

PARADISE GAS CARRIERS CORP.

Financial Statements for the Quarter and Three-Month Ended June 30, 2016

Athens, Greece, July 19th, 2016, Paradise Gas Carriers Corp (“PGC” or the “Company”, today reported its unaudited consolidated operating and financial results for three-months ended June 30, 2016. All amounts reported are in US Dollars unless otherwise stated).

Financial Highlights for 2nd Quarter 2016:

- **Net TCE Earnings** stood at **\$19.4 million** during the first 6 months of FY 2016 (or on average 17,745 \$/day per ship), increased by 15.6% compared to 2015q2.
- **Total Operating Expenses** (excl. charter-in expenses) stood at **\$7.9million** (or on average of 7,255 \$/day/ship), decreased by 6% compared to the same period in FY 2015 (excl. bareboat-in hire expenses).
- **EBITDA** reached **\$9.72 million** in 2016h1, compared to \$7.98 million in 2015h1, i.e. an increase of approx. 22%.
- **Net Income** stood at **\$6.6 million** in 2016h1 compared to \$3.9 million during same period in 2015; i.e. an increase of more than 70%.
- Outstanding **Bank Debt** at **\$32.6 million**, with a very moderate **leverage¹ of 26.4%**, compared to an outstanding debt of \$28.6million in 2015q2, maintaining though same leverage level of 26.3%.
- PGC enjoys a strong liquidity, with **cash** standing at over **\$14.4 million** as at 30/06/2016, well above all our current liabilities.
- Future cash flow may become a concern though, given the current tanker spot market being in the low 10,000 \$/day (i.e. about half of the actual 1H2016 earnings for tankers) and the **Company’s plans to invest about \$21m into our DP70** custom designed, dirty panamax tanker new-building project, that are currently at LOI stage.
- Due to the aforementioned two factors, **Management is considering the suspension of dividends from Q3-2016 up to possibly q4-2018**. The decision shall be progressive and will be communicated to all shareholders by the end of Q3-2016.

<u>Income Statement</u>	Three months ended June 30,		Six months ended June 30,	
(in USD thous)	2016	2015	2016	2015
NET REVENUE (1)	8,747	8,540	19,377	16,762
Vessels Operating Expenses (2)	(3,962)	(4,053)	(7,746)	(8,339)
Other operating expenses (3)	(805)	(228)	(1,910)	(441)
EBITDA	3,980	4,259	9,721	7,982
Gain on vessels’ disposal, net (4)	165	60	330	60
Interest & Finance costs (5)	(88)	(585)	(221)	(1,109)
Depreciation & Amortization expenses	(1,612)	(1,533)	(3,218)	(3,053)
Other expenses	7	(147)	29	(189)
NET INCOME	2,452	2,054	6,641	3,691
Dividends distributed	1,072	990	2,144	1,980
Average number of vessels	6.0	6.0	6.0	6.0

(1) TCE earnings, i.e. revenues less voyage expenses and address/brokerage commissions

(2) Incl. technical management fees

(3) Incl. charter hire expenses, bareboat costs, G&A expenses

(4) PGC Ikaros was sold to Norwegian buyers in May 2015 and leased back by PGC for a duration of 4 years. Under U.S. GAAP, ASC 840-40-25-3, any profit or loss resulting from a sale-and-leaseback transaction in which the resulting lease is an operating lease is deferred and amortized in proportion to the related gross rental charged to expense over the lease term.

(5) Incl. out of book adjustment for the capitalization of Interest for vessels under construction (US GAAP 835-20 or IAS 23)

¹ Leverage = Total outstanding Debt / (FMV of fleet incl. NB advances + Current Assets)

<u>Balance Sheet</u>	June 30, 2016	December 31, 2015
(in USD thous)		
Current Assets	23,424	22,100
Non-current assets	96,391	96,064
Current Liabilities	5,429	11,025
Non-current liabilities²	31,220	31,220
Paid-in capital	71,500	68,750
Shareholders' Equity	83,166	75,919

<u>Cashflow Statement</u>	Six months ended 30,	June
(in USD thous)	2016	2015
Statement of cash flow data:		
Net cash generated from operating activities	6,001	2,928
Net cash generated from investing activities	(2,909)	(12,860)
Net cash used in financing activities	(4,194)	(9,569)

Investment Activities

- Concern the payment of the 2nd installments of the two new Semi-Refrigerated 7000cbm LPG carriers amounting to \$2.9m. Upcoming Yard payments are presented in the New-Building section below.

Financing Activities

- Pursuant to Board of Directors and shareholders' resolution dated November 30, 2015, the members of the board approved the increase of paid-in capital by **\$5.5 million**. \$2.75m was contributed in Q4-15 and the increase was completed during February 2016 with the remaining \$2.75m.

<u>Operating Stats</u>	FY 2015	2016q1	2016q2
Average # of Ships Owned* during Period	6.0	6.0	6.0
Average Age of Fleet at end of Period	13.4	13.7	13.9
ShipYears Left	57.5	56	54.5
Ownership Days (average)	365	91	91
Available Days efficiency (1)	94.6%	100%	99%
Operating Days efficiency (2)	94.1%	100%	99%

(1) Available Days Efficiency is the ratio of the days that the fleet was available for revenue generating;

(2) Operating Days Efficiency is the ratio of the days the ships were actually employed (TC or Spot) and generating revenues (after deducting the off-hire days); divided to the Ownership days

² ASU (Accounting Standards Update) 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability.

Financial Ratios & Stats

(amounts in USD mil)

	FY 2015	2016q1	2016q2
Fleet Valuation (\$mill) - end period (1)	104.1	103.0	98.1
Leverage	28.0%	26.3%	26.4%
Market NAV (\$mill) (1)	86.0	90.4	87.2
Paid-in capital (\$mill)	68.8	71.5	71.5
Enterprise Value (EV) (2)	105.8	107.95	104.98
Book NAV per 100 usd invested (\$)	110.4	115.80	116.32
Market NAV per 100 usd invested (\$)	125.04	126.37	122.01
Dividends received per 100usd invested (\$)	6.0	6.0	6.0
RoE (annualised)	15.6%	20.7%	12.2%
RoA (annualised)	9.6%	13.6%	8.5%
EV/EBIT (annualised)	8.23	7.63	7.52
P/E (3)	8.06	7.30	6.46
Dividend Yield	4.61%	4.47%	4.73%
Average TCE per Ship (\$/pd), net	18,461	19,527	16,064
Average Opex per Ship (\$/pd), incl. man fees	7,947	6,923	7,264
Average charter hire expense per Ship (\$/pd)	1,146	1,903	1,271
Average debt-service per ship (\$/pd) (4)	3,637	3,757	3,680
Cashflow TCE Breakeven per Ship (\$/pd)	12,866	12,697	12,426
Cashflow Margin	43,5%	53.8%	29,3%
P&L TCE Breakeven per Ship (\$/pd)	12,737	12,308	11,623

(1) Fleet Valuation and Market NAV are calculated as follows: In the event that the average brokers' valuations (MV) shows higher values than our books (BV) we account 75% of that premium, otherwise we account for the full difference if MV is lower than BV. Fleet valuation includes also advances for NB orders

(2) EV = Market NAV plus Debt less Cash

(3) P/E = Market NAV/Net Earnings (Trailing 12 months, or TTM)

(4) During 4th quarter of 2015, debt-service increased (from 3.7k to 5k\$/day/vessel) because the company has prepaid \$650k to AB Bank in relation to the vessels PGC Strident Force and PGC Darko King.

Fleet Profile

PGC, through its subsidiaries, owns two LR1/Panamax Tankers and three Gas Carriers. In addition, PGC operates also a 3rd LR1 Tanker ("PGC Ikaros") which was sold in May 2015 and leased back for 4 years.

Vessel	Built	Yard	Type	Delivered	DWT/cbm (1)	FLAG	Ownership
PGC Marina	2005	Hudong Shanghai	Product Tanker	07/2013	72,800 MT	Bahamas	100%
PGC Ikaros (2)	2004	Hudong Shanghai	Product Tanker	12/2014	72,900 MT	Bahamas	BB until May 2019
Aspropyrgos	2004	Hudong Shanghai	Product Tanker	12/2014	72,900 MT	Bahamas	100%
PGC Aratos	2003	CN, Pesaro	Ethylene Carrier	10/2013	9,000 cbm	Malta	100%
PGC Strident Force	1999	Higaki Shipbdg	LPG (S/R) carrier	03/2014	6,500 cbm	Bahamas	100%
PGC Darko King	1997	Higaki Shipbdg	LPG (F/P) carrier	03/2014	6,500 cbm	Bahamas	100%

(1) Cubic meters for LPGs, all others in dead weight tons;

(2) Vessel was sold in May 2015 to Norwegian buyers and leased back (bareboat in) to PGC for a 4-year period at 7500 \$/day base rate + profit share above 18500 \$/day TCE;

Fleet Employment

PGC vessels are trading either on well-established pools or on a time charter, as per table below:

Vessel	Charterer	Expiration Date	Type	Gross Daily rate
PGC Marina	Penfield Marine Pool	n/a	Pool	Floating, abt \$22,000 \$/pd 2016 avg YTD
PGC Ikaros	Penfield Marine Pool	n/a	Pool	Floating, abt \$22,000 \$/pd 2016 avg YTD
Aspropyrgos	Penfield Marine Pool	n/a	Pool	Floating, abt \$22,000 \$/pd 2016 avg YTD
PGC Aratos	Gaschem/Gasmare Pool	n/a	Pool	Floating, abt \$465,000 \$/pd 2016 avg YTD
PGC Strident Force	Carib LPG Trading Ltd	Feb-Mar 2017	T/C	\$370,000/month
PGC Darko King	Carib LPG Trading Ltd	Sep/Nov 2016	T/C	\$300,000/month

New-building Program,

- i) 4 Gas Carriers on order in Kyokuyo Shipyard/Japan

PGC has 4 LPG vessels on order in Kyokuyo shipyard, Japan, as per table below.

Hull No.	Type	cbm	Yard	Delivery	NB Price (\$m)
S-529	FP	7,500	Kyokuyo, Japan	Q2/2017	24.1
S-530	FP	7,500	Kyokuyo, Japan	Q3/2017	24.1
S-532	S/R	7,000	Kyokuyo, Japan	Q4/2017	28.0
S-533	S/R	7,000	Kyokuyo, Japan	Q1/2018	28.0

Upcoming Installments

<u>Schedule</u>	<u>S-529</u>	<u>\$mm</u>	<u>S-530</u>	<u>\$mm</u>
keel laying	30-Nov-16	2.39	31-Jan-17	2.39
Launching	31-Jan-17	2.39	15-Mar-17	2.39
Delivery	31-May-17	13.37	31-Jul-17	13.37
TOTAL due		18.14		18.14
<u>Schedule</u>	<u>S-532</u>	<u>\$mm</u>	<u>S-533</u>	<u>\$mm</u>
1yr anniversary	30-Jul-16	1.44	30-Jul-16	1.44
delivery	15-Oct-17	20.16	15-Mar-18	20.16
TOTAL due		21.60		21.60

The total investment stands at \$104 million.

During Q2/2016 PGC has secured financing from DVB Bank as per committed term-sheet dated 21/4/16. The total loan facilities stand at \$67 million, 50% of which has been underwritten by DVB and the remaining will be syndicated to another banking institution(s). Syndication procedure is currently on process, the loan facility is expected to be signed during Q3/2016.

ii) 2+2 Panamax Tankers – LOI signed with Hudong/China

In addition, PGC has signed an LOI with HUDONG Shipyard for 2+2 Panamax tankers (70,000 dwt). Shipbuilding contracts are currently being negotiated with the shipyard.

Hull No.	Type	Dwt	Yard	Delivery	NB Price (\$m)
DP70-1	Oil Tanker	70,000	Hudong, China	Q3/2018	~\$36m
DP70-2	Oil tanker	70,000	Hudong, China	Q4/2018	~\$36m
DP70-3	Oil Tanker	70,000	Hudong, China	Q1/2019 (option 1)	~\$36m
DP70-4	Oil tanker	70,000	Hudong, China	Q2/2019 (option 2)	~\$36m

The total investment stands at \$144 million, incl. the two options.

To finance all 3 or 4 projects, PGC is also seeking for additional investors. The two investors with advanced discussions at the time of writing are Fortress and Penfield.

In all even, it is anticipated that PGC will need to commit a total of \$21.0 Million approximately, until delivery of all ships. The company is currently planning its financial needs, which may require also to limit our existing dividend policy during the construction period. This is mostly dependant also on how the tanker spot market (and consequently the Penfield Pool) stands in the next two quarters. If it remains in the 10,000 to 15,000 usd/day range or bounces back to close to 20,000.

Management Commentary

Revenues for the period ended June 30, 2016 amounted to \$20,8 million, an increase of \$2.9 million, or 16,2%, compared to revenues of \$17,9 million for the period ended June 30, 2015, primarily due to the offhire of vessel PGC Ikaros and PGC Aratos during January 2015 (vessels commenced SS and DD) and due to the decrease of pool adjustments. The increase in revenues due to the additional operating days of the two vessels was \$2.2 million and due to the poll adjustments \$0,5 million.

Voyage expenses for the period ended June 30, 2016 amounted to \$1 million, an increase of \$0.2 million, or 25%, compared to \$0.8 million for the period ended June 30, 2015. The increase in voyage expenses was primarily due to the higher number of vessels under spot charters during the six-months ended 2016.

Operating expenses for the period ended June 30, 2016 amounted to \$7,1 million, a decrease of \$0,6 million, or 7,8%, compared to operating expenses of \$7,7 million for the period ended June 30, 2015, mainly attributed to an optimized technical and crewing management, especially after all special surveys and drydockings effected last year.

Charter Hire expenses for the period ended June 30, 2016 amounted to \$1.7 million, of which \$1,4 million attributed to a fixed charter rate of 7500 \$/pd and 0.3k to a profit sharing scheme. More specifically, in May 2015, PGC had entered into a bareboat agreement for 4 years for PGC Ikaros. The fixed charter rate agreed to be \$7.500 per day plus 50% Profit Share of the Earnings in excess of \$18.500. The profit share however will be calculated on a 4-year basis, which means that in case rates fall the profit share shall decrease.

Depreciation for the period ended June 30, 2016 was \$2,5 million, a \$0.2 million decrease from \$2,7 million for the same period of last year. This was due to the decrease causes by the sale of vessel PGC Ikaros in May 2015.

Amortization of dry-docking and special survey costs for the period ended June 30, 2016 and 2015 was \$0.7 million and \$0.4 million, respectively. The cost for the period ended June 30, 2016 corresponds to the dry-docking and special survey of four vessels compared to the special survey amortization cost of three vessels for the period ended June 30, 2015.

Gain on vessel's disposal for the period ended June 30, 2016 was \$0,3 million and concerns the gain from the disposal of vessel PGC Ikaros which took place on May 28, 2015.

Interest expenses and amortization of finance expenses for the period ended June 30, 2016 was \$0.2 million, a decrease of \$0.7 million, or 77%, compared to the six months ended June 30, 2015.

Current Market conditions:

Tankers: The dirty panamax tanker market has started the first half of the year where it left off 2015, which was a very solid footing. Indeed our results for H1-2016 reflect this fact. However, the spot market, which directly affects the Penfield Pool where our ships are entered, has started a gradual fall from February onwards. In June our tankers earned about 17,500 \$/day and at those levels their profits became (for the first time since 2013), aligned with those of our LPG ships. July closed at 14,500 \$/day for an average ship in Penfield's pool, which is a one third drop from the H1 average rates published here. August has started even lower at around 11,000. If such low levels persist for more than one or two quarters, there will be issued for the company's if the tankers do not earn at least 15,000 or thereabouts.

Coastal LPG: Earnings remain steady for our ships, even though the underlying market is very difficult to trade. PGC Aratos is in the Gaschem Gasmare Pool, where we were told in the recent annual assembly that more than 70% of the earnings are fully hedged and fixed. PGC Strident Force and PGC Darko King are still on time charter to Carib/Petredec until the end of the year, on average. The prospect for renewal of these charters are fair.

Accounting Policies

- The cost of the Group's vessels is depreciated on a straight-line basis over the vessels' remaining economic useful lives after considering the estimated residual value. Management has estimated the useful life of the Group's vessels for the Tankers and the Gas Carriers to be 25 years. The scrap value of Group's vessels was determined by multiplying their light displacement weight (Ldt) by an assumed price for scrap of \$275/Ldt. Up to December 31, 2014, management assumed the salvage value of its vessel at \$390/Ldt. This change increased depreciation expense by \$382k.
- In April 2015, the FASB issued Accounting Standards Update No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs", ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Deferred financing fees standing at \$535k as of 31/12/2015 and \$498k as of 31/3/2016 were reclassified from an amortizing asset to a direct deduction in bank debt.
- Non-Current Liabilities: ASU (Accounting Standards Update) 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability.



PARADISE GAS CARRIERS CORP.
CONSOLIDATED BALANCE SHEET (unaudited)
(Expressed in thousands of United States Dollars)

	<u>As of June 30,</u> <u>2016</u>	<u>As of December 31,</u> <u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	14,441	15,543
Trade receivable	2,731	4,348
Inventories	695	740
Insurance and other claims	7	7
Due from shareholders	2,200	-
Other receivables	2,172	581
Prepaid expenses	1,178	881
Total current assets	23,424	22,100
NON-CURRENT ASSETS		
Fixed assets, net	63,540	66,031
Vessels under construction	27,286	23,775
Deferred charges, net	3,565	4,258
Seller credit guarantee	2,000	2,000
Total non-current assets	96,391	96,064
Total assets	119,815	118,164
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	1,997	1,693
Accrued liabilities	512	1,091
Current portion of long-term debt	2,540	5,741
Unearned revenue	-	717
Due to related parties	50	134
Current portion of deferred gain on sale of vessel	330	659
Dividends payable	-	990
Total current liabilities	5,429	11,025
NON-CURRENT LIABILITIES		
Deferred gain on sale of vessel, net of current portion	1,581	1,581
Long term debt, net of current portion	29,639	29,639
Total non-current liabilities	31,220	31,220
Total liabilities	36,649	42,245
SHAREHOLDERS' EQUITY		
Additional paid-in capital	71,500	68,750
Retained earnings	11,666	7,169
Total stockholders' equity	83,166	75,919
Total liabilities and stockholders' equity	119,815	118,164

PARADISE GAS CARRIERS CORP.
CONSOLIDATED INCOME STATEMENT (unaudited)
(Expressed in thousands of United States Dollars)

	Period from January 1 to June 30, 2016	Period from January 1 to June 30, 2015
Operating revenue	20,769	17,857
Voyage expenses	(1,041)	(822)
Vessel operating expenses	(7,091)	(7,692)
Charter hire expenses	(1,733)	(342)
Depreciation	(2,492)	(2,662)
Amortization of deferred dry-docking and survey costs	(726)	(391)
Commissions	(351)	(273)
Management fees	(655)	(647)
General and administration expenses	(177)	(99)
Net operating expenses	(14,266)	(12,928)
Income From Operations	6,503	4,929
Gain on vessel's disposal	330	60
OTHER INCOME (EXPENSE):		
Interest income		1
Interest expense	(195)	(862)
Other finance expenses	(26)	(248)
Other expenses, net	29	(189)
Total Other Expense, net	(192)	(1,298)
Net Income	6,641	3,691

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (unaudited)
(Expressed in thousands of United States Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
As of January 1, 2015	-	61,500	400	61,900
Net Profit for the period	-	-	3,775	3,775
Capital Contribution	-	4,470	-	4,470
Dividends	-	-	(1,980)	(1,980)
As of June 30, 2016	-	65,970	2,195	68,165
As of December 31, 2015	-	61,500	7,169	75,919
As of January 1, 2016	-	68,750	7,169	75,919
Net Profit for the period	-	-	6,641	6,658
Capital Contribution	-	2,750	-	2,750
Dividends	-	-	(2,144)	(2,144)
As of June 30, 2015	-	71,500	11,666	83,183



PARADISE GAS CARRIERS CORP.
CONSOLIDATED CASHFLOW STATEMENT (unaudited)
(Expressed in thousands of United States Dollars)

	Year ended June 31, 2016	Year ended June 30, 2015
Cash Flows from Operating Activities:		
Net income	6,641	3,691
Adjustments to reconcile net profit to net cash generated from operating activities		
Depreciation	2,492	2,662
Amortization of deferred dry-docking and special survey costs	726	391
Amortization of deferred finance costs	17	170
Gain on sale of vessel	(330)	(60)
Increase/(Decrease) in:		
Accounts receivable	1,617	(197)
Insurance and other claims	-	(6)
Other receivables	(1,591)	(118)
Prepaid expenses	(297)	6
Inventories	45	435
Amounts due to related parties	(94)	(848)
Due from shareholders	(2,200)	-
Accounts payable	304	1,146
Payments for dry-docking/special survey	(33)	(4,399)
Seller's credit	-	(2,000)
Accrued liabilities	(579)	128
Deferred gain from sale of vessel	-	2,571
Unearned revenue	(717)	(597)
Other current liabilities	-	(47)
Net Cash generated from Operating Activities	6,001	2,928
Cash Flows from Investing Activities:		
Net cash proceeds from sale of vessel	-	17,630
Advances for vessels under construction	(2,909)	(4,770)
Net Cash used in Investing Activities	(2,909)	12,860
Cash Flows from Financing Activities:		
Proceeds from long-term debts	-	10,775
Payments on bank borrowings	(3,265)	(7,865)
Capitalized of finance costs	(545)	(118)
Deferred finance costs	-	(198)
Capital contribution	2,750	4,470
Loan due to shareholders	-	(14,653)
Dividends paid	(3,134)	(1,980)
Net Cash generated from Financing Activities	(4,194)	(9,569)
Net Increase in Cash and Cash Equivalents	(1,102)	6,219
Cash and Cash Equivalents, Beginning of Period	15,543	5,941
Cash and Cash Equivalents, End of Period	14,441	12,160
Supplementary Cash Flow information		
Cash paid for interest	810	822