

**PARADISE GAS CARRIERS CORP.**

**Financial Statements for the period Ended December 31, 2018**

*Athens, Greece, June 5<sup>h</sup>, 2019, Paradise Gas Carriers Corp ("PGC" or the "Company", today reported its audited consolidated operating and financial results for three-months ended December 31, 2018. All amounts reported are in US Dollars unless otherwise stated).*

**Key Developments during 2018**

- **PGC Eirini**, the last LPG carrier of our 4-vessel NB program in Japan was delivered as scheduled on March 5<sup>th</sup>, 2018. PGC's fleet now consists of **9 vessels**, 3 oil tankers and 6 LPG carriers.
- **PGC Patreas & PGC Periklis** were both admitted in Pool F (fully pressurised LPGs) of Gaschem/Gasmare Pool (GGP).
- **PGC Taormina & PGC Eirini** were also admitted in Pool S (semi-ref LPGs) of GGP Pool.
- All 3 **PGC's tankers** are still employed in **Penfield's Panamax pool**, with average 2018 earnings of approx. **12k \$/pd**, that is significantly higher compared to the market average but still lower than our breakeven costs.
- **PGC Taormina** was fixed on a long term time charter with ENI, currently trading in Italy.
- **PGC Aratos**, also member of GGP Pool was also fixed on a long term T/C with Esentia at a gross rate of 457.5k \$/month.

**During 4<sup>th</sup> quarter 2018**

- In the last quarter of 2018, **tanker rates** have finally upturned, improving the pool average to approx. \$16.4k \$/pd, a fact which considerably improved PGC's cashflows resulting to a profitable quarter, the first profitable quarter since 2017q1.
- On the other hand, during this last quarter we experienced for the first time problems with **bad quality bunkers**. More specifically, we had 4 incidents with low quality bunkers during the 2nd half of 2018, resulting to losses of approx. \$720k (attributed to 2018), out of which we have recovered only a small part, that is \$120k.
- In September and October 2018, we have concluded **2 Sale & Lease back (SLB)** transactions with Japanese investors for PGC Aratos and PGC Strident Force respectively. Both were treated as finance leases by our auditors PWC, and their proceeds were mainly used to partially prepay shareholders loans, as well as to buy back preferred stock.

**Financial Highlights during 2018:**

- **Net TCE Earnings** stood at **\$34 million** during FY 2018, compared to **\$23 million** in 2017, that is an increase of 48%. This can be mainly attributed to the addition of PGC Eirini in the group's fleet, as well as to improved LPG market rates.
- **EBITDA has also increased from \$2.9 million** in 2017, to \$10.6 million in FY 2018;
- Nevertheless, the company has experienced **Net Losses of \$3.5 million** during FY 2018, attributed mainly to depreciation and amortisation costs, as well as increased interest expenses.
- **Eirini Maritime Ltd** has drawn an amount of **\$18 million** from DVB/NIBC to take delivery of PGC Eirini in March 2018.
- The Fair Market Value of PGC's fleet was estimated at **\$147 million** as of 31/12/2018 according to brokers' valuation certificates.
- Outstanding **Bank Debt** stood at **\$93million as of 31.12.2017**, i.e. a **leverage<sup>1</sup> of approx. 57%**.
- Net **cash flow** position has increased by \$0.5 million; **Group's cash** stood at **\$9.2 million** as of 31/12/2018.

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<sup>1</sup> *Leverage = Total outstanding Debt / (FMV of fleet + Current Assets)*

**Consol. Income Statement** (in USD thous)

Twelve months ended December 31

	2018	2017
<b>Operating Revenue</b>	<b>40,760</b>	<b>28,780</b>
Less: Voyage Expenses	(5,378)	(4,951)
Less: Commissions & Chartering Fees	(1,295)	(795)
<b>TCE Earnings (net)</b>	<b>34,087</b>	<b>23,034</b>
Operating expenses (excl. man fees)	(18,489)	(16,501)
Management Fees (related parties)	(2,098)	(1,645)
Charter hire expenses	(2,642)	(1,801)
G+A Expenses	(228)	(221)
<b>EBITDA</b>	<b>10,630</b>	<b>2,866</b>
Depreciation	(7,307)	(4,853)
Amortisation	(1,903)	(1,857)
Gain on Vessels' disposal, net*	657	558
<b>EBIT</b>	<b>2,077</b>	<b>(3,286)</b>
Interest expenses, net	(5,184)	(1,625)
Other finance expenses,	(225)	(244)
Extraordinary income/expense, net	(163)	(23)
Impairment loss		-
Out of book adj. (codification of borr cost) *		-
<b>Net Income adjusted</b>	<b>(3,495)</b>	<b>(5,178)</b>

**Consol. Balance Sheet** (in USD thous)

December 31, 2018

December 31, 2017

	December 31, 2018	December 31, 2017
Current Assets	17,711	15,833
Non-current assets	159,550	148,143
Current Liabilities	15,141	17,154
Non-current liabilities (1)	85,049	68,926
Paid-in capital (2)	78,594	75,621
<b>Shareholders' Equity</b>	<b>77,071</b>	<b>77,896</b>

(1) 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.

(2) Paid-in Capital includes also preferred stock of \$7.1 million.

**Consol. Cashflow Statement** (in USD thous)

12m ended  
December 31 2018

12 Months ended  
December 31 2017

	12m ended December 31 2018	12 Months ended December 31 2017
Net cash generated from operating activities	2,513	4,043
Net cash generated from investing activities	(21,000)	(53,481)
Net cash used in financing activities	18,954	52,346*
<b>Net change in Cash &amp; Equivalents During Period</b>	<b>467</b>	<b>2,908*</b>

\*Note: Net cash includes also the minimum liquidity reserves (\$2,250k) as per our loan agreement with DVB-NIBC. In addition, a bridge facility of \$500k from third parties was fully repaid in early 2018, but was included in 2017's year-end cash balance.

**Investment Activities**

- They concern the payment of the last installment of the last in the series 7000cbm liquefied Gas Carrier no. S-533 (PGC Eirini), amounting to \$21 million.

**Financing Activities**

- Cashflows from financing activities included proceeds from bank loans (\$35m), less loan repayments (\$19m), plus capital contributions through preferred stock issuance of (\$3m).

**Table 4: Operating Stats**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Average # of Ships Owned* during Period	6.0	6.0	6.6	8.8
Average Age of Fleet at end of Period	13.4	14.4	9.2	9.2
ShipYears Left	57.5	51.5	116.3	127.6
Ownership Days (average)	365	365	365	365
<b>Available Days efficiency (1)</b>	<b>94.6%</b>	<b>95.8%</b>	<b>94.9%</b>	<b>98.7%</b>
<b>Operating Days efficiency (2)</b>	<b>94.1%</b>	<b>95.8%</b>	<b>94.4%</b>	<b>98.0%</b>

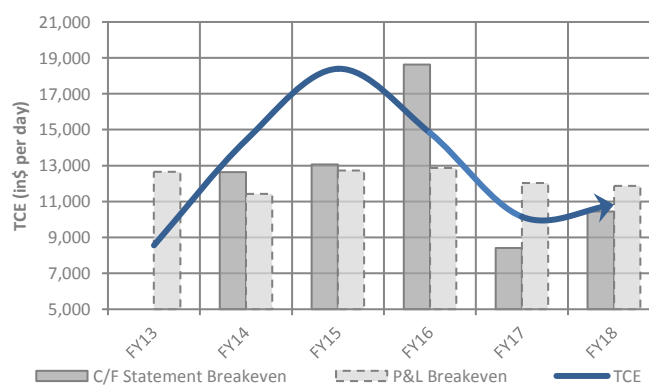
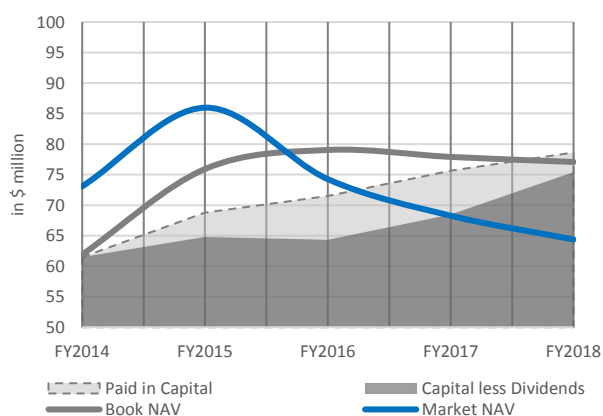
(1) Available Days Efficiency is the ratio of the days that the fleet was available for revenue generating;

(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

<b>Financial Ratios &amp; Stats</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Fleet Valuation (\$mill) - end period (1)	104.1	94.1	136.5	146.9
Leverage	28.0%	27.7%	49.5%	57.2%
<b>Paid-in capital (\$mill) - Common Shares</b>	<b>68.8</b>	<b>71.5</b>	<b>71.5</b>	<b>71.5</b>
<b>Paid-in capital (\$mill) -Preferred Shares</b>	<b>-</b>	<b>-</b>	<b>4.1</b>	<b>7.1</b>
<b>Book NAV (\$mill)</b>	<b>75.9</b>	<b>79.0</b>	<b>77.9</b>	<b>77.1</b>
<b>Market NAV (\$mill) (1)</b>	<b>86.0</b>	<b>74.2</b>	<b>68.3</b>	<b>64.4</b>
Enterprise Value (EV) (2)	105.80	97.62	136.40	149.36
Book NAV per 100 usd invested (\$)	110.43	110.54	108.95	98.06
Market NAV per 100 usd invested (\$)	125.04	103.84	95.48	81.90
Dividends received per 100usd invested (\$)	6.0	4.5	0.0	0.0
Average TCE per Ship, net*	18,461	14,825	10,151	10,829
Average Opex per Ship (\$/pd), incl. man fees	7,947	7,532	7,586	6,391
Average charter hire expense per Ship (\$/pd)	1,146	1,202	753	820
Average GA costs per Ship (\$/pd)	137	233	92	71
Average debt-service per ship (\$/pd)	3,637	3,667	4,623	6,938
<b>Cashflow Statement TCE Breakeven per Ship</b>	<b>13,073</b>	<b>18,622</b>	<b>8,414</b>	<b>10,438</b>
Cashflow Margin	43.5%	17.3%	-22.2%	2.8%
<b>Income Statement TCE Breakeven per Ship *</b>	<b>12,737</b>	<b>12,873</b>	<b>12,028</b>	<b>11,872</b>

(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;



## Fleet Profile & Valuation

PGC had during 2018 a fleet of 9 vessels, 3 LR1/Panamax Tankers and 6 Gas Carriers. More specifically

Vessel	Built	Type	Delivered	DWT /cbm(1)	Flag	Ownership	Book Value (2)
PGC Marina	China	Product Tanker	07/2013	72,800	Bahamas	100%	\$13.30m
PGC Ikaros (3)	China	Product Tanker	12/2014	72,900	Bahamas	BB charter	n/a
PGC Aspropyrgos	China	Product Tanker	12/2014	72,900	Bahamas	100%	\$14.04m
PGC Aratos	Italy	Ethylene Carrier	10/2013	9,000	Malta	BB charter	\$16.42m
PGC Strident Force	Japan	LPG (SR) carrier	03/2014	6,500	Portugal	BB charter	\$7.90m
PGC Patreas	Japan	LPG (FP) carrier	05/2017	7,500	Malta	100%	\$24.34m
PGC Periklis	Japan	LPG (FP) carrier	07/2017	7,500	Malta	100%	\$24.87m
PGC Taormina	Japan	LPG (SR) carrier	10/2017	7,000	Malta	100%	\$29.92m
PGC Eirini	Japan	LPG (SR) carrier	03/2018	7,000	Malta	100%	\$29.98m
<b>Totals</b>							<b>\$160.78</b>

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

(2) Book Value includes deferred charges

(3) PGC Ikaros is on a bareboat charter until June 2019)

## Fleet Employment

PGC vessels are usually trading either on well-established pools (Penfield or GGP) or T/Cs. Sometimes though, our smaller LPGs are also trading in the spot market under Gasmare's commercial management.

Vessel	Charterer	Expiration Date	Type	Gross Daily rate
PGC Marina	Penfield Marine Pool	n/a	Pool	Floating, avg 2018 \$12k/d, (q4 abt \$16.8k/d)
PGC Ikaros	Penfield Marine Pool	n/a	Pool	Floating, avg 2018 \$12k/d, (q4 abt \$16.8k/d)
PGC Aspropyrgos	Penfield Marine Pool	n/a	Pool	Floating, avg 2018 \$12k/d, (q4 abt \$16.8k/d)
PGC Aratos	Gaschem/Gasmare Pool	n/a	Pool	Floating, average 2018 abt \$410k/month
PGC Strident Force	Spot Market	n/a	Spot	Floating with avg 2018 abt \$280k/month
PGC Patreas	Shell	-	TC/Spot	\$310k/month
PGC Periklis	Shell	-	TC/spot	\$310k/month
PGC Taormina	ENI			\$380k/month
PGC Eirini	Spot Market			\$370k/month

## Management Commentary

Net Revenues (TCE net) for the period ended December 31, 2018 amounted to \$34 million, an increase of \$11 million compared to FY 2017. This was primarily due to the addition of PGC Eirini in PGC's fleet as well as due to the increase of tanker rates.

Operating expenses (including extraordinary expenses) for the same period have also increase proportionally by approx. \$2 million, due to an additional vessel (PGC Eirini).

Charter Hire expenses during FY 2018 amounted to \$2.6 million, attributed to a fixed charter rate of PGC Ikaros of 7,500 \$/pd. 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 final profit share however will be calculated on the average earnings over a 4-year basis, which means that in case rates fall the profit share shall decrease.

Depreciation for the period ended December 31, 2018 was \$7.3 million, compares to 4.9 million in FY 2017.

Amortization of dry-docking and special survey costs for the period ended December 31, 2018 stood at \$1.9 million, ie same levels compared to 2017.

Gain on vessel's disposal for the period ended December 31, 2018 was \$0.6 million and concerns the gain from the disposal of vessel PGC Ikaros which took place on May 28, 2015.

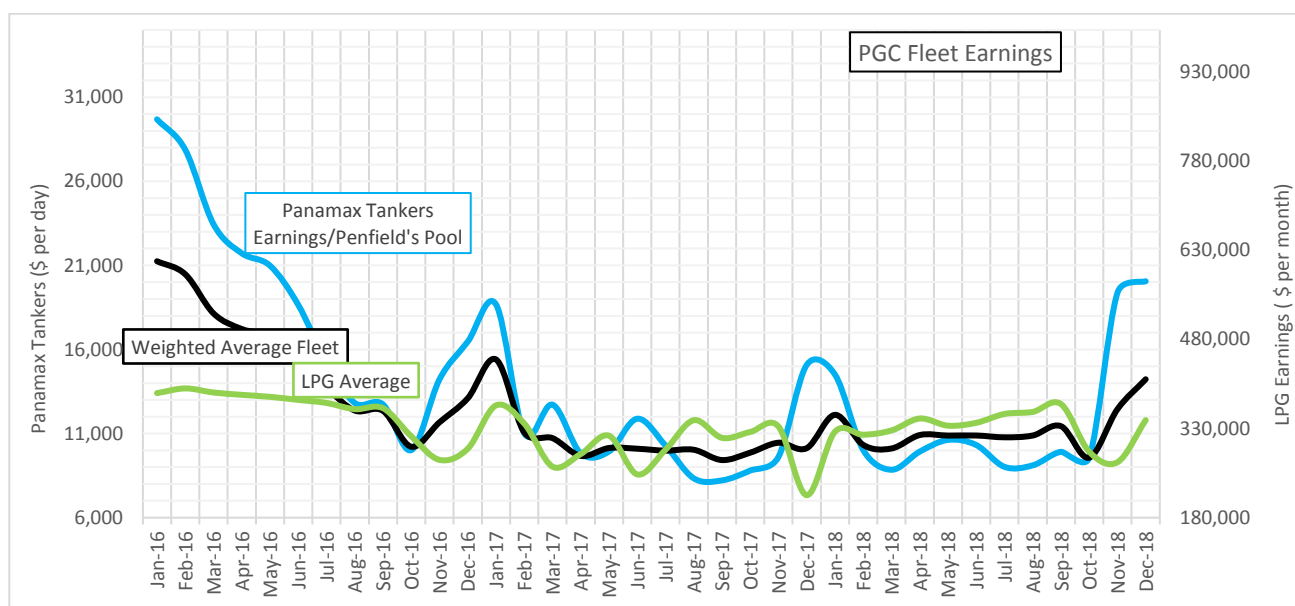
Interest expenses and amortization of finance expenses for the period ended December 31, 2018 was \$5.1 million. That's a significant increase compared to FY 2017 due to the capitalization of finance cost during FY 2017 under the General Borrowing cost codification of US GAAP, attributed to the NB investment program (4 vessels, \$105 million) which took place since FY 2016 in Japan.

**Current Market conditions:**

Tankers: The dirty panamax tanker market has been poor during the first 9 months of FY 2018 with TCE market rates of approx. \$10,500 pd in average. Fortunately, the rates have considerably increased during q4 (16,400 \$/pd), resulting to an average of approx. 12\$/pd for FY 2018. This trend continued during the first 2 months of 2019, however the rates have fallen since then once again.

Coastal LPG: Earnings remain more or less steady for our ships, even though the underlying market is not easy to trade. PGC Aratos, our Ethylene Carrier, is currently trading in the Gaschem Gasmare Pool, where more than 75% of the earnings are hedged/fixed for about one year ahead. The vessel is currently chartered out at 457k \$/month to Esenttia, however pool earnings stood at approx. 410,000 \$/month in average during fiscal 2018, which is still above our breakeven levels but lower than anticipated. On the other hand, PGC Strident Force has been trading in the spot market, hence her earnings have been more volatile.. Regarding our NBs, our PGC Patreas and PGC Periklis, have been employed by Shell, (until Nov-18) either on a TC or CVC basis (continuous voyage cargoes), which effectively paid a TC equivalent net earnings of approx. 320k/month. Finally, the 2 newest semi-ref LPG carriers (PGC Taormina and PGC Eirini) have been also admitted in Gaschem-Gasmare's pool (subpool S). More specifically, PGC Taormina has been time chartered out to ENI earning approx. 390 \$/month, whereas Eirini has been mostly trading in the spot market with more volatile results.

Graph: PGC fleet earnings since January 2016



Source: PGC Research & Analysis department

**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 to be 25 years, whereas for the LPGs 27 years. The scrap value of Group's vessels was determined by multiplying their light displacement weight (Ldt) by a scrap value of of \$380/tn.
- 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.
- 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.



**Q4/2018 CONSOLIDATED FINANCIAL STATEMENTS  
(Audited)**



	As of December 31, 2018	As of December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9,219	7,851
Restricted cash	-	901
Trade receivables	3,223	3,150
Inventories	1,008	1,394
Accrued Revenue	-	356
Insurance and other claims	-	99
Due from related parties	10	-
Right of use asset	1,295	-
Seller's credit	2,000	-
Other receivables	570	1,927
Prepaid expenses	386	155
<b>Total current assets</b>	<b>17,711</b>	<b>15,833</b>
<b>NON-CURRENT ASSETS</b>		
Vessels, net	156,975	133,418
Vessels under construction	-	9,864
Seller's credit	-	2,000
Deferred charges, net	2,575	2,861
<b>Total non-current assets</b>	<b>159,550</b>	<b>148,143</b>
<b>Total assets</b>	<b>177,261</b>	<b>163,976</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	2,780	5,224
Accrued liabilities	1,092	1,018
Current portion of long-term debt	8,585	7,443
Lease Liability	1,295	-
Other borrowings	-	500
Unearned revenue	74	552
Due to related parties	-	362
Dividends payable	57	50
Related parties' loan	108	425
Shareholders' loan	838	1,435
Other current liabilities	312	145
<b>Total current liabilities</b>	<b>15,141</b>	<b>17,154</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion and deferred financing costs	84,783	68,003
Deferred gain on sale of vessel, net of current portion	266	923
<b>Total long-term liabilities</b>	<b>85,049</b>	<b>68,926</b>
<b>Total liabilities</b>	<b>100,190</b>	<b>86,080</b>
Commitments and Contingencies	-	-
<b>SHAREHOLDERS' EQUITY</b>		
Common stock (1,000 common shares with no par value, authorized and issued)	-	-
Additional paid-in capital	71,500	71,500
Preferred Stock	7,094	4,121
Retained earnings	(1,523)	2,275
<b>Total shareholders' equity</b>	<b>77,071</b>	<b>77,896</b>
<b>Total liabilities and shareholders' equity</b>	<b>177,261</b>	<b>163,976</b>

**PARADISE GAS CARRIERS CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR**  
**ENDED DECEMBER 31, 2018 and 2017**  
*(Expressed in thousands of United States dollars or unless otherwise stated)*

	Year ended December 31, <b>2018</b>	Year ended December 31, <b>2017</b>
Operating revenue	40,760	28,780
<b>Total operating revenue-net</b>	<b>40,760</b>	<b>28,780</b>
<b>Operating expenses</b>		
Voyage expenses	(5,378)	(4,951)
Vessels' operating expenses	(18,489)	(16,501)
Depreciation	(7,307)	(4,853)
Amortization of deferred dry-docking and special survey costs	(1,903)	(1,857)
Amortization of right of use asset	(2,642)	-
Commissions	(1,295)	(795)
Management fees	(2,098)	(1,645)
General and administrative expenses	(228)	(221)
Charter hire expenses	-	(1,801)
Gain on sale of vessel	657	558
<b>Net operating expenses</b>	<b>(38,683)</b>	<b>(32,066)</b>
<b>Operating profit/(loss)</b>	<b>2,077</b>	<b>(3,286)</b>
<b>Other income/ (expenses)</b>		
Interest income	98	8
Interest expense	(5,282)	(1,633)
Other finance expenses	(225)	(244)
Other income, net	(163)	(23)
<b>Total other expenses, net</b>	<b>(5,572)</b>	<b>(1,892)</b>
<b>Loss for the year</b>	<b>(3,495)</b>	<b>(5,178)</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>	<b>(3,495)</b>	<b>(5,178)</b>

**PARADISE GAS CARRIERS CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**  
*(Expressed in thousands of United States Dollars unless otherwise stated)*

	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>As of January 1, 2017</b>	-	-	<b>71,500</b>	<b>7,537</b>	<b>79,037</b>
Net loss for the year	-	-	-	(5,178)	<b>(5,178)</b>
Capital contributions	-	4,121	-	-	<b>4,121</b>
Dividends	-	-	-	(84)	<b>(84)</b>
<b>As of December 31, 2017</b>	-	<b>4,121</b>	<b>71,500</b>	<b>2,275</b>	<b>77,896</b>
<b>As of January 1, 2018</b>	-	<b>4,121</b>	<b>71,500</b>	<b>2,275</b>	<b>77,896</b>
Net loss for the year	-	-	-	(3,495)	<b>(3,495)</b>
Capital contributions	-	2,973	-	-	<b>2,973</b>
Dividends	-	-	-	(303)	<b>(303)</b>
<b>As of December 31, 2018</b>	-	<b>7,094</b>	<b>71,500</b>	<b>(1,523)</b>	<b>77,071</b>

	Year ended December 31, 2018	Year ended December 31, 2017
<b>Cash Flows from operating activities:</b>		
Net loss for the year	(3,495)	(5,178)
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>		
Depreciation	7,307	4,853
Amortization of deferred dry-docking and special survey costs	1,903	1,857
Payments for dry dock and special survey costs	(1,617)	(589)
Amortization of deferred financing costs	231	293
(Gain) on sale of vessels	(657)	(558)
<b>Changes in operating assets and liabilities</b>		
Increase in accounts receivable	(73)	(21)
Decrease/ (increase) in insurance and other claims	99	(92)
(Increase) / decrease in prepaid expenses	(231)	13
Decrease / (increase) in other receivables	1,357	(481)
Decrease / (increase) in inventories	386	(467)
Decrease / (increase) in accrued revenue	356	(356)
(Increase) / decrease in related parties	(372)	295
(Decrease) / increase in accounts payable	(2,444)	3,256
Increase in accrued liabilities	74	748
(Decrease) / increase in unearned revenue	(478)	325
Increase in other current liabilities	167	145
<b>Net cash provided by operating activities</b>	<b>2,513</b>	<b>4,043</b>
<b>Cash Flows from investing activities:</b>		
Net cash proceeds from sale of vessel	-	3,951
Payments for additions to vessels	(88)	-
Payments for vessels under construction	(20,912)	(57,432)
<b>Net cash used in investing activities</b>	<b>(21,000)</b>	<b>(53,481)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from bank borrowings	35,130	56,750
(Repayments) / Proceeds from other borrowings	(500)	500
Repayment of bank borrowings	(17,163)	(10,653)
Deferred financing fees paid	(275)	(157)
Proceeds from issuance of preferred shares	2,973	4,121
Dividends paid	(298)	(34)
(Payments to) / Receipts from shareholders loans	(913)	1,819
<b>Net Cash provided by financing activities</b>	<b>18,954</b>	<b>52,346</b>
<b>Net increase in cash and cash equivalents</b>	<b>467</b>	<b>2,908</b>
Cash and cash equivalents, beginning of year	8,752	5,844
<b>Cash and cash equivalents, end of year</b>	<b>9,219</b>	<b>8,752</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest (net of capitalized interest)	4,964	1,382
<b>Non-cash financing activities</b>		
Capitalized finance costs	19	107
Dividends payable	57	50