

PARADISE GAS CARRIERS CORP.
CONSOLIDATED BALANCE SHEET, INCOME STATEMENT, CASH FLOW
(Expressed in thousands of United States Dollars)



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(Expressed in thousands of United States Dollars)

	<u>As of June 30,</u> <u>2015</u>	<u>As of December 31,</u> <u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	12,160	5,941
Trade receivable	3,764	3,566
Inventories	882	1,317
Insurance and other claims	835	829
Other receivables	740	623
Due from related parties	92	-
Prepaid expenses	359	365
Letter of guarantee	54	54
Total current assets	18,886	12,695
NON-CURRENT ASSETS		
Fixed assets, net	68,682	87,015
Vessels under construction	9,540	4,770
Deferred charges, net	4,091	1,867
Seller credit guarantee	3,800	-
Total non-current assets	86,113	93,652
Total assets	104,999	106,347
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	2,529	1,383
Accrued liabilities	290	162
Current portion of long-term debt	5,630	5,249
Unearned revenue	-	597
Due to related parties	1,205	1,961
Loans due to shareholders	-	14,653
Other current liabilities	-	47
Total current liabilities	9,654	24,052
NON-CURRENT LIABILITIES		
Ballast tank upgrade cost	1,800	-
Long term debt, net of current portion	22,965	20,436
Total non-current liabilities	24,765	20,436
Total liabilities	34,419	44,488
SHAREHOLDERS' EQUITY		
Additional paid-in capital	65,970	61,500
Retained earnings	4,610	359
Total stockholders' equity	70,580	61,859
Total liabilities and stockholders' equity	104,999	106,347

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	Period from January 1 to June 30, 2015	Period from January 1 to June 30, 2014
Operating revenue	17,857	11,459
Voyage expenses	(822)	(3,924)
Vessel operating expenses	(7,692)	(3,893)
Charter hire expenses	(342)	-
Depreciation	(2,618)	(1,533)
Amortization of deferred dry-docking and special survey costs	(391)	-
Commissions	(273)	(419)
Management fees	(647)	(355)
General and administration expenses	(99)	(209)
Net operating expenses	(12,884)	(10,333)
Income From Operations	4,973	1,126
Gain on vessel's disposal	4,515	-
Provision for ballast tanks upgrade	(1,800)	-
OTHER INCOME (EXPENSE):		
Interest income	1	16
Interest expense	(809)	(227)
Other finance expenses	(460)	(124)
Other expenses, net	(189)	(9)
Total Other Expense, net	(1,457)	(344)
Net Income	6,231	782

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	Period from January 1 to June 30, 2015	Period from January 1 to June 30, 2014
Cash Flows from Operating Activities:		
Net income	6,231	782
Adjustments to reconcile net profit to net cash generated from operating activities		
Depreciation	2,618	1,533
Amortization of deferred dry-docking and special survey costs	391	-
Amortization of deferred finance costs	211	28
Provision for ballast upgrade cost	1,800	-
Gain on sale of vessel	(4,515)	-
Increase/(Decrease) in:		
Accounts receivable	(197)	(1,113)
Insurance and other claims	(6)	-
Other receivables	(118)	-
Prepaid expenses	6	(508)
Inventories	435	443
Amounts due from related parties	142	821
Seller's credit guarantee	(3,800)	-
Increase in:		
Accounts payable	1,146	1,259
Payments for dry-docking/special survey	(4,196)	-
Accrued liabilities	128	207
Unearned revenue	(597)	-
Dividends payable	(990)	-
Ballast tank upgrade costs	1,800	-
Other current liabilities	(47)	129
Net Cash generated from Operating Activities	442	3,581
Cash Flows from Investing Activities:		
Acquisition of vessels	-	(18,804)
Proceeds from sale of vessels	19,998	-
Advances for vessels under construction	(4,770)	-
Net Cash used in Investing Activities	15,228	(18,804)
Cash Flows from Financing Activities:		
Proceeds from bank borrowings	11,000	17,750
Payments on bank borrowings	(8,090)	-
Deferred finance costs	(198)	(1,433)
Capital contribution	4,470	11,000
Dividends paid	(1,980)	-
Payments of loan due to shareholders	(14,653)	-
Net Cash generated from Financing Activities	(9,451)	27,317
Net Increase in Cash and Cash Equivalents	6,219	12,094
Cash and Cash Equivalents, Beginning of Period	5,941	6,453
Cash and Cash Equivalents, End of Period	12,160	18,547
Supplementary Cash Flow information		
Cash paid for interest	822	170

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Commentary

I) Consolidated Balance Sheet

Non-Current Assets:

- The decrease in “Fixed Assets, net” amounting to \$18,333k is related to the depreciation expense charged for 2015/H1 amounting to \$2,618k, the sale of vessel PGC-Ikaros which took place on May 28, 2015 amounting to \$15,715 (disposal cost minus disposal accumulated depreciation). Same vessel was leased back by PGC on a bareboat charter for 4 years.
- “Vessels’ under construction” balance increased by \$4,770k following the payments of the 2nd installment of the newbuilding LPG vessels in Kyokuyo/Japan (hulls S-529 and S-530) effected in January 2015.
- For the increase of “Deferred Charges, net” amounting to \$2,224k refer to table below:

<u>Deferred Charges</u> (in \$ thous)	Marina	Ikaros	Aratos	Aspropyrgos	S. Force	D. King	Total
a) Additions of SS and DD	1,815	1,636	744	-	-	-	4,195
b) Additions of Finance Cost	99	-	-	99	-	-	198
c) Amortiz. of SS and DD	(11)	(112)	(148)	-	(120)	-	(391)
d) SS and DD write-off	-	(1,567)	-	-	-	-	(1,567)
e) Amortization and write-off of Finance Cost	(156)	-	(29)	(5)	(14)	(7)	(211)
Total Increase/(decrease) in Deferred Charges	1,747	(43)	567	94	(134)	(7)	2,224

- a) During the first half of fiscal 2015, PGC Marina and PGC Ikaros commenced special surveys (the “SS”), whereas PGC Aratos has carried out a dry-docking (the “DD”). The total capitalized expenses due to SS and DD were \$3,451k and \$744k respectively.
- b) During same period, the Group entered into a loan agreement with HSBC Bank Plc in order to partly refinance two of the Group’s vessels. Based on the loan agreement the total arrangement fees were \$198k.
- c) Amortization of special survey and dry docking for 2015/H1 amounting to \$391k.
- d) Write off of special survey balance due to the sale of vessel PGC Ikaros amounting to \$1,567.
- e) Amortization and write off of finance cost amounting to \$211.
- The “Seller’s credit guarantee” refers to the outstanding amount from Crude Tankers I A.S. (the “Buyer” of vessel PGC Ikaros) which is based on the Sellers Credit Agreement (the “SCA”). The SCA consists of two sellers credits:
 - a) SC1 amounting to \$2,800k: a security for PST S.A due and punctual performance of all payments of Charter Hire which is based on Bareboat agreement between PST S.A and Crude Tankers I AS.
 - b) SC2 amounting to \$1,800k: a security in respect of the upgrade cost that PST S.A is obligated to perform based on the seller’s credit agreement.

Current Liabilities:

- The increase in “Accounts payables” balance amounting to \$1,146k mainly concerns \$835k unpaid balances of suppliers of PGC Marina, that were due to the Special Survey which was completed in June 17, 2015.

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- “Due to related parties balance” for Q2 2015 refers to:
 - a) Unpaid dividends of \$990k for the second quarter of 2015.
 - b) Unpaid balance to Paradise Navigation (the “Manager”) amounting to \$215k. The \$215k mainly refer to the unpaid commercial commission for the period ended June 30, 2015.
- “Current portion of long-term debt” concerns the future annual repayments of loan facilities based on the Repayment terms of the respective facilities. The current portion analyses as follow:
 - a) AB Bank regarding vessels PGC Strident Force and PGC Darko King amounting to \$2,600.
 - b) DVB Bank regarding vessel PGC Aratos amounting to \$2,130 and
 - c) HSBC Bank regarding vessels PGC Aspropyrgos amounting to \$900k.
- During the first six months of fiscal 2015, the Group has fully repaid its outstanding shareholders’ loans amounting to \$14,653k.

Non-Current Liabilities:

- “Ballast tank upgrade cost” amounting to \$1,800k concerns the provision of the upgrade cost regarding the obligation of the Group based on the SC2.
- The increase in “Long term debt” (current and non-current portion) amounting to \$2,910k is analysed herebelow:

Long-Term Debt breakdown <i>(In USD thous.)</i>	HSBC	DVB Bank	AB Bank	Total
a) Proceeds from bank loans	11,000	-	-	11,000
b) Loan Installments	(225)	(1,411)	(1,300)	(2,936)
c) Prepayments	-	(5,154)	-	(5,154)
Total increase/(decrease) in long term debt	10,775	(6,565)	(1,300)	2,910

- a) On March 27, 2015, Aspropyrgos II Maritime Ltd. and PST S.A entered jointly and severally into a new loan facility with HSBC Bank Plc amounting up to \$22,000 in order to partly refinance existing indebtedness attached to the vessels Aspropyrgos and PGC Ikaros respectively (in two tranches). And in March 31st the Aspropyrgos’ tranche (\$11m) was drawdown. Following the sale of vessel PGC Ikaros in May 2015, the bank has agreed to amend and restate the existing agreement in order to replace the Borrower PST S.A with Marina Maritime and Trading Ltd, owner of PGC Marina.
- b) During Q2 2015 the Group repaid loan installments amounting to \$2,936k.
- c) On June 5, 2015, the vessel owning company Marina Maritime and Trading Ltd, fully repaid its outstanding loan to DVB Bank amounting then to \$5,154k.

Shareholder’s equity:

- Additional paid-in capital increased by \$4,770k. Increase concerns capital contribution in regards to the payments of the 2nd installment of vessels under construction.
- Increase in “Retained earnings” concerns net income for the period ended June 30, 2015 amounting to \$6,231k minus dividends paid amounting to \$1,980k.

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II) Income Statement (analysis per vessel)

PGC Marina

- Finance expenses: Following the prepayment of PGC Marina's tranche with DVB, the company has been charged with a prepayment fee of \$107k. Furthermore an amount of \$156k regarding the capitalized finance cost of the respective loan has been written off.
Note that the capitalized finance cost of \$156k included also the portion of finance cost (arrangement fees) of Tranche C amounting to \$81k. Tranche C was committed to PGC for the financing of the vessel Syn Antares, which was finally cancelled because the company has not finally acquired the vessel. Hence, the fees relevant to tranche C were reclassified (prorate) to vessels PGC Marina and PGC Aratos.
- Voyage expenses: They include agency fees amounting to \$4k and port expenses amounting to \$14k.

PGC Aratos

- Extra "Voyage expenses": They stood at \$101k attributed to (a) prior year voyage expenses amounting to \$32k (a portion of these expenses is expected to be claimed) and to (b) bunkers consumption on off hire amounting to \$68k. As already stated above, vessel PGC Aratos commenced dry-docking during January 2015.
- "Other income and expenses" amounting to \$172k (expenses) include the following items:
 - a) Exchange differences (gain) amounting to \$(16k)
 - b) Prior year operating expenses amounting to \$22k.
 - c) Extraordinary technical expenses amounting to \$135k: concern a major Caterpillar Diesel Generator unforeseen overhauling overdue since previous owners. Note that these expenditures are not qualify for capitalization.
 - d) \$15k concern expenses for ECDIS new installation and additional life raft purchase due to lifeboats' damage.

PGC Strident Force

- Revenues: Total revenues amounted to \$2,301. Until February 25, 2015 the monthly hire rate was \$370k (\$20k penalty per month if no Chevron approval obtain). From February 26, 2015 and thereafter the rate increased to \$390k per month after PGC Strident Force obtained the Chevron approval.
- Voyage expenses amounting to \$111k mainly concern:
 - a) DAs and agency expenses from previous year while the vessel was on off hire at Kingston port due to main engine problem (\$59k and \$3k respectively).
 - b) Remaining voyage expenses amounting to \$49k concern protective agency fees, crew transportation fees, in/out going crew expenses mainly charged from Houston port.

PGC Darko King

- Revenue amounting to \$1,899k. The hire rate based on time charter agreement with Carib LPG Trading Ltd is \$320k per month. During April 2015 the vessel was on off hire at Houston for 1,7 days.
- Voyage expenses amounting to \$41k. These concern protective agency fees, crew transportation fees, in/out crew expenses mainly charged from Houston port. Note that \$13k concerns previous year DAs and Agency expenses.

Aspropyrgos

- The total revenue of Aspropyrgos amounted to \$4,722k minus pool adjustment of \$1,168k. PGC and Stena had agreed to pool the earnings of their LR1 vessels (Aspropyrgos, PGC Ikaros and Stena Chiron)

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during the first 5 months of 2015. The pool arrangements between the two companies ended on May 7, 2015. Note that Aspropyrgos revenue was highly affected from this arrangement, attributed mainly to PGC Ikaros' and Stena Chiron's special surveys carried out (28 offshore days and 33 offshore days respectively).

Table: "PGC-Stena Pool" monthly adjustments (in usd):

	jan-15	feb-15	mar-15	apr-15	may-15	TOTAL
Stena Chiron	-99,604	49,915	170,698	491,342	175,720	788,071
Aspropyrgos	-254,253	-235,010	-284,237	-277,776	-116,347	-1,167,623
PGC Ikaros	353,857	185,095	113,539	-213,566	-59,373	379,552

- Finance costs stood at \$127k, \$94k of which attributed to interest expenses. The remaining amount concerned other finance expenses, such as legal fees, bank charges, etc.

PGC Ikaros

- The total revenue of PGC Ikaros stood at \$3,238k plus pool adjustment of \$380k as per table above.
- Voyage expenses amounting to \$79k; these refer mainly to off-hire bunkers (during SS) amounting to \$74k and other voyage expenses due to off hire amounting to \$5k.
- The finance expenses amounting \$37k mainly consist of \$31k undrawn commitment fees charged by HSBC in respect of the loan agreement. Note that PGC Ikaros has been replaced by PGC Marina during June 2015.
- Depreciation expense and amortization of DD/ SS amounting to \$411k. Both expenses have been charged from January 1, 2015 until the day of the delivery of the vessels to the new Owners. The unamortized balances have been transferred to the "Capital gain" as per below.
- The capital gain of Ikaros' sale is calculated at \$4,515k as analysed in the table below:

	Purchase Price	22,000
<u>Less:</u>	Brokerage commission	(202)
	Cost of vessel	(16,039)
	Accumulated depreciation (add back)	323
	Unamortized special survey cost	(1,567)
	Capital Gain	4,515

- The provision for ballast tanks upgrade amounting to \$1,800k concerns the provision of the upgrade cost regarding the obligation of the Group based on the SC2.