

AMERICAN SHIPPING COMPANY ASA

Third Quarter 2016 Report



Third Quarter and First Nine Months 2016 Report

Lysaker, 8 November 2016, American Shipping Company ASA (“AMSC or the “Company”) announces results for third quarter ending 30 September 2016.

HIGHLIGHTS

- Stable Q3 bareboat revenue of MUSD 22.1 and backlog of secured bareboat revenue of MUSD 336 with average weighted tenor of 3.8 years
- Normalized EBITDA for Q3 of MUSD 23.7
- Q3 profit share of MUSD 1.4 attributed to AMSC, which reduces the profit share credit
- Adjusted net profit for Q3 of MUSD 3.0
- Declared Q3 dividend of USD 0.124 per share, in line with previous guidance for full year 2016 dividends

MAIN EVENTS DURING AND SUBSEQUENT TO THE THIRD QUARTER

- **Operating income:** Stable operating income was MUSD 12.7 in Q3 2016 versus MUSD 12.8 in Q3 2015.
- **Normalized EBITDA:** Normalized EBITDA for Q3 2016 consists of base bareboat revenue of MUSD 22.1, plus profit share of MUSD 1.4, plus DPO of MUSD 1.0, less SG&A of MUSD 0.8, totaling MUSD 23.7. Comparative figures for Q3 2015 for normalized EBITDA was MUSD 23.3 (consisting of base bareboat revenue of MUSD 22.1, plus profit share of MUSD 1.2, plus DPO of MUSD 0.9, less SG&A of MUSD 0.9). See Note 14 for more detailed information.
- **Profit share:** Q3 profit share of MUSD 1.4 attributed to AMSC, which reduces the profit share credit to MUSD 6.4. In comparison, Q3 2015 profit share was MUSD 1.2 resulting in an increased twelve month trailing profit share of MUSD 11.8. See Note 11 for more detailed information.
- **Adjusted net profit:** Q3 adjusted net profit of MUSD 3.0 consists of net profit after tax adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax. Comparative figure for Q3 2015 was negative MUSD 0.2. See Note 14 for further details.
- **Dividends:** On 15 August 2016, the Board authorized a quarterly dividend payment of USD 0.124 per share, to the shareholders of AMSC on record as of 23 August 2016, which was paid on 31 August 2016, equaling NOK 1.02 per share.

On 7 November 2016, the Board authorized a quarterly dividend payment of USD 0.124 per share to the shareholders of AMSC on record as of 15 November 2016. The shares in AMSC will be traded ex-dividend from and including 14 November and will be paid on or about 23 November 2016. The dividend is classified as a return of paid in capital.

- **Bond refinancing:** On 13 October 2016, the Company announced the engagement of financial advisors to explore refinancing options in respect of its existing unsecured bond with expiry in February 2018.

THIRD QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	<i>unaudited</i>			
	Q3 2016	Q3 2015	Year to date 2016 2015	
Operating revenues	22.1	22.1	65.9	65.7
Operating profit before depreciation - EBITDA	21.3	21.2	63.6	63.0
Normalized EBITDA	23.7	23.3	75.0	73.0
Operating profit - EBIT	12.7	12.8	38.0	37.9
Net interest expense	(9.7)	(13.0)	(28.1)	(38.7)
Unrealized gain/(loss) on interest swaps	1.1	4.6	(5.2)	13.5
Net foreign exchange gain/(loss)	0.1	(0.2)	0.2	(0.2)
Profit/(loss) before income tax	4.2	4.2	4.9	12.6
Non-cash income tax expense	(2.0)	-	(5.3)	-
Net profit/(loss) for the period *	2.2	4.2	(0.4)	12.6
Adjusted net profit	3.0	(0.2)	9.9	(0.7)
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.04	0.07	(0.01)	0.21

* Applicable to common stockholders of the parent company

Third quarter results

AMSC's operating revenues for Q3 2016 and Q3 2015 were MUSD 22.1 each. EBITDA was MUSD 21.3 in Q3 2016 (MUSD 21.2 in Q3 2015). EBIT was MUSD 12.7 in Q3 2016 and MUSD 12.8 in Q3 2015.

Net interest expense (interest expense less interest income) for Q3 2016 was MUSD 9.7 (MUSD 13.0 in Q3 2015).

Net foreign exchange gain was MUSD 0.1 in Q3 2016 (MUSD 0.2 loss in Q3 2015), resulting from the translation of Norwegian kroner (NOK) cash balances into USD.

In Q3 2016, AMSC had an unrealized gain of MUSD 1.1 on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (MUSD 4.6 in Q3 2015).

AMSC had a net profit before tax for Q3 2016 and Q3 2015 of MUSD 4.2 each. Non-cash deferred income tax expense was MUSD 2.0 in Q3 2016 (0 in Q3 2015). Net profit for Q3 2016 was MUSD 2.2 compared to net profit of MUSD 4.2 in Q3 2015.

As of 31 December 2015, AMSC has MUSD 487.9 of net operating losses in carryforward in its U.S. subsidiaries. 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. AMSC's U.S. subsidiaries are not expected to pay federal 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.

Year to date results

AMSC's operating revenues for the first nine months of 2016 and 2015 were MUSD 65.9 and MUSD 65.7, respectively. EBITDA was MUSD 63.6 in the first nine months of 2016 (MUSD 63.0 for the same period in 2015). EBIT was MUSD 38.0 for the nine months ending 30 September 2016 and 2015.

Net interest expense (interest expense less interest income) for the first nine months of 2016 was MUSD 28.1 (MUSD 38.7 in for the same period in 2015).

Net foreign exchange gain was MUSD 0.2 year to date in 2016 (MUSD 0.2 loss in the same period in 2015), resulting from the translation of Norwegian kroner (NOK) cash balances into USD.

In the first three quarters of 2016, AMSC had an unrealized loss of MUSD 5.2 on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (gain of MUSD 13.5 in the first nine months of 2015).

AMSC had a net profit before tax for the nine months ending 30 September 2016 and 2015 of MUSD 4.9 and MUSD 12.6, respectively. Non-cash deferred income tax expense was MUSD 5.3 in the first nine months of 2016 (0 in the same period of 2015). Net loss for year-to-date 2016 was MUSD 0.4 compared to net profit of MUSD 12.6 in the same period of 2015, driven by non-cash deferred income tax and unrealized gain/loss on interest rate swaps

Condensed Statement of Financial Position

Amounts in USD million	<i>unaudited</i>		
	30-Sep 2016	30-Sep 2015	31-Dec 2015
Vessels	788.2	823.0	813.8
Deferred tax assets	-	-	2.0
Interest-bearing long term receivables (DPO)	31.6	33.0	32.6
Other non current assets	25.4	24.9	24.9
Trade and other receivables	0.3	0.5	0.4
Cash held for specified uses	2.2	8.8	1.6
Cash and cash equivalents	40.6	60.8	31.7
Total assets	888.3	951.0	907.0
Total equity	203.4	228.4	224.2
Deferred tax liabilities	5.0	0.3	1.7
Interest-bearing long term debt	642.4	206.2	660.6
Derivative financial liabilities - long term portion	1.2	-	0.2
Interest-bearing short term debt	25.0	492.6	10.2
Derivative financial liabilities - short term portion	5.1	14.0	0.6
Deferred revenues and other payables	6.2	9.5	9.5
Total equity and liabilities	888.3	951.0	907.0

The decrease in Vessels from 31 December 2015 reflects depreciation of the Company's ten vessels for the first nine months of 2016.

During the first nine months of 2016, OSG made repayments on the deferred principal obligation (DPO) of MUSD 2.0, of which MUSD 1.0 is principal repayment. The DPO payment for the third quarter 2016 was received on 3 October 2016 and is therefore not reflected in the third quarter accounts. 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. As a result of the transaction with Kinder Morgan announced in August 2015, Philly Tankers expects to distribute excess cash to its shareholders following delivery of each vessel. When the last of the four product tankers has been delivered, 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.

Interest bearing debt as of 30 September 2016 was MUSD 667.4, net of MUSD 6.8 in capitalized fees versus MUSD 670.8 as of 31 December 2015. This debt relates to the bank financing of the ten vessels of MUSD 442.0, the bond of MUSD 212.2 and a subordinated loan from Aker ASA of MUSD 20.0. AMSC was in compliance with all of its debt covenants as of 30 September 2016.

Deferred revenue decreased from 31 December 2015 due to part of the October bareboat charter payment, which was due on 30 September 2016, not being received until 3 October 2016. The ending Q3 2016 cash balance is therefore lower by approximately MUSD 6 due to this delay in receiving part of the October bareboat charter hire payment and the September DPO payment.

Outlook

Nine of AMSC's product tankers remain on "hell or high water" bareboat contracts until December 2019, while one product tanker converted to a shuttle tanker remains on "hell or high water" bareboat contract until June 2025. AMSC is therefore less exposed to short term changes in the market.

The U.S. Jones Act product tanker market is currently softer compared to the markets seen over the past four years. The low oil price environment, persisting for the past 2 years, has contributed to reducing production of shale oil in the US. This has led to reducing volumes of crude being transported on Jones

Act product tankers. There is expected fleet additions coming over the next 12 months, but demolition of the current aging Jones Act tanker fleet has also started and is expected to increase going forward. The combination of weaker demand for crude shipments and a growing fleet in the near term, seem to be the main reasons for the current softer market conditions.

Nonetheless, shipments of clean products are growing on the back of lower oil price as it stimulates demand for fuel. Eight of the ten ships in AMSC's fleet are transporting clean products, while only two are currently involved in transporting crude.

AMSC expects to continue paying regular quarterly dividends.

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 2015 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 exception.

Oslo, 7 November 2016

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 THIRD QUARTER AND FIRST NINE MONTHS 2016

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>			
	Q3 2016	Q3 2015	Year to date 2016 2015	
Operating revenues	22.1	22.1	65.9	65.7
Operating expenses	(0.8)	(0.9)	(2.3)	(2.7)
Operating profit before depreciation - EBITDA	21.3	21.2	63.6	63.0
Depreciation	(8.6)	(8.4)	(25.6)	(25.0)
Operating profit - EBIT	12.7	12.8	38.0	38.0
Net interest expense	(9.7)	(13.0)	(28.1)	(38.7)
Unrealized gain/(loss) on interest swaps	1.1	4.6	(5.2)	13.5
Net foreign exchange gain/(loss)	0.1	(0.2)	0.2	(0.2)
Profit/(loss) before income tax	4.2	4.2	4.9	12.6
Non-cash income tax expense	(2.0)	-	(5.3)	-
Net profit/(loss) for the period *	2.2	4.2	(0.4)	12.6
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.04	0.07	(0.01)	0.21

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>			
	Q3 2016	Q3 2015	Year to date 2016 2015	
Net income/(loss) for the period	2.2	4.2	(0.4)	12.6
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	2.2	4.2	(0.4)	12.6

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>		
	30-Sep 2016	30-Sep 2015	31-Dec 2015
Assets			
Non-current assets			
Vessels	788.2	823.0	813.8
Deferred tax assets	-	-	2.0
Interest-bearing long term receivables (DPO)	31.6	33.0	32.6
Other long term assets	25.4	24.9	24.9
Total non-current assets	845.2	880.9	873.3
Current assets			
Trade and other receivables	0.3	0.5	0.4
Cash held for specified uses	2.2	8.8	1.6
Cash and cash equivalents	40.6	60.8	31.7
Total current assets	43.1	70.1	33.7
Total assets	888.3	951.0	907.0
Equity and liabilities			
Total equity	203.4	228.4	224.2
Non-current liabilities			
Bond payable	212.2	208.1	210.4
Other interest-bearing loans	437.0	0.3	458.2
Derivative financial liabilities - long term portion	1.2	-	0.2
Capitalized fees	(6.8)	(2.2)	(8.0)
Deferred tax liability	5.0	0.3	1.7
Total non-current liabilities	648.6	206.5	662.5
Current liabilities			
Interest-bearing short-term debt	25.0	492.6	10.2
Derivative financial liabilities - short term portion	5.1	14.0	0.6
Deferred revenues and other payables	6.2	9.5	9.5
Total current liabilities	36.3	516.1	20.3
Total liabilities	684.9	722.6	682.8
Total equity and liabilities	888.3	951.0	907.0

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	unaudited	
	Year to date	
	2016	2015
Equity related to the equity holders of the parent company as of beginning of period	224.2	234.5
Total comprehensive income/(loss) for the period	(0.4)	12.6
Repurchase of treasury shares	-	-
Dividends/return of capital	(20.4)	(18.7)
Total equity as of end of period	203.4	228.4

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	unaudited	
	Year to date	
	2016	2015
Net cash flow from operating activities	36.6	34.0
Net cash flow used in financing activities	(27.1)	(57.7)
Net change in cash and cash equivalents	9.5	(23.7)
Cash and cash equivalents, including cash held for specified uses at the beginning of period	33.3	93.3
Cash and cash equivalents, including cash held for specified uses at end of period	42.8	69.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

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 nine months ended 30 September 2016 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 2015 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 nine 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 2015.

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 2015.

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 2015 that have a significant impact on AMSC's financial reporting for the three and nine months ended 30 September 2016.

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 2015.

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

6. Tax estimates

Income tax expense is recognized in each interim period based on the best estimate of the expected annual income tax rates. During Q3 2016, the Company recognized a deferred tax expense of MUSD 0.3 related to income taxes in the Commonwealth of Pennsylvania (MUSD 0 in Q3 2015) and a deferred tax expense of MUSD 1.7 related to U.S. federal income tax (MUSD 0 in Q3 2015). During the first nine months of 2016, the Company recognized a deferred tax expense of MUSD 0.2 related to income taxes in the Commonwealth of Pennsylvania (MUSD 0 in the first nine months of 2015) and a deferred tax expense of MUSD 5.1 related to U.S. federal income tax (MUSD 0 in the first nine months of 2015). 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 MUSD 487.9 of net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2015, of which approximately MUSD 381 are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2015 consolidated financial statements for more details). The Company also has MUSD 108.7 of net operating losses in carryforward in Norway as of 31 December 2015.

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.

7. Share capital and equity

As of 30 September 2016, 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					
	2016			2015		
	3-Mar-16	8-Jun-16	31-Aug-16	27-Feb-15	29-May-15	28-Aug-15
NOK per share	0.92322	0.89122	1.01871	0.77503	0.77049	0.85352
USD per share	0.107	0.107	0.124	0.103	0.103	0.103
Aggregate NOK (millions)	56.0	54.0	61.8	47.0	46.7	51.7
Aggregate USD (millions)	6.50	6.50	7.50	6.25	6.25	6.25

8. Interest-bearing debt

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

Amounts in USD million	9 months to	
	30-Sep-16	30-Sep-15
Balance at beginning of period	670.8	728.4
Repayment of debt / loan fees	(6.6)	(38.9)
Interest added to outstanding debt	-	5.0
Amortization of loan fees and discount	3.2	4.4
Balance at end of period	667.4	698.8

The Company was in compliance with all of its debt covenants as of 30 September 2016.

9. Related party transactions

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

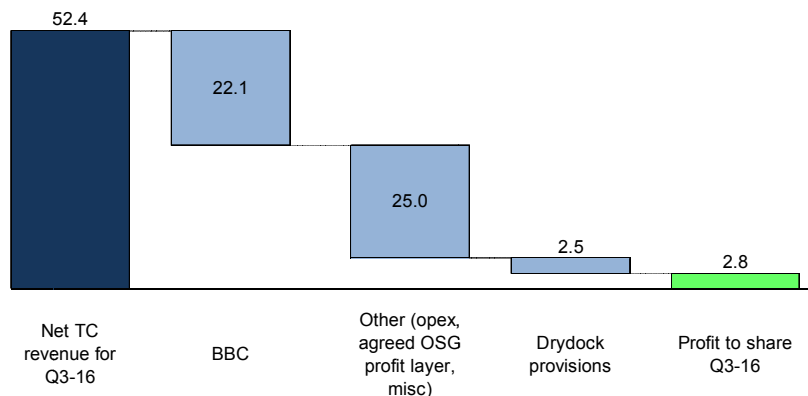
10. Interest

Amounts in USD million	3 months to 30-Sep-16	3 months to 30-Sep-15	9 months to 30-Sep-16	9 months to 30-Sep-15
Interest expense	(9.7)	(13.5)	(29.1)	(40.2)
Interest income	-	0.5	1.0	1.5
Net interest expense	(9.7)	(13.0)	(28.1)	(38.7)

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.

Profit Sharing Calculation for Q3 2016



AMSC's 50% share of the profit (MUSD 1.4 for the third quarter 2016) is used to reduce the OSG credit. When the OSG credit has been fully repaid, AMSC will receive its 50% share of the profit in cash. The cumulative balance as of 30 September 2016 for the OSG credit is shown in the table below. The calculations are shown with aggregated, rounded figures in USD millions. Please note that these figures are unaudited numbers and have not been subject to affirmative review.

Balance per Q3-2016:

	Beginning balance as of Q2 2016	Accrued interest	Reduction	Ending balance as of Q3 2016
OSG credit	7.5	0.3	(1.4)	6.4

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 MUSD 7.0 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	9 months to	
	30-Sep-16	30-Sep-15
Balance at beginning of period	32.6	33.2
DPO revenue	-	0.6
Repayments of principal	(1.0)	(1.1)
Interest accreted	-	0.3
Balance at end of period	31.6	33.0

The DPO payment for the third quarter 2016 was received on 3 October 2016 and is therefore not reflected in the third quarter accounts.

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 2015 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 September 2016, 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-Sep-16	30-Sep-16	hierarchy *
Interest-bearing receivables (DPO)	31.6	25.4	3
Interest swap used for economic hedging	(6.4)	(6.4)	2
Unsecured bond issue (gross)	(212.2)	(206.8)	3
Secured loans (gross)	(442.0)	(449.9)	2
Subordinated loans (gross)	(20.0)	(19.3)	2

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

* Described in the 2015 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>			
	Q3 2016	Q3 2015	Year to date	
Normalized EBITDA (amounts in USD millions)			2016	2015
Base bareboat revenue	22.1	22.1	65.9	65.7
Less operating expenses	(0.8)	(0.9)	(2.3)	(2.7)
Reported EBITDA	21.3	21.2	63.6	63.0
Plus profit share	1.4	1.2	8.4	7.7
Plus DPO	1.0	0.9	3.0	2.3
Normalized EBITDA	23.7	23.3	75.0	73.0

	<i>unaudited</i>			
	Q3 2016	Q3 2015	Year to date	
Adjusted net profit (amounts in USD millions)			2016	2015
Net profit/loss after tax	2.2	4.2	(0.4)	12.6
Add back:				
Unrealized (gain)/loss on interest swaps	(1.1)	(4.6)	5.2	(13.5)
Net foreign exchange (gain)/loss	(0.1)	0.2	(0.2)	0.2
Non-cash income tax expense	2.0	-	5.3	-
Adjusted net profit	3.0	(0.2)	9.9	(0.7)

Note the Q3 2016 DPO payment, which was received on 3 October 2016, is included in the Normalized EBITDA figure for comparison purposes.

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