

# ADS CRUDE CARRIERS PLC

Q1 2019 REPORT

## HEADLINES Q1 2019:

- Revenue of USD 11.7 million, up 12% from Q4 2018
- Net revenue<sup>1</sup> of USD 6.5 million, down 5% from Q4 2018
- TCE<sup>1</sup> per day of USD 24,093, down 2% from Q4 2018
- Operating profit of USD 2.4 million, down 10% from Q4 2018
- Net profit of USD 1.8 million, down 15% from USD 2.2 million in Q4 2018
- EPS of USD 0.08, down 15% from Q4 2018
- Net cash flow USD 2.3 million, same level as Q4 2018
- Announcement of the Company's first quarterly dividend, USD 0.04 per share
- Backlog estimated at 90% of Q2 2019 vessel operating days booked at an average TCE per day of USD 16,000

## KEY FINANCIALS

<i>(In thousands of USD)</i>	Quarter ended / as at		Period / as at
	31-Mar-19	31-Dec-18	30-Apr-18 to 31-Dec-18
Revenue	11 700	10 466	13 432
Net revenue <sup>1</sup>	6 505	6 816	7 907
TCE <sup>1</sup> per day <i>(in USD)</i>	24 093	24 697	18 962
Operating profit	2 374	2 642	903
Net profit	1 835	2 168	102
EPS <i>(in USD per share)</i>	0.08	0.09	0.01
Cash flow from operations	3 989	3 221	(2 595)
Dividend per share <i>(in USD per share)</i>	0.04	-	-
Net cash flow	2 284	2 336	13 689
Cash and cash equivalents	15 974	13 689	13 689
Equity ratio	64 %	61 %	61 %
Net interest-bearing debt <sup>1</sup>	13 502	15 787	15 787

<sup>1</sup> Net revenue, TCE per day and NIBD are non-IFRS measures. Please refer to Note 8 for explanation and reconciliation

## FINANCIAL PERFORMANCE

Q1 2019 is the Company's second quarter with a fully operational fleet following delivery of the Company's three vessels during Q3 2018. There are no comparative numbers for the same quarter last year since the Company was not incorporated until 30 April 2018.

### Revenue

The Company had two vessels operating in the spot market and one on time charter during the quarter, recording revenue of USD 11.7 million in Q1 2019, up from USD 10.5 million in Q4 2018. Net revenue decreased 5% to USD 6.5 million from USD 6.8 million the previous quarter, driven by a 2% decrease in the average TCE per day and a 2% decrease in the number of vessel days available in the quarter. Available vessel days were 270, down from 276 in Q4 2018, while daily TCE decreased to USD 24,093 in the quarter, down from USD 24,697 in Q4 2018.

## Operating costs

Voyage expenses increased to USD 5.2 million, up from USD 3.6 million in Q4 2018, mainly due to an increase in bunker cost. Vessel operating expenses decreased by 7% to USD 2.5 million in the quarter, down from USD 2.7 million in Q4 2018, due to a decrease in the average OPEX per day and a reduction in the number of vessel days in the quarter. General and administrative costs were USD 0.3 million in Q1 2019, up from USD 0.2 million the previous quarter.

Depreciation was USD 1.3 million in Q4 2018, the same level as the preceding quarter.

Operating profit was USD 2.4 million in Q1 2019, down from USD 2.6 million the previous quarter.

## Finance cost

Finance costs totaled USD 0.6 million in Q1 2019, up from USD 0.5 million the previous quarter, mainly as a result of an increase in the floating rate interest applicable to the Company's vessel loans.

Net profit was USD 1.8 million, down from USD 2.2 million in Q4 2018, and EPS was USD 0.08 in Q1 2019, down from USD 0.09 in Q4 2018.

## CASH FLOW

Net cash flow from operations was USD 4.0 million in the quarter, up from USD 3.2 million in Q4 2018, mainly due to a decrease in negative working capital movements. Working capital movements were positive USD 0.3 million, compared to negative USD 0.7 million the previous quarter.

Cash invested in property, plant and equipment was USD 1.2 million in Q1 2019 due to payments related to investments in scrubbers. Cash flow from investing activities was an outflow of USD 0.5 million in Q1 2019, up from USD 0.4 million in Q4 2018. Payments in both quarters consisted of interest payments related to the Company's vessel loans.

Cash and cash equivalents held at 31 March 2019 totaled USD 16.0 million, up from USD 13.7 million at 31 December 2018. In addition, the Company had restricted cash deposits of USD 0.5 million at 31 March 2019.

## DIVIDENDS

The Board of Directors (the "Board") declare a dividend for Q1 2019 of USD 1 million, or approximately USD 0.04 per share. The ex-dividend date will be 12 June and the dividend will be paid in NOK on or around 26 June to all shareholders on record on 13 June 2019.

The Board aims to distribute dividends to shareholders for financial periods the Company generates sufficient net profits and has available excess cash. Future dividends payments will depend on the underlying Company financial performance and market development, as well as expectations about the future. In evaluating dividend distributions, the Board will take into consideration the Company's forecasted liquidity, investment plans, financing requirements and level of financial flexibility that the Board believes is appropriate for the Company.

## OUTLOOK

ADS Crude Carriers Plc was formed during 2018 with an aim of acquiring tankers at low entry prices ahead of the new IMO emission regulations that come into force on 1 January 2020. The Company took delivery of three VLCCs during the third quarter 2018: *Front Page* on 20 July 2018, *ADS Stratus* on 9 August 2018 and *ADS Serenade* on 13 September 2018. The Company is managed by Arendals Dampskibsselskab AS, while commercial management of the vessels is provided by Frontline Ltd. Technical management of the vessels is provided by OSM Maritime Group and Thome Ship Management.

### **Scrubber investment and intermediate surveys**

ADS will install scrubbers across its current fleet of three vessels during mandatory intermediate surveys scheduled to commence during Q3 2019. The intermediate surveys and scrubber installations are being managed by the Company's technical vessel manager, OSM Maritime Group, and yard slots have been secured with IMC shipyard, China, for July, August and September 2019. The Company has purchased retrofit open loop scrubber systems from FMS Incorporated (Feen Marine Scrubbers) and the scrubber manufacturing was completed in May 2019. An amount of USD 3 million per vessel was raised in the Company's 2018 equity issue for the scrubber investment. The intermediate surveys scheduled to commence Q3 2019 will be financed either through cash from operations, debt financing, equity, or a combination.

The Company is well prepared to take advantage from the relative savings in fuel cost it expects to benefit from once it installs scrubbers and following the IMO 2020 implementation commencing 1 January 2020 and the initial years following. Based on a price differential between low and high sulphur fuel of USD 175 per MT, the payback time of the estimated scrubber investment is expected to be less than one year.

### **The market**

As a whole, the VLCC market rate was relatively consistent in Q1 2019 compared to Q4 2018, though within the quarter the VLCC market remained dynamic, with periods of improving rates followed by periods of declines. In Q2 2019 to-date, the VLCC market has been weaker than the previous quarter, partly due to refinery maintenance as it appears that oil refiners have front-loaded maintenance towards the spring to have more availability in the second half of the year in order to maximize production ahead of IMO 2020 implementation. It is expected that VLCC supply will be affected during the second half of 2019 due to a surge in the number of vessel owners temporarily reducing capacity to retrofit scrubbers ahead of IMO 2020. The VLCC market is expected to be stronger in the second half of 2019 than the first half, with market commentators generally forecasting improving rates in 2020 through 2022.

As at the date of this report, all three of the Company's vessels are operating in the spot market. The Company has secured estimated backlog of approximately 90% of Q2 2019 vessel operating days booked at an average TCE of approximately USD 16,000.

## Interim consolidated statement of comprehensive income

<i>(In thousands of USD)</i>	<i>Note</i>	Quarter ended		Period from
		<b>31-Mar-19</b>	<b>31-Dec-18</b>	<b>30-Apr-18 to 31-Dec-18</b>
<b>Revenue</b>		<b>11 700</b>	<b>10 466</b>	<b>13 432</b>
<b>Operating expenses</b>				
Voyage expenses		(5 195)	(3 649)	(5 525)
Vessel operating expenses		(2 491)	(2 690)	(4 562)
General & administrative costs		(346)	(223)	(606)
Depreciation	4	(1 294)	(1 262)	(1 835)
<b>Total operating expenses</b>		<b>(9 326)</b>	<b>(7 824)</b>	<b>(12 529)</b>
<b>Operating profit</b>		<b>2 374</b>	<b>2 642</b>	<b>903</b>
Finance cost		(570)	(531)	(859)
Finance income		30	57	57
<b>Profit before tax</b>		<b>1 835</b>	<b>2 168</b>	<b>102</b>
Income tax		-	-	-
<b>Profit after tax and total comprehensive income</b>		<b>1 835</b>	<b>2 168</b>	<b>102</b>
<b>Earnings per share attributable to equity holders (in USD)</b>				
- Basic	6	0.08	0.09	0.01
- Diluted	6	0.08	0.09	0.01

## Interim consolidated statement of financial position

<i>(In thousands of USD)</i>	<i>Note</i>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Vessels	4	66 429	67 714
<b>Total non-current assets</b>		<b>66 429</b>	<b>67 714</b>
<b>Current assets</b>			
Receivables from customers		3 259	4 745
Other current assets		3 713	5 488
Restricted cash		524	524
Cash and cash equivalents		15 974	13 689
<b>Total current assets</b>		<b>23 469</b>	<b>24 447</b>
<b>Total assets</b>		<b>89 898</b>	<b>92 161</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital		4 678	4 678
Share premium		51 207	51 207
Retained earnings		1 936	102
<b>Total equity</b>		<b>57 822</b>	<b>55 987</b>
<b>Non-current liabilities</b>			
Interest-bearing debt	5	29 748	29 729
<b>Total non-current liabilities</b>		<b>29 748</b>	<b>29 729</b>
<b>Current liabilities</b>			
Other current liabilities		1 394	1 333
Trade payables		935	5 113
<b>Total current liabilities</b>		<b>2 329</b>	<b>6 446</b>
<b>Total equity and liabilities</b>		<b>89 898</b>	<b>92 161</b>

## Interim consolidated statement of cash flows

<i>(In thousands of USD)</i>	Quarter ended		Period from
	31-Mar-19	31-Dec-18	30-Apr-18 to 31-Dec-18
<b>Cash flows from operating activities</b>			
Profit for the period	1 835	2 168	102
<b>Adjustment for items not affecting operating cash flows:</b>			
Depreciation	1 294	1 262	1 835
Interest expense	548	505	793
Interest income	(30)	(35)	(35)
<b>Net operating cash flow before working capital movements</b>	<b>3 646</b>	<b>3 900</b>	2 695
Working capital movements	342	(679)	(5 290)
<b>Total operating cash flow</b>	<b>3 989</b>	<b>3 221</b>	<b>(2 595)</b>
<b>Cash flows from investing activities</b>			
Payments for vessels	(1 171)	(522)	(68 387)
<b>Total cash flows used in investing activities</b>	<b>(1 171)</b>	<b>(522)</b>	<b>(68 387)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	-	-	56 933
Transaction cost on issue of shares	-	-	(1 048)
Receipt from bank loan	-	-	30 000
Transaction costs related to bank loan	-	-	(300)
Interest paid	(534)	(363)	(391)
Decrease/(increase) in restricted cash	-	-	(524)
Interest received	-	1	1
<b>Total cash flows from financing activities</b>	<b>(534)</b>	<b>(362)</b>	<b>84 671</b>
<b>Net increase in cash and cash equivalents</b>	<b>2 284</b>	<b>2 336</b>	<b>13 689</b>
Cash and cash equivalents at the beginning of the period	13 689	11 353	-
<b>Cash and cash equivalents at the end of the period</b>	<b>15 974</b>	<b>13 689</b>	<b>13 689</b>

## Interim consolidated statement of changes in equity

<i>(In thousands of USD apart from number of shares)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance at incorporation on 30 April 2018</b>	-	-	-	-	-
<b>Issue of share capital</b>					
30 April 2018 at USD 0.20 per share	5 860	1	-	-	1
16 July 2018 at NOK 20 per share	23 384 440	4 677	52 255	-	56 932
Transaction costs of issue of shares	-	-	(1 048)	-	(1 048)
Total comprehensive income for the period	-	-	-	102	102
<b>Balance at 31 December 2018</b>	<b>23 390 300</b>	<b>4 678</b>	<b>51 207</b>	<b>102</b>	<b>55 987</b>

<i>(In thousands of USD apart from number of shares)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>	<b>23 390 300</b>	<b>4 678</b>	<b>51 207</b>	<b>102</b>	<b>55 987</b>
Total comprehensive income for the quarter	-	-	-	1 835	1 835
<b>Balance at 31 December 2018</b>	<b>23 390 300</b>	<b>4 678</b>	<b>51 207</b>	<b>1 936</b>	<b>57 822</b>

The nominal value of the Company's authorized share capital, including issued and non-issued shares, at 31 March 2018 is USD 4.7 million, consisting of 23,390,300 shares with par value USD 0.20 per share.



## Notes to the interim consolidated financial statements

### 1. General information

These interim consolidated financial statements of ADS Crude Carriers Plc (“ADS Crude Carriers” or the “Company”) for the quarter ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors passed on 28 May 2019.

ADS Crude Carriers Plc is a public limited company listed on the Merkur Market at the Oslo Stock Exchange.

The Company is incorporated in Cyprus and the address of its registered office is OSM House, 22 Amathountos, 4532 Agios Tychonas, Limassol, Cyprus. The Company is domiciled in Cyprus and has Norwegian subsidiaries based in Arendal, Norway. The principal activities of the Company are operating tanker vessels in the global tanker market. The Company owns and operates a fleet of three VLCCs: Front Page, ADS Stratus and ADS Serenade.

The Company is managed by Arendals Dampskibsselskab AS. Commercial management of the vessels is provided by Frontline Ltd, while technical management of the vessels is provided by OSM Maritime Group and Thome Ship Management.

### 2. Significant accounting policies

#### 2.1. Basis of preparation

These interim financial statements are prepared in accordance with IAS 34 *Interim financial reporting* as issued by the International Accounting Standards Board (IASB) and as adopted by the EU. The interim financial statements do not include all the information and disclosures required by International Financial Reporting Standards (IFRS) for a complete set of financial statements.

The accounting principles applied by the Company in these interim consolidated financial statements are consistent with those applied in the audited annual consolidated financial statements for the year ended 31 December 2018. Please refer to Note 2 *Significant accounting policies* in the 2018 Annual Report for information on the Company’s accounting policies.

#### 2.2. Going concern

The Company was incorporated on 30 April 2018 as a limited liability company, converted to a public limited company on 10 August 2018 and subsequently admitted to trading on the Merkur Market on 28 August 2018. On 16 July 2018, the Company raised gross proceeds of USD 57 million in a private placement equity issue. The purpose of the equity issue was to provide proceeds to part-finance purchase of three VLCCs, finance scrubber installments on the acquired vessels planned for 2019, as well as provide liquidity for working capital build-up, cover general corporate purposes and equity transaction fees. During the second half of 2018 the Company purchased three vessels for a total price of USD 67.5 million, or USD 22.5 million per vessel. In addition to the equity contribution, the vessel purchase was partly financed by a USD 30 million loan, or USD 10 million per vessel (the “Fleet Loan”). All of the Company’s vessels require intermediate surveys (dry dockings) during 2019 and the cost of the intermediate surveys will be financed either through cash from operations, debt financing, equity, or a combination.

The Company is subject to certain financial covenants under the Fleet Loan, including levels of minimum liquidity (no less than 10% of the financial indebtedness), minimum working capital (positive at all times) and maximum vessel loan-to-value ratio (no more than 70%). The Company is in compliance with all financial covenants.

The Company's financial projections used in its going concern evaluation are based on certain assumptions about the future, including those related to the VLCC market, vessel utilization, productivity and operating cost level, expected future capital investments and the availability of financing such investments. Based on these assumptions, the Company expects to have sufficient liquidity to operate for at least 12 months from the date of this interim report and, therefore, these interim financial statements are prepared using the going concern assumption.

### 3. Segment reporting

The Company's business is limited to operating a fleet of three VLCC tankers. Management has organized and manages the entity as one business segment based upon the service provided. The Company's chief operating decision maker, being the Board of Directors, reviews the Company's operating results on a consolidated basis as one operating segment (as defined by IFRS 8 *Operating segments*).

### 4. Property, plant and equipment

<i>(In thousands of USD)</i>	Quarter ended		Period from
	31-Mar-18	31-Dec-18	30-Apr-18 to 31-Dec-18
<b>Costs</b>			
Balance at start of period	69 550	67 865	-
Additional capital expenditures	8	1 685	69 550
Balance at end of period	69 558	69 550	69 550
<b>Depreciation</b>			
Balance at start of period	1 835	573	-
Depreciation for the period	1 294	1 262	1 835
Balance at end of period	3 129	1 835	1 835
Net book value at start of period	<b>67 714</b>	<b>67 292</b>	-
<b>Net book value at end of period</b>	<b>66 429</b>	<b>67 714</b>	<b>67 714</b>
<b>Carrying value of pledged assets at period end</b>	<b>64 756</b>	<b>66 050</b>	<b>66 050</b>

The Company has capital commitments relating to manufacturing of three scrubbers totaling USD 4.7 million, excluding installation costs, of which USD 1.6 million is included in the carrying value of vessels at 31 March 2018. The scrubbers will be installed on each of the Company's vessels during the intermediate surveys planned for Q3 2019.

### 5. Interest bearing debt

<i>(In thousands of USD)</i>	Inception	Maturity	Interest	As at	
				31-Mar-19	31-Dec-18
<b>Fleet Loan</b>					
Vessel 1 - nominal USD 10 million	19-Jul-18	2-Oct-22	LIBOR + 4.50%	9 916	9 910
Vessel 2 - nominal USD 10 million	14-Aug-18	22-Aug-22	LIBOR + 4.50%	9 916	9 910
Vessel 3 - nominal USD 10 million	13-Sep-18	28-Mar-22	LIBOR + 4.50%	9 916	9 910
<b>Total interest-bearing debt</b>				<b>29 748</b>	<b>29 729</b>

All interest-bearing debt is non-current. The loans are repayable in full at maturity. Costs directly related to the loan issues totaling USD 0.3 million are included in the amortized cost calculation of the carrying value of the loans. Each vessel loan has security in the respective vessel.

## 6. Earnings per share

	Quarter ended		Period from
	31-Mar-19	31-Dec-18	30-Apr-18 to 31-Dec-18
Basic and diluted EPS ( <i>USD per share</i> )	0.08	0.09	0.01
Weighted average shares outstanding	23 390 300	23 390 300	16 070 780

The Company has no dilutive or potential dilutive shares.

## 7. Subsequent events

On 28 May, the Board of Directors (the "Board") declared a dividend for Q1 2019 of USD 1 million, or approximately USD 0.04 per share. The ex-dividend date will be 12 June and the dividend will be paid in NOK on or around 26 June to all shareholders on record on 13 June 2019.

## 8. Alternative performance measures

In order to measure financial performance and position, the Company makes use of the Alternative Performance Measures (APMs) described below. The APMs are non-IFRS measures which provide supplemental information to the IFRS financial measures.

### 8.1. Net revenue

Net revenue is calculated as revenue less voyage expenses. The Company uses net revenue as an indication of the profitability of voyages and charters. Net revenue is used as the numerator when calculating TCE per day.

<i>(In thousands of USD)</i>	Quarter ended		Period from
	31-Mar-19	31-Dec-18	30-Apr-18 to 31-Dec-18
<b>Net revenue</b>			
Revenue	11 700	10 466	13 432
Voyage expenses	(5 195)	(3 649)	(5 525)
<b>Total net revenue</b>	<b>6 505</b>	<b>6 816</b>	<b>7 907</b>

## 8.2. TCE per day

Time charter equivalent (TCE) per day is calculated by dividing net revenue by the number of vessel operating days in the period. Vessel operating days are the calendar days in the period as calculated from the date of delivery of a newly acquired vessel, excluding any days associated with drydocking or off-hire. TCE is a common shipping industry measure of performance on a per day basis. The Company uses TCE per day as it enables comparison of financial performance between periods regardless of changes in the mix of charter types.

<i>(In thousands of USD)</i>	Quarter ended		Period from
	31-Mar-19	31-Dec-18	30-Apr-18 to 31-Dec-18
<b>TCE</b>			
Net revenue	6 505	6 816	7 907
Vessel operating days	270	276	417
<b>TCE (in whole USD)</b>	<b>24 093</b>	<b>24 697</b>	<b>18 962</b>

The Company's vessels were delivered on 20 July, 9 August and 13 September 2018.

## 8.3. Net interest-bearing debt (NIBD)

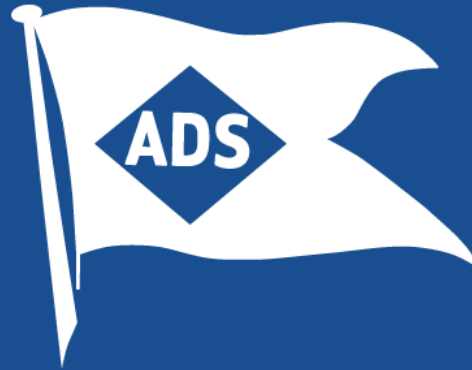
NIBD is calculated as the nominal outstanding value of the Company's total interest-bearing debt, less the balance of cash and cash equivalents, as well as any restricted cash that is restricted for the purposes of repaying debt.

<i>(In thousands of USD)</i>	As at	
	31-Mar-19	31-Dec-18
<b>Net interest-bearing debt (NIBD)</b>		
Nominal value of interest-bearing debt	30 000	30 000
Cash and cash equivalents	15 974	13 689
Restricted cash available for debt repayment	524	524
<b>NIBD</b>	<b>13 502</b>	<b>15 787</b>

The Company uses NIBD as it provides an indication of the Company's debt position by indicating the ability of the Company to pay off all its debt if it became due simultaneously and only using cash.

## 8.4. Backlog

Backlog shows the estimated proportion of vessel operating days of a future financial reporting period for which the Company has secured commitments with clients (eg. charter parties), as well as the average TCE per day for those days. The Company uses backlog since it provides the amount of committed operating activity in future periods, thus providing an indication of the Company's future net revenue.



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