# Second Quarter 2011 Results - American Shipping Company ASA Takes Delivery Of Its Tenth Product Tanker From Aker Philadelphia Shipyard

OSLO (August 9, 2011) – On April 28, 2011, American Shipping Company ASA ("AMSC" or the "Company") took delivery of its tenth product tanker and immediately bareboat chartered it to Overseas Shipholding Group, Inc. This was the final vessel in the ten vessel series contracted with Aker Philadelphia Shipyard ("AKPS") in 2005. As of June 30, 2011, AMSC had all ten vessels on long-term bareboat charter hire with Overseas Shipholding Group, Inc. or one of its subsidiaries (collectively "OSG"), who in turn time charters the vessels to major oil companies.

AMSC's operating revenues for Q2 2011 and the first six months of 2011 were USD 21.0 million and USD 40.1 million, respectively, compared to USD 16.0 million in Q2 2010 and USD 30.7 million for the first six months of 2010. This increase in revenues reflects the increase in the number of vessels in 2011. EBITDA was USD 20.5 million in the second quarter 2011 compared to USD 15.2 million in the second quarter 2010. EBITDA for the first six months of 2011 and 2010 was USD 39.0 million and USD 29.1 million, respectively.

Operating expenses were USD 0.5 million in Q2 2011 and USD 1.1 million for the first six months of 2011, compared to USD 0.8 million in Q2 2010 and USD 1.6 million for the first six months of 2010. EBIT was USD 10.1 million in Q2 2011 compared to USD 7.2 million in Q2 2010. EBIT for the first six months of 2011 and 2010 was USD 19.1 million and USD 13.7 million, respectively.

Net interest expense (interest expense less interest income and capitalized interest) was negative USD 16.1 million in Q2 2011 and negative USD 30.9 million for the first six months of 2011, compared to USD 11.8 million in Q2 2010 and USD 22.3 million for the first six months of 2010. Net foreign exchange loss was USD 6.6 million in Q2 2011 and USD 15.3 million for the first six months of 2011. Net foreign exchange gain was USD 12.0 million in Q2 2010 and USD 17.8 million for the first six months of 2010. The foreign exchange impacts are unrealized and had no cash impact on AMSC.

In addition, in Q2 2011, AMSC incurred an unrealized loss of USD 4.5 million related to the mark-to-market valuation of its interest rate swap contracts on its vessel financing (gain of USD 4.4 million for the first six months of 2011). The corresponding Q2 2010 and first half 2010 amounts were an unrealized loss of USD 16.1 million and USD 23.3 million, respectively. These unrealized gains/losses had no cash impact on AMSC.

Net loss for the second quarter of 2011 was USD 17.1 million versus a net loss of USD 8.7 million in the second quarter of 2010. For the six months ended June 30, 2011 and 2010, net loss was USD 22.7 million and USD 14.1 million, respectively.

**INCOME STATEMENT**

| | *unaudited* | | | |
|---|---|---|---|---|
| | **Q2** | **Q2** | **Year to Date** | |
| **Amounts in USD million (except share and per share information)** | **2011** | **2010** | **2011** | **2010** |
| Operating revenues | 21.0 | 16.0 | 40.1 | 30.7 |
| **Operating profit before depreciation - EBITDA** | **20.5** | **15.2** | **39.0** | **29.1** |
| Operating profit - EBIT | 10.1 | 7.2 | 19.1 | 13.7 |
| Net interest expense | (16.1) | (11.8) | (30.9) | (22.3) |
| Unrealized gain/(loss) on interest swaps | (4.5) | (16.1) | 4.4 | (23.3) |
| Net foreign exchange gain/(loss) | (6.6) | 12.0 | (15.3) | 17.8 |
| Profit/(loss) before income tax | (17.1) | (8.7) | (22.7) | (14.1) |
| **Net profit/(loss) for the period *** | **(17.1)** | **(8.7)** | **(22.7)** | **(14.1)** |
| Average number of common shares | 27,600,000 | 27,600,000 | 27,600,000 | 27,600,000 |
| **Basic and diluted earnings per share (USD)** | **(0.62)** | **(0.32)** | **(0.82)** | **(0.51)** |

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

## STATEMENT OF FINANCIAL POSITION

| | unaudited | | |
|---|---|---|---|
| Amounts in USD million | 30-Jun 2011 | 30-Jun 2010 | 31-Dec 2010 |
| Property, plant & equipment | 969.8 | 796.6 | 884.1 |
| Interest-bearing long term receivables | 14.2 | 9.4 | 11.7 |
| Other non current assets | - | 49.7 | 24.7 |
| Non-current cash held for specified uses | 35.7 | 13.1 | 46.0 |
| Assets held for sale | - | 21.9 | - |
| Trade and other receivables | 0.7 | 0.6 | 0.8 |
| Cash held for specified uses | 21.8 | 23.5 | 19.6 |
| Cash and cash equivalents | 22.6 | 20.5 | 21.2 |
| **Total assets** | **1,064.8** | **935.3** | **1,008.1** |
| | | | |
| Total equity | 35.5 | 64.6 | 58.2 |
| Interest-bearing long term debt | 689.1 | 719.1 | 801.0 |
| Interest-bearing short term debt | 239.6 | 41.5 | 44.8 |
| Derivative financial liabilities | 91.4 | 102.3 | 95.8 |
| Tax payable and trade and other payables | 9.2 | 7.8 | 8.3 |
| **Total equity and liabilities** | **1,064.8** | **935.3** | **1,008.1** |

The change in Property, plant & equipment from December 31, 2010 reflects the increased number of vessels. Other non-current assets in 2010 reflect deposits for payments to AKPS for vessel construction. The changes in Interest-bearing long term debt and short term debt reflect the maturity of the bond in February 2012 as well as the increase in bank debt for delivery of the last vessel.

Interest bearing debt as of June 30, 2011 was USD 928.7 million, net of USD 13.6 million in capitalized fees versus USD 845.8 million as of December 31, 2010. This debt relates to the financing on ten vessels as well as the NOK denominated bond (consisting of principal amount of NOK 700 million plus payment-in-kind interest through June 2011 of NOK 314 million) issued in February 2007.

During the first half of 2011, the bondholders approved a reduction in the required minimum equity covenant (defined as book equity exclusive of the mark-to-market adjustments on the interest rate swaps) from USD 140 million to USD 80 million. AMSC was in compliance with all of its debt covenants as of June 30, 2011.

## Outlook

As we have noted in recent releases, the Jones Act market for product tankers continues to be in an oversupply situation with several ships remaining idle. However, our long-term charters provide AMSC with stable cash flows that are protected from short-term market movements. Our charters also provide for a profit sharing component. The extent of profit sharing is dependent on time charter rates obtained by the vessel operator as well as the ability of the operator to operate the vessels in a cost efficient manner. To date, the Company has not yet received any profit sharing contributions and based on market conditions, we do not expect to receive profit sharing in the medium term. However, we continue to believe that the market will improve over the longer-term. We remain committed to our strategy of maintaining tight cost control and to be prepared to capitalize on value creation opportunities, as well as staying focused on achieving the remaining conditions required for extending our bareboat charters to December 2019 per the settlement agreement with OSG (see note 11 below for more information). The Company's bond debt matures in February 2012 and we are currently in the process of evaluating different alternatives for the Company's debt.

## Risks

The principal risks facing AMSC relate to the performance of OSG, credit risk, counterparty risk, and overall market risk.

AMSC's activities also expose it to a variety of financial risks, including refinancing, currency, interest rate and liquidity risk.

For further details of AMSC's risks, including our guarantees, refer to the 2010 Annual Report and the Q1 2011 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 exception.

Oslo, August 9, 2011
The Board of Directors and Managing Director
American Shipping Company ASA

| | |
|---|---|
| Annette Malm Justad<br>Chairperson | Frank Reite<br>Director |
| Lars Solbakken<br>Director | Dag Fasmer Wittusen<br>President/CEO |

**Responsibility statement**

The unaudited condensed interim consolidated financial statements of American Shipping Company ASA and its subsidiaries (“Group”) and interim financial report as of June 30, 2011 and for the first half of 2011 were approved by the Board of Directors and Managing Director on August 9, 2010.

The interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU and the additional requirements in the Norwegian Securities Trading Act.

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principle opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Oslo, August 9, 2011
The Board of Directors and Managing Director
American Shipping Company ASA

Annette Malm Justad
Chairperson

Frank Reite
Director

Lars Solbakken
Director

Dag Fasmer Wittusen
President/CEO

## American Shipping Company ASA Consolidated Group

**INCOME STATEMENT**

| Amounts in USD million (except share and per share information) | Q2 2011 | Q2 2010 | Year to Date 2011 | Year to Date 2010 |
|---|---|---|---|---|
| | *unaudited* | | | |
| Operating revenues | 21.0 | 16.0 | 40.1 | 30.7 |
| Operating expenses | (0.5) | (0.8) | (1.1) | (1.6) |
| **Operating profit before depreciation - EBITDA** | **20.5** | **15.2** | **39.0** | **29.1** |
| Depreciation | (10.4) | (8.0) | (19.9) | (15.4) |
| **Operating profit - EBIT** | **10.1** | **7.2** | **19.1** | **13.7** |
| Net interest expense | (16.1) | (11.8) | (30.9) | (22.3) |
| Unrealized gain/(loss) on interest swaps | (4.5) | (16.1) | 4.4 | (23.3) |
| Net foreign exchange gain/(loss) | (6.6) | 12.0 | (15.3) | 17.8 |
| **Profit/(loss) before income tax** | **(17.1)** | **(8.7)** | **(22.7)** | **(14.1)** |
| Income tax expense | - | - | - | - |
| **Net profit/(loss) for the period *** | **(17.1)** | **(8.7)** | **(22.7)** | **(14.1)** |
| Average number of common shares | 27,600,000 | 27,600,000 | 27,600,000 | 27,600,000 |
| **Basic and diluted earnings per share (USD)** | **(0.62)** | **(0.32)** | **(0.82)** | **(0.51)** |

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

**STATEMENT OF CHANGES IN COMPREHENSIVE INCOME**

| Amounts in USD million | Q2 2011 | Q2 2010 | Year to Date 2011 | Year to Date 2010 |
|---|---|---|---|---|
| | *unaudited* | | | |
| Net income/(loss) for the period | (17.1) | (8.7) | (22.7) | (14.1) |
| Other comprehensive income for the period, net of tax | - | - | - | - |
| **Total comprehensive income/(loss) for the period** | **(17.1)** | **(8.7)** | **(22.7)** | **(14.1)** |

**STATEMENT OF FINANCIAL POSITION**

| Amounts in USD million | 30-Jun 2011 | 30-Jun 2010 | 31-Dec 2010 |
|---|---|---|---|
| | *unaudited* | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant & equipment | 969.8 | 796.6 | 884.1 |
| Interest-bearing long term receivables | 14.2 | 9.4 | 11.7 |
| Prepayments | - | 49.7 | 24.7 |
| Non-current cash held for specified uses | 35.7 | 13.1 | 46.0 |
| **Total non-current assets** | **1,019.7** | **868.7** | **966.5** |
| **Current assets** | | | |
| Assets held for sale | - | 21.9 | - |
| Trade and other receivables | 0.7 | 0.6 | 0.8 |
| Cash held for specified uses | 21.8 | 23.5 | 19.6 |
| Cash and cash equivalents | 22.6 | 20.5 | 21.2 |
| **Total current assets** | **45.1** | **66.5** | **41.6** |
| **Total assets** | **1,064.8** | **935.3** | **1,008.1** |
| **Equity and liabilities** | | | |
| **Total equity** | **35.5** | **64.6** | **58.2** |
| **Non-current liabilities** | | | |
| Bond payable | - | 145.8 | 167.5 |
| Other interest-bearing loans | 702.7 | 590.9 | 649.2 |
| Capitalized fees | (13.6) | (17.6) | (15.7) |
| **Total non-current liabilities** | **689.1** | **719.1** | **801.0** |
| **Current liabilities** | | | |
| Interest-bearing short-term debt | 239.6 | 41.5 | 44.8 |
| Derivative financial liabilities | 91.4 | 102.3 | 95.8 |
| Tax payable and trade and other payables | 9.2 | 7.8 | 8.3 |
| **Total current liabilities** | **340.2** | **151.6** | **148.9** |
| **Total liabilities** | **1,029.3** | **870.7** | **949.9** |
| **Total equity and liabilities** | **1,064.8** | **935.3** | **1,008.1** |

**STATEMENT OF CHANGES IN TOTAL EQUITY**

| Amounts in USD million | Year to Date 2011 | Year to Date 2010 |
|---|---|---|
| | *unaudited* | |
| Equity related to the equity holders of the parent company as of beginning of period | 58.2 | 78.8 |
| Total comprehensive income/(loss) for the period | (22.7) | (14.1) |
| **Total equity as of end of period** | **35.5** | **64.7** |

**CASH FLOW STATEMENT**

| Amounts in USD million | Year to Date 2011 | Year to Date 2010 |
|---|---|---|
| | *unaudited* | |
| Net cash flow from operating activities | 15.9 | 15.2 |
| Net cash flow from investing activities | (80.2) | (80.3) |
| Net cash flow from financing activities | 67.9 | 76.5 |
| **Net change in cash and cash equivalents** | **3.6** | **11.4** |
| Cash and cash equivalents, including cash held for specified uses at the beginning of period | 40.8 | 32.6 |
| **Cash and cash equivalents, including cash held for specified uses at end of period** | **44.4** | **44.0** |

**Notes to the unaudited condensed consolidated interim financial statements for the first half and the three months ended June 30, 2011**

1. Introduction - American Shipping Company

American Shipping Company ASA ("AMSC") is a company domiciled in Norway. The condensed interim financial statements for the first half of 2011 and the three months ended June 30, 2011 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 quarterly 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 six 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 (IFRS) 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 December 31, 2010.

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 December 31, 2010. There have not been any new IFRS standards or interpretations issued after the completion of the annual consolidated financial statements for the year 2010 that have a significant impact on AMSC's financial reporting.

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 December 31, 2010.

6. Tax estimates

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

7. Share capital and equity

As of June 30, 2011, AMSC had 27,600,000 ordinary shares at a par value of NOK 10 per share. There have been no dividends paid on ordinary shares in 2011 or 2010.

8. Interest-bearing debt

As noted in the financial statement section of this report, during the first quarter of 2011, AMSC's bondholders voted in favor of modifying the minimum required equity covenant (exclusive of mark-to-market adjustments in the interest rate swaps) from USD 140 million to USD 80 million.

The following shows material changes in interest-bearing debt:

| **Amounts in USD million** | **6 months to 6/30/2011** | **6 months to 6/30/2010** |
|---|---|---|
| **Balance at beginning of period** | 845.8 | 705.7 |
| Repayment of debt | (22.3) | (15.2) |
| Issuance of debt | 80.0 | 80.0 |
| Interest added to oustanding debt | 7.7 | 6.3 |
| Foreign currency impact | 15.3 | (17.9) |
| Amortization of loan fees | 2.2 | 1.7 |
| **Balance at end of period** | 928.7 | 760.6 |

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 6/30/2011 | 3 months to 6/30/2010 | 6 months to 6/30/2011 | 6 months to 6/30/2010 |
|---|---|---|---|---|
| Interest expense | (16.6) | (13.6) | (32.2) | (26.1) |
| Interest income | 0.3 | 0.2 | 0.6 | 0.4 |
| Interest capitalized | 0.2 | 1.6 | 0.7 | 3.4 |
| **Net interest expense** | **(16.1)** | **(11.8)** | **(30.9)** | **(22.3)** |

11. Settlement Agreement with OSG

In December 2009, the Company announced that it had entered into a settlement agreement ("Settlement Agreement") with OSG that settled all of the outstanding commercial disputes between AMSC and OSG. The Settlement Agreement enabled the Company to complete the twelve vessel build series with AKPS.

As part of the Settlement Agreement, the fixed terms of the bareboat charters of the ten product tankers will be extended to a common expiration date that is ten years from the settlement date upon satisfaction of certain conditions including timely delivery of the remaining vessels in the twelve ship order and the satisfactory refinancing or extension of AMSC's vessel debt and bond obligations. The first condition has been met with the delivery of the final vessel in Q2 2011. The Company's bond debt matures in February 2012 and we are currently in the process of evaluating different alternatives for both the bank and the bond debt.

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## Disclaimer

This release includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for American Shipping Company ASA and its subsidiaries and affiliates (the "American Shipping Company Group") lines of business. These expectations, estimates, and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the American Shipping Company Group's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although American Shipping Company ASA believes that its expectations and the information in this release were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this release. Neither American Shipping Company ASA nor any other company within the American Shipping Company Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the release, and neither American Shipping Company ASA, any other company within the American Shipping Company Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the release.

American Shipping Company ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the release, other than what is required by law.

The American Shipping Company Group consists of many legally independent entities, constituting their own separate identities. American Shipping Company is used as the common brand or trade mark for most of these entities. In this release we may sometimes use "American Shipping Company"," "Group, "we," or "us," when we refer to American Shipping Company Group companies in general or where no useful purpose is served by identifying any particular company of American Shipping Company.