

AMERICAN SHIPPING COMPANY ASA

First Quarter 2017 Report



First Quarter 2017 Report

Lysaker, 24 May 2017, American Shipping Company ASA (“AMSC or the “Company”) announces results for first quarter ending 31 March 2017.

HIGHLIGHTS

- Successful refinancing of the unsecured bond through the placement of a new five year USD 220 million senior unsecured bond
- Stable Q1 bareboat revenue of USD 21.6 million and backlog of secured bareboat revenue of USD 292 million with average weighted tenor of 3.3 years
- Normalized EBITDA for Q1 of USD 21.9 million
- Recognized gain of USD 2.3 million related to the Company’s investment in Philly Tankers AS (“Philly Tankers”), as a result of the delivery and sale of the second vessel by Philly Tankers to Kinder Morgan
- Adjusted net profit for Q1 of USD 4.5 million
- Declared Q1 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 have completed the refinancing of all our outstanding debt with the USD 220 million senior unsecured bond placement completed in Q1 2017, which followed the senior secured debt refinancing concluded in Q4 2015. These actions, combined with our Jones Act leasing platform, allow us to shift our attention to growth and diversification. We continue to evaluate new opportunities in the Jones Act market, with the aim to create accretive transactions and grow shareholder value”.*

MAIN EVENTS DURING AND SUBSEQUENT TO THE FIRST QUARTER

- **Operating income:** Operating income was stable USD 12.5 million in Q1 2017 versus USD 12.7 million in Q1 2016.
- **Profit share:** Q1 2017 profit share of USD 1.7 million attributed to AMSC. In comparison, Q1 2016 profit share was USD 4.0 million.
- **Normalized EBITDA:** Normalized EBITDA of USD 21.9 million for Q1 2017 consists of base bareboat revenue of USD 21.6 million, plus Deferred Principal Obligation (“DPO”) of USD 1.0 million, less SG&A of USD 0.7 million. The comparative figure for Q1 2016 for normalized EBITDA was USD 26.2 million (consisting of base bareboat revenue of USD 21.9 million, plus profit share of USD 4.0 million, plus DPO of USD 1.0 million, less SG&A of USD 0.7 million). The profit share is not included in Normalized EBITDA for Q1 2017, See Note 14 for more detailed information.
- **Adjusted net profit:** Q1 2017 adjusted net profit of USD 4.5 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 Q1 2016 was USD 4.0 million. See Note 14 for further details.
- **Bond refinancing:** 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. The bond was widely placed to investors in the U.S., U.K., and Nordic region. Ocean Yield, a subsidiary of Aker ASA, was allocated 22.7% of the new bond. Settlement was on 22 February 2017, with final maturity date on 22 February 2022. The bond has a fixed coupon of 9.25%. An application will be made for the bonds to be listed on the Oslo Stock Exchange. The net proceeds from the bond were used to repay the unsecured bond which had a maturity in February 2018.
- **Dividends:** On 5 February 2017, the Board authorized a quarterly dividend payment of USD 0.124 per share, to the shareholders of AMSC on record as of 14 February 2017, which was paid on 22 February 2017, equaling NOK 1.039 per share. The dividend was classified as a return of paid in capital.

On 23 May 2017, the Board authorized, in line with previous guidance, a quarterly dividend payment of USD 0.08 per share to the shareholders of AMSC on record as of 31 May 2017. The shares in AMSC will be traded ex. dividend from and including 30 May and will be paid on or about 8 June 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 Q1 2017, Philly Tankers distributed a dividend (classified as a repayment of capital) to its shareholders from the sale of its first vessel. AMSC received USD 7.3 million as its share of the distribution and subsequently used USD 6.8 million of the funds to repay the Aker loan.

Subsequent to the end of Q1 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 and used USD 6.5 million to repay the Aker loan.

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

FIRST QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	<i>unaudited</i>	
	Q1 2017	Q1 2016
Operating revenues	21.6	21.9
Operating profit before depreciation - EBITDA	20.9	21.2
Normalized EBITDA	21.9	26.2
Operating profit - EBIT	12.5	12.7
Gain on investments	2.3	0.4
Net interest expense	(14.5)	(9.1)
Unrealized gain/(loss) on interest swaps	0.7	(4.3)
Net foreign exchange gain/(loss)	-	0.1
Profit/(loss) before income tax	1.0	(0.2)
Income tax expense	(0.6)	-
Non-cash income tax expense	(1.9)	(1.8)
Net profit/(loss) for the period *	(1.5)	(2.0)
Adjusted net profit	4.5	4.0
Average number of common shares	60,616,505	60,616,505
Earnings/(loss) per share (USD)	(0.03)	(0.03)

* Applicable to common stockholders of the parent company

First quarter results

AMSC's operating revenues for Q1 2017 were USD 21.6 million compared to USD 21.9 million for Q1 2016. EBITDA was USD 20.9 million in Q1 2017 (USD 21.2 million in Q1 2016). EBIT was USD 12.5 million in Q1 2017 (USD 12.7 million in Q1 2016).

Net interest expense (interest expense less interest income) for Q1 2017 was USD 14.5 million (USD 9.1 million in Q1 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.

In Q1 2017, AMSC had an unrealized gain of USD 0.7 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (unrealized loss of USD 4.3 million in Q1 2016).

In Q1 2017, AMSC recognized a gain of USD 2.3 million on its investment in Philly Tankers, related to the delivery and sale of the second vessel by Philly Tankers to Kinder Morgan.

AMSC had a net profit before tax for Q1 2017 of USD 1.0 million and a net loss before tax of USD 0.2 million in Q1 2016. Non-cash deferred income tax expense was USD 1.9 million in Q1 2017 (USD 1.8 million in Q1 2016). AMSC recognized an income tax expense of USD 0.6 million in Q1 2017 (0 in Q1 2016), relating to its share of the income from its investment in Philly Tankers.

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 31 March 2017, AMSC has USD 531.5 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 loss for Q1 2017 was USD 1.5 million compared to USD 2.0 million in Q1 2016.

Condensed Statement of Financial Position

Amounts in USD million	unaudited		
	31-Mar 2017	restated 31-Mar 2016	31-Dec 2016
Vessels	771.0	805.3	779.5
Interest-bearing long term receivables (DPO)	30.1	32.1	30.6
Other non current assets	22.6	25.2	27.6
Trade and other receivables	0.2	0.3	0.3
Cash held for specified uses	2.2	2.2	2.3
Cash and cash equivalents	46.8	36.4	49.1
Total assets	872.9	901.5	889.4
Total equity	186.5	207.9	195.7
Deferred tax liabilities	19.3	9.3	17.4
Interest-bearing long term debt	626.0	654.5	636.1
Derivative financial liabilities - long term portion	(0.6)	1.0	0.1
Interest-bearing short term debt	28.3	15.0	28.3
Derivative financial liabilities - short term portion	-	4.0	-
Deferred revenues and other payables	13.4	9.8	11.8
Total equity and liabilities	872.9	901.5	889.4

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

During Q1 2017, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 1.0 million, of which USD 0.5 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 in order to 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 Q1 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 31 March 2017 was USD 654.3 million, net of USD 10.0 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 431.2 million, the new bond of USD 220.0 million and a subordinated loan from Aker ASA of USD 13.1 million. AMSC was in compliance with all of its debt covenants as of 31 March 2017.

Outlook

The U.S. Jones Act tanker market remained soft in Q1 2017 as a result of an oversupply of vessels in the market relative to demand. Short-term, the market is expected to stay 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 is lower compared with demand during the 2015 shale oil production peak.

U.S. crude oil production, a necessary condition for crude oil Jones Act tanker demand, has been consistently increasing since the middle of last year. The completion of the Dakota Access Pipeline will allow crude oil from the Bakken shale play to flow to the Gulf Coast. This is expected to supplant cargoes currently being transported by rail to East Coast refineries, and there is talk in the market of at

least two East Coast refiners' plans to move larger amounts of crude oil by tanker from the Gulf Coast. These cargoes will compete with international imports of light crude oil from West Africa.

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, there are approximately 20 tankers or 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 growth will decrease in the second half of 2017 and during 2018 as many vessels come off time charters and face expensive dry dockings.

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.

With the group being fully refinanced, and the first debt maturity falling due in Q4 2020, AMSC will shift 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, 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, 23 May 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 FIRST QUARTER OF 2017

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>	
	Q1 2017	Q1 2016
Operating revenues	21.6	21.9
Operating expenses	(0.7)	(0.7)
Operating profit before depreciation - EBITDA	20.9	21.2
Depreciation	(8.4)	(8.5)
Operating profit - EBIT	12.5	12.7
Gain on investments	2.3	0.4
Net interest expense	(14.5)	(9.1)
Unrealized gain/(loss) on interest swaps	0.7	(4.3)
Net foreign exchange gain/(loss)	-	0.1
Profit/(loss) before income tax	1.0	(0.2)
Income tax expense	(0.6)	-
Non-cash income tax expense	(1.9)	(1.8)
Net profit/(loss) for the period *	(1.5)	(2.0)
Average number of common shares	60,616,505	60,616,505
Earnings/(loss) per share (USD)	(0.03)	(0.03)

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>	
	Q1 2017	2015 2016
Net income/(loss) for the period	(1.5)	(2.0)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income/(loss) for the period *	(1.5)	(2.0)

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>		
	31-Mar 2017	<i>restated</i> 31-Mar 2016	31-Dec 2016
Assets			
Non-current assets			
Vessels	771.0	805.3	779.5
Interest-bearing long term receivables (DPO)	30.1	32.1	30.6
Other long term assets	22.6	25.2	27.6
Total non-current assets	823.7	862.6	837.7
Current assets			
Trade and other receivables	0.2	0.3	0.3
Cash held for specified uses	2.2	2.2	2.3
Cash and cash equivalents	46.8	36.4	49.1
Total current assets	49.2	38.9	51.7
Total assets	872.9	901.5	889.4
Equity and liabilities			
Total equity	186.5	207.9	195.7
Non-current liabilities			
Bond payable	220.0	211.0	212.8
Other interest-bearing loans	416.0	451.3	430.0
Derivative financial liabilities - long term portion	(0.6)	1.0	0.1
Capitalized fees	(10.0)	(7.8)	(6.7)
Deferred tax liability	19.3	9.3	17.4
Total non-current liabilities	644.7	664.8	653.6
Current liabilities			
Interest-bearing short-term debt	28.3	15.0	28.3
Derivative financial liabilities - short term portion	-	4.0	-
Deferred revenues and other payables	13.4	9.8	11.8
Total current liabilities	41.7	28.8	40.1
Total liabilities	686.4	693.6	693.7
Total equity and liabilities	872.9	901.5	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	195.6	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	(1.5)	(2.0)
Repurchase of treasury shares	(0.1)	-
Dividends/return of capital	(7.5)	(6.5)
Total equity as of end of period	186.5	207.9

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	unaudited	
	Full year 2017	2016
Net cash flow from operating activities	11.0	14.2
Net cash flow from investing activities	7.3	-
Net cash flow used in financing activities	(20.7)	(8.9)
Net change in cash and cash equivalents	(2.4)	5.3
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	49.0	38.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 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 months ended 31 March 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 month period 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 three months ended 31 March 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 Q1 2017, the Company recognized a deferred tax expense of USD 0.4 million related to income taxes in the Commonwealth of Pennsylvania (USD 0.4 million benefit in Q1 2016) and a deferred tax expense of USD 1.5 million related to U.S. federal income tax (USD 2.2 million in Q1 2016). During Q1 2017, AMSC recognized an income tax payable of USD 0.6 million (0 in Q1 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 531.5 million of net operating losses in carryforward in the U.S. subsidiaries as of 31 March 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 31 March 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)	Year to date	
	2017 22-Feb-17	2016 3-Mar-16
NOK per share	1.039	0.923
USD per share	0.124	0.107
Aggregate NOK (millions)	63.0	56.0
Aggregate USD (millions)	7.5	6.5

8. Interest-bearing debt

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

Amounts in USD million	3 months to	
	31-Mar-17	31-Mar-16
Balance at beginning of period	664.4	670.8
Repayment of debt / loan fees	(233.4)	(2.4)
Issuance of debt	220.0	-
Interest added to outstanding debt	-	-
Amortization of loan fees and discount	3.3	1.1
Balance at end of period	654.3	669.5

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 March 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.

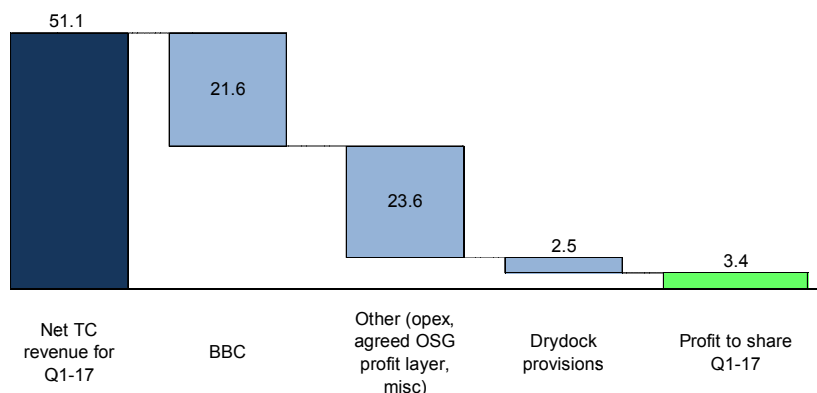
10. Interest

Amounts in USD million	3 months to 31-Mar-17	3 months to 31-Mar-16
Interest expense	(15.0)	(9.6)
Interest income	0.5	0.5
Net interest expense	(14.5)	(9.1)

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 Q1 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. Although profit share for Q1 2017 was positive USD 1.7 million, 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 Q1 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	3 months to	
	31-Mar-17	31-Mar-16
Balance at beginning of period	30.6	32.6
Repayments of principal	(0.5)	(0.5)
Balance at end of period	30.1	32.1

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 March 2017, the unsecured bond transferred from level 3 to level 2.

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	Fair value	Fair value
	31-Mar-17	31-Mar-17	hierarchy *
Interest-bearing receivables (DPO)	30.1	24.4	3
Interest swap used for economic hedging	0.6	0.6	2
Unsecured bond issue (gross)	(220.0)	(223.3)	2
Secured loans (gross)	(431.2)	(434.4)	2
Subordinated loans (gross)	(13.1)	(14.3)	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 become 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:

	<i>unaudited</i>	
	Q1 2017	Q1 2016
Normalized EBITDA (amounts in USD millions)		
Base bareboat revenue	21.6	21.9
Less operating expenses	(0.7)	(0.7)
Reported EBITDA	20.9	21.2
Plus profit share *	-	4.0
Plus DPO	1.0	1.0
Normalized EBITDA	21.9	26.2

	<i>unaudited</i>	
	Q1 2017	Q1 2016
Adjusted net profit (amounts in USD millions)		
Net profit/loss after tax	(1.5)	(2.0)
Add back:		
Unrealized (gain)/loss on interest swaps	(0.7)	4.3
Net foreign exchange (gain)/loss	-	(0.1)
Non-cash income tax expense	1.9	1.8
Bond closing:		
Non-cash write-off of unamortized bond discount	2.6	-
Bond call price	2.2	-
Adjusted net profit	4.5	4.0

* Although profit share for Q1 2017 was positive USD 1.7 million, there is a risk that there will be zero profit share for the full year 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. Profit share is not included in Normalized EBITDA for Q1 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 quarter ended 31 March 2017.

American Tanker, Inc. Consolidated Group

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>
	Q1 2017
Operating revenues	21.6
Operating expenses	(0.3)
Operating profit before depreciation - EBITDA	21.3
Depreciation	(8.4)
Operating profit - EBIT	12.9
Net interest expense	(9.0)
Unrealized gain/(loss) on interest swaps	0.7
Other financial expenses	(0.7)
Profit/(loss) before income tax	3.9
Non-cash income tax expense	(1.8)
Net profit/(loss) for the period *	2.1
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	2.06

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>
	31-Mar 2017
Assets	
Non-current assets	
Vessels	770.0
Interest-bearing long term receivables (DPO)	30.1
Other long term assets	-
Total non-current assets	800.1
Current assets	
Trade and other receivables	0.1
Cash held for specified uses	2.2
Cash and cash equivalents	44.6
Total current assets	46.9
Total assets	846.9
Equity and liabilities	
Total equity	93.4
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	487.3
Derivative financial liabilities - long term portion	(0.6)
Capitalized fees	(10.0)
Deferred tax liability	20.5
Total non-current liabilities	717.3
Current liabilities	
Interest-bearing short-term debt	28.3
Derivative financial liabilities - short term portion	-
Deferred revenues and other payables	8.0
Total current liabilities	36.3
Total liabilities	753.6
Total equity and liabilities	847.0

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>
	Full year 2017
Net cash flow from operating activities	15.4
Net cash flow used in financing activities	(17.8)
Net change in cash and cash equivalents	(2.4)
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	46.8

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