



## RIDGEBURY CRUDE TANKERS LLC

33 Riverside Ave  
Westport CT 06880

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### QUARTERLY REPORT (UNAUDITED) – December 30, 2014

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*Westport, Connecticut, February 25, 2015*

#### Summary

Ridgebury Crude Tankers LLC (“Ridgebury” or the “Company”) reported preliminary unaudited results for the quarter ended December 31, 2014. Six of the company’s seven Suezmaxes operated in the spot market where they participated in a healthy seasonal increase in Suezmax freight rates, generating strong results compared to reported benchmarks.

Highlights included:

- Six spot market vessels earned gross TCE of \$29,400 per day and net distributions of \$28,500 per day (net of all pool fees and commissions)
- Ridgebury Nicholas A completed its time charter and joined the pool on December 17<sup>th</sup>
- The first quarter of 2015 is 84% booked at a TCE of approximately \$42,000 per day
- Technical off-hire was 2.2 total ship-days out of 644, an on-hire performance of 99.7%
- Revenue of \$17.3 million represented a 22% increase from the third quarter
- EBITDA of \$11.2 million grew more than 39% from the second quarter
- The Company generated net income of \$3.4 million

Ridgebury finished the quarter and year in a solid financial and operating position. The full fleet is deployed in the spot market, with no dry docks scheduled during 2015. Although the first quarter of 2015 did not see rates spike to quite the levels of the previous year, the seasonal strength has been far more enduring, so that the quarter is expected to produce substantially higher rates overall. The quarter is currently 84% booked at average rates of about \$42,000 per day.

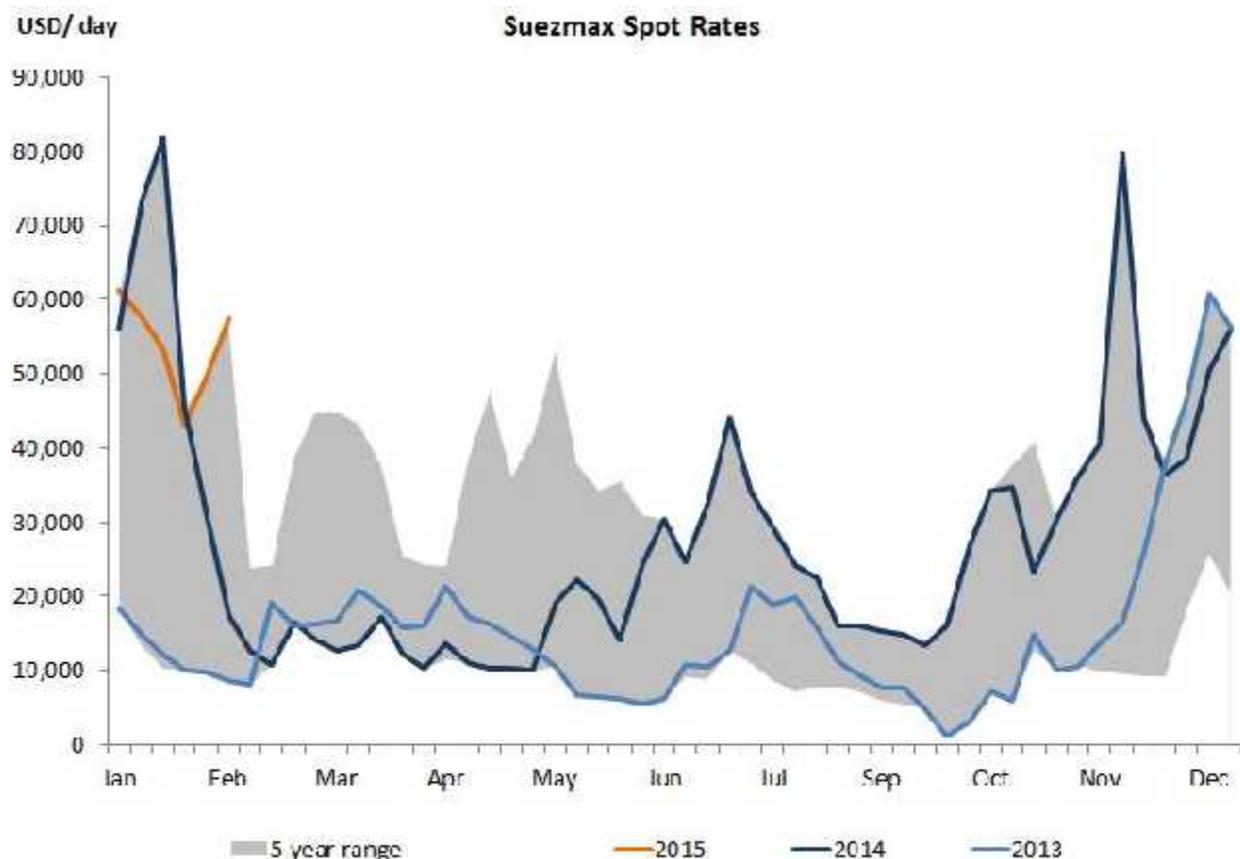
#### Suezmax Freight Market

The seasonal upturn in the fourth quarter of 2014 began earlier and was generally stronger than for the same period of 2013. If anything, a large mid-November spike in the WAF market was too strong, enticing VLCCs into the region to poach natural Suezmax cargoes; as a result very few ships were actually fixed at the highest quoted levels. This brought the market back down in late November, before recovering for a strong December finish. As has been the case throughout 2014, pool manager Heidmar did an excellent job navigating this volatility, positioning ships to take advantage of stronger periods, while keeping a strong nerve during momentary periods of weakness.

As a result, management believes that Ridgebury’s performance compared favorably with that of other owners and pools during the quarter. Fourth quarter net distributions to Ridgebury’s spot vessels (after deducting pool fees and commissions) were approximately \$28,500 per day, a significant increase from the third quarter result of \$22,450.

The market has remained volatile in the first quarter of 2015, but overall has continued to support higher rates. The strong finish to 2014 means that voyages booked in the final weeks of the year have produced solid first quarter TCEs for Ridgebury. With 84% of the quarter booked at average TCE levels of \$42,000 (approximately \$40,900 net of fees and commissions), management expects that per ship results will be significantly stronger than the \$32,000 TCE earned by the Company's sole spot vessel in the first quarter of 2014. Winter weather has been less harsh overall than 2014, so that the Company has earned relatively small ice premiums on two voyages originating in the Baltic Sea with its ice-class vessels. Nevertheless, there have been consistent weather-related delays in key market areas, strong interest in fuel oil arbitrage movements, and a supportive "contango" oil price structure. Management expects first quarter 2015 revenue and EBITDA to surpass the levels of fourth quarter 2014.

The decline in oil prices has had a positive impact on bunker fuel cost. Although some owners have perhaps been less aggressive pushing freight levels higher in this lower cost environment, owners have generally not caved to charterers' attempts to gain the benefit of lower fuel prices. Management believes that the likely supply response (US reductions), consequent increase in OPEC production and the stimulating impact of lower oil prices are all supportive trends for Suezmax tanker rates.



Source: Clarksons, Ridgebury

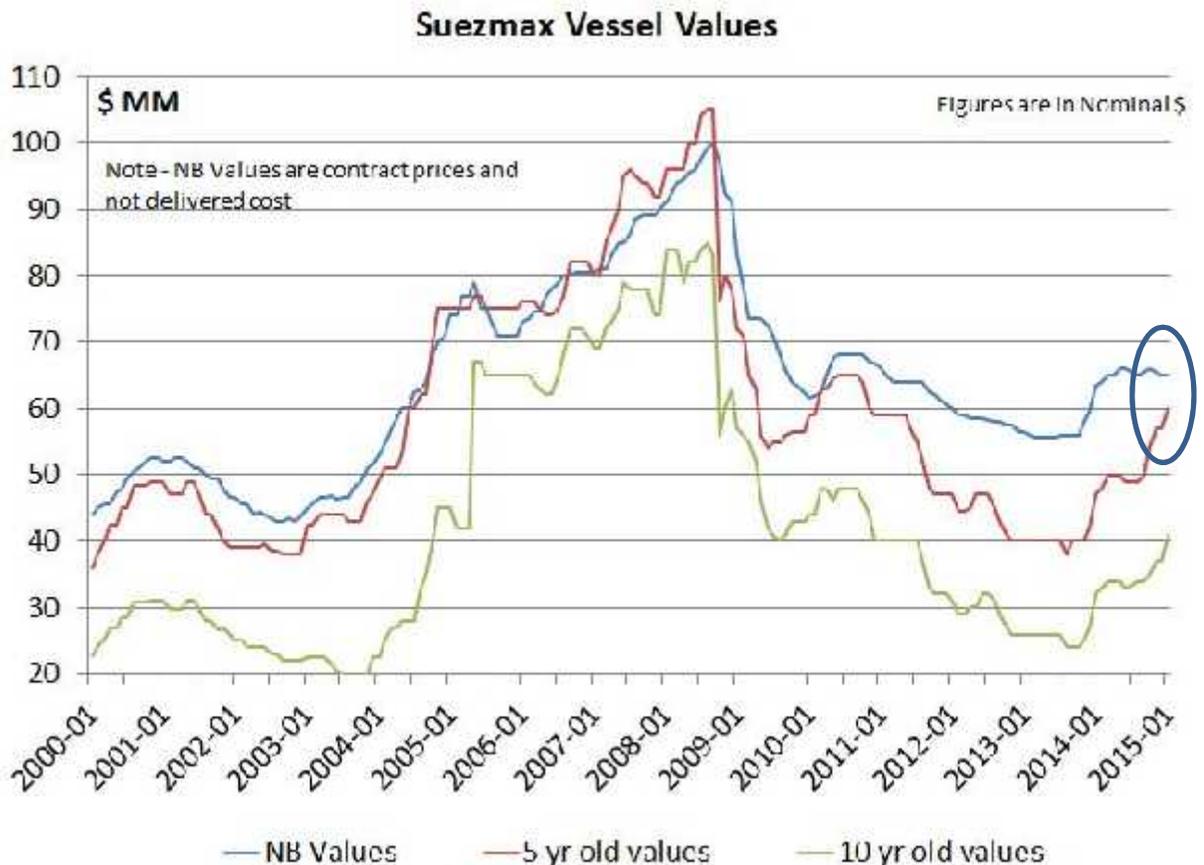
The Company's tracking of Suezmax vessel speeds does not reveal any significant increases in spite of the lower bunker prices and higher freight rates.

## Suezmax Asset Market

The sale and purchase market continues to exhibit a large “bid/ask” spread between buyer offers and seller expectations, but with a general trend of increased vessel values. Broker assessments for a benchmark 5 year old vessel increased during the quarter from about \$50 million to approximately \$54 million.

Nearly all recent Suezmax sales have been for ships built at the Chinese yard Rongsheng, with Rongsheng ships accounting for 13 out of 14 modern (<15 year old) Suezmaxes sold from November through the date of this report. This includes six ships sold by Cardiff Marine to Tanker Investments Limited, two reported sold by Geden Lines, two sold by yard affiliate Roxen to Frontline, and three to be sold by affiliated parties to Tankships International in connection with an IPO. The exception was the \$65 million sale of a 2012 Sungdong ship in a sale-leaseback. Management believes that this indicates that owners of high quality Korean and Japanese tonnage are not willing to sell at current levels.

Pricing for concluded deals generally supports broker assessed values. In addition, the discount between newbuilding prices and five year old values has narrowed significantly, as shown in the circled portion of the chart below and consistent with Ridgebury forecasts.



Source: Clarksons, Ridgebury

According to Maersk Broker, during calendar year 2014 there were six new Suezmax vessels delivered and eight scrapped, for a net fleet shrinkage of two ships. As expected, however, newbuild contracting has increased as a result of the strong rates and light orderbook, with a total of 38 new ships ordered in 2014, bringing the total orderbook to 52. The delivery schedule remains very favorable in the medium term, with no significant deliveries until the second half of 2016.

Although Ridgebury is not in direct contact or negotiations with yards at present, management understands that Korean shipyards may be getting more aggressive with pricing, due to concerns with eroding backlog resulting from offshore weakness. The previous upper range of about \$70 million demanded by top Korean yards has likely softened. Additionally, there is some concern over owners converting dry bulk or offshore newbuilding orders to tanker orders. On the basis of conversations with brokers and other owners, management believes that the number of orders eligible for conversion is very small.

## **Ridgebury Crude Tankers – Preliminary Unaudited Financial Performance**

### **Results from Operations**

Fourth quarter revenue of \$17.3 million reflected \$16.1 million in spot revenue (about 565.9 days at \$28,500 per day), plus the remaining revenue from the *Ridgebury Nicholas A* time charter. For the period since inception, revenue of \$38.7 million reflects trading results from the second, third and fourth quarters, plus approximately 11 days revenue for two vessels in the first quarter.

For most of the quarter, Ridgebury had six vessels trading in the Heidmar Blue Fin pool. The *Ridgebury Nicholas A*, which was acquired with a time charter contract in place, was redelivered and entered the pool simultaneously on December 17<sup>th</sup>, so that the entire fleet finished the year in the spot market.

Ridgebury maintained an on-hire performance of 99.7% for the quarter, with the fleet on-hire 641.8 revenue days out of a possible 644. Technical off-hire was concentrated in one vessel that had a mechanical failure as well as a serious medical emergency. The situation required route deviation and some extraordinary expenditure.

Vessel operating expenses were above steady state budget levels primarily due to additional investment and upgrades to newly acquired ships. Management believes that the upgrade process is substantially complete and that the fleet should operate at close to budgeted levels of approximately \$7,300 per day during 2015.

EBITDA was approximately \$11.2 million for the quarter, with net income of \$3.4 million after depreciation, amortization and bond interest.

### **Balance Sheet Items**

As of December 31, Ridgebury Crude Tankers had \$19.4 million of cash, with total current assets of \$34.4 million. Current liabilities of \$6.1 million consisted primarily of \$4.7 million of accrued interest for the March 20, 2015 scheduled bond payment.

The Company had no financial debt apart from the \$210 million Senior Secured Bond placed March 20, 2014. Management considers that the Company has sufficient liquidity from operations, reserves and additional shareholders' funds to meet its obligations as they come due.

### **Outlook**

With 84% of the first quarter of 2015 booked at approximately \$42,000 per day TCE, Ridgebury anticipates reporting stronger results for the first quarter. Management currently estimates first quarter EBITDA between \$18 and \$20 million. The Company expects to disseminate full audited financial results, together with consolidated audited financial results of RT Holdings (the bond guarantor and ultimate parent of Ridgebury's complete 15 vessel fleet) on April 1, 2015.

### **Other Significant Events**

Subsidiaries of RT Holdings purchased two Aframax tankers which delivered on December 22 and 23, 2014 and immediately entered the spot market via the Teekay Aframax RSA pool. The purchase was funded with equity and a credit line from Riverstone.

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## **FORWARD LOOKING STATEMENTS**

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This earnings release contains forward-looking statements which reflect management's views with respect to future events and performance, and which are based on a number of assumptions as well as market information and analysis derived from third parties. These forward-looking statements include statements regarding tanker market fundamentals, global oil supply and demand fundamentals, changing trading patterns, future vessel supply and scrapping. Factors that could cause the Company's results to differ materially from management's forward-looking statements include the following: changes to global demand for oil and refined products; changes to global oil production; location of oil production and demand; changing industry regulation; changing environmental laws; higher or lower levels of new vessel ordering and vessel scrapping; vessel design innovations that make the Company's vessels less competitive; changes to laws and regulations; changes to interest rates and financial markets; unforeseen offhire, drydocking or other expenses; pool underperformance; counterparty non-performance or default; and security risks and war. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions, or circumstances on which any such statement is based.

**RIDGEBURY CRUDE TANKERS LLC**  
**SUMMARY FINANCIAL INFORMATION**  
(In US Dollars)

<b>SUMMARY CONSOLIDATED STATEMENTS OF INCOME</b>	3 months ended Dec 31, 2014	From inception (a) to Dec 31, 2014
Revenues		
Net pool revenues	16,116,183	34,504,422
Time charter revenues	1,156,563	3,460,680
Voyage charter revenues	5,100	746,981
Total revenues	<u>17,277,846</u>	<u>38,712,082</u>
Operating expenses		
Voyage expenses	16,448	1,188,457
Vessel operating expense	5,273,956	14,394,224
General and administrative	747,930	2,316,572
Depreciation and amortization	3,216,673	9,195,939
Total operating expenses	<u>9,255,008</u>	<u>27,095,192</u>
Income from operations	8,022,838	11,616,890
Interest expense and financing cost	4,583,700	14,249,742
Net income (loss)	<u>3,439,138</u>	<u>(2,632,852)</u>

(a) The Company was formed on February 27, 2014 and began operations March 20, 2014.

<b>SUMMARY BALANCE SHEET</b>	Balances at Dec 31, 2014
Assets	
Cash	19,388,196
Accounts receivable	5,355,032
Prepaid expenses, including pool working capital	8,695,439
Bunkers and lubes inventory	967,829
Total current assets	<u>34,406,497</u>
Vessels and equipment, net	269,392,348
Deferred drydock costs, net	1,032,322
Deferred financing costs, net	4,267,477
Total assets	<u>309,098,643</u>
Liabilities and members equity	
Accounts payable and accrued interest	6,054,037
Senior secured bond	210,000,000
Members equity	93,044,606
Total liabilities and equity	<u>309,098,643</u>

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**RIDGEBURY CRUDE TANKERS LLC**  
**SUMMARY FINANCIAL INFORMATION**  
(In US Dollars)

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<b>SUMMARY CASH FLOWS</b>	3 months ended Dec 31, 2014	From inception (a) to Dec 31, 2014
Cash flow provided by/(used in) operating activities		
Net operating cash flow	7,852,421	(878,652)
Cash flow provided by/(used in) investing activities		
Additions to vessels and equipment	(314,997)	(279,614,432)
Cash flow provided by/(used in) financing activities		
Contributions from members	-	95,677,457
Proceeds from senior secured bond	-	210,000,000
Deferred financing costs	-	(5,796,177)
Net cash flow provided by/(used in) financing activities	-	299,881,280
Net increase in cash	7,537,425	19,388,196
Cash balance beginning	11,850,772	-
Cash balance ending	<u>19,388,196</u>	<u>19,388,196</u>

*(a) The Company was formed on February 27, 2014 and began operations March 20, 2014.*

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