

Team Tankers International Ltd.



**2nd Quarter and
1st Half Report 2020**

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Team Tankers International Ltd. (“Team Tankers” or the “Company”) is an international shipping company incorporated in Hamilton, Bermuda. With a fleet of 35 vessels: 30 owned vessels and 5 leased vessels as of the date of this report, the Company is committed to the safe and efficient transportation of liquid bulk cargoes for all its customers and partners.

Highlights

- The Company reported EBITDA (earnings before interest, taxes, depreciation and amortization) of \$21.7 million in the 2nd quarter of 2020, compared with \$16.5 million in the 1st quarter of 2020, and \$11.8 million in the 2nd quarter of 2019. For the first half of 2020, EBITDA was \$38.2 million, compared with \$25.8 million for the corresponding period in 2019.
- Net loss in the 2nd quarter of 2020 was \$2.4 million, compared with net income of \$1.4 million in the 1st quarter of 2020 (net loss of \$17.4 million in 2nd quarter of 2019). The loss on the sale of vessels was \$8.4 million in the 2nd quarter of 2020 and \$6.9 million in the 2nd quarter of 2019. Net loss in the 1st half of 2020 was \$1.1 million as compared to a net loss of \$25.3 million in the 1st half of 2019.
- The average time-charter equivalent rate (the “TCE”) for the fleet was \$14,667 for the 2nd quarter of 2020, an increase of 6.2 per cent from \$13,812 in the 1st quarter of 2020 and an increase of 26.3 per cent from \$11,611 in the 2nd quarter of 2019. The average TCE for the fleet was \$14,222 for the 1st half of 2020, an increase of 19.8 per cent from \$11,867 in the corresponding period in 2019.

Main events Q2 2020

- The strategic partnership with Maersk Tankers announced in the 1st quarter commenced on 1 April 2020. During the second quarter, the Company transferred commercial management of all but two coated tankers, which are currently time-chartered out, to Maersk Tankers and employees within the Company’s operations, chartering and bunker management departments transferred from the Company to Maersk Tankers’ offices in Copenhagen, Houston, and Singapore.
- The joint venture (“JV”) with ship management specialist V.Group announced in the 1st quarter commenced on 1 April 2020. The Company transferred the technical management for its in-house managed fleet, consisting of ten MRs and two 25k dwt coated vessels to the JV along with its onshore technical organization and seafaring expertise. The Company owns 30% and V.Group owns 70% of the JV, Dania Ship Management AS Denmark. The 30% ownership in the JV is not a financially motivated investment and the ownership stake and potential profits are immaterial for the Company.
- In May, the Company redelivered the Tintomara (44,999 dwt, built 2003) following the expiry of the time-charter contract.
- The Company completed the sale and delivered the Team Toccata (44,999 dwt, built 2004) to buyers in May. This vessel was included in *Vessels held for sale* in the Company’s Consolidated Statement of Financial Position as of 31 March 2020 and 31 December 2019 and a net loss on the sale of the Toccata was recognized for \$2.4 million in 2019.
- In June, the Company called for a Special General Meeting to be held in July to consider a proposal to delist the Company’s common shares from the Oslo Stock Exchange (“OSE”). The SGM voted in favor of the proposal and the Company sent an application for delisting to the OSE in July. The Company’s application for delisting was approved by the OSE in August, and the last day of listing will be 30 September 2020.

- COVID-19 has had a significant negative impact on the global economy. The Company experienced a negative impact on the demand for the Regional Coated vessels trading in Asia in the first quarter and, while it is still unclear to what extent the pandemic will affect the Company's trading performance going forward, it is likely that the pandemic will affect the performance of its fleet negatively over time. The Company's onshore employees have been working from home for longer periods in the first half of 2020 and the Company is working to keep its crew safe and to enable crew changes despite the current travel and port restrictions across the globe. If the pandemic lasts for a prolonged period with a corresponding impact on the world economy and tanker shipping, it could impact the Company negatively through lower earnings, asset price declines and increased financing costs.

Subsequent Events

- Subsequent to the end of the quarter, the Company agreed to sell the Sichem Croisic (7,721 dwt, built 2001). The vessel is included in *Vessels held for sale* in the Company's Consolidated Statement of Financial Position as of 30 June 2020.
- In July, the Company redelivered to owners the Sichem Melbourne (12,936 dwt, built 2007) and Sichem Eagle (25,421 dwt, built 2008) following early termination of the bareboat charter contracts.

Financial review

Second quarter 2020 income statement

The Company reported total freight revenue of \$69.2 million in the 2nd quarter of 2020, a decrease of \$10.5 million or 13.2 per cent as compared with \$79.7 million in the 1st quarter of 2020. Voyage expenses of \$20.6 million in the 2nd quarter of 2020 decreased 29.8 per cent as compared to \$29.4 million in the 1st quarter of 2020. Freight income on a T/C basis was \$48.5 million, which represents a \$1.8 million decrease from the previous quarter (\$50.3 million in the 1st quarter 2020). The decrease in revenue and voyage expenses was primarily a result of fewer on-hire days due to vessel sales and redeliveries. The freight market improved in the 2nd quarter of 2020, particularly in the Regional Coated market in Asia, leading to an increased TCE of \$14,667 compared to \$13,812 in the previous quarter.

Ship operating expenses were \$21.7 million in the 2nd quarter of 2020, a \$3.4 million decrease from \$25.1 million in the 1st quarter of 2020 due to reduced crew travel and the inability to deliver spares and stores to the vessels due to COVID-19. Charterhire expenses were \$0.8 million compared with \$3.6 million in the 1st quarter of 2020, a decrease of \$2.8 million due to redelivery of vessels following expiry periods. General and administrative expenses were \$4.4 million in the 2nd quarter of 2020, a decrease of \$0.7 million from \$5.1 million in the previous quarter due to the organizational changes in connection with the partnership with Maersk Tankers and the JV with V.Group. EBITDA in the 2nd quarter of 2020 was \$21.7 million compared with \$16.5 million in the previous quarter (\$11.8 million in the 2nd quarter of 2019).

Depreciation and amortization expenses were \$12.5 million in the 2nd quarter of 2020, a decrease of \$0.7 million from \$13.2 million in the previous quarter. *Other gains / (losses)* includes estimated losses of \$8.4 million on the sale of the Team Explorer and Sichem Croisic. The operating result (EBIT – earnings before interest and taxes) in the 2nd quarter of 2020 was positive \$0.8 million, compared with positive \$3.3 million in the 1st quarter of 2020 (negative \$12.4 million in the 2nd quarter of 2019).

Net interest expenses were \$2.6 million in the 2nd quarter of 2020 were comparable to the previous quarter. Other financial items were negative \$0.7 million in the 2nd quarter of 2019 as compared to positive \$0.7 million from the previous quarter primarily due to the release of tax accruals from 2015.

Net loss in the 2nd quarter of 2020 was \$2.4 million compared with a net income of \$1.4 million in the previous quarter (net loss of \$17.4 million in the 2nd quarter of 2019).

First Half 2020 income statement

The Company reported total freight revenue of \$148.9 million in the 1st half of 2020, compared with \$164.7 million in the 1st half of 2019. Voyage expenses decreased to \$50.0 million in the 1st half of 2020, down \$15.2 million from \$65.2 million in the corresponding period in 2019. The decreases in freight revenue and voyage expenses in the 1st half of 2020 compared with the 1st half of 2019 were primarily due to vessel sales and deliveries. Freight income on T/C basis was \$98.9 million compared with \$99.5 million in the 1st half of 2019.

Ship operating expenses were \$46.8 million in the 1st half of 2020 compared to \$57.6 million in the 1st half of 2019. Charterhire expenses were \$4.4 million, up from \$4.1 million in the 1st half of 2019. General and administrative expenses were \$9.4 million in the 1st half of 2020, \$2.6 million lower than the \$12.0 million incurred in the 1st half of 2019 resulting from restructuring initiatives. EBITDA was \$38.2 million for the first six months of 2020 compared to \$25.8 million for the same period in 2019.

Depreciation and amortization expenses were \$25.7 million for the 1st half of 2020, compared with \$34.2 million in the previous year. *Other gains / (losses)* includes the estimated losses of the sale of Team Explorer and Sichem Croisic in the 1st half of 2020 and the losses on the sale of the Team Tapatío, Sichem Paris, Tambourin, and Team Tarantella in the 1st half of 2019. The operating result (EBIT – earnings before interest and taxes) in the first six months was positive \$4.1 million, compared with negative \$15.5 million in 2019.

Net interest expenses were \$5.2 million in the 1st half of 2020, compared with \$8.1 million in the 1st half of 2019. The reduction is primarily due to loan repayment and vessels redelivered following expiry of their lease periods. Other financial items in the 1st half of 2020 included a positive adjustment reversing an uncertain tax position related to 2015. Other financial items in the 1st half of 2019 were \$1.7 million.

Net loss in the 1st half of 2020 was \$1.1 million compared to a net loss of \$25.3 million in the corresponding period in 2019.

Balance sheet and Cash Flow as of 30 June 2020

Total book value of the Company's vessels was \$373.2 million as of 30 June 2020, down \$32.6 million from 31 March 2020 due to vessel depreciation and the Team Explorer and Sichem Croisic being classified as *Vessels held for sale*.

The Company adopted IFRS 16, Leases, on 1 January 2019. The new leasing standard impacted the operational lease-in of vessels and properties which requires lessees to recognize *Right-of-use assets* and lease liability obligations based on discounted payments required under the leases. As of date of this report, the Company had 4 vessels and 3 properties on operational lease-in. The bareboat leases for the Sichem Melbourne and Sichem Eagle were early terminated following redelivery of the vessels in July 2020. The *Right-of-use assets* and lease liability obligations were removed from the balance sheet as of 30 June 2020. The total *Right-of-use assets* were \$32.3 million and total *short term and long-term lease obligations* were \$35.7 million.

Total *short term and long-term debt* was \$128.7 million at the end of the 2nd quarter of 2020, down from \$141.2 million at the end of the previous quarter. During the 2nd quarter of 2020, a principal payment of \$6.1 million and prepayment (from the Team Toccata sale proceeds) of \$3.9 million were made and \$23.7 million was classified as *Current portion of long-term debt*, reflecting the repayment schedule of the \$220.0 million financing agreement.

Liabilities associated with vessels held for sale of \$6.5 million at the end of the 2nd quarter of 2020, down from \$3.9 million at the end of the previous quarter. The amount represents the portion of the Company's credit facility expected to be prepaid upon the sale and delivery of the Team Explorer and Sichem Croisic.

Total *cash and cash equivalents* amounted to \$67.6 million as of 30 June 2020, an increase of \$23.5 million compared to the previous quarter. The Company had \$20.0 million undrawn under the revolving credit facility. As of 21 August 2020, the Company has \$64.0 million of cash and cash equivalents and \$20.0 million undrawn under the revolving credit facility.

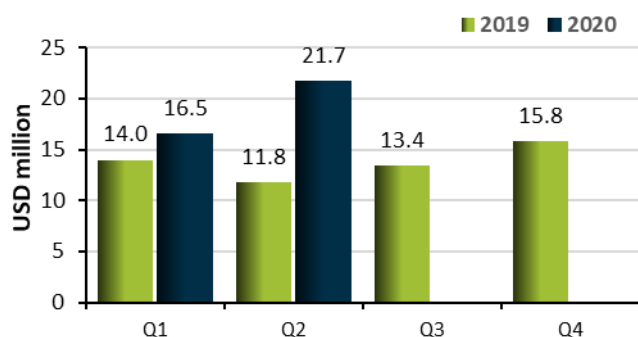
Total equity as of 30 June 2020 was \$334.4 million, compared with \$335.8 million at the end of the previous quarter. The equity ratio of the Company was approximately 62 per cent at the end of the 2nd quarter of 2020 and 59 per cent at the end of the 1st quarter of 2020.

On 30 June 2020, there were 209,578,173 shares outstanding, each with a par value of \$0.01. The share price, as quoted on the Oslo Stock Exchange, ended the 2nd quarter of 2020 at NOK 3.30 compared with NOK 5.95 at the end of the previous quarter.

Earnings development

Total trading days for the Company's fleet dropped 8% compared to the previous quarter due to vessel sales and redeliveries. The average TCE for the fleet increased by 6 per cent during the quarter from \$13,812 to \$14,667 per day and increased by 26 per cent compared with the TCE of \$11,611 per day in the 2nd quarter of 2019.

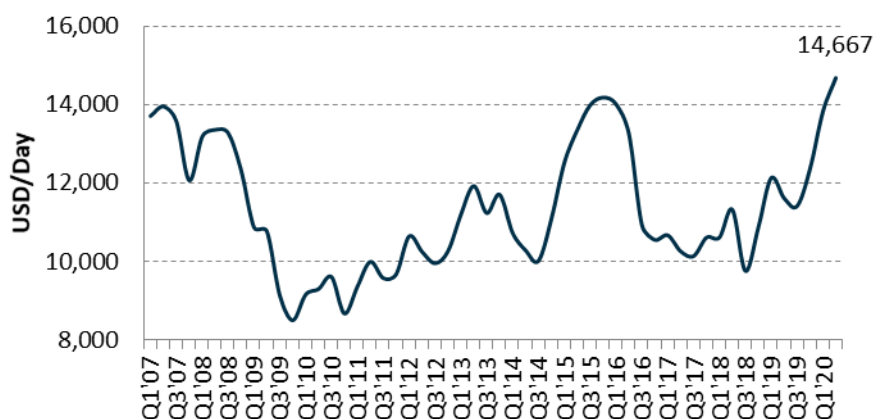
EBITDA development



Fleet development

Quarter	Avg Dwt	# vessels EOP	TCE - \$/day
Q2 20	24 958	37	14 667
Q1 20	25 572	40	13 812
Q4 19	24 242	44	12 348
Q3 19	25 769	47	11 406
Q2 19	26 169	48	11 611

Team Tankers Index (TTI)



The Team Tankers Index (TTI) is based on the company's sailed in time-charter equivalent (TCE) earnings per day since 2007. The TTI is calculated using the days the vessels are available to earn revenue (revenue days), and includes revenue earned from COAs and time-charters.

Fleet development

At the end of June 2020, the fleet consisted of 37 vessels, of which 30 were owned and 7 were classified as operational leases.

- In May, the Company redelivered the Tintomara (44,999 dwt, built 2003) following the expiry of the time-charter contract. The Tintomara charter was classified and capitalized in 2019 as a *Right-of-use asset* in accordance with the rules of IFRS 16 – Leases. As a result of the expired contract in the 2nd quarter of 2020, the *Right-of-use asset* and *lease obligations* for the Tintomara were removed from the balance sheet.
- In May, the Company completed the sale and delivery of the Team Toccata (44,999 dwt, built 2004).

- In July, the Company agreed to sell the Sichem Croisic (7,721 dwt, built 2001). The vessel is included in *Vessels held for sale* as of 30 June 2020. Delivery of the Sichem Croisic is expected in the 3rd quarter of 2020.
- In July, the Company redelivered to owners the Sichem Melbourne (12,936 dwt, built 2007) and Sichem Eagle (25,421 dwt, built 2008) following early termination of the bareboat charter contracts.

The Company expects to sell the Team Explorer (46,026 dwt, built 2007) before year-end 2020 so the vessel is included in *Vessels held for sale* as of 30 June 2020 together with the Sichem Croisic for an aggregate amount of \$16.6 million.

In the 1st half of 2020, one vessel was drydocked and one in-water survey was completed by the end of June 2020 compared with nine vessels surveyed in the corresponding prior year period.

Alternative Performance Measures (APMs)

Alternative performance measures (financial performance measures not within the IFRS framework), are used by the Company to provide supplemental information. Financial APMs are intended to enhance comparability from period to period. The APMs are also used internally for management reporting. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner. Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS.

Freight income on T/C basis: is defined as freight revenue less voyage expenses.

	Q2 2020	Q1 2020
(\$ '000)		
Freight revenue	69 185	79 707
Voyage expenses	(20 640)	(29 384)
Freight income on T/C basis	48 545	50 323

EBITDA: is defined as *EBIT* + impairment, depreciation, amortization and (gain)/loss on sale of assets

	Q2 2020	Q1 2020
(\$ '000)		
EBIT	790	3 309
Depreciation and amortization	12 487	13 215
Loss on sale of vessels	8 404	-
EBITDA	21 681	16 524

Time-Charter Equivalent (TCE): Shipping industry freight rates are commonly measured in terms of “time-charter equivalent” (or TCE) rates, which represent net revenues divided by revenue days.

Hamilton, Bermuda, 26 August 2020

The Board of Directors of Team Tankers International Ltd.

<u>/s/ Jesper Bo Hansen</u> Jesper Bo Hansen	<u>/s/ Robert P. Burke</u> Robert P. Burke	<u>/s/ Mads Meldgaard</u> Mads Meldgaard
<u>/s/ Kevin M. Kennedy</u> Kevin M. Kennedy	<u>/s/ Scott Martin</u> Scott Martin	<u>/s/ Bryce Fraser</u> Bryce Fraser
<u>/s/ Mikael Laurin</u> Mikael Laurin	<u>/s/ Morten Arntzen</u> Morten Arntzen <i>Chairman of the Board</i>	<u>/s/ Hans Feringa</u> Hans Feringa <i>President & Chief Executive Officer</i>

Consolidated statement of comprehensive income

		2020 Q2	2020 Q1	2019 Q2	2020 6m	2019 6m
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>(\$ '000, except per share data)</i>						
Freight revenue		69 185	79 707	81 143	148 892	164 713
Voyage expenses		(20 640)	(29 384)	(31 717)	(50 024)	(65 196)
Freight income on T/C basis		48 545	50 323	49 426	98 868	99 517
Ship operating expenses		(21 684)	(25 115)	(30 285)	(46 799)	(57 609)
Charterhire expenses		(806)	(3 633)	(1 739)	(4 439)	(4 103)
General and administrative expenses		(4 374)	(5 051)	(5 612)	(9 425)	(12 039)
EBITDA		21 681	16 524	11 790	38 205	25 766
Depreciation and amortization	3,4	(12 487)	(13 215)	(17 305)	(25 702)	(34 195)
Other gains / (losses)	8	(8 404)	-	(6 853)	(8 404)	(7 021)
EBIT		790	3 309	(12 368)	4 099	(15 450)
Interest income		-	52	34	52	102
Interest expenses		(2 555)	(2 658)	(4 131)	(5 213)	(8 224)
Other financial items		(665)	665	(892)	-	(1 702)
Profit / (loss) before tax		(2 430)	1 368	(17 357)	(1 062)	(25 274)
Income tax expense		-	-	-	-	-
Net profit / (loss)		(2 430)	1 368	(17 357)	(1 062)	(25 274)
Value adjustments of hedging instruments		243	(562)	(231)	(319)	128
Foreign currency translation differences		423	(61)	77	362	(1)
Total items that may be reclassified to profit or loss		666	(623)	(154)	43	127
Other comprehensive income/(loss), net of tax		666	(623)	(154)	43	127
Total comprehensive income		(1 764)	745	(17 511)	(1 019)	(25 147)
<i>Attributable to owners of the parent</i>		<i>(1 764)</i>	<i>745</i>	<i>(17 511)</i>	<i>(1 019)</i>	<i>(25 147)</i>
Earnings per share – basic (USD)		(0.01)	0.01	(0.08)	(0.01)	(0.12)
Earnings per share – diluted (USD)		(0.01)	0.01	(0.08)	(0.01)	(0.12)

See accompanying notes that are an integral part of these consolidated financial statements.

Consolidated statement of financial position

(\$ '000)		2020 30.06	2020 31.03	2019 31.12
	Note	(unaudited)	(unaudited)	(audited)
ASSETS				
Vessels	4	373 247	405 864	411 749
Right-of-use assets	3	32 336	39 996	45 454
Other equipment	4	508	837	1 033
Other non-current assets		597	703	1 527
Total non-current assets		406 688	447 400	459 763
Trade and other receivables		37 392	51 012	46 270
Inventories		9 413	10 274	11 928
Other current assets		737	696	1 009
Cash and cash equivalents	5	67 556	44 138	43 131
Total current assets		115 098	106 120	102 338
Vessels held for sale	8	16 550	12 750	25 250
TOTAL ASSETS		538 336	566 270	587 351
EQUITY AND LIABILITIES				
Equity		334 499	335 832	334 847
Treasury shares		(66)	(69)	(63)
Total Equity	6	334 433	335 763	334 784
Long-term debt	7	104 921	117 303	123 412
Long-term lease obligations	3	23 295	27 282	29 717
Other non-current liabilities		-	5	107
Total non-current liabilities		128 216	144 590	153 236
Trade and other payables		27 615	34 574	37 597
Short-term debt and current portion of long-term debt	7	23 697	23 869	24 169
Short-term lease obligations	3	12 386	15 739	18 943
Other current liabilities		5 449	7 811	10 775
Total current liabilities		69 147	81 993	91 484
Liabilities associated with vessels held for sale	8	6 540	3 924	7 847
Total liabilities		203 903	230 507	252 567
TOTAL EQUITY AND LIABILITIES		538 336	566 270	587 351

See accompanying notes that are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

		2020 Q2	2020 Q1	2020 6m	2019 6m
(\$ '000)	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities					
Profit / (loss) before taxes		(2 430)	1 368	(1 062)	(25 274)
Depreciation and amortization	3,4	12 487	13 215	25 702	34 195
Loss / (gain) on sale of vessels	8	8 404	-	8 404	7 021
Interest expenses, net		2 555	2 606	5 161	8 122
Foreign currency (gain) / loss, net		(108)	85	(23)	45
Share-based incentive expense		569	581	1 150	1 010
Working capital and other adjustments		6 736	(7 151)	(415)	607
Net cash flow from operating activities		28 213	10 704	38 917	25 726
Investing activities					
Vessel sale proceeds		11 549	11 839	23 388	18 366
Capitalized dry dock, owned vessels	4	-	(2 413)	(2 413)	(13 300)
Capital expenditures, other equipment	4	-	(8)	(8)	(199)
Interest received		-	52	52	102
Net cash flow from investing activities		11 549	9 470	21 019	4 969
Financing activities					
Loan proceeds		-	-	-	10 000
Repayment of long-term debt	7	(10 021)	(10 185)	(20 206)	(12 953)
Repayment of obligations under leases	3	(3 878)	(4 848)	(8 726)	(14 304)
Financing costs		(73)	(789)	(862)	(2 663)
Interest paid		(2 561)	(2 805)	(5 366)	(7 509)
Stock repurchase		-	(350)	(350)	-
Net cash flow from financing activities		(16 533)	(18 977)	(35 510)	(27 429)
Net change in cash and cash equivalents		23 229	1 197	24 426	3 266
Cash balance at beginning of period		44 138	43 131	41 131	33 724
Net foreign exchange difference on cash		189	(190)	(1)	(32)
Cash and cash equivalents at end of period	5	67 556	44 138	67 556	36 958

See accompanying notes that are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

2020 (unaudited)									
Attributable to equity holders of the parent company									
	Share Capital	Share Premium	Treasury shares	Other paid in capital	Retained losses	Revaluation reserve	Translation reserve	Hedging reserve	Total
(\$ '000)	Paid in capital				Other reserves				
Equity as of 1 January 2020	2 096	22 636	(63)	1 130 261	(829 741)	3 406	6 189	-	334 784
Gain for the period	-	-	-	-	(1 062)	-	-	-	(1 062)
Other comprehensive income	-	-	-	-	-	-	362	(319)	43
Total comprehensive income	-	-	-	-	(1 062)	-	362	(319)	(1 019)
Share repurchase	-	-	(6)	(341)	-	-	-	-	(347)
Share-based payments - costs	-	-	3	1 012	-	-	-	-	1 015
At 30 June 2020	2 096	22 636	(66)	1 130 932	(830 803)	3 406	6 551	(319)	334 433

2019 (unaudited)									
Attributable to equity holders of the parent company									
	Share Capital	Share Premium	Treasury shares	Other paid in capital	Retained losses	Revaluation reserve	Translation reserve	Hedging reserve	Total
(\$ '000)	Paid in capital				Other reserves				
Equity as of 1 January 2019	2 096	22 636	(39)	1 130 322	(779 635)	3 406	6 291	11	385 088
(Loss) for the period	-	-	-	-	(25 274)	-	-	-	(25 274)
Other comprehensive income	-	-	-	-	-	-	(1)	128	127
Total comprehensive income	-	-	-	-	(25 274)	-	(1)	128	(25 147)
Share repurchase	-	-	-	-	-	-	-	-	-
Share-based payments - costs	-	-	1	943	-	-	-	-	944
At 30 June 2019	2 096	22 636	(38)	1 131 265	(804 909)	3 406	6 290	139	360 885

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries in foreign currencies.

Treasury shares

The treasury shares reserve is used to record purchase of own shares. At 30 June 2020, the Company held 6,596,894 treasury shares.

Revaluation reserve

The revaluation reserves are used to record step by step revaluations in connection with the purchase of subsidiaries.

Share-based payments

The Company recorded \$0.6 million as compensation for management equity awards in the 2nd quarter 2020.

See accompanying notes that are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1 Organization and basis for preparation

Team Tankers International Ltd. (the “Company”) is incorporated and domiciled in Bermuda. The Company is incorporated as an exempted company under the laws of Bermuda and in accordance with the Bermuda Companies Act. The address of its registered office is Williams House, 4th Floor, 20 Reid Street, Hamilton HM 11, Bermuda.

Note 2 Significant accounting policies

Basis of preparation

The interim consolidated financial statements for the Company are prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). No new accounting standards with impact have been implemented with effect from 1 January 2020.

Judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. A change in an accounting estimate is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting principles

The accounting principles used to prepare these interim financial statements are consistent with those used to prepare prior annual financial statements. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 annual financial statements which is available on the Company’s website www.teamtankers.com.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

Segment information

The Company has one reportable segment; tanker vessels. Accordingly, no segment information is presented in the notes to the consolidated financial statements.

Note 3 – Leases

	Right-of-use assets: vessels	Right-of-use assets: Properties	Total
(\$ '000)			
At 1 January 2020, net of accumulated depreciation	42 085	3 369	45 454
Expired and terminated leases ¹⁾	(2 477)	(520)	(2 997)
Depreciation for the period	(9 779)	(342)	(10 121)
At 30 June 2020, net of accumulated depreciation	29 829	2 507	32 336

- 1) Time-charter contracts on the Tintomara and Blue Star expired in January 2020. Silver Linda was redelivered in February 2020 and the Tintomara was redelivered in May 2020. The *Right-of-use assets* were fully depreciated at the times of expiration. The Company's Houston office lease was terminated early and its *Right-of-use asset and lease obligation* was removed from the balance sheet on March 2020. The bareboat charter contracts for the Sichem Melbourne and Sichem Eagle were early terminated following redelivery of the vessels in July 2020. The *Right-of-use assets and lease obligations* were removed from the balance sheet on 30 June 2020.

	Lease obligation, vessels	Lease obligation, properties	Total
(\$ '000)			
At 1 January 2020	45 179	3 481	48 660
New lease	-	-	-
Expired and terminated lease	(2 477)	(561)	(3 038)
Lease payment	(9 655)	(286)	(9 941)
At 30 June 2020	33 047	2 634	35 681
Non-current	21 215	2 080	23 295
Current	11 832	554	12 386
At 30 June 2020	33 047	2 634	35 681

Note 4 – Vessels and other equipment

	Vessels	Other equipment	Total
(\$ '000)			
At 1 January 2020, net of accumulated depreciation	411 749	1 033	412 782
Additions (mainly upgrading and docking of vessels)	2 413	8	2 421
Sale and reclassification of vessels ¹⁾	(24 388)	(280)	(24 668)
Reclassifications and other	-	15	15
Depreciation for the period	(16 527)	(268)	(16 795)
At 30 June 2020, net of accumulated depreciation	373 247	508	373 755

- 1) The Company completed the sales of the Team Tosca and Team Toccata and the vessels were classified as *Vessels held for sale* at 31 December 2019 for total of \$25.3 million. The Team Tosca was delivered to its buyer on 5 February 2020 and the Team Toccata was delivered on 6 May 2020. The aggregate loss on the vessel sales was \$5.1 million at 31 December 2019. The Company also agreed to sell the Sichem Croisic and plans to sell the Team Explorer. These vessels were classified as *Vessels held for sale* at 30 June 2020 totaling \$16.6 million. The combined estimated loss on sales of these vessels is \$8.4 million.

Overall, the Company has not experienced a negative impact during 1H 2020 due to COVID-19, with a fleet TCE improvement in 1H 2020 compared to both 1H 2019 and 2H 2019. The Company did, however, experience a negative impact on demand for the Regional Coated vessels trading in Asia during Q1 2020 but demand picked up in Q2 2020. There was no impairment required for Q2 2020 but the Company will thoroughly follow up on COVID-19-related developments and their impact on tanker shipping and the value of the Company's assets.

Note 5 – Cash and cash equivalents

	2020 30.06	2020 31.03	2019 31.12
(\$ '000)	(unaudited)	(unaudited)	(audited)
Banks	66 772	43 179	42 200
Petty cash	482	664	631
Restricted cash	302	295	300
Cash and cash equivalents	67 556	44 138	43 131

At the end of the 2nd quarter, a total of \$20.0 million of the Company's credit facility was undrawn.

Note 6 – Share capital

	Number of shares	Share capital \$ '000
At 1 January 2020	209 578 173	2 096
Changes in shares and share capital in the period	-	-
At 30 June 2020	209 578 173	2 096

The Company's share capital was \$2,095,782 at 30 June 2020. Outstanding shares were 209,578,173, each with a par value of \$0.01.

Note 7 – Long-term debt

Bank loans	Bank Loans	Obligations under leases	Total
(\$ '000)			
Balance at 31 December 2019	155 428	48 660	204 088
Expired and terminated lease	-	(3 038)	(3 038)
Installments on financing repayment	(12 359)	-	(12 359)
Prepayment on credit facility following vessel sales	(7 847)	-	(7 847)
Payment on lease obligations	-	(9 941)	(9 941)
Amortization of debt issuance costs	(64)	-	(64)
Balance at 30 June 2020	135 158	35 681	170 839
Non-current	104 921	23 295	128 216
Current ¹⁾	30 237	12 386	42 623
Balance at 30 June 2020	135 158	35 681	170 839

1) Liabilities associated with vessels held for sale of \$6.5 million included as current portion of long-term debt.

Note 8 – Vessels held for sale

At 30 June 2020, the *Vessels held for sale* included the Team Explorer and the Sichem Croisic for a total of \$16.6 million as compared to the Team Toccata for \$12.8 million at 31 March 2020. Amounts in *Vessels held for sale* are stated at fair value less costs to sell. In 2019, the estimated loss on the sale of the Team Tosca and Team Toccata was \$5.1 million. In 2020, the estimated losses on the sale of the Team Explorer and Sichem Croisic was \$8.4 million.

As required under the Credit Facility, a portion of the vessel sale proceeds are used to prepay the debt obligation. The amount of the prepayment is classified as *Liabilities associated with vessels held for sale*. The total estimated debt prepayment for the two *Vessels held for sale* at the end of the 2nd quarter of 2020 was \$6.5 million as compared one vessel of \$3.9 million at the end of the 1st quarter of 2020.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 - Interim Financial Reporting and give a true and fair view of the Company's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related party transactions and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Hamilton, Bermuda, 26 August 2020

The Board of Directors of Team Tankers International Ltd.

/s/ Jesper Bo Hansen
Jesper Bo Hansen

/s/ Robert P. Burke
Robert P. Burke

/s/ Mads Meldgaard
Mads Meldgaard

/s/ Kevin M. Kennedy
Kevin M. Kennedy

/s/ Scott Martin
Scott Martin

/s/ Bryce Fraser
Bryce Fraser

/s/ Mikael Laurin
Mikael Laurin

/s/ Morten Arntzen
Morten Arntzen
Chairman of the Board

/s/ Hans Feringa
Hans Feringa
*President &
Chief Executive Officer*

Fleet list

Vessel	Built	Coating	DWT	Ownership	Flag
Sichem Croisic ¹⁾	2001	Stainless Steel	7 721	Owned	Malta
Sichem Lily	2009	Stainless Steel	8 109	Owned	Malta
Sichem Orchid	2008	Stainless Steel	8 115	Owned	Malta
Sichem Iris	2008	Stainless Steel	8 139	Operational lease	Malta
Sichem Palace	2004	Stainless Steel	8 807	Owned	Malta
Sichem Ruby	2006	Stainless Steel	8 824	Owned	Malta
Sichem Amethyst	2006	Stainless Steel	8 817	Owned	Malta
Team Sapphire	2004	Stainless Steel	8 907	Owned	Malta
Tour Pomerol	1998	Stainless Steel	10 379	Owned	Malta
Sichem Challenge	1998	Stainless Steel	12 180	Owned	Bermuda
Sichem Mississippi	2008	Stainless Steel	12 273	Operational lease	Panama
Sichem Marseille	2007	Coated	12 927	Owned	Bermuda
Sichem Melbourne ²⁾	2007	Coated	12 936	Operational lease	Marshall Island
Sichem New York	2007	Coated	12 945	Owned	Bermuda
Sichem Beijing	2007	Coated	13 068	Owned	Bermuda
Sichem Hong Kong	2007	Coated	13 069	Owned	Bermuda
Sichem Mumbai	2006	Coated	13 084	Owned	Bermuda
Sichem Manila	2007	Coated	13 125	Owned	Malta
Sichem Singapore	2006	Coated	13 141	Owned	Malta
Sichem Rio	2006	Coated	13 162	Owned	Malta
Team Hawk	2008	Coated	25 385	Owned	Malta
Team Falcon	2009	Coated	25 419	Owned	Malta
Sichem Eagle ²⁾	2008	Coated	25 421	Operational lease	Malta
Sichem Osprey	2009	Coated	25 431	Owned	Malta
Team Cavatina	2010	Coated	44 999	Owned	Liberia
Team Calypso	2010	Coated	44 999	Owned	Liberia
Team Corrido	2011	Coated	44 999	Owned	Liberia
Endo Breeze	2003	Coated	44 999	Operational lease	Liberia
Team Explorer	2007	Coated	46 026	Owned	Bermuda
Team Discoverer	2008	Coated	46 043	Owned	Bermuda
Team Leader	2009	Coated	46 070	Owned	Bermuda
Team Amorina	2012	Coated	46 070	Owned	Liberia
Team Allegro	2012	Coated	46 070	Owned	Liberia
Team Adventurer	2007	Coated	46 099	Owned	Bermuda
Team Voyager	2008	Coated	46 190	Owned	Bermuda
Silver Houston	2015	Coated	49 746	Operational lease	Panama
Silver Eleanor	2015	Coated	49 746	Operational lease	Marshall Island

1) Sales contract executed, expected to be delivered to new owners in 3rd quarter of 2020.

2) Redelivered in July 2020.