

TCC Group Annual report for 2010

Main activities

The Containership Company AS was formed on 5. June 2006. It was inactive until March 2010 when it was transformed into an ASA (allmennaksjeselskap) named The Containership Company ASA (TCC ASA).

The company's main activities encompass chartering of container vessels to support the container liner operations and investments in vessels and vessel owning entities, either direct or indirect through acquisitions of shares, partnerships or financial instruments. The company's shares are traded as OTC shares in Oslo. The company is headquartered at Lysaker in Oslo, Norway.

The liner operations are organized and managed by the company's Danish subsidiary The Containership Company A/S in Copenhagen ("TCC A/S"), now in reconstruction, while activities relating to chartering and investments in vessels is managed by TCC ASA from Lysaker in Norway.

Subsidiaries

TCC A/S, formerly The Containership Company ApS, is a 100% owned subsidiary that is registered in Copenhagen, Denmark. This company was formed on 1. October 2009, but the business operations of this entity did not commence until 1. March 2010.

TCC A/S operated the container line, The Great Dragon Service, between port(s) in China and Los Angeles in USA until 8. April 2011. 5 container vessels were operated in the regular liner service.

The liner operation in China and USA was represented by third party agents, representing TCC A/S in respect of issuing freight documents and invoices, performed collection services and were in charge of the daily operations at the ports.

Ultimo 2010 TCC A/S formed two new subsidiaries, The Containership Company ApS and The Containership (TCC) of Copenhagen P/S ("TCC P/S"). There have not been any activity in these two subsidiaries during the course of 2010 and consequently no financial statements have been prepared and approved for these entities.

Financial statements

The financial performance of the TCC Group for 2010 was lower than expected. The Group had USD 83,8 million in turnover and incurred a annual net loss of USD 9,3 million for 2010.

TCC ASA had USD 0,4 million in revenues and incurred a annual net loss of USD 16,9 million. The TCC ASA net loss was significantly impacted from the write down of the shares in TCC A/S considering the uncertain outcome of the financial reconstruction process occurring following the decision on April 8, 2011 to file for reconstruction of TCC A/S in Denmark, an after the balance sheet date event

2010 was the start-up year of operations of the TCC Group and consequently significant costs were incurred during the first year of operations.

TCC Group invested USD 12,2 million in containers which later during the year were sold with limited losses in order to free up liquidity.

Impairment of fixed assets, reassessment of provisions for accounts receivables and provision for certain onerous contracts and non-recurring costs associated with the financial reconstruction of TCC A/S, an event occurring after the balance sheet date, has been charged in the 2010 financial statements amounting to USD 1,6 million.

The net annual result was negatively impacted by the weakening of the NOK against USD during the 2 last quarters of the year which resulted in a foreign exchange loss on the NOK denominated bank deposits.

Deferred tax assets resulting from carry forward losses have not been recognized due to significant uncertainty regarding future utilization.

With 2010 being the start-up year of the operations, management's focus was directed towards establishment of the business and creating a basis for the future growth. A professional organization was put together with significant experience from vessel and container line operation. Contracts were negotiated and entered into with harbors and ports on market terms and the required tonnage was secured through Time Charter agreements of with 1 to 4 years duration and finally container leasing contracts was completed on competitive terms.

During 2010 the business operated in total 8 vessels on Time Charter, of which 5 was employed in the Great Dragon Service. The remaining 3 vessels were chartered out to other shipping companies on short contracts. Sub-chartering of the excess vessel capacity has been profitable. As at 31. December 2010 TCC ASA had 7 vessels on Time Charter of which 5 were employed in the liner operation operated by TCC A/S in Denmark.

Time Charter rates and prices in the second hand container vessels increased significantly during the course of 2010 whereby the company's option to acquire "Taicang Dragon" at year end was "in the money".

The market for container transport between China and the West coast of USA was at the start-up of the Great Dragon Service improving significantly and was further strengthened during a period where demand for containers exceeded the supply. The increased demand resulted, amongst other, in re-introduction of extra vessel capacity into the market. TCC Group acquired during this period a number of containers which later in the year was sold off in order to free up capital employed and strengthen the liquidity.

The marked during second half of 2010 was impacted by low consumer confidence in USA and as a resulting consequence a shorter than normal peak season since the inventory levels before Thanks Giving and Christmas remained low. The start-up of several new container lines and an increase in the vessel sizes on existing lines contributed further to the imbalance of supply and demand with a significant reduction in the container freight rates and overall unsatisfactory utilization levels as a follow on consequence.

As a newly established participant in the market TCC was also impacted by this imbalance in supply and demand. In order to keep growing the customer base and strengthen cargo volumes, the company had to adjust the container freight rates to the prevailing rate levels in the market.

All alternatives considered, the management's assessment at the end of 2010 was that TCC's market position was reasonable and revenue projections based on agreed freight agreements indicated adequate cash flow to continue building the operations going into financial year 2011, despite the competitive pressures and general market risk of the venture.

Other information

The working environment is perceived as good and no serious accidents or injuries have occurred during 2010. There are currently no plans for introducing measures to improve the working environment. The number of days for short and long term sick leave has been limited.

The Board of Directors and management have no reason to believe that the operations have unduly and significantly contaminated the environment during 2010.

The Board of Directors consisted of 2 men and 1 woman. The management team of the TCC Group has a similar distribution of men / women.

In the hiring of members of staff, management aspires not to exercise discrimination between the sexes, age, race or religion, and this is expressed in the current composition of staff.

The company has not had any research and developing activities during 2010.

No loans or security for loans have been granted to employees of the management team.

Subsequent events having occurred after the balance sheet date

After the balance sheet date, it became evident primo April 2011 that agreed freight revenues from China would fail to materialize and that shippers not meeting contractual cargo volumes committed (MQC) under the 2010/11 season service contracts would not honor the agreed compensation charge from TCC covering this volume shortfall (contractually agreed liquidated damages).

Upon the occurrence of these events, the Board of Directors and management immediately decided to submit a petition for financial reconstruction of TCC A/S in Denmark and the law firm Bech Bruun (lawyer Jørgen Hauschildt) was appointed as the "Reconstructor". In cooperation with management, the Reconstructor has now prepared a "Reconstruction Plan" which on 4. Mai 2011 was approved by Sø- og Handelsretten in Copenhagen, Denmark.

Prior to these subsequent events the 100% owned subsidiary TCC A/S exercised one of the 4 purchase options related to the vessels operated on Time Charter at year end. The purchase of Mv. "Taichang Dragon", was completed on the 16. March 2011 where TCC A/S 100% owned TCC P/S acquired the vessel for USD 28,8 million. As part of the Reconstruction Plan for TCC A/S it was decided to sell the vessel and a sales agreement was entered into, selling the Taichang Dragon for USD 32,2 million net of commission basis prompt charter free delivery and the vessel was delivered to the Buyers primo June, 2011.

After these events had occurred and it was decided to submit a petition for reconstruction of TCC A/S in Denmark it became clear that TCC A/S did not have sufficient liquidity to arrange for the 5 vessels, operated in the liner service, unloaded and get into a position to secure new business for employing them. In order to avoid infinite claims from vessel owners against TCC ASA in Norway, TCC ASA decided to cancel the assignment of the vessels to TCC A/S, take over operational control and arranged unloading of all the vessels. Taking these immediate steps, TCC ASA were able to immediately enter into a sublet charter of 3 vessels to Mediterranean Shipping Company, Geneva, with a positive margin. Furthermore, TCC ASA cancelled and returned the remaining vessels to their respective vessel owners since the cost of and liquidity required to position these vessels in order to secure new employment would have caused a significant liquidity strain.

For the vessels where TCC ASA cancelled the Time Charter contracts, the vessel owners have now secured alternative employment on an improved Time Charter rate and TCC ASA has entered into a final agreement regarding compensation to cover the vessel owners' mitigated loss due to the premature cancellation of the Time-Charter contracts.

In order to reduce costs associated with lease containers in terminals and depots to a minimum, it was further decided to release and return all leased containers to leasing companies. The vast majority of lease containers have now been returned to the leasing companies who have already secured or are in the process of securing new employment for the returned containers with other line operators. The final potential claim for compensation for incurred actual losses from the leasing companies is yet to be received. However, management's general assessment is that the prevailing lease rates in the existing market are significantly better than the rates paid by TCC under their contracts with the

leasing companies. If the leasing companies fulfill their obligation to mitigate potential losses to the extent possible, we expect that the potential claims will be manageable.

The operations and organization of TCC A/S in Denmark have been discontinued and are in the process of being wound up.

The organization of TCC ASA in Norway has been reduced to a minimum and in such a manner that the expected future revenues from sublet of vessels will cover the running operating costs whilst the Reconstruction of TCC A/S in Denmark is being completed.

Risks and future expectations

The most significant risk factors for TCC ASA relates to the following;

- Final claims for coverage of potential losses from container leasing companies after they have duly fulfilled their obligations to mitigate any losses and with the American doctrine for “unjust enrichment” taken into due consideration, and;
- Final result of the Reconstruction of TCC A/S in Denmark where it is still expected that the assets will exceed the liabilities when the Reconstruction is completed, and;
- Continued profitable sublet Time Charter for the remaining 3 vessels which are all employed with Mediterranean Shipping Co., Geneva, Switzerland (MSC).

Sublet of the remaining 3 vessels to MSC gives the TCC ASA a continued positive cash flow for financing administrative expenses. TCC ASA has options to prolong 2 of these vessels for a period from primo 2012 to 2013 and 1 of these vessels from primo 2013 to primo 2014. Depending on the marked development the decision whether to exercise these options or not will be assessed in due course.

The collection of contractual liquidated damages from shippers not living up to their contractual committed cargo volumes is conservatively assessed in the Reconstruction Plan for TCC A/S.

When the Reconstruction of TCC A/S is completed, the Board of Directors and management of TCC ASA will consider together with the shareholders whether there is a basis for further investments in container vessels or not.

Going concern

As of today, TCC ASA’s ability to continue as a going concern is uncertain and will mainly depend on the final and positive outcome of the risks outlined above being;

- potential claims from the leasing companies, and;
- successful Reconstruction of TCC A/S, and;
- continued profitable sublet of the 3 vessels on Time Charter.

In case of an unsuccessful financial outcome of either of these matters, further losses not reflected in the financial statements may be incurred.

However, on the basis of the information available today, the Board of Directors and the management continue to expect a positive outcome of these critical issues, hence, maintain that the basis for continuing TCC ASA as a going concern is present and consequently the financial statements are presented based on this assumption.

There are currently no immediate plans for increasing the equity of the company as the equity and liquidity is deemed satisfactory for the current scope of operations assuming the satisfactory resolution of the above reflected financial uncertainties.

Proposal for coverage of loss

The Board of Directors and managing director of TCC ASA proposes the following coverage of the total comprehensive loss for 2010 amounting to USD -16 911 953;

From share premium reserve	USD 8 297 122
To losses carried forward	USD 8 614 831

Free distributable equity as of 31. December 2010 was USD 0,-.

Copenhagen, 15. June 2011



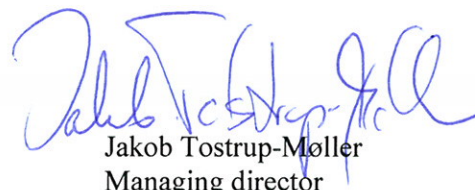
Arne Alexander Wilhelmsen
Chairman of the Board of Directors



Naja Dannow
Board member



Jesper Kædegaard
Board member



Jakob Tostrup-Møller
Managing director