

# AMERICAN SHIPPING COMPANY ASA

Second Quarter 2018 Report

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## Second Quarter 2018 Report

Lysaker, 23 August 2018, American Shipping Company ASA (“AMSC or the “Company”) announces results for second quarter ending 30 June 2018.

### HIGHLIGHTS

- Stable Q2 bareboat revenue of USD 21.9 million and backlog of secured bareboat revenue of USD 182 million with average weighted tenor of 2.1 years
- Normalized EBITDA for Q2 of USD 21.5 million
- Adjusted net profit for Q2 of USD 1.6 million
- Crude transportation volumes to the U.S. Northeast remains strong
- Seasonal reduction in spot activity towards the end of second quarter, mitigated by continued increased demand for time charter contracts
- Declared Q2 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 another quarter of consistent financial results. The spot market experienced somewhat reduced activity as a result of seasonal slowdown. Nonetheless, new 12-18 months’ time charter fixtures during the second quarter demonstrates the positive trend and continued recovery of the tanker market.”*

### MAIN EVENTS DURING AND SUBSEQUENT TO THE SECOND QUARTER

- **Operating income:** Operating income was stable at USD 12.2 million in Q2 2018 versus USD 12.7 million in Q2 2017.
- **Profit share:** There was no profit share for Q2 2018 or Q2 2017 attributed to AMSC. 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 21.5 million for Q2 2018 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 1.3 million. The comparative figure for Q2 2017 for normalized EBITDA was USD 22.2 million (consisting of base bareboat revenue of USD 21.9 million, plus DPO of USD 0.9 million, less SG&A of USD 0.6 million). See Note 14 for more detailed information.
- **Adjusted net profit:** Adjusted net profit of USD 1.6 million for Q2 2018 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 2017 was USD 2.5 million. See Note 14 for further details.
- **Dividends:** On 22 May 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.6537 per share, to the shareholders on record as of 30 May 2018, which was paid on 7 June 2018. The dividend was classified as a return of paid in capital.

On 22 August 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 30 August 2018, in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 29 August 2018, and the dividend will be paid on or about 7 September 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.

## SECOND QUARTER FINANCIAL REVIEW

### Condensed Income Statement

Amounts in USD million (except share and per share information)	unaudited			
	Q2 2018	Q2 2017	Year to date 2018 2017	
Operating revenues	21.9	21.9	43.5	43.5
Operating profit before depreciation - EBITDA	20.6	21.3	41.6	42.2
<b>Normalized EBITDA</b>	<b>21.5</b>	<b>22.2</b>	<b>43.4</b>	<b>44.1</b>
Operating profit - EBIT	12.2	12.7	24.8	25.2
Gain / (loss) on investments	-	-	-	2.3
Net interest expense	(10.4)	(10.3)	(20.6)	(24.8)
Unrealized gain/(loss) on interest swaps	0.5	(0.9)	2.4	(0.2)
Net foreign exchange gain/(loss)	-	-	-	-
Profit/(loss) before income tax	2.3	1.6	6.6	2.5
Income tax expense	(0.2)	-	(0.2)	(0.6)
Non-cash income tax expense	(0.1)	(0.2)	(0.6)	(2.1)
Net profit/(loss) for the period *	2.0	1.4	5.8	(0.1)
<b>Adjusted net profit</b>	<b>1.6</b>	<b>2.5</b>	<b>4.0</b>	<b>6.9</b>
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.03	0.02	0.10	(0.00)

\* Applicable to common stockholders of the parent company

### Second quarter results

AMSC's operating revenues for each of Q2 2018 and Q2 2017 were USD 21.9 million. EBITDA was USD 20.6 million in Q2 2018 (USD 21.3 in Q2 2017). EBIT was USD 12.2 million in Q2 2018 (USD 12.7 million in Q2 2017).

Net interest expense (interest expense less interest income) for Q2 2018 was USD 10.4 million (USD 10.3 million in Q2 2017).

In Q2 2018, AMSC had an unrealized gain of USD 0.5 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 0.9 million in Q2 2017).

AMSC had a net profit before tax for Q2 2018 of USD 2.3 million (USD 1.6 million in Q2 2017). Non-cash deferred income tax expense was USD 0.1 million in Q2 2018 (USD 0.2 million in Q2 2017). AMSC recognized an income tax expense of USD 0.2 million in Q2 2018 relating to state 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 30 June 2018, AMSC has approximately USD 578 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q2 2018 was USD 2.0 million compared to USD 1.4 million in Q2 2017.

### Year to date results

AMSC's operating revenues for each of the first half of 2018 and 2017 were USD 43.5 million. EBITDA was USD 41.6 million in the first half of 2018 (USD 42.2 million for the six months ending 30 June 2017). EBIT was USD 24.8 million for the six months ending 30 June 2018 and USD 25.2 million for the same period in 2017.

Net interest expense (interest expense less interest income) for the first half of 2018 was USD 20.6 million (USD 24.8 million for the same period in 2017). The increased expense in 2017 over 2018 was due to non-recurring items relating to the bond refinancing in Q1 2017 of USD 4.8 million.

In the first half of 2018, AMSC had an unrealized gain of USD 2.4 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 0.2 in the first half of 2017).

In the first half of 2017, AMSC recognized net income from equity accounted investment in Philly Tankers of USD 2.3 million (0 in 2018), 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 2018 and 2017 of USD 6.6 million and USD 2.5 million, respectively. Non-cash deferred income tax expense was USD 0.6 million in the first six months of 2018 (USD 2.1 million in the same period of 2017). AMSC recognized an income tax expense of USD 0.2 million in the first half of 2018 (USD 0.6 million in the same period 2017), relating to its share of the income from its investment in Philly Tankers and state taxes. Net profit for year-to-date 2018 was USD 5.8 million compared to net loss of USD 0.1 million in the same period of 2017.

### Condensed Statement of Financial Position

Amounts in USD million	<i>unaudited</i>		31-Dec 2017 *
	30-Jun 2018	30-Jun 2017	
Vessels	728.8	762.5	745.6
Interest-bearing long term receivables (DPO)	27.7	29.7	28.7
Other non current assets	16.4	15.3	16.7
Derivative financial assets	4.0	-	1.6
Trade and other receivables	0.2	1.6	0.2
Cash held for specified uses	2.8	2.2	2.3
Cash and cash equivalents	51.3	51.0	52.0
<b>Total assets</b>	<b>831.2</b>	<b>862.3</b>	<b>847.1</b>
Total equity	183.0	183.1	186.9
Deferred tax liabilities	12.2	19.4	11.6
Interest-bearing long term debt	587.2	613.2	600.1
Derivative financial liabilities	-	0.3	-
Interest-bearing short term debt	28.3	28.3	28.3
Deferred revenues and other payables	20.5	18.0	20.2
<b>Total equity and liabilities</b>	<b>831.2</b>	<b>862.3</b>	<b>847.1</b>

\* Derived from audited financial statements

The decrease in Vessels from 31 December 2017 reflects depreciation of the Company's 10 vessels for the six months ending 30 June 2018.

During the first six months 2018, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 1.8 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 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 10.4 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 30 June 2018 was USD 615.5 million, net of USD 6.8 million in capitalized fees versus USD 628.4 million as of 31 December 2017. This debt relates to the bank financing of the Company's 10 vessels of USD 395.6 million, the bond of USD 220.0 million and a subordinated loan from Aker ASA of USD 6.7 million (plus USD 3.7 million of accrued interest). AMSC was in compliance with all of its debt covenants as of 30 June 2018.

## Outlook

The revival of the U.S. Jones Act tanker market paused towards the end of the second quarter due to seasonal slowdown. However, spot rates are expected to strengthen again during the second half of 2018. The medium term time charter market remained active on the back of multiple time charter fixtures over the past few months. The positive rate and contract developments are driven by multiple vessels being tied up in the transportation of crude from the U.S. Gulf to the U.S. Northeast. This trade lane is one of the longest in the Jones Act (~15 day round voyage) and increased from one tanker on occasion during most of 2017 to five tankers doing shuttle services towards the end of the fourth quarter 2017 and during the first half of 2018.

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 a result of older tankers and ATBs coming off long-term charters in 2018, and owners facing expensive drydock decisions with respect to these vessels, we have seen two tankers and one ATB leaving the market during the first half of 2018. The expectation is that this trend will continue as 16 units (4 tankers and 12 ATBs) are above 30 years of age. As of early August 2018 we count 92 units in the Jones Act tankers and ATB fleet split between 46 tankers and 46 ATBs. The orderbook consist of only one ATB for delivery in 2018 and one recent order of an ATB for delivery in Q2 2020 together with an option for an additional ATB for delivery in Q4 2020. The recent order for additional tonnage in the market is a testament to the continued strength and optimism for the future demand and supply balance as well as a need to replace some of the aging tanker fleet.

AMSC continues to enjoy 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 in 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 cleared 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 good 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 2017 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,

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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, 22 August 2018  
The Board of Directors and President / CEO  
American Shipping Company ASA

Annette Malm Justad  
Chairperson

Peter D. Knudsen  
Director

Kristian Røkke  
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 2018 and for the first half of 2018 were approved by the Board of Directors and Managing Director on 22 August 2018.

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, 22 August 2018  
The Board of Directors and President / CEO  
American Shipping Company ASA

Annette Malm Justad  
Chairperson

Peter D. Knudsen  
Director

Kristian Røkke  
Director

Pål Magnussen  
President / CEO

## AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR 2018

### CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>			
	Q2 2018	Q2 2017	Year to date 2018      2017	
Operating revenues	21.9	21.9	43.5	43.5
Operating expenses	(1.3)	(0.6)	(1.9)	(1.3)
<b>Operating profit before depreciation - EBITDA</b>	<b>20.6</b>	<b>21.3</b>	<b>41.6</b>	<b>42.2</b>
Depreciation	(8.4)	(8.5)	(16.8)	(17.0)
<b>Operating profit - EBIT</b>	<b>12.2</b>	<b>12.7</b>	<b>24.8</b>	<b>25.2</b>
Gain / (loss) on investments	-	-	-	2.3
Net interest expense	(10.4)	(10.3)	(20.6)	(24.8)
Unrealized gain/(loss) on interest swaps	0.5	(0.9)	2.4	(0.2)
Net foreign exchange gain/(loss)	-	-	-	-
<b>Profit/(loss) before income tax</b>	<b>2.3</b>	<b>1.6</b>	<b>6.6</b>	<b>2.5</b>
Income tax expense	(0.2)	-	(0.2)	(0.6)
Non-cash income tax (expense) / benefit	(0.1)	(0.2)	(0.6)	(2.1)
<b>Net profit/(loss) for the period *</b>	<b>2.0</b>	<b>1.4</b>	<b>5.8</b>	<b>(0.1)</b>
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
<b>Earnings/(loss) per share (USD)</b>	<b>0.03</b>	<b>0.02</b>	<b>0.10</b>	<b>(0.00)</b>

### CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>			
	Q2 2018	Q2 2017	Year to date 2018      2017	
Net income/(loss) for the period	2.0	1.4	5.8	(0.1)
Other comprehensive income for the period, net of tax	-	-	-	-
<b>Total comprehensive income/(loss) for the period *</b>	<b>2.0</b>	<b>1.4</b>	<b>5.8</b>	<b>(0.1)</b>

\* Applicable to common stockholders of the parent company.

### CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>		31-Dec 2017 *
	30-Jun 2018	30-Jun 2017	
<b>Assets</b>			
<b>Non-current assets</b>			
Vessels	728.8	762.5	745.6
Interest-bearing long term receivables (DPO)	27.7	29.7	28.7
Other long term assets	16.4	15.3	16.7
Derivative financial assets	4.0	-	1.6
<b>Total non-current assets</b>	<b>776.9</b>	<b>807.5</b>	<b>792.6</b>
<b>Current assets</b>			
Trade and other receivables	0.2	1.6	0.2
Cash held for specified uses	2.8	2.2	2.3
Cash and cash equivalents	51.3	51.0	52.0
<b>Total current assets</b>	<b>54.3</b>	<b>54.8</b>	<b>54.5</b>
<b>Total assets</b>	<b>831.2</b>	<b>862.3</b>	<b>847.1</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>183.0</b>	<b>183.1</b>	<b>186.9</b>
<b>Non-current liabilities</b>			
Bond payable	220.0	220.0	220.0
Other interest-bearing loans	374.0	402.5	388.2
Derivative financial liabilities	-	0.3	-
Capitalized fees	(6.8)	(9.3)	(8.1)
Deferred tax liability	12.2	19.4	11.6
<b>Total non-current liabilities</b>	<b>599.4</b>	<b>632.9</b>	<b>611.7</b>
<b>Current liabilities</b>			
Interest-bearing short-term debt	28.3	28.3	28.3
Deferred revenues and other payables	20.5	18.0	20.2
<b>Total current liabilities</b>	<b>48.8</b>	<b>46.3</b>	<b>48.5</b>
<b>Total liabilities</b>	<b>648.2</b>	<b>679.2</b>	<b>660.2</b>
<b>Total equity and liabilities</b>	<b>831.2</b>	<b>862.3</b>	<b>847.1</b>

\* Derived from audited financial statements

**CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY**

Amounts in USD million	unaudited	
	Year to date	
	2018	2017
<b>Equity as of beginning of period</b>	<b>186.9</b>	<b>195.6</b>
Total comprehensive income for the period	5.8	(0.1)
Repurchase of treasury shares	-	(0.1)
Proceeds from sale of treasury shares	-	0.1
Dividends/return of capital	(9.7)	(12.4)
<b>Total equity as of end of period</b>	<b>183.0</b>	<b>183.1</b>

**CONDENSED CASH FLOW STATEMENT**

Amounts in USD million	unaudited	
	Year to date	
	2018	2017
Net cash flow from operating activities	23.4	26.3
Net cash flow from investing activities	0.3	14.6
Net cash flow used in financing activities	(23.9)	(39.1)
<b>Net change in cash and cash equivalents</b>	<b>(0.2)</b>	<b>1.8</b>
Cash and cash equivalents, including cash held for specified uses at the beginning of period	54.3	51.4
<b>Cash and cash equivalents, including cash held for specified uses at end of period</b>	<b>54.1</b>	<b>53.2</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018

### 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 2018 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 2017 annual financial statements of AMSC are available at [www.americanshippingco.com](http://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 2017.

### 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 2017.

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 2017 that have a significant impact on AMSC's financial reporting for the six months ended 30 June 2018.

### 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 2017.

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 the first six months of 2018, the Company recognized a deferred tax expense of USD 0.6 million related to federal and state income taxes (USD 2.1 million in the same period of 2017). During the first half of 2018, AMSC recognized an income tax expense of USD 0.2 million (USD 0.6 million in the same period 2017), relating to its share of the income from its investment in Philly Tankers and state taxes.

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 approximately USD 578 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 30 June 2018, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2017 consolidated financial statements for more details). The Company also has USD 119.3 million of net operating losses in carryforward in Norway as of 31 December 2017.

## 7. Share capital and equity

As of 30 June 2018, 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)	2018		2017	
	1-Mar-18	7-Jun-18	22-Feb-17	8-Jun-17
NOK per share	0.6209	0.6537	1.039	0.673
USD per share	0.080	0.080	0.124	0.080
Aggregate NOK (millions)	37.6	39.6	63.0	40.8
Aggregate USD (millions)	4.8	4.8	7.5	4.8

## 8. Interest-bearing debt

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

Amounts in USD million	6 months to	
	30-Jun-18	30-Jun-17
<b>Balance at beginning of period</b>	628.4	664.4
Repayment of debt / loan fees	(14.2)	(246.7)
Issuance of debt	-	220.0
Amortization of loan fees and discount	1.3	3.8
<b>Balance at end of period</b>	615.5	641.5

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 30 June 2018.

### 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

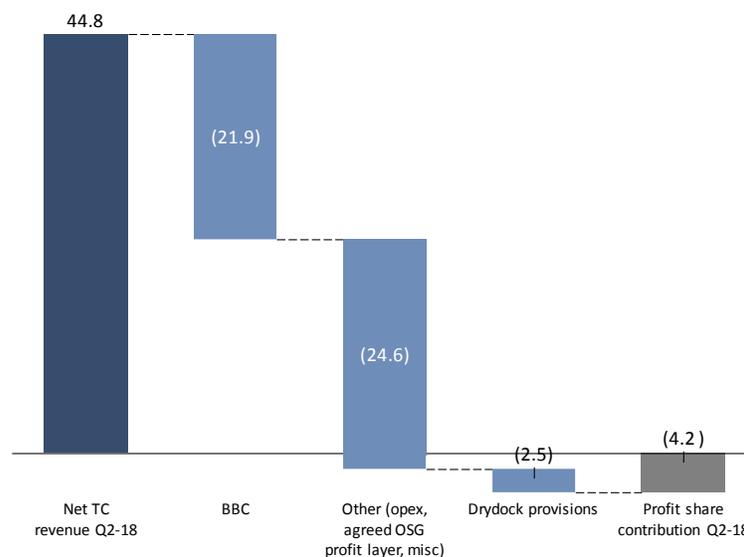
Amounts in USD million	3 months to		6 months to	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Interest expense	(11.0)	(10.8)	(21.7)	(25.8)
Interest income	0.6	0.5	1.1	1.0
<b>Net interest expense</b>	<b>(10.4)</b>	<b>(10.3)</b>	<b>(20.6)</b>	<b>(24.8)</b>

The higher expense in 2017 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.

#### Profit Sharing Calculation for Q2 2018



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 2017 USD 5.4 million. Since profit share for first half of 2018 was zero, the OSG credit balance of USD 5.4 million has not been reduced, and interest of USD 0.2 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.

Amounts in USD million	6 months to	
	30-Jun-18	30-Jun-17
<b>Balance at beginning of period</b>	28.7	30.6
Repayments of principal	(1.0)	(0.9)
<b>Balance at end of period</b>	27.7	29.7

## 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 2017 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 2018, 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	Fair value	Fair value
	30-Jun-18	30-Jun-18	hierarchy *
Interest-bearing receivables (DPO)	27.7	22.7	3
Interest swap used for economic hedging	4.0	4.0	2
Unsecured bond issue (gross)	(220.0)	(220.1)	2
Secured loans (gross)	(395.6)	(398.0)	2
Subordinated loans (gross)	(6.7)	(9.1)	2

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

\* Described in the 2017 consolidated financial statements

## 14. Alternative Performance Measures

Alternative performance measures are financial measures other than the financial measures defined under IFRS. In accordance with guidelines, 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. The Company also discloses its revenue backlog which includes its bareboat charter revenue from fixed bareboat contracts, not including options.

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>			
	Q2 2018	Q2 2017	Year to date 2018 2017	
<b>Normalized EBITDA (amounts in USD millions)</b>				
Base bareboat revenue	21.9	21.9	43.5	43.5
Less operating expenses	(1.3)	(0.6)	(1.9)	(1.3)
<b>Reported EBITDA</b>	<b>20.6</b>	<b>21.3</b>	<b>41.6</b>	<b>42.2</b>
Plus profit share	-	-	-	-
Plus DPO	0.9	0.9	1.8	1.9
<b>Normalized EBITDA</b>	<b>21.5</b>	<b>22.2</b>	<b>43.4</b>	<b>44.1</b>

	<i>unaudited</i>			
	Q2 2018	Q2 2017	Year to date 2018 2017	
<b>Adjusted net profit (amounts in USD millions)</b>				
Net profit/loss after tax	2.0	1.4	5.8	(0.1)
Add back:				
Unrealized (gain)/loss on interest swaps	(0.5)	0.9	(2.4)	0.2
Net foreign exchange (gain)/loss	-	-	-	-
Non-cash income tax expense	0.1	0.2	0.6	2.1
Bond closing:				
Non-cash write-off of unamortized bond discount	-	-	-	2.6
Bond call price	-	-	-	2.2
<b>Adjusted net profit</b>	<b>1.6</b>	<b>2.5</b>	<b>4.0</b>	<b>6.9</b>

## 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 first half of 2018.

### CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>
	YTD 2018
Operating revenues	43.5
Operating expenses	(0.5)
<b>Operating profit before depreciation - EBITDA</b>	<b>43.0</b>
Depreciation	(16.8)
<b>Operating profit - EBIT</b>	<b>26.2</b>
Net interest expense	(24.6)
Unrealized gain/(loss) on interest swaps	2.4
Other financial expenses	(1.4)
<b>Profit/(loss) before income tax</b>	<b>2.6</b>
Income tax expense	(0.2)
Non-cash income tax expense	(0.6)
<b>Net profit/(loss) for the period *</b>	<b>1.8</b>
Average number of common shares	1,000
<b>Earnings/(loss) per share (USD thousands)</b>	<b>1.82</b>

\* Applicable to common stockholders of the parent company.

**CONDENSED STATEMENT OF FINANCIAL POSITION**

Amounts in USD million	<i>unaudited</i>
	<b>30-Jun 2018</b>
<b>Assets</b>	
<b>Non-current assets</b>	
Vessels	727.8
Interest-bearing long term receivables (DPO)	27.7
Derivative financial assets	4.0
<b>Total non-current assets</b>	<b>759.5</b>
<b>Current assets</b>	
Cash held for specified uses	2.8
Cash and cash equivalents	23.1
<b>Total current assets</b>	<b>25.9</b>
<b>Total assets</b>	<b>785.4</b>
<b>Equity and liabilities</b>	
<b>Total equity</b>	<b>64.3</b>
<b>Non-current liabilities</b>	
Bond payable	220.0
Other interest-bearing loans	452.8
Capitalized fees	(6.8)
Deferred tax liability	13.1
<b>Total non-current liabilities</b>	<b>679.1</b>
<b>Current liabilities</b>	
Interest-bearing short-term debt	28.3
Deferred revenues and other payables	13.7
<b>Total current liabilities</b>	<b>42.0</b>
<b>Total liabilities</b>	<b>721.1</b>
<b>Total equity and liabilities</b>	<b>785.4</b>

**CONDENSED CASH FLOW STATEMENT**

Amounts in USD million	<i>unaudited</i>
	<b>YTD 2018</b>
Net cash flow from operating activities	19.2
Net cash flow used in financing activities	(14.2)
<b>Net change in cash and cash equivalents</b>	<b>5.0</b>
Cash and cash equivalents, including cash held for specified uses at the beginning of period	20.9
<b>Cash and cash equivalents, including cash held for specified uses at end of period</b>	<b>25.9</b>

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