Eletson Holdings Inc.

Letter to the Shareholders of Eletson Holdings Inc.

In 2017 we encountered the worst market and subsequent financial performance in the Company's history. The impact of this bad market in 2017 was further exacerbated, especially in product tankers, as it represented an even more significant downturn from 2016's low levels. Reduced OPEC oil output and continued vessel deliveries were the main factors supressing the market. OPEC's strategy of reduced output was implemented against a backdrop of increased inventories; as a result, increased oil demand was met by drawing on existing inventories which in turn further suppressed tanker demand throughout 2017.

While product tankers were at historic lows, the LPG market was also very weak. The Gas sector continued to suffer from an oversupply of VLGC's which negatively affected MGC cargoes and rates. In fact, the severity of the VLGC market put downward pressure on all sectors. While approximately 40% of our Gas fleet was in timecharter employment and separately 44% of the fleet participated in the E3 Pool, the weakness of the LPG market could not be avoided as none of our segments enjoyed any strong market periods.

Employment exposure in our product tankers was also quite vulnerable, as the fleet was effectively operating within the spot market with very limited time charter coverage during the year. As a result of the aforementioned, Company liquidity fell substantially -- cash burn in 2017 totalled $33 million for Tankers and $26 million for our Gas business, or a total of $59 million for the consolidated group. The strained liquidity increased the challenge to ensure availability of required funding for delivery of the eight 2018 newbuilds.

Whilst we consolidate group results we are effectively managing two distinct businesses, our product tanker group and the gas joint venture. Correspondingly, the cash strain caused by the weak market required enormous management time and effort to address the liquidity and refinancing issues of each distinct business group. The tanker side of our business was most seriously impacted in terms of liquidity but also further restricted due to the overall weakness of the asset market.

For that reason, we began discussion early in the third quarter with our bondholders to seek relief from the 2018 coupon payments. In parallel, we approached our tanker financiers to request debt relief for 2018. As an update to these very important initiatives, we reached agreement in June 2018 with our bondholders to forego 2018 interest payments of $29 million and we also agreed in principal with our banks and lease financier for deferral of principal amortization payments for periods affecting portions of 2018 and 2019.

On the Gas side of our business, our management action plan included drawdown of the remaining equity from our partner Blackstone of $8.4 million representing the final portion of their initial commitment of $125 million investment, refinancing of the Unicredit facility to release up to $33 million of liquidity and refinancing of the BNP newbuild facility to reduce the Company's final equity required upon delivery. The above management action plans have essentially been completed and we are finalising negotiations with our gas sector banks to also provide debt amortisation relief for a twelve month period.

Other important events taking place in our tanker segment were the following.

- Sale for scrap of our oldest Panamax product tanker, the m/t Stavronisi for $6 million.
- Refinancing of the $83 million balloon of the Citi $200 million facility through a Sale and Leaseback transaction with a leading Chinese lessor and a Citi led supplemental credit facility.
- Financing with a leading Chinese financier of the last two newbuilding Aframaxes in an $82 million Sale and Leaseback transaction.
- To bolster liquidity, an additional $20 million overdraft credit facility was signed with Piraeus Bank.

The above actions in our gas business have enabled us to begin taking delivery of all four LEG newbuilds. On the tanker side, we have taken delivery of the first Aframax newbuild with the second delivery planned a few days after issuance of this report. Delivery of the newbuilds fulfils a key strategic goal given our positive market outlook.

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We believe the culmination of our actions during the year will allow us to exit this negative environment in what is generally predicted as a brighter future. As we communicate each year, it is important to summarise the culmination of our efforts in terms of our safety performance. Operationally, 2017 was another year without serious incident or injury. We wish to thank our employees both on-board our ships and ashore for their commitment and dedication towards the continuous improvement of our performance and the success of our company.

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President
Eletson Holdings Inc.

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Piraeus, June 25, 2018