AMERICAN SHIPPING COMPANY ASA

Second Quarter 2017 Report

Second Quarter 2017 Report

Lysaker, 16 August 2017, American Shipping Company ASA (“AMSC or the “Company”) announces results for second quarter ending 30 June 2017.

HIGHLIGHTS

- Stable Q2 bareboat revenue of USD 21.9 million and backlog of secured bareboat revenue of USD 270 million with average weighted tenor of 3.1 years
- Normalized EBITDA for Q2 of USD 22.2 million
- Adjusted net profit for Q2 of USD 2.5 million
- Declared Q2 dividend of USD 0.08 per share, in line with previous guidance and backed by the Company’s contracted cash flow
- Completed listing of the USD 220 million unsecured bond on the Oslo Stock Exchange under the ticker AMTI01

AMSC CEO, Pål Magnussen comments, *“We are pleased to deliver consistent financial results for Q2 2017, in line with expectations, despite a continuing soft Jones Act tanker market. Our Q2 2017 financial results demonstrate our stable business model with all ships on “come hell or high water” bareboat contracts”.*

MAIN EVENTS DURING AND SUBSEQUENT TO THE SECOND QUARTER

- **Operating income**: Operating income was stable USD 12.8 million in Q2 2017 versus USD 12.6 million in Q2 2016.

- **Profit share:** There was no profit share for Q2 2017 attributed to AMSC, compared to Q2 2016 profit share of USD 3.0 million. 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. See note 11 for further details.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.2 million for Q2 2017 consists of base bareboat revenue of USD 21.9 million, plus Deferred Principal Obligation (“DPO”) of USD 0.9 million, less SG&A of USD 0.6 million. The comparative figure for Q2 2016 for normalized EBITDA was USD 25.1 million (consisting of base bareboat revenue of USD 21.9 million, plus profit share of USD 3.0 million, plus DPO of USD 1.0 million, less SG&A of USD 0.8 million). The profit share is not included in Normalized EBITDA for Q2 2017. See Note 14 for more detailed information.

- **Adjusted net profit:** Q2 2017 adjusted net profit of USD 2.5 million 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 Q2 2016 was USD 3.4 million. See Note 14 for further details.

- **Bond listing:** On 14 June 2017, American Tanker, Inc. (“ATI”), a fully owned subsidiary of AMSC, listed the USD 220 million unsecured bonds on the Oslo Stock Exchange under the ticker AMTI01.

- **Dividends:** On 23 May 2017, the Board authorized a quarterly dividend payment of USD 0.08 per share, to the shareholders of AMSC on record as of 31 May 2017, which was paid on 8 June 2017, equaling NOK 0.673 per share. The dividend was classified as a return of paid in capital.

  On 15 August 2017, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders of AMSC on record as of 23 August 2017, in line with previous guidance. The shares in AMSC will be traded ex. dividend from and including 22 August, and the dividend will be paid on or about 31 August 2017. 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 levels. 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.

- **Philly Tankers:** During Q2 2017, Philly Tankers distributed a dividend (classified as a repayment of capital) to its shareholders from the sale of its second vessel. AMSC received USD 6.0 million (net of tax) and used USD 6.5 million to partly repay the Aker loan.

  In total, AMSC has received USD 13.3 million in dividends from Philly Tankers (net of tax) to date and has repaid the Aker Loan with the same amount.

SECOND QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	unaudited Q2 2017	Q2 2016	Year to date 2017	2016
Operating revenues	21.9	21.9	43.5	43.8
Operating profit before depreciation - EBITDA	21.3	21.1	42.2	42.3
Normalized EBITDA	**22.2**	**25.1**	**44.1**	**51.3**
Operating profit - EBIT	12.8	12.6	25.2	25.3
Gain on investments	-	-	2.3	0.4
Net interest expense	(10.3)	(9.2)	(24.8)	(18.3)
Unrealized gain/(loss) on interest swaps	(0.9)	(2.5)	(0.2)	(6.8)
Net foreign exchange gain/(loss)	-	-	-	0.1
Profit/(loss) before income tax	1.6	0.9	2.5	0.7
Income tax expense	-	-	(0.6)	-
Non-cash income tax expense	(0.2)	(1.5)	(2.0)	(3.3)
Net profit/(loss) for the period *	1.4	(0.6)	(0.1)	(2.6)
Adjusted net profit	**2.5**	**3.4**	**6.9**	**7.4**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.02	(0.01)	(0.00)	(0.04)

* Applicable to common stockholders of the parent company

Second quarter results

AMSC's operating revenues for Q2 2017 and Q2 2016 were USD 21.9 million. EBITDA was USD 21.3 million in Q2 2017 (USD 21.1 million in Q2 2016). EBIT was USD 12.8 million in Q2 2017 (USD 12.6 million in Q2 2016).

Net interest expense (interest expense less interest income) for Q2 2017 was USD 10.3 million (USD 9.2 million in Q2 2016).

In Q2 2017, AMSC had an unrealized loss of USD 0.9 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 2.5 million in Q2 2016).

AMSC had a net profit before tax for Q2 2017 of USD 1.6 million (USD 0.9 million in Q2 2016). Non-cash deferred income tax expense was USD 0.2 million in Q2 2017 (USD 1.5 million in Q2 2016).

The non-cash deferred income tax expense is a 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 30 June 2017, AMSC has USD 536.8 million of net operating losses in carryforward in its U.S. subsidiaries. AMSC's U.S. subsidiaries are not expected to pay federal income tax for many years and in no event until the vessels are fully depreciated for tax purposes and available tax operating losses are fully utilized. See Note 6 for more detailed information.

Net profit for Q2 2017 was USD 1.4 million compared to net loss of USD 0.6 million in Q2 2016.

Year to date results

AMSC's operating revenues for the first half of 2017 and 2016 were USD 43.5 million and USD 43.8 million, respectively. EBITDA was USD 42.2 million in the first half of 2017 (USD 42.3 million for the six months ending 30 June 2016). EBIT was USD 25.2 million for the six months ending 30 June 2017 and USD 25.3 million for the same period in 2016.

Net interest expense (interest expense less interest income) for the first half of 2017 was USD 24.8 million (USD 18.3 million for the same period in 2016). 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.

Net foreign exchange gain was 0 year to date in 2017 (USD 0.1 million in 2016), resulting from the translation of Norwegian kroner (NOK) cash balances into USD.

In the first half of 2017, AMSC had an unrealized loss of USD 0.2 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 6.8 in the first half of 2016).

In the first half of 2017, AMSC recognized a gain of USD 2.3 million on its investment in Philly Tankers (USD 0.4 million in the same period of 2016), related to the delivery and sale of the second vessel by Philly Tankers to Kinder Morgan.

AMSC had a net profit before tax for the six months ending 30 June 2017 and 2016 of USD 2.5 million and USD 0.7 million, respectively. Non-cash deferred income tax expense was USD 2.0 million in the first six months of 2017 (USD 3.3 million in the same period of 2016). AMSC recognized an income tax expense of USD 0.6 million in the first half of 2017 (0 in the same period 2016), relating to its share of the income from its investment in Philly Tankers. Net loss for year-to-date 2017 was USD 0.1 million compared to USD 2.6 million in the same period of 2016.

Condensed Statement of Financial Position

	unaudited		
		restated	
Amounts in USD million	**30-Jun 2017**	**30-Jun 2016**	**31-Dec 2016**
Vessels	762.5	796.8	779.5
Interest-bearing long term receivables (DPO)	29.7	31.6	30.6
Other non current assets	15.3	25.2	27.6
Trade and other receivables	1.6	0.3	0.3
Cash held for specified uses	2.2	2.3	2.3
Cash and cash equivalents	51.0	42.0	49.1
Total assets	**862.3**	**898.2**	**889.4**
Total equity	183.1	200.8	195.6
Deferred tax liabilities	19.4	10.8	17.4
Interest-bearing long term debt	613.2	648.4	636.1
Derivative financial liabilities - long term portion	0.3	1.5	0.1
Interest-bearing short term debt	28.3	20.0	28.3
Derivative financial liabilities - short term portion	-	6.0	-
Deferred revenues and other payables	18.0	10.7	11.9
Total equity and liabilities	**862.3**	**898.2**	**889.4**

The decrease in Vessels from 31 December 2016 reflects depreciation of the Company's ten vessels for the first half of 2017.

During the first six months of 2017, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 1.9 million, of which USD 1.0 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 Philly Tankers. As a result of the sale of four product tankers to Kinder Morgan announced in August 2015, Philly Tankers expects to continue to distribute excess cash to its shareholders following delivery of each vessel. When the last of the four product tankers has been delivered, which is expected to be in December 2017, Philly Tankers 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.

During 2016, AMSC identified an error in the calculation of 2014 and 2015 deferred income tax liabilities. The restated figures are shown in the table above and include a USD 7.8 million correction to the Q2 2016 balance sheet, as an increase in the deferred tax liabilities and a decrease in retained earnings. See AMSC's 2016 annual financial statements for more information.

Interest bearing debt as of 30 June 2017 was USD 641.5 million, net of USD 9.3 million in capitalized fees versus USD 664.4 million as of 31 December 2016. This debt relates to the bank financing of the ten vessels of USD 424.1 million, the new bond of USD 220.0 million and a subordinated loan from Aker ASA of USD 6.7 million. AMSC was in compliance with all of its debt covenants as of 30 June 2017.

Outlook

The U.S. Jones Act tanker market remained soft in Q2 2017 due to an oversupply of vessels in the market relative to demand. In the short term, the market is expected to remain soft, although it is expected to improve in the medium to longer term. The tanker fleet is involved in carrying clean products, chemicals and crude oil for a range of charterers. The clean product and chemical trades remain stable and represent the backbone of the tanker market with more than two thirds of the Jones Act tanker fleet being deployed in these segments. However, demand for coastal transportation of crude oil remains low, particularly when compared with demand during the 2015 shale oil production peak.

On the supply side, there are encouraging signs that support the Company's long-term view for the prospects of the U.S. Jones Act product tanker market. While the size of the Jones Act fleet has been increasing over the last several years, this will change going forward given the rapidly shrinking orderbook and the fact that there are approximately 20 tankers and ATBs that are 35 years of age or older. These vessels are likely to exit the operating fleet if they are unable to obtain long-term employment following the completion of their time charters combined with upcoming dry dockings. Given the relatively small size of the Jones Act tanker fleet, small levels of supply expansion or contraction can have a disproportionate effect on the rate environment. AMSC continues to believe that supply will decrease in the second half of 2017 and during 2018 as many vessels come off time charters and face expensive dry dockings at the same time as the orderbook is diminishing.

The Company remains insulated from current market conditions with nine product tankers on "hell or high water" bareboat contracts until December 2019 and one tanker that has been converted to a shuttle tanker on a "hell or high water" bareboat contract until June 2025. In addition, the Company benefits from a profit share arrangement with OSG, providing upside potential in a recovering market.

Following a successful refinancing earlier this year and no debt maturities due until Q4 2020, AMSC has shifted its focus to further develop growth opportunities going forward. As a Jones Act leasing specialist, 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 as well as overall market risk.

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, including our guarantees, 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, 15 August 2017
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

Responsibility statement

The unaudited condensed interim consolidated financial statements of American Shipping Company ASA and its subsidiaries ("Group") and interim financial report as of 30 June 2017 and for the first half of 2017 were approved by the Board of Directors and Managing Director on 15 August 2017.

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.

Lysaker, 15 August 2017
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 SECOND QUARTER AND HALF YEAR 2017

CONDENSED INCOME STATEMENT

	unaudited			
	Q2	Q2	Year to date	
Amounts in USD million (except share and per share information)	**2017**	**2016**	**2017**	**2016**
Operating revenues	21.9	21.9	43.5	43.8
Operating expenses	(0.6)	(0.8)	(1.3)	(1.5)
Operating profit before depreciation - EBITDA	**21.3**	**21.1**	**42.2**	**42.3**
Depreciation	(8.5)	(8.5)	(17.0)	(17.0)
Operating profit - EBIT	**12.8**	**12.6**	**25.2**	**25.3**
Gain on investments	-	-	2.3	0.4
Net interest expense	(10.3)	(9.2)	(24.8)	(18.3)
Unrealized gain/(loss) on interest swaps	(0.9)	(2.5)	(0.2)	(6.8)
Net foreign exchange gain/(loss)	-	-	-	0.1
Profit/(loss) before income tax	**1.6**	**0.9**	**2.5**	**0.7**
Income tax expense	-	-	(0.6)	-
Non-cash income tax expense	(0.2)	(1.5)	(2.0)	(3.3)
Net profit/(loss) for the period *	**1.4**	**(0.6)**	**(0.1)**	**(2.6)**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.02**	**(0.01)**	**(0.00)**	**(0.04)**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
	Q2	Q2	Year to date	
Amounts in USD million	**2017**	**2016**	**2017**	**2016**
Net income/(loss) for the period	1.4	(0.6)	(0.1)	(2.6)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**1.4**	**(0.6)**	**(0.1)**	**(2.6)**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited		
		restated	
	30-Jun	**30-Jun**	**31-Dec**
Amounts in USD million	**2017**	**2016**	**2016**
Assets			
Non-current assets			
Vessels	762.5	796.8	779.5
Interest-bearing long term receivables (DPO)	29.7	31.6	30.6
Other long term assets	15.3	25.2	27.6
Total non-current assets	**807.5**	**853.6**	**837.7**
Current assets			
Trade and other receivables	1.6	0.3	0.3
Cash held for specified uses	2.2	2.3	2.3
Cash and cash equivalents	51.0	42.0	49.1
Total current assets	**54.8**	**44.6**	**51.7**
Total assets	**862.3**	**898.2**	**889.4**
Equity and liabilities			
Total equity	**183.1**	**200.8**	**195.6**
Non-current liabilities			
Bond payable	220.0	211.6	212.8
Other interest-bearing loans	402.5	444.1	430.0
Derivative financial liabilities - long term portion	0.3	1.5	0.1
Capitalized fees	(9.3)	(7.3)	(6.7)
Deferred tax liability	19.4	10.8	17.4
Total non-current liabilities	**632.9**	**660.7**	**653.6**
Current liabilities			
Interest-bearing short-term debt	28.3	20.0	28.3
Derivative financial liabilities - short term portion	-	6.0	-
Deferred revenues and other payables	18.0	10.7	11.9
Total current liabilities	**46.3**	**36.7**	**40.2**
Total liabilities	**679.2**	**697.4**	**693.8**
Total equity and liabilities	**862.3**	**898.2**	**889.4**

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

	unaudited	
	Year to date	
Amounts in USD million	**2017**	**2016**
Reported equity as of beginning of period	195.6	224.2
Non-cash deferred tax correction	-	(7.8)
Restated equity as of beginning of period	**195.6**	**216.4**
Total comprehensive income for the period	(0.1)	(2.6)
Repurchase of treasury shares	(0.1)	-
Proceeds from sale of treasury shares	0.1	-
Dividends/return of capital	(12.4)	(13.0)
Total equity as of end of period	**183.1**	**200.8**

CONDENSED CASH FLOW STATEMENT

	unaudited	
	Year to date	
Amounts in USD million	**2017**	**2016**
Net cash flow from operating activities	26.3	28.5
Net cash flow from investing activities	14.6	-
Net cash flow used in financing activities	(39.1)	(17.5)
Net change in cash and cash equivalents	**1.8**	**11.0**
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	**53.2**	**44.3**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 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 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 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 six months ended 30 June 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 for many more years after vessels are fully depreciated for tax purposes and available tax operating losses are fully utilized. Deferred tax expense is a non-cash item.

During the first half of 2017, the Company recognized a deferred tax expense of USD 0.8 million related to income taxes in the Commonwealth of Pennsylvania (USD 0.2 million benefit in the same period of 2016) and a deferred tax expense of USD1.2 million related to U.S. federal income tax (USD 3.5 million in Q1 2016). During the first six month of 2017, AMSC recognized an income tax expense of USD 0.6 million (0 in 2016), relating to its share of the income from its investment in Philly Tankers.

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 536.8 million of net operating losses in carryforward in the U.S. subsidiaries as of 30 June 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 112.2 million of net operating losses in carryforward in Norway as of 31 December 2016.

7. Share capital and equity

As of 30 June 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	3-Mar-16	8-Jun-16
NOK per share	1.039	0.673	0.923	0.89122
USD per share	0.124	0.080	0.107	0.107
Aggregate NOK (millions)	63.0	40.8	56.0	54.0
Aggregate USD (millions)	7.5	4.8	6.5	6.50

8. Interest-bearing debt

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

Amounts in USD million	6 months to 30-Jun-17	30-Jun-16
Balance at beginning of period	664.4	670.8
Repayment of debt / loan fees	(246.7)	(4.5)
Issuance of debt	220.0	-
Interest added to oustanding debt	-	-
Amortization of loan fees and discount	3.8	2.1
Balance at end of period	641.5	668.4

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 30 June 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

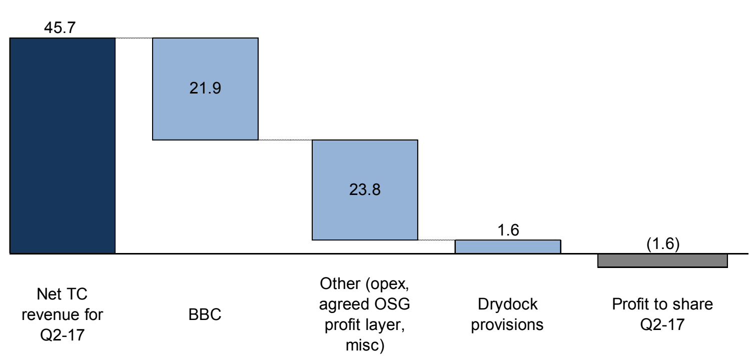
Amounts in USD million	3 months to 30-Jun-17	30-Jun-16	6 months to 30-Jun-17	30-Jun-16
Interest expense	(10.8)	(9.7)	(25.8)	(19.3)
Interest income	0.5	0.5	1.0	1.0
Net interest expense	**(10.3)**	**(9.2)**	**(24.8)**	**(18.3)**

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 ten 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.

Profit Sharing Calculation for Q2 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. Although profit share for the first half of 2017 was positive USD 0.9 million (USD 1.7 million in Q1 2017 and negative USD 0.8 million in Q2 2017), there is a risk that there will be zero profit share for the full year 2017. Therefore, the OSG credit balance of USD 4.9 million has not been reduced with the 2017 profit share amount.

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.

Amounts in USD million	6 months to 30-Jun-17	30-Jun-16
Balance at beginning of period	30.6	32.6
Repayments of principal	(0.9)	(1.0)
Balance at end of period	29.7	31.6

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 30 June 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 30-Jun-17	Fair value 30-Jun-17	Fair value hierarchy *
Interest-bearing receivables (DPO)	29.7	24.0	3
Interest swap used for economic hedging	(0.3)	(0.3)	2
Unsecured bond issue (gross)	(220.0)	(222.5)	2
Secured loans (gross)	(424.1)	(432.2)	2
Subordinated loans (gross)	(6.7)	(8.2)	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			
	Q2	Q2	Year to date	
Normalized EBITDA (amounts in USD millions)	**2017**	**2016**	**2017**	**2016**
Base bareboat revenue	21.9	21.9	43.5	43.8
Less operating expenses	(0.6)	(0.8)	(1.3)	(1.5)
Reported EBITDA	**21.3**	**21.1**	**42.2**	**42.3**
Plus profit share *	-	3.0	-	7.0
Plus DPO	0.9	1.0	1.9	2.0
Normalized EBITDA	**22.2**	**25.1**	**44.1**	**51.3**

	unaudited			
	Q2	Q2	Year to date	
Adjusted net profit (amounts in USD millions)	**2017**	**2016**	**2017**	**2016**
Net profit/loss after tax	1.4	(0.6)	(0.1)	(2.6)
Add back:				
Unrealized (gain)/loss on interest swaps	0.9	2.5	0.2	6.8
Net foreign exchange (gain)/loss	-	-	-	(0.1)
Non-cash income tax expense	0.2	1.5	2.0	3.3
Bond closing:				
Non-cash write-off of unamortized bond discount	-	-	2.6	-
Bond call price	-	-	2.2	-
Adjusted net profit	**2.5**	**3.4**	**6.9**	**7.4**

* There is a risk that there will be zero profit share for the full year 2017. Profit for Q1 2017 was USD 1.7 million and negative USD 0.8 million in Q2 2017. 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 prudence, profit share is not included in Normalized EBITDA for 2017.

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 six months ended 30 June 2017.

American Tanker, Inc. Consolidated Group

CONDENSED INCOME STATEMENT

	unaudited
	YTD
Amounts in USD million (except share and per share information)	**2017**
Operating revenues	43.5
Operating expenses	(0.5)
Operating profit before depreciation - EBITDA	**43.0**
Depreciation	(17.0)
Operating profit - EBIT	**26.0**
Net interest expense	(21.1)
Unrealized gain/(loss) on interest swaps	(0.2)
Other financial expenses	(1.4)
Profit/(loss) before income tax	**3.3**
Non-cash income tax expense	(2.0)
Net profit/(loss) for the period *	**1.3**
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	**1.35**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	*unaudited* 30-Jun 2017
Assets	
Non-current assets	
Vessels	761.4
Interest-bearing long term receivables (DPO)	29.7
Total non-current assets	**791.1**
Current assets	
Trade and other receivables	0.1
Cash held for specified uses	2.2
Cash and cash equivalents	48.9
Total current assets	**51.2**
Total assets	**842.3**
Equity and liabilities	
Total equity	**87.8**
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	481.1
Derivative financial liabilities - long term portion	0.3
Capitalized fees	(9.3)
Deferred tax liability	20.7
Total non-current liabilities	**712.8**
Current liabilities	
Interest-bearing short-term debt	28.3
Derivative financial liabilities - short term portion	-
Deferred revenues and other payables	13.4
Total current liabilities	**41.7**
Total liabilities	**754.5**
Total equity and liabilities	**842.3**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* YTD 2017
Net cash flow from operating activities	31.7
Net cash flow used in financing activities	(29.8)
Net change in cash and cash equivalents	**1.9**
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	**51.1**

American Shipping Company ASA
Oksenøyveien 10
PO Box 243
1326 Lysaker
NORWAY

Pål Magnussen	**Morten Bakke**	**Leigh Jaros**
President / CEO	*CFO*	*Business Controller/ Financial Manager*
Tel: +47 24 13 00 00	Tel: +47 24 13 00 87	Tel: +1 484 732 3021
Cell: +47 90 54 59 59	Cell: +47 90 09 55 94	Cell: +1 484 880 3741
pal.magnussen@amshipco.no	morten.bakke@amshipco.no	leigh.jaros@amshipco.com

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