AMERICAN SHIPPING COMPANY ASA
Fourth Quarter 2017 Report

Fourth Quarter 2017 Report

Lysaker, 14 February 2018, American Shipping Company ASA ("AMSC or the "Company") announces results for fourth quarter ending 31 December 2017.

HIGHLIGHTS

- Stable Q4 bareboat revenue of USD 22.1 million and backlog of secured bareboat revenue of USD 226 million with average weighted tenor of 2.6 years
- Normalized EBITDA for Q4 of USD 22.1 million
- Adjusted net profit for Q4 of USD 4.0 million
- Improved Jones Act tanker market conditions due to increased demand for transportation of both crude oil and clean products, with positive market outlook going forward
- Declared Q4 dividend of USD 0.08 per share, in line with previous guidance and backed by the Company's contracted cash flow

AMSC CEO, Pål Magnussen comments, *"We are pleased to deliver consistent financial results for Q4 2017, in line with expectations. The Jones Act market in which our tankers are deployed is experiencing significantly improved market conditions, with increasing transportation demand for both crude oil and clean products. The market began to strengthen in the middle of the fourth quarter and has continued to improve into 2018. We are increasingly optimistic about the potential for further tightening of market conditions going forward."*

MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating income**: Operating income was stable at USD 12.9 million in Q4 2017 versus USD 12.8 million in Q4 2016.

- **Profit share:** There was no profit share for Q4 2017 attributed to AMSC, compared to profit share of USD 1.8 million in Q4 2016. The profit share is reported quarterly, but calculated on an aggregated fleet level over a full calendar year. Accordingly, there may be individual quarters with positive profit share offset by quarters with negative profit share. Nonetheless, AMSC's portion of the profit share can never be negative on an annual basis. For the full year 2017 the profit share was zero. See note 11 for further details.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.1 million for Q4 2017 consists of base bareboat revenue of USD 22.1 million, plus Deferred Principal Obligation ("DPO") of USD 0.9 million, less SG&A of USD 0.9 million. The comparative figure for Q4 2016 for normalized EBITDA was USD 24.3 million (consisting of base bareboat revenue of USD 22.1 million, plus profit share of USD 1.8 million, plus DPO of USD 1.0 million, less SG&A of USD 0.6 million). The profit share is not included in Normalized EBITDA for Q4 2017. See Note 14 for more detailed information.

- **Adjusted net profit:** Adjusted net profit of USD 4.0 million for Q4 2017 consists of net profit after tax, adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to non-cash deferred tax expenses. The comparative figure for Q4 2016 was USD 5.8 million. See Note 14 for further details.

- **Dividends:** On 15 November 2017, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.663 per share, to the shareholders on record as of 23 November 2017, which was paid on 1 December 2017. The dividend was classified as a return of paid in capital.

  On 13 February 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 21 February 2018, in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 20 February, and the dividend will be paid on or about 1 March 2018. The dividend is classified as a return of paid in capital.

- **Dividend guidance:** The Company does not plan to make any short term changes to its current dividend level. The Company's policy with respect to dividends is driven by the Board's commitment to return value to its shareholders while also prudently managing its balance sheet and maintaining financial flexibility to pursue growth and diversification opportunities. Dividend payments depend on, among other things, performance of existing contracts including outlook for profit share, and will be considered in conjunction with the Company's financial position, debt covenants, capital requirements, and market conditions going forward.

- **OTCQX quotation:** On 2 November 2017, the Company's ordinary shares were approved to trade on the OTCQX Best Market in the United States. The OTCQX International Tier of the OTCQX Best Market is designed for established, investor-focused international companies that meet high financial standards, follow best practice corporate governance, are current in their home country financial reporting and have been sponsored by a professional third-party advisor. The OTCQX market is considered by the SEC as an "established public market" for the purpose of determining the public market price of a security. Trading on OTCQX indicates that a company is committed to providing a transparent market for its investors and maintaining high financial and operating standards. AMSC's ordinary shares are available for trading in the United States on OTCQX under the symbol "ASCJF".

FOURTH QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	unaudited Q4 2017	Q4 2016	Full year 2017	2016
Operating revenues	22.1	22.1	87.8	88.0
Operating profit before depreciation - EBITDA	21.2	21.5	84.9	85.1
Normalized EBITDA	**22.1**	**24.3**	**88.7**	**99.2**
Operating profit - EBIT	12.9	12.8	51.0	50.8
Gain / (loss) on investments	(0.5)	2.2	4.2	2.7
Net interest expense	(10.2)	(9.2)	(45.4)	(37.2)
Unrealized gain/(loss) on interest swaps	1.8	6.3	1.7	0.6
Net foreign exchange gain/(loss)	-	-	-	0.1
Profit/(loss) before income tax	4.0	12.1	11.5	17.0
Income tax expense	(2.3)	-	(3.9)	-
Non-cash income tax expense	4.7	(4.6)	2.2	(9.9)
Net profit/(loss) for the period *	6.4	7.5	9.8	7.1
Adjusted net profit	**4.0**	**5.8**	**14.8**	**16.3**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.11	0.12	0.16	0.12

Fourth quarter results

AMSC's operating revenues for each of Q4 2017 and Q4 2016 were USD 22.1 million. EBITDA was USD 21.2 million in Q4 2017 (USD 21.5 million in Q4 2016). EBIT was USD 12.9 million in Q4 2017 (USD 12.8 million in Q4 2016).

Net interest expense (interest expense less interest income) for Q4 2017 was USD 10.2 million (USD 9.2 million in Q4 2016).

In Q4 2017, AMSC had an unrealized gain of USD 1.8 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 6.3 million in Q4 2016).

In Q4 2017, AMSC recognized a gain of USD 2.4 million on its investment in Philly Tankers AS ("PTAS") related to the delivery and sale of the last vessel by PTAS to Kinder Morgan. In addition, AMSC recognized a USD 2.9 million capital loss as a result of the difference between the initial equity investment booked at cost and subsequent capital distributions from PTAS.

AMSC had a net profit before tax for Q4 2017 of USD 4.0 million (USD 12.1 million in Q4 2016). Non-cash deferred income tax benefit was USD 4.7 million in Q4 2017 (expense of USD 4.6 million in Q4 2016). As a result of the recently passed U.S. federal tax reform legislation, which reduced the federal corporate income tax rate from 35% to 21%, and changes to the Company's effective state tax rate, AMSC booked a one-time non-cash tax benefit of USD 5.9 million in the fourth quarter 2017. AMSC recognized an income tax expense of USD 2.3 million in Q4 2017 (none recognized in Q4 2016) relating to its share of the income from its investment in Philly Tankers and state franchise taxes.

The non-cash deferred income tax expense was the result of accelerated tax depreciation, which has created differences between accumulated depreciation for book and tax purposes and corresponding tax losses, the net of which is recognized as a deferred tax liability on the balance sheet.

As of 31 December 2017, AMSC has USD 558.8 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q4 2017 was USD 6.4 million compared to USD 7.5 million in Q4 2016.

Full year results

AMSC's operating revenues for full year of 2017 and 2016 were USD 87.8 million and USD 88.0 million, respectively. EBITDA was USD 84.9 million for the twelve months ending 31 December 2017 (USD 85.1 million for the same period in 2016). EBIT was USD 51.0 million for the full year 2017 and USD 50.8 million for the same period in 2016.

Net interest expense (interest expense less interest income) for 2017 was USD 45.4 million (USD 37.2 million for the same period in 2016). The increased expense in 2017 as compared to 2016 was due to non-recurring items relating to the bond refinancing in Q1 2017 of USD 4.8 million.

In the twelve months ending 31 December 2017, AMSC had an unrealized gain of USD 1.7 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 0.6 for the same period in 2016).

In 2017, AMSC recognized a gain of USD 7.1 million on its investment in PTAS (USD 2.7 million for the same period of 2016), related to the delivery and sale of vessels by PTAS to Kinder Morgan. In addition, AMSC recognized a USD 2.9 million capital loss as a result of the difference between the initial equity investment booked at cost and subsequent capital distributions from PTAS.

AMSC had a net profit before tax for the full year 2017 and 2016 of USD 11.5 million and USD 17.0 million, respectively. Non-cash deferred income tax benefit was USD 2.2 million in 2017 (expense of USD 9.9 million in the same period of 2016). AMSC recognized an income tax expense of USD 3.9 million in 2017 (none recognized in the same period in 2016), relating to its share of the income from its investment in Philly Tankers and state franchise taxes. Net profit for the full year 2017 was USD 9.8 million compared to USD 7.1 million in the full year 2016.

Condensed Statement of Financial Position

	unaudited	
Amounts in USD million	**31-Dec 2017**	**31-Dec 2016**
Vessels	745.6	779.5
Interest-bearing long term receivables (DPO)	28.7	30.6
Other non current assets	16.6	27.6
Derivative financial assets	1.7	-
Trade and other receivables	0.2	0.3
Cash held for specified uses	2.3	2.3
Cash and cash equivalents	52.0	49.1
Total assets	**847.1**	**889.4**
Total equity	183.3	195.7
Deferred tax liabilities	15.2	17.4
Interest-bearing long term debt	600.1	636.1
Derivative financial liabilities	-	0.1
Interest-bearing short term debt	28.3	28.3
Deferred revenues and other payables	20.2	11.8
Total equity and liabilities	**847.1**	**889.4**

The decrease in Vessels from 31 December 2016 reflects depreciation of the Company's 10 vessels for the twelve months ending 31 December 2017.

During the full year 2017, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 3.8 million, of which USD 1.9 million is principal repayment. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Other non-current assets include AMSC's 19.6% investment in PTAS. As a result of the sale of four product tankers to Kinder Morgan announced in August 2015, PTAS has distributed excess cash to its shareholders following delivery of each vessel. During 2017, AMSC received USD 12.5 million in cash dividends from PTAS. During 2018, PTAS will initiate steps to liquidate the company and then distribute its remaining available cash to its shareholders. AMSC will receive its pro-rata share of the dividends and liquidation proceeds, expected to be approximately USD 16 million net of tax, approximately USD 10 million of which will be used to repay the loan from Aker ASA. In total, AMSC expects to receive USD 28.5 million in gross after tax proceeds from the initial USD 25 million investment in PTAS.

Interest bearing debt as of 31 December 2017 was USD 628.4 million, net of USD 8.1 million in capitalized fees versus USD 664.4 million as of 31 December 2016. This debt relates to the bank financing of the Company's 10 vessels of USD 409.8 million, the bond of USD 220.0 million and a subordinated loan from Aker ASA of USD 6.7 million (plus USD 3.3 million of accrued interest). During 2017, AMSC used the dividend payments from PTAS to make principal repayments on the loan from Aker ASA. AMSC was in compliance with all of its debt covenants as of 31 December 2017.

Outlook

The U.S. Jones Act tanker market strengthened during the fourth quarter on the back of increased demand for shipments of refined petroleum products as well as crude oil cargoes across the U.S. Gulf and to the U.S. Northeast. On a time charter equivalent basis there have been reported short term fixtures above USD 50,000 per day. Multiple older tankers and ATBs are coming off long-term charters in 2018, and owners will face expensive drydock decisions with respect to these vessels. Accordingly, increased scrapping and lay up activity is expected which would positively impact supply and demand dynamics.

The U.S. Jones Act fleet of tankers and ATBs consists of just under 100 vessels and is involved in carrying clean products, chemicals and crude oil for a range of charterers. The clean product trade, which is mainly clean cargoes carried from the U.S. Gulf refining areas into the state of Florida, has shown encouraging signs of increased demand. In addition, the cold weather in the U.S. Northeast has led to numerous vessels being deployed on longer distance voyages from the U.S. Gulf to terminals in the Philadelphia and New York areas. Since the main arteries for clean products to the U.S. Northeast (the Colonial and Plantation pipelines) are reportedly running at full or near-full capacity, incremental demand for clean products is primarily met by foreign imports or domestically refined products delivered by Jones Act tankers from the U.S. Gulf.

There has also been an accelerated demand for transportation services from the U.S. Gulf to the U.S. Northeast for domestic crude oil. This trade lane is one of the longest in the Jones Act (~15 day round voyage) and increased from one tanker on occasion to five tankers doing shuttle services towards the end of the fourth quarter. The accelerated demand for domestic crude oil is driven by the widening of the price spread between U.S. crude oil available for shipment in the U.S. Gulf and its foreign equivalents, most notably Bonny Light and Brent. The discounted U.S. domestic crude incentivizes U.S. Northeast refiners to shift their crude oil purchasing patterns toward domestic crude sourced in the U.S. Gulf as opposed to foreign crudes. As shale production increases, one may expect producers to continue to offer, or even increase discounts on domestic U.S. crude to attract buyers in both local and foreign markets. This led to additional favorable change in refiners' purchasing patterns. During the fourth quarter, waterborne crude from the U.S. Gulf to the U.S. Northeast accounted for less than 10% of total crude imported to the U.S. Northeast, indicating there is significant potential in this trade. This is particularly positive for Jones Act tanker demand as the dynamic deploys tonnage on one of the longest trade lanes in the market for U.S. crude infrastructure.

In the meantime, both the intra gulf crude market and the west coast market for crude and clean products remain stable during the fourth quarter.

Two tankers exited the fleet in 2016 followed by four ATBs in 2017, including one ATB that suffered an explosion. The latter incident will increase scrutiny of other older assets and likely increase the pace at which older assets will be removed from the fleet going forward. The commercial viability of operating older assets is diminishing as they are unable to obtain long-term employment following the completion of their current time charters and must undergo upcoming expensive dry dockings. Given the relatively small size of the Jones Act tanker and ATB fleet, small levels of supply contraction can have a disproportionate effect on the rate environment. There have been no new orders for Jones Act tankers and there are no tankers and only two ATBs left in the orderbook for delivery during 2018.

AMSC enjoys downside protection with nine product tankers on “hell or high water” bareboat contracts until December 2019 and one shuttle tanker on a “hell or high water” bareboat contract until June 2025. With a market poised for recovery, the Company benefits from a profit share arrangement with OSG providing upside to shareholders. The profit share arrangement also includes an OSG Credit, which needs to be settled in full before cash profit share is paid to AMSC. (see note 11 for more detailed information).

Following a successful refinancing earlier in 2017 and no debt maturities due until Q4 2020, AMSC has shifted its focus to further develop growth opportunities going forward. As a Jones Act tonnage provider, the Company is in a unique position to capitalize on select opportunities within the Jones Act segment. Any expansion would aim to diversify the fleet composition, market exposure, and customer base as well as provide accretion for shareholders.

Risks

The risks facing AMSC principally relate to the operational and financial performance of OSG, re-chartering risk as well as overall market risk. Nine of the ten vessel charters expire in December 2019 and the charterer has until December 2018 to declare its extension options. In the event one or several of the extension options are not declared, AMSC will seek to re-charter the relevant vessel(s) to other Jones Act operators or directly to end users in the Jones Act tanker trade.

AMSC’s activities also expose the Company to a variety of other financial risks, including but not limited to, currency, interest rate, refinancing, and liquidity risk.

For further details of AMSC’s risks, refer to the 2016 Annual Report.

Definitions

Jones Act - The U.S. cabotage law, referred to as Jones Act, requires all commercial vessels operating between U.S. ports to be built, owned, operated and manned by U.S. citizens and to be registered under the U.S. flag. In 1996 certain amendments were enacted to the U.S. vessel documentations laws, allowing increased non-U.S. participation in the ownership of vessels operating in the Jones Act trade under certain conditions, known as the finance lease exemption.

Lysaker, 13 February 2018
The Board of Directors and President / CEO
American Shipping Company ASA

Annette Malm Justad Chairperson	Peter D. Knudsen Director
Audun Stensvold Director	Pål Magnussen President / CEO

AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2017

CONDENSED INCOME STATEMENT

	unaudited			
	Q4	**Q4**	**Full year**	
Amounts in USD million (except share and per share information)	**2017**	**2016**	**2017**	**2016**
Operating revenues	22.1	22.1	87.8	88.0
Operating expenses	(0.9)	(0.6)	(2.9)	(2.9)
Operating profit before depreciation - EBITDA	**21.2**	**21.5**	**84.9**	**85.1**
Depreciation	(8.3)	(8.7)	(33.9)	(34.3)
Operating profit - EBIT	**12.9**	**12.8**	**51.0**	**50.8**
Gain / (loss) on investments	(0.5)	2.2	4.2	2.7
Net interest expense	(10.2)	(9.2)	(45.4)	(37.2)
Unrealized gain/(loss) on interest swaps	1.8	6.3	1.7	0.6
Net foreign exchange gain/(loss)	-	-	-	0.1
Profit/(loss) before income tax	**4.0**	**12.1**	**11.5**	**17.0**
Income tax expense	(2.3)	-	(3.9)	**-**
Non-cash income tax (expense) / benefit	4.7	(4.6)	2.2	(9.9)
Net profit/(loss) for the period *	**6.4**	**7.5**	**9.8**	**7.1**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.11**	**0.12**	**0.16**	**0.12**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
	Q4	**Q4**	**Full year**	
Amounts in USD million	**2017**	**2016**	**2017**	**2016**
Net income/(loss) for the period	6.4	7.5	9.8	7.1
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**6.4**	**7.5**	**9.8**	**7.1**

*** Applicable to common stockholders of the parent company.**

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited	
	31-Dec	**31-Dec**
Amounts in USD million	**2017**	**2016**
Assets		
Non-current assets		
Vessels	745.6	779.5
Interest-bearing long term receivables (DPO)	28.7	30.6
Other long term assets	16.6	27.6
Derivative financial assets	1.7	-
Total non-current assets	**792.6**	**837.7**
Current assets		
Trade and other receivables	0.2	0.3
Cash held for specified uses	2.3	2.3
Cash and cash equivalents	52.0	49.1
Total current assets	**54.5**	**51.7**
Total assets	**847.1**	**889.4**
Equity and liabilities		
Total equity	**183.3**	**195.7**
Non-current liabilities		
Bond payable	220.0	212.8
Other interest-bearing loans	388.2	430.0
Derivative financial liabilities	-	0.1
Capitalized fees	(8.1)	(6.7)
Deferred tax liability	15.2	17.4
Total non-current liabilities	**615.3**	**653.6**
Current liabilities		
Interest-bearing short-term debt	28.3	28.3
Deferred revenues and other payables	20.2	11.8
Total current liabilities	**48.5**	**40.1**
Total liabilities	**663.8**	**693.7**
Total equity and liabilities	**847.1**	**889.4**

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	*unaudited* Full year 2017	2016
Reported equity as of beginning of period	195.7	224.2
Non-cash deferred tax correction	-	(7.8)
Restated equity as of beginning of period	**195.7**	**216.4**
Total comprehensive income for the period	9.8	7.1
Repurchase of treasury shares	(0.1)	-
Proceeds from sale of treasury shares	-	-
Dividends/return of capital	(22.1)	(27.8)
Total equity as of end of period	**183.3**	**195.7**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* Full year 2017	2016
Net cash flow from operating activities	51.0	56.7
Net cash flow from investing activities	15.1	-
Net cash flow used in financing activities	(63.2)	(38.6)
Net change in cash and cash equivalents	**2.9**	**18.1**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	51.4	33.3
Cash and cash equivalents, including cash held for specified uses at end of period	**54.3**	**51.4**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2017

1. Introduction - American Shipping Company

American Shipping Company ASA ("AMSC") is a company domiciled in Norway. The condensed interim financial statements for the three and twelve months ended 31 December 2017 comprise AMSC and its wholly owned subsidiaries. These financial statements have not been audited or reviewed by the Company's auditors. American Shipping Company has one operating segment.

The consolidated 2016 annual financial statements of AMSC are available at www.americanshippingco.com.

2. Basis of Preparation

These consolidated interim financial statements reflect all adjustments, in the opinion of AMSC's management, that are necessary for a fair presentation of the results of operations for the periods presented. Operating results for the three and twelve month periods are not necessarily indicative of the results that may be expected for any subsequent interim period or year.

3. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) applicable for interim reporting, *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2016.

4. Significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2016.

There have not been any new IFRS standards or interpretations issued or effective after the completion of the annual consolidated financial statements for the year 2016 that have a significant impact on AMSC's financial reporting for the twelve months ended 31 December 2017.

5. Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts in the financial statements. Although these estimates are

based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.
The most significant judgments made by management in preparing these condensed consolidated interim financial statements in applying the Group's accounting policies, and the key sources of estimation uncertainty, are the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2016.

Certain prior period reclassifications were made to conform to current year presentation.

6. Tax

Income tax expense is recognized in each interim period based on the best estimate of the expected annual income tax rates.

Without the benefit of accelerated depreciation on vessels for U.S. income tax purposes, the Company would have U.S. taxable income. Accordingly, substantially all of the deferred tax expense results from accelerated tax depreciation, which has created differences between accumulated depreciation for book and tax purposes and corresponding tax losses, the net of which is recognized as a deferred tax liability. The Company expects that the deferred tax liability will continue to grow until the U.S. subsidiaries are in a tax payable position for U.S. Federal income tax purposes, which is not expected until the vessels are fully depreciated for tax purposes and currently available tax operating losses are fully utilized. Deferred tax expense is a non-cash item.

During 2017, the Company recognized a deferred tax expense of USD 1.7 million related to income taxes in the Commonwealth of Pennsylvania (USD 1.6 million in 2016) and a deferred tax benefit of USD 3.9 million related to U.S. federal income tax (USD 3.0 million in 2016). During 2017, AMSC recognized an income tax expense of USD 2.6 million (0 in 2016), relating to its share of the income from its investment in Philly Tankers and state franchise taxes of USD 1.3 million.

As a result of the recently passed U.S. federal tax reform legislation, which reduced the federal corporate income tax rate from 35% to 21%, and changes to the Company's effective state tax rate, AMSC booked a one-time non-cash tax benefit of USD 5.9 million in the fourth quarter 2017. The Company is required to revalue its net deferred tax liability based on the new lower tax rate.

Since the entities in the Group cannot be consolidated for state tax purposes, the Company must recognize a state deferred tax liability for those entities in which gross tax liabilities exceed gross tax assets. Deferred tax assets include the Company's net operating losses in carryforward, the losses on derivative financial liabilities and capitalized loan fees. Deferred tax liabilities include the value of the vessels. AMSC's effective tax rate is significantly impacted by losses in Norway for which no tax benefit is recorded.

The Company has USD 558.8 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2017, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2016 consolidated financial statements for more details). The Company also has USD 50.3 million of net operating losses in carryforward in Norway as of 31 December 2017.

7. Share capital and equity

As of 31 December 2017, AMSC had 60,616,505 ordinary shares at a par value of NOK 10 per share.

Dividends paid (classified as repayment of previously paid in share premium)	2017				2016			
	22-Feb-17	8-Jun-17	31-Aug-17	1-Dec-17	3-Mar-16	8-Jun-16	31-Aug-16	23-Nov-16
NOK per share	1.039	0.673	0.631	0.663	0.923	0.891	1.019	1.040
USD per share	0.124	0.080	0.080	0.080	0.107	0.107	0.124	0.124
Aggregate NOK (millions)	63.0	40.8	38.3	40.2	56.0	54.0	61.8	63.0
Aggregate USD (millions)	7.5	4.8	4.8	4.8	6.5	6.5	7.5	7.4

8. Interest-bearing debt

The following table shows material changes in interest-bearing debt:

Amounts in USD million	12 months to 31-Dec-17	31-Dec-16
Balance at beginning of period	664.4	670.8
Repayment of debt / loan fees	(261.1)	(10.7)
Issuance of debt	220.0	-
Interest added to oustanding debt	-	-
Amortization of loan fees and discount	5.1	4.3
Balance at end of period	628.4	664.4

On 9 February 2017, American Tanker, Inc. ("ATI"), a fully owned subsidiary of AMSC, completed the successful placement of a five year USD 220 million senior unsecured bond. Settlement was on 22 February 2017, with final maturity date on 22 February 2022. The bond has a fixed coupon of 9.25%. The net proceeds from the bond were used to repay the unsecured bond which had a maturity in February 2018.

The Company was in compliance with all of its debt covenants as of 31 December 2017.

9. Related party transactions

AMSC believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

10. Interest

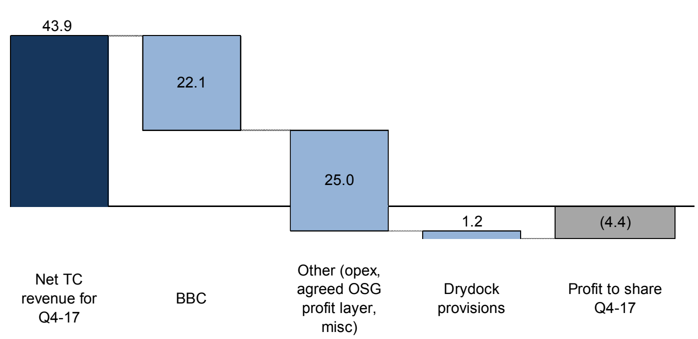
Amounts in USD million	3 months to 31-Dec-17	31-Dec-16	12 months to 31-Dec-17	31-Dec-16
Interest expense	(10.8)	(10.1)	(47.6)	(39.2)
Interest income	0.6	0.9	2.2	2.0
Net interest expense	**(10.2)**	**(9.2)**	**(45.4)**	**(37.2)**

The increased expense in 2017 over 2016 was due to non-recurring items relating to the bond refinancing in Q1 2017 of USD 4.8 million

11. Profit sharing agreement with OSG

As disclosed, AMSC and OSG have an agreement sharing profits from OSG's operations of AMSC's 10 vessels. The calculation of profit to share is made on an aggregated fleet level. The calculation thus starts with total vessel revenue, subtracted by defined cost elements. The profit share is reported quarterly, but calculated on an aggregated fleet level over a full calendar year. Accordingly one may have individual quarters with positive profit share offset by quarters with negative profit share. Nonetheless, AMSC's portion of the profit can never be negative on an annual basis. For the full year 2017 the profit share was zero.

Profit Sharing Calculation for Q4 2017



AMSC's 50% share of the full year profit is used to reduce the OSG credit. In the agreement negotiated with OSG, the "OSG credit" is the amount of AMSC's profit sharing that OSG retains prior to having an obligation to remit profit sharing payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% share of the subsequent profit share in cash. The OSG credit balance was as of 31 December 2016 USD 4.9 million. Since profit share for the full year 2017 was zero, the OSG credit balance of USD 4.9 million has not been reduced, and interest of USD 0.5 million was accrued.

12. Deferred Principal Obligation (DPO)

Pursuant to the current charter agreements, OSG had the right to defer payment of a portion of the bareboat charter hire for the first five vessels during the initial seven year fixed bareboat charter periods. OSG paid a reduced bareboat charter rate and assumed the DPO. The DPO accrued on a daily basis to a maximum liability from OSG of USD 7.0 million per vessel. The DPO during the initial seven year period was discounted using the estimated market discount rate at lease inception. After the initial seven years, the DPO is repaid to AMSC over 18 years including interest unless the bareboat charter is terminated earlier at which time the DPO becomes due immediately. OSG has made repayments on all five vessels delivered under the arrangement, and those vessels' cash bareboat charter hire resumed to its full contractual amount.

	12 months to	
Amounts in USD million	**31-Dec-17**	**31-Dec-16**
Balance at beginning of period	30.6	32.6
Repayments of principal	(1.9)	(2.0)
Balance at end of period	28.7	30.6

13. Financial Instruments

The only financial instruments that the Company accounts for at fair value on an ongoing basis are the interest rate swaps, which are classified in the Level 2 category as is described in the 2016 consolidated financial statements. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the quarter ended 31 December 2017, there were no transfers between categories.

The fair values of financial instruments, the related fair value hierarchy, together with the carrying amounts shown in the balance sheet are as follows:

Amounts in USD millions	Carrying amount 31-Dec-17	Fair value 31-Dec-17	Fair value hierarchy *
Interest-bearing receivables (DPO)	28.7	23.3	3
Interest swap used for economic hedging	1.7	1.7	2
Unsecured bond issue (gross)	(220.0)	(215.2)	2
Secured loans (gross)	(409.8)	(411.8)	2
Subordinated loans (gross)	(6.7)	(8.7)	2

The fair value of cash, accounts receivable and accounts payable approximate the carrying values due to their short-term nature.

* Described in the 2016 consolidated financial statements

14. Alternative Performance Measures

The new guidelines of the European Securities and Markets Authority ("ESMA") for alternative performance measures became effective for the financial year 2016. Alternative performance measures are financial measures other than the financial measures defined under IFRS. In accordance with this guideline, AMSC publishes the explanation of the use of alternative performance measures used by the Company, definitions of the performance measures used and reconciliation with the IFRS financial statement.

AMSC discloses Normalized EBITDA and Adjusted Net Profit in order to provide meaningful supplemental information to management and investors as the Company believes these measures enhance an understanding of the Company's operating earnings.

Normalized EBITDA is calculated as operating revenues (base bareboat revenue) less operating expenses plus profit sharing plus DPO. Adjusted Net Profit includes net profit/(loss) after tax, adjusting for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax. The tables below illustrate the comparative information for normalized EBITDA and reconciliation to the reported EBITDA and Adjusted net profit and a reconciliation to net profit/(loss) after tax.

Alternative Performance Measures (APM) Reporting:

	unaudited			
	Q4	**Q4**	**Full year**	
Normalized EBITDA (amounts in USD millions)	**2017**	**2016**	**2017**	**2016**
Base bareboat revenue	22.1	22.1	87.8	88.0
Less operating expenses	(0.9)	(0.6)	(3.0)	(2.9)
Reported EBITDA	**21.2**	**21.5**	**84.8**	**85.1**
Plus profit share *	-	1.8	-	10.2
Plus DPO	0.9	1.0	3.8	3.9
Normalized EBITDA	**22.1**	**24.3**	**88.7**	**99.2**

	unaudited			
	Q4	**Q4**	**Full year**	
Adjusted net profit (amounts in USD millions)	**2017**	**2016**	**2017**	**2016**
Net profit/loss after tax	6.4	7.5	9.8	7.1
Add back:				
Unrealized (gain)/loss on interest swaps	(1.8)	(6.3)	(1.7)	(0.6)
Net foreign exchange (gain)/loss	-	-	-	(0.1)
Non-cash income tax expense	(4.7)	4.6	(2.2)	9.9
Prior year tax expense	1.2	-	1.2	-
Non-cash capital loss	2.9	-	2.9	-
Bond closing:				
Non-cash write-off of unamortized bond discount	-	-	2.6	-
Bond call price	-	-	2.2	-
Adjusted net profit	**4.0**	**5.8**	**14.8**	**16.3**

15. American Tanker, Inc. consolidated financial statements

In accordance with the bond loan agreement, below are the consolidated unaudited financial statements for American Tanker, Inc. and its subsidiaries for the full year 2017.

CONDENSED INCOME STATEMENT

	unaudited
	Full year
Amounts in USD million (except share and per share information)	**2017**
Operating revenues	87.8
Operating expenses	(1.2)
Operating profit before depreciation - EBITDA	**86.6**
Depreciation	(33.8)
Operating profit - EBIT	**52.7**
Net interest expense	(45.6)
Unrealized gain/(loss) on interest swaps	1.7
Other financial expenses	(2.9)
Profit/(loss) before income tax	**5.9**
Income tax expense	(1.3)
Non-cash income tax expense	2.1
Net profit/(loss) for the period *	**6.8**
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	**6.77**

*** Applicable to common stockholders of the parent company.**

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	*unaudited* 31-Dec 2017
Assets	
Non-current assets	
Vessels	744.6
Interest-bearing long term receivables (DPO)	28.7
Derivative financial assets	1.6
Total non-current assets	**774.9**
Current assets	
Cash held for specified uses	2.3
Cash and cash equivalents	18.6
Total current assets	**20.9**
Total assets	**795.8**
Equity and liabilities	
Total equity	**58.4**
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	466.9
Capitalized fees	(8.1)
Deferred tax liability	16.6
Total non-current liabilities	**695.4**
Current liabilities	
Interest-bearing short-term debt	28.3
Deferred revenues and other payables	13.7
Total current liabilities	**42.0**
Total liabilities	**737.4**
Total equity and liabilities	**795.8**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* Full year 2017
Net cash flow from operating activities	50.6
Net cash flow used in financing activities	(78.9)
Net change in cash and cash equivalents	**(28.3)**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	49.2
Cash and cash equivalents, including cash held for specified uses at end of period	**20.9**

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