	0	699	733	0
Interest rate caps	0	3,051	289	0
Total	**0**	**3,750**	**1,022**	**0**

The terms of the interest rate derivative contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the statement of profit or loss. An accumulated amount of USD 3.8 is included in OCI as at 31 December 2019.

The swap and cap agreements classified as effective cash flow hedges under IFRS 9.

Note 19 - Related party disclosure

The Group has entered into a corporate service agreement to purchase administrative and corporate services from MPC Münchmeyer Petersen Capital AG and its subsidiaries.

The Company is responsible for the technical ship management of the vessels owned by the Group. Performance of technical ship management services is sub-contracted to Ahrenkiel Steamship GmbH & Co. KG and Ahrenkiel Steamship B.V., subsidiaries of MPC Münchmeyer Petersen Capital AG, for 62 of the 68 vessels owned by the Group and joint venture entities at 31 December 2019.

Commercial ship management of the vessels owned by the Group and associated joint ventures is contracted to Harper Petersen Holding GmbH & Co. KG and Harper Petersen B.V., which became a joint venture and a subsidiary respectively of MPC Münchmeyer Petersen Capital AG in 2019.

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

in USD thousands / 2019	Group	2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	8,311	967
Harper Petersen Holding GmbH & Co. KG / Harper Petersen B.V.	2,250	209
MPC Maritime Investments GmbH	560	-
MPC Münchmeyer Petersen Capital AG	513	-
Total	**11,634**	**1,176**

in USD thousands / 2018	Group	2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	6,245	797
Contchart Hamburg Leer GmbH & Co.KG / Contchart B.V.	2,234	288
MPC Maritime Investments GmbH	799	-
MPC Münchmeyer Petersen Capital AG	645	-
Total	**9,923**	**1,085**

All transactions with related parties are carried out at market terms.
See Note 22 – Warrants regarding the warrants allocated to the founding shareholders.

Directors' and executive management's compensation and shareholding

	Shares at 31 December 2019	Warrants	2018 remuneration
Ulf Holländer (Chairman)	33,403	-	NOK 200,000
Dr. Axel Schroeder	396,317	-	NOK 200,000
Darren Maupin	58,646	-	NOK 200,000
Laura Carballo	-	-	NOK 200,000
Ellen Hanetho	-	-	NOK 200,000
Constantin Baack (CEO)	-	-	NOK 2,842,226
Harald Wilke (CFO)	4,045	-	NOK 1,103,753

	Shares at 31 December 2018	Warrants	2018 remuneration
Ulf Holländer (Chairman)	-	-	NOK 200,000
Dr. Axel Schroeder	319,000	-	NOK 200,000
Darren Maupin	-	-	NOK 200,000
Laura Carballo	-	-	NOK 200,000
Ellen Hanetho	-	-	NOK 200,000
Constantin Baack (CEO)	-	-	NOK 3,981,408
Harald Wilke (CFO)	4,045	-	NOK 1,065,565

In USD thousands - 2019	Base salary	Variable pay	Total
Constantin Baack (CEO)	173	150	323
Harald Wilke (CFO)	107	18	125

In USD thousands - 2018	Base salary	Variable pay	Total
Constantin Baack (CEO)[12]	389	100	489
Harald Wilke (CFO)[13]	113	18	131

On April 25 2019, the Company's general meeting unanimously resolved that each member of the Board of Directors shall receive NOK 200,000 in remuneration for the fiscal year 2019. The total remuneration to the Board of Directors and executive management in 2019 was USD 0.6 million.

Guidelines for compensation to the CEO and CFO

The main purpose of the compensation to the executive management is to attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the Company and its shareholders.

The total compensation to the CEO and CFO consists of base salary, bonus and other benefits. The Company practices standard employment contracts, with standard terms and conditions regarding notice period and severance pay for the executive management. The executive management participate in a variable bonus scheme where the purpose is to provide incentive to contribute to the value creation of the Company and its shareholders.

The Board of Directors intends to implement a long term incentive plan (LTIP) for senior management. The LTIP shall be based on the Company's shares as well as consider book value per share growth as key performance indicator, a vesting period, leaver rules and other common parameters.

Note 20 - Share capital

	Number of shares	Share capital (USD thousands)	Share premium (USD thousands)
1 January 2019	**84,253,000**	**101,121**	**356,566**
Changes in shares and share capital in the period	0	0	0
31 December 2019	**84,253,000**	**101,121**	**356,566**

	Number of shares	Share capital (USD thousands)	Share premium (USD thousands)
1 January 2018	**65,253,000**	**77,155**	**261,322**
16 February 2018	77,003,000	92,254	319,167
20 June 2018	83,289,000	99,939	352,236
2 July 2018	84,253,000	101,121	356,605
31 December 2018	**84,253,000**	**101,121**	**356,605**

[12] USD 89,489 relates to compensation for fiscal year 2017
[13] Harald Wilke joined the Company 1 September 2018. Accordingly, the figure represents compensation for the period 1 September 2018 - 31 December 2018

The share capital of the Company consists of 84,253,000 shares as at 31 December 2019, with nominal value per share of NOK 10. All issued shares are of equal rights and are fully paid up.

As at 31 December 2019 the Company holds 351,098 treasury shares.

Overview of the 20 largest shareholders as at 31 December 2019

Shareholder	Number of shares	in %	Type
Star Spike Limited	16,346,000	19.4%	Ordinary
CSI BETEILIGUNGSGESELLSCHAFT MBH	10,987,500	13.0%	Ordinary
Euroclear Bank S.A./N.V.	6,886,895	8.2%	Nominee
State Street Bank and Trust Comp	5,608,693	6.7%	Nominee
Citibank, N.A.	4,139,448	4.9%	Nominee
CLEARSTREAM BANKING S.A.	3,306,662	3.9%	Nominee
SIX SIS AG	3,184,536	3.8%	Nominee
Morgan Stanley & Co. LLC	2,967,831	3.5%	Ordinary
PILGRIM GLOBAL ICAV CLT AC	2,934,214	3.5%	Ordinary
Brown Brothers Harriman (Lux.) SCA	2,330,798	2.8%	Nominee
Goldman Sachs & Co. LLC	2,143,162	2.5%	Nominee
DZ PRIVATBANK S.A.	1,588,878	1.9%	Nominee
Brown Brothers Harriman (Lux.) SCA	1,233,210	1.5%	Nominee
Morgan Stanley & Co. International	1,181,643	1.4%	Ordinary
VERDIPAPIRFONDET KLP AKSJENORGE	1,110,000	1.3%	Ordinary
RAIFFEISEN BANK INTERNATIONAL AG	987,403	1.2%	Ordinary
SONGA TRADING INC	932,500	1.1%	Ordinary
Santander Securities Services, S.A	820,178	1.0%	Nominee
JPMorgan Chase Bank, N.A., London	809,371	1.0%	Nominee
BNP Paribas	750,000	0.9%	Nominee
Total	**70,248,922**	**83.4%**	

Dr. Axel Schroeder and Ulf Holländer hold indirect ownership interest in the Company through an indirect minority interest in CSI Beteiligungsgesellschaft mbH. Laura Carballo holds indirect ownership interest in the Company through a fund managed by STAR Capital Partnership LLP. Darren Maupin holds indirect ownership interest in the Company through a minority ownership in Pilgrim Global ICAV.

Note 21 - Earnings per share

in USD thousands	2019	2018
Profit/(loss) for year attributable to ordinary equity holders – in USD thousands	-39,701	-1,608
Weighted average number of shares outstanding, basic	84,008,735	80,172,667
Weighted average number of shares outstanding, diluted	86,129,781	82,293,713
Basic earnings per share – in USD	**-0.47**	**-0.02**
Diluted earnings per share – in USD	**-0.47**	**-0.02**

Note 22 - Warrants

On 20 April 2017, the Company issued 1,700,000 warrants to MPC Capital Beteiligungsgesellschaft mbH & Co. KG as the founding shareholder, corresponding to 8.5% of the shares issued in the private placement in April 2017. Under the same warrant agreement, on 19 June 2017, the Company issued 421,046 additional warrants to MPC Capital Beteiligungsgesellschaft mbH & Co. KG considering the equity private placement in June 2017.

The total number of independent subscription rights granted to founding shareholders is 2,121,046 as at 31 December 2018.

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. Conditions for exercise are structured in three tranches: 1/3 of the warrants may be exercised at any time after the Company's share price has exceed the NOK equivalent of USD 6.25, the next 1/3 of the warrants may be exercised at any time after the share price has exceed the NOK equivalent of USD 7.25 and the last 1/3 of the warrants may be exercised at any time after the share price has exceed the NOK equivalent of USD 8.25. The warrants are valid for a period of 5 years from 20 April 2017.

The warrants issued to the founding shareholder are recognized as equity instruments in accordance with IAS 32.

Note 23 - Commitments

In 2018, the Group announced that it had entered into agreements for the purchase of a total of 10 scrubbers. Net of payments made in 2018 and 2019, the remaining off-balance sheet commitments are USD 4.6 million as at 31 December 2019.

Note 24 - Financial risk management

This section provides additional information about the Group's policies that are considered most relevant in understanding the operations and management of the Group, in particular objectives and policies of how the Group manages its financial risks, liquidity positions and capital structure.

The Group owns and operates vessels for worldwide transportation of containerized cargo. Through its operation, the Group is exposed to market risk, credit risk, liquidity risk and other risks that may negatively influence the value of assets, liability and future cash flows.

Market risk from financial instruments is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise four types of risk: interest rate risk, foreign currency risk, credit risk and price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates, i.e. interest payable on the bond issued and the non-recourse senior secured term loan depends with the short-term LIBOR. The Group manages its interest rate risk by using interest rate hedging instruments. To do so, the Group has entered into interest rate swaps and interest rate caps, are accounted for using hedge accounting. Taking into account these hedging instruments, an increase of the short-term LIBOR rate by 50 basis points would cause the Group's annualized interest expenses to increase by USD 0.7 million or 4%.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of most of the entities in the Group is USD, and the Group has only minor currency risk from its operations since all income and all major vessel costs are in USD. However, the Group has exposure to EUR and NOK as parts of administration and vessel operating expenses and a portion of cash and cash equivalents, other short-term assets, trade payables and provisions and accruals are denominated in EUR and NOK. Currently, no financial instruments have been entered into to mitigate this risk. An increase of the USD/EUR exchange rate by 10% would increase cause the vessel operating expenses to increase by approx. 2%.

The Group is subject to *price risk* related to the charter market for feeder container vessel which is uncertain and volatile and will depend upon, among other things, the global and regional macroeconomic developments. In addition, the future financial position of the Group depends on valuations of the vessels owned by the Group. Currently, no financial instruments has been entered into to reduce this shipping market risk. The Group will normally have limited exposure to risks associated with bunker price fluctuations as the bunkers are for the charterers account when the vessels are on time charter contracts. See Board of Directors' report for further description and also section related to COVID-19.

Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

It is the aim of the Group to enter into contracts with creditworthy counterparties only. Prior to concluding a charter party, the Group evaluates the credit quality of the customer, assessing its financial position, past experience and other factors. Charter hire is paid in advance, effectively reducing the potential exposure to credit risk. Bank deposits are only deposited with internationally recognized financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity and/or undrawn committed credit facilities at all times to meet its obligations. See Board of Directors' report and Note 27 Subsequent events for further description with respect to liquidity risk and COVID-19. To ensure this, the Group continuously monitors projected cash flows using a liquidity planning tool. This includes furnishing management with weekly cash reporting, monthly liquidity forecasts and furnishing management and the Board of Directors with rolling twelve-months liquidity forecasts.

The following table summarizes the contractual maturities of financial liabilities on an undiscounted basis as at 31 December 2019:

in USD thousands	< 1 year	1-3 years	4-5 years	> 5 years	Total
Interest bearing loans and borrowings	-2,446	-233,892	-50,583	0	-286,921
Interest payments	-19,168	-32,464	-845	0	-52,477
Trade and other payables	-20,519	0	0	0	-20,519
Total	-42,134	-266,356	-51,428	0	-359,918

The following table summarizes the contractual maturities of financial liabilities on an undiscounted basis as at 31 December 2018:

in USD thousands	< 1 year	1-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-2,686	-10,858	-241,943	0	-255,487
Interest payments	-18,066	-35,117	-14,666	0	-67,849
Trade and other payables	-6,369	0	0	0	-6,369
Total	**-27,121**	**-45,975**	**-256,609**	**0**	**-329,705**

Note 25 - Capital management

A key objective of the Group's capital management is to ensure that the Group maintains a capital structure in order to support its business activities and maximize the shareholder value. The Group evaluates its capital structure in light of current and projected cash flows, the state of the shipping markets, new business opportunities and the Group's financial commitments. Capital is primarily managed on Group level.

The Group monitors its capital structure using the book-equity ratio, which stands at 57.2% as at 31 December 2019. The Group is mainly subject to financial covenants under the bond loan and the non-recourse secured term loan (see Note 17 – Interest-bearing debt). The Group aims at maintaining an equity ratio with adequate headroom to the respective covenant requirements.

in USD thousands	31 December 2019
Book equity	410,458
Total assets	718,079
Book-equity ratio	**57.2%**

The Group's intention is to pay dividends in support of the Group's objective of maximizing returns to shareholders. Any future dividends proposed will be at the discretion of the Board of Directors and will depend upon the Group's financial position, earnings, capital requirements, debt covenants and other factors. See the board of directors report for further description.

Note 26 - Group companies

The Group's consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the table below. The table excludes all General partner companies and non-operating companies.

in USD thousands	Country	Principal activity	Ownership
"AS SAMANTA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS SABRINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS FREYA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS FENJA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS PAOLA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS PAULINE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS RAFAELA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS PENELOPE" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
MPC Container Ships GmbH & Co. KG	Germany	Management Company	100.00%
"AS SELINA" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
Sao Paulo Project Holding GmbH & Co. KG	Germany	Holding company	80.00%
MPCC First Financing GmbH & Co. KG	Germany	Holding company	100.00%
"AS Camellia" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Carlotta" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Carolina" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Christiana" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Franziska" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Leona" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Roberta" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Serafina" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Susanna" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
"AS Svenja" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100.00%
Zweite "AS Palina" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100,00%
Zweite "AS Petra" Schifffahrtsgesellschaft mbH & Co. KG	Germany	Ship-owning entity	100,00%
MPC Container Ships Invest B.V.	Netherlands	Holding company	100.00%
"AS Angelina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS California" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Carelia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clara" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clarita" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Clementina CV" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Columbia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Constantina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%

"AS Cypria" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fabiana" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fabrizia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fatima" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Faustina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Federica" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Felicia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Filippa" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fiona" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Fiorella" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Flora" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Floretta" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Floriana" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Frida" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Laetitia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Laguna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Lauretta" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Palatia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Patria" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Paulina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Petronia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Ragna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Riccarda" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Romina" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Rosalia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sara" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Savanna" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Serena" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sevillia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sicilia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%
"AS Sophia" ShipCo C.V.	Netherlands	Ship-owning entity	99.90%

Ownership rights equal voting rights in all subsidiary entities.

Note 27 - Subsequent events

Thus far in 2020, COVID-19 and its implications on trade, transportation and production haves heavily impacted the container charter market. Due to restrictions and reduced container trade in and around China, open vessels in Asia across all size segments have been facing difficulties finding new employment. However, recently the number of COVID-19 cases in China is significantly down and the number of port calls in Chinese ports is normalising and there are indications that manufacturing and inland logistics are getting back towards a level of normality. The virus however, meanwhile also spread to Europe and the US and the implications in these regions are uncertain and the risk for a recession remains. Future charter rates and utilization are the key drivers for the Group’s liquidity and financial results. See also Note 14 Vessels and prepayments and Note 24 Financial risk management.

On 5 February 2020, two subsidiaries of the Group entered into agreements for the sale of AS Leona and AS Lauretta, two TEU 1,000 vessels. The total sales price is agreed at USD 6.5 million per vessel and the vessels will be delivered to their new owners during H1 2020.

On 14 February 2020, the Company announced the successful completion of an equity private placement supported by three large shareholders, the private placement was later approve by the extraordinary general meeting at 9 March 2020. In the transaction the Company has issue 7,250,000 new shares at a subscription price of NOK 17.25 per share, thereby raising NOK 125 million to ensure additional liquidity reserves in a volatile market.

PARENT FINANCIAL STATEMENTS

INCOME STATEMENT

in USD thousands	Notes	2019	2018
Revenue	2,10	14,303	11,537
Revenue		**14,303**	**11,537**
Payroll	5	-1,416	-1,415
Other operating expenses	11	-19,781	-14,321
Operating result (EBIT)		**-6,894**	**-4,199**
Finance income	11	10,233	468
Finance expense	11	-4,505	-988
Profit/Loss before income tax (EBT)		**-1,166**	**-4,719**
Income tax	4	64	0
Profit/Loss for the period		**-1,102**	**-4,719**

Transfer of profit to retained earnings	6	**-1,102**	**-4,719**
Earnings per share	13	**-0.01**	**-0.06**

STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	31 December 2019	31 December 2018
Assets		**454,236**	**455,055**
Non-current assets		445,552	428,818
Investments in Subsidiaries	8	418,455	401,709
Loans to Subsidiaries	9	0	519
Investments in affiliated companies	8	27,068	25,630
Deposit vessels		0	959
Other non-current assets		29	0
Current assets		8,684	26,237
Short-term receivables group	10	5,012	3,637
Other short-term receivables		518	602
Cash and cash equivalents	3	3,153	21,999
Equity and liabilities		**454,236**	**455,055**
Equity		451,512	453,766
Share capital	6,7	101,120	101,120
Share premium	6	356,576	356,585
Treasury shares	6	-1,143	0
Retained earnings	6	-5,041	-3,939
Current liabilities		2,724	1,289
Accounts payable		1,626	392
Accounts payable Group	10	0	0
Social security, VAT, etc.		71	266
Other short-term liabilities		1,027	631

Oslo, 23 March 2020

The Board of Directors and CEO of
MPC Container Ships ASA

Ulf Holländer (Chairman)   Dr. Axel Schroeder   Laura Carballo

Darren Maupin   Ellen Hanetho

STATEMENT OF CASH FLOW

in USD thousands	Notes	2019	2018
Profit/Loss before income tax		-1,166	-4,719
Net change in provisions		0	0
Net change in current assets		-1,292	-3,264
Net change in current liabilities		1,435	526
Depreciation and impairment		11,556	0
Loss/gain from the disposal of fixed assets		-828	382
Cash flow from operating activities		**9,705**	**-7,075**
Prepayments vessels		0	-959
Net change in loans given		519	13,681
Purchase of other non-current assets		-29	0
Purchase of long-term financial assets	8	-27,897	-203,249
Cash flow from investing activities		**-27,407**	**-190,527**
Purchase of own shares	6	-1,143	0
Net proceeds from share issuance	6	0	122,378
Share issuance costs		0	-3,134
Cash flow from financing activities		**-1,143**	**119,244**
Net change in cash and cash equivalents		-18,846	-78,358
Net foreign exchange differences		0	0
Cash and cash equivalents at beginning of period		21,999	100,357
Cash and cash equivalents at the end of period		**3,153**	**21,999**

NOTES

Note 1 – Significant accounting policies

MPC Container Ships ASA (the "Company") was incorporated on 9 January 2017 as a private limited liability company under the laws of Norway, and converted to a Norwegian public limited liability company (Norwegian: *allmennaksjeselskap*) on 16 January 2018.

The financial statements are prepared in accordance with Norwegian Standards (NGAAP) for public limited liability companies.

Current assets are assets that are expected to be realized in the Company's normal circle, held primarily for the purpose of trading and that are expected to be realized within twelve months after the reporting period. Current liabilities are liabilities that are expected to be settled within the Company's normal operating cycle. Other assets are classified as non-current assets and other liabilities are classified as non-current liabilities.

Accounts receivable are recognized at fair value after provisions for bad debts.

Long-term investments in shares in subsidiaries including affiliated companies are recognized at original cost, but are reduced to fair value if the decrease in value is not temporary.

Revenue and expenses from operations are booked in the same period as they occur.

The financial statements are presented in US Dollar (USD), which is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

All financial information presented in USD has been rounded to the nearest thousand USD, except otherwise indicated. Differences from currency translations are classified as financial income.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax liabilities are classified as non-current assets and are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Note 2 – Revenue

in USD thousands	2019	2018
Ship management fees	9,479	7,804
Corporate management fees	2,420	1,115
Reimbursements	2,405	2,618
Total operating revenue	**14,303**	**11,537**

Note 3 – Cash and cash equivalents

in USD thousands	2019	2018
Bank deposits denominated in USD	2,848	20,491
Bank deposits denominated in EUR	92	959
Bank deposits denominated in NOK	213	548
Total cash and cash equivalents	3,153	21,999

Bank deposits in NOK consists of in total USD 44 thousand in funds held for employee taxes payable to the Norwegian government.

Note 4 – Income tax

The Company is subject to ordinary corporation tax in Norway:

in USD thousands	2019	2018
Basis for ordinary corporation tax expense		
Profit before taxes	-1,166	-4,719
Tax at ordinary Norwegian corporation tax rate (22%)	0	0
Basis for deferred tax		
Taxable profit of foreign controlled entities	-261	0
Tax at ordinary corporation tax rate (22%)	64	0

In Norway, the Company has an estimated tax loss carried forward amounting to USD 28.7 million. The tax loss relates mainly to transaction cost on capital increase and can be carried forward indefinitely. Currently, no convincing evidence of using the tax loss exists. Accordingly, the criteria for recognition of deferred tax assets are not met.

Note 5 – Payroll expenses, Board of Directors remuneration, compensations, etc.

in USD thousands	2019	2018
Payroll	1,070	1,214
Social security	97	55
Other personnel expenses	81	42
Accrued Board of Directors remuneration	168	104
Total payroll expenses	1,416	1,415

In accordance with Norwegian law, the Company is required to have an occupational pension scheme. The Company's pension scheme was in compliance with Norwegian law as at 31 December 2019.

Please refer to Note 19 of the consolidated financial statements for the remuneration of the Board of Directors and key management.

Compensation to auditors (in USD thousands)	2019	2018
Fees related to audit services	121	1,260
Fees related to other services	266	50
Fees recorded towards equity	0	0
Total auditor compensation	**387**	**1,310**

Note 6 – Equity

in USD thousands	Share capital	Treasury shares	Share premium	Retained earnings/losses	Total
Total equity as at 1 January 2019	**101,120**	**0**	**356,585**	**-3,939**	**453,766**
Acquisition of own shares	0	-1,143	-9	0	-1,152
Profit/loss	0	0	0	-1,102	-1,102
Total equity as at 31 December 2019	**101,120**	**-1,143**	**356,576**	**-5,041**	**451,512**

in USD thousands	Share capital	Treasury shares	Share premium	Retained earnings/losses	Total
Total equity as at 1 January 2018	77,155	0	261,322	781	339,258
Capital increase 16 February 2018	15,099	0	57,823	0	72,922
Capital increase 20 June 2018	7,685	0	33,069	0	40,754
Capital increase 2 July 2018	1,182	0	4,369	0	5,551
Profit/loss	0	0	0	-4,719	-4,719
Total equity as at 31 December 2018	**101,120**	**0**	**356,585**	**-3,939**	**453,766**

Note 7 – Shareholders

As at 31 December 2019, the share capital of the Company consists of 84,253,000 shares with nominal value per share of NOK 10.00. All issued shares are of equal rights and are fully paid up.

Please refer to Note 20 of the consolidated financial statements for an overview of the 20 largest shareholders of the Company as at 31 December 2019.

Note 8 – Investments in Subsidiaries and affiliated companies

Investments in subsidiaries

in USD thousands	Country	Equity	Profit/Loss	Book value	Ownership
MPC Container Ships Invest B.V.	Netherlands	202,009	-16,329	232,362	100.00 %
MPCC First Financing GmbH & Co. KG	Germany	85,530	-4,118	90,260	100.00 %
MPCC Second Financing GmbH & Co KG	Germany	90,812	-1,055	93,208	100.00 %
MPCC First Financing OpCo KG	Germany	74	30	29	100.00 %
MPCC First Financing Verwaltungs GmbH	Germany	30	4	29	100.00 %
MPC Container Ships GmbH & Co. KG	Germany	466	89	633	100.00 %
F-Schiffe OpCo GmbH KG	Germany	26	0	29	100.00 %
MPC Container Ships Verwaltungs GmbH	Germany	26	4	29	100.00 %
MPC Container Ships Sourcing GmbH	Germany	158	-13	31	100.00 %
Bluewater OpCo GmbH	Germany	27	0	63	100.00 %
"AS CONSTANTINA" OpCo GmbH	Germany	0	0	31	100.00 %
"AS ANGELINA" OpCo GmbH	Germany	25	0	31	100.00 %
"AS CLARA" OpCo GmbH	Germany	0	0	31	100.00 %
"AS PAULINA" OpCo GmbH	Germany	24	0	31	100.00 %
"AS PETRONIA" OpCo GmbH	Germany	23	0	31	100.00 %
"AS FORTUNA" OpCo GmbH	Germany	24	0	31	100.00 %
Rio Teslin Opco GmbH Co. KG	Germany	54	-2	54	100.00 %
Rio Thelon Opco GmbH Co. KG	Germany	47	-2	47	100.00 %
Sao Paulo Project Holding Verwaltungs GmbH	Germany	0	0	6	100.00 %
Sao Paulo Project Holding GmbH & Co. KG	Germany	4,716	-3,770	1,493	80.00 %
Total		**384,073**	**-25,161**	**418,455**	

The major investment in subsidiaries of the Company are direct or indirect holding investments in container vessels where the future discounted values of the vessels exceeds the book values. Accordingly, there are not identified any need for impairment on the Company's investments in subsidiaries.

Investments in affiliated companies

(in USD thousands)	Country	Equity	Profit/Loss	Booked value	Ownership
2. Bluewater Holding Schifffahrtsgesellschaft GmbH & Co. KG	Germany	49,475	-1,082	24,063	50.00 %
Bluewater Holding SFG	Germany	70,409	226	3,004	50.00 %
Total		**119,884**	**-856**	**27,068**	

Note 9 – Loans to Group and affiliated companies

(in USD thousands)	2019	2018
Sao Paolo Project Holding GmbH & Co KG	0	519

The loan against Sao Paolo Project Holding GmbH & Co KG are due later than one year and are classified as non-current assets in the balance sheet.

Note 10 – Group transactions

(in USD thousands)	Receivables at 31 December 2019	Payables at 31 December 2019	Revenue / expenses in 2019 (+/-)
Intercompany balances/transactions	5,012	0	14,303

(in USD thousands)	Receivables at 31 December 2018	Payables at 31 December 2018	Revenue / expense in 2018 (+/-)
Intercompany balances/transactions	3,637	0	11,537

Revenue is related to invoiced ship management fees and corporate management fees including other reimbursements.

Note 11 – Specification of P/L records

in USD thousands	2019	2018
Other operating expenses		
Fees from auditors	-693	-1,311
Ship management fees	-9,050	-7,289
Legal fees	-3,025	-2,233
Other fees	-3,427	-2,919
Impairment of subsidiaries	-2,672	0
Other operating expenses	-915	-569
Total operating expenses	**-19,781**	**-14,321**
Finance income		
Interest income	49	258
Income from exchange	243	1
Dividend from subsidiaries	4,716	0
Other financial income	0	15
Profit from shares sold	5,226	194
Total finance income	**10,233**	**468**
Finance expense		
Interest expense	0	-275
Expense from exchange	-108	96
Other financial expenses	0	-233
Loss from shares sold	-4,397	-575
Total finance expense	**-4,505**	**-988**

Note 12 – Specification of profit and loss from investments

(in USD thousands)	Historical cost	Sales price	Profit/Loss (+/-)
"AS SAMANTA" Schifffahrtsgesellschaft mbH & Co. KG	12,107	14,327	2,220
"AS SABRINA" Schifffahrtsgesellschaft mbH & Co. KG	11,310	13,851	2,541
"AS FREYA" Schifffahrtsgesellschaft mbH & Co. KG	9,125	9,180	55
"AS FENJA" Schifffahrtsgesellschaft mbH & Co. KG	11,923	9,584	-2,339
"AS PAOLA" Schifffahrtsgesellschaft mbH & Co. KG	13,611	13,508	-104
"AS PAULINE" Schifffahrtsgesellschaft mbH & Co. KG	11,930	11,775	-154
"AS RAFAELA" Schifffahrtsgesellschaft mbH & Co. KG	10,408	10,818	410
"AS PENELOPE" Schifffahrtsgesellschaft mbH & Co. KG	12,918	11,850	-1,068
"AS SELINA" Schifffahrtsgesellschaft mbH & Co. KG	14,996	14,294	-702
Shipping OpCo 1 GmbH	31	0	-31
Total profit/loss			**828**

Note 13 – Earnings per share

in USD thousands	2019	2018
Profit/(loss) for year attributable to ordinary equity holders – in USD thousands	-1,102	-4,719
Weighted average number of shares outstanding	84,008,735	80,172,667
Basic earnings per share – in USD	**-0,01**	**-0.06**

Note 14 - Guarantees

The Company has guaranteed for the bond loan of MPC Container Ships Invest B.V., together with the subsidiaries of MPC Container Ships Invest B.V. The non-recourse senior secured term loan of MPCC First Financing GmbH & Co. KG are guaranteed by the general partner MPCC First Financing Verwaltungs GmbH, a wholly owned subsidiary of the Company.

Note 15 – Financial risk management

Foreign exchange

The risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company has exposure in EUR and NOK as part of administrative and operating expenses and a portion of cash and cash equivalents and trade payables are denominated in EUR and NOK. The Company do not have financial instruments in place to mitigate this risk.

Credit risk

Credit risk relates to loans to subsidiaries and affiliated companies, guarantees to subsidiaries, deposits with external banks and receivables against related parties. Loss provisions are provided in situations of negative equity and where the companies are not expected to be able to fulfil its loan obligations from future earnings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations when they fall due and is managed through maintaining sufficient cash. Development in the Group's and thereby the Company's available liquidity, is continuously monitored through a liquidity planning tool which includes weekly cash reporting and monthly cash flow forecasts.

AUDITOR'S REPORT

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Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of MPC Container Ships ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MPC Container Ships ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the financial position as at 31 December 2019, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position as at 31 December 2019, the statements of income, comprehensive income, cash flow and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessment of vessels

Management identified indications of potential impairment for the Group's vessels as a result of a challenging market situation with growing idle fleet, declining charter rates and a price/book ratio below 1. Therefore, management performed an impairment test to determine the recoverable amount for each of the vessels and to measure it against the related book value. When estimating the recoverable amount, management used assumptions of future market and economic conditions as well as Group specific factors.

Key assumptions included the future time charter rates, expected utilization, the trend of operating expenses, expected capital expenditures, newbuilding prices and discount rate. Considering the degree of management's judgment in establishing the key assumptions and the potential impacts on the estimated recoverable amounts of changes in such key assumptions, we considered the impairment assessment as a key audit matter.

The Group recognized an impairment charge of USD 2.6 million related to estimated loss on two vessels sold after balance sheet date, while no impairment charge was recognized on the remaining vessels as the estimated recoverable amounts of these vessels exceeded the related book values.

The Group has disclosed its accounting policy related to impairment under note 3 Significant accounting policies, and the key assumptions used in the impairment assessment, the sensitivities performed and details on vessels sold under note 14 Vessels and prepayments.

Our audit procedures included an assessment of the key assumptions and methods used by management in the impairment assessment. We performed an evaluation of the discounted cash flows projected my management through review of the underlying key assumptions, including comparison to external data sources and third-party valuation reports for the container ship market sector. In addition, we compared the key estimates to current applicable agreements and Board approved budgets and historical data.

Furthermore, we involved our internal valuation experts and assessed the reasonability of the weighted average cost of capital (the discount rate) used in the discounted cash flow model by comparing the estimated equity beta, risk-free interest rates on government bonds, market risk premium and cost of debt to peer group data, relevant external sources and Group's specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis on the most critical assumptions.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 23 March 2020
ERNST & YOUNG AS

Jon-Michael Grefsrød

Jon-Michael Grefsrød
State Authorized Public Accountant (Norway)

ALTERNATIVE PERFORMANCE MEASURES

The Group's financial information is prepared in accordance with international financial reporting standards ("IFRS"). In addition, it is the management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. The Group is in the initial phase of operation and performance measures are therefore subject to change. The alternative performance measures are intended to enhance comparability of the results and to give supplemental information to the users of the Group's external reporting.

GROSS PROFIT

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

EBITDA

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

in USD thousands	2019	2018
Operating result (EBIT)	-18,439	15,997
Depreciation	41,109	29,271
Impairment	2,583	0
EBITDA	**25,252**	**45,268**

AVERAGE TIME CHARTER EQUIVALENT ("TCE")

TCE is a commonly used Key Performance Indicator ("KPI") in the shipping industry. TCE represents time charter revenue and pool revenue divided by the number of trading days for the consolidated vessels during the reporting period. Trading days are ownership days minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days.

AVERAGE OPERATING EXPENSES ("OPEX") PER DAY

OPEX per day is a commonly used KPI in the shipping industry. OPEX per day represents operating expenses excluding tonnage taxes and operating expenses reimbursed by the charterers divided by the number of ownership days of consolidated vessels during the reporting period.

UTILIZATION

Utilization in percentage is a commonly used KPI in the shipping industry. Utilization in percentage represents total trading days including off-hire days relates to dry docks divided by the total number of ownership days during the period.

LEVERAGE RATIO

Interest bearing long-term debt and interest bearing short-term debt divided by total assets.

EQUITY RATIO

Total book equity divided by total asset

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