



MPC CONTAINER SHIPS ASA

FINANCIAL REPORT

Q3 2020

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MPC CONTAINER SHIPS ASA

THIRD QUARTER 2020 HIGHLIGHTS

- Total operating revenues for Q3 2020 were USD 41.2 million compared to USD 39.1 million for Q2 2020.
- EBITDA was USD 2.7 million in Q3 2020 (Q2 2020: USD 1.4 million).
- Operating cash flow for Q3 2020 was USD -0.3 million (Q2 2020: USD 2.5 million).
- Net loss for the period was USD 17.8 million (Q2 2020: net loss of USD 17.6 million).
- Total ownership days of fully owned vessels were 5,399 (Q2 2020: 5,460) and total trading days were 5,016 (Q2 2020: 4,545). Utilization in Q3 2020 was 93.8%¹ (Q2 2020: 84.5%).
- Average time charter equivalent ("TCE") was USD 7,412 per day (Q2 2020: USD 7,938 per day).
- Average operating expenses ("OPEX") were USD 4,905 per day (Q2 2020: USD 4,901 per day).
- Equity ratio as at 30 September 2020 was 57.1% (30 June 2020: 55.5%) and the leverage ratio was 39.1% (30 June 2020: 39.9%)
- In Q3 2020, MPC Container Ships ASA ("the Company", together with its subsidiaries "the Group") completed an equity private placement with gross proceeds of NOK 260 million and a subsequent offering raising NOK 35 million. Additionally, MPC Container Ships Invest B.V., a wholly owned subsidiary of the Company, received support for certain amendments under its bond agreement. The amendments included a waiver of the LTV covenant and reduced minimum liquidity restrictions until, but excluding, 31 December 2021 and a six-month bond maturity extension. After completing the recapitalisation process during Q3 2020, the Group is equipped with a comfortable liquidity runway and is well-positioned to benefit from an improving charter market.

CEO COMMENT

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

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

In a very strong Q4 2020 charter market and until end-of Q1 2021, the Group expects to renew or enter into new charter contracts for up to 40 vessels, a significant portion of our total fleet. Whilst our Q3 2020, and to some degree Q4 2020, financials are affected by the depressed market during the spring and summer months, the strong fixtures concluded as of late will significantly improve the company's position in 2021 and onwards."

¹ Utilization in percentage represents total trading days including off-hire days related to dry-docks divided by the total number of ownership days during the period

SUBSEQUENT EVENTS

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

THIRD QUARTER 2020 RESULTS

Financial performance

The Group's vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues for the quarter were USD 41.2 million (Q2 2020: USD 39.1 million). The gross profit from vessel operations was USD 5.0 million (Q2 2020: USD 3.4 million). The increase in operating revenues and gross profit compared to the previous quarter is driven by the recovery in the charter market and container demand, in turn leading to reduced idle time and increased utilization for the Group's fleet. Q3 2020 TCE has seen a slight decrease compared to Q2 2020 as impacts from the currently strong charter market are yet to be visible in the Group's operating revenues. This as the financials still are affected by the fixtures concluded in the depressed market during spring and summer months.

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The Group reports a loss of USD 17.8 million in Q3 2020 (Q2 2020: USD 17.6 million) after the impairment of USD 1.7 million (Q2 2020: USD 1.5 million) and increased finance expenses from higher amortization of transaction costs and premium related to the approved amended terms under the bond agreement, including a loss of USD 0.3 million from an one-off accounting effect in accordance with IFRS 9.

Financial position

The Group's total assets amounted to USD 702.1 million as at 30 September 2020 (USD 718.1 million as at 31 December 2019). Non-current assets in the amount of USD 628.7 million reflects the book values of the vessels operated by the Group including the equity investments into a joint venture.

Total equity was USD 400.7 million as at 30 September 2020 (USD 410.5 million as at 31 December 2019) with non-controlling interest of USD 1.7 million. The change in equity YTD Q3 2020 mainly relates to the net loss for the period of USD 46.1 million and to the negative fair value change of USD 5.9 million for the hedging reserves, partly offset by the private placements concluded in March and July and the subsequent offering in August 2020, raising a total of USD 42.2 million net of share issuance costs. As at 30 September 2020, the Group had interest-bearing debt in the amount of USD 274.2 million (USD 279.6 million as at 31 December 2019). The decrease in long-term debt is due to repayments of debt offsetting accrued interest and amortization of capitalized loan fees and premiums.

Cash flow

In Q3 2020, the Group generated a negative cash flow from operating activities of USD 0.3 million (Q2 2020: positive by USD 2.5 million). The cash flow from investing activities was USD 1.9 million (Q1 2020: USD -9.7 million) as the proceeds from disposals of vessels exceeds the investments into dry-dockings and other upgrades. The Group had a positive cash flow from financing activities of USD 19.5 million in Q3 2020 (Q2 2020: USD -4.8 million) as the proceeds from the private placement and subsequent offering completed during the quarter exceeds the repayment of debt and interest.

Cash and cash equivalents as at 30 September 2020 were USD 50.2 million.

CONTAINER MARKET UPDATE

COVID-19

The spread of COVID-19 in H1 2020, the extensive lockdowns in major western economies and the drop in demand resulted in a global economic downturn, turning 2020 into one of the worst years for container trade in history. GDP growth for full year 2020 will be negative in most industrialized economies, leading to an expected 4.4% global GDP decline. International trade in particular is expected to suffer, with an estimated 10.4% volume decline in 2020.² As at end-of April 2020, during the peak of the first global wave of the pandemic, full-year 2020 container trade was forecasted to decline by 11%.³ With the ease of lockdowns from May 2020, the markets started to recover. Due to the unexpected strong and fast recovery, the revised forecast for 2020 are now a decline of 3%.⁴ The recovery still continues, despite the record number of new COVID-19 infections.

With the ease of lockdowns in the US and Europe in May 2020, the recovery started. It became quickly obvious that, regarding macroeconomic numbers, the global recovery will not follow a v-shaped path. Instead, it could more be a stepwise recovery process with figures getting back to normal levels in 2021. Current forecasts are a full year 2021 GDP growth of 5.2% and an increase in international trade volumes by 8%.⁵

As mentioned above, for the container vessel market, the recovery has been unexpectedly strong and fast, outperforming every expectation. One reason behind that development might be that the crisis hit the service sector and non-tradable goods in particular, while private consumption recovered quickly. For 2021, growth in container market of 5.5% is expected and thus, as supply in 2021 will be moderate with around 2.8%, a significant rebalancing toward an excess demand situation are forecasted.⁶

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

Container Demand

Already in 2019 the industry experienced the lowest number of seaborne container demand since the financial crisis in 2008, with a low growth of 1.7%. However, the COVID-19 driven global recession is expected to result in a much worse seaborne container demand growth for 2020 (-3.0%). While the container shipping industry, as an important logistic sector and the backbone of international trade, will look at 2020 as one of the worst years in history for container trade, the main downturn occurred in H1 2020.⁷

After the ease of lockdowns in the US and Europe in May, container demand recovered significantly and unexpectedly fast. Operators started to increase capacity with a remarkable rebound on Transpacific and North-South trades, where capacity already reached a level above July 2019 numbers. After rebounding to pre-crisis levels, container demand is expected to increase by 5.5% in 2021.⁸ For vessels below 3,000 TEU, the expected decline in demand are lower than for the total sector, as the expected decline for these vessels are 1.4% compared to 3.0% for the full sector.

Mid-term demand forecasts for the Container Vessel Market are encouraging. Demand growth is currently estimated with a compound annual growth rate (CAGR) of 5% until the end of 2024. Numbers are even more favorable for smaller vessels as demand growth on Intra-Regional trades (the main deployment of feeder tonnage) is relatively

² International Monetary Fund, World Economic Outlook, October 2020.

³ Clarkson Research, Container Intelligence Monthly, Volume 22, No. 4 (April)

⁴ Clarkson Research, Container Intelligence Monthly, Volume 22, No. 10 (October).

⁵ Clarkson Research, Shipping Intelligence Network, November, 2020, Numbers base on IMF forecasts.

⁶ Clarkson Research, Container Intelligence Monthly, Volume 22 No 10, July 2020.

⁷ Clarkson Research, Container Intelligence Monthly, Volume 22 No. 10, July 2020.

⁸ Ibid.

strong with a CAGR of 6% until 2024.⁹ A possible change in global production patterns towards more diversified structures or “near shoring” can be expected to have an positive impact on intra-regional trades.

Fleet Development

Regarding the supply side of the container vessel market, the global container fleet comprised 5,400 vessels with a total capacity of 23.5 million TEU as per November 2020. The feeder fleet (1,000 to 3,000 TEU) amounted to 1,927 vessels with a total capacity of 3.486 million TEU.¹⁰

The COVID-19 induced lockdowns made vessel handovers impossible for a while so that deliveries and scrapping came nearly to a halt in Q2 2020. Until November 2020, 104 container vessels with a capacity of 701,730 TEU have been delivered. The same period of 2019, 143 container vessels was delivered, with 944,470 TEU capacity. In the feeder segment (1,000 to 3,000 TEU) 69 vessels have been delivered until November 2020 (with 137,324 TEU capacity) compared with 71 vessels delivered in the same period in 2019 (131,129 TEU). The reason behind the relative high number of feeder deliveries despite the COVID-19 lockdown in Q2 are due to strong delivery numbers around the crisis' climax months. The major fraction of the feeder order book is scheduled for delivery until Q2 2021.¹¹

With 8.0% of the total fleet (1.9m TEU capacity), the order book is currently at historical low levels. The order book in the feeder segment is only slightly larger with 8.6% (306k TEU). Nearly 50% of the feeder orders is scheduled for delivery until Q2 2021. The uncertain market environment and difficulties to decide about the right propulsion technology resulted in only 235,546 TEU new orders in 2020 year-to-date, a relative scarce ordering activity (compared to 584,305 TEU in the same period of 2019). This holds especially for the feeder segment with only 42,658 TEU new orders in 2020 year-to-date (compared to 96,905 TEU in 2019 same period). The thin order book in the feeder sector is expected to remain at low levels at least until the end of 2023 and will result in a decreasing feeder fleet in the coming years.¹²

Also the demolition market has come to a halt in Q2 2020 due to the COVID-19 crisis, especially because of the lockdown imposed on the Indian Subcontinent. During the crises a list of vessels could be monitored that was sold for scrapping but could not be beached. Consequently, scrapping numbers increased significantly after the ease of lockdowns, when demolitions became again possible in India, Pakistan and Bangladesh. Since June, a significant increase in demolition activities with more than 60 vessels being scrapped; Among them 33 feeder vessels. Thus, despite the lockdown in Q2, 184,380 TEU could already be deleted from the market in 2020 year-to-date. The same period in 2019 saw only 161,888 TEU demolished. Regarding the feeder segment, 64,053 TEU have been taken from the market, compared with 79,302 TEU in the same period of 2019.¹³ Due to the IMO's Ballast Water Management Systems Code as enforced from October 2019, increased demolition activity is expected particularly in the feeder segment, where the average fleet age is relative old.

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

⁹ Maritime Strategies International, Horizon, 10 November 2020.

¹⁰ Clarkson Research, Shipping Intelligence Network, 10 November 2020..

¹¹ Ibid.

¹² Ibid; Maritime Strategies International, Horizon, 10 November 2020.

¹³ Clarkson Research, Shipping Intelligence Network, 10 November 2020.

Charter Market

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

With the ease of the lockdown and the recovery in trade flows, the charter market saw an unexpected strong and rapid rebound. Idle numbers decreased significantly since June. As at 26 October, only 107 vessels have been idle across all size segments (379 thousand TEU and 1.6% of the total fleet). The feeder idle statistics decreased by around 70% – 80% to only 50 idle vessels.¹⁴ As there was more idle tonnage available for charterers in the feeder segment, feeder rates started to increase. The current rate level is above January 2020 levels and even above 2019 levels across all size segments. The Braemar ACM's BOXi tc-rate index increased to 91.95 in October, the highest reading since July 2011.¹⁵

Time charter rates (6-12 months) at 6 November 2020¹⁶:

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

Asset Prices

In contrast to time charter rates, that improved significantly with the market recovery, the second hand prices have remained relative stable and accordingly there has been a decoupling between second hand prices and time charter rates. The price for a 10-year old 4,400 TEU vessel was at USD 11.0 million in October (+5% month-on-month), the price for a 2,750 TEU vessel at USD 9.0 million (+13% month-on-month), the price for a 1,700 TEU geared vessel at 6.3 million USD (+/- 0% month-on-month) and the price for a 1,000 TEU geared vessel at USD 3.75 million (+/- 0% month-on-month).¹⁷

New building prices are in October 2020 at USD 53.5 million for a 4,400 TEU vessel, at USD 30 million for a 2,800 TEU vessel, at USD 23.5 million for a 1,700 TEU vessel and at USD 17.5 million for a 1,000 TEU vessel.¹⁸

Market Outlook

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

After an ease of lockdowns, the markets started to recover stepwise with an increase in trade flows and an increase in consumer and managers sentiment as well. The container vessel charter market experienced an unexpected strong and fast rebound in Q3 2020. First, the market recovered for larger size classes. After the idle statistic

¹⁴ Alphaliner, Weekly Newsletter, Volume 2020 Issue 44.

¹⁵ Clarkson Research, Shipping Intelligence Network, 10 November 2020; Braemar, Container Market Developments Weekly, Week 42, 2020.

¹⁶ Clarkson Research, Shipping Intelligence Network, 10 November 2020.

¹⁷ Ibid.

¹⁸ Ibid.

decreased more and more also in the feeder segment, the recovery started for smaller sizes as well. Since the beginning of Q4, the number of COVID-19 infections has increased at record pace and several economies imposed a second wave of social and economic lockdowns end October. Macroeconomic numbers show first signs of a flattening of the recovery process. The charter market, however, continues its strong upward tendency.

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

In the mid-term, when the market rebounds to numbers seen before the crisis, container vessel market fundamentals are healthy. Trade forecasts are encouraging, especially for Intra-regional trades. Supply growth, on the other hand, will be manageable: In the feeder segment, the historically low order book and a limited number of new orders are expected to keep supply growth low or even negative, at least in the mid-term. The uncertainty surrounding future propulsion technology is an additional boundary for investors to place new-build orders and the age structure of the current operating feeder fleet points towards an increase in scrapping going forward.

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

The crisis is also affecting green-transition and technology standards of the industry in the long term. Several planned IMO meetings have been delayed. Major industry decisions regarding e.g. decarbonisation have been paused and there are no important decisions expected soon. On a positive note, the crisis may lead to an increased recycling of older tonnage and yards might push green-technology in light of the low new-build prices.

FORWARD-LOOKING STATEMENTS

Forward-looking statements presented in this report are based on various assumptions. The assumptions are subject to uncertainties and contingencies that are difficult or impossible to predict. MPC Container Ships ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in USD thousands	Notes	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 2020 YTD (unaudited)	Q3 2019 YTD (unaudited)
Operating revenues	5	41,194	39,095	46,044	126,325	140,516
Commissions		-1,493	-1,314	-1,550	-4,385	-4,896
Vessel voyage expenditures		-5,068	-5,285	-7,535	-17,227	-16,843
Vessel operation expenditures		-27,432	-27,432	-28,365	-80,593	-87,114
Ship management fees		-2,283	-2,252	-2,161	-6,854	-6,690
Share of profit or loss from JV	6	90	590	264	573	-543
Gross profit		5,007	3,402	6,698	17,839	24,430
Administrative expenses		-1,955	-1,922	-2,308	-5,867	-6,426
Other expenses		-616	-509	-172	-1,466	-3,007
Other income		250	453	234	1,129	2,278
Gain from disposal of vessels		0	0	0	0	3,129
EBITDA		2,687	1,424	4,451	11,635	20,405
Depreciation	7	-12,340	-12,581	-10,373	-36,855	-30,121
Impairment	7	-1,732	-1,500	0	-4,232	0
Operating result (EBIT)		-11,386	-12,656	-5,922	-29,453	-9,716
Finance income		242	179	117	561	367
Finance costs	8	-6,637	-5,097	-5,628	-17,155	-16,135
Profit/Loss before income tax (EBT)		-17,781	-17,574	-11,433	-46,047	-25,484
Income tax expenses		-4	-3	-3	-62	-102
Profit/Loss for the period		-17,785	-17,578	-11,435	-46,110	-25,584
Attributable to:						
Equity holders of the Company		-17,778	-17,569	-11,432	-46,091	-25,561
Minority interest		-7	-8	-3	-19	-25
Basic earnings per share – in USD		-0.05	-0.19	-0.14	-0.25	-0.30
Diluted earnings per share – in USD		-0.05	-0.19	-0.14	-0.25	-0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in USD thousands	Notes	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 2020 YTD (unaudited)	Q3 2019 YTD (unaudited)
Profit/loss for the period		-17,785	-17,578	-11,435	-46,110	-25,584
Items that may be subsequently transferred to profit or loss		408	-54	-716	-5,820	-5,857
Foreign currency effects, net of taxes		81	73	-41	41	-92
Change in hedging reserves, net of taxes		327	-127	-675	-5,861	-5,765
Items that will not be subsequently transferred to profit or loss		0	0	0	0	0
Other comprehensive profit/loss, net of taxes		0	0	0	0	0
Other comprehensive profit/loss from joint ventures and affiliates		0	0	0	0	0
Total comprehensive profit/loss		-17,377	-17,632	-12,151	-51,929	-31,441
Attributable to:						
Equity holders of the Company		-17,370	-17,622	-12,148	-51,910	-31,418
Non-controlling interest		-7	-8	-3	-19	-25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in USD thousands	Notes	At 30 September 2020 (unaudited)	At 31 December 2019 (audited)
Assets		702,075	718,079
Non-current Assets		628,733	649,287
Vessels	7	596,811	621,861
Vessel held for sale	7	3,923	0
Investment in joint venture	6	27,999	27,426
Current Assets		73,342	68,792
Inventories		5,020	4,538
Trade and other receivables		18,170	24,049
Cash and cash equivalents		50,153	40,205
Unrestricted cash		37,445	26,765
Restricted cash		12,708	13,440
Equity and Liabilities		702,075	718,078
Equity		400,690	410,458
Share capital	10	43,047	101,121
Share premium		456,802	356,566
Treasury shares		-1,143	-1,143
Retained losses		-90,039	-43,948
Other reserves		-9,638	-3,819
Non-controlling interest		1,662	1,682
Non-current Liabilities		271,743	276,862
Interest-bearing loans	8	271,743	276,862
Current Liabilities		29,642	30,758
Interest-bearing loans and borrowings	8	2,429	2,753
Trade and other payables		15,394	20,519
Payables to affiliated companies		38	46
Other liabilities		11,781	7,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In USD thousands	Share capital (unaudited)	Share premium (unaudited)	Treasury shares (unaudited)	Retained losses (unaudited)	Other reserves (unaudited)	Non-controlling interest (unaudited)	Total equity (unaudited)
Equity as at 1 Jan. 2020	101,121	356,566	-1,143	-43,948	-3,819	1,682	410,458
Change in nominal value	-97,236	97,236	0	0	0	0	0
Capital increase (net)	39,162	3,000	0	0	0	0	42,162
Result of the period	0	0	0	-46,091	0	-19	-46,110
Foreign currency effects	0	0	0	0	41	0	41
Hedging reserves	0	0	0	0	-5,861	0	-5,861
Equity as at 30 Sep. 2020	43,047	456,802	-1,143	-90,039	-9,638	1,662	400,690
Equity as at 1 Jan. 2019	101,121	356,605	0	-4,247	985	4,687	459,151
Purchase of own shares	0	0	-1,143	0	0	0	-1,143
Capital increase to non-controlling interest	0	0	0	0	0	391	391
Changes in ownership in subsidiaries that do not result in loss of control	0	-39	0	0	0	-3,361	-3,400
Result of the period	0	0	0	-39,701	0	-36	-39,737
Foreign currency effects	0	0	0	0	-23	0	-23
Hedging reserves	0	0	0	0	-4,781	0	-4,781
Equity as at 31 Dec. 2019	101,121	356,566	-1,143	-43,948	-3,819	1,682	410,458

CONSOLIDATED STATEMENT OF CASH FLOW

in USD thousands	Notes	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 2020 YTD (unaudited)	Q3 2019 YTD (unaudited)
Profit/Loss before income tax		-17,781	-17,574	-11,433	-46,047	-25,484
Income tax expenses paid		0	0	0	0	0
Net change in current assets		1,241	2,580	-446	5,397	-1,945
Net change in current liabilities		-4,426	-806	-1,797	-776	1,700
Fair value change in derivatives		327	-127	-675	-618	-5,750
Depreciation		12,340	12,581	10,373	36,855	30,121
Finance costs (net)		6,396	4,918	5,511	16,595	15,768
Share of profit or loss from joint venture		-90	-590	-264	-573	542
Impairment		1,732	1,500	0	4,232	0
Gain from disposal of vessels		0	0	0	0	-3,129
Cash flow from operating activities		-260	2,481	1,269	15,067	11,823
Purchase of vessels		0	0	0	0	10,739
Proceeds from disposal of vessels		10,500	0	0	10,500	0
Dry docks and other upgrades on vessels		-8,608	-9,724	-23,070	-30,461	-43,901
Investment in subsidiaries and affiliated companies		0	0	0	0	-4,900
Interest received		3	25	117	79	367
Purchase of own shares		0	0	-175	0	-1,143
Cash flow from investing activities		1,895	-9,699	-23,129	-19,882	-38,838
Proceeds from share issuance		31,418	0	0	43,354	391
Share issuance costs		-916	-11	0	-1,192	0
Proceeds from debt financing		0	0	20,000	0	33,000
Repayment of debt		-6,603	-500	-1,183	-8,326	-7,566
Interest paid		-2,070	-4,158	-4,845	-11,136	-14,197
Debt issuance costs		-1,895	-48	-404	-2,165	-1,327
Other interest paid		-481	-49	0	-530	0
Repayment of MTM value of collar		0	0	0	-5,243	0
Cash flow from financing activities		19,453	-4,765	13,568	14,762	10,301
Net change in cash and cash equivalents		21,088	-11,982	-8,292	9,948	-16,714
Net foreign exchange differences		0	0	0	0	0
Cash and cash equivalents at beginning of period		29,065	41,047	51,806	40,205	60,228
Cash and cash equivalents at the end of period¹⁹		50,153	29,065	43,514	50,153	43,514

¹⁹ Whereof USD 12.7 million is restricted as at 30 September 2020 and USD 13.4 million as at 31 December 2019.

NOTES

Note 1 - General information

MPC Container Ships ASA (the "Company") is a public limited liability company (Norwegian: *allmennaksjeselskap*) incorporated and domiciled in Norway, with registered address at Munkedamsveien 45 A, 0250 Oslo, Norway and Norwegian enterprise number 918 494 316. The Company was incorporated on 9 January 2017 and commenced operations in April 2017, when the first vessels were acquired. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is to invest in and to operate maritime assets in the container shipping segment.

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

Note 2 - Basis of preparation

The unaudited interim financial statements for the period ended 30 September 2020 are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The statements have not been subject to audit. The statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2019. The consolidated financial statements are presented in USD thousands unless otherwise indicated.

Only standards and interpretations that are applicable to the Group have been included and the Group reviews the impact of these changes in its financial statements. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

Note 3 - Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial reporting are consistent with those applied in the preparation of the Group's consolidated financial statements for the period ended 31 December 2019 except for the new standards effective as at 1 January 2020.

Note 4 - Segment information

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

Note 5 - Revenue

in USD thousands	Q3 2020 (unaudited)	Q3 2019 (unaudited)
Time charter revenue	28,996	31,130
Pool charter revenue	8,177	9,801
Other revenue	4,021	5,113
Total operating revenue	41,194	46,044

The Group's time charter contracts are separated into a lease element and a service element. The lease element of the vessel represents the use of the vessel without any associated performance obligations and are accounted for in accordance with the lease standard. Revenues from time charter services (service element) and other revenue (e.g. bunkers and other services) are accounted for in accordance IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

in USD thousands	Q3 2020 (unaudited)	Q3 2019 (unaudited)
Service element	12,949	17,383
Other revenue	4,021	5,113
Total revenue from customer contracts	16,970	24,649
Lease element	24,224	23,549
Total operating revenue	41,194	46,044

Note 6 - Interest in joint ventures

The Group has a 50% interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG, Hamburg (Germany), a company owning eight container vessels through respective wholly-owned subsidiaries. In view of the shared control structure in the joint venture, the Group's interest in 2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG is accounted for using the equity method.

in USD thousands	Q3 2020 (unaudited)	Q3 2019 (unaudited)
Operating revenue	6,322	6,570
Operating costs and depreciation	-5,933	-5,786
Net financial income/expense	-192	-246
Income tax	-19	-8
Profit after tax for the period	179	528
Total comprehensive income for the period	179	528
Group's share of profit for the period	90	264

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

Note 7 - Vessels and Vessels held for sale

in USD thousands	At 30 September 2020 (unaudited)	At 31 December 2019 (audited)
Acquisition cost at 1 Jan.	697,533	639,871
Prepayments reclassified to vessels	0	1,549
Capitalized dry-docking and other expenses	30,461	64,067
Disposals of vessels	-10,500	-7,954
Acquisition cost	717,493	697,533
Accumulated depreciations 1 Jan.	-75,672	-32,573
Disposal of vessels	0	593
Depreciation for the year-to-date	-36,855	-41,109
Impairment	-4,232	-2,583
Accumulated depreciations and impairment at end of period	-116,759	-75,672
Closing balance at end of period	600,734²⁰	621,861
<i>Depreciation method</i>	<i>Straight-line</i>	<i>Straight-line</i>
<i>Useful life (vessels)</i>	<i>25 years</i>	<i>25 years</i>
<i>Useful life (dry docks)</i>	<i>5 years</i>	<i>5 years</i>
<i>Useful life (scrubbers)</i>	<i>Remaining useful life vessel</i>	<i>Remaining useful life vessel</i>

The Group has entered into a Memorandum of Agreements for the sale of AS Fiona with expected delivery in November 2020. As the vessel has not been delivered to its new owners as at 30 September 2020, the vessel is classified as held for sale. The difference between the estimated fair value less cost to sell of the vessel and the vessel's carrying value, amounting to USD 1.7 million, was recorded in the quarter ended 30 September 2020.

²⁰ Whereof USD 3.9 million as at 30 September 2020 relates to Vessel held for sale

At each reporting date, the Group evaluate whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. As the container market have been heavily affected outbreak of COVID-19 during the first half of 2020 and into the third quarter and the Company's market capitalization has continued to be below the carrying amount of the Company's equity, management has performed impairment tests for all vessels in the Group as at 30 September 2020. However, as the idle numbers in the container market has decreased significantly since June 2020 and the charter rates for feeder vessels also has increased significantly in the same period, the headroom in the impairment test has increased compared to the last reporting period.

The impairment test as at 30 September 2020, has been performed by updating the key assumptions, in accordance with the Group's methodology as set out in the Group's annual financial statement as at 31 December 2019. The key assumptions has been updated also considering the current market and the Group's updated long-term assumptions, including using multiple scenarios in the analysis. As the recoverable amounts exceeds the carrying amounts for all vessels not classified as held for sale, no additional impairment charges have been included in the financial results for the third quarter of 2020.

The impairment assessment is depending on a gradual recovery in the market. The timing of a recovery including the development in charter rates and utilization in the periods ahead will have an impact on the Group's impairment assessment going forward.

Note 8 Interest-bearing debt

in USD thousands	Ticker	Currency	Facility amount	Interest	Maturity	At 30 Sep. 2020 (unaudited)	At 31 Dec. 2019 (audited)
Nominal value of issued bonds	MPCBV	USD	200,000*	Floating + 4.75%	Sep. 2022	202,064	200,000
Non-recourse senior secured term loan	N/A	USD	59,150	Floating + 4.75%	May 2023	49,595	57,921
USD 29 million term loan**	N/A	USD	40,000	Floating + 3.75%	Apr. 2022	29,000	29,000
Other long-term debt including accrued interest						226	310
Total outstanding						280,884	287,231
Debt issuance costs						-6,713	-7,615
Total interest-bearing debt outstanding						274,172	279,616

* As part of the bond amendments resolved on 3 July 2020, the redemption price at the new maturity date being 22 March 2023 is set to 104%.

** The revolving credit facility changed into a USD 29 million term loan at 5 August 2020

The Group has entered into fixed interest-rate swap agreements for USD 50 million of the USD 200 million bond loan in MPC Container Ships Invest B.V. For the remaining USD 150 million bond loan the Group has entered into interest cap and collar agreements. For the non-recourse senior secured term loan, the Group has entered into collar agreements. And in relation to the USD 29 million term loan, the Group has entered into fixed interest-rate swap agreements for a notional of USD 15 million.

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

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

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

In September 2020, MPC Container Ships Invest B.V. in accordance with the new terms under bond agreement, for the third quarter interest payment, settled 1/3 of the payment in cash and the remaining 2/3 as payment in kind (“PIK”) by way of issuing additional bonds. Accordingly, outstanding bonds as at 30 September 2020 are USD 202.1 million.

For the non-recourse senior secured term loan, the Group has an accordion option at the lender’s discretion for additional approximately USD 240 million.

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

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

On 5 August 2020, MPCC Second Financing GmbH & Co. KG, a wholly owned subsidiary of the Company, entered into an amendment and restatement agreement for its former USD 40 million revolving credit facility, changing the agreement into a term loan of USD 29 million.

The following main financial covenants are applicable as at 30 September under the terms of the USD 29 million term loan:

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

The Group is in compliance with all bond and loan covenants as at 30 September 2020.

Note 9 - Related party disclosure

The following table provides the total amount of service transactions that have been entered into with related parties in Q3 2020:

in USD thousands - Q3 2020	Type of services	Group	2. Bluewater Holding Schiffahrtsgesellschaft GmbH & Co. KG
Ahrenkiel Steamship GmbH & Co. KG / B.V.	Technical	2,334	241
Harper Petersen & Co. GmbH	Commercial	485	74
MPC Maritime Investments GmbH	Corporate	59	0
MPC Münchmeyer Petersen Capital AG	Corporate	118	0
Total		2,996	316

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

Note 10 - Share capital

The share capital of the Company consists of 394,256,127 shares as at 30 September 2020 after the equity private placement announced 13 July and 20 August 2020. The nominal value per share is NOK 1 after the decrease on nominal value from NOK 10 to NOK 1 as announced 9 July. All issued shares in the table below are of equal rights and are fully paid up.

	Number of shares	Share capital (USD thousands)
1 Jan. 2020	84,253,000	101,121
Capital increase from equity private placement announced 14 Feb. 2020	7,250,000	6,920
Reduction in nominal value announced 9 Jul. 2020	-	-97,236
Capital increase from equity private placement announced 13 Jul. 2020	266,353,127	28,197
Capital increase from equity subsequent offering announced 20 Aug. 2020	36,400,000	4,045
30 Sep. 2020	394,256,127	43,047

The share increased from the private placement and the subsequent offering in the third quarter includes underwriting commission shares of 6,353,127 for the private placement and 1,400,000 for the subsequent offering.

As at 30 September 2020 the Company holds 351,098 treasury shares.

Note 11 - Subsequent events

On 2 October 2020 the Group entered into a sale agreement for the vessel AS Fiona. The vessel will be delivered to its new owner during the fourth quarter of 2020.

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 gain/loss from disposals of vessels to the operating result ("EBIT").

in USD thousands	Q3 2020 (unaudited)	Q2 2020 (unaudited)	Q3 2019 (unaudited)	Q3 2020 YTD (unaudited)	Q3 2019 YTD (unaudited)
Operating result (EBIT)	-11,386	-12,656	-5,922	-29,453	-9,716
Depreciation	12,340	12,581	10,373	36,855	30,121
Impairment	1,732	1,500	-	4,232	-
EBITDA	2,687	1,424	4,451	11,635	20,405

AVERAGE TIME CHARTER EQUIVALENT ("TCE")

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

AVERAGE OPERATING EXPENSES ("OPEX") PER DAY

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

UTILIZATION

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

LEVERAGE RATIO

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

EQUITY RATIO

Total book equity divided by total assets.

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