

PARADISE GAS CARRIERS CORP.

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

Athens, Greece, October 21st, 2016, Paradise Gas Carriers Corp ("PGC" or the "Company", today reported its unaudited consolidated operating and financial results for three-months ended September 30, 2016. All amounts reported are in US Dollars unless otherwise stated).

Financial Highlights for 3rd Quarter 2016:

- **Net TCE Earnings** stood at **\$26 million** during the first 9 months of FY 2016 (or on average 15,811 \$/day per ship), decreased by 7.7% compared to 9m2015.
- **Total Operating Expenses** (excl. charter-in expenses) stood at **\$12,1million** (or on average of 7,370 \$/day per ship), decreased by 5.1% compared to the same period in FY 2015 (excl. bareboat-in hire expenses).
- **EBITDA** reached **\$11.4 million** during the first 9 months, compared to \$13.5 million in the same period in 2015.
- **Net Income** stood at **\$6.8 million** in 9m2016 compared to \$8 million in 9m2015;
- Outstanding **Bank Debt** stood at **\$31 million as of 30.09.2016**, with a moderate **leverage¹ of 28%**, compared to an outstanding debt of \$38 million as of 30.9.2015.
- Currently PGC enjoys a strong liquidity, with **cash balance** standing at over **\$11million** as at September 30, 2016.
- Even though the Company's recent financial performance as well as its present balance sheet, has been and are strong, **future cash flow has become a concern** for the following reasons that appear to align as a perfect storm:
 - Whereas YTD tanker earnings are around 20,000 \$/day, the summer was at around 12,000 and current spot earnings are as low as 10,000 \$/day. And these are all numbers our 3 tankers have earned in the Penfield Pool, as the spot earnings have ranged 5-8,000 \$/day during the same period.
 - The PGC Aratos earnings in the Gaschem Pool have fallen to \$395,000 per month from a level of 475,000 that had been constantly maintained for two years.
 - The PGC Darko King has come off multi-year charter of 300,000 to 320,000 \$/month and is now facing a lackluster spot market with nominal earnings of around 240,000 when employed spends 1/3 days idle, albeit the sample for this is less than one month since she came off the charter.
 - The \$2m unforeseen cash outlay (plus 1 month idle time), in 2016 for the Aspropyrgos water ballast tank upgrade, normally scheduled for 2020 had to be brought forward for vetting reasons and is currently close to completion.
 - Last but by no means least, the Company still needs to pay nearly \$12m cash to the 4 LPG ship new-building program in Japan.

Management shall not err on the side of optimism, and instead will proceed under the operating assumption of extrapolating current bad earnings environment for 2 years. Two measures have already been decided upon: **The suspension of dividends from q4-2016 up to possibly q4-2018** and the **temporization of the DP70 custom panamax tanker new building project, in Hudong**. More measures are still under serious consideration, including sale and leaseback schemes, revolver -holding company level- loans, restructuring existing loans and/or seeking shareholder loans. A preliminary plan exists for an initial \$3.5m shareholders loan to be arranged for drawdown in early 2017.

In any event, Management is of the opinion that the difficult times are finite and constrained within 2017-2018 period. Accordingly, **we would wish that whatever measures we take for this difficult period, will not have repercussions on 2019 onwards, when we also expect the markets we trade in to recover.**

<u>Income Statement</u> (in USD thous)	Three months ended Sep.30		Nine months ended Sep.30	
	2016	2015	2016	2015
NET REVENUE (1)	6,710	11,293	25,994	28,055
Vessels Operating Expenses (2)	(4,039)	(4,386)	(12,117)	(12,725)
Other operating expenses (3)	(523)	(1,351)	(2,457)	(1,792)
EBITDA	2,148	5,556	11,420	13,538
Gain on vessels' disposal, net (4)	164	165	494	225
Interest & Finance costs (5)	(81)	(44)	(302)	(1,153)
Depreciation & Amortization expenses	(1,607)	(1,406)	(4,825)	(4,459)
Other expenses	(72)	22	29	(167)
NET INCOME	552	4,293	6,816	7,984
<i>Dividends distributed</i>	<i>1,072</i>	<i>990</i>	<i>3,218</i>	<i>2,970</i>
Average number of vessels	6.0	6.0	6.0	6.0

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

(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). The total amount capitalized until 30.9.2016 stands at \$947k.

Balance Sheet (in USD thous)	September 30, 2016	December 31, 2015
Current Assets	19,824	22,100
Non-current assets	98,209	96,064
Current Liabilities	4,545	11,025
Non-current liabilities ²	31,220	31,220
Paid-in capital	71,500	68,750
Shareholders' Equity	82,267	75,919

Cashflow Statement (in USD thous)	Nine Months ended Sep 30 2016	Nine Months ended Sep 30 2015
Net cash generated from operating activities	7,692	6,629
Net cash generated from investing activities	(5,790)	1,769
Net cash used in financing activities	(6,140)	(538)
Net change in Cash & Equivalents During Period	(4,238)	7,860

Investment Activities

- They concern the payment of the 2nd and 3rd installments of the two new Semi-Refrigerated 7000cbm LPG carriers amounting to \$5.8m. 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.

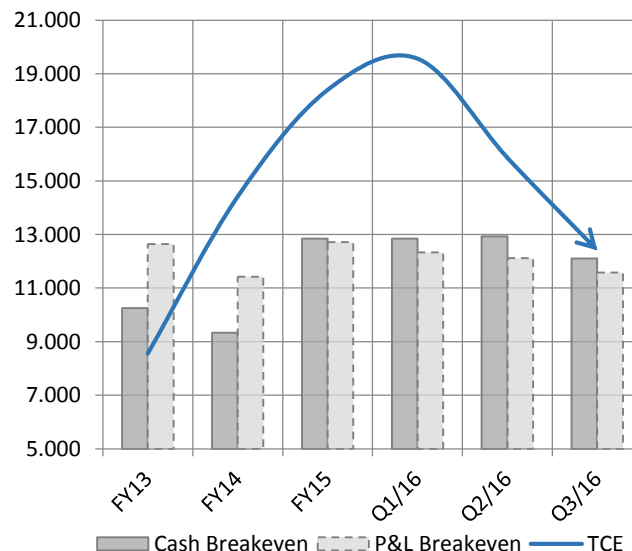
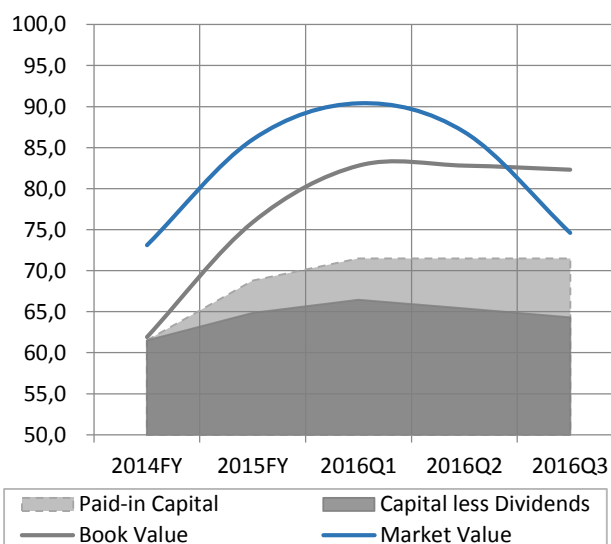
Operating Stats	FY 2015	2016q1	2016q2	2016q3
Average # of Ships Owned* during Period	6.0	6.0	6.0	6.0
Average Age of Fleet at end of Period	13.4	13.7	13.9	14.2
ShipYears Left	57.5	56	54.5	53
Ownership Days (average)	365	91	91	91
Available Days efficiency (1)	94.6%	100%	99%	99%
Operating Days efficiency (2)	94.1%	100%	99%	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	FY 2015	2016q1	2016q2	2016q3
Fleet Valuation (\$mill) - end period (1)	104.1	103.0	98.5	88.5
Leverage	28.0%	26.3%	26.4%	28.2%
Paid-in Capital (\$mill)	68.8	71.5	71.5	71.5
Book NAV (\$mill)	75.9	82.8	82.8	82.3
Market NAV (\$mill) (1)	86.0	90.4	86.9	74.6
Enterprise Value (EV) (2)	105.80	107.95	104.60	93.84
Book NAV per 100 usd invested (\$)	110.43	115.81	115.79	115.06
Market NAV per 100 usd invested (\$)	125.04	126.38	121.48	104.28
Dividends received (\$mill)	3.96	1.07	1.07	1.07
RoE (annualised)	15.6%	20.7%	10.4%	2.7%
RoA (annualised)	9.6%	13.6%	7.1%	1.9%
EV/EBIT (annualised)	8.23	7.67	7.74	9.62
P/E (3)	8.06	7.30	6.62	7.81
Dividend Yield	4.61%	4.47%	4.75%	5.64%
Average TCE per Ship (\$/pd), net	18,461	19,559	15,862	12,410
Average Opex per Ship (\$/pd), incl. man fees	7,947	7,075	7,720	7,397
Average charter hire expense per Ship (\$/pd)	1,146	1,903	1,271	841
Average debt-service per ship (\$/pd) (4)	3,637	3,757	3,680	3,748
Cashflow TCE Breakeven per Ship (\$/pd)	12,866	12,849	12,926	12,103
Cashflow Margin	43.5%	52.2%	22.7%	2.5%
P&L TCE Breakeven per Ship (\$/pd)	12,737	12,328	12,123	11,579

- (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. Hence, Market NAV= Book NAV + FMV - BV;
- (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 & Valuation

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.

<u>Vessel</u>	<u>Built</u>	<u>Type</u>	<u>Delivered</u>	<u>DWT or cbm (1)</u>	<u>FLAG</u>	<u>Ownership</u>	<u>Book Value</u>	<u>Market Value</u>
PGC Marina	China	Product Tanker	07/2013	72,800	Bahamas	100%	\$15.4m	\$14.5m
PGC Ikaros (2)	China	Product Tanker	12/2014	72,900	Bahamas	BB till May 2019	n/a	n/a
Aspropyrgos	China	Product Tanker	12/2014	72,900	Bahamas	100%	\$15.9m	\$14.0m
PGC Aratos	Italy	Ethylene Carrier	10/2013	9,000	Malta	100%	\$18.5m	\$16.5m
PGC Strident Force	Japan	LPG (S/R) carrier	03/2014	6,500	Bahamas	100%	\$10.2m	\$9.0m
PGC Darko King	Japan	LPG (F/P) carrier	03/2014	6,500	Bahamas	100%	\$5.8m	\$4.0m
Advances to Shipyards							\$30.5m ⁽³⁾	\$30.5m
Totals							\$96.2m	\$88.5m

(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; (3) Including Capitalized Finance Expenses \$ 1.7m as per USGAAP ASC 835

Fleet Employment

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

<u>Vessel</u>	<u>Charterer</u>	<u>Expiration Date</u>	<u>Type</u>	<u>Gross Daily rate</u>
PGC Marina	Penfield Marine Pool	n/a	Pool	Floating, abt \$21,000 \$/pd 2016 avg YTD
PGC Ikaros	Penfield Marine Pool	n/a	Pool	Floating, abt \$20,000 \$/pd 2016 avg YTD
Aspropyrgos	Penfield Marine Pool	n/a	Pool	Floating, abt \$19,000 \$/pd 2016 avg YTD
PGC Aratos	Gaschem/Gasmare Pool	n/a	Pool	Floating, abt \$445,000 \$/pd 2016 avg YTD
PGC Strident Force	Carib LPG Trading ltd	Feb-Mar 2017	T/C	\$370,000/month till spring 2017
PGC Darko King	Carib LPG Trading ltd	Sep/Nov 2016	T/C	\$300,000/month expired in September, earning less than 200,000 on spot.

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.

<u>Vessel</u>	<u>Hull No.</u>	<u>Type</u>	<u>cbm</u>	<u>Yard</u>	<u>Delivery</u>	<u>NB Price (\$m)</u>
PGC Patreas	S-529	FP	7,500	Kyokuyo, Japan	Q2/2017	24.1
PGC Periklis	S-530	FP	7,500	Kyokuyo, Japan	Q3/2017	24.1
PGC Taormina	S-532	S/R	7,000	Kyokuyo, Japan	Q4/2017	28.0
PGC Eirini	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>	<u>S-532</u>	<u>\$mm</u>	<u>S-533</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	15-Oct-17	20.16	15-Mar-18	20.16
TOTAL Due		18.14		18.14		20.16		20.16

The total investment stands at \$104.2 million, of which \$76.6m are still due to be paid to cover the contracted prices. There are also about \$3.1m in capitalized expenses for Owner's items including deferred finance charges (commitment fees, etc), of which about \$1.0m has already been paid. Hence a total of about \$78.7m remains to be paid.

During Q2/2016 PGC has secured financing from DVB Bank as per committed term-sheet dated 21.4.2016. The total loan facilities stand at \$67 million, 50% of which has been underwritten by DVB and the remaining 50% by NIBC Bank. The loan facility is currently being drafted and expected to be signed during the 4th quarter.

Therefore, **about \$11.7m net from owner remains to be financed.**

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

PGC had also signed an LOI with HUDONG Shipyard for 2+2 Panamax tankers (70,000 dwt).

Hull No.	Type	Dwt	Yard	Delivery	NB Price (\$m)
DP70-1	Oil Tanker	70,000	Hudong, China	Q4/2018	\$36.25m
DP70-2	Oil tanker	70,000	Hudong, China	Q1/2019	\$36.25m each/all 2
DP70-3	Oil Tanker	70,000	Hudong, China	(option 1)	\$36.00m each/all 3
DP70-4	Oil tanker	70,000	Hudong, China	(option 2)	\$35.90m each/all 4

Project paused: However, given current market conditions, developments in the 2nd hand market, as well as future prospects in the tanker sector, the Company has decided to temporarily **suspend this project** and reconsider it perhaps in the future at a more appropriate timing.

Management Commentary

Revenues for the period ended September 30, 2016 amounted to \$28.2 million, a decrease of \$1,1 million, or 3.88%, compared to revenues of \$29,4 million for the period ended September 30, 2015, primarily due to the decrease of hire rates during the three months ended September 30, 2016.

Voyage expenses for the period ended September 30, 2016 amounted to \$1.8 million, an increase of \$0.8 million, or 93%, compared to \$0.9 million for the period ended September 30, 2015. The increase in voyage expenses was primarily due to the higher number of vessels under spot charters during the nine-months ended 2016.

Operating expenses for the period ended September 30, 2016 amounted to \$11,1 million, a decrease of \$0,6 million, or 5,27%, compared to operating expenses of \$11,7 million for the period ended September 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 September 30, 2016 amounted to \$2.2 million, of which \$2,1 million attributed to a fixed charter rate of 7500 \$/pd and 0.1k 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 September 30, 2016 was \$3.7 million, a \$0.1 million decrease from \$3.8 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 September 30, 2016 and 2015 was \$1,1 million and \$0.6 million, respectively. The cost for the period ended September 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 September 30, 2015.

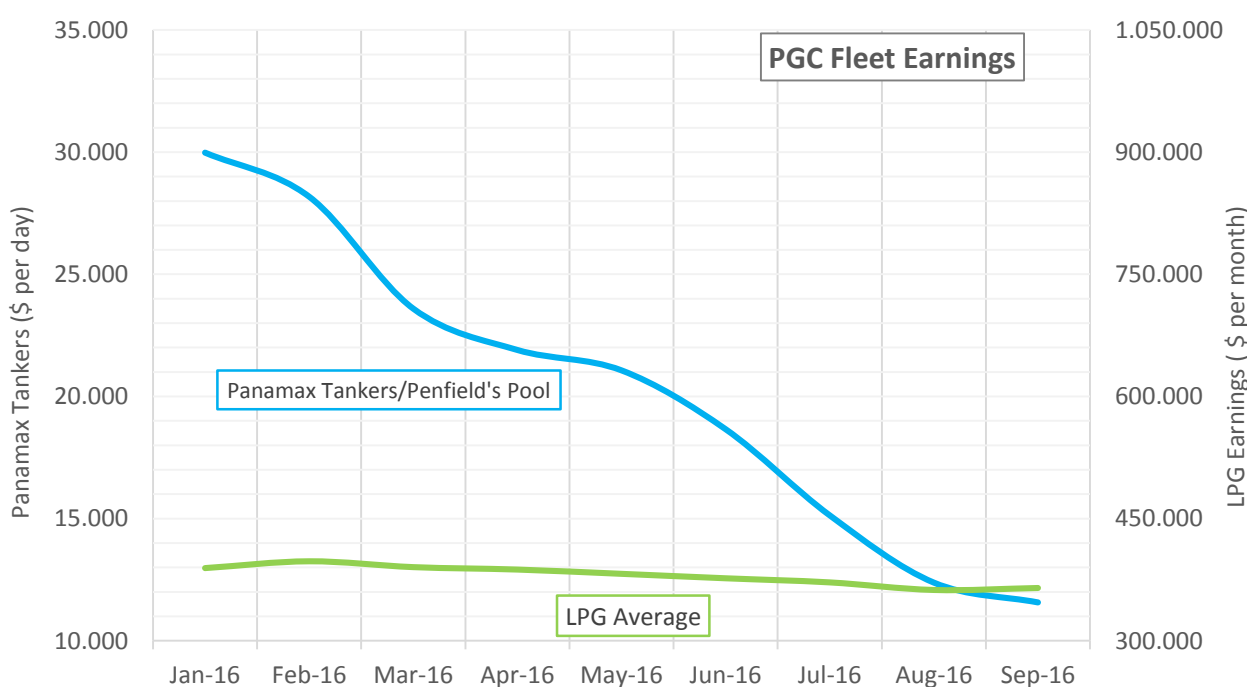
Gain on vessel's disposal for the period ended September 30, 2016 was \$0,5 million and concerns the gain from the disposal of vessel PGC Ikaros which took place on May 28, 2015.

Interest expenses and amortization of finance expenses for the period ended September 30, 2016 was \$0.3 million, a decrease of \$0.5 million, or 68%, compared to the nine months ended September 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. During the last 2-3 months our tankers earned as low as 12,000 \$/day with spot earnings at even lower levels ranging between 5,000 and 8,000 \$/day during the same period. However, we assume that the market will slightly recover during the following winter months resulting to earnings of approx. 14-15,000 \$/day. Nevertheless, having said that, we do not anticipate full recovery before 2018/2019.

Coastal LPG: Earnings remain steady for our ships, even though the underlying market is very difficult to trade. PGC Aratos, our Ethylene Carrier, is currently trading 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. However, pool earnings have fallen to 395,000 \$/month in September 2016, which is still above our breakeven levels but considerably lower than anticipated. PGC Strident Force is still on time charter to Carib/Petreded until Q1/2017, whereas the PGC Darko King has come off multi-year charter of 300,000 to 320,000 \$/month and is now facing a lackluster spot market with nominal earnings of around 240,000 when employed, spending also 1/3 days idle during the last month.



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.