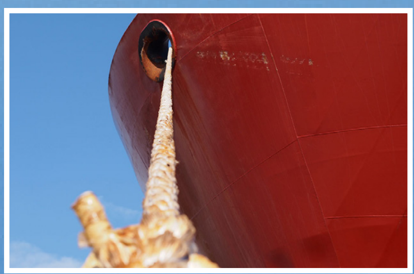
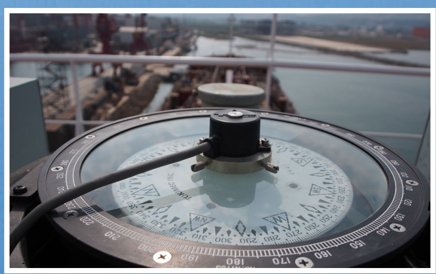
Eitzen Chemical ASA




1st Quarter Report 2014

Highlights first quarter

- A majority of Eitzen Chemical's senior debt traded in the 1st quarter of 2014. Eitzen Chemical is currently in a constructive dialogue with the new holders of the senior debt to explore alternatives in order to strengthen the balance sheet so the Company again can invest and add to its asset base and market presence. Eitzen Chemical is of the opinion that with a stronger balance sheet, the Company can create more value over time for all present stakeholders. Eitzen Chemical is still significantly overleveraged with a negative book equity value of USD 132.6 million.

- The 1st quarter earnings were heavily impacted by storms and bad weather resulting in significant delays and increased fuel consumption. The Company also experienced slower activity and lower earnings than estimated, and thus reported an average time charter equivalent rate (TCE) for the fleet of USD 10,728 per day. The average TCE decreased by 8.3 per cent compared to the TCE of USD 11,701 per day in the 4th quarter of 2013, and a decrease of 4.1 per cent compared to the TCE of USD 11,189 per day for the 1st quarter of 2013.

- Eitzen Chemical reported EBITDA of USD 7.0 million for the 1st quarter of 2014, compared to USD 9.4 million in the 4th quarter of 2013, and USD 10.5 million in the 1st quarter of 2013.

- In the 1st quarter of 2014 the Company completed a sale and leaseback of the North Contender (19,925 dwt, built 2005). Eitzen Chemical also exercised the purchase option for the North Fighter (19,932 dwt, built 2006) and agreed definitive transaction terms pertaining to the sale and leaseback of the vessel. The sale of the North Fighter remains conditional upon execution of routine closing, which is scheduled to be completed by the end of the 2nd quarter of 2014. The aggregate sale price for both vessels is USD 44 million, and Eitzen Chemical has leased back both vessels, each for a five year bareboat charter period. The sale of the vessels includes seller's credit to the buyer for a portion of the aggregate purchase price, as well as a repurchase option for each of the vessels by Eitzen Chemical at a predetermined price after a minimum two-year charter hold period. The completion of the North Contender transaction resulted in a book gain of USD 3.1 million, which has been deferred and will be amortized over the expected lease term. The vessels will continue to be classified as financial leases.

- In February Eitzen Chemical took delivery of the UACC Messila (45,335 dwt, built 2012) which is chartered in on a one year time charter, and in March the Company took delivery of the Chem Orion (10,306 dwt, built 1998) which is chartered in on a six month time charter with two optional extension periods of six months.

- Eitzen Chemical expects the TCE rate in the 2nd quarter to be about the same level as the 1st quarter of 2014.

Financial review

<u>1st quarter 2014 income statement</u>
Eitzen Chemical reported total Freight revenue of USD 87.0 million in the 1st quarter of 2014, compared to USD 93.5 million in the 4th quarter of 2013. Voyage expenses decreased to USD 40.3 million in the 1st quarter. Freight income on T/C basis was USD 46.7 million, which represents a USD 3.8 million decrease from the previous quarter (USD 48.6 million in Q1 2013) driven by the reduction in the average TCE for the fleet.

Ship operating expenses were USD 25.6 million in the 1st quarter, down by USD 0.4 million from the previous quarter following the redelivery in the 4th quarter of the Sichem Pace (19,998 dwt, built 2006) which was chartered in on bareboat. Charterhire expenses were USD 8.1 million compared to USD 8.3 million in the 4th quarter of 2013. General and administrative expenses were USD 6.0 million in the 1st quarter compared to USD 6.9 million in the previous quarter, mainly due to a reduction in employee benefit expenses. EBITDA (earnings before interest, taxes, depreciation and amortization) ended at USD 7.0 million in the 1st quarter compared to USD 9.4 million in the previous quarter (USD 10.5 million in Q1 2013).

Depreciation and amortization was USD 15.0 million in the 1st quarter (USD 15.1 million in Q4 2013). The Operating result (EBIT – earnings before interest and taxes) for the 1st quarter was negative USD 8.0 million, compared to negative USD 7.7 million for the 4th quarter (EBIT negative USD 3.8 million in Q1 2013).

Net interest expenses were USD 15.0 million in the 1st quarter (USD 14.8 million in Q4 2013). Other financial items were net negative USD 2.9 million in the quarter (positive USD 1.3 million in Q4 2013). This mainly comprises a net unrealized currency loss on the NOK denominated bond loans and JPY denominated purchase options included in the finance lease obligations of USD 2.2 million in total, and net other financial expenses of USD 0.7 million.

Net loss in the 1st quarter of 2014 was USD 25.9 million compared to a net loss of USD 21.2 million in the previous quarter (net loss of USD 10.7 million in Q1 2013). Compared to the 1st quarter 2013 results, the change in foreign currency translations reported under Other financial items has developed negatively by USD 9.6 million.

<u>Balance sheet as of 31 March 2014</u>
Total book value for the Company's vessels was USD 758.0 million at 31 March 2014 (USD 765.4 million at the end of Q4 2013). Based on average broker valuations, the value of the Company's owned and financial leased vessels was USD 650.4 million at 31 March 2014. In the 1st quarter, the Company completed the sale and leaseback of the North Contender (19,925 dwt, built 2005). The transaction resulted in a book gain of USD 3.1 million, which has been deferred and will be amortized over the expected lease term. The vessel continues to be classified as a financial lease.

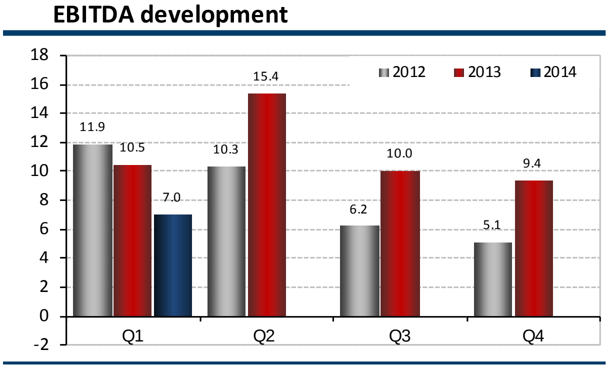
Total long-term debt was USD 924.3 million at the end of the 1st quarter, up from USD 883.2 million in the previous quarter following capitalization of interest margins, draw down of USD 11.0 million of the revolving credit facility and the completion of the sale and leaseback transaction of the North Contender. The current portion of the finance lease obligations includes the purchase option of USD 18.8 million for the North Fighter.

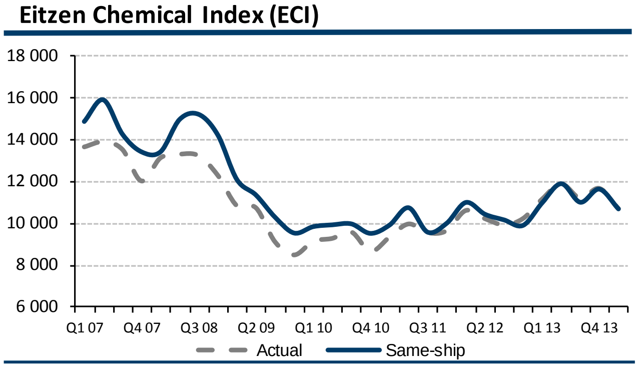
Total cash and cash equivalents amounted to USD 29.6 million as of 31 March 2014 (USD 30.6 million at the end of Q4 2013). In the 1st quarter of 2014, USD 11.0 million of the USD 20.0 million available revolving credit facility was drawn to cover payment of dry dockings, general working capital requirements and deposit related to the exercise of the North Contender and North Fighter purchase options. The drawn amount of USD 11.0 million is unchanged at the date of this report. Until January 2015, the Company's cash commitments on interest payments are limited to LIBOR on the restructured bank debt. All other interest commitments may accrue on the balance of the bank and bond facilities. If the Company has excess cash to service interest margins and/or installments, excess cash will be swept in accordance with the agreement with the Company's lenders. From January 2015, the Company is obliged to pay LIBOR plus a margin of 2.75 per cent on the majority of the loans. Fixed debt installments will commence in April 2015 with flexible repayment terms from then to maturity in May 2016. More details regarding the agreements can be found in the notes to the financial statements.

Total equity as of 31 March 2014 was negative USD 132.6 million (negative USD 106.8 million at the end of Q4 2013). A value-adjusted equity, based on the average broker valuations of the Company's owned and finance leased vessels, was negative USD 240.2 million (negative USD 230.1 million at the end of Q4 2013). The Company's share capital is NOK 846,016,800. Outstanding shares are 11,280,224, each with a par value of NOK 75. The share price ended the 1st quarter at NOK 7.01, down from NOK 7.25, at the end of the 4th quarter of 2013. As presented at the Annual General Meeting on 6 May 2014 the Board currently considers the Company's capital situation as adequate based on the agreements with the Company's lenders, and the ongoing constructive dialogue with the new holders of the senior debt to strengthen the Company's balance sheet. Reference is made to the Strategy and capital resources section and note 6 for further details on the current financial position of the Company.

Earnings development

The total volume lifted in the 1st quarter increased compared to the 4th quarter. Cargo lifted under CoA nominations decreased slightly, while spot volumes were up. The number of trading days remained flat in the 1st quarter compared to the previous quarter. The average bunker price in Rotterdam for IFO 380 decreased in the 1st quarter of 2014 to an average of USD 574 per MT, compared to USD 583 per MT in the 4th quarter of 2013. The average TCE for the Eitzen Chemical fleet was USD 10,728 per day in the 1st quarter of 2014, down 8.3 per cent from USD 11,701 per day in the previous quarter, and down 4.1 per cent compared to the 1st quarter of 2013.





ECHEM Fleet	Q2 13	Q3 13	Q4 13	Q1 14
Average dwt	18 579	18 555	18 555	18 919
No. of vessels EOP	49	49	49	51
TCE - $/day	11 921	11 231	11 701	10 728

Eitzen Chemical Index

The Eitzen Chemical Index (ECI) is based on the company's sailed in time charter equivalent (TCE) earnings per day since 2007, both the actual development and the development on a same-ship basis (same-ship excludes short term charters). The TCE earnings are included with nominal values. The ECI is calculated using the days the vessels are available to earn revenue (Revenue Days), and includes revenue earned from CoA's, vessels fixed in on T/C and bunkers hedges.

Market conditions

Transpacific freight rates from US Gulf to Far East decreased significantly compared to the 4th quarter of 2013 and we observed some owners sailing with open space. The extremely bad weather in the Atlantic basin continued well in to February affecting the result negatively on our vessels trading Continent to/from Mediterranean, East coast Canada to/from US Gulf and vessels going transatlantic, as bunker consumption increased and several voyages were significantly delayed. Further, the winter in Canada was the coldest in 30 years creating delays and cost for additional tugs. The clean petroleum products market in the US Gulf/Caribbean firmed up during the quarter, creating good activity for our vessel in this trade. The Far East market came off to a rough start with very low activity in general, and with the number of vessels sitting spot in this market increasing. The low activity was further intensified by the Chinese New Year end of January.

Fleet development

At the end of March 2014, the Eitzen Chemical fleet consisted of 51 vessels, of which 36 are owned, 6 are on financial lease and 9 are on operational lease. Two of the operational leases, the UACC Messila (45,335 dwt, built 2012) and the Chem Orion (10,306 dwt, built 1998), are on short term charter.

In total five owned vessels were dry docked in the 1st quarter of 2014 compared to eight vessels being dry docked in the previous quarter. Three dry dockings are scheduled to be completed in the 2nd quarter of 2014.

Strategy and capital resources

A majority of Eitzen Chemical's senior debt traded in the 1st quarter of 2014. Eitzen Chemical is currently in constructive dialogue with the new stakeholders of the senior debt to explore alternatives in order to strengthen the balance sheet so the Company again can invest and add to its asset base and market presence. Eitzen Chemical is of the opinion that with a stronger balance sheet, the Company can create more value over time for all present stakeholders.

The Company believes this is an appropriate time to consider various changes to its capital structure, as the current capital structure is such that covering the total debt in 2016 is associated with considerable uncertainty, even with a market recovery. This restricts the Company's ability to grow and to pursue attractive commercial opportunities. The Company also believes that the present market conditions are favorable with respect to investment in the chemical tanker market, and a stronger balance sheet and investment capacity is necessary to carry out the Company's strategy. If a comprehensive restructuring process is undertaken, the Company will incur significant costs to advisors.

Outlook

Subject to moderate global GDP growth, the Company expects the supply/demand balance for chemical tankers to improve going forward.

The orderbook[1] for chemical tankers (tankers below 54,000 dwt) is about 14 per cent of the fleet, of which 2.6 per cent is expected to be delivered in 2014, which is below the expected supply growth in 2015 and 2016. In 2013, total deliveries of newbuildings were 1.0 million dwt, with scrapping of 1.2 million dwt, i.e. a net negative fleet growth of 0.2 million dwt or 0.7 per cent. This compares to a positive growth of 1.6 per cent in 2012, 3.9 per cent in 2011 and 4.2 per cent in 2010. The net annual fleet growth the coming years is expected to be moderate.

The demand for seaborne chemical transportation so far in 2014 has been below the expected long-term growth trend, estimated by industry sources to 5-6 per cent per annum. Over the coming years the market should experience gradual improvement with increased fleet utilization.

Forward looking statement

This report contains forward looking statements. These statements are based upon various assumptions. Although Eitzen Chemical believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control. Eitzen Chemical cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions. No assurance can be given that the Company will be able at all times to be in compliance with all of its financial covenants towards its finance providers or to agree such necessary arrangements to timely secure full compliance with the terms of the agreements with its lenders. Such arrangements might require discussions with, amongst others, the Company's lenders and such discussions might not be concluded and agreed in a timely manner, if at all.

Copenhagen, 19 May 2014

The Board of Directors of Eitzen Chemical ASA

/s/ Aage R. B. Figenschou	/s/ Helene Jebsen Anker	/s/ Heidi Marie Petersen
Aage R. B. Figenschou *Chairman of the Board*	Helene Jebsen Anker	Heidi Marie Petersen
/s/ Thor Jørgen Guttormsen	/s/ Erik Bartnes	/s/ Jens Grønning
Thor Jørgen Guttormsen	Erik Bartnes	Jens Grønning *Chief Executive Officer*

[1] Source: Eitzen Chemical based on industry sources

Condensed Consolidated Income Statement	**2014**	**2013**	**2013**
	Q1	**Q4**	**Q1**
(USD '000, except per share data)	(unaudited)	(unaudited)	(unaudited)
Freight revenue	87 013	93 484	95 660
Voyage expenses	(40 308)	(42 977)	(47 046)
Freight income on T/C basis	**46 705**	**50 507**	**48 614**
Ship operating expenses	(25 585)	(25 959)	(28 112)
Charterhire expenses	(8 137)	(8 301)	(4 483)
General and administrative expenses	(5 972)	(6 869)	(5 559)
EBITDA	**7 012**	**9 378**	**10 460**
Depreciation and amortisation	(14 999)	(15 080)	(14 291)
Gain / (loss) on sale of vessels	-	(1 997)	-
EBIT	**(7 987)**	**(7 699)**	**(3 831)**
Interest income	3	3	4
Interest expense	(14 975)	(14 785)	(15 004)
Other financial items	(2 920)	1 324	8 158
Profit / (loss) before taxes	**(25 879)**	**(21 157)**	**(10 672)**
Income tax expense	(1)	4	9
Net profit / (loss)	**(25 880)**	**(21 153)**	**(10 663)**
Earnings per share (basic/diluted) (USD)	(2,30)	(1,88)	(0,95)
Weighted average number of shares (note 4)	11 270 124	11 270 124	11 270 124

Condensed Consolidated Statement of Comprehensive Income	**2014**	**2013**	**2013**
	Q1	**Q4**	**Q1**
(USD '000)	(unaudited)	(unaudited)	(unaudited)
Net profit / (loss)	**(25 880)**	**(21 153)**	**(10 663)**
Actuarial gains/(losses) on defined benefit plans	-	(129)	-
Total items that will not be reclassified to profit or loss	**-**	**(129)**	**-**
Foreign currency translation differences	-	17	(19)
Total items that may be reclassified to profit or loss	**-**	**17**	**(19)**
Other comprehensive income / (loss), net of tax	**-**	**(112)**	**(19)**
Total comprehensive income	**(25 880)**	**(21 265)**	**(10 682)**
Attributable to owners of the parent	*(25 880)*	*(21 265)*	*(10 682)*

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

Condensed Consolidated Balance Sheet		2014	2013
		31.03	31.12
(USD '000)	Note	(unaudited)	(audited)
ASSETS			
Vessels	2	663 501	672 306
Vessels held under finance leases	2	94 480	93 045
Other equipment	2	368	278
Other non-current assets		3 154	2 058
Total non-current assets		**761 503**	**767 687**
Inventories		16 134	17 325
Trade and other receivables		56 622	50 675
Other current assets		1 838	4 903
Cash and cash equivalents	3	29 564	30 615
Total current assets		**104 159**	**103 518**
TOTAL ASSETS		**865 661**	**871 204**
EQUITY AND LIABILITIES			
Equity		(132 519)	(106 638)
Treasury shares		(116)	(116)
Total equity	4	**(132 635)**	**(106 754)**
Long-term debt	5	853 465	828 091
Obligations under finance leases	5	70 809	55 113
Other non-current liabilities		1 596	225
Total non-current liabilities		**925 870**	**883 430**
Trade and other payables		43 572	51 153
Short-term debt and current portion of long-term debt	5	-	-
Current portion of obligations under finance leases	5	24 238	42 849
Other current liabilities		4 616	526
Total current liabilities		**72 426**	**94 528**
Total liabilities		**998 296**	**977 958**
TOTAL EQUITY AND LIABILITIES		**865 661**	**871 204**

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

Condensed Consolidated Cash Flow Statement		**2014**	**2013**	**2013**
		Q1	**Q4**	**Q1**
(USD '000)	**Note**	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Profit / (loss) before taxes		(25 879)	(21 156)	(10 672)
Depreciation and amortisation		14 999	15 080	14 291
Loss/(gain) on sale of vessels		-	1 997	-
Net interest expenses		14 972	14 782	15 000
Foreign currency (gain) / loss, net		2 165	(2 973)	(7 668)
Working capital and other adjustments		(7 342)	7 044	(6 103)
Net cash flow from operating activities		(1 086)	14 775	4 848
Investing activities				
Payments on vessels (mainly upgrading and docking)	2	(4 897)	(8 320)	(11)
Interest received		3	3	4
Net cash flow from investing activities		(4 894)	(8 317)	(7)
Financing activities				
Loan proceeds		11 000	-	15 000
Repayment of obligations under finance leases	5	(3 183)	(1 777)	(3 946)
Interest paid		(2 147)	(2 168)	(2 881)
Payment of other financial costs, net		(755)	(853)	(11 684)
Net cash flow from financing activities		4 915	(4 798)	(3 511)
Net change in cash and cash equivalents		**(1 064)**	**1 659**	**1 330**
Cash balance at beginning of period		30 615	28 911	30 926
Net foreign exchange difference on cash		14	44	(87)
Cash and cash equivalents at end of period	3	**29 564**	**30 615**	**32 169**
Supplemental disclosures				
Undrawn portion of revolving credit facility	3,6	9 000	20 000	15 000

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

Condensed Consolidated Statement of Changes in Equity

2014 (unaudited) (USD '000)	Paid in capital: Share capital	Share Premium	Employee benefit reserve	Treasury shares	Other paid in equity	Other reserves: Retained earnings	Revaluation reserve	Translation reserve	Total other reserves	Total
	Attributable to equity holders of the parent company									
At 1 January 2014	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(916 326)**	**3 406**	**6 254**	**9 660**	**(106 754)**
Profit / (loss) for the period	-	-	-	-	-	(25 880)	-	-	-	(25 880)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(25 880)**	**-**	**-**	**-**	**(25 880)**
At 31 March 2014	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(942 206)**	**3 406**	**6 254**	**9 660**	**(132 635)**

2013 (unaudited) (USD '000)	Paid in capital: Share capital	Share Premium	Employee benefit reserve	Treasury shares	Other paid in equity	Other reserves: Retained earnings	Revaluation reserve	Translation reserve	Other reserves	Total
	Attributable to equity holders of the parent company									
At 31 December 2012	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(841 681)**	**3 406**	**6 219**	**9 625**	**(32 144)**
Implementation of revised IAS 19	-	-	-	-	-	79	-	-	-	79
At 1 January 2013	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(841 602)**	**3 406**	**6 219**	**9 625**	**(32 065)**
Profit / (loss) for the period	-	-	-	-	-	(10 663)	-	-	-	(10 663)
Other comprehensive income	-	-	-	-	-	-	-	(19)	(19)	(19)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(10 663)**	**-**	**(19)**	**(19)**	**(10 682)**
At 31 March 2013	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(852 265)**	**3 406**	**6 200**	**9 606**	**(42 747)**

Employee benefit reserve

The employee benefits reserve is used to record the value of the Company's share-based incentive program.

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 is used to record purchase of own shares. The Company has 10 100 treasury shares.

Revaluation reserve

The revaluation reserves are used to record step by step revaluation in connection with purchase of subsidiary.

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

Notes to the condensed consolidated financial statements

Note 1 – Accounting principles

Eitzen Chemical ASA is a public limited company incorporated and domiciled in Norway which shares are listed on Oslo Stock Exchange. The Company's address is Ruseløkkveien 6, P. O. Box 1794 Vika, 0122 Oslo, Norway.

Basis of preparation
The interim condensed consolidated financial statements for Eitzen Chemical have been 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).

Going concern assumption
The financial statements are based on the going concern assumption. We refer to the 2013 Annual Report, the Strategy and capital resources section and note 6 in this interim report for further information.

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.

Every quarter the Company considers various indicators of asset impairment and reviews key assumptions in the value in use model used for impairment testing. Refer to note 2.

Significant accounting principles
The accounting principles used to prepare these interim financial statements are consistent with those used to prepare the annual financial statements. The interim condensed 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 annual financial statements as of 31 December 2013.

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

New and amended standards adopted by the Company
A number of new accounting standards and amendments to standards have been issued by the IASB. Information about the content, implementation dates and related requirements for the issued but not yet adopted standards and amendments is included in the Significant accounting policies note in the 2013 Annual Report.

None of the other new accounting standards that came into effect after 1 January 2014 has had a significant impact for the Company.

Note 2 - Vessels, vessels held under finance leases and other equipment

(USD '000)	**Vessels**	**Vessels held under financial**	**Other equipment**	**Total**
At 1 January 2014, net of accumulated depreciation	**672 306**	**93 045**	**278**	**765 628**
Additions (mainly upgrading and docking of vessels)	4 751	-	146	4 897
Non-cash effect of sale and leaseback transaction*	-	2 953	-	2 953
Depreciation for the period	(13 556)	(1 517)	(55)	(15 129)
At 31 March 2014, net of accumulated depreciation	**663 501**	**94 480**	**368**	**758 349**

* In February the Company completed a sale and leaseback transaction of the North Contender (19,925 dwt, built 2005). The transaction resulted in a non-cash effect on the leased asset of USD 2.9 million. The transaction resulted in a total book gain of USD 3.1 million, which has been deferred and will be amortized over the expected lease term. The vessel continues to be classified as a financial lease.

The Company performed an impairment test at 31 December 2013 based on the estimated future value in use of the fleet. The estimated cash flows are based on management's best estimate and reflect the Company's expectation that the market will recover to a sustainable level due to improvements in the supply and demand development. The key assumptions in the Company's value in use model have been reviewed at 31 March 2014. No impairment has been recorded this quarter. However, if vessels are sold or disposed under distress, prior to the market recovery reflected in the value in use model, there is a significant risk that the Company might experience further losses or impairment charges on its vessels. The value of the Company's owned and finance leased vessels based on average broker valuations, was USD 650.4 million at 31 March 2014 (owned vessels: USD 546.4 million, finance leased vessels: USD 104.0 million) which is 1.3 per cent up from the previous quarter.

Note 3 - Cash and cash equivalents

(USD '000)	**2014** **31.03** (unaudited)	**2013** **31.12** (audited)
Petty cash	677	-
Banks	28 676	28 530
Restricted Cash	211	2 084
Cash and cash equivalents	**29 564**	**30 615**
Undrawn portion of revolving credit facility	9 000	20 000

As of 1 January 2014 petty cash on board vessels is classified under Cash and cash equivalents. In prior periods petty cash was classified under Other current assets. The Company has a revolving credit facility of USD 20.0 million. In the 1st quarter, USD 11.0 million of the available revolving credit facility was drawn to cover payment of dry dockings, general working capital requirements and deposit related to the exercise of the North Contender and North Fighter purchase options. Refer to note 6 for further information on the working capital facility.

Note 4 - Issued capital

Authorised shares	Number of shares	Share capital USD '000
At 1 January 2014	**11 280 224**	**148 037**
Changes in shares and share capital in the period	-	-
At 31 March 2014	**11 280 224**	**148 037**

The Company's share capital is NOK 846,016,800. Outstanding shares are 11,280,224, each with a par value of NOK 75.

Note 5 - Long-term debt

(USD '000)	Unsecured bond loan	Secured bond loan	Bank loans	Obligations under finance leases	Total
Balance at 1 January 2014	**57 352**	**55 758**	**714 981**	**97 963**	**926 054**
Additions	-	-	11 000	-	11 000
Installments	-	-	-	(3 183)	(3 183)
Non-cash effect of sale and leaseback transaction*	-	-	-	(174)	(174)
Debt issuance cost**	-	102	3 626	-	3 728
Accrual of interest margin	-	1 722	7 298	-	9 020
Foreign currency translation	813	813	-	441	2 066
Balance at 31 March 2014	**58 165**	**58 395**	**736 905**	**95 047**	**948 511**
Non-current	58 165	58 395	736 905	70 809	924 274
Current	-	-	-	24 238	24 238
Balance at 31 March 2014	**58 165**	**58 395**	**736 905**	**95 047**	**948 511**

* In February the Company completed a sale and leaseback transaction of the North Contender (19,925 dwt, built 2005). The transaction resulted in a non-cash effect of USD 0.2 million on the lease obligation.

** Amortized debt issuance cost in the period.

The obligations under finance leases include the net present value of purchase option rights of USD 72.5 million. The purchase option of USD 18.8 million relating to the North Fighter (19,932 dwt, built 2006) is classified as current. The Company has exercised the purchase option of the North Fighter and agreed definitive transaction terms pertaining to the sale and leaseback of the vessel. The sale of the vessel remains conditional upon execution of routine closing, which is scheduled to be completed by the end of the 2nd quarter of 2014.

Note 6 - Financial and liquidity risk

In January 2013, the Company concluded a restructuring of the bank and bond debt. The key terms in the restructuring agreement included:

<u>A new working capital facility:</u>

- The Company secured a working capital facility of USD 30 million. The facility is split into (i) a term loan facility of USD 10 million and (ii) a revolving credit facility of USD 20 million.
- The facilities are secured by a first ranking lien in certain of the Company's vessels.
- Maturity of term loan facility is in May 2016 and the revolving credit facility will mature in April 2016, with five quarterly equal reductions to commence from April 2015.
- Payment of interest is under a "pay-as-you-can" structure where the margin of 8.95 per cent p.a. is only payable to the extent it can be paid with excess cash until maturity and LIBOR shall be paid in cash. If not paid in cash the margin will be capitalized and be payable on the maturity date together with an additional margin of 2.05 per cent p.a.
- The facilities have similar covenants as the senior bank loans.

Restructuring of the bond loan:

- The bond loan comprising a NOK tranche of NOK 490 million (ISIN NO 001033434.5) and a USD tranche of USD 25 million (ISIN NO 001033433.7) was in January 2013 exchanged into (i) a secured loan of approximately USD 50 million and (ii) an unsecured loan of approximately USD 60 million. The secured loan has a third ranking lien security in the Company's vessels (owned through subsidiaries). Eitzen Chemical ASA is the borrower for both loans. The loans have NOK and USD tranches as in the previous bond loan agreement.
- The secured loan will mature in June 2016 with no instalments until maturity. The loan will receive payment-in-kind interest of NIBOR/LIBOR plus 11 per cent p.a. due at maturity.
- The restructured interest terms of the Company's loans were effective from October 2012.
- The unsecured loan will mature in September 2016 with no instalments or interest payments until maturity. If the Company raises new equity (in the form of cash) of at least USD 50 million, the unsecured loan can be called and redeemed in full in exchange for an amount equal to USD 10 million of new equity in the Company.
- The loans do not include any financial covenants.
- The bond restructuring fee agreed in 2009 due in November 2012 were postponed to maturity of the secured loan.

Restructuring of the senior bank loans:

- The senior bank loans consists of the USD 510 million, USD 265 million and USD 170 million bank syndicate loan agreements and the USD 36 million, USD 15 million and USD 4.7 million bilateral loan agreements.
- USD 30 million of the existing senior bank loans with a principal amount of approximately USD 661 million was converted into a third lien loan of USD 30 million. The third lien loan has third lien security in the Company's vessels (owned through subsidiaries).
- Maturities were extended to May 2016 for the existing bank loans and June 2016 for the new third lien loan.
- The grace period with no fixed debt instalments was extended from November 2012 until April 2015. Furthermore, the Company has the option to defer three quarterly instalments until maturity in 2016 (with a maximum of two deferrals in one year).
- Payment of interest is under a "pay-as-you-can" structure where the margin of 2.75 per cent p.a. is only payable to the extent it can be paid with excess cash in the period until 1 January 2015 and LIBOR shall be paid in cash. If not paid in cash the margin is capitalized and payable on the maturity date together with an additional margin of 3.05 per cent p.a. From 1 January 2015, the interest payments will be reset to the pre-restructuring level of LIBOR plus 2.75 per cent p.a.
- The restructured interest terms of the Company's loans were effective from October 2012.
- A new mechanism for sweep of excess cash and potential variable debt amortisation depending on the Company's financial performance was introduced.
- Existing financial covenants was suspended until maturity. The Company has a minimum liquidity covenant of USD 30 million, measured based on the Company's cash and cash equivalents and any undrawn amount under the revolving credit facility of USD 20 million. Further, the Company has a Minimum Value Requirement covenant in the respective loan agreements, where the market value of the collateral vessels for two consecutive quarterly periods must be no less than a predetermined percentage of the outstanding loan amount (excluding capitalized interest). The first measurement is on the basis of the Market Value of the Vessels as per 31 March 2014 and 30 June 2014. However, during the period from 1 January 2014 to 1 January 2016, the Minimum Value Requirement will not be breached if the rate of EBITDAR (EBITDA excluding expenses related to finance lease vessels) to Fixed Charges (cash payments of interest, debt instalments and hire on finance leases) Ratio is at minimum1:1.
- The bank restructuring fee agreed in 2009 due in November 2012 was postponed to final maturity. The Company agreed to a new restructuring fee of USD 10 million. Approximately USD 4.5 million was paid in January 2013, when the new term loan facility became available, while approximately USD 5.5 million is due on final maturity.

Third lien bank loan:

- USD 30 million of the existing senior bank loans was in January 2013 converted into a new facility in the principal amount of USD 30 million with Eitzen Chemical ASA as borrower and third lien security in the Company's vessels (owned through subsidiaries).
- The loan will mature in June 2016 with no instalments until maturity.
- Payment of interest is under a "pay-as-you-can" structure where the margin of 8.95 per cent p.a. is only payable to the extent it can be paid with excess cash until maturity and LIBOR shall be paid in cash. If not paid

in cash the margin will be capitalized and be payable on the maturity date together with an additional margin of 2.05 per cent p.a.

- The loan does not include any financial covenants and ranks pari passu with the secured bond loan described above.

The restructuring was based on a slowly improving market, and is expected to secure headroom and stable operations through 2015.

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