Eitzen Chemical ASA






2nd Quarter & First Half Report

2014

Highlights

- Eitzen Chemical is progressing with its ongoing and constructive dialogue with the main creditors of the Company's long term 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 157.5 million.

- The weaker market and disappointing development experienced in the 1st quarter continued in the 2nd quarter. Eitzen Chemical reported an average time charter equivalent rate (TCE) for the fleet of USD 10,284 per day. The average TCE decreased by 4.1 per cent compared to the TCE of USD 10,728 per day in the 1st quarter of 2014, and a decrease of 13.7 per cent compared to the TCE of USD 11,921 per day for the 2nd quarter of 2013.

- Eitzen Chemical reported EBITDA of USD 4.8 million for the 2nd quarter of 2014, compared to USD 7.0 million in the 1st quarter of 2014, and USD 15.4 million in the 2nd quarter of 2013.

- For the first half of 2014 Eitzen Chemical reported EBITDA of USD 11.8 million, compared to USD 25.8 million in EBITDA in the corresponding period in 2013.

- In the 2nd quarter of 2014 the Company completed a sale and leaseback of the North Fighter (19,932 dwt, built 2006). The transaction resulted in a book gain of USD 2.4 million, which has been deferred and will be amortized over the expected lease term of two years. The vessel will continue to be classified as a financial lease.

- Eitzen Chemical expects a continued weak market and pressure on the TCE rate in the 3rd quarter of 2014.

Subsequent events

- In August Eitzen Chemical entered into an agreement to extend the time charter contract for the vessel Sichem Ruby (8,824 dwt, built 2006) until February 2015. The vessel will continue to be accounted for as an operating lease.

Financial review

Second quarter 2014 income statement

Eitzen Chemical reported total Freight revenue of USD 90.0 million in the 2nd quarter of 2014, compared to USD 87.0 million in the 1st quarter of 2014. Voyage expenses increased to USD 44.3 million in the 2nd quarter of 2014, up from 40.3 million in the previous quarter. Freight income on T/C basis was USD 45.7 million, which represents a USD 1.0 million decrease from the previous quarter (USD 53.9 million in Q2 2013).

Ship operating expenses were USD 25.8 million in the 2nd quarter, up by USD 0.3 million from the previous quarter. Charterhire expenses increased to USD 9.0 million, up from 8.1 million in the 1st quarter of 2014, mainly due to the two vessels on short term charter entering the Company's fleet in the 1st quarter of 2014. General and administrative expenses were USD 6.1 million in the 2nd quarter compared to USD 6.0 million in the previous quarter. EBITDA (earnings before interest, taxes, depreciation and amortization) ended at USD 4.8 million in the 2nd quarter compared to USD 7.0 million in the previous quarter (USD 15.4 million in Q2 2013).

Depreciation and amortization was USD 14.2 million in the 2nd quarter (USD 15.0 million in Q1 2014). The Operating result (EBIT – earnings before interest and taxes) for the 2nd quarter was negative USD 9.3 million, compared to negative USD 8.0 million for the 1st quarter (EBIT negative USD 13.7 million in Q2 2013, which included a loss of USD 14.7 million from the early termination of a time charter contract and the renegotiation of two time charter contracts).

Net interest expenses were USD 15.5 million in the 2nd quarter (USD 15.0 million in Q1 2014). Other financial items decreased by USD 2.9 million compared to the 1st quarter of 2014, following a positive development in foreign currency positions. Other financial items in the 2nd quarter of 2014 mainly comprises a net unrealized currency gain on the NOK denominated bond loans and JPY denominated purchase options included in the finance lease obligations of USD 1.3 million in total, offset by net other financial expenses of USD 1.3 million.

Net loss in the 2nd quarter of 2014 was USD 24.9 million compared to a net loss of USD 25.9 million in the previous quarter (net loss of USD 24.4 million in Q2 2013).

First half 2014 income statement

For the first six months of 2014 total Freight revenue was USD 177.0 million compared to USD 193.3 million in the corresponding period in 2013. Voyage expenses were USD 84.6 million in 2014 and USD 90.8 million in 2013. Freight income on T/C basis was USD 92.4 million, and down from USD 102.5 million in 2013 following a decrease in the average TCE of 9.2 per cent to USD 10,500 per day for the first six months of 2014.

Ship operating expenses were USD 51.4 million for the first half of 2014 compared to USD 55.3 million in 2013, mainly following redelivery of vessels and renegotiations of time charter contracts in 2013. Charterhire expenses increased to USD 17.1 million compared to USD 10.6 million in 2013, following the delivery of three vessels on operating leases during the 4th quarter of 2013 and the 1st quarter of 2014. Further, Charterhire expenses are impacted by the renegotiation of three charter parties in 2013. These time charter parties were previously accounted for as finance leases, but are classified as operating leases under the current charter contracts. General and administrative expenses increased to USD 12.1 million in the first half of 2014 following increased project activity. EBITDA (earnings before interest, taxes, depreciation and amortization) ended at USD 11.8 million for the first six months compared to USD 25.8 million in 2013.

Depreciation amounted to USD 29.2 million for the first half of 2014, up from USD 28.6 million in 2013. The Operating result (EBIT) for the first six months of 2014 was negative USD 17.3 million. This compares to a negative EBIT of USD 17.5 million in 2013, which included a loss of USD 14.7 million from the early termination of the time charter of the Sichem Defender, and a loss recognized from two time charter contracts which were renegotiated.

Net interest expenses were USD 30.5 million in the first half of 2014, compared to USD 29.8 in the first half of 2013 Other financial items decreased by USD 15.2 million compared to 2013, which is mainly due to a negative development of unrealized currency positions on the NOK denominated bond loans and JPY denominated purchase options included in the finance lease obligations.

Net loss for the first half of 2014 was USD 50.7 million compared to a loss of USD 35.1 million in the corresponding period in 2013.

Balance sheet as of 30 June 2014

Total book value for the Company's vessels was USD 752.5 million at 30 June 2014 (USD 758.0 million at the end of Q1 2014). Based on average broker valuations, the value of the Company's owned and financial leased vessels was USD 647.9 million at 30 June 2014. In the 2nd quarter, the Company completed the sale and leaseback of the North Fighter (19,932 dwt, built 2006). The transaction resulted in a book gain of USD 2.4 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 948.1 million at the end of the 2nd quarter, up from USD 924.3 million in the previous quarter following capitalization of interest margins, draw down of USD 3.0 million of the revolving credit facility and the completion of the sale and leaseback transaction of the North Fighter, increasing the long-term finance lease obligations.

Total cash and cash equivalents amounted to USD 30.7 million as of 30 June 2014 (USD 29.6 million at the end of Q1 2014). In the 2nd quarter of 2014, USD 3.0 million of the USD 20.0 million revolving credit facility was drawn. A total of USD 14.0 million of the USD 20.0 million revolving credit facility has been drawn in 2014 to cover payment of dry dockings, general working capital requirements and deposits related to the exercise of the North Contender and North Fighter purchase options.

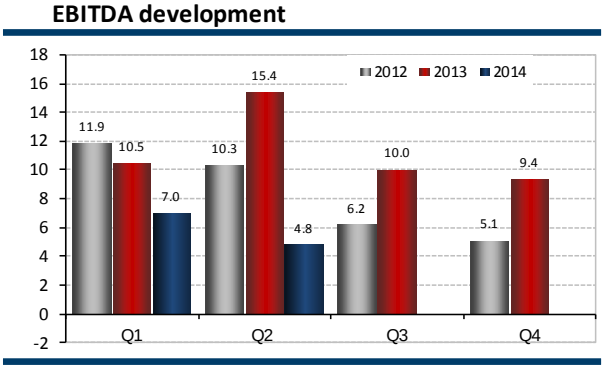
The drawn amount of USD 14.0 million is unchanged at the date of this report. Until January 2015, the Company's cash commitments on interest payments are limited to LIBOR on the restructured bank debt. All other interest commitments may accrue on the balance of the bank and bond facilities. If the Company 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 notes 5 and 6 to the financial statements.

Total equity as of 30 June 2014 was negative USD 157.5 million (negative USD 132.6 million at the end of Q1 2014). A value-adjusted equity, based on the average broker valuations of the Company's owned and finance leased vessels, was negative USD 262.1 million (negative USD 240.2 million at the end of Q1 2014). 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 2nd quarter at NOK 5.70, down from NOK 7.01, at the end of the 1st quarter of 2014. 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 main creditors of the Company's long term 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.

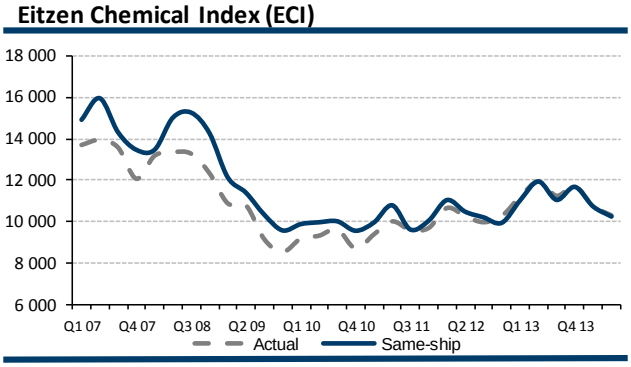
Earnings development

The total volume lifted in the 2nd quarter decreased compared to the 1st quarter. Cargo lifted under CoA nominations decreased slightly, while spot volumes were significantly reduced. The number of trading days increased in the 2nd quarter compared to the previous quarter. The average bunker price in Rotterdam for IFO 380 increased in the 2nd quarter of 2014 to an average of USD 581 per MT, compared to USD 574 per MT in the 1st quarter of 2014. The average TCE for the Eitzen Chemical fleet was USD 10,284 per day in the 2nd quarter of 2014, down 4.1 per cent from USD 10,728 per day in the previous quarter, and down 13.7 per cent compared to the 2nd quarter of 2013.

EBITDA development



Eitzen Chemical Index (ECI)



ECHEM Fleet	Q3 13	Q4 13	Q1 14	Q2 14
Average dwt	18 555	18 555	18 919	18 919
No. of vessels EOP	49	49	51	51
TCE - $/day	11 231	11 701	10 728	10 284

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

The downward pressure on freight rates continued in 2nd quarter in almost all markets. The transatlantic Medium Range ("MR") clean petroleum products ("CPP") market dropped from World Scale 120 to World Scale 90 compared to the 1st quarter. The weak CPP market put pressure on freight rates on other commodities. As an example, the freight rate for urea ammonium nitrate ("UAN") out of Black Sea to US dropped by 30 per cent. The dirty petroleum products market in the Mediterranean and Black Sea for MR and intermediate vessels was very quiet putting pressure on the smaller tonnage trading in the same area. We saw good activity transpacific eastbound from the Far East to the US

Gulf with methanol and benzene. However, the activity remained very low on the transpacific westbound route, i.e. from the US Gulf to the Far East, resulting in spot vessels piling up in the US Gulf. The chemical market transatlantic westbound was almost completely dead; some owners even ballasted to the US Gulf to position vessels for their COA commitments.

Fleet development

At the end of June 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 three owned/bareboat vessels were dry docked in the 2nd quarter of 2014 compared to five vessels being dry docked in the previous quarter. Four dry dockings are scheduled to be completed in the 3rd quarter of 2014.

Strategy and capital resources

Eitzen Chemical is progressing with its ongoing and constructive dialogue with the main creditors of the Company's long term 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. The Company also believes that the present market conditions are favorable with respect to investment in the chemical tanker market, and that a stronger balance sheet and investment capacity is necessary to carry out the Company's strategy.

Outlook

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

The orderbook[1] for chemical tankers (tankers below 54,000 dwt) is about 15 per cent of the fleet. 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.

As per industry sources, the demand for seaborne chemical transportation so far in 2014 has been below both the historical long-term growth trend and estimated future growth of 4-5 per cent per annum. Historically there has been a very close correlation between global GDP growth and demand for chemical tankers. 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.

[1] Source: Eitzen Chemical based on industry sources

Oslo, 25 August 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*

Condensed Consolidated Income Statement *(USD '000, except per share data)*	Note	2014 Q2 (unaudited)	2014 Q1 (unaudited)	2013 Q2 (unaudited)	2014 6m (unaudited)	2013 6m (unaudited)
Freight revenue		90 036	87 013	97 627	177 049	193 287
Voyage expenses		(44 295)	(40 308)	(43 731)	(84 602)	(90 776)
Freight income on T/C basis		**45 742**	**46 705**	**53 897**	**92 447**	**102 511**
Ship operating expenses		(25 849)	(25 585)	(27 156)	(51 434)	(55 268)
Charterhire expenses		(8 991)	(8 137)	(6 115)	(17 128)	(10 598)
General and administrative expenses		(6 086)	(5 972)	(5 246)	(12 057)	(10 805)
EBITDA		**4 816**	**7 012**	**15 379**	**11 828**	**25 839**
Depreciation and amortisation	3	(14 154)	(14 999)	(14 300)	(29 153)	(28 591)
Gain / (loss) on sale of vessels		-	-	(14 744)	-	(14 744)
EBIT		**(9 338)**	**(7 987)**	**(13 665)**	**(17 325)**	**(17 496)**
Interest income		-	3	2	3	6
Interest expense		(15 480)	(14 975)	(14 769)	(30 455)	(29 773)
Other financial items		(39)	(2 920)	4 037	(2 960)	12 195
Profit / (loss) before taxes		**(24 857)**	**(25 879)**	**(24 396)**	**(50 736)**	**(35 069)**
Income tax expense		-	(1)	(4)	(1)	5
Net profit / (loss)		**(24 857)**	**(25 880)**	**(24 400)**	**(50 737)**	**(35 063)**
Earnings per share (basic/diluted) (USD)		(2.21)	(2.30)	(2.16)	(4.50)	(3.11)
Weighted average number of shares	4	11 270 124	11 270 124	11 270 124	11 270 124	11 270 124

Condensed Consolidated Statement of Comprehensive Income *(USD '000)*	2014 Q2 (unaudited)	2014 Q1 (unaudited)	2013 Q2 (unaudited)	2014 6m (unaudited)	2013 6m (unaudited)
Net profit / (loss)	**(24 857)**	**(25 880)**	**(24 400)**	**(50 737)**	**(35 063)**
Foreign currency translation differences	(7)	-	14	(7)	(5)
Total items that may be reclassified to profit or loss	**(7)**	**-**	**14**	**(7)**	**(5)**
Other comprehensive income / (loss), net of tax	**(7)**	**-**	**14**	**(7)**	**(5)**
Total comprehensive income	**(24 864)**	**(25 880)**	**(24 385)**	**(50 744)**	**(35 067)**
Attributable to owners of the parent	*(24 864)*	*(25 880)*	*(24 385)*	*(50 744)*	*(35 067)*

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

Condensed Consolidated Balance Sheet (USD '000)	Note	2014 30.06 (unaudited)	2014 31.03 (unaudited)	2013 31.12 (audited)
ASSETS				
Vessels	2	657 288	663 501	672 306
Vessels held under finance leases	2	95 205	94 480	93 045
Other equipment	2	338	368	278
Other non-current assets		1 466	3 154	2 058
Total non-current assets		**754 295**	**761 503**	**767 687**
Inventories		16 923	16 134	17 325
Trade and other receivables		51 455	56 622	50 675
Other current assets		2 583	1 838	4 903
Cash and cash equivalents	3	30 741	29 564	30 615
Total current assets		**101 702**	**104 159**	**103 518**
TOTAL ASSETS		**855 997**	**865 661**	**871 204**
EQUITY AND LIABILITIES				
Equity		(157 383)	(132 519)	(106 638)
Treasury shares		(116)	(116)	(116)
Total equity	4	**(157 499)**	**(132 635)**	**(106 754)**
Long-term debt	5	861 914	853 465	828 091
Obligations under finance leases	5	86 200	70 809	55 113
Other non-current liabilities		2 264	1 596	225
Total non-current liabilities		**950 379**	**925 870**	**883 430**
Trade and other payables		44 278	43 572	51 153
Short-term debt and current portion of long-term debt	5	6 000	-	-
Current portion of obligations under finance leases	5	5 918	24 238	42 849
Other current liabilities		6 921	4 616	526
Total current liabilities		**63 117**	**72 426**	**94 528**
Total liabilities		**1 013 496**	**998 296**	**977 958**
TOTAL EQUITY AND LIABILITIES		**855 997**	**865 661**	**871 204**

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

Condensed Consolidated Cash Flow Statement		**2014**	**2014**	**2014**	**2013**
		Q2	**Q1**	**6m**	**6m**
(USD '000)	**Note**	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities					
Profit / (loss) before taxes		(24 857)	(25 879)	(50 736)	(35 069)
Depreciation and amortisation		14 154	14 999	29 153	28 591
Loss/(gain) on sale of vessels		-	-	-	14 744
Net interest expenses		15 480	14 972	30 452	29 767
Foreign currency (gain) / loss, net		(1 333)	2 165	832	(11 988)
Working capital and other adjustments		8 498	(7 342)	1 155	(14 384)
Net cash flow from operating activities		11 942	(1 086)	10 856	11 661
Investing activities					
Payments on vessels (mainly upgrading and docking)	2	(6 844)	(4 897)	(11 741)	(3 081)
Interest received		-	3	3	6
Net cash flow from investing activities		(6 844)	(4 894)	(11 738)	(3 076)
Financing activities					
Loan proceeds		3 000	11 000	14 000	15 000
Repayment of long term debt	5	-	-	-	(5 211)
Repayment of obligations under finance leases	5	(3 118)	(3 183)	(6 301)	(6 984)
Interest paid		(2 280)	(2 147)	(4 427)	(5 959)
Payment of other financial costs, net		(1 642)	(755)	(2 397)	(11 684)
Net cash flow from financing activities		(4 040)	4 915	876	(14 839)
Net change in cash and cash equivalents		**1 058**	**(1 064)**	**(6)**	**(6 253)**
Cash balance at beginning of period		29 564	30 615	30 615	30 926
Net foreign exchange difference on cash		119	14	133	(4)
Cash and cash equivalents at end of period	3	**30 741**	**29 564**	**30 741**	**24 670**
Supplemental disclosures					
Undrawn portion of revolving credit facility	3,6	6 000	9 000	6 000	20 000

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

Condensed Consolidated Statement of Changes in Equity

2014 (unaudited)	**Attributable to equity holders of the parent company**									
	Paid in capital					**Other reserves**				
(USD '000)	**Share capital**	**Share Premium**	**Employee benefit reserve**	**Treasury shares**	**Other paid in equity**	**Retained earnings**	**Revaluation reserve**	**Translation reserve**	**Total other reserves**	**Total**
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	-	-	-	-	-	(50 737)	-	-	-	(50 737)
Other comprehensive income	-	-	-	-	-	-	-	(7)	(7)	(7)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(50 737)**	**-**	**(7)**	**(7)**	**(50 744)**
At 30 June 2014	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(967 063)**	**3 406**	**6 247**	**9 653**	**(157 499)**

2013 (unaudited)	**Attributable to equity holders of the parent company**									
	Paid in capital					**Other reserves**				
(USD '000)	**Share capital**	**Share Premium**	**Employee benefit reserve**	**Treasury shares**	**Other paid in equity**	**Retained earnings**	**Revaluation reserve**	**Translation reserve**	**Total other reserves**	**Total**
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	-	-	-	-	-	(35 063)	-	-	-	(35 063)
Other comprehensive income	-	-	-	-	-	-	-	(5)	(5)	(5)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(35 063)**	**-**	**(5)**	**(5)**	**(35 067)**
At 30 June 2013	**148 037**	**20 550**	**1 591**	**(116)**	**629 849**	**(876 664)**	**3 406**	**6 214**	**9 620**	**(67 132)**

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. Eitzen Chemical's condensed consolidated interim financial statements for the second quarter and first half of 2014 were approved by the Board of Directors (the Board) and the Chief Executive Officer (CEO) on 25 August 2014.

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.

The Company has defined the whole fleet as one Cash Generating Unit (CGU) as the vessels are operated as a portfolio. An individual vessel can be chartered on behalf of several clients and trade lanes throughout the world. The vessels are not defined for a specific type of cargo or trade within a particular geographical area. 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.

The Company and the chief operating decision maker measure performance based on the Company's overall return to shareholders based on consolidated net income. The Company has only one reportable segment: chemical tankers. The Company's revenue and operating results relate to its chemical tanker operations, which are carried out internationally and cannot be attributed to any particular geographical location or separated into various products. The Company does not have any counterpart that contributes to more than 10 per cent of the total operating revenues.

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 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)	11 572	-	169	11 741
Non-cash effect of sale and leaseback transaction*	-	5 224	-	5 224
Depreciation for the period	(26 591)	(3 063)	(109)	(29 763)
At 30 June 2014, net of accumulated depreciation	**657 288**	**95 205**	**338**	**752 830**

* In the first half of 2014 the Company completed sale and leaseback transactions of the North Contender (19,925 dwt, built 2005) and the North Fighter (19,932 dwt, built 2006). The transactions resulted in a non-cash effect on the leased assets of USD 5.2 million. The transactions resulted in a total book gain of USD 5.4 million, which has been deferred and will be amortized over the expected lease terms. The vessels continue to be classified as financial leases.

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 and updated at 30 June 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 647.9 million at 30 June 2014 (owned vessels: USD 544.1 million, finance leased vessels: USD 103.8 million).

Note 3 – Cash and cash equivalents

(USD '000)	2014 30.06 (unaudited)	2014 31.03 (unaudited)	2013 31.12 (audited)
Petty cash	548	677	-
Banks	29 986	28 676	28 530
Restricted Cash	207	211	2 084
Cash and cash equivalents	**30 741**	**29 564**	**30 615**
Undrawn portion of revolving credit facility	6 000	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 drawn USD 14.0 million of its revolving credit facility of USD 20.0 million. 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 30 June 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	-	-	14 000	-	14 000
Installments	-	-	-	(6 301)	(6 301)
Non-cash effect of sale and leaseback transaction*	-	-	-	(263)	(263)
Debt issuance cost**	-	216	7 432	-	7 649
Accrual of interest margin	-	3 526	14 769	-	18 294
Foreign currency translation	(37)	(83)	-	720	600
Balance at 30 June 2014	**57 315**	**59 418**	**751 181**	**92 118**	**960 033**
Non-current	57 315	59 418	745 181	86 200	948 115
Current	-	-	6 000	5 918	11 918
Balance at 30 June 2014	**57 315**	**59 418**	**751 181**	**92 118**	**960 033**

* In the first half of 2014 the Company completed sale and leaseback transactions of the North Contender (19,925 dwt, built 2005) and the North Fighter (19,932 dwt, built 2006). The transactions resulted in a non-cash effect of USD 0.3 million on the lease obligations.

** Amortized debt issuance cost in the period.

USD 6.0 million of the bank debt matures and is due for payment in April 2015. In addition, an installment of USD 14.4 million of the Company's senior bank loans matures in April 2015. However, the Company has the option to defer three quarterly instalments until maturity in 2016, with a maximum of two deferrals in one year. As the Company has the right to defer the installment due on the senior bank debt in April 2015, the installment is not classified as current portion of long-term debt as of 30 June 2014.

The Company was in compliance with the financial covenants relating to its loan agreements at 30 June 2014.

The obligations under finance leases include the net present value of purchase option rights of USD 72.5 million.

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:

A new working capital facility:

- 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.

Note 7 – Subsequent events

In August Eitzen Chemical entered into an agreement to extend the time charter contract for the vessel Sichem Ruby (8,824 dwt, built 2006) until February 2015. The vessel will continue to be accounted for as an operating lease.

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 2014 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of Eitzen Chemical ASA'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.

Oslo, 25 August 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*

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