

Team Tankers International Ltd.



**2nd Quarter and
1st Half Report 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 48 vessels: 36 owned vessels and 12 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 transport of liquid bulk cargoes for all its customers and partners.

Highlights

- The Company reported EBITDA (earnings before interest, taxes, depreciation and amortization) of \$11.8 million in the 2nd quarter of 2019, compared with \$14.0 million in the 1st quarter of 2019, and \$6.7 million in the 2nd quarter of 2018. For the first half of 2019, EBITDA was \$25.8 million, compared with \$9.3 million for the corresponding period in 2018.
- Net loss in the 2nd quarter of 2019 was \$17.4 million, compared with net loss of \$7.9 million in the 1st quarter of 2019 (net income of \$4.4 million in 2nd quarter of 2018). The loss on sale of vessels were \$6.9 million in the 2nd quarter of 2019 and \$0.2 million in the 1st quarter of 2019. Included in the net income for the 2nd quarter of 2018 was the bargain purchase gain of \$12.4 million recognized from the acquisitions of Laurin Shipping AB and Anglo-Atlantic Steamship Company Ltd. Net loss in the 1st half of 2019 was \$25.3 million as compared to a net loss of \$2.9 million in the 1st half of 2018 (net loss \$15.3 million excluding the bargain purchase gain).
- The average time charter equivalent rate (the “TCE”) for the fleet was \$11,611 for the 2nd quarter of 2019, a decrease of 4.2 per cent from \$12,123 in the 1st quarter of 2019 but an increase of 2.6 per cent from \$11,316 in the 2nd quarter of 2018. The average TCE for the fleet was \$11,867 for the 1st half of 2019, an increase of 7.7 per cent from \$11,015 in the corresponding period in 2018.

Main events Q2 2019

- In April, the Company agreed to and completed the sale of the Team Tapatio (44,999 dwt, built 2003) for \$12.5 million and delivered the vessel on 22 May 2019 to the buyer. This transaction resulted in a loss of \$0.3 million. Included in the sale proceeds was the debt loan prepayment of \$4.0 million. The buyer then time-chartered the vessel (renamed Endo Breeze) back to the Company for a period of three years at \$13,950/day.
- In May, the Company agreed to sell the Sichem Paris (13,079 dwt, built 2008). Upon delivery of the vessel, the buyer will time-charter the vessel (renamed Masagana) back to the Company for a period of two years.
- In April, the Company utilized \$10.0 million from its revolving credit facility.

Subsequent Events

- In July, the Company delivered the Sichem Paris (13,079 dwt, built 2008) and agreed to sell the Tambourin (44,999 dwt, built 2004) and the Team Tarantella (44,999 dwt, built 2002) for an aggregate of \$24.9 million for the three transactions. The Company completed the sale and delivered the Sichem Paris on 11 July 2019 to buyer. Following the sale, long-term debt of \$3.4 million was repaid relating to the sale of the vessel. Delivery of the Tambourin to the buyer is expected in 3rd quarter of 2019 and delivery of the Team Tarantella in the 4th quarter of 2019. The Company recorded estimated losses upon delivery of these vessels in 2019 of \$6.9 million. The Sichem Paris, Tambourin, and Team Tarantella are included in *Vessels held of sale* as of 30 June 2019.

Financial review

Second quarter 2019 income statement

The Company reported total freight revenue of \$81.1 million in the 2nd quarter of 2019, a decrease of \$2.4 million or 2.9 per cent as compared with \$83.5 million in the 1st quarter of 2019. Voyage expenses of \$31.7 million in the 2nd quarter of 2019 decreased 5.3 per cent as compared to \$33.5 million in the 1st quarter of 2019. Freight income on T/C basis was \$49.4 million, which represents a \$0.7 million decrease from the previous quarter (\$50.1 million in the 1st quarter 2019). The decrease in revenue and voyage expenses was primarily a result of weaker markets at the beginning of the summer period.

Ship operating expenses were \$30.3 million in the 2nd quarter of 2019, a \$3.0 million increase from \$27.3 million in the 1st quarter of 2019 due to higher ship repair and maintenance costs. Charterhire expenses were \$1.7 million compared with \$2.4 million in the 1st quarter of 2019, a decrease of \$0.6 million due to a vessel redelivery in March 2019. General and administrative expenses were \$5.6 million in the 2nd quarter of 2019, a decrease of \$0.8 million from \$6.4 million in the previous quarter. EBITDA in the 2nd quarter of 2019 was \$11.8 million compared with \$14.0 million in the previous quarter (\$6.7 million in the 2nd quarter of 2018).

Depreciation and amortization expenses were \$17.3 million in the 2nd quarter of 2019, up from \$16.9 million in the previous quarter. Other gains / (losses) of \$6.9 million included the loss of the sale of Team Tapatio and the estimated losses on the sale of the Sichem Paris, Tambourin, and Team Tarantella. The operating result (EBIT – earnings before interest and taxes) in the 2nd quarter of 2019 was \$12.4 million, compared with a loss of \$3.1 million in the 1st quarter of 2019 (\$8.3 million gain in the 2nd quarter of 2018 or \$4.1 million loss excluding the bargain purchase gain).

Net interest expenses were \$4.1 million in the 2nd quarter of 2019, which were comparable to the previous quarter. Other financial items were negative \$0.9 million in the 2nd quarter of 2019, an increase of \$0.1 million from the previous period.

The net loss in the 2nd quarter of 2019 was \$17.4 million compared with a net loss of \$7.9 million in the previous quarter (net income of \$4.4 million in the 2nd quarter of 2018 or net loss of \$8.0 million excluding the bargain purchase gain).

First Half 2019 income statement

The Company reported total freight revenue of \$164.7 million in the 1st half of 2019, compared with \$145.6 million in the 1st half of 2018. Voyage expenses increased to \$65.2 million in the 1st half of 2019, up \$6.0 million from \$59.1 million in the corresponding period in 2018. The increases in freight revenue and voyage expenses in the 1st half of 2019 compared with the 1st half of 2018 were primarily due to the increased fleet from the acquisitions of Laurin Shipping AB and Anglo Atlantic Steamship Company Ltd in April 2018. Freight income on T/C basis was \$99.5 million compared with \$86.5 million in the 1st half of 2018.

Ship operating expenses were \$57.6 million in the 1st half of 2019 compared to \$49.0 million in the 1st half of 2018. Charterhire expenses were \$4.1 million, down from \$14.5 million in the 1st half of 2018 primarily due to the adoption of the new lease standard of IFRS 16 in which time charters on leases are classified on the balance sheet as *Right-of-use assets and lease obligations*. Due to IFRS 16, charterhire expenses in 2019 relate only to time charter contracts with expiry dates of less than one year. General and administrative expenses were \$12.0 million in the 1st half of 2019, \$1.8 million lower than the \$13.8 million incurred in the 1st half of 2018. EBITDA was \$25.8 million for the first six months of 2019 compared to \$9.3 million for the same period in 2018.

Depreciation and amortization expenses were \$34.2 million for the 1st half of 2019, compared with \$19.1 million in the previous year. Other gains / (losses) includes the loss of the sale of Team Tapatio and the estimated losses on the sale of the Sichem Paris, Tambourin, and Team Tarantella. The operating result (EBIT – earnings before interest and taxes) in the first six months was negative \$15.5 million, compared with positive \$2.5 million (negative \$9.9 million excluding the bargain purchase gain) in 2018.

Net interest expenses were \$8.1 million in the 1st half of 2019, compared with \$3.8 million in the 1st half of 2018. Due to the adoption of IFRS 16, certain amounts from charterhire and rent expenses shifted to depreciation and interest expenses (see note 3). Other financial items were \$1.7 million in the 1st half of 2019 in line with the 1st half of 2018.

Net loss in the 1st half of 2019 was \$25.3 million compared to a net loss of \$2.9 million (net loss of \$15.3 million, excluding the bargain purchase gain) in the corresponding period in 2018.

Balance sheet and Cash Flow as of 30 June 2019

Total book value of the Company's vessels was \$468.7 million as of 30 June 2019, down \$30.5 million from 31 March 2019 primarily due to the Sichem Paris, Tambourin, and Team Tarantella classified as *Vessel 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 lease. As of 30 June 2019, the Company had 10 vessels and 4 properties on operational lease-in, and the total *Right-of-use assets* were \$61.4 million and total *short term* and *long term lease obligations* were \$65.4 million.

Total *short term* and *long term debt* was \$189.5 million at the end of the 2nd quarter of 2019, up from \$188.1 million at the end of the previous quarter. During the 2nd quarter of 2019, a principal payment of \$5.0 million, a drawdown on the revolving credit facility of \$10.0 million, and a prepayment (from the Team Tapatio sale proceeds) of \$4.0 million was made and \$33.7 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 \$37.0 million as of June 30, 2019, an increase of \$11.2 million compared to the previous quarter. The Company had \$10.0 million undrawn under the revolving credit facility.

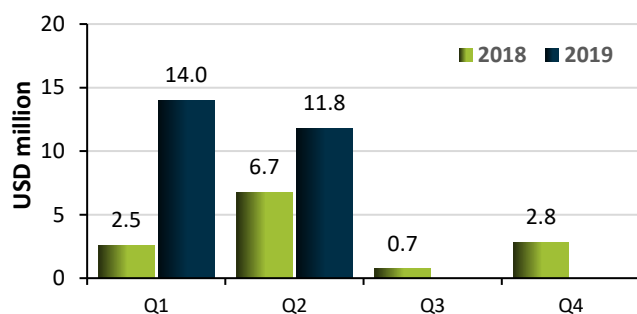
Total equity as of 30 June 2019 was \$360.9 million, compared with \$378.0 million at the end of the previous quarter. The equity ratio of the Company was approximately 55 per cent at the end of the 2nd quarter of 2019 and 56 per cent at the end of the 1st quarter of 2019.

At 30 June 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 2nd quarter of 2019 at NOK 5.50 compared with NOK 6.00 at the end of the previous quarter.

Earnings development

The total cargo volume lifted in the 2nd quarter of 2019 was 2 percent higher than the volumes lifted in the 1st quarter. Total trading days for the Company's fleet decreased by 1 per cent compared to the previous quarter, mainly due to fewer average vessels in the fleet following vessel sales/redeliveries in the 1st quarter of 2019. The average TCE for the fleet decreased by 4 per cent during the quarter from \$12,123 to \$11,611 per day and increased by 3 per cent compared with the TCE of \$11,316 per day in the 2nd quarter of 2018. As of 13 August 2019, about 65 per cent of the expected operating days in the 3rd quarter were fixed at an average TCE of about \$11,429 per day.

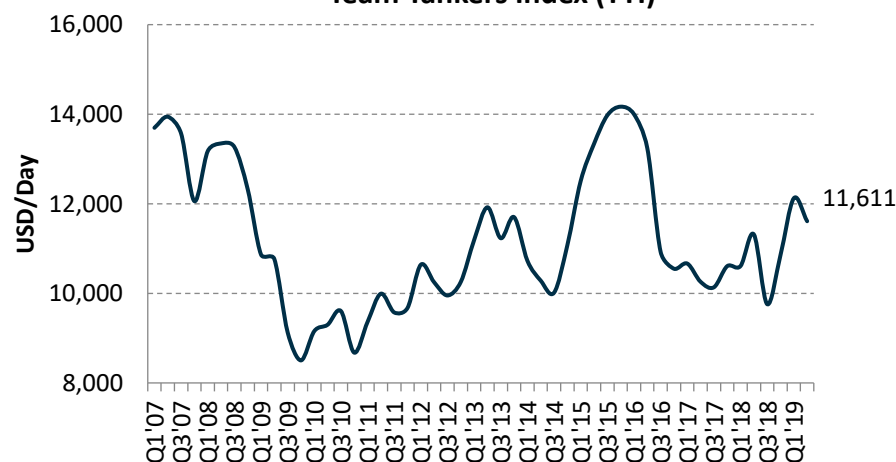
EBITDA development



Fleet development

Quarter	Avg Dwt	# vessels EOP	TCE - \$/day
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
Q2 18	25 484	51	11 316

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 2019, the fleet consisted of 48 vessels, of which 36 were owned and 12 were classified as operational leases.

- In April, the Company agreed to sell the Team Tapatio (44,999 dwt, built 2003) for \$12.5 million. The vessel was delivered to the buyer on 22 May 2019. The buyer then time-chartered the vessel (renamed Endo Breeze) back to the Company for a period of three years. The vessel's charter was classified and capitalized in the 2nd quarter of 2019 as a *Right-of-use asset* in accordance with the rules of IFRS 16 – Leases.

- In July, the Company delivered the Sichem Paris (13,079 dwt, built 2008) and agreed to sell the Tambourin (44,999 dwt, built 2004) and the Team Tarantella (44,999 dwt, built 2002) for an aggregate of \$24.9 million for the three transactions. The Company completed the sale and delivered the Sichem Paris on 11 July 2019 to buyer. The buyer will time-charter the vessel (renamed Masagana) back to the Company for a period of two years. Upon delivery during the 3rd quarter of 2019, the vessel's charter will be classified and capitalized as a *Right-of-use asset* in accordance with the rules of IFRS 16 – Leases. Delivery of the Tambourin to the buyer is expected in 3rd quarter of 2019 and delivery of the Team Tarantella in the 4th quarter of 2019.

Six vessels were dry docked and three in-water surveys were completed in the 1st half of 2019 compared with five vessels dry docked in the corresponding prior year period. Three dry dockings and two in-water surveys 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.

	Q2 2019	Q1 2019
(\$ '000)		
Freight revenue	81 143	83 570
Voyage expenses	(31 717)	(33 479)
Freight income on T/C basis	49 426	50 091

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

	Q2 2019	Q1 2019
(\$ '000)		
EBIT	(12 368)	(3 082)
Depreciation and amortization	17 305	16 890
Loss on sale of vessels	6 853	168
EBITDA	11 790	13 976

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, 13 August 2019

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/ Tom Higbie</u> Tom Higbie	<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

		2019 Q2	2019 Q1	2018 Q2	2019 6m	2018 6m
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>(\$ '000, except per share data)</i>						
Freight revenue		81 143	83 570	85 911	164 713	145 648
Voyage expenses		(31 717)	(33 479)	(34 708)	(65 196)	(59 146)
Freight income on T/C basis		49 426	50 091	51 203	99 517	86 501
Ship operating expenses		(30 285)	(27 324)	(26 261)	(57 609)	(48 952)
Charterhire expenses		(1 739)	(2 364)	(10 027)	(4 103)	(14 484)
General and administrative expenses		(5 612)	(6 427)	(8 209)	(12 039)	(13 809)
EBITDA		11 790	13 976	6 707	25 766	9 256
Depreciation and amortization	3,4	(17 305)	(16 890)	(10 763)	(34 195)	(19 135)
Other gains / (losses)	8	(6 853)	(168)	12 362	(7 021)	12 418
EBIT		(12 368)	(3 082)	8 305	(15 450)	2 539
Interest income		34	68	218	102	481
Interest expenses		(4 131)	(4 093)	(2 949)	(8 224)	(4 251)
Other financial items		(892)	(810)	(1 210)	(1 702)	(1 663)
Profit / (loss) before tax		(17 357)	(7 917)	4 365	(25 274)	(2 895)
Income tax expense		-	-	-	-	-
Net profit / (loss)		(17 357)	(7 917)	4 365	(25 274)	(2 895)
Value adjustments of hedging instruments		(231)	359	23	128	(110)
Foreign currency translation differences		77	(78)	(596)	(1)	(520)
Total items that may be reclassified to profit or loss		(154)	281	(573)	127	(630)
Other comprehensive income/(loss), net of tax		(154)	281	(573)	127	(630)
Total comprehensive income		(17 511)	(7 636)	3 792	(25 147)	(3 525)
<i>Attributable to owners of the parent</i>		<i>(17 511)</i>	<i>(7 636)</i>	<i>3 792</i>	<i>(25 147)</i>	<i>(13 978)</i>
Earnings per share – basic (USD)		(0.08)	(0.04)	0.02	(0.12)	(0.01)
Earnings per share – diluted (USD)		(0.08)	(0.04)	0.02	(0.12)	(0.01)

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

Consolidated statement of financial position

	Note	2019	2019	2018
		30.06	31.03	31.12
(\$ '000)		(unaudited)	(unaudited)	(audited)
ASSETS				
Vessels	4	468 668	499 217	517 902
Right-of-use assets	3	61 400	54 706	-
Other equipment	4	1 251	1 296	1 230
Other non-current assets		970	5 325	5 826
Total non-current assets		532 289	560 544	524 958
Trade and other receivables		51 413	55 902	52 766
Inventories		13 213	15 653	14 629
Other current assets		2 108	2 947	1 410
Cash and cash equivalents	5	36 958	25 793	33 724
Total current assets		103 692	100 295	102 529
Vessels held for sale	8	24 880	12 500	6 550
TOTAL ASSETS		660 861	673 339	634 037
EQUITY AND LIABILITIES				
Equity		360 922	378 062	385 127
Treasury shares		(37)	(37)	(39)
Total Equity	6	360 885	378 025	385 088
Long-term debt	7	155 867	166 137	169 924
Long-term lease obligations	3	38 695	33 381	-
Other non-current liabilities		87	85	4 588
Total non-current liabilities		194 649	199 603	174 512
Trade and other payables		34 665	38 392	39 245
Short-term debt and current portion of long-term debt	7	33 658	22 000	21 838
Short-term lease obligations	3	26 661	25 497	-
Other current liabilities		10 343	9 822	13 354
Total current liabilities		105 327	95 711	74 437
Total liabilities		299 976	295 314	248 949
TOTAL EQUITY AND LIABILITIES		660 861	673 339	634 037

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

Consolidated statement of cash flow

		2019 Q2	2019 Q1	2019 6m	2018 6m
(\$ '000)	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities					
Profit / (loss) before taxes		(17 357)	(7 917)	(25 274)	(2 895)
Depreciation and amortization	3,4	17 305	16 890	34 195	19 135
Loss/(gain) on sale of vessels	8	6 853	168	7 021	(56)
Bargain gain, business combination		-	-	-	(12 362)
Interest expenses, net		4 097	4 025	8 122	3 770
Foreign currency (gain) / loss, net		(17)	62	45	248
Share-based incentive expense		371	639	1 010	475
Working capital and other adjustments		7 726	(7 119)	607	(4 918)
Net cash flow from operating activities		18 978	6 748	25 726	3 398
Investing activities					
Vessel sale proceeds		12 182	6 184	18 366	16 848
Payments on purchase of vessels		-	-	-	(117 761)
Capitalized dry dock, owned vessels	4	(9 830)	(3,470)	(13 300)	(10 745)
Capital expenditures, other equipment	4	(48)	(151)	(199)	-
Interest received		34	68	102	481
Net cash flow from investing activities		2 338	2 631	4 969	(111 178)
Financing activities					
Loan proceeds		10 000	-	10 000	200 000
Repayment of long-term debt	7	(8 953)	(4 000)	(12 953)	(85 500)
Repayment of obligations under leases	3	(7 470)	(6 834)	(14 304)	(1 636)
Exercise of purchase options on finance leases		-	-	-	(66 355)
Interest paid		(3 790)	(3 719)	(7 509)	(1 522)
Stock issuance		-	-	-	22 848
Stock repurchase		-	-	-	(84)
Other financing costs, net		(65)	(2 598)	(2 663)	(4 421)
Net cash flow from financing activities		(10 278)	(17 151)	(27 429)	63 331
Net change in cash and cash equivalents		11 038	(7 772)	3 266	(44 449)
Cash balance at beginning of period		25 793	33 724	33 724	99 162
Net foreign exchange difference on cash		127	(159)	(32)	(273)
Cash and cash equivalents at end of period	5	36 958	25 793	36 958	54 440

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

Consolidated statement of changes in equity

First Half 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-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

First Half 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	-	-	-	-	(2 895)	-	-	-	(2 895)
Other comprehensive income	-	-	-	-	-	-	(520)	(110)	(630)
Total comprehensive income	-	-	-	-	(2 895)	-	(520)	(110)	(3 525)
Share issuance	211	22 637	-	-	-	-	-	-	22 848
Share repurchase	-	-	(1)	(83)	-	-	-	-	(84)
Share-based payments - costs	-	-	1	430	-	-	-	-	431
At 30 June 2018	2 096	22 637	(38)	1 130 144	(727 239)	3 406	5 750	201	436 956

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 2019, the Company held 3,739,738 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 \$0.4 million as compensation for management equity awards in the 2nd 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)

	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⁾	13 947	-	13 947
Transfers and reclassifications ²⁾	3 006	-	3 006
Depreciation for the period	(13 784)	(348)	(14 132)
At 30 June 2019, net of accumulated depreciation	57 683	3 717	61 400

1) Team Tapatio (renamed Endo Breeze) time-charter three year period

2) Capitalized dry dock expenditures on operational leased vessels were classified as non-current assets as of 31 December 2018. The costs, net of accumulated depreciation, were transferred and reclassified as right-of-use assets as of 30 June 2019.

	Lease obligation, vessels	Lease obligation, properties	Total
(\$ '000)			
At 1 January 2019	61 648	4 065	65 713
New lease	13 947	-	13 947
Lease payment	(14 020)	(284)	(14 304)
At 30 June 2019	61 575	3 781	65 356
Non-current	35 523	3 172	38 695
Current	26 052	609	26 661
At 30 June 2019	61 575	3 781	65 356

Due to the adoption of IFRS 16, the Company's EBITDA will improve, while its depreciation expense and interest 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 Q2 2019 and Q1 2019 in the Company's statement of comprehensive income is as follows:

	2019 30.06	2019 31.03
(\$ '000)		
Charterhire for vessels on time charter (included in charterhire expense)	(7 262)	(6 638)
Charterhire for vessels on bareboat (included in charterhire expense)	(951)	(941)
Office rental expense (included in general and administrative expense)	(201)	(202)
Change in EBITDA	8 414	7 781
Depreciation expense, vessels (included in depreciation and amortization)	7 001	6 488
Depreciation expense, leases (included in depreciation and amortization)	174	174
Change in EBIT	1 239	1 119
Interest expense, vessels (included in interest expenses)	885	886
Interest expense, leases (included in interest expenses)	59	61
Change in net profit	295	172

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)	13 300	199	13 499
Sale of vessels ¹⁾	(42 639)	-	(42 639)
Reclassifications and other	-	(10)	(10)
Depreciation for the period	(19 895)	(168)	(20 063)
At 30 June 2019 net of accumulated depreciation	468 668	1 251	469 919

1) The Team Tapatio was classified as *Vessels held for sale* at 31 March 2019 for \$12.5 million and delivered to buyer on 22 May 2019. Accumulated loss on the vessel sale was \$0.3 million. The Sichem Paris, Tambourin, and Team Tarantella were classified as *Vessels held for sale* at 30 June 2019 totaling \$24.9 million. The combined estimated loss on the vessel sales was \$6.7 million.

Note 5 – Cash and cash equivalents

	2019 30.06	2019 31.03	2018 31.12
(\$ '000)	(unaudited)	(unaudited)	(audited)
Banks	35 893	24 551	32 580
Petty Cash	760	942	820
Restricted Cash	305	300	324
Cash and cash equivalents	36 958	25 793	33 724

At the end of the 2nd 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 June 2019	209 578 173	2 096

The Company's share capital was \$2,095,781.73 at 30 June 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
<i>(\$ '000)</i>			
Balance at 31 December 2018	191 762	-	191 762
Implementation of IFRS 16, Leases	-	65 713	65 713
New time charter vessel lease	-	13 947	13 947
Drawdown on revolving credit facility	10 000	-	10 000
Installments on financing repayment	(9 000)	-	(9 000)
Prepayment on loan following vessel sale	(3 953)	-	(3 953)
Payment on leases	-	(14 304)	(14 304)
Amortization of debt issuance costs	716	-	716
Balance at 30 June 2019	189 525	65 356	254 881
Non-current	155 867	38 695	194 562
Current	33 658	26 661	60 319
Balance at 30 June 2019	189 525	65 356	254 881

Note 8 – Vessels held for sale

At 30 June 2019, the Company had three *Vessels held for sale* totaling \$24.9 million as compared to one *Vessel held for sale* as of 31 March 2019 for \$12.5 million and one *Vessel held for sale* as of 31 December 2018 for \$6.6 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 Tapatio, Sichem Paris, Tambourin, and Team Tarantella was \$7.0 million.

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 2019 has been prepared in accordance with IAS 34 - Interim Financial Reporting and gives 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 parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Hamilton, Bermuda, 13 August 2019

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/ Tom Higbie</u> Tom Higbie	<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>

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	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
Sichem Montreal	2008	Coated	13 056	Owned	Bermuda
Sichem Beijing	2007	Coated	13 068	Owned	Bermuda
Sichem Hong Kong	2007	Coated	13 069	Owned	Bermuda
Sichem Paris ¹⁾	2008	Coated	13 079	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	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	2004	Coated	44 999	Owned	Liberia
Team Tarantella ³⁾	2002	Coated	44 999	Owned	Liberia
Endo Breeze	2003	Coated	44 999	Operational Lease	Liberia
Team Toccata	2004	Coated	44 999	Owned	Liberia
Tambourin ²⁾	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, delivered to new owners on 11 July 2019 and time-chartered back to Team for two years.

²⁾ Sales contract executed, expected to be delivered to new owners in 3rd quarter of 2019.

³⁾ Sales contract executed, expected to be delivered to new owners in 4th quarter of 2019.