

Team Tankers International Ltd.



3rd Quarter 2019

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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 47 vessels: 33 owned vessels and 14 leased vessels as of the date of this report, the Company is one of the largest chemical and clean petroleum product tanker owner/operators in the world. With offices worldwide, Team Tankers offers comprehensive ocean transportation services to global chemical producers, oil majors, commodities traders and others in the petrochemical supply chain. 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 \$13.4 million in the 3rd quarter of 2019, compared with \$11.8 million in the 2nd quarter of 2019 and \$0.7 million in the 3rd quarter of 2018. For the nine months ending 30 September 2019, EBITDA was \$39.2 million, compared with \$10.0 million for the corresponding period in 2018.
- Net loss in the 3rd quarter of 2019 was \$15.1 million, compared with net loss of \$17.4 million in the 2nd quarter of 2019 (net loss of \$14.5 million in 3rd quarter of 2018). The loss on sale of vessels was \$6.4 million in the 3rd quarter of 2019 and \$6.9 million in the 2nd quarter of 2019. Net loss for the nine months ending 30 September 2019 was \$40.4 million as compared to a prior year net loss of \$17.4 million.
- The average time charter equivalent rate (the “TCE”) for the fleet was \$11,406 for the 3rd quarter of 2019, a decrease of 1.8 per cent from \$11,611 in the 2nd quarter of 2019 but an increase of 16.9 per cent from \$9,758 in the 3rd quarter of 2018.

Main events Q3 2019

- The Company agreed to sell the Team Tarantella (44,999 dwt, built 2004) and completed the sale and delivered to buyers the Sichem Paris (13,079 dwt, built 2008), the Tambourin (44,999 dwt, built 2004), and the Sichem Montreal (13,056 dwt, built 2008) for an aggregate of \$33.2 million. The transactions resulted in a book loss of \$8.4 million, of which \$6.7 million was recorded in the 2nd quarter of 2019. The Company time-chartered the Sichem Paris (renamed Masagana) back for a period of two years and the Sichem Montreal (renamed PVT Neptune) for a period of six months.

Subsequent Events

- In October, the Company agreed to sell the Team Tosca (44,999 dwt, built 2004) and the Team Toccata (44,999 dwt, built 2004). Delivery of the Team Tosca to the buyer is expected in the 1st quarter of 2020, and delivery of the Team Toccata in the 2nd quarter of 2020. The Company recorded estimated book losses upon delivery of the two vessels in 2019 of \$4.8 million. The Team Tosca and Team Toccata are included in *Vessels held for sale* of \$33.5 million, together with Team Tarantella, as of 30 September 2019.
- In October, the Company redelivered the Tromso (12,933 dwt, built 2008) following the expiry of the lease period.

Financial review

Third quarter 2019 income statement

The Company reported total freight revenue of \$80.0 million in the 3rd quarter of 2019, a decrease of \$1.1 million or 1.4 per cent as compared with \$81.1 million in the 2nd quarter of 2019. Voyage expenses of \$31.5 million in the 3rd quarter of 2019 decreased 0.7 per cent as compared to \$31.7 million in the 2nd quarter of 2019. Freight income on T/C basis was \$48.5 million, which represents a \$0.9 million decrease from the previous quarter (\$49.4 million in the 2nd quarter 2019). The decrease in revenue and voyage expenses was primarily a result of a weaker market during the quarter.

Ship operating expenses were \$27.7 million in the 3rd quarter of 2019, a \$2.6 million decrease from \$30.3 million in the 2nd quarter of 2019 due to lower ship repair and maintenance costs. Charterhire expenses were \$2.2 million compared with \$1.7 million in the 2nd quarter of 2019, an increase of \$0.5 million due to new short-term time-charters added in the quarter. General and administrative expenses were \$5.2 million in the 3rd quarter of 2019, a decrease of \$0.4 million from \$5.6 million in the previous quarter primarily due to reduction of staff costs following vessel disposals. EBITDA in the 3rd quarter of 2019 was \$13.4 million compared with \$11.8 million in the previous quarter (\$0.7 million in the 3rd quarter of 2018).

Depreciation and amortization expenses were \$17.3 million in the 3rd quarter of 2019, which were comparable to the previous quarter. Other losses of \$6.4 million included the loss of the sale of Sichem Paris, Tambourin, and Sichem Montreal, and the estimated losses on the sale of the Team Tosca and Team Toccata. The operating result (EBIT – earnings before interest and taxes) in the 3rd quarter of 2019 was \$10.3 million, compared with \$12.4 million in the 2nd quarter of 2019 (\$10.6 million loss in the 3rd quarter of 2018).

Net interest expenses were \$3.9 million in the 3rd quarter of 2019, a decrease of \$0.2 million from the previous quarter. Other financial items were negative \$1.0 million in the 3rd quarter of 2019, an increase of \$0.1 million from the previous period.

The net loss in the 3rd quarter of 2019 was \$15.1 million compared with a net loss of \$17.4 million in the previous quarter (net loss of \$14.5 million in the 3rd quarter of 2018).

Balance sheet and Cash Flow as of 30 September 2019

Total book value of the Company's vessels was \$423.3 million as of 30 September 2019, down \$45.4 million from 30 June 2019 primarily due to the sale of Sichem Montreal, and the reclassification of Team Tosca and Team Toccata to *Vessels held for sale*.

The Company adopted IFRS 16, Leases on 1 January 2019. The new leasing standard impacts 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 30 September 2019, the Company had 11 vessels and 4 properties on operational lease-in. The total *Right-of-use assets* were \$58.6 million and total *short term* and *long-term lease obligations* were \$62.3 million.

Total *short term* and *long-term debt* was \$173.4 million at the end of the 3rd quarter of 2019, down from \$189.5 million at the end of the previous quarter. Included in the total debt are *Liabilities associated with vessels held for sale* of \$11.8 million. The amount represents the portion of the Company's credit facility expected to be prepaid upon the sale and delivery of the Team Tarantella, Team Tosca, and Team Toccata. During the 3rd quarter of 2019, principal prepayments were made related to the sale of the Sichem Paris, Tambourin, and Sichem Montreal. In the 3rd quarter, \$33.0 million was classified as *Current portion of long-term debt*, reflecting the repayment schedule of the \$220.0 million financing agreement.

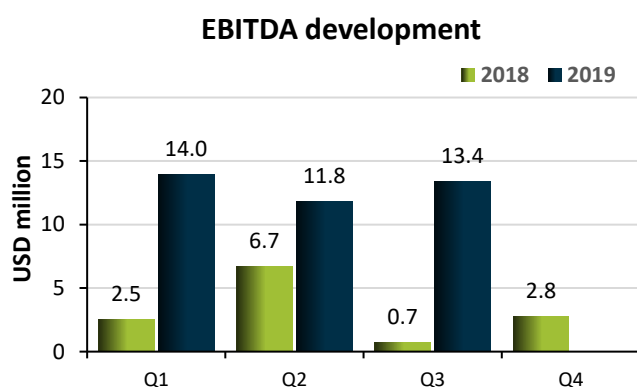
Total *cash and cash equivalents* amounted to \$44.0 million as of 30 September 2019, an increase of \$7.1 million compared to the previous quarter. The Company had \$10.0 million undrawn under the revolving credit facility.

Total equity as of 30 September 2019 was \$345.8 million, compared with \$360.9 million at the end of the previous quarter. The equity ratio of the Company was approximately 55 per cent at the end of the 3rd quarter of 2019 and 55 per cent at the end of the 2nd quarter of 2019.

At 30 September 2019, 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 3rd quarter of 2019 at NOK 5.70 compared with NOK 5.50 at the end of the previous quarter.

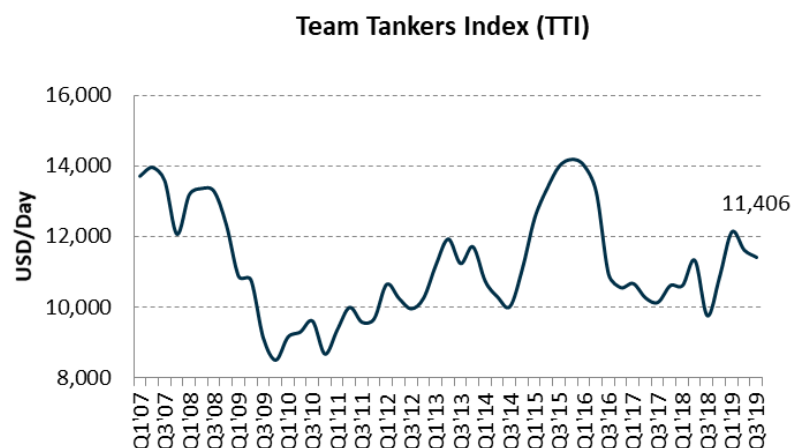
Earnings development

The total cargo volume lifted in the 3rd quarter of 2019 was 7% percent lower than the volumes lifted in the 2nd quarter. Total trading days for the Company's fleet were stable compared to the previous quarter. The average TCE for the fleet decreased by 2 per cent during the quarter from \$11,611 to \$11,406 per day and increased by 17 per cent compared with the TCE of \$9,758 per day in the 3rd quarter of 2018. As of 14 November 2019, about 67 per cent of the expected operating days in the 4th quarter were fixed at an average TCE of about \$11,858 per day.



Fleet development

Quarter	Avg Dwt	# vessels EOP	TCE - \$/day
Q3 19	25 769	47	11 406
Q2 19	26 169	48	11 611
Q1 19	26 169	48	12 123
Q4 18	25 484	51	10 854
Q3 18	25 484	51	9 758



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 September 2019, the fleet consisted of 47 vessels, of which 33 were owned and 14 were classified as operational leases.

- The Company delivered the Sichem Paris (13,079 dwt, built 2008), the Tambourin (44,999 dwt, built 2004), and the Sichem Montreal (13,056 dwt, built 2008), and agreed to sell the Team Tarantella (44,999 dwt, built 2002) for an aggregate of \$33.2 million for the four transactions. The Company completed the sale and delivered to buyers the Sichem Paris in July 2019, and the Tambourin and the Sichem Montreal in August 2019. The Company time-chartered the Sichem Paris (renamed Masagana) back for a period of two years and the Sichem Montreal (renamed PVT Neptune) for a period of six months. The Masagana charter was classified and capitalized in the 3rd quarter of 2019 as a *Right-of-use asset* in accordance with the rules of IFRS 16 – Leases. The PVT Neptune charter is considered a short-term time-charter and thus is not capitalized as a *Right-of-use asset* in accordance with the rules of IFRS 16 – Leases. Delivery of the Team Tarantella is expected in the 4th quarter of 2019.
- In October, the Company agreed to sell the Team Tosca (44,999 dwt, built 2004) and the Team Toccata (44,999 dwt, built 2004) for an aggregate of \$25.3 million for the two transactions. The vessels are included in *Vessels held of sale* as of 30 September 2019. Delivery of the Team Tosca is expected in the 1st quarter of 2020 and delivery of the Team Toccata is expected in the 2nd quarter of 2020.

Eight vessels were dry docked and three in-water surveys were completed by the end of September 2019 compared with nine vessels dry docked in the corresponding prior year period. Two dry dockings and one in-water survey are scheduled for the remainder of 2019.

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 the IFRS.

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

	Q3 2019	Q2 2019
(\$ '000)		
Freight revenue	79 990	81 143
Voyage expenses	(31 494)	(31 717)
Freight income on T/C basis	48 496	49 426

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

	Q3 2019	Q2 2019
(\$ '000)		
EBIT	(10 298)	(12 368)
Depreciation and amortization	17 317	17 305
Loss on sale of vessels	6 391	6 853
EBITDA	13 410	11 790

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, 14 November 2019

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/ Tom Higbie

Tom Higbie

/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*

Consolidated statement of comprehensive income

		2019 Q3	2019 Q2	2018 Q3	2019 9m	2018 9m
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>(\$ '000, except per share data)</i>						
Freight revenue		79 990	81 143	78 901	244 703	224 549
Voyage expenses		(31 494)	(31 717)	(35 350)	(96 690)	(94 496)
Freight income on T/C basis		48 496	49 426	43 551	148 013	130 052
Ship operating expenses		(27 663)	(30 285)	(27 015)	(85 272)	(75 967)
Charterhire expenses		(2 183)	(1 739)	(10 018)	(6 286)	(24 502)
General and administrative expenses		(5 240)	(5 612)	(5 793)	(17 279)	(19 603)
EBITDA		13 410	11 790	725	39 176	9 980
Depreciation and amortization	3,4	(17 317)	(17 305)	(11 312)	(51 512)	(30 447)
Other gains / (losses)	8	(6 391)	(6 853)	-	(13 412)	12 418
EBIT		(10 298)	(12 368)	(10 587)	(25 748)	(8 049)
Interest income		94	34	122	196	603
Interest expenses		(3 957)	(4 131)	(2 984)	(12 181)	(7 235)
Other financial items		(976)	(892)	(1 091)	(2 677)	(2 754)
Profit / (loss) before tax		(15 137)	(17 357)	(14 540)	(40 410)	(17 434)
Income tax expense		-	-	-	-	-
Net profit / (loss)		(15 137)	(17 357)	(14 540)	(40 410)	(17 434)
Value adjustments of hedging instruments		(156)	(231)	(73)	(29)	(184)
Foreign currency translation differences		(204)	77	(76)	(205)	(596)
Total items that may be reclassified to profit or loss		(360)	(154)	(149)	(234)	(780)
Other comprehensive income/(loss), net of tax		(360)	(154)	(149)	(234)	(780)
Total comprehensive income		(15 497)	(17 511)	(14 689)	(40 644)	(18 214)
<i>Attributable to owners of the parent</i>		<i>(15 497)</i>	<i>(17 511)</i>	<i>(14 689)</i>	<i>(40 644)</i>	<i>(18 214)</i>
Earnings per share – basic (USD)		(0.07)	(0.08)	(0.07)	(0.20)	(0.09)
Earnings per share – diluted (USD)		(0.07)	(0.08)	(0.07)	(0.20)	(0.09)

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

Consolidated statement of financial position

		2019 30.09	2019 30.06	2018 31.12
(\$ '000)	Note	(unaudited)	(unaudited)	(audited)
ASSETS				
Vessels	4	423 258	468 668	517 902
Right-of-use assets	3	58 590	61 400	-
Other equipment	4	1 121	1 251	1 230
Other non-current assets		728	970	5 826
Total non-current assets		483 697	532 289	524 958
Trade and other receivables		50 986	51 413	52 766
Inventories		11 901	13 213	14 629
Other current assets		1 434	2 108	1 410
Cash and cash equivalents	5	44 030	36 958	33 724
Total current assets		108 351	103 692	102 529
Vessels held for sale	8	33 530	24 880	6 550
TOTAL ASSETS		625 578	660 861	634 037
EQUITY AND LIABILITIES				
Equity		345 791	360 922	385 127
Treasury shares		(32)	(37)	(39)
Total Equity	6	345 759	360 885	385 088
Long-term debt	7	128 614	155 867	169 924
Long-term lease obligations	3	36 136	38 695	-
Other non-current liabilities		81	87	4 588
Total non-current liabilities		164 831	194 649	174 512
Trade and other payables		33 823	34 665	39 245
Short-term debt and current portion of long-term debt	7	33 023	33 658	21 838
Short-term lease obligations	3	26 211	26 661	-
Other current liabilities		10 162	10 343	13 354
Total current liabilities		103 219	105 327	74 437
Liabilities associated with vessels held for sale	8	11 769	-	-
Total liabilities		279 819	299 976	248 949
TOTAL EQUITY AND LIABILITIES		625 578	660 861	634 037

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

Consolidated statement of cash flow

(\$ '000)	Note	2019 Q3	2019 Q2	2019 9m	2018 9m
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities					
Profit / (loss) before taxes		(15 137)	(17 357)	(40 410)	(17 434)
Depreciation and amortization	3,4	17 317	17 305	51 512	30 447
Loss/(gain) on sale of vessels	8	6 391	6 853	13 412	(56)
Bargain gain, business combination		-	-	-	(12 362)
Interest expenses, net		3 863	4 097	11 985	6 632
Foreign currency loss / (gain), net		149	(17)	194	280
Share-based incentive expense		527	371	1 537	844
Working capital and other adjustments		692	7 726	1 297	(5 103)
Net cash flow from operating activities		13 802	18 978	39 527	3 248
Investing activities					
Net cash investment in entities		-	-	-	(15 502)
Vessel sale proceeds		23 692	12 182	42 058	16 848
Payments on purchase of vessels		-	-	-	(13 625)
Capitalized dry dock, owned vessels	4	(2 082)	(9 830)	(15 382)	(12 654)
Capital expenditures, other equipment	4	-	(48)	(199)	-
Interest received		94	34	196	603
Net cash flow from investing activities		21 704	2 338	26 673	(24 330)
Financing activities					
Loan proceeds		-	10 000	10 000	200 000
Repayment of long-term debt	7	(16 279)	(8 953)	(29 233)	(89 500)
Repayment of acquired debt		-	-	-	(67 838)
Repayment of obligations under leases	3	(8 164)	(7 470)	(22 468)	(1 636)
Exercise of purchase options on finance leases		-	-	-	(66 355)
Interest paid		(3 648)	(3 790)	(11 156)	(4 054)
Stock repurchase		-	-	-	(91)
Other financing costs, net		(109)	(65)	(2 772)	(4 666)
Net cash flow from financing activities		(28 200)	(10 278)	(55 629)	(34 140)
Net change in cash and cash equivalents		7 306	11 038	10 571	(55 222)
Cash balance at beginning of period		36 958	25 793	33 724	99 162
Net foreign exchange difference on cash		(234)	127	(265)	(317)
Cash and cash equivalents at end of period	5	44 030	36 958	44 030	43 624

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

Consolidated statement of changes in equity

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	-	-	-	-	(40 410)	-	-	-	(40 410)
Other comprehensive income	-	-	-	-	-	-	(205)	(29)	(234)
Total comprehensive income	-	-	-	-	(40 410)	-	(205)	(29)	(40 644)
Share-based payments - costs	-	-	7	1 308	-	-	-	-	1 315
At 30 September 2019	2 096	22 636	(32)	1 131 630	(820 045)	3 406	6 086	(18)	345 759

2018 (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				
At 31 December 2017	1 885	-	(38)	1 129 798	(724 345)	3 406	6 270	311	417 287
Changes in accounting principle – IFRS 15	-	-	-	-	(1 451)	-	-	-	(1 451)
Equity as of 1 January 2018	1 885	-	(38)	1 129 798	(725 796)	3 406	6 270	311	415 836
(Loss) for the period	-	-	-	-	(17 434)	-	-	-	(17 434)
Other comprehensive income	-	-	-	-	-	-	(596)	(184)	(780)
Total comprehensive income	-	-	-	-	(17 434)	-	(596)	(184)	(18 214)
Share issuance	211	22 637	(5)	(512)	-	-	-	-	22 331
Share repurchase	-	-	(1)	(90)	-	-	-	-	(91)
Share-based payments - costs	-	-	2	156	-	-	-	-	158
At 30 September 2018	2 096	22 637	(42)	1 129 351	(741 779)	3 406	5 674	128	421 471

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 September 2019, the Company held 3,162,512 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 \$0.5 million as compensation for management equity awards in the 3rd quarter 2019.

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). With effect from 1 January 2019, the Company implemented IFRS 16 Leases. Implementation effects of IFRS 16 is described in Note 3.

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 2018 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 - IFRS 16 Implementation

IFRS 16, Leases was issued in January 2016 and replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, (the customer ('lessee') and the supplier ('lessor')). The new standard requires lessees to recognize assets and liabilities for most leases, a significant change from the previous requirements. Lessees will recognize right-of-use assets and lease liabilities based on discounted payments required under the lease, taking into account the term as determined under the new standard. For lessors, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. Under IFRS 16, a lessee can choose to apply the standard either using a full retrospective or a modified retrospective approach. The date of adoption is 1 January 2019. The Company has assessed the impact of IFRS 16 on its consolidated financial statements in 2019. As of 31 December 2018, the Company had 9 vessels and 4 properties on operational lease-in. These contracts were reflected in the statement of financial position and will have an impact on the presentation in the Consolidated Statement of Comprehensive Income with a corresponding shift of certain amounts from charterhire and rent expenses to depreciation and interest expenses.

The Company has undertaken a review of its leases and considers the main changes are in relation to the operational lease-in of vessels and properties. The Company has adopted the cumulative catch up approach and the effect of these changes on the opening balance position as of 1 January 2019 are \$61.6 million for vessels and \$4.1 million for properties. The remaining non-cancellable lease payments are discounted at the Company's incremental borrowing rate (approximately 6.05%). The Company had an onerous contract provision of \$7.1 million at 31 December 2018 related to its time chartered and bareboat vessels. On 1 January 2019, this amount was offset against the opening balance of the right-of-use assets resulting in a total value of right-of-use assets of \$54.5 million for vessels.

Changes to the statement of financial position at 1 January 2019

	Vessels	Properties
(\$ '000)		
Fixed assets (Right-of-use assets)	61 648	4 065
Onerous contracts adjustment	(7 134)	-
Adjusted fixed assets (Right-of-use assets)	54,514	4 065
Lease liability	(61 648)	(4 065)

Since the implementation of IFRS 16 at 1 January 2019, the Company has entered in two new time charters resulting in new lease assets \$19.7 million.

	Right-of-use assets: vessels	Right-of-use assets: properties	Total
(\$ '000)			
At 1 January 2019, net of accumulated depreciation	54 514	4 065	58 579
New leases ¹⁾	19 677	-	19 677
Transfers and reclassifications ²⁾	3 006	-	3 006
Depreciation for the period	(22 150)	(522)	(22 672)
At 30 September 2019, net of accumulated depreciation	55 047	3 543	58 590

- 1) Team Tapatio (renamed Endo Breeze) time-charter three year period and Sichem Paris (renamed Masagana) time-charter two year period.
- 2) Capitalized dry dock expenditures on operational leased vessels were classified as non-current assets as of 31 December 2018.

	Lease obligation, vessels	Lease obligation, properties	Total
(\$ '000)			
At 1 January 2019	61 648	4 065	65 713
New lease	19 677	-	19 677
Lease payment	(22 610)	(433)	(23 043)
At 30 September 2019	58 715	3 632	62 347
Non-current	33 122	3 014	36 136
Current	25 593	618	26 211
At 30 September 2019	58 715	3 632	62 347

Due to the adoption of IFRS 16, the Company's EBITDA will improve, and depreciation expense and interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. In summary, the impact of the IFRS 16 adoption for Q3 2019 and Q2 2019 in the Company's statement of comprehensive income is as follows:

	2019 30.09	2019 30.06
(\$ '000)		
Charterhire for vessels on time charter (included in charterhire expense)	(8 026)	(7 262)
Charterhire for vessels on bareboat (included in charterhire expense)	(961)	(951)
Office rental expense (included in general and administrative expense)	(205)	(201)
Change in EBITDA	9 192	8 414
Depreciation expense, vessels (included in depreciation and amortization)	7 703	7 001
Depreciation expense, office leases (included in depreciation and amortization)	174	174
Change in EBIT	1 315	1 239
Interest expense, vessels (included in interest expenses)	918	885
Interest expense, office leases (included in interest expenses)	56	59
Change in net profit	341	295

Note 4 – Vessels and other equipment

	Vessels	Other equipment	Total
(\$ '000)			
At 1 January 2019, net of accumulated depreciation	517 902	1 230	519 132
Additions (mainly upgrading and docking of vessels)	15 382	199	15 581
Sale and reclassification of vessels ¹⁾	(80 912)	-	(80 912)
Reclassifications and other	-	(11)	(11)
Depreciation for the period	(29 114)	(297)	(29 411)
At 30 September 2019 net of accumulated depreciation	423 258	1 121	424 379

- 1) The Company completed the sale and delivered to buyers the Team Tapatio, Sichem Paris, Tambourin and Sichem Montreal for a total of \$37.4 million. The Team Tapatio was delivered to buyer on 22 May 2019, the Sichem Paris was delivered on 11 July 2019, the Tambourin was delivered on 28 August 2019 and the Sichem Montreal was delivered on 30 August 2019. The aggregate losses on the vessel sales was \$6.5 million. The Team Tarantella, Team Tosca and Team Toccata were classified as *Vessels held of sale* at 30 September 2019 totaling \$33.5 million. The combined estimated loss on the vessel sales was \$6.9 million.

Note 5 – Cash and cash equivalents

	2019 30.09	2019 30.06	2018 31.12
(\$ '000)	(unaudited)	(unaudited)	(audited)
Banks	42 932	35 893	32 580
Petty Cash	805	760	820
Restricted Cash	293	305	324
Cash and cash equivalents	44 030	36 958	33 724

At the end of the 3rd quarter, a total of \$10.0 million of the Company's credit facility was undrawn.

Note 6 – Share capital

	Number of shares	Share capital \$ '000
At 1 January 2019	209 578 173	2 096
Changes in shares and share capital in the period	-	-
At 30 September 2019	209 578 173	2 096

The Company's share capital was \$2,095,781.73 at 30 September 2019. 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 2018	191 762	-	191 762
Implementation of IFRS 16, Leases	-	65 713	65 713
New time charter vessel lease obligations	-	19 677	19 677
Drawdown on revolving credit facility	10 000	-	10 000
Installments on financing repayment	(13 892)	-	(13 892)
Prepayment on credit facility following vessel sales	(15 341)	-	(15 341)
Payment on lease obligations	-	(23 043)	(23 043)
Amortization of debt issuance costs	878	-	878
Balance at 30 September 2019	173 407	62 347	235 754
Non-current	128 614	36 136	164 750
Current ¹⁾	44 793	26 211	71 004
Balance at 30 September 2019	173 407	62 347	235 754

1) Liabilities associated with vessels held for sale of \$11.8 million included as current portion of long-term debt.

Note 8 – Vessels held for sale

At 30 September 2019, the Company had three *Vessels held for sale* totaling \$33.5 million as compared to three *Vessels held for sale* as of 30 June 2019 for \$24.9 million. Vessels held for sale were stated at fair value less costs to sell. In 2019, the estimated loss on the sale of the Team Tapatío, Sichem Paris, Tambourin, Sichem Montreal, Team Tarantella, Sichem Montreal, Team Tosca, and Team Toccata was \$13.4 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 three *Vessels held for sale* at the end of the 3rd quarter was \$11.8 million.

Fleet list

Vessel	Built	Coating	DWT	Ownership	Flag
Sichem Croisic	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
Black Star	2011	Stainless Steel	9 438	Operational lease	Malta
Blue Star	2011	Stainless Steel	9 438	Operational lease	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
Tromso ⁴⁾	2008	Coated	12 934	Operational lease	Bahamas
Sichem Melbourne	2007	Coated	12 936	Operational lease	Marshall Island
Sichem New York	2007	Coated	12 945	Owned	Bermuda
PVT Neptune	2008	Coated	13,056	Operational lease	Bermuda
Sichem Beijing	2007	Coated	13 068	Owned	Bermuda
Sichem Hong Kong	2007	Coated	13 069	Owned	Bermuda
Masagana	2008	Coated	13 079	Operational lease	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	2008	Coated	25 421	Operational lease	Malta
Sichem Osprey	2009	Coated	25 431	Owned	Malta
Cavatina	2010	Coated	44 999	Owned	Liberia
Team Calypso	2010	Coated	44 999	Owned	Liberia
Team Corrido	2011	Coated	44 999	Owned	Liberia
Team Tosca ²⁾	2004	Coated	44 999	Owned	Liberia
Team Tarantella ¹⁾	2002	Coated	44 999	Owned	Liberia
Endo Breeze	2003	Coated	44 999	Operational lease	Liberia
Team Toccata ³⁾	2004	Coated	44 999	Owned	Liberia
Tintomara	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
Allegro	2012	Coated	46 070	Owned	Liberia
Team Adventurer	2007	Coated	46 099	Owned	Bermuda
Team Voyager	2008	Coated	46 190	Owned	Bermuda
Silver Linda	2015	Coated	49 746	Operational lease	Panama
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 4th quarter of 2019.

²⁾ Sales contract executed, expected to be delivered to new owners in 1st quarter of 2020.

³⁾ Sales contract executed, expected to be delivered to new owners in 2nd quarter of 2020.

⁴⁾ Redelivered in October 2019.