

ADS CRUDE CARRIERS PLC

Q3 2019 REPORT



HEADLINES Q3 2019:

- Completion of fleet wide scrubber installation and intermediate survey program post quarter end
- Net revenue¹ down USD 2.6 million (55%) from Q2 2019 due to reduction in available vessel days as a result of time spent at yard performing planned intermediate survey and scrubber installations
- TCE¹ per day of USD 16,801, down 4% from Q2 2019
- Net loss of USD 2.9 million, down from net profit USD 0.6 million in Q2 2019
- Approximately 25% of vessel days in Q4 2019 expected to be related to intermediate survey & scrubber fitting
- Backlog estimated for around 60% of vessel days in Q4 2019 booked at an average TCE per day of USD 27,000
- Terms agreed for USD 7.5 million Revolving Credit Facility post-quarter end

KEY FINANCIALS

<i>(In thousands of USD)</i>	Quarter ended					9 months	
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Revenue	6 984	11 161	11 700	10 466	2 967	29 845	13 432
Net revenue ¹	2 134	4 767	6 505	6 816	1 091	13 406	7 907
Vessel operating days	127	273	270	276	141	670	417
TCE ¹ per day (<i>in USD</i>)	16 801	17 463	24 093	24 697	7 736	20 010	18 962
Operating profit	(2 102)	1 115	2 374	2 642	(1 738)	1 387	903
Net profit	(2 914)	601	1 835	2 168	(2 066)	(478)	102
EPS (<i>in USD per share</i>)	(0.12)	0.03	0.08	0.09	(0.11)	(0.02)	0.01
Cash flow from operations	3 847	(806)	3 989	3 221	(5 815)	7 032	(2 595)
Net cash flow	(3 964)	910	2 284	2 336	11 352	(769)	13 689
Cash and cash equivalents	12 920	16 884	15 974	13 689	11 353	12 920	13 689
Equity ratio	55 %	58 %	64 %	61 %	64 %	55 %	61 %
Net interest-bearing debt ¹	23 095	19 131	13 502	15 787	18 123	23 095	15 787

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

FINANCIAL PERFORMANCE

Revenue and operating costs

Of the total 276 fleet days in Q3 2019, 149 days (54%) were off-hire due to yard stays to perform mandatory intermediate surveys and scrubber installations across the Company's fleet. All of the 127 vessel operating days in the quarter were spent operating in the spot market, generating net revenue of USD 2.1 million, down from USD 4.8 million in Q2 2019 as a result of the reduced vessel operating days. Net revenue was negatively impacted by USD 0.4 million higher than originally expected voyage related costs on one voyage. TCE per day was USD 16,801 in the quarter, down 4% from USD 17,463 in Q2 2019.



Vessel operating expenses increased from a low level the previous quarter to USD 2.7 million in Q3 2019, up 30% from Q2 2019. The increase was driven by higher non-capitalizable repairs and maintenance costs and spending on spare parts, driven by work done during the yard stays. General and administrative costs were down 48% to USD 0.1 million from USD 0.3 million the previous quarter, while depreciation was up 6% to USD 1.3 million in the quarter.

Operating profit was negative USD 2.1 million in Q3 2019, down from positive USD 1.1 million the previous quarter. The decrease in operating profit was due to the reduction in net revenue.

Net profit and EPS

Net financial costs increased to USD 0.8 million in Q3 2019, up from USD 0.5 million the previous quarter, driven by an increase in interest cost following the increase in interest-bearing debt from 28 June 2019 as a result of the amended vessel loan.

Net loss was USD 2.9 million, down from a profit of USD 0.6 million in Q2 2019, resulting in EPS of negative USD 0.12 in Q3 2019, down from USD 0.03 in Q2 2019. The reduction in net profit and EPS was driven by the reduced net profit compared to the previous quarter.

CASH FLOW

Net cash flow from operations was USD 3.8 million in the quarter, up USD 4.7 million from negative USD 0.8 million in Q2 2019, mainly due to an increase of USD 7.9 million in working capital movements, which was partially offset by a reduction of USD 3.5 million in operating profit compared to the previous quarter. Working capital movements were positive USD 4.7 million, compared to negative USD 3.2 million in Q2 2019.

Cash invested in property, plant and equipment was USD 6.5 million in Q3 2019, all of which was due to payments related to intermediate surveys and scrubber investments on all three of the Company's vessels.

Cash flow from investing activities decreased to an outflow of USD 1.3 million in Q3 2019, down from an inflow of USD 4.5 million in Q2 2019, mainly due to amendments to the Company's vessel loans that positively impacted the previous quarter. The Company made a dividend payment of USD 0.5 million in September 2019, which was the dividend announced on 21 August in relation to the Q2 2019 report.

The Company recorded net cash movement of negative USD 4.0 million, down from an inflow of USD 0.9 million in Q2 2019. Cash and cash equivalents held at 30 September 2019 totaled USD 12.9 million, down from USD 16.9 million at 30 June 2019. In addition, the Company had restricted cash deposits of USD 1.5 million at 30 September 2019.

DIVIDENDS

As a result of the negative financial result for the period which was driven by over half of the total fleet days spent off-hire due to yard stays, no dividend is declared in relation to Q3 2019.

The Board aims to distribute dividends to shareholders for financial periods the Company generates sufficient net profits and has available excess cash. Future dividend 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

Scrubber investment and intermediate surveys

All three of the Company's vessels have completed yard stays during Q3 2019 and post-quarter end, at which installation of open loop scrubber systems during mandatory 17.5-year intermediate classing surveys have been completed.

The total investment in intermediate surveys, including amounts paid as at 30 September 2019, is expected to average USD 3.5 million per vessel, up from the previously guided USD 2.5 million per vessel. There is no change to the expected USD 4 million per vessel average cost of investment in scrubber systems.

Revolving Credit Facility

Post-quarter end, the Company agreed terms for an unsecured USD 7.5 million credit facility which provides a working capital buffer to the Company following the recent fleet-wide yard stays (the "Revolving Credit Facility" or "RCF"). The RCF is provided by the Company's two largest shareholders, Ship Finance International Ltd and ADS Shipping Ltd, at market terms. Completion of the RCF is subject to satisfactory documentation, which is expected to occur before 31 December 2019.

Backlog

As expected, the first vessel voyages after completion of intermediate surveys are at lower than the market benchmark and all three of our vessels will have their first voyage after intermediate survey impacting the fourth quarter. As at the date of this report, the Company has secured estimated backlog for approximately 60% of days in Q4 2019 booked at an average TCE of approximately USD 27,000 per day. The Company estimates that approximately 25% of days in Q4 2019 will be off-hire related to completion of the intermediate surveys and scrubber installations.



Interim consolidated statement of comprehensive income

(In thousands of USD)	Note	Quarter ended		9 months	
		30-Sep-19	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Revenue		6 984	2 967	29 845	13 432
Operating expenses					
Voyage expenses		(4 850)	(1 876)	(16 439)	(5 525)
Vessel operating expenses		(2 748)	(1 872)	(7 339)	(4 562)
General & administrative costs		(149)	(384)	(784)	(606)
Depreciation	4	(1 339)	(573)	(3 897)	(1 835)
Total operating expenses		(9 086)	(4 705)	(28 458)	(12 529)
Operating profit		(2 102)	(1 738)	1 387	903
Finance cost		(812)	(328)	(1 956)	(859)
Finance income		-	-	91	57
Profit before tax		(2 914)	(2 066)	(478)	102
Income tax		-	-	-	-
Profit after tax and total comprehensive income		(2 914)	(2 066)	(478)	102
<i>(In USD)</i>					
Earnings per share attributable to equity holders					
- Basic	6	(0.12)	(0.11)	(0.02)	0.01
- Diluted	6	(0.12)	(0.11)	(0.02)	0.01



Interim consolidated statement of financial position

<i>(In thousands of USD)</i>	<i>Note</i>	30-Sep-19	30-Sep-18	31-Dec-18
Assets				
Non-current assets				
Vessels	4	79 222	67 292	67 714
Total non-current assets		79 222	67 292	67 714
Current assets				
Receivables from customers		954	3 159	4 745
Other current assets		4 457	2 109	5 488
Restricted cash		1 485	524	524
Cash and cash equivalents		12 920	11 353	13 689
Total current assets		19 816	17 145	24 447
Total assets		99 038	84 437	92 161
Equity and liabilities				
Equity				
Issued share capital		4 678	4 678	4 678
Share premium		51 207	51 207	51 207
Retained earnings		(1 876)	(2 066)	102
Total equity		54 009	53 819	55 987
Non-current liabilities				
Interest-bearing debt	5	36 466	29 710	29 729
Total non-current liabilities		36 466	29 710	29 729
Current liabilities				
Other current liabilities		6 971	773	1 333
Trade payables		1 592	134	5 113
Total current liabilities		8 563	908	6 446
Total equity and liabilities		99 038	84 437	92 161



Interim consolidated statement of cash flows

<i>(In thousands of USD)</i>	Quarter ended		9 months	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Cash flow from operating activities				
Profit for the period	(2 914)	(2 066)	(477)	102
Adjustment for non-operating cash flow items				
Depreciation	1 339	573	3 897	1 835
Interest expenses	711	288	1 809	793
Interest income	-	-	(91)	(35)
Net operating cash flow before working capital items	(864)	(1 205)	5 138	2 695
Working capital movements	4 711	(4 611)	1 894	(5 290)
Total operating cash flow	3 847	(5 815)	7 032	(2 595)
Cash flow from investing activities				
Payments for vessels and equipment	(6 537)	(67 865)	(10 489)	(68 387)
Total cash flow used in investing activities	(6 537)	(67 865)	(10 489)	(68 387)
Cash flow from financing activities				
Proceeds from share issue	-	56 932	-	56 933
Transaction cost on issue of shares	-	(1 048)	-	(1 048)
Receipt from bank loan	-	30 000	7 500	30 000
Transaction cost related to bank loan	(338)	(300)	(900)	(300)
Interest paid	(436)	(28)	(1 499)	(391)
Decrease/(increase) in restricted cash	-	(524)	(961)	(524)
Interest received	-	-	49	1
Dividends paid	(500)	-	(1 500)	-
Total cash flow from financing activities	(1 274)	85 032	2 689	84 671
Net increase in cash and cash equivalents	(3 964)	11 352	(769)	13 689
Cash and cash equivalents at the beginning of the period	16 884	1	13 689	-
Cash and cash equivalents at the end of the period	12 920	11 353	12 920	13 689



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
Balance at incorporation on 30 April 2018	-	-	-	-	-
Issue of share capital					
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
Balance at 31 December 2018	23 390 300	4 678	51 207	102	55 987

<i>(In thousands of USD apart from number of shares)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2019	23 390 300	4 678	51 207	102	55 987
Total comprehensive income for the period					
Dividends paid	-	-	-	(1 500)	(1 500)
Balance at 30 September 2019	23 390 300	4 678	51 207	(1 876)	54 009

The nominal value of the Company's authorized share capital, including issued and non-issued shares, at 30 September 2019 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 30 September 2019 were authorized for issue in accordance with a resolution of the Board of Directors passed on 20 November 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: ADS Page, ADS Stratus and ADS Serenade.

The Company is managed by Arendals Dampsksibsselskab AS. Commercial management of the vessels is provided by Frontline Ltd, while technical management of the vessels is provided by OSM Maritime Group.

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 Oslo Børs 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 planned for 2019 on the acquired vessels, 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 "Old Loan"). During Q2 2019, the Company agreed terms with the lender of the vessel loan whereby a new loan of nominal value USD 37.5 million (the "New Loan") replaced the Old Loan. The New Loan was drawdown on 28 June 2019, providing gross proceeds of USD 7.5 million after the repayment of the Old Loan. Less loan issue costs amounting to USD 0.6 million paid in Q2 2019, net proceeds of USD 6.9 million were received. The proceeds of the New Loan are to be used towards the vessel intermediate surveys (dry dockings) that have been completed during the second half of 2019.

Post-quarter end, the Company agreed terms for an unsecured USD 7.5 million credit facility which provides a working capital buffer to the Company following the recent fleet-wide yard stays (the "Revolving Credit Facility" or "RCF"). The RCF is provided by the Company's two largest shareholders, Ship Finance International Ltd and ADS Shipping Ltd, at



market terms. Completion of the RCF is subject to satisfactory documentation, which is expected to occur before 31 December 2019.

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, and the expected cost of scrubber investment and intermediate vessel surveys, as well as timing of payments of those 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

(In thousands of USD)	Quarter ended		9 months	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Costs				
Balance at start of period	72 804	-	69 550	-
Additional capital expenditures	12 150	67 865	15 404	69 550
Balance at end of period	84 954	67 865	84 954	69 550
Depreciation				
Balance at start of period	4 393	-	1 835	-
Depreciation for period	1 339	573	3 897	1 835
Balance at end of period	5 732	573	5 732	1 835
Net book value at start of period	66 429	-	71 385	-
Net book value at end period	79 222	67 292	79 222	67 714
Carrying value of pledged assets	62 153	66 256	62 153	66 050

The Company has invested in yard stays for its fleet of three vessels to install scrubber systems and perform mandatory intermediate surveys on its vessels. Including amounts already paid as at 30 September 2019, the total expected investment is approximately USD 7.5 million per vessel, of which an estimated USD 4 million relates to scrubber installation. The total investment in the intermediate surveys and scrubber systems has occurred across Q4 2018 through Q3 2019, with the remaining investment expected to be capitalized in Q4 2019, while the remaining payments will be spread across Q4 2019 and Q1 2020.



5. Interest bearing debt

(In thousands of USD)	Maturity	Interest	30-Sep-19	30-Sep-18	31-Dec-18
Fleet Loan					
Nominal USD 30 million			-	29 710	29 729
Nominal USD 37.5 million	31-Dec-22	LIBOR + 5.1%	36 466	-	-
Total interest-bearing debt			36 466	29 710	29 729

Under the terms of the USD 37.5 million Fleet Loan, there is no fixed amortization until maturity on 31 December 2022, apart from a Cash Sweep and a Dividend Amortization mechanism:

- i. Cash Sweep – from and including Q1 2020, all liquidity above the Minimum Liquidity, on a quarterly basis is paid as prepayment of the New Loan up to a maximum amount of USD 250,000 per vessel per quarter. Applied until outstanding loan balance is USD 30 million.
- ii. Dividend Amortization – whereby 50% of any dividend exceeding USD 2 million per quarter, USD 4 million per half-year and USD 6 million per annum is applied towards prepayment of the New Loan. Applied until outstanding loan balance is USD 27 million.

Any amount paid for a quarter under the Cash Sweep mechanism shall reduce accordingly the prepayment obligation under the Dividend Amortization clause.

6. Earnings per share

(In thousands of USD)	Quarter ended		9 months	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Profit for the period	(2 914)	(2 066)	(478)	102
Weighted average shares outstanding	23 390 300	23 390 300	23 390 300	16 070 780
Basic and diluted EPS	(0.12)	(0.11)	(0.02)	0.01

The Company has no dilutive or potential dilutive shares.

7. Events after the balance sheet date

Revolving Credit Facility

Post-quarter end, the Company agreed terms for an unsecured USD 7.5 million credit facility which provides a working capital buffer to the Company following the recent fleet-wide yard stays (the "Revolving Credit Facility" or "RCF"). The RCF is provided by the Company's two largest shareholders, Ship Finance International Ltd and ADS Shipping Ltd, at market terms. Completion of the RCF is subject to satisfactory documentation, which is expected to occur before 31 December 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.

(In thousands of USD)	Quarter ended					9 months	
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
Net revenue							
Revenue	6 984	11 161	11 700	10 466	2 967	29 845	13 432
Voyage expenses	(4 850)	(6 394)	(5 195)	(3 649)	(1 876)	(16 439)	(5 525)
Total net revenue	2 134	4 767	6 505	6 816	1 091	13 406	7 907

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.

(In thousands of USD)	Quarter ended					9 months	
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Sep-19	30-Apr-18 to 31-Dec-18
TCE							
Net revenue	2 134	4 767	6 505	6 816	1 091	13 406	7 907
Vessel operating days	127	273	270	276	141	670	417
TCE (in whole USD)	16 801	17 463	24 093	24 697	7 736	20 010	18 962

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



8.3. Net interest-bearing debt (NIBD)

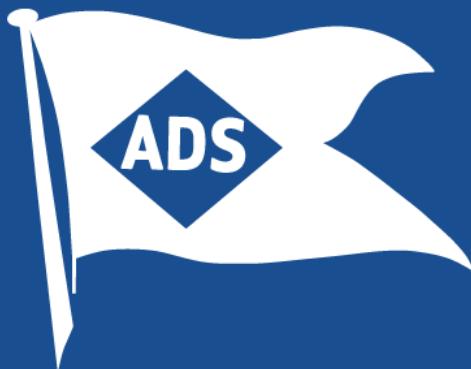
NIBD is calculated as the nominal outstanding value of the Company's total interest-bearing debt, less the balance of cash and cash equivalents, as well as any restricted cash that is restricted for the purposes of repaying debt.

<i>(In thousands of USD)</i>	As at				
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Net interest-bearing debt (NIBD)					
Nominal value of interest-bearing debt	37 500	37 500	30 000	30 000	30 000
Cash and cash equivalents	12 920	16 884	15 974	13 689	13 353
Restricted cash available for debt repayment	1 485	1 485	524	524	524
NIBD	23 095	19 131	13 502	15 787	18 123

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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