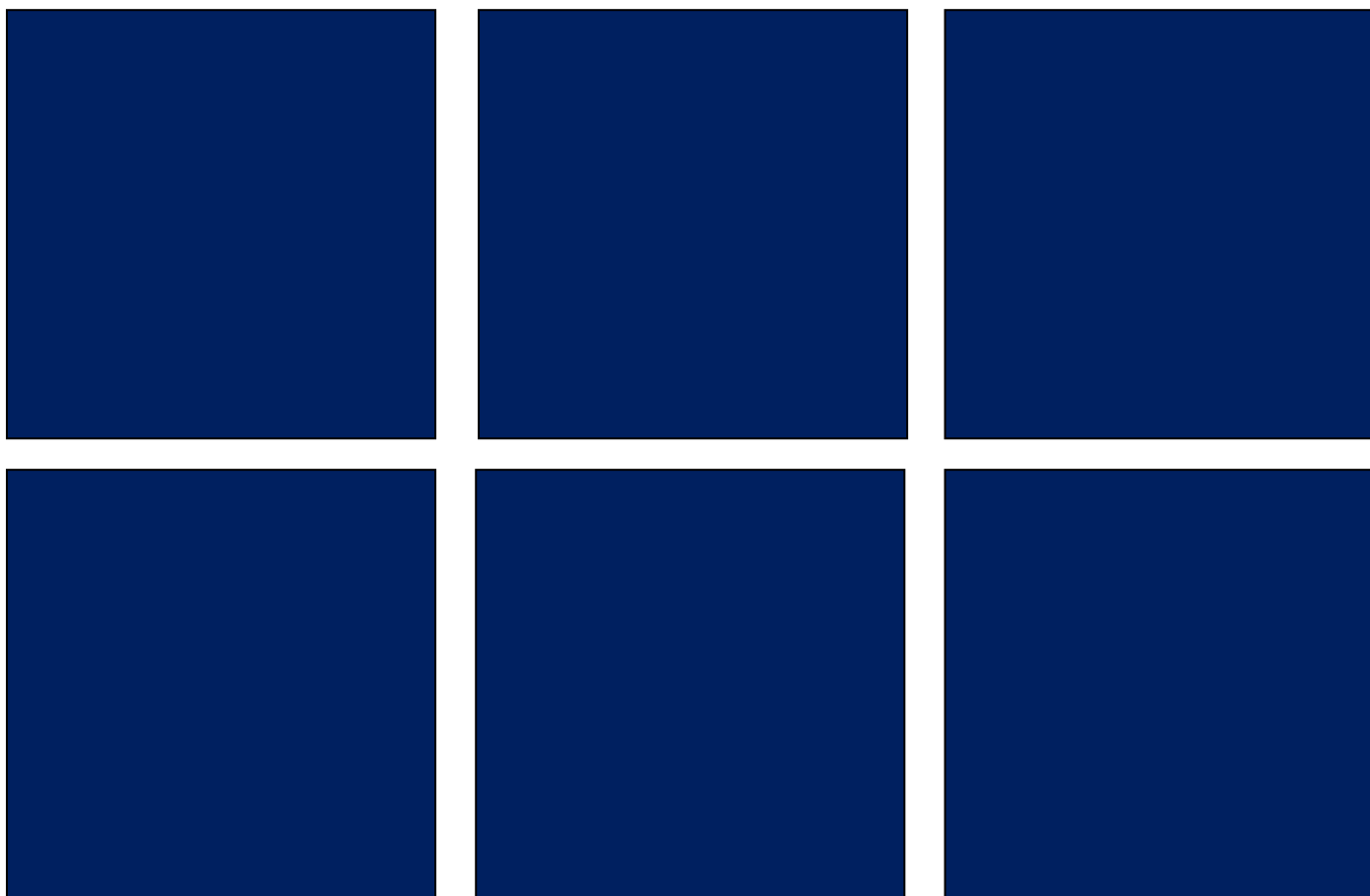




**MPC CONTAINER SHIPS INVEST B.V.**

# ANNUAL REPORT 2020

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# MANAGEMENT BOARD'S REPORT

## BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

MPC Container Ships Invest B.V. (the "Company", together with its subsidiaries the "Group") is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Oever 5, 3161 GR Rhoon, and Dutch enterprise number 69545103. The Company was incorporated on 6 September 2017 and its operating activity commenced in September 2017. The Group's consolidated financial statements include the financial reports of the Company and its subsidiaries. The principal activity of the Group is the investment in, as well as operating and financing of, container vessels. The Group has a focus on feeder vessels, that are chartered out to liner shipping companies and regional carriers.

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

On 5 February 2020, a subsidiary of the Group entered into an agreement for the sale of AS Lauretta, a 1,000 TEU vessel, which was cancelled by the buyer before delivery. The total sales price was initially agreed to USD 6.5 million which resulted in an impairment of USD 1.5 million already recognized in fourth quarter of 2019. On 20 August 2020, the vessel was sold and delivered to new buyers for USD 5.0 million leading to an additional impairment of USD 1.5 million recognized in Q2 20.

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

On 2 October 2020, the Group entered into a sale agreement for AS Fiona and the vessel was delivered to its new owners during the fourth quarter of 2020. No additional impairment was recognized at the date of disposal.

On 10 December 2020, the Group entered into a Memorandum of Agreement for the sale of AS Laguna with the expected delivery to the new owners in the first half of 2021. As the vessel has not been delivered to its new owners as at 31 December 2020, the vessel is classified as held for sale.

Subsequent to the balance sheet date, the Group entered into a Memorandum of Agreement for the sale of AS Frida. The net sales prices for these vessels are below the carrying amounts, and an impairment of USD 4.8 million has been recognized in the fourth quarter of 2020 related to AS Laguna and AS Frida.

As of 31 December 2020, the Company's share capital is EUR 1 comprised by 1 share, with a nominal value of EUR 1. As of the same date, the Group is the owner of 37 container vessels between 1,100 and 2,800 TEU.

### Key performance indicators<sup>1</sup> 2020:

- Total ownership days of the vessels were 14,101 (2019: 14,235)
- Total trading days of the vessels were 12,810 (2019: 12,664)
- The utilization in 2020 was 91% (2019: 89%)
- Average time charter equivalent ("TCE") was USD 7,762 per day in 2020 (2019: USD 8,272)

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<sup>1</sup> See separate section Alternative Performance Measures in this annual report for further description.

- Average vessel operating expenditures (“OPEX”) was USD 4,876 per day in 2020 (2019: USD 4,891)
- Equity ratio as of 31 December 2020 was 45.5% and the leverage ratio was 51.3% (2019: 48.0% and 47.3%)

## CONSOLIDATED FINANCIAL RESULTS

### INCOME STATEMENT

The Group’s vessels are chartered out on time charter contracts to global and regional liner shipping companies. Operating revenues during 2020 were USD 109.3 million (2019: USD 113.2 million). Vessel-related expenses were USD 96.1 million (2019: USD 97.5 million), resulting in gross profit from vessel operations of USD 13.2 million (2019: USD 15.7 million).

Administrative expenses, depreciation and impairment, gain on sale of vessel, other income and other expenses totalled to USD 42.5 million in 2020 (2019: USD 25.7 million). The increase from prior year is mainly driven by impairment of disposed vessels and increased depreciation related to significant investments in scrubber installations, dry-docking and other major overhauls. The Group reported an operating loss (EBIT) of USD 29.3 million, compared to an operating loss of USD 10.0 million in 2019.

Finance costs amounted to USD 16.1 million in 2020 (2019: USD 15.7 million). Net loss for the twelve-month period ending 31 December 2020 was USD 45.4 million (2019: USD 25.9 million).

The negative development in net profit/loss compared to 2019 was mainly driven by lower charter revenues caused by the COVID-19 pandemic, higher depreciation of the new scrubber installations and the impairments of the sale of the vessels. Although the current market momentum and fundamentals are very compelling, the financials for the year 2020 are still affected by the fixed contracts concluded in the depressed market during spring and summer months.

The Management Board has proposed that the net loss for the period is allocated to retained losses.

### FINANCIAL POSITION

The Group’s total assets amounted to USD 390.6 million as of 31 December 2020 (31 December 2019: USD 412.9 million). Non-current assets in the amount of USD 354.1 million (31 December 2019: USD 391.5 million) mainly comprise of vessels taken over and operated by the Group. The decrease in non-current assets during 2020 was mainly caused by the sale of the vessels and the increased depreciation due to the significant investments into scrubbers for five of the vessels within the Group.

Total equity was USD 177.7 million as of 31 December 2020 (31 December 2019: USD 198.2 million). In 2020, a capital injection of USD 29.0 million from the Parent took place (2019: USD 19.2 million).

The non-current financial liabilities were USD 200.3 million (31 December 2019: USD 195.3 million) resulting from a bond issued by the Company in both 2017 and 2018. The increase is related to amortization of capitalized loan fees and settlement of two thirds (2/3<sup>rd</sup>s) of the third and quarter interest payments as payment in kind (“PIK”) by way of issuing additional bonds in accordance with the amended bond terms, partly offset by additional capitalized loan fees.

### CASH FLOW

During 2020, the Group generated negative cash flow from operating activities of USD 7.9 million (2019: positive of USD 21.0 million), where the decrease is caused mainly by the implications on the charter market caused by the COVID-19 pandemic.

The cash flow absorbed by investing activities into vessels was USD 15.9 million (2019: USD 27.4 million) due to dry-docking, investments in scrubbers on part of the vessels and other vessel upgrades.

The positive cash flow from financing activities of USD 14.4 million (2019: USD 3.0 million) was mainly due to the capital injection from the Parent during the year.

Largely driven by the above, the total net change in cash and cash equivalents was USD 6.1 million in 2020, compared to USD -3.4 million in 2019.

Cash and cash equivalents are USD 21.4 million as of 31 December 2020 (31 December 2019: USD 15.8 million), whereof USD 9.2 million is restricted cash related to the terms in the bond agreements and disposed vessels.

## GOING CONCERN

The Management Board confirms that the financial statements of the Company have been prepared on a going concern basis after the bond amendments completed on 3 July 2020 and the current charter back-log of the Group. As the charter market has had a significant v-shaped recovery after the outbreak of COVID-19, the virus is not expected to have a significant impact on the Company's going concern assumptions in the near future. This assumption is based on profit forecasts for 2021 and long-term strategic forecasts for both the Group and Parent as guarantor. The Group's economic and financial position is deemed sound.

## WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

During the reporting period, the Group has only one employee. It has assessed its working environment, leave of absence, incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year. There are no issues here to report.

The Group is committed to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

The Group is working actively, determined and systematically to encourage equal rights within our business, and aims to be a workplace with equal opportunities. This is reflected in the Parent's Code of Conduct, applicable to the Company and to the entities controlled by the Parent and to all employees, directors, officers and agents.

## CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Group is subject to the corporate governance and corporate social responsibility requirements as set out by the Parent. The Group 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
- contribute to learning and distribution of knowledge; and
- establish long-term working relationships and utilise the shipping sector's expertise for the further development of the industry.

The corporate governance principles of the Company are based on the corporate governance principles as adopted by the Board of Directors of the Parent.

Please see the ESG Report 2020, Corporate Governance Report and Corporate Social Responsibility Statement embedded in the 2020 Annual Report of the Parent. The Corporate Governance Report, Corporate Social Responsibility Statement, the Parent's Code of Conduct and the ESG Report 2020 may also be found on the Parent's

## MANAGEMENT BOARD AND RISK & AUDIT COMMITTEE

During the year 2020, the Management Board of the Company comprises three men. The company aims to have women represent at least 30% of its members of the Management Board. Any searches for new board members will focus on women if the target of 30% has not been achieved.

None of the Directors of the Company received compensation for the directorships in the Company from the Group in 2020 or 2019. Corporate management fees are charged by the Parent to the Group, which include remuneration for key executive positions and other admin support services, respectively USD 0.1 million in 2020 and 2019.

Corporate management fees for an amount of USD 1.6 million are also charged by the Parent to the Group in 2020, which include remuneration for other key executive positions and other admin support services.

The audit committee requirements within Article 2(2) of the Royal Decree of 26 July 2008 is served through the involvement of the Risk & Audit Committee of the Parent. The Risk & Audit Committee is considered to have sound knowledge of the relevant sector of the Company, to be independent of the Company and to have the required competence.

## CONTAINER MARKET UPDATE

### COVID-19: THE CONTAINER VESSEL MARKET ON A ROLLER COASTER RIDE IN 2020

In 2020, the COVID-19 pandemic put the container vessel market on a roller coaster ride. Due to lockdowns in major western economies in H1 2020 and a resulting drop in demand, 2020 will enter the books as a year of global recession, already compared with the Great Depression in the 1930s. GDP growth was negative in most industrialized economies, leading to a global GDP growth of -3.5%. Only the Chinese Economy grew with 2.3%, nevertheless the slowest pace since four decades. World trade in 2020 declined -9.6%.<sup>2</sup>

End of April 2020, container trade growth for full year 2020 was forecasted with -11%<sup>3</sup> and analysts expected 2020 to be one of the worst years for container trade ever. With the ease of lockdowns in May 2020, markets started to recover. While macroeconomic numbers recovered only slightly and stepwise, the container vessel market saw an unexpected fast and strong bounce back, outperforming every expectation.

Following a V-shaped recovery, container volumes jumped back on track and full year demand forecasts was continuously revised upwards. Finally, 2020 will experience “only” a slight decline of seaborne container trade of -1.1%.<sup>4</sup> With the tremendous bounce back in trade volumes, freight rates increased to record high numbers, time-charter rates followed in tandem and the idle statistics decreased to record low levels. The strong market momentum encouraged investors. US-listed shipping stocks started the first week of 2021 with a roar (+12.8% on average). Secondhand transactions and new-build orders increased and so did secondhand prices, whereas scrapping came nearly to a halt at the end of 2020.

Therefore, the container vessel market started into 2021 with strong momentum, historical proper fundamentals and excess demand expectations for two to three years at least. Neither the continuously growing numbers of new

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<sup>2</sup> International Monetary Fund, World Economic Outlook Update, January 2021.

<sup>3</sup> Clarkson Research, Container Intelligence Monthly, Volume 22, No. 4 (April)

<sup>4</sup> Clarkson Research, Container Intelligence Monthly, Volume 23, No. 2 (February).

COVID-19 infections worldwide nor the second wave of lockdowns around the globe seem to lower container vessel market expectations. The reason lies within an interplay of trade volumes, equipment shortage, a shift in consumer behavior (from non-tradable local services to consumption goods, fueled by monetary and fiscal stimuli), a change in global sourcing patterns (more diversified sourcing strategies), the need of increasing corporate inventory levels (to cushion risks of a future demand dip) and a wise capacity management of a consolidated liner industry.

## CONTAINER DEMAND

Despite the fast and significant bounce back of trade volumes, 2020 will see one of the worst years for container trade ever. Full year TEU demand is calculated with -1.1%. The main downturn occurred in H1 2020. After the ease of lockdowns in the US and Europe in May 2020, container demand recovered significantly and unexpected fast. Operators started to increase capacity with a remarkable rebound on Transpacific and North-South trades, where capacity soon reached higher levels than pre-crisis levels.

Currently, container demand growth is forecasted with 5.7% in 2021. As it is still early in the year, this number will be exposed if and how strong the second wave of lockdowns will affect retail trade and, thus, also container demand.<sup>5</sup> Full year demand expectations are even stronger for intra-regional trades with 7.6%<sup>6</sup>.

Mid-term demand forecasts for the Container Vessel Market are encouraging as well. Demand growth is currently estimated with an average annual growth rate of 5.2% until the end of 2025. Numbers are even more favorable for smaller and intermediate vessels as demand growth on intra-regional trades (the main deployment of vessels smaller 6,000 TEU) is relative strong with an average annual growth rate of 5.6% until 2025.<sup>7</sup> A possible rethinking of global production patterns towards more regional diversification can be expected to have additional positive implications on intra-regional trades (especially in Asia) and to increase the need for small and flexible container vessels.

## Fleet Development

Regarding the supply side of the container vessel market, the global container fleet comprises currently 5,445 vessels with a total capacity of 23.8 million TEU. The feeder fleet (1,000 to 3,000 TEU) amounted to 1,975 vessels with a total capacity of 3.6 million TEU.<sup>8</sup>

The COVID-19 induced lockdowns made vessel handovers impossible for a while so that deliveries and scrapping came nearly to a halt in Q2 2020. With the ease of lockdowns, demolition peaked in June and July. As soon as vessel owners got aware of the increased market momentum and respective earnings possibilities, scrapping came again nearly to a halt in H4 2020. In full year 2020, 80 vessels with a capacity of 214 thousand TEU have been scrapped (compared to 93 vessels with a capacity of 267 thousand TEU in 2019). In the feeder segment (1,000 - 3,000 TEU), 45 vessels with 67 thousand TEU have been deleted, compared to 61 vessels and 93 thousand TEU in 2019. In the Classic Panamax segment (3,000 - 6,000 TEU), 16 vessels with 79 thousand TEU have been scrapped in 2020, compared to 17 vessels with 81 thousand TEU in 2019.<sup>9</sup>

New-build deliveries have been very low in 2020. 137 container vessels with a capacity of 854 thousand TEU have been delivered. While numbers for 2019 have already been relative low, still 165 container vessel deliveries have been recorded with 1.1 million TEU capacity. In the feeder segment (1,000 to 3,000 TEU) 90 vessels have been delivered in 2020 (with 185 thousand TEU capacity) compared to 84 vessels delivered in 2019 (153 thousand TEU).<sup>10</sup>

With 12% of the total fleet (2.9 million TEU capacity), the order book is currently at low levels. The lowest order book

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<sup>5</sup> Ibid.

<sup>6</sup> Maritime Strategies International, Horizon, 16 February 2021.

<sup>7</sup> Ibid.

<sup>8</sup> Clarkson Research, Shipping Intelligence Network, 17 March 2021.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

was observed in October 2020 with 8% and 1.9 million TEU. Due to the current market momentum, also new-build orders increased. In Q4 2020, vessels with a total capacity of 654 thousand TEU have been ordered. The Feeder order book (1,000 - 3,000 TEU) is also at record low levels with 298 thousand TEU (8% of the feeder fleet). Compared with the total fleet, feeder orders did increase only marginal in Q4 2020. Ordered vessels in the Classic Panamax segment (3,000 - 6,000 TEU) is still relative low (40 vessels), but the number increased significantly from only 13 vessels in January 2021. are currently on order (157 thousand TEU, 3% of the respective fleet). Planned delivery of feeder vessels is slightly larger in H1 2021 than afterwards. As of August 2021, monthly new-build deliveries will be at a low level, at least until the end of 2022. Difficulties to decide about the right propulsion technology are expected to put restrictions on new orders, especially in the feeder segment.<sup>11</sup>

Analysts nevertheless expect orders to increase in the coming two years due to the average age of the total fleet. The current age of the total fleet is 13.5 years. In 2011, the current fleet age was 9 years. Smaller vessels (sub-panamax) are aging more notably: 880 vessels smaller 4,000 TEU are currently 20 years or older. Analysts expect this number to increase to 1,150 vessels in 2025.<sup>12</sup>

### Supply / Demand Balance

Accordingly an excess demand situation is expected for the coming years. The expected demand growth in 2021 of 5.7% will most likely outperform supply growth, currently forecasted with 3.9%. An even stronger excess demand is expected for smaller vessel sizes. Demand growth on intra-regional trades is forecasted with 7.6% in 2021 and the number of vessels smaller than 5,200 TEU are expected to grow with only 0.3% in 2021.

Current forecasts for 2022 are even better. The total fleet is expected to grow with only 1.9% and the size cluster of vessels smaller than 5,200 TEU to decrease with 0.6%. Container demand growth for 2022 is forecasted with 3.7% and intra-regional trade demand with 6.3%.<sup>13</sup>

### CHARTER MARKET

With the recovery of traded TEU volumes, also the charter market improved to levels not seen since a decade. A wise capacity management of the liners, equipment shortage on main shipping hubs, increased trade flows and a shift in consumer behaviour from non-tradable local services to consumption goods pushed freight rates to historical high numbers. The SCFI Comprehensive increased from 1,050 in July 2020 to 2,876 in March 2021. The increase of freight rates started on Transpacific trades and followed on North-South trades and meanwhile Asia – Europe trades as well. Shippers from Asia to Europe have already been asked to pay in excess of USD 10 thousand / 40ft container.<sup>14</sup>

Freight rates also increased on intra-regional trades. Rates on Intra-Asia trades e.g. increased from 852 USD/ 40ft in May 2020 to 1,512 USD/ 40 ft in February 2021 (+78%) and box rates on Intra-Europe trades from 930 USD/ 40 ft to 1,400 USD/ 40ft (+50%).<sup>15</sup>

Lagged by one to two months, also time-charter rates increased to record high numbers. The Clarksons Time-Charter Rate Index increased from 44 points in July 2020 to 108.34 points in February 2021.<sup>16</sup>

Time charter rates (6-12 months) at 5 March 2021: <sup>17</sup> (See figure below)

<sup>11</sup> Ibid.

<sup>12</sup> Braemar, Container Market Developments Weekly, Week 6 2021, 1 February 2021.

<sup>13</sup> Clarkson Research, Container Intelligence Monthly, Volume 23, No. 2 (February).

<sup>14</sup> Clarkson Research, Shipping Intelligence Network, 17 March 2021.

<sup>15</sup> Drewry, Container Freight Rate Insights, 17 March 2021.

<sup>16</sup> Clarkson Research, Shipping Intelligence Network, 17 March 2021.

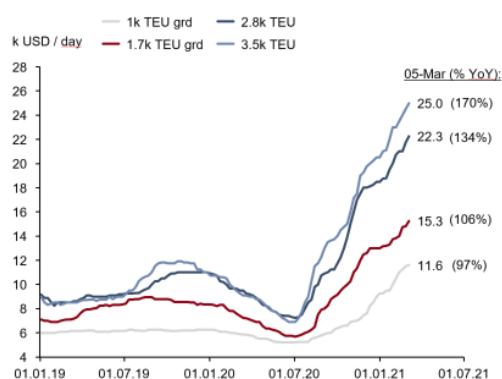
<sup>17</sup> Ibid.



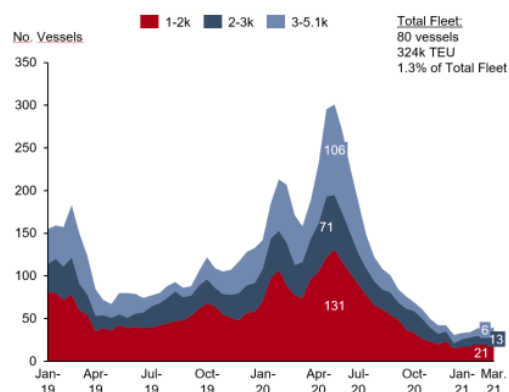
- 1,000 TEU grd: USD 11,600 (+97% YoY)
- 1,700 TEU grd: USD 15,250 (+106% YoY)
- 2,750 TEU: USD 22,250 (+134% YoY)
- 3,500 TEU: USD 25,000 (+170% YoY)

Idle numbers have decreased significantly since June. As of 1 March, only 80 vessels have been idle across all size segments (324k TEU and 1.3% of the total fleet). The feeder idle statistics decreased by around 80% to only 34 idle vessels (1-3k TEU segment). The idle number for vessels between 3,000 - 5,100 TEU decreased from 106 in June 2020 to 6 in March 2021 (-91%).<sup>18</sup> (See figure below)

#### TIME-CHARTER RATE DEVELOPMENT



#### IDLE STATISTICS (ALPHALINER, AS OF 1 MAR)



With the upswing in the charter market, also the charter duration and other contract details got more favourable for vessel owners. The average charter period for smaller vessels (1,000 - 5,100 TEU) increased from 4.2 months in June 2020 to 11.9 months in December 2020. The min-max redelivery spread decreased from 3.4 months in June 2020 to 1.5 months in December 2021.<sup>19</sup>

#### ASSET PRICES

With the improvement of the market momentum, also second hand sales activity and prices increased. During Q4 2020, 65 container vessel sales were completed. Prices increased from USD 3.75 million for a ten year old 1,000 TEU vessel in June 2020 to USD 6.5 million in February 2021. For a ten year old 1,700 TEU vessel, the price increased from USD 6 million in June 2020 to USD 11 million in February 2021 and from 8m USD to USD 15 million for a 10 year old 2,800 TEU vessel.<sup>20</sup>

For new-building prices, a such increasing tendency has not yet been seen. New building prices are currently (as of 22<sup>nd</sup> January 2021) at USD 41 million for a 3,500 – 4,000 TEU vessel, at USD 30.5 million for a 2,800 TEU vessel, at USD 23.5 million for a 1,700 TEU vessel and at USD 19 million for a 1,000 TEU vessel. It is important to note, however, that the observation of prices is based on vessels with traditional forms of propulsion. Consequently, price reductions may have only limited effects on attracting new orders as propulsion uncertainties add additional market entry barriers.<sup>21</sup>

<sup>18</sup> Alphaliner, Weekly Newsletter, Volume 2021 Issue 10.

<sup>19</sup> Clarksons Research, Shipping Intelligence Network, 17 March 2021.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

## MARKET OUTLOOK

COVID-19 and the imposed lockdowns led to a severe global recession in 2020, affecting all major economies and a wide range of industries. Seaborne container trade saw a decrease of 1.1% in full year 2020, as demand stumbled in H1. After the ease of lockdowns in May 2020, the markets started to recover stepwise. The container vessel industry and the charter market saw an unexpected strong and fast rebound. First, the market recovered for larger sized vessels. With a lag of 2 months, the recovery started for smaller vessel sizes as well. With increasing trade volumes, a shift in consumption patterns, capacity management of liners and a shift in production and sourcing strategies, accompanied by expansive fiscal and monetary policy, the industry saw an unexpected boom in H2 2020, leading to the best market momentum and fundamentals in a decade. The further increase in COVID-19 infections and the second wave of lockdown do not seem to be able to harm the current market momentum significantly.

The proper market fundamentals provide an encouraging picture for the coming two to three years. Order books are at record low levels, freight rates and charter rates at record high levels and the idle statistic negligible. Investors already jumped on board and second hand activities and prices went upwards. Scrapping nearly came to a halt and new orders entered the books. However, as it takes time for a container vessel to be build, the new orders will not be delivered until H2 2022 and we thus do expect an excess demand situation for at least the coming two years. In addition, the charter market surge also increased the average charter duration significantly and decreased the redelivery window, that the availability of vessels will be scarce in 2021. 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 when the market movements get back to a more normal situation. Beyond the supply side, also trade forecasts are encouraging, especially for Intra-regional trades.

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, what 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 left those trades in 2020 year-to-date. 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.

With the very compelling current market momentum and fundamentals the outlook for 2021 is positive for the Group. As of mid-March, the Group has fixed 69% of the total operating days in 2021, reflecting in approximate USD 95.6 million on contracted charter revenue. The Group will see more vessels available for new charter parties during the next months. As such, the Group is accumulating a sizeable charter backlog with an increased duration period and secured earnings.

With the above mentioned positive market dynamics, the Group also take pre-emptive measures by maintaining a low and sensible cash break-even, prudent leverage profile and stringent capital allocation to ensure manoeuvrability under current conditions and to benefit from positive charter market.

The Group does not conduct research and development activities and does not intend to employ additional own workforce.

## RISK FACTORS

The Company is exposed to a variety of risks. It is considered practically impossible to systematically and sustainably generate risk-free profit. Risks are part and parcel of every company's business activities, and dealing with these risks is among the most important entrepreneurial duties. The Company is a part of the systematic risk management system of the Parent, developed not only to satisfy the requirements set out by law but also to ensure dynamic growth for the Group. The objective of the Group's risk management is to manage, rather than eliminate, exposure to risks related to the successful conduct of the Group's business.

Through (i) quarterly reviews of the Group's most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines, (iii) the appointment of a Risk & Audit Committee on Parent level to act as a preparatory and advisory body for the Parent's Board of Directors (the "Board") and support the Board in the exercise of its responsibility for financial reporting, internal control and risk management and (iv) the appointment of a dedicated risk management unit at Parent level to perform risk monitoring and provide regular risk management updates to the Risk & Audit Committee, the Board aims to ensure that the Group has sound internal control systems for risk management that are appropriate in relation to the extent and nature of the Group's activities.

The Parent has identified approximately 52 Group-level 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 Parent's organization and a defined set of countermeasures and control frequencies. A summary of the Group'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. None of the below risks had a significant impact on the Group in 2020.

### 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. This 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 above for separate section. The Group strives to maintain a dynamic chartering strategy, a reliable fleet and a close dialogue with the shipping market intelligence community 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. See separate section "Sustainability report" and "Corporate Governance report" in the Annual report of the Parent for further description of the risks and how the Parent and then the Group performs measures to mitigate the relevant risks.

### PERFORMANCE RISKS

The Company's performance depends heavily on the Group's technical, operational, environmental and reputational factors that carries both risks and opportunities. The Group 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. In order to operate its business efficiently, the Company accepts a low to moderate risk appetite for certain operational and technical risks. Nevertheless, the Group stresses a zero tolerance for performance risks related to health, safety and the environment.

The Company's vessels have insurance covering (where applicable) P&I, hull & machinery, loss of hire and crew negligence. Moreover, all vessels carry Loss Prevention, Safety and Quality manuals to ensure sound HSE routines. Third party contracting related to the Company's and the Group'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 prosecutions. For operational considerations, the Company accepts a certain degree of legal risks. The Group seeks to mitigate these risks by maintaining a well-functioning risk management system, management guidelines and dedicated compliance and legal functions.

## **PERSONNEL RISKS**

The continued progress of the Group depends heavily on the knowledge and network of key personnel as well as access to new talent. Personnel risks are inevitable and hence acceptable to a certain degree, but only in parallel with risk mitigation procedures such as pre- and post-hire preparations, routine employee development reviews, job fixes and a methodical expansion of the Group's human resources on business-critical processes.

## **IT RISKS**

IT and cyber risks make up an increasing share of a company's risk universe, as evident from the 2017 WannaCry and NotPetya cyber-attacks which disrupted a host of industries around the world, including the shipping sector. The Group purchases IT services from third parties that offer comprehensive security strategies that closely matches the Group's business objectives, with an aim to reduce IT risks to an absolute minimum.

## **FINANCIAL RISKS**

The Group seeks to actively manage its financial risk exposures through the use of dedicated finance, treasury and owner controlling teams within its organization. The Company's liquidity and covenant risks are monitored on an on-going basis, also considering latest macroeconomic events such as COVID-19, see above for separate section. Currency and interest rate risks are mitigated via financial instruments where deemed appropriate. The Group acknowledges that financial risks will not be eliminated in full, and accepts residual risks placed under systematic monitoring.

## **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 Group. The need to consider major initiatives may arise from strategic considerations or from shifts in market dynamics or regulatory changes outside of the Group's control. The Group 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 annual report are based on various assumptions. The assumptions are subject to uncertainties and contingencies that are difficult or impossible to predict. MPC Container Ships Invest B.V. cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

# RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated and company financial statements presented in this annual report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with Part 9 of Book 2 of the Netherlands Civil Code, give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm to the best of our knowledge that the Management Board's 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.

25 March 2021

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

Signed.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

| in USD thousands                           | Notes | 2020           | 2019           |
|--------------------------------------------|-------|----------------|----------------|
| Operating revenues                         | 6     | 109,305        | 113,246        |
| Commissions                                |       | -4,010         | -4,147         |
| Vessel voyage expenditures                 | 7     | -15,597        | -13,945        |
| Vessel operation expenditures              | 8     | -70,222        | -73,450        |
| Ship management fees                       |       | -6,265         | -5,980         |
| <b>Gross profit</b>                        |       | <b>13,211</b>  | <b>15,724</b>  |
| Administrative expenses                    | 9     | -2,983         | -3,020         |
| Depreciation                               | 13    | -31,341        | -24,070        |
| Impairment                                 | 13    | -7,996         | -1,469         |
| Other expenses                             |       | -575           | -723           |
| Gain/loss sale of vessels                  | 13    | 0              | 3,129          |
| Other income                               |       | 363            | 444            |
| <b>Operating result (EBIT)</b>             |       | <b>-29,321</b> | <b>-9,986</b>  |
| Finance income                             | 10    | 22             | 290            |
| Finance costs                              | 10,16 | -16,080        | -16,087        |
| <b>Profit/Loss before income tax (EBT)</b> |       | <b>-45,379</b> | <b>-25,783</b> |
| Income tax expenses                        | 11    | 0              | -108           |
| <b>Profit/Loss for the period</b>          |       | <b>-45,379</b> | <b>-25,892</b> |
| Attributable to:                           |       |                |                |
| Equity holders of the Company              |       | -45,353        | -25,882        |
| Minority interest                          |       | -26            | -9             |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in USD thousands                                                         | Notes | 2020           | 2019           |
|--------------------------------------------------------------------------|-------|----------------|----------------|
| Profit/loss for the period                                               |       | -45,379        | -25,892        |
| <b>Items that may be subsequently transferred to profit or loss</b>      |       | <b>-4,212</b>  | <b>-3,767</b>  |
| Cash flow hedge reserve                                                  | 17    | -4,206         | -3,767         |
| Foreign currency                                                         |       | -6             | 0              |
| <b>Items that will not be subsequently transferred to profit or loss</b> |       | <b>0</b>       | <b>0</b>       |
| <b>Total comprehensive profit/loss</b>                                   |       | <b>-49,591</b> | <b>-29,658</b> |
| Attributable to:                                                         |       |                |                |
| Equity holders of the Company                                            |       | -49,565        | -29,650        |
| Non-controlling interest                                                 |       | -26            | -9             |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| in USD thousands                 | Notes | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------|------------------|------------------|
| <b>Assets</b>                    |       | <b>390,552</b>   | <b>412,911</b>   |
| Non-current Assets               |       | 354,159          | 391,458          |
| Vessels                          | 13    | 354,159          | 381,458          |
| Long-term restricted cash        | 14    | 0                | 10,000           |
| Assets held for sale             |       | 3,900            | 0                |
| Vessel held for sale             | 13,24 | 3,900            | 0                |
| Current assets                   |       | 32,493           | 21,453           |
| Inventories                      | 8     | 2,047            | 2,501            |
| Trade and other receivables      | 15    | 9,068            | 13,142           |
| Restricted cash                  | 14    | 9,206            | 0                |
| Cash and cash equivalents        | 14    | 12,172           | 5,810            |
| <b>Equity and liabilities</b>    |       | <b>390,552</b>   | <b>412,911</b>   |
| Equity                           |       | 177,652          | 198,221          |
| Share capital                    | 19    | 0                | 0                |
| Share premium                    | 19    | 261,295          | 232,273          |
| Retained losses                  |       | -77,340          | -31,987          |
| Legal reserve                    | 19    | -6,961           | -2,749           |
| Non-controlling interest         | 12    | 657              | 683              |
| Non-current Liabilities          |       | 200,318          | 195,339          |
| Interest bearing loans           | 16    | 200,318          | 195,094          |
| Other liabilities                |       | 0                | 245              |
| Current Liabilities              |       | 12,582           | 19,352           |
| Trade payables                   | 17    | 8,604            | 14,037           |
| Payables to affiliated companies |       | 1,941            | 4,135            |
| Other current liabilities        |       | 2,037            | 1,180            |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in USD thousands                               | Share capital | Share premium  | Retained losses | Foreign currency effects | Hedging reserves | Total equity attributable to the equity holders of the Company | Non-controlling interest | Total equity   |
|------------------------------------------------|---------------|----------------|-----------------|--------------------------|------------------|----------------------------------------------------------------|--------------------------|----------------|
| Equity as at 1 Jan. 2019                       | 0             | 213,090        | -6,104          | -4                       | 1,022            | 208,004                                                        | 302                      | 208,306        |
| Contribution in kind                           | 0             | 19,183         | 0               | 0                        | 0                | 19,183                                                         | 0                        | 19,183         |
| Capital increase from non-controlling interest | 0             | 0              | 0               | 0                        | 0                | 0                                                              | 390                      | 390            |
| Result of the period                           | 0             | 0              | -25,883         | 0                        | 0                | -25,883                                                        | -9                       | -25,892        |
| Cash flow hedge reserve                        | 0             | 0              | 0               | 0                        | -3,767           | -3,767                                                         | 0                        | -3,767         |
| Foreign currency translation                   | 0             | 0              | 0               | 0                        | 0                | 0                                                              | 0                        | 0              |
| <b>Equity as at 31 December 2019</b>           | <b>0</b>      | <b>232,273</b> | <b>-31,987</b>  | <b>-4</b>                | <b>-2,745</b>    | <b>197,538</b>                                                 | <b>683</b>               | <b>198,221</b> |
| Equity as at 1 Jan. 2020                       | 0             | 232,273        | -31,987         | -4                       | -2,745           | 197,538                                                        | 683                      | 198,221        |
| Contribution in kind                           | 0             | 29,022         | 0               | 0                        | 0                | 29,022                                                         | 0                        | 29,022         |
| Capital increase from non-controlling interest | 0             | 0              | 0               | 0                        | 0                | 0                                                              | 0                        | 0              |
| Result of the period                           | 0             | 0              | -45,353         | 0                        | 0                | -45,353                                                        | -26                      | -45,379        |
| Cash flow hedge reserve                        | 0             | 0              | 0               | 0                        | -4,206           | -4,206                                                         | 0                        | -4,206         |
| Foreign currency translation                   | 0             | 0              | 0               | -6                       | 0                | -6                                                             | 0                        | -6             |
| <b>Equity as at 31 December 2020</b>           | <b>0</b>      | <b>261,295</b> | <b>-77,340</b>  | <b>-10</b>               | <b>-6,951</b>    | <b>176,994</b>                                                 | <b>657</b>               | <b>177,652</b> |



## CONSOLIDATED STATEMENT OF CASH FLOWS

| in USD thousands                                       | Notes | 2020           | 2019           |
|--------------------------------------------------------|-------|----------------|----------------|
| Profit/Loss before taxes                               |       | -45,379        | -25,783        |
| Tonnage tax paid                                       |       | 0              | -31            |
| Finance expenses, net                                  | 10    | 16,058         | 15,798         |
| Net change in current assets (ex vessel held for sale) |       | 4,528          | 1,142          |
| Net change in current liabilities                      |       | -6,689         | 7,423          |
| Depreciation                                           | 13    | 31,341         | 24,070         |
| Impairment                                             | 13    | 7,996          | 1,469          |
| Gain/loss from disposal of vessels                     | 13    | 0              | -3,129         |
| <b>Cash flow from operating activities</b>             |       | <b>7,855</b>   | <b>20,959</b>  |
| Proceeds from disposals of vessels                     | 13    | 8,923          | 10,739         |
| Dry-docking and other investments                      | 13    | -24,860        | -37,314        |
| Prepayment on vessels                                  | 13    | 0              | -856           |
| <b>Cash flow from investing activities</b>             |       | <b>-15,937</b> | <b>-27,431</b> |
| Proceeds from shareholder's contribution               |       | 29,022         | 19,573         |
| Cash upfront payment for hedge instruments             |       | 760            | -2,026         |
| Repayment of MTM value                                 |       | -5,243         | 0              |
| Net other Interest paid                                |       | -849           | 291            |
| Interest paid                                          | 16    | -8,090         | -14,737        |
| Bond issuing costs                                     | 16    | -1,949         | -72            |
| Change in restricted cash                              |       | 794            | 0              |
| <b>Cash flow from financing activities</b>             |       | <b>14,445</b>  | <b>3,029</b>   |
| Net change in cash and cash equivalents                |       | 6,362          | 0              |
| Cash and cash equivalents at beginning of period       |       | 5,810          | 9,252          |
| <b>Cash and cash equivalents at the end of period</b>  |       | <b>12,172</b>  | <b>5,810</b>   |
| Long-term restricted cash <sup>22</sup>                |       | 9,206          | 10,000         |
| <b>Total cash and cash equivalents</b>                 |       | <b>21,378</b>  | <b>15,810</b>  |

<sup>22</sup> Cash considered as restricted as the cash are only to be used for mandatory prepayments related to the bond financing or towards financing of acquisitions of repayment vessels.

## NOTES

### Note 1 - General information

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

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

This consolidated financial statements and accompanying notes were approved by the Company's Management Board on 25 March 2021.

### Note 2 - Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU).

#### *Going concern assumption*

The financial statements are based on the going concern assumption after the bond amendments completed 3 July 2020 and the current charter back-log of the Group. This assumption is based on budgeted future cash flows for 2021 and long-term strategic forecasts for both the Group and Parent as guarantor.

#### *Financial statement classification*

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

Current assets are assets that are:

- expected to be realized in the Group's normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or
- cash and cash equivalents (unless restricted)

The current share of long-term assets and liabilities is classified as current. All other assets are non-current.

Current liabilities are those:

- expected to be settled within the Group's normal operating cycle;
- held for purpose of trading;
- due to be settled within 12 months; or
- for which the Group does not have an unconditional right to defer settlement beyond 12 months.

All other liabilities are non-current. If a liability has become payable given a breach of a condition 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 are prepared on the basis of historical cost convention, unless otherwise stated except for derivative financial instruments and debt that have been measured at fair value.

#### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of MPC Container Ship Invest B.V. and its subsidiaries 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 an entity and has the ability to affect those returns through its power over such entity.

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

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- Potential voting rights.

The consolidation of subsidiaries is carried out from the date as of which the Group obtains control over such companies and subsidiaries continue to be consolidated until the date that such control ceases. A change in the ownership interest in 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 resulting gain or loss is recognized in the income statement. Any investment retained is recognized at fair value.

The financial reports 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.

Minority interests represent the portion of income (or loss), comprehensive income (or loss), and net assets that are not attributable to the Parent of the Group, and are presented separately in the consolidated statement of income, comprehensive income, within equity in the consolidated statement of financial position and in the consolidated statement of changes in equity.

The subsidiaries of the Company listed in Note 23 have been included in this consolidated financial statements.

#### *Functional and presentation currency*

The consolidated financial statements are presented in US Dollar (USD), which is the functional currency of the Company given that revenues, expenses as well as other financial obligations are predominantly denominated in USD. All financial information presented in USD has been rounded to the nearest thousand USD, except where otherwise indicated.

#### *New and amended standards and interpretations not yet effective*

Only standards and interpretations that are applicable to the Group will be included and the Group reviews the impact of these changes on its financial statements. The Group's intention is to adopt 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**

#### *Foreign currency translation*

In accordance with IAS 21, foreign exchange gains and losses resulting from the settlement of monetary transactions denominated in currencies different from the functional currency are recognized in the income statement. Non-monetary items that are recognized in a foreign currency are maintained at the exchange rates as at the dates of the initial recognition.

For those subsidiaries with functional currencies other than USD, financial position items are translated into USD, which is the presentation currency of these financial statements, at the exchange rate at the balance sheet date, whereas income statement items are translated at the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation are recognised 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 related 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. Recognition occurs 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 scrubber installations are 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. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which 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; 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 net 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 to sell 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 are made when calculating the value in use of 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 operating expense (including maintenance and repair) and dry-docking over the remaining useful life 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 13 – Vessels). The weighted average cost of capital is calculated based on the expected long-term borrowing rate and risk-free rate, plus a 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.

### *Intangible assets*

Intangible assets acquired are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

### *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 related to any future obligation is recognized through income statement, net of any expected reimbursement.

### *Trade 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 their transaction price upon initial recognition and subsequently measured at amortized cost less expected credit losses.

### *Inventories*

The Group values its inventories, which comprise mainly bunkers, lube oils and stores on board of the vessels, at the lower of cost and net realizable value. Inventories 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 an original 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 at the balance sheet date.

Cash and cash equivalents are classified as restricted when the use of the cash and cash equivalents are restricted for certain use or purpose under the bond terms.

### *Share issuance*

Costs related to share issuances are recognized directly in equity.

### *Financial liabilities*

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have been classified as other financial liabilities at amortised cost under IFRS 9. 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.

### *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 the 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 of input that is significant for 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 on fair values can be found in Note 17 – Financial instruments.

### *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 as at the date on which a derivative contract is entered into, and are subsequently remeasured at fair value at each reporting date. 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 of 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 forecast transaction.

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

Cash flow hedges: as at 31 December 2020 the Group uses interest rate swaps and caps as hedges for its exposure to interest rate fluctuations in connection with its bond financing.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement. Amounts recognized in OCI are transferred to profit or loss when the hedged transaction is incurred, 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 in 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.

#### *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.

There are no significant leases in place whereby the Group acts as the lessee.

#### *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. 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 average charter rate of the pool contains a bareboat and a service element.

The service element from the Group's time charter contracts and pool arrangements 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 from 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 and expenses*

Interest income and expenses recognized are presented as financial income and expenses in the income statement. The interest expenses incurred on the senior secured bond are recognized in the income statement using the effective interest method.

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

The Group is subject to the Dutch tonnage tax regime, i.e. taxable income is calculated as a lump sum depending on the net tonnage of the respective vessels, and is therefore 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 to the ordinary taxation rules applicable in the resident country of each respective company. Tonnage tax is classified as "Vessel operation expenditures".

#### *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 Management Board of the Company. The Group has identified one operating segment, as it employs one type of vessel: "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 the notes to these consolidated financial statements. Estimates are management's best assessment based on information available at the date the financial statements are authorized for issuance. Changes in 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 ongoing basis.

##### *Judgements*

In the process of applying the Group's accounting policies, management has not made any judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

##### *Assumptions and estimation uncertainties*

The following assumptions and estimation uncertainties can result in a material adjustment to the carrying amounts of the Group's vessels and/or impact the reported results prospectively:

*Initial recognition and depreciation of vessels:* depreciation is based on estimates of the vessels' useful lives, the related residual values less scrapping costs and the depreciation method, which are reviewed by the management at each balance sheet date. Any changes in estimated useful lives and/or residual values would impact the depreciation of the vessels prospectively. Also, upon acquisition of each vessel, management makes an assumption regarding the allocation of vessel purchase prices to residual values of existing time charter contracts and dry-dockings, which also have an impact on the depreciation timeline and related charges.

*Impairment of vessels:* indicators of impairment of assets are assessed at each reporting date. 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 13.

##### *COVID-19*

The outbreak of COVID-19 had a significant impact on the charter market during 2020, which after a significant recovery in the second half followed a v-shaped recovery during 2020 after the market was heavily impacted from COVID-19 in the months directly after the outbreak.

The impacts from COVID-19 both on the charter market and also the value of the Group's vessels was closely monitored during 2020. And accordingly impairment test of the Group's vessels was performed at every reporting period during 2020, without leading to any impairment. The Group will continue to monitor the development of COVID-19 and its effect on the world economy and the Group's business.

#### **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 maker measures the financial performance based on the consolidated results of the Group's vessels as a whole. Further, the assets and liabilities are reviewed at the consolidated basis and in a

consistent manner with the consolidated 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, Hapag-Lloyd AG, Germany and Maersk Line, Denmark.

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 to foreign countries which contribute significantly to total revenue are disclosed below.

| in USD thousands                               | 2020          | 2019           |
|------------------------------------------------|---------------|----------------|
| Asia                                           | 28,181        | 37,499         |
| South America                                  | 36,820        | 36,556         |
| Europe                                         | 14,922        | 14,245         |
| Middle East                                    | 10,488        | 3,666          |
| Africa                                         | 3,316         | 5,237          |
| Other geographical locations (worldwide trade) | 5,697         | 7,542          |
| <b>Total time charter and pool revenue</b>     | <b>99,424</b> | <b>104,746</b> |

## Note 6 - Revenue

| in USD thousands               | 2020           | 2019           |
|--------------------------------|----------------|----------------|
| Time charter revenue           | 67,984         | 68,543         |
| Pool charter revenue           | 31,441         | 36,203         |
| Other revenue                  | 9,880          | 8,500          |
| <b>Total operating revenue</b> | <b>109,305</b> | <b>113,246</b> |

The Group's time charter contracts and pool charter revenues are separated into a lease element and a service element. The lease element represents the use of the vessel, and is accounted for in accordance with IFRS 16. Revenues from time charter services (service element) and other revenue (e.g. revenues from bunkers sold and other services provided to customers) are accounted for in accordance with IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

| in USD thousands                             | 2020           | 2019           |
|----------------------------------------------|----------------|----------------|
| Service element                              | 38,073         | 42,317         |
| Other revenue                                | 9,881          | 8,500          |
| <b>Total revenue from customer contracts</b> | <b>47,954</b>  | <b>50,817</b>  |
| Lease revenue                                | 61,351         | 62,429         |
| <b>Total operating revenue</b>               | <b>109,305</b> | <b>113,246</b> |

Other revenue includes USD 9.9 million and USD 6.8 million for the years ended 31 December 2020 and 31 December 2019 respectively, related to revenue from sale of bunker to charterers and other reimbursements from the charterer in accordance with the charter party.

Contracted revenues based on fixed time charter contracts open as at 31 December 2020 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 | 16,195     | 19,701        | 11,270     | 47,166 |

The table below shows a comparable table for the fixed time charter contracts open as at 31 December 2019:

| in USD thousands     | < 6 months | 6 – 12 months | >12 months | Total  |
|----------------------|------------|---------------|------------|--------|
| Time charter revenue | 31,081     | 7,106         | 14,152     | 52,339 |

#### Note 7 - Voyage expenditures

| in USD thousands             | 2020           | 2019           |
|------------------------------|----------------|----------------|
| Bunker consumption           | -13,497        | -12,681        |
| Other voyage expenses        | -2,100         | -1,264         |
| <b>Total voyage expenses</b> | <b>-15,597</b> | <b>-13,945</b> |

When the vessels are on time charter contracts, bunker consumption is a charterer's expense. Bunker consumption also includes costs related to periods when the vessels have been idle, repositioning or under maintenance and repair, which is a Group expense.

#### Note 8 - Vessel operation expenditures

| in USD thousands                | 2020           | 2019           |
|---------------------------------|----------------|----------------|
| Crew                            | -38,308        | -38,595        |
| Lube oil                        | -3,388         | -3,722         |
| Insurances                      | -7,998         | -7,366         |
| Maintenance and repair          | -16,837        | -19,003        |
| General Opex                    | -3,691         | -4,764         |
| <b>Total operating expenses</b> | <b>-70,222</b> | <b>-73,450</b> |

The decrease in inventories of USD 0.4 million in 2020 from 2019 is recognized in the operation expenditures.

#### Note 9 Administrative expenses

| in USD thousands                     | 2020          | 2019          |
|--------------------------------------|---------------|---------------|
| Legal and advisory services          | -305          | -486          |
| Auditor services                     | -416          | -409          |
| Other administrative expenses        | -2,262        | -2,125        |
| <b>Total administrative expenses</b> | <b>-2,983</b> | <b>-3,020</b> |

Other administrative expenses includes corporate management fees from the Parent. See Note 18 for further description. The number of FTE in 2020 was 1.

#### Note 10 - Finance income and costs

| in USD thousands                | 2020           | 2019           |
|---------------------------------|----------------|----------------|
| Interest income                 | 22             | 290            |
| <b>Total financial income</b>   | <b>22</b>      | <b>290</b>     |
| Interest expenses               | -12,108        | -14,646        |
| Other financial expenses        | -3,972         | -1,441         |
| <b>Total financial expenses</b> | <b>-16,080</b> | <b>-16,087</b> |

Interest expenses includes payment in kind interest by way of issuing additional bonds in accordance with the amended bond terms of total of USD 4.1 million. Other financial expenses includes interest on derivatives amounted to USD 0.9 million. Financial costs mainly relate to interest expenses incurred on the senior secured bond and are

recognized using the effective interest method.

#### Note 11 - Income tax

The Group is subject to Dutch tonnage tax. Companies subject to tonnage tax are exempt from ordinary tax.

The Company is subject to ordinary corporation tax in the Netherlands for activities unrelated to the shipping operations.

#### Note 12 - Non-controlling interests

| in USD thousands                       | 31 December 2020 | 31 December 2019 |
|----------------------------------------|------------------|------------------|
| Non-controlling interest               | 657              | 683              |
| <b>Total non-controlling interests</b> | <b>657</b>       | <b>683</b>       |

The non-controlling interest is the sum of the 0.1% contributions including the non-controlling interest share of result that the ship managers hold in the ship-owning entities of the Group, see Note 23 – Group companies.

#### Note 13 - Vessels

| in USD thousands                                           | 31 December 2020     | 31 December 2019     |
|------------------------------------------------------------|----------------------|----------------------|
| <b>Acquisition cost at 1 January</b>                       | <b>426,748</b>       | <b>396,851</b>       |
| Contributions of fixed assets and capitalized investments  | 0                    | 0                    |
| Disposals of vessels                                       | -16,593              | -7,954               |
| Capitalized dry-docking, scrubbers and other expenses      | 24,860               | 37,852               |
| Vessel held for sale                                       | -8,153               | 0                    |
| <b>Acquisition cost at 31 December</b>                     | <b>426,862</b>       | <b>426,748</b>       |
| Accumulated depreciation 1 January                         | -45,291              | -20,344              |
| Disposal of vessel                                         | 7,671                | 593                  |
| Depreciation for the year                                  | -31,341              | -24,070              |
| Impairment for the year                                    | -7,996               | -1,469               |
| Vessel held for sale                                       | 4,253                | 0                    |
| <b>Accumulated depreciation and impairment 31 December</b> | <b>-72,703</b>       | <b>-45,291</b>       |
| <b>Closing balance</b>                                     | <b>354,159</b>       | <b>381,458</b>       |
| <i>Depreciation method</i>                                 | <i>Straight-line</i> | <i>Straight-line</i> |
| <i>Useful life (vessels)</i>                               | <i>25 years</i>      | <i>25 years</i>      |
| <i>Average remaining useful life (vessels)</i>             | <i>13 years</i>      | <i>14 years</i>      |
| <i>Useful life (dry docks)</i>                             | <i>5 years</i>       | <i>5 years</i>       |

As at 31 December 2020, the Group owns and operates 37 vessels through consolidated subsidiaries, compared to 39 vessels as at 31 December 2019.

The increase in depreciations in 2020 compared to 2019 are related to the investments in scrubber in 2019, which has a full year of depreciation in 2020 in addition to other investments in dry-docking and other major overhauls

At 10 December 2020, the Group entered into a Memorandum of Agreement for the sale of AS Laguna with the

expected delivery to the new owners in the first half of 2021. As the vessel has not been delivered to its new owners as at 31 December 2020, the vessel is classified as held for sale. Subsequent to the balance sheet date the Group entered into a Memorandum of Agreement for the sale of AS Frida. The agreed sales price after the balance sheet date are considered as the best indication for the recoverable amount as at 31 December 2020, and as the net sales prices for these vessels are below the carrying amounts, an impairment of USD 4.8 million has been recognized in 2020.

The disposal of vessels relates to the sale of AS Fiona and AS Lauretta which was delivered to their new owners during 2020. The difference between the vessels fair value less transactions costs of the vessels' carrying value, amounting to USD 3.7 million, is included in the recognized impairment of USD 8.0 million in 2020.

*Vessels contributions:* as at 31 December 2020, a total of 34 vessels has been partially or fully contributed from the Parent. The original transactions to acquire the vessels were accounted for as asset acquisitions in the Parent's consolidated accounts.

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 Parent's market capitalization has continued to be below the carrying amount of the Parent's equity, management has performed impairment tests for all vessels in the Group as at 31 December 2020. Throughout 2020 the pandemic resulted in decreased charter rates and utilization of the vessels however, throughout 2020 the market tightened significantly, and with the current charter rates (highest in 10 years), the Group secured a high order back log reducing the uncertainty.

The impairment test as at 31 December 2020, has been performed by updating the key assumptions, in accordance with the Group's methodology. The key assumptions has been updated also considering the current market including secured time charter contracts which will commence in 2021 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 the remaining vessels, no additional impairment charges have been included in the financial results of 2020.

The impairment assessment is depending on a continued strong charter market for container vessels and accordingly the development in charter rates and utilization in the periods ahead will have an impact on the Group's impairment assessment going forward. The value in use calculations are based on a discounted cash flow model with the following main inputs:

- Weighted average cost of capital: 7.0% – 8.3% 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. In the down-side case, the newbuilding parity rates are discounted by 5%.
- Utilization: 90% - 95% of available trading days
- Residual value: Scrap value based on estimated scrap prices less cost scrapping
- Probability down-side case: 20%

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 an impairment of USD 0.6 million if the average utilization is below 90%, an impairment of USD 0.4 million if the average WACC was increased to 9.0%, and an impairment of USD 1.3 million if the NB parity rates in average decline by 10%.

The impairment assessment is depending on a continued strong charter market for container vessels and accordingly the development in charter rates and utilization in the periods ahead will have an impact on the Group's impairment assessment going forward.

#### Note 14 - Cash and cash equivalents

| in USD thousands                       | 31 December 2020 | 31 December 2019 |
|----------------------------------------|------------------|------------------|
| Bank deposits denominated in USD       | 21,058           | 15,211           |
| Bank deposits denominated in EUR       | 320              | 599              |
| <b>Total cash and cash equivalents</b> | <b>21,378</b>    | <b>15,810</b>    |

The fair value of cash and cash equivalents at 31 December 2020 is USD 12.2 million (USD 5.8 million at 31 December 2019), excluding restricted cash of USD 9.2 million and USD 10.0 million in 2020 and 2019. Based on the terms of the senior secured bond, USD 9.2 million in cash from vessel sales in 2020 are considered as restricted as the cash are only to be used for prepayments related to the bond financing or towards financing of acquisitions of replacement vessels, which also includes vessel sale and acquisitions in the Parent Group.

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

#### Note 15 - Trade and other receivables

| in USD thousands                         | 31 December 2020 | 31 December 2019 |
|------------------------------------------|------------------|------------------|
| Trade receivables                        | 4,312            | 4,432            |
| Receivables from affiliated companies    | 0                | 359              |
| Claims related to insurance cases        | 1,078            | 2,363            |
| Other receivables and prepayments        | 3,678            | 5,989            |
| <b>Total trade and other receivables</b> | <b>9,068</b>     | <b>13,142</b>    |

Trade receivables relate to receivables due from the charterers for the Group's time charter contracts. Insurance claims are receivables for reimbursements of damages and repairs covered by insurance agreements, where the virtually certain threshold are met. The table below shows the ageing of trade receivables:

| in USD thousands | Total | Current | Days past due |            |            |          |
|------------------|-------|---------|---------------|------------|------------|----------|
|                  |       |         | <30 days      | 30-60 days | 61-90 days | >90 days |
| 31 December 2020 | 4,312 | 4,312   | 0             | 0          | 0          | 0        |

| in USD thousands | Total | Current | Days past due |            |            |          |
|------------------|-------|---------|---------------|------------|------------|----------|
|                  |       |         | <30 days      | 30-60 days | 61-90 days | >90 days |
| 31 December 2019 | 4,432 | 4,432   | 0             | 0          | 0          | 0        |

The Group applies the simplified approach to provide for lifetime expected credit losses in accordance with IFRS 9. The nominal amount is considered to approximate the amortised cost method due to the short maturity of the receivables. No impairment losses have been recognised in 2020 and 2019, hence the estimated credit losses has been waived due to materiality. See Note 21 – Financial risk management, regarding management of credit risk.

## Note 16 - Interest-bearing debt

The Group has entered into fixed interest-rate swap agreements for USD 50 million to cover the interest rate risk. For the remaining USD 150 million the Group has entered into interest cap and collar agreements.

| in USD thousands                    | 31 December 2020 | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Nominal value of issued bonds       | 204,056          | 200,000          |
| Issuance costs                      | -3,738           | -4,906           |
| <b>Total interest bearing loans</b> | <b>200,318</b>   | <b>195,094</b>   |

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

Accordingly, the following main financial covenants are applicable as at 31 December 2020 in accordance with the terms for the bond loan:

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

The amended terms under the bond agreement were not considered to meet the derecognition criteria under IFRS 9 for a financial liability and accordingly was not accounted for as an extinguishment of the original liability and a recognition of a new liability. The amendments lead to a one-off effect of USD 0.3m from the difference in estimated future cash flows which was reflected in profit and loss for 2020.

For the quarterly interest payments due in September 2020 and December 2020, the Company in accordance with the new terms under bond agreement, 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 31 December 2020 was USD 204.1 million after issuing additional bonds with the value of USD 4.1 million.

The Group is in compliance with all covenants as at 31 December 2020.

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

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

See Note 10 for further information on interest income and total interest expenses and Note 21 for an overview of the future repayment structure for the interest bearing loans. The table below shows the reconciliation of movements of interest bearing loans to cash flows from financing activities, including non-cash movements and reconciliation to total interest bearing loans at 31 December 2020 and 31 December 2019 respectively.

| in USD thousands                                 | Interest bearing long-term loans |
|--------------------------------------------------|----------------------------------|
| <b>31 December 2019</b>                          | <b>195,094</b>                   |
| Proceeds from bond tap                           | 0                                |
| Repayment of bond loan                           | 0                                |
| Interest paid                                    | -8,090                           |
| Bond issuance cost                               | -1,949                           |
| <b>Total cash flow from financing activities</b> | <b>-10,039</b>                   |
| Amortization of bond issuance costs              | 3,075                            |
| Reclassification                                 | 4,098                            |
| Accrued interest                                 | 8,090                            |
| <b>31 December 2020</b>                          | <b>200,318</b>                   |

| in USD thousands                                 | Interest bearing long-term loans |
|--------------------------------------------------|----------------------------------|
| <b>31 December 2018</b>                          | <b>193,963</b>                   |
| Proceeds from bond tap                           | 0                                |
| Repayment of bond loan                           | 0                                |
| Interest paid                                    | -14,737                          |
| Bond issuance cost                               | -72                              |
| <b>Total cash flow from financing activities</b> | <b>-14,809</b>                   |
| Amortization of bond issuance costs              | 1,203                            |
| Accrued interest                                 | 14,737                           |
| <b>31 December 2019</b>                          | <b>195,094</b>                   |

## Note 17 - Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all the Group's financial instruments that are carried in the consolidated 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 2020 | 31 December 2019 |
|----------------------------------------------------|------------------|------------------|
| <b>Derivatives designed as hedging instruments</b> |                  |                  |
| Interest rate swap                                 | 0                | 0                |
| Interest rate collar                               | 0                | 0                |
| <b>Debt instruments at amortized cost</b>          |                  |                  |
| Trade and other receivables                        | 9,068            | 13,142           |
| <b>Total financial assets</b>                      | <b>9,068</b>     | <b>13,142</b>    |
| <b>Derivatives designed as hedging instruments</b> |                  |                  |
| Interest rate swap                                 | 1,708            | 699              |
| Interest rate collar                               | 0                | 2,046            |
| <b>Financial liabilities at amortized cost</b>     |                  |                  |
| Interest bearing debt                              | 200,318          | 195,094          |
| Trade and other payables                           | 12,582           | 19,352           |
| <b>Total financial liabilities</b>                 | <b>214,608</b>   | <b>217,191</b>   |

Fair value of trade receivables, cash and cash equivalents and trade and other current payables approximate their carrying amounts due to the short-term maturities of these instruments. The derivatives are presented under Other current liabilities in the statement of financial position.

### *Fair value hierarchy*

The Group uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. The table below shows the fair value measurements for both the Group's assets and liabilities as at 31 December 2020 and 2019.



| in USD thousands                                                                               | Level 1         | Level 2  | Level 3       | Total           |
|------------------------------------------------------------------------------------------------|-----------------|----------|---------------|-----------------|
| <b>Financial liabilities not measured at fair value, but for which fair value is disclosed</b> |                 |          |               |                 |
| Bonds                                                                                          | -200,318        | 0        | 0             | -200,318        |
| <b>Derivatives used for hedging</b>                                                            |                 |          |               |                 |
| Derivatives in effective cash flow hedge                                                       | 0               | 0        | -1,708        | -1,708          |
| <b>Total liabilities 31 Dec. 2020</b>                                                          | <b>-200,318</b> | <b>0</b> | <b>-1,708</b> | <b>-202,026</b> |

| in USD thousands                                                                               | Level 1         | Level 2  | Level 3       | Total           |
|------------------------------------------------------------------------------------------------|-----------------|----------|---------------|-----------------|
| <b>Financial liabilities not measured at fair value, but for which fair value is disclosed</b> |                 |          |               |                 |
| Bonds                                                                                          | -195,094        | 0        | 0             | -195,094        |
| <b>Derivatives used for hedging</b>                                                            |                 |          |               |                 |
| Derivatives in effective cash flow hedge                                                       | 0               | 0        | -2,745        | -2,745          |
| <b>Total liabilities 31 Dec. 2019</b>                                                          | <b>-195,094</b> | <b>0</b> | <b>-2,745</b> | <b>-197,839</b> |

Fair value of interest-bearing debt approximates its carrying amount as there have been no significant changes in the market rates for the listed bond 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 fair values during the year ended 31 December 2020 are described below.

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.

| in USD thousands     | 31 December 2020 |              | 31 December 2019 |              |
|----------------------|------------------|--------------|------------------|--------------|
|                      | Assets           | Liabilities  | Assets           | Liabilities  |
| Interest rate swap   | 0                | 1,708        | 0                | 699          |
| Interest rate collar | 0                | 0            | 0                | 2,046        |
| <b>Total</b>         | <b>0</b>         | <b>1,708</b> | <b>0</b>         | <b>2,745</b> |

The derivatives are presented net against prepayments related to the instruments, under current liabilities. The net position as of 31 December 2020 is USD 0.3 million (31 December 2019: USD 1.3 million).

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 7.0 million is included in OCI as at 31 December 2020 after the Group repaid one of its hedging instruments during 2020 at USD 5.2 million. The repayment concerned a collar instrument related to the bonds. The repaid amount remains in OCI as the future cash flows related to the bond financings are still expected to occur. During 2020, the changes in OCI of USD -4.2 million related to cash flow hedges comprise of USD -5.2 million related to the above mentioned repayment and the remaining USD 1.0 million (2019: USD -3.8 million) relates to the effective portion of the fair value changes of the derivatives. There are no ineffective portion recognized to profit and loss during 2020 (2019: No ineffective portion recognized to profit and loss). The swaps and caps agreements classified as effective cash flow hedges under IFRS 9 terminate consistent with the maturity of the senior secured bond

## Note 18 - Related party disclosure

Technical ship management of the vessels owned by the Group is contracted to the Parent. The ship management fees paid to the Parent were in total USD 6.3 million (2019: USD million 6.0) in the year ended 31 December 2020. The Parent has sub-contracted parts of the ship-management activities to Wilhelmsen Ahrenkiel Ship Management B.V., which also holds 0.1% ownership in the ship-owning entities within the Group. MPC Münchmeyer Petersen Capital AG is considered a related party as the chairman of the Board of Directors of the Parent is the Chief Executive Officer of this company. In addition, the vessel-owning subsidiaries of the Company have corporate management fee agreements with the Parent. Total fees paid under the corporate management agreements in 2020 amounted to USD 1.6 million (2019: 1.6 million).

Commercial ship management of the vessels owned by the Group is contracted to Harper Petersen B.V., a joint venture of MPC Münchmeyer Petersen Capital AG. The commission fees paid to the Harper Petersen in 2020 was a total of USD 1.4 million (2019: USD 1.4 million).

All transactions with related parties are carried out at market terms.

No vessels were contributed to the Group from the Parent in 2020 nor 2019.

None of the Directors of the Company received compensation for the directorships in the Company from the Group in 2020 or 2019. Corporate management fees are charged by the Parent to the Group, which include remuneration for key executive positions and other admin support services, respectively USD 0.1 million in 2020 and 2019.

## Note 19 - Share capital

|                              | Number of shares | Share capital (USD) | Share premium (USD) |
|------------------------------|------------------|---------------------|---------------------|
| 1 January 2020               | 1                | 1                   | 232,273             |
| Capital contribution in kind | 0                | 0                   | 29,022              |
| <b>31 December 2021</b>      | <b>1</b>         | <b>1</b>            | <b>261,295</b>      |

The share capital of the Company consists of 1 share at 31 December 2020, with nominal value per share of EUR 1, paid on 13 October 2017. Share premium represents the additional contributions made by the Parent (substantially through vessels).

## Note 20 - Commitments

There are no off-balance sheet commitments for the Group as at 31 December 2020, compared to USD 4.3 million at 31 December 2019. The off-balance sheet commitments end of 2019 related to the scrubber installations, which is fully settled during 2020.

## Note 21 - 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 ships 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*

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 comprises four types of risk: interest rate risk, foreign currency risk, credit risk and price risk. Future charter rates and utilization are the key drivers for the Group's financial results, see the Management Board report for further description.

*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 obligation with floating interest rates, i.e. interests payable on the bond issued in September 2017 and in February 2018 depend on the short-term LIBOR. The Group manages its interest rate risk by using interest rate hedging instruments. To do so, the Group entered into interest rate swaps and interest rate caps. These hedging instruments 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 0.3 million, or 1% of the Profit and loss for 2020.

*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 almost all 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 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. Currently, no financial instruments have been entered into to mitigate this risk. An increase of the USD/EUR exchange rate by 10% or 3% of Profit and loss for 2020 and 1% of equity.

The Group is subject to *price risk* related to the charter market for feeder container vessel, which is uncertain and volatile and depends 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 have been entered into to reduce this shipping market risk. The Group will normally have limited exposure to risks associated with bunker costs, as the bunkers are a charterers' cost when the vessels are on time charter contracts.

### *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 contract, 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 made 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 Management report for further description. To ensure this, the Group continuously monitors projected cash flows using a liquidity planning tool. This includes, weekly cash reporting and monthly liquidity forecasts to management, including rolling 12 months liquidity forecasts to executive management.

The following table summarizes the contractual maturities of financial liabilities of the Company on an undiscounted basis as at 31 December 2020:

| in USD thousands                      | < 1 year       | 1-5 years       | > 5 years | Total           |
|---------------------------------------|----------------|-----------------|-----------|-----------------|
| Interest bearing loans and borrowings | 0              | -204,056        | 0         | <b>-204,056</b> |
| Interest payments                     | -10,176        | -12,466         | 0         | <b>-22,642</b>  |
| Trade payables                        | -8,604         | 0               | 0         | <b>-8,604</b>   |
| <b>Total</b>                          | <b>-18,780</b> | <b>-216,522</b> | <b>0</b>  | <b>-235,302</b> |

The senior secured bond issued on 22 September 2017 will mature on 22 March 2023 in the amount of its nominal value of USD 204 million (of which USD 100 million was drawn down in February 2018).

The contractual maturities and liabilities related to interest bearing loans and borrowings are related to the senior secured bond, and include the amended call options under the senior secured bond, which require the bond to be paid back at 102% of the nominal amount, if settled in September 2022 or later, and at 104% of the nominal amount if settled in December 2022 or later. The premium are amortized until maturity date in the effective interest model.

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

| in USD thousands                      | < 1 year       | 1-5 years       | > 5 years | Total           |
|---------------------------------------|----------------|-----------------|-----------|-----------------|
| Interest bearing loans and borrowings | 0              | -200,000        | 0         | <b>-200,000</b> |
| Interest payments                     | -13,856        | -23,850         | 0         | <b>-37,706</b>  |
| Trade payables                        | -14,037        | 0               | 0         | <b>-14,037</b>  |
| <b>Total</b>                          | <b>-27,893</b> | <b>-223,850</b> | <b>0</b>  | <b>-251,743</b> |

## Note 22 - 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 shareholders' return. 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 at the Group level.

The Group monitors its capital structure using the book equity ratio, which stands at 45.5% as at 31 December 2020.

| in USD thousands         | 31 December 2020 | 31 December 2019 |
|--------------------------|------------------|------------------|
| Book equity              | 177,652          | 198,221          |
| Total assets             | 390,552          | 412,912          |
| <b>Book-equity ratio</b> | <b>45.5%</b>     | <b>48.0%</b>     |

The Parent is subject to financial covenants under the bond issued in 2017 and 2018 (see Note 16 – Interest-bearing debt): at 31 December 2020 the consolidated equity ratio of the Parent was 56.5%.

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 Management Board and will depend upon the Group's financial position, earnings, capital requirements, debt covenants and other factors. There are no current estimates regarding the potential future dividend level or timing of dividend payments.

## Note 23 - Group companies

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

| Entity                       | Principal activity        | Country of incorporation | Equity interest | Initial consolidation |
|------------------------------|---------------------------|--------------------------|-----------------|-----------------------|
| "AS LAETITIA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS LAGUNA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS PAULINA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS PETRONIA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS CLARA" ShipCo C.V.       | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS ANGELINA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FATIMA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FLORETTA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FAUSTINA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FABRIZIA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FIORELLA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS COLUMBIA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS CLARITA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FRIDA" ShipCo C.V.       | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS CALIFORNIA" ShipCo C.V.  | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FIONA" ShipCo C.V.       | Former ship-owning entity | Netherlands              | 99.9%           | 2017                  |
| "AS CONSTANTINA" ShipCo C.V. | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FORTUNA" ShipCo C.V.     | Former ship-owning entity | Netherlands              | 99.9%           | 2017                  |
| "AS LAURETTA" ShipCo C.V.    | Former ship-owning entity | Netherlands              | 99.9%           | 2017                  |
| "AS SAVANNA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2017                  |
| "AS FILIPPA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS SOPHIA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS SERENA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS CLEMENTINA" ShipCo C.V.  | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS SARA" ShipCo C.V.        | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS SICILIA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS SEVILLA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS PATRIA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS PALATIA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS CYPRIA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS CARELIA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS FABIANA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS FEDERICA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS FELICIA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS FLORIANA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS RICCARDA" ShipCo C.V.    | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS RAGNA" ShipCo C.V.       | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS ROMINA" ShipCo C.V.      | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS ROSALIA" ShipCo C.V.     | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |
| "AS FLORA" ShipCo C.V.       | Ship-owning entity        | Netherlands              | 99.9%           | 2018                  |

Ownership rights equal voting rights in all subsidiaries.

**Note 24 - Vessel held for sale**

At 10 December 2020, the Group entered into a Memorandum of Agreement for the sale of AS Laguna, where the vessel has been classified as held for sale at 31 December 2020, as the vessel is to be delivered to its new owner during first half of 2021. At the date of this report, the vessel has not been delivered to its new owner.

**Note 25 - Subsequent events**

On 27 January 2021 the Group entered into a sale agreement for the vessel AS Frida. The total sales price is agreed at USD 4.7 million and the vessel will be delivered to its new owner during first half of 2021.

# COMPANY FINANCIAL STATEMENTS

## INCOME STATEMENT

| in USD thousands                           | Notes | 2020           | 2019           |
|--------------------------------------------|-------|----------------|----------------|
| Administrative expenses                    | 5     | -680           | -457           |
| Impairment on investment in subsidiaries   | 8     | -16,675        | -2,579         |
| Other expenses                             |       | -4             | -4             |
| Other income                               |       | 29             | 5              |
| <b>Operating result (EBIT)</b>             |       | <b>-17,332</b> | <b>-3,035</b>  |
| Other finance income                       | 6     | 22             | 290            |
| Finance costs                              | 6     | -16,081        | -16,087        |
| <b>Profit/Loss before income tax (EBT)</b> |       | <b>-33,391</b> | <b>-18,832</b> |
| Income tax expenses                        | 7     | -59            | -94            |
| <b>Profit/Loss for the period</b>          |       | <b>-33,450</b> | <b>-18,925</b> |
| Attributable to:                           |       |                |                |
| Equity holders of the Company              |       | -33,450        | -18,925        |

## STATEMENT OF COMPREHENSIVE INCOME

| in USD thousands                                                         | Notes | 2020           | 2019           |
|--------------------------------------------------------------------------|-------|----------------|----------------|
| Profit/loss for the period                                               |       | -33,450        | -18,925        |
| <b>Items that may be subsequently transferred to profit or loss</b>      |       | <b>-4,206</b>  | <b>-3,767</b>  |
| Cash flow hedge reserve                                                  | 12    | -4,206         | -3,767         |
| <b>Items that will not be subsequently transferred to profit or loss</b> |       | <b>0</b>       | <b>0</b>       |
| <b>Total comprehensive profit/loss</b>                                   |       | <b>-37,656</b> | <b>-22,692</b> |
| Attributable to:                                                         |       |                |                |
| Equity holders of the Company                                            |       | -37,656        | -22,692        |

## STATEMENT OF FINANCIAL POSITION

| in USD thousands                 | Notes | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------|------------------|------------------|
| <b>Assets</b>                    |       | <b>388,118</b>   | <b>391,438</b>   |
| Non-current Assets               |       | 366,851          | 388,217          |
| Investments in subsidiaries      | 8     | 366,851          | 388,217          |
| Current assets                   |       | 21,267           | 3,220            |
| Trade and other receivables      | 10    | 742              | 737              |
| Cash and cash equivalents        | 9     | 20,525           | 2,484            |
| Restricted cash                  |       | 9,206            | 0                |
| Unrestricted cash                |       | 11,319           | 2,484            |
| <b>Equity and liabilities</b>    |       | <b>388,118</b>   | <b>391,438</b>   |
| Equity                           |       | 185,207          | 193,841          |
| Capital                          | 14    | 261,626          | 232,604          |
| Share capital                    |       | 0                | 0                |
| Share premium                    |       | 261,626          | 232,604          |
| Retained losses                  |       | -69,468          | -36,018          |
| Hedging reserve                  |       | -6,951           | -2,745           |
| Non-current Liabilities          |       | 200,318          | 195,339          |
| Interest bearing loans           | 11    | 200,318          | 195,094          |
| Other liabilities                |       | 0                | 245              |
| Current Liabilities              |       | 2,593            | 2,258            |
| Trade and other payables         | 12    | 196              | 254              |
| Payables to affiliated companies |       | 2,116            | 1,639            |
| Other current liabilities        |       | 281              | 365              |

## STATEMENT OF CHANGES IN EQUITY

| in USD thousands                | Share capital | Share premium  | Retained losses | Hedging reserve | Total equity   |
|---------------------------------|---------------|----------------|-----------------|-----------------|----------------|
| Equity as at 1 Jan 2019         | 0             | 213,090        | -17,093         | 1,023           | 197,020        |
| Additional capital contribution | 0             | 19,514         | 0               | 0               | 19,514         |
| Result of the period            | 0             | 0              | -18,925         | 0               | -18,925        |
| Other comprehensive income      | 0             | 0              | 0               | -3,768          | -3,768         |
| <b>Equity as at 31 Dec 2019</b> | <b>0</b>      | <b>232,604</b> | <b>-36,018</b>  | <b>-2,745</b>   | <b>193,841</b> |

| in USD thousands                | Share capital | Share premium  | Retained losses | Hedging reserve | Total equity   |
|---------------------------------|---------------|----------------|-----------------|-----------------|----------------|
| Equity as at 1 Jan 2020         | 0             | 232,604        | -36,018         | -2,745          | 193,841        |
| Additional capital contribution | 0             | 29,022         | 0               | 0               | 29,022         |
| Result of the period            | 0             | 0              | -33,450         | 0               | -33,450        |
| Other comprehensive income      | 0             | 0              | 0               | -4,206          | -4,206         |
| <b>Equity as at 31 Dec 2020</b> | <b>0</b>      | <b>261,626</b> | <b>-69,468</b>  | <b>-6,951</b>   | <b>185,207</b> |



## RECONCILIATION OF EQUITY AND NET PROFIT(LOSS)

| Reconciliation of net profit(loss)                                                                                          | Equity as at 31<br>December 2020 | Equity as at 31<br>December 2019 |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Equity attributable to owners of the parent in the Consolidated Financial Statements of MPC Container Ships Invest B.V.     | 176,994                          | 197,538                          |
| Foreign currency reserves in the Consolidated Financial Statements                                                          | 10                               | 4                                |
| Cumulative results of subsidiaries in prior years in the Consolidated Financial Statements                                  | -1,452                           | -10,989                          |
| Results of subsidiaries in the Consolidated Financial Statements                                                            | 28,579                           | 9,537                            |
| Other changes                                                                                                               | 331                              | 331                              |
| Impairment on investments in subsidiaries                                                                                   | -19,254                          | -2,579                           |
| <b>Equity in the Company Financial Statements of MPC Container Ships Invest B.V.</b>                                        | <b>185,207</b>                   | <b>193,841</b>                   |
| Net profit attributable to owners of the parent in the Consolidated Financial Statements of MPC Container Ships Invest B.V. | -45,353                          | -25,883                          |
| Cumulative results of subsidiaries in prior years in the Consolidated Financial Statements                                  | 28,579                           | 9,537                            |
| Impairment on investments in subsidiaries                                                                                   | -16,675                          | -2,579                           |
| <b>Net profit(loss) in the Company Financial Statement of MPC Container Ships Invest B.V.</b>                               | <b>-33,450</b>                   | <b>-18,925</b>                   |

## STATEMENT OF CASH FLOW

| in USD thousands                                      | Notes | 2020           | 2019           |
|-------------------------------------------------------|-------|----------------|----------------|
| Profit/Loss before income tax                         |       | -33,391        | -18,832        |
| Tonnage taxes paid                                    |       | -187           | -31            |
| Finance expenses, net                                 |       | 16,058         | 15,797         |
| Interest paid                                         |       | -8,091         | -14,737        |
| Interest received                                     |       | 22             | 291            |
| Other finance costs                                   |       | -898           | -212           |
| Net change in current assets                          |       | -5             | -690           |
| Net change in current liabilities                     |       | 578            | 212            |
| Cash upfront payment for hedge instruments            |       | 758            | -2,026         |
| Settlement of hedging derivative                      |       | -5,243         | 0              |
| Depreciation and impairment                           |       | 16,675         | 2,579          |
| <b>Cash flow from operating activities</b>            |       | <b>-13,720</b> | <b>-17,648</b> |
| Net investments in subsidiaries                       |       | 4,691          | -619           |
| <b>Cash flow from investing activities</b>            |       | <b>4,691</b>   | <b>-619</b>    |
| Contributions from Parent                             |       | 29,022         | 19,514         |
| Bond issuing costs                                    |       | -1,950         | -72            |
| <b>Cash flow from financing activities</b>            |       | <b>27,072</b>  | <b>19,442</b>  |
| Net change in cash and cash equivalents               |       | 18,042         | 1,174          |
| Cash and cash equivalents at beginning of period      |       | 2,483          | 1,309          |
| <b>Cash and cash equivalents at the end of period</b> |       | <b>11,319</b>  | <b>2,483</b>   |
| Restricted cash                                       |       | 9,206          | 0              |
| <b>Total cash and cash equivalents</b>                |       | <b>20,525</b>  | <b>2,483</b>   |

## NOTES

### Note 1 - General information

MPC Container Ships Invest B.V. (the "Company", together with its subsidiaries the "Group") is a private limited liability company incorporated and domiciled in the Netherlands, with registered address at Oever 5, 3161 GR Rhooon, The Netherlands and Dutch enterprise number is 69545103. The Company was incorporated on 6 September 2017 and its operating activity, which is to invest in and financing of container vessels, commenced in September 2017.

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

These financial statements and accompanying notes were approved by the Company's Management Board on 25 March 2021.

### Note 2 - Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. The difference in equity and net result between the consolidated financial statements and the company financial statements relates to the result of the subsidiaries, since they are measured at cost.

Certain reclassifications have been made to the prior year reported balances in order to conform to the current year presentation.

#### *Going concern assumption*

The financial statements are based on the going concern assumption. This assumption is based on budgeted future cash flows for 2021 and long-term strategic forecasts for both the Company and the Parent as guarantor on the bond. See also note 15 – Financial risk and capital management and Note 16 Subsequent events.

#### *Financial statement classification*

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

Current assets are assets that are:

- expected to be realized in the Company's normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period;
- cash and cash equivalents (unless restricted).

Cash and cash equivalents are classified as current assets unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The current share of long-term assets or liability will be classified as current. All other assets are non-current.

Current liabilities are those:

- expected to be settled within the Company's normal operating cycle;
- held for purpose of trading;
- due to be settled within 12 months, or:

- for which the Company does not have an unconditional right to defer settlement beyond 12 months.

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

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

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

#### *Basis of measurement*

The financial statements are prepared on the basis of historical cost convention, unless otherwise stated.

#### *Functional and presentation currency*

The financial statements are presented in US Dollar (USD), which is the functional currency of the Company, given that revenues, expenses as well as other financial obligations are predominantly denominated in USD. Differences from currency translations are classified as financial income/expense. All financial information presented in USD has been rounded to the nearest thousand USD, except where otherwise indicated.

#### *New and amended standards and interpretations not yet effective*

Only standards and interpretations that are applicable to the Company will be included and the Company reviews the impact of these changes on its financial statements. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

### **Note 3 Significant accounting policies**

#### *Foreign currency translation*

The financial statements are presented in USD, which is the functional currency of the Company.

Foreign exchange gains and losses resulting from the settlement of monetary transactions denominated in currencies different from the functional currency are recognized in the income statement. Non-monetary items that are recognized in a foreign currency are maintained at the exchange rates as at the dates of the initial recognition.

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for using the cost method and adjusted for impairment, if applicable. Investments are impaired to their fair value if a reduction in value is expected to be of a non-temporary nature.

Dividends from such investments are recognized only to the extent received or receivable.

#### *Provisions*

Provisions are recognized when the Company 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 Company 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 future obligation is recognized through income statement, net of any expected reimbursement.

#### *Trade and other payables*

Trade and other payables represent non-interest-bearing liabilities for goods and services provided to the Company 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 their transaction price upon initial recognition and subsequently measured at amortized cost less expected credit losses.

#### *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 an original 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 at the balance sheet date.

#### *Share issuance*

Costs related to share issuances are recognized directly in equity.

#### *Financial liabilities*

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs, and have not been classified as other financial liabilities at amortized cost under IFRS 9. 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.

#### *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 the liability.

All assets and liabilities for which fair values are measured or disclosed in the financial reports are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant for 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 11 – Financial instruments.

#### *Derivative financial instruments and hedging*

The Company 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 as at the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. 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 Company 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 of the hedging relationship.

The Company 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 forecast transaction.

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

Cash flow hedges: As at 31 December 2020, the Company uses interest rate swaps and interest rate caps as hedges of its exposure to interest rate fluctuations in connection with its bond financing.

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 is incurred, 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.

#### *Interest income and expenses*

Interest income and expenses are recognized as accrued and are presented as financial income and expenses in the income statement. The interest expenses incurred on the senior secured bond are recognized in the income statement using the effective interest method.

#### *Taxes*

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

The Company is subject to tax on its income in accordance with the general tax rules pertaining to companies' tax resident in the Netherlands for operations not related to shipping activities.

The Company's vessel-owning subsidiaries are expected to be subject to the 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 to the ordinary taxation rules applicable in the resident country of each respective company.

Deferred tax liabilities are classified as non-current liabilities 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, and if not related to operations which are subjected to the tonnage tax regime.

#### **Note 4 - Significant judgements, estimates and assumptions**

The preparation of 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. Changes in 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 ongoing basis.

##### *Judgements*

In the process of applying the Company's accounting policies, management has not made any judgements, which have a significant effect on the amounts recognized in the financial statements.

##### *Assumptions and estimation uncertainties*

The following assumptions and estimation uncertainties can result in a material adjustment to the carrying amounts of assets:

Impairment of subsidiaries: indicators of impairment of subsidiaries are based on the assessment of indicators for impairment for the respective vessels owned by the subsidiaries (see Note 13 of the consolidated financial statements). Such indicators are assessed at each reporting date. The impairment assessments demand a considerable degree of estimation.

##### *COVID-19*

The outbreak of COVID-19 had a significant impact on the charter market during 2020, which after a significant recovery in the second half followed a v-shaped recovery during 2020 after the charter market was heavily impacted from COVID-19 in the months directly after the outbreak.

The impacts from COVID-19 both on the charter market and also the value of the Company's investments into ship-owning subsidiaries was closely monitored during 2020. And accordingly impairment test of the Company's investments was performed at every reporting period during 2020. The Company will continue to monitor the development of COVID-19 and its effect on the world economy and the Company's business including the business of the Company's investments.

#### **Note 5 - Administrative expenses**

| in USD thousands     | 2020        | 2019        |
|----------------------|-------------|-------------|
| Advisory fees        | -159        | -73         |
| Audit fees           | -97         | -115        |
| Other admin expenses | -424        | -268        |
| <b>Total</b>         | <b>-680</b> | <b>-457</b> |

Advisory fees mainly relate to fees paid to the Company's legal advisors. Audit fees are the fees paid to the Company's auditor Ernst & Young Accountants LLP (Dutch statutory auditor) were USD 97 thousand for the 2020 audit.

The Company has had 1 employee in 2020 (2019: 1 employee).

## Note 6 - Finance income and expenses

| in USD thousands                | 2020           | 2019           |
|---------------------------------|----------------|----------------|
| Interest income                 | 22             | 290            |
| <b>Total financial income</b>   | <b>22</b>      | <b>290</b>     |
| Interest expenses               | -12,108        | -14,646        |
| Other financial expenses        | -3,972         | -1,441         |
| <b>Total financial expenses</b> | <b>-16,080</b> | <b>-16,087</b> |

Interest income is due to interest earned on bank deposits. Financial costs mainly relate to interest expenses incurred on the senior secured bond and are recognized using the effective interest method. The increase in Other financial expenses relates to increased amortization of transaction costs related to the bond amendments in 2020.

## Note 7 - Income tax

The Company is subject to ordinary corporation tax in the Netherlands for activities not related to the shipping operations.

## Note 8 - Investments in subsidiaries

The most significant subsidiaries of the Company are listed below. The Company has assessed its ability of controlling its subsidiaries as a result of the majority of the interest owned and the voting rights.

| in USD thousands               | Carrying value<br>31 December 2020 | Carrying value<br>31 December 2019 |
|--------------------------------|------------------------------------|------------------------------------|
| "AS Angelina" ShipCo C.V.      | 8,201                              | 8,005                              |
| "AS California" ShipCo C.V.    | 11,217                             | 12,239                             |
| "AS Carelia" ShipCo C.V.       | 9,233                              | 10,365                             |
| "AS Clara" ShipCo C.V.         | 6,584                              | 7,159                              |
| "AS Clarita" ShipCo C.V.       | 10,618                             | 10,917                             |
| "AS Clementina CV" ShipCo C.V. | 9,325                              | 9,311                              |
| "AS Columbia" ShipCo C.V.      | 5,574                              | 6,659                              |
| "AS Constantina" ShipCo C.V.   | 6,470                              | 7,177                              |
| "AS Cypria" ShipCo C.V.        | 9,167                              | 10,050                             |
| "AS Fabiana" ShipCo C.V.       | 8,200                              | 7,829                              |
| "AS Fabrizia" ShipCo C.V.      | 10,119                             | 10,300                             |
| "AS Fatima" ShipCo C.V.        | 9,121                              | 9,119                              |
| "AS Faustina" ShipCo C.V.      | 11,047                             | 9,670                              |
| "AS Federica" ShipCo C.V.      | 9,429                              | 8,572                              |
| "AS Felicia" ShipCo C.V.       | 7,853                              | 8,136                              |
| "AS Filippa" ShipCo C.V.       | 6,954                              | 7,295                              |
| "AS Fiona" ShipCo C.V.         | 203                                | 7,708                              |
| "AS Fiorella" ShipCo C.V.      | 7,707                              | 7,743                              |
| "AS Flora" ShipCo C.V.         | 11,302                             | 10,347                             |
| "AS Floretta" ShipCo C.V.      | 8,616                              | 8,509                              |
| "AS Floriana" ShipCo C.V.      | 8,240                              | 8,726                              |
| "AS Fortuna" ShipCo C.V.       | 931                                | 1,031                              |
| "AS Frida" ShipCo C.V.         | 4,744                              | 9,946                              |
| "AS Laetitia" ShipCo C.V.      | 6,907                              | 6,593                              |
| "AS Laguna" ShipCo C.V.        | 3,779                              | 8,241                              |
| "AS Lauretta" ShipCo C.V.      | 195                                | 6,612                              |

|                           |                |                |
|---------------------------|----------------|----------------|
| "AS Palatia" ShipCo C.V.  | 18,173         | 16,628         |
| "AS Patria" ShipCo C.V.   | 16,025         | 15,293         |
| "AS Paulina" ShipCo C.V.  | 14,788         | 14,935         |
| "AS Petronia" ShipCo C.V. | 12,441         | 13,932         |
| "AS Ragna" ShipCo C.V.    | 12,385         | 12,094         |
| "AS Riccarda" ShipCo C.V. | 11,752         | 11,494         |
| "AS Romina" ShipCo C.V.   | 11,120         | 11,041         |
| "AS Rosalia" ShipCo C.V.  | 11,126         | 11,679         |
| "AS Sara" ShipCo C.V.     | 11,426         | 9,066          |
| "AS Savanna" ShipCo C.V.  | 14,860         | 14,381         |
| "AS Serena" ShipCo C.V.   | 8,607          | 8,783          |
| "AS Sevilla" ShipCo C.V.  | 10,990         | 9,182          |
| "AS Sicilia" ShipCo C.V.  | 12,241         | 12,105         |
| "AS Sophia" ShipCo C.V.   | 9,180          | 9,345          |
| <b>Total</b>              | <b>366,851</b> | <b>388,217</b> |

In 2020, the Group has entered into sale agreements for AS Lauretta, AS Fiona and AS Laguna, were of AS Lauretta and AS Fiona were delivered to its new owners during 2020. AS Laguna will be delivered to its new owner in the first half of 2021.

On 27 January 2021, one subsidiary of the Group entered into agreements for the sale of AS Frida, a TEU 1,400 vessel. The total sales price is agreed at USD 4.7 million and the vessel will be delivered to its new owner during first half of 2021.

After the agreed sales of vessels, the assumed fair value of the Company's investment in the subsidiaries is considered equal as the carrying amount of equity in the subsidiary as at 31 December 2020. The impairment of USD 16.7 million related to the investment in the subsidiaries has been reflected in the Income statement for 2020 for the Company.

#### Note 9 - Cash and cash equivalents

| in USD thousands                       | 31 December 2020 | 31 December 2019 |
|----------------------------------------|------------------|------------------|
| Bank deposits denominated in USD       | 20,485           | 2,440            |
| Bank deposits denominated in EUR       | 40               | 44               |
| <b>Total cash and cash equivalents</b> | <b>20,525</b>    | <b>2,484</b>     |

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 Company.

Based on the terms of the senior secured bond, USD 9.2 million in proceeds from vessel sales in 2020 are considered as restricted as the cash are only to be used for mandatory prepayments related to the bond financing or towards financing of acquisitions of replacement vessels.

#### Note 10 - Trade and other receivables

| in USD thousands        | Total      | Current    | Past due   |            |            |          |
|-------------------------|------------|------------|------------|------------|------------|----------|
|                         |            |            | <30 days   | 30-60 days | 61-90 days | >90 days |
| <b>31 December 2020</b> | <b>742</b> | <b>742</b> | <b>742</b> | <b>0</b>   | <b>0</b>   | <b>0</b> |



| in USD thousands | Total | Current | Past due |            |            |          |
|------------------|-------|---------|----------|------------|------------|----------|
|                  |       |         | <30 days | 30-60 days | 61-90 days | >90 days |
| 31 December 2019 | 737   | 737     | 737      | 0          | 0          | 0        |

The Company applies the simplified approach to provide for lifetime expected credit losses in accordance with IFRS 9. The nominal amount is considered to approximate the amortised cost method due to the short maturity of the receivables. No impairment losses are recognised in 2020 and 2019, hence no expected credit losses was assessed.

#### Note 11 - Interest-bearing debt

| in USD thousands                    | 31 December 2020 | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Nominal value of issued bonds       | 204,056          | 200,000          |
| Issuance costs                      | -3,738           | -4,906           |
| <b>Total Interest-bearing loans</b> | <b>200,318</b>   | <b>195,094</b>   |

In addition to the amounts reported in the table above, a total of USD 226 thousand (2019: USD 307 thousand) in accrued interest on the senior secured bond is included under trade and other payables. See Note 16 in the consolidated financial statements of the Group for disclosures regarding the movement in debt.

The Group is in compliance with all covenants as at 31 December 2020. See Note 16 in the consolidated financial statements of the Group for further details.

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

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

#### Note 12 - Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all the Company'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 2020 | 31 December 2019 |
|----------------------------------------------------|------------------|------------------|
| <b>Derivatives designed as hedging instruments</b> |                  |                  |
| Interest rate swap                                 | 0                | 0                |
| Interest rate caps                                 | 0                | 0                |
| <b>Debt instruments at amortized cost</b>          |                  |                  |
| Trade and other receivables                        | 742              | 737              |
| <b>Total financial assets</b>                      | <b>742</b>       | <b>737</b>       |
| <b>Derivatives designed as hedging instruments</b> |                  |                  |
| Interest rate swap                                 | 1,708            | 699              |
| Interest rate caps                                 | 0                | 2,046            |
| <b>Financial liabilities at amortized cost</b>     |                  |                  |
| Interest bearing debt                              | 200,318          | 195,094          |
| Trade and other payables                           | 196              | 254              |
| <b>Total financial liabilities</b>                 | <b>202,222</b>   | <b>198,092</b>   |

Fair value of trade and other receivables and trade and other current payables approximate their carrying amounts due to the short-term maturities of these instruments.

Fair value of interest-bearing debt approximates its carrying amount as there have been no significant changes in the market rates for the listed bond between the date of securing the debt financing and the reporting date.

See Note 17 in the consolidated financial statements for the Group for further description regarding the cash flow hedges.

#### **Note 13 - Related party disclosure**

See Note 18 Related party disclosures in the consolidated financial statements of the Group for details around transactions incurred at the Group level.

All transactions with related parties are carried out at market terms.

37 of the vessels owned by subsidiaries of the Company at 31 December 2020 were contributed from the Parent.

For remuneration of Directors and key executives, see Note 18 in the consolidated financial statements of the Group.

#### **Note 14 - Share capital and legal reserve**

|                           | Number of shares | Share capital (USD) | Share premium (USD) |
|---------------------------|------------------|---------------------|---------------------|
| 31 December 2019          | 1                | 0                   | 232,604             |
| Equity injections in 2020 | 0                | 0                   | 29,022              |
| <b>31 December 2020</b>   | <b>1</b>         | <b>0</b>            | <b>261,626</b>      |

The share capital of the Company consists of 1 share at 31 December 2020, with nominal value per share of EUR 1, paid on 13 October 2017. Share premium represents the additional contributions made by the Parent (substantially through vessel contributions and cash).

The hedge reserve amounting to USD -7.0 million is a legal reserve and cannot be distributed.

The Management Board has proposed that the net loss for the period is allocated to retained losses.

#### **Note 15 - Financial risk and capital management**

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

Reference is made to Note 21 and Note 22 in the consolidated financial statements of the Group for further description of the applicable risks in addition to this section.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company'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. The Company is part of the Group's and Parent's risk management system and liquidity planning tool (reference is also made to Note 21 in the consolidated financial statements of the Group and to the Management board's report). The Company's bonds are guaranteed by the Parent, including all the subsidiaries of the Company.

The following table summarizes the contractual maturities of financial liabilities of the Company on an undiscounted basis as at 31 December 2020:

| in USD thousands                      | < 1 year      | 1-3 years       | > 3 years | Total           |
|---------------------------------------|---------------|-----------------|-----------|-----------------|
| Interest bearing loans and borrowings | 0             | -204,056        | 0         | <b>-204,056</b> |
| Interest payments                     | -10,176       | -12,466         | 0         | <b>-22,642</b>  |
| Trade payables                        | 196           | 0               | 0         | <b>254</b>      |
| <b>Total</b>                          | <b>-9,980</b> | <b>-216,522</b> | <b>0</b>  | <b>-226,502</b> |

For information on how the Company manages its capital, refer to the Note 22 in the consolidated financial statements of the Group.

#### **Note 16 - Subsequent events**

There are no subsequent events which are relevant for the Company after the balance sheet date.

## OTHER INFORMATION

As per the Company's articles of association, profits, as determined through the adoption of the annual accounts, shall be at the disposal of the general meeting. The general meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the reserves that must be maintained by law. A resolution to make a distribution shall not take effect as long as the Management Board has not given its approval. The Management Board may only withhold such approval if it knows or should reasonably foresee that, following the distribution, the Company will be unable to continue paying its due and payable debts. In addition, dividend distributions from the Company to the Parent are subject to restrictions set out in the bond terms.

25 March 2021

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

Signed.

# AUDITOR'S REPORT



## Independent auditor's report

To: the shareholders and audit committee of MPC Container Ships Invest B.V.

## Report on the audit of the financial statements 2020 included in the annual report

### Our opinion

We have audited the financial statements 2020 of MPC Container Ships Invest B.V. (the company) based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of MPC Container Ships Invest B.V. as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The consolidated and company statement of financial position as at 31 December 2020
- ▶ The following statements for 2020: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of MPC Container Ships Invest B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Our understanding of the business

MPC Container Ships Invest B.V. and its subsidiaries principal activities are the investment in, as well as operating and financing of container vessels. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to 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.

In 2020 and the beginning of 2021 we were forced to perform our procedures to a greater extent remotely due to the COVID-19 measures. This limits our observations and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we intensified the contacts with the component team in Norway to ensure that we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

#### Materiality

|                   |                                                                                                                                                                                                     |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Materiality       | US\$2.4 million (2019 US\$3.0 million)                                                                                                                                                              |
| Benchmark applied | Approximately 1.5% of consolidated equity                                                                                                                                                           |
| Explanation       | Due to the high capital investment in vessels and the related debt to finance it, we consider a capital-based measure, particular equity, as the appropriate basis for determining our materiality. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of US\$120 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

#### Scope of the group audit

MPC Container Ships B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of MPC Container Ships B.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Group entities are considered significant because of their individual financial significance or because they are more likely to include significant risks of material misstatement due to their specific nature or circumstances. All significant group entities were included in the scope of our group audit. The entities included in the group audit scope represent the totality of the group's total assets, net revenues and profit before taxes, and were assigned a full scope.

In establishing the overall approach to the audit, we determined the work to be performed by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our coordination and supervision.

We have performed the following procedures:

- ▶ We shared detailed instructions to EY Norway, including key risk areas and the group audit team reviewed their deliverables. EY Norway was performing the oversight and review of EY Germany and their deliverables included the findings and conclusion of the audit of the vessel entities performed by EY Germany.
- ▶ We reviewed the audit work of EY Germany performed on: (i) the revenues reported by the shipping-owning entities, and (ii) the accounting for the sale of the AS Lairetta, AS Frida, AS Fiona and AS Laguna and impairments recorded, amongst other areas.
- ▶ We audited the consolidation entries and reviewed the adequacy and completeness of the EU-IFRS disclosures included in the financial statements, with the support of EY Norway. EY Norway supported with the consolidated financial statement procedures while EY the Netherlands audited the stand-alone financial statements and reviewed the adequacy and completeness of the Dutch law requirements.
- ▶ We reviewed EY Norway's assessment of the impairment test of vessels performed by management (key audit matter).

Because of the (international) travel restrictions and social distancing due to the COVID-19 pandemic, we needed to restrict or have been unable to visit management and/or component auditors in Germany to discuss, among others, the business activities and the identified significant risks or to review and evaluate relevant parts of the component auditor's audit documentation and to discuss significant matters arising from that evaluation on site. In these extraordinary circumstances we predominantly used communication technology and written information exchange. In order to compensate for the limitations related to physical contact and direct observation, we intensified the contacts with the component teams in Germany and Norway to ensure that we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In total these procedures represent 100% of the group's total assets, profit/loss and gross revenues.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

## **Our focus on fraud and non-compliance with laws and regulations**

### **Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.



#### Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors and the audit committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, supply chain failures and pressure to make emergency procurements, management overrides and workarounds becoming the norm, manual invoicing and manual payments, abuse of government schemes intended to support companies during the pandemic.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 3 the financial statements. We have also used data analysis to identify and address high-risk journal entries. Our audit procedures to address the assessed fraud risks did not result in a key audit matter.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

#### Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures to the financial statements.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months.



We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due.

We consider 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 a company to cease to continue as a going concern.

#### General audit procedures

Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

#### Our 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. We have communicated the key audit matter to the audit committee. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change.

This matter was 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 this matter.

#### Impairment assessment of vessels

|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk | The container shipping marked experiences challenging conditions in the beginning of 2020 due to the COVID-19 pandemic. Management identified indications of potential impairment for the Group's vessels as a result of a challenging market situation with growing idle fleet and declining charter rates. 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, taking into account COVID-19 and its implications on trade, transportation and production as well as Group's specific factors. |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Impairment assessment of vessels |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  | <p>Key assumptions included the future time charter rates, expected utilization, the trend of operating expenses, expected capital expenditures, newbuilding prices and discount rate. Management concluded there was an impairment on the vessels AS Frida, AS Fiona and AS Lauretta. As a result, management recognized an impairment of USD 8.0 million for the sale of the vessels in 2020. No impairment for the remaining vessels is deemed required as the estimated recoverable amounts of the other vessels exceeded the related book values. 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.</p> <p>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 and the sensitivities performed under note 13: Vessels.</p>                                                                                                                                                                                              |
| Our audit approach               | <p>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 by 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 the Group's specific factors. We also tested the mathematical accuracy of the valuation model, and performed sensitivity analysis on the most critical assumptions. As part of our subsequent events procedures, we reviewed management's subsequent events analysis.</p> <p>Finally, we reviewed the disclosures included in the financial statements.</p> |
| Key observations                 | <p>As a result of the audit procedures performed we did not identify any material misstatement in the impairment assessment of vessels performed by management and disclosed in the group's financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The management board report
- ▶ Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the audit committee as auditor of MPC Container Ships Invest B.V. on 9 January 2018 as of the audit for the year 2017 and have operated as statutory auditor ever since that date.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

### Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

## Description of responsibilities for the financial statements

### Responsibilities of management and the audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements 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. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

#### Communication

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

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, not communicating the matter is in the public interest.

Rotterdam, 25 March 2021

Ernst & Young Accountants LLP

signed by Pieter Laan

# ALTERNATIVE PERFORMANCE MEASURES

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

## GROSS PROFIT

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

## 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 VESSEL OPERATING EXPENDITURES ("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 divided by total assets.

## EQUITY RATIO

Total book equity divided by total assets.