



Songa Container AS

Financial Report Q2 2020

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SONGA CONTAINER

Second Quarter 2020 Highlights, Events, Results and Fleet

SECOND QUARTER 2020 HIGHLIGHTS

Songa Container AS¹ (the Issuer and its subsidiaries, hereinafter the “Company”) net loss per Q2 2020 was \$12.8 million. The Interim Financial Statements are presented in accordance with IFRS as of June 30, 2020.

Please find highlights as follows:

- The Company delivered a positive EBITDA of \$1.9 million in Q2 2020, compared to negative \$0.5 million in Q1 2020.
- Total time charter equivalent earnings¹ were \$8.6 million in Q2 2020, compared to \$7.3 million in Q1 2020.
- Total Operating days² were 1 365 in Q2 2020. Total Trading days³ was 1 093 days, implying a utilization of 80.1%. The utilization in Q1 2020 was 69.9%.
- Adjusted Time Charter Equivalent (TCE⁴) in Q2 2020 was \$7 837 per day, compared to \$7 659 per day in Q1 2020.
- Adjusted Operating expenses (OPEX⁵) in Q2 2020 were \$ 5 560 per day, compared to \$5 998 per day in Q1 2020.

SECOND QUARTER 2020 EVENTS

- On 25 May, the Company summoned to a bondholders meeting proposing to approve certain amendments to the Bond Terms.
- On 5 June 2020 an announcement was published with reference to the summons for the Written Resolution published 25 May 2020. The Written Resolution approved the proposal for amended bond terms, and as a result the Shareholders injected USD 5 million of new equity capital.
- The Company completed 3 scrubber installations during the quarter.

SUBSEQUENT EVENTS

- Due to the circumstances surrounding the Company and the market in Q2, the Company has decided to utilize its option to PIK the interest coupon payable in September 2020. As a result, USD 2 million of additional equity will be injected in September 2020.
- The Company completed one scrubber installation in early August.

¹ Adjusted Time Charter Equivalent (TCE) represents time charter revenue and pool revenue, adjusted for scrubber revenues and adjusted for the Songa City AS controlled vessels, divided by the number of Trading days for the consolidated vessels during the reporting period.

² Time charter equivalent revenue is operating income and other operating income (-expenses).

³ Operating days per day represents the number of ownership days of consolidated vessels during the reporting period.

⁴ Trading days are ownership days minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days.

⁵ Adjusted Operating Expenses per day (OPEX) represents operating expenses divided by the number of ownership days of consolidated vessels during the reporting period, adjusted for the Songa City AS controlled vessels.

2nd QUARTER 2020 RESULTS

in \$ thousands			
Financial performance	YTD Q2 2020	Q2 2020	Q1 2020
Time charter revenue	14 460	8 254	6 206
Operating expenses, incl. G&A and depr.	17 015	8 397	8 618
Operating profit (-loss)	-2 555	-143	-2 412
EBITDA	1 382	1 921	-539
Net financial profit (-loss)	-10 146	-4 029	-6 117
Profit (-loss) for the period	-12 808	-4 254	-8 554
Financial position	30.06.2020	31.12.2019	
Total assets	203 309	204 123	
Cash and cash equivalents	9 084	28 250	
Total equity	63 575	66 384	
Cash flow statement	YTD Q2 2020	Q2 2020	YTD Q1 2020
Net cash flow from operating activities	-507	-1 391	884
Net cash flow used for investing activities	-23 919	-9 211	-14 708
Net cash flow from financing activities	5 260	2 787	2 473
Net change in cash and cash equivalents	-19 166	-7 815	-11 351

Financial performance

The Company's operating loss decreased by \$2.3 million in Q2 2020 compared to the last quarter, from a loss of \$2.4 million in Q1 2020 to a loss of \$0.1 million in Q2 2020. EBITDA in Q2 2020 increased by \$2.5 million, from a loss of \$0.5 million in Q1 2020 to a profit of \$1.9 million in Q2 2020.

Time charter revenues increased from \$6.2 million in Q1 2020 to \$8.3 million in Q2 2020. The Company reports a scrubber revenue share of \$1.0 in Q2 2020 compared to \$0.7 million in Q1 2020. The scrubber revenue is included in time charter revenue.

Operating expenses for Q2 2020 was \$8.4 million compared to \$8.6 for Q1 2020.

Net financial loss was \$4.1 million in Q2 2020.

Financial position

The Company's total assets was \$203.3 million at 30 June 2020, down from \$204.1 million at 31 December 2019.

Non-current assets, which comprise of vessels delivered, scrubber investments and acquired loans, increased from \$165.3 million at 31 December 2019 to \$181.6 million at 30 June 2020. The change is mainly due to the development in the CAPEX program.

Total equity was \$63.6 million at 30 June 2020, down from \$66.4 million at 31 December 2019, with non-controlling interest of \$1.7 million at 30 June 2020. The change in equity is mainly due to the net loss for the year and the capital increase of in total \$10.0 million which took place in March and in June 2020.

The interest-bearing bond loan remains unchanged per 30 June 2020 compared to 31 December 2019, but with amended bond terms.

Cash flow

The Group generated a negative cash flow from operating activities of \$1.4 million in Q2 2020.

Net cash flow from investment activities were negative with \$9.2 million in Q2 2020 and is mainly due to the CAPEX program.

Net cash flow from financing activities were positive with \$2.8 in Q2 2020 and is due to the net effect of the capital increase of \$5.0 million in June 2020 and the bond interest.

Net change in cash and cash equivalents from 31 March 2020 to 30 June 2020 was negative with \$7.8 million.

Cash and cash equivalents at the end of Q2 2020 were \$9.1 million, down from \$16.9 million at the end of Q1 2020.

THE FLEET

By the end of the second quarter 2020, the fleet consists of 15 container vessels:

Vessel Name	TEU	DWT	Built	Yard	Gear	Scrubber fitted
Anne Sibum	1 036	13 172	2007	SSW Schicau Seebeck, Germany	Gearless	X
Grete Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless	X
Stefan Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless	X
FS Ipanema	1 794	25 860	2009	Taizhou Kouan, China	Gearless	X
Songa Bonn	1 992	28 630	2009	Hyundai Mipo, South Korea	Gearless	X
Songa Nuernberg	1 992	28 630	2010	Hyundai Mipo, South Korea	Gearless	X
Songa Iridium	2 015	27 209	2008	Zhejiang Shipyard, China	Gearless	Postponed. Optional, to be confirmed
City of Beijing	2 559	34 333	2009	Xiamen Shipbuilding, China	Gearless	X
City of Hongkong	2 559	34 295	2009	Xiamen Shipbuilding, China	Gearless	X
City of Shanghai	2 559	34 269	2009	Xiamen Shipbuilding, China	Gearless	X
Songa Antofagasta	2 851	35 534	2008	Zhejiang Yangfan, China	Gearless	N/A
Stralsund	3 421	46 130	2014	Rongcheng Shenfei, China	Gearless	X
Songa Haydn	3 534	41 824	2010	Shanghai & Chengxi, China	Gearless	X
Songa Calabria	4 256	50 353	2010	Jiangsu New Yanzijiang, China	Gearless	X
Songa Toscana	4 957	62 272	2013	Jiangsu New Yanzijiang, China	Gearless	Q2 2021 (to be confirmed)

SCRUBBER CONTRACTS AND CAPEX PROGRAM

Following the completion of the scrubber retrofit of three vessels during the quarter, and an additional vessel being completed in early August, the Company has now come to an end of its CAPEX Program. The Company sees limited risk of further cost overruns due to only one vessel being potentially left for scrubber installation in Q2 2021.

The company has indefinitely postponed the scrubber installation on Songa Iridium due to unfavourable market conditions combined with a favourable liquidity effect of not having to complete the installation. The scrubber unit for Songa Iridium, which has been paid for and delivered, is being marketed for sale.

In the Q1 2020 report, the Company announced that it had to quickly shift certain scrubber installations due to the local situation at the Chinese shipyard following the Covid-19 lockdown. Songa Toscana was subject to this decision, and it was decided to keep her employed in the Pool and as such maintaining cash flow revenues. The vessel has subsequently to this been fixed on a contract that lasts until end Q1 2021. Subject to market conditions, the vessel will undergo scrubber retrofit in Q2 2021.

Despite the depressed spreads between Compliant and Non-compliant fuel (3.5% vs 0.5% sulphur fuel), the Charterers continue to fix and extend our scrubber retrofitted vessels. The business model of offering Charterers a comparatively competitive vessel fitted with scrubbers has now proved itself for close to a year, and the Company is pleased with the proof of concept. The significant change in assumptions concerning the obtainable spread has however significantly impacted the temporary profitability of the investments.

Pending the development of the fuel spreads and oil markets in general, the return on the scrubbers is expected to normalize higher than today's levels over time.

There has been no significant revision to the overall CAPEX budget since it was presented in the Notice to Bondholders Meeting in May 2020.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

CONTAINER MARKET IN Q2 2020

The global pandemic will result in the global box trade falling by close to 8% for the full year of 2020 according to recent estimates by Clarksons. By the end of Q2, this number was even higher, but the recent easing of restrictions has led the market to rebound quicker and more forcefully than expected only months ago.

Demand entered hibernation mode during March/April with blanked sailings and efficient volume control being effectuated by the large liner operators. As a result, the Charter period market collapsed with regards to obtainable rates, but also with regards to the flexible periods being forced upon tonnage providers. This market imbalance has to a certain degree been corrected during the past 6-8 weeks, with volumes shipped coming up and port call statistics showing an increased number of port calls signalling increased macroeconomic activity. Idle rates have come down from ~11% to ~7% in mid-July, and the trend has continued since then.

Uncertainty of the most recent upswing in sentiment remains, and is most notably being demonstrated in the illiquid sale and purchase market. During the first half of 2020, the total volume of tonnage sold was down ~48% according to Clarksons compared to H2 2019. New price equilibriums are yet to be set as activity has remained subdued. The demolition market has not been able to efficiently act as a valve to the poor market conditions during H1 2020 due to Covid-19 restrictions, however this market has opened up recently and it is expected that old tonnage with high CAPEX costs for upcoming special surveys will head for demolition during H2 2020.

The orderbook continues to shrink and is currently at an historical low of 9%. The aggregate number of deliveries in 2020 is expected to be the lowest since 2004, according to Clarksons. With limited interest in ordering new tonnage given the market circumstances and technical uncertainties as to engine types, the Company expects this favourable trend to continue.

INDICATIVE MARKET TIME CHARTER RATES

SECOND QUARTER

Size	Gear	Beam	Apr 2020	May 2020	Jun 2020
700 TEU	N	All	4,800	4,500	4,500
1,100 TEU	Y	All	6,100	5,500	5,500
1,700 – 1,800 TEU	Y	All	7,700	6,800	6,300
2,400 – 2,600 TEU	Y	All	8,800	7,600	7,500
2,700 – 2,800 TEU	N	All	9,000	8,200	7,000
3,300 – 3,600 TEU	N	All	9,000	8,300	7,750
4,000 – 4,500 TEU	N	< 32.2 m	11,500	8,750	7,800
5,000 – 5,300 TEU	N	< 32.2 m	11,000	8,250	7,300
4,500 – 5,400 TEU	N	> 32.3 m	17,000	11,000	11,000
5,500 – 6,000 TEU	N	All	16,500	12,500	9,750
6,300 – 7,000 TEU	N	All	20,000	15,000	12,000
8,000 – 9,000 TEU	N	< 48 m	23,000	18,000	13,000

Source: Maersk Broker July 2020 report

AS PER JULY 2020

Size	Gear	Beam	May 2020	Jun 2020	Jul 2020
700 TEU	N	All	4,500	4,500	4,500
1,100 TEU	Y	All	5,500	5,500	5,700
1,700 – 1,800 TEU	Y	All	6,800	6,300	6,500
2,400 – 2,600 TEU	Y	All	7,600	7,500	7,500
2,700 – 2,800 TEU	N	All	8,200	7,000	7,500
3,300 – 3,600 TEU	N	All	8,300	7,750	8,000
4,000 – 4,500 TEU	N	< 32.2 m	8,750	7,800	8,500
5,000 – 5,300 TEU	N	< 32.2 m	8,250	7,300	8,000
4,500 – 5,400 TEU	N	> 32.3 m	11,000	11,000	13,000
5,500 – 6,000 TEU	N	All	12,500	9,750	11,000
6,300 – 7,000 TEU	N	All	15,000	12,000	13,500
8,000 – 9,000 TEU	N	< 48 m	18,000	13,000	16,000

Source: Maersk Broker August 2020 report

OUTLOOK AND STRATEGY

Songa Container is an investment vehicle established to invest in container vessels, with the strategy to own and operate small to midsize container vessels. The Company's chartering strategy is to have a large majority of the vessels employed in revenue sharing pools and a selected few number of vessels on direct TC contracts with varying durations, depending on the prevailing market at any given time. An increased number of vessels employed in revenue sharing pools mitigates risk to idle time and mobilization costs. By the end of Q2 2020, the Company had two vessels employed on bilateral contracts with liner operators whereas the remaining vessels are employed in revenue sharing pools.

The Board of Songa Container has no plans to increase the fleet further from its current level.

The Company obtained support from its bondholders in June to amend certain parts of the Bond Terms by

- Extending the maturity date to June 2023
- Temporarily reducing the Minimum Cash Covenant to USD 1 million
- Temporarily waiving the LTV covenant
- Obtaining flexibility to PIK interest coupon payments in conjunction with additional equity
- Private Placement of USD 5,000,000

With the CAPEX Program now coming to an end, Songa Container is well positioned to take part in a recovery.

FORWARD-LOOKING STATEMENTS

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made but are subject to uncertainties and contingencies that are difficult or impossible to predict. The Company cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

RISK FACTORS

Risk Factors and Responsibility Statement

MAIN RISK FACTORS

The Company is through its operations exposed to a variety of market, operational and financial risks. The risk factors below are a summary of the risk factors that might affect the Company. The order of appearance is not intended to indicate importance or likelihood of occurrence.

- The demand for, and the pricing of the underlying assets depend, among other things, on the global economy and global trade growth, ordering of new vessels and scope of future scrapping. Future obtainable day rates may not be sufficient to cover operating expenses.
- All vessels carry pollutants. Accordingly, there will always be certain environmental risks and potential liabilities involved in the ownership of commercial shipping vessels. The Company's insurances and indemnities may not adequately cover all risks or expenses.
- The Company is a relatively newly formed entity with limited operating history upon which to evaluate the Company's likely performance.
- The Company's operations are subject to regulations and restrictions governing health and safety as well as environmental requirements, social impacts, and other laws and regulations. Changes in legal, governmental, tax and regulatory regimes within the relevant jurisdictions may have an adverse effect on the Company's business.
- The Company's success will materially depend upon the skill and expertise of key persons involved in the management of the Company.
- Political and economic policies may affect the Company's business and results of operations.
- The financial performance of the Company depends heavily on its counterparties' ability to perform their obligations under agreed charter parties.
- The Company may not have sufficient funds to make the required redemption of Bonds upon a Change of Control Event and the Bonds may be subject to optional redemption.
- Norwegian government issued a white paper in October 2015 describing a tax reform for the period 2016-2018 which includes the possible introduction of withholding tax on interest payments from Norway. Any changes in Norwegian law with respect to the possible introduction of withholding tax on interest (and possibly with retroactive effect), may result in the Bondholders receiving a lower coupon payment than originally agreed in the Bond Terms since the Company is under no obligation to make any gross up on interest in order to guarantee that the investors will receive the coupon payments in full (without any such deductions).
- The Songa City Vessels (as defined in the Bond Presentation/Bond Term Sheet) are not currently owned by the Company, but subject to contractual purchase options in favour of Songa City AS, and the transfer of legal title and ownership is dependent on the counterparty granting such purchase options' ability to comply with their obligations under the Option Agreements (as defined in the Bond Presentation/Bond Term Sheet).
- The Company will conduct a CAPEX program as described in the Bond Presentation/ Bond Term Sheet and this is subject to risk. All related items, including, but not limited to, cost, off-hire and positioning may deviate from the company's estimates.
- Fuel prices are volatile. Significant changes in future fuel prices may have material adverse effect on the Company's business.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that this condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and generally accepted accounting principles, and gives a true and fair view of the Company's assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during this quarter of the financial year and their impact on the set of financial statements, and a description of the main risks and uncertainties going forward.

Oslo, 27 August 2020


The Board of Directors of Songa Container AS



Arne Blystad
Chairman



Magnus Leonard Roth
Director



Jon Christian Syvertsen
Director



Fredrik Flatou
Director



Alexander Leonard Roth
Director

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in \$ thousands	Q2 2020	YTD Q2 2020	Q2 2019	YTD Q2 2019
Time charter revenue	8 254	14 460	7 929	16 882
Total operating income	8 254	14 460	7 929	16 882
Ship operating expenses	5 296	10 995	6 487	12 232
General and administrative expenses	1 037	2 083	916	1 926
Depreciation	2 064	3 937	1 457	3 115
Total operating expenses	8 397	17 015	8 859	17 273
Operating profit (-loss)	-143	-2 555	-930	-391
Interest income	49	164	425	494
Interest expenses	-2 190	-4 718	-2 720	-5 686
Net income (-loss) on long-term loan measured at fair value	-1 800	-2 509	-1 640	-3 208
Impairment loss other short-term receivables	0	-2 804	0	0
Other financial income (-expenses)	-88	-279	-373	-472
Net financial profit (-loss)	-4 029	-10 146	-4 308	-8 872
Profit (-loss) before taxes	-4 172	-12 701	-5 238	-9 263
Taxes	82	107	0	0
Profit (-loss) for the period	-4 254	-12 808	-5 238	-9 263
Other comprehensive income				
Items that are or may be reclassified to profit and loss				
Exchange differences	9	-1	334	-125
Other comprehensive profit (-loss) for the period	9	-1	334	-125
Total comprehensive profit (-loss) for the period	-4 245	-12 809	-4 904	-9 388
Profit (-loss) is attributable to				
Equity holders of the parent company	-4 270	-12 817	-5 185	-9 238
Non-controlling interests	16	9	-53	-25
Total comprehensive profit (-loss) is attributable to				
Equity holders of the parent company	-4 241	-12 821	-4 868	-9 361
Non-controlling interests	-4	12	-36	-27

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in \$ thousands	Note	30 June 2020	31 December 2019
		(Unaudited)	(Unaudited)
Vessels	5	142 813	117 668
Docking	5	3 928	3 685
Constructions in progress	5	6 079	12 121
Long-term loans	6	28 800	31 800
Total non-current assets		181 619	165 274
Inventories		1 162	1 474
Trade receivables		764	1 994
Other receivables		10 680	7 131
Cash and cash equivalents		9 084	28 250
Total current assets		21 690	38 849
TOTAL ASSETS		203 309	204 123
Share capital		8 725	7 725
Share premium		78 525	69 525
Reserves		-3 608	-440
Uncovered losses		-21 810	-12 157
Non-controlling interests		1 743	1 731
Total equity		63 575	66 384
Bond loan		128 297	128 750
Total non-current liabilities		128 297	128 750
Trade payables		3 783	3 236
Tax payable		401	327
Other liabilities		7 253	5 425
Total current liabilities		11 437	8 988
Total liabilities		139 734	137 739
TOTAL EQUITY AND LIABILITIES		203 309	204 123

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

in \$ thousands	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
Profit before taxes	-12 701	-9 263
Income taxes paid	-33	-71
Change in fair value of long-term loans	3 164	4 223
Interest income and fees long-term loans	-655	-1 014
Impairment loss short-term loan	2 804	0
Depreciation	3 937	3 115
Net interest expenses	4 553	5 500
Net change in inventories, trade receivables/payables	1 616	-374
Net change in other current items	-3 192	-1 385
Net cash flow from operating activities	-507	730
Investment in vessels and constructions in progress	-23 282	-4 147
Repayments of long-term loan at fair value	0	379
Interest received long-term loan	491	1 213
Payment short-term loan	-1 128	0
Net cash flow used in investment activities	-23 919	-2 555
Interest paid	-4 809	-5 708
Interest received, not incl. interest long term loan	69	495
Proceeds from issues of shares	10 000	0
Net cash flow from financing activities	5 260	-5 213
Net change in cash and cash equivalents	-19 166	-7 038
Cash and bank deposits at beginning of period	28 250	54 376
Cash and bank deposits at end of period	9 084	47 338

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

in \$ thousands	Share capital	Share premium	Translation reserve	Fair value reserve	Retained earnings	Non-controlling interest	Total equity
(Unaudited)							
Equity 1 January 2019	7 325	65 925	-475	5 007	-364	1 957	79 375
Incorporation expenses							0
Profit for the period				-4 223	-5 014	-25	-9 263
Other comprehensive income			-123			-2	-125
Equity 30 June 2019	7 325	65 925	-598	785	-5 379	1 930	69 987
Equity 1 January 2020							
Equity 1 January 2020	7 725	69 525	-870	430	-12 157	1 731	66 384
Share issuance	1 000	9 000					10 000
Profit for the period				-3 164	-9 653	9	-12 808
Other comprehensive income			-4			3	-1
Equity 30 June 2020	8 725	78 525	-874	-2 734	-21 810	1 743	63 575

NOTES

Note 1 General

Corporate information and history

Songa Container AS (the Company) is a public limited company incorporated and domiciled in Norway. The Company was incorporated on 17 October 2016. The address of the main office is Haakon VII's gate 1, 0161 Oslo. The Norwegian Enterprise no. is 918 003 762.

Songa Container AS and its subsidiaries (the Group) owns and operates container feeder vessels.

On 6th. June 2019 the Company's bond were registered with Oslo Stock Exchange under the ticker ISIN NO0010837248.

Basis for preparation

These consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.

The consolidated interim financial statements have been prepared on a historical basis except for financial assets at fair value through profit or loss. The consolidated interim financial statements are prepared under the going concern assumption.

Note 2 Accounting policies

The accounting policies and valuation methods are the same for the interim accounts as the annual accounts for 2019.

Note 3 Segment information

The Group operates within one single segment, which is the shipping container segment.

Note 4 Vessels and docking

in \$ thousands	Q2 2020	2019
Opening balance vessel and docking 01.01	121 353	114 613
Additions in the period	29 325	13 662
Exchange differences	0	-363
Depreciation in the period	-3 937	-6 559
Closing balance vessel and docking 30.06 / 31.12	146 741	121 353

On 22 October 2018 the Group entered into purchase agreements for scrubber installations on all 15 vessels in the fleet. On 17 January 2019 the scrubber contract for Songa Antofagasta was cancelled due to a potential sale of the vessel. The scrubber installations for eleven vessels have been finalized per 30 June 2020. Project cost related to not finalized installations on the remaining vessels are classified as construction in progress under non-current assets.

Note 5 Financial instruments

The Group acquired three mortgage loans with face value at \$54.75 million from Commerzbank Aktiengesellschaft April 30, 2018. Face value at June 30, 2020 is \$54.1 million. The long-term loans are measured at fair value over profit and loss. The following table shows a reconciliation from the opening balance to the closing balance for these loans measured at fair value in level 3:

in \$ thousands	Q2 2020	2019
Opening balance 01.01	31 800	37 200
Purchases	0	0
Fair value adjustment	-3 000	-5 400
Closing balance 30.06 / 31.12	28 800	31 800

The different levels for fair value estimation have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable input for the asset or liability

Fair values of long-term loans in level 3 are based on the average of valuations from two independent shipbrokers for three vessels pledged as security for the loans. The fair value of the pledged vessels are considered to be the best estimate of the fair value of the loans. Broker's estimates assume the vessels are without charter contracts, immediately available for sale in the market and that a willing seller and a willing buyer exists. The value is calculated by discounting future cash flows to present value at the reporting date. Due to reduced liquidity in the market for vessels, there is an increased uncertainty about the estimated ship values in todays market.

Note 6 Subsequent events

There are no events after the interim period that have not been reflected in the financial statements for the interim period.

Note 7 Alternative performance measures

In order to measure financial performance and position, the Group makes use of the Alternative Performance Measures (APMs) described below. The APMs are non-IFRS measures which provide supplemental information to the IFRS financial measures.

EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) is derived directly from the statement of profit and loss by adding back to profit/(loss) depreciation and amortization.

EBITDA (in thousands of USD)	YTD Q2 2020	Q2 2020	Q1 2020	YTD Q2 2019	Q2 2019
Operating profit	-2 555	-143	-2 412	-391	-920
Depreciation and amortization	3 937	2 064	1 873	3 115	1 457
EBITDA	1 382	1 921	-539	2 724	537

Time charter equivalents earnings

Adjusted Time charter earnings represents time charter revenue and pool revenue, and other operating income (-expenses) for the consolidated vessels during the reporting period, adjusted for scrubber revenue. Pool revenue for the Songa City AS controlled vessels is added. The company uses time charter equivalent earnings as an indication of the profitability of charters. Time charter equivalent earnings is used as the numerator when calculating TCE per day.

TCE earnings (in thousands of USD)	YTD Q2 2020	Q2 2020	Q1 2020	YTD Q2 2019	Q2 2019
Adjusted time charter revenue					
Time charter revenue	14 460	8 254	6 206	16 882	7 929
Adjusted for scrubber revenue	-1 768	-1 046	-722	0	0
Time charter revenue excl. scrubber revenue	12 692	7 208	5 484	16 882	7 929
Adjustment for time charter revenue Songa City controlled vessels	3 184	1 356	1 828	4 566	2 083
Time charter equivalents earnings	15 876	8 564	7 312	21 448	10 012

Time Charter Equivalent per day (TCE)

Time charter equivalent (TCE) per day is calculated by dividing net time charter revenue, adjusted for scrubber revenue and adjusted for the Songa City AS controlled vessels, by the number of trading days for the consolidated vessels during the reporting period. Trading days are operating days (ownership days during the reporting period) minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days. TCE is a common shipping industry measure of performance on a per day basis. The company uses TCE per day as it enables comparison of financial performance between periods regardless of changes in the mix of charter types.

TCE per day	YTD Q2 2020	Q2 2020	Q1 2020	YTD Q2 2019	Q2 2019
Adjusted time charter revenue					
Operating days	2 730	1 365	1 365	2 715	1 365
Days without revenue, incl. commercial, uninsured technical and dry dock related off-hire days	682	272	410	161	49
Trading days	2 048	1 093	955	2 554	1 317
Adjusted TCE per day – in USD	7 754	7 837	7 659	8 398	7 602

Operating expenses per day (OPEX)

Operating expenses per day represents operating expenses incl. technical management fees divided by the number of ownership days. OPEX incl. technical management fees for the Songa City AS controlled vessels are added. The company uses OPEX per day as it enables comparison of financial performance between periods.

OPEX per day	YTD Q2 2020	Q2 2020	Q1 2020	YTD Q2 2019	Q2 2019
Adjusted OPEX (in thousands of USD)					
Operating expenses	10 995	5 296	5 699	12 232	6 486
Technical management fee (admin.cost)	940	499	441	955	526
Adjustment for operating expenses incl. technical management fee Songa City controlled vessels	3 841	1 794	2 047	3 339	1 643
OPEX total	15 776	7 589	8 187	16 526	8 655
Operating days	2 730	1 365	1 365	2 715	1 365
OPEX per day – in USD	5 779	5 560	5 998	6 087	6 341