AKPS 1st Quarter Report

First quarter 2014 – For the quarter, Aker Philadelphia Shipyard recorded revenues and other income and EBITDA of USD 77.4 million and USD 24.2 million, respectively. As previously disclosed, AKPS sold its profit sharing interests in Hulls 017 and 018 to Crowley on 31 March 2014 for USD 40 million. Also during the quarter, AKPS raised approximately USD 65 million in equity via a successful private placement and subsequent retail offering of its shares and closed its USD 120 million construction loan facility with Caterpillar Financial Services Corporation. AKPS will pay a dividend of NOK 17.5 (approximately USD 2.93) per share during the second quarter of 2014.

OSLO/PHILADELPHIA (2 May 2014) - As previously disclosed, on 17 January 2014, the Company obtained commitments in a private placement of equity totaling USD 60.9 million, or 2.25 million shares at an issue price of NOK 165 per share. The private placement was approved at an extraordinary general meeting on 7 February 2014 and trading of the new shares commenced on 10 February 2014. The Company carried out a subsequent offering that resulted in exercised subscription rights for 159,461 new shares in the Company, with trading of the new shares commencing on 27 March 2014. Total proceeds from the subsequent offering were USD 4.3 million.

Also as previously disclosed, on 31 March 2014, Aker Philadelphia Shipyard ASA (AKPS) sold its profit sharing interests in Hulls 017 (the *Pennsylvania*) and 018 (the *Florida*) to Crowley for total cash proceeds of USD 40 million. Aker Philadelphia Shipyard, Inc. (APSI) had delivered these vessels to Crowley in August 2012 and January 2013, respectively. The full payment is due by 30 June 2014.

Also during Q1 2014, APSI entered into a loan agreement with Caterpillar Financial Services Corporation (Cat Financial) for a USD 120 million loan facility for construction financing on the four product tankers under contract with Crowley.

The previously announced commitment for a secured term loan of up to USD 60 million from PIDC Regional Center remains effective. Definitive documentation for this financing is progressing and is expected to be completed during Q2 2014.

Both aframax tankers for SeaRiver Maritime, Inc. (SeaRiver), ExxonMobil Corporation’s U.S. marine affiliate, are under construction at the shipyard. The first vessel is scheduled for delivery in Q2 2014 and the second vessel in Q4 2014. The SeaRiver tankers are intended to be used to transport Alaskan North Slope crude oil from Prince William Sound, Alaska to the U.S. West Coast.

Additionally, in January 2014, construction began on the first of the four product tankers under contract with Crowley. The vessels are scheduled to be delivered in 2015 and 2016. When completed, the Crowley tankers will become part of the previously announced joint venture between Crowley and APSI.

The Company’s annual general meeting was held on 9 April 2014. At this meeting, the Board was authorized to make dividend payments, increase share capital and purchase own shares. Kristian Rokke was elected Chairman of the Board and Steinar Nerbovik was concurrently named Managing Director of Aker Philadelphia Shipyard. Minutes from the annual general meeting are posted on the Company’s website.

On 30 April 2014, the Board of Directors authorized a dividend of NOK 17.5 (approximately USD 2.93) per share, which is slightly higher than guidance previously given related to a dividend of the net proceeds from the sale of the profit sharing interests in Hulls 017 and 018 as well as regular quarterly dividends. The dividend payment will take place on or about 16 May 2014 to shareholders on record as of 6 May 2014. The shares will be traded exclusive dividend from and including 7 May 2014.

First Quarter Results
AKPS is recognizing revenues and expenses for the two-tanker order from SeaRiver as one project. As of 31 March 2014, the SeaRiver project was approximately 82% complete. AKPS is also recognizing revenues and expenses for the four-tanker order from Crowley as a single project. As of 31 March 2014, the Crowley project was approximately 2% complete.

Revenues and other income for the quarter ended 31 March 2014 were USD 77.4 million compared to Q1 2013 revenues and other income of USD 130.9 million. EBITDA (earnings before net financial items, taxes, depreciation and amortization) for the quarter ended 31 March 2014 was USD 24.2 million compared to Q1 2013 EBITDA of USD 19.1 million. EBIT for Q1 2014 was USD 22.4 million compared to Q1 2013 EBIT of USD 17.5 million. Net income for the quarter ended 31 March 2014 was USD 17.8 million compared to Q1 2013 net income of USD 12.0 million.

In Q1 2014, quarterly revenues and other income was primarily attributable to progress on the SeaRiver and Crowley projects and the sale of the profit sharing interests in Hulls 017 and 018 to Crowley. In Q1 2013, quarterly revenues and other income consisted mainly of revenues recognized for progress on the SeaRiver project and the delivery of Hull 018 to Crowley. No revenues had been recognized for progress on Hull 018 prior to its delivery because it had originally been built for the Company’s own account. The increase in EBITDA, EBIT and net income for the quarter in comparison to Q1 2013 was primarily driven by the gain recorded from the sale of the profit sharing interest in Hulls 017 and 018 to Crowley, which was partially offset by a reduction in gross margin on the SeaRiver project, as described in the “Operations” and “Outlook” sections below. Additionally, as previously reported, the Company incurred a charge of USD 1.2 million related to the expiration of a term loan commitment. Net financial items for Q1 2014 were negative USD 0.2 million compared to negative USD 0.1 million for Q1 2013.

Tax expense of USD 4.4 million was incurred in Q1 2014 compared to tax expense of USD 5.4 million in Q1 2013. The change in the effective tax rate (20% and 31% for Q1 2014 and Q1 2013, respectively) was primarily caused by the profit share interest in Hulls 017 and 018 being taxed at the Norwegian tax rate and a benefit being recognized at the higher U.S. tax rate.

Cash and cash equivalents of USD 106.7 million at 31 March 2014 increased USD 37.9 million from USD 68.8 million at 31 December 2013 due primarily to the private placement and subsequent offering in Q1 2014 and the milestone payments from SeaRiver and Crowley in Q1 2014, offset by investments in vessels-under-construction.

Customer advances, net of USD 7.1 million at 31 March 2014 decreased USD 26.7 million from USD 33.8 million at 31 December 2013. This amount represents customer milestone payments from Matson, net of work-in-process and earned profit.

	Unaudited		Unaudited *
Amounts in USD millions (except shares and per share information)	**Q1 2014**	**Q1 2013**	**Full Year 2013**
Operating revenues and other income	77.4	130.9	279.0
EBITDA	**24.2**	**19.1**	**30.1**
Operating income - EBIT	22.4	17.5	23.2
Income before tax	22.2	17.4	23.4
Income for the period	**17.8**	**12.0**	**15.6**
Average number of shares	11,397,392	10,165,305	10,165,305
Basic and diluted earnings per share (USD)	**1.56**	**1.18**	**1.53**

Amounts in USD millions	Unaudited 31-Mar 2014	Unaudited * 31-Dec 2013
Property, plant and equipment	54.8	54.8
Restricted cash	20.0	20.0
Vessels-under-construction receivable	15.0	-
Prepayments and other receivables	48.8	35.3
Deferred tax assets	0.6	3.0
Other non-current assets	0.4	5.4
Cash and cash equivalents	106.7	68.8
Total assets	**246.3**	**187.3**
Total equity	195.5	114.0
Interest-bearing long-term debt	0.9	3.0
Interest-bearing short-term debt	0.2	2.6
Customer advances, net	7.1	33.8
Deferred tax liabilities	7.7	7.9
Taxes, trade payables and accrued liabilities	34.9	26.0
Total equity and liabilities	**246.3**	**187.3**

* Annual 2013 financial information is derived from audited financial statements.

Operations
At the end of the first quarter 2014, APSI had three vessels under construction, Hulls 019, 020 and 021. Hull 019, the first aframax tanker for SeaRiver, went on sea trials in early March as planned. During these trials a defect in the propulsion system was discovered. Remedial efforts are currently underway to resolve this issue, but will not be concluded until later this month. Hull 020 production activities continue to progress in the Building Dock in line with the contract schedule.

APSI commenced construction of Hull 021 on 6 January 2014 and this vessel is currently in the prefabrication stage. APSI began construction of Hull 022, the second product tanker in the series, on 21 April 2014. When completed, these tankers will be the first two vessels in the joint venture between Crowley and APSI. The majority of the purchasing activities for Hulls 021-024 have been completed and long lead items for Hulls 025-026 are being secured. The Company continues to actively manage its exposure to foreign currency and equipment pricing for its backlog.

APSI’s workforce is in line with historical norms and will continue to be adjusted according to the Company’s backlog and production activities.

Outlook
The contracts with SeaRiver (Hulls 019 and 020), Crowley (Hulls 021-024) and Matson (Hulls 029 and 030) provide for shipbuilding activity with delivery dates through 2018. The Company’s order backlog for these three projects totals USD 977.9 million at 31 March 2014. All financing that is required by APSI for this firm backlog has been secured or committed.

The Company expects to build Hulls 025-028 as product tankers with deliveries in 2016 and 2017. AKPS remains confident in the product tanker market and is currently in discussions with several interested parties regarding a potential transaction involving the construction and sale of four product tankers and agreements for joint ownership in the vessels. The Company expects to announce a transaction related to these vessels in 2014.

In addition, AKPS continues to pursue prospects for new construction projects in all other areas of the Jones Act market, including containerships, shuttle tankers, short-sea shipping vessels, off-shore service vessels, barges, wind turbine installation vessels, and other large steel fabrication projects. LNG propulsion continues to be a consideration for potential owners and AKPS is able to leverage its experience from the Matson containership design.

As demonstrated by the sale of the profit sharing interests in Hulls 017 and 018 to Crowley, the Company’s shipping assets are being managed with an opportunistic ownership strategy to maximize their value over time. The Company’s remaining shipping assets, consisting of the future economic interests in the joint venture with Crowley for Hulls 021-024, provide a mechanism for AKPS to receive returns on the ownership, chartering and operation of the vessels it builds, in addition to returns on traditional shipbuilding activities.

It is expected that the costs of the remedial work due to the defect in the propulsion system of Hull 019 described above, in addition to other higher than forecasted costs for completion of Hulls 019 and 020, will result in a gross margin for the SeaRiver project of between 2% and 3%. Guidance for the expected average gross margin on Hulls 021 through 030 is unchanged at approximately 13%.

AKPS expects to continue to pay a regular quarterly dividend of USD 0.25 per share, with intentions of increasing the amount over time.

Risks

AKPS faces risks related to construction of vessels which may adversely affect the shipyard's ability to meet anticipated budgets and schedules. These risks include changes in productivity, shortages of material, equipment and labor and changes in the availability and pricing of key vendors for design and procurement. In order to address these risks, where possible, the Company has entered into contracts with suppliers and subcontractors for material, equipment and labor and with vendors for design and procurement.

AKPS faces risks related to the construction of new classes of vessels. These challenges sometimes tend to impact quality, timely delivery and cost efficiencies. In order to mitigate these risks, the Company seeks to partner with global experts in the fields of engineering, shipbuilding, and procurement.

The Company depends on unionized labor for construction of vessels. Work stoppages or other labor disturbances could have a material adverse effect. In order to mitigate this risk, the Company and unions have signed a collective bargaining agreement, which is effective until February 2015. The collective bargaining agreement includes a no-strike clause.

The Company's operations are subject to the usual hazards inherent in shipbuilding, such as the risk of equipment failure and work accidents. These hazards can cause personal injury and loss of life, business interruption, property and equipment damage, pollution and environmental damage. The Company continues to implement its HSE management system and provide training to its workforce to mitigate these risks. The Company also seeks to cover these risks through contractual limitations of liability and indemnities and through insurance.

The overall market risk is related to the Jones Act. Interest groups have lobbied the U.S. Congress in the past to repeal or modify the Jones Act; however, market experts believe that significant changes to the legislation are unlikely. Repeal of or significant changes to the Jones Act could, among other things, increase competition from foreign (non-U.S.) shipbuilders with lower costs or require increased use of higher priced domestic content, and as a result reduce the demand for U.S. built vessels. In order to address this risk, the Company has continuous engagement with local, state and federal government officials.

AKPS is also exposed to normal market risk related to an imbalance between supply and demand for vessels in the Jones Act market, which may result in a reduction of vessel prices and/or delay in new projects.

AKPS faces risks, including early termination of its facility lease, if it is unable to secure new orders and/or financing for Hulls 025-028, which are planned to be built as product tankers, or projects beyond the Matson project (i.e., Hulls 029 and 030).

AKPS's activities expose it to a variety of financial risks: market risk (including commodity pricing risk, currency risk, and price risk), credit risk, and cash flow interest-rate risk. AKPS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on AKPS's financial performance. AKPS uses derivative financial instruments to hedge certain risk exposures.

APSI and Crowley ultimately share the risk of steel price escalation on Hulls 021-024 through the joint venture structure. Matson bears the risk of steel price escalation on Hulls 029 and 030.

There is minimal foreign exchange exposure for Hulls 019 and 020. In order to mitigate exposure to exchange rate risk on other vessels, the Company has secured its anticipated foreign exchange needs for Hulls 021-024 and the Company will continue to actively manage its foreign currency exposure on future ships.

Through construction financing, the Company is exposed to fluctuations in interest rates. There is no construction financing for the SeaRiver project (i.e., Hulls 019 and 020) or the Matson project (i.e., Hulls 029 and 030), as these contracts will be fully-funded by customer milestone payments.

The Company accrues an estimate for future warranty claims on its outstanding projects. Thus far the claims have been below the reserve amounts. In order to mitigate the risk of future warranty claims exceeding warranty provisions, the Company has secured back-to-back warranties for most major components on the vessels.

The Company is exposed to risks related to the take-out financing upon delivery of Hulls 021-024. The actual amount of APSI's investment in the joint venture with Crowley will depend in part on the net amount of this take-out financing. In addition, APSI cannot draw under its construction loan facility for Hulls 021-024 until this take-out financing is obtained. As part of the joint venture efforts, APSI and Crowley are currently working together to secure this financing on favorable terms.

After Hulls 021-024 are delivered and in service, the Company will be exposed to additional risks due to its continued ownership interests in the companies that will own, charter and operate the vessels under the Crowley joint venture. These risks include, but are not limited to, fluctuations in the market value of the vessels, damage or loss of the vessels, inadequacy of insurance to cover such damages and losses, reductions in charter revenue, non-compliance with environmental laws and regulations, unexpected drydock costs, increases in operating costs and capital expenses as the vessels age, and repeal or significant changes to the Jones Act. By partnering with Crowley, a first class operator, AKPS has sought to mitigate these risks.

For a further analysis of risks, please refer to the 2013 AKPS annual report.

Oslo, Norway
2 May 2014
Board of Directors and General Manager
Aker Philadelphia Shipyard ASA

CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in USD millions (except shares and per share information)	Unaudited Q1 2014	Unaudited Q1 2013
Operating revenues and other income	77.4	130.9
Operating expenses	(53.2)	(111.8)
Operating income before depreciation - EBITDA	**24.2**	**19.1**
Depreciation	(1.8)	(1.6)
Operating income - EBIT	**22.4**	**17.5**
Net financial items	(0.2)	(0.1)
Income before tax	**22.2**	**17.4**
Tax expense	(4.4)	(5.4)
Income for the period *	**17.8**	**12.0**
Average number of shares	**11,397,392**	**10,165,305**
Basic and diluted earnings per share (USD)	**1.56**	**1.18**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD millions	Unaudited Q1 2014	Unaudited Q1 2013
Income for the period	17.8	12.0
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the period *	**17.8**	**12.0**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD millions	Unaudited 31-Mar 2014	Unaudited ** 31-Dec 2013
Assets		
Non-current assets		
Property, plant and equipment	54.8	54.8
Restricted cash	20.0	20.0
Deferred tax assets	0.6	3.0
Other non-current assets	0.4	5.4
Total non-current assets	**75.8**	**83.2**
Current assets		
Vessels-under-construction receivable	15.0	-
Prepayments and other receivables	48.8	35.3
Cash and cash equivalents	106.7	68.8
Total current assets	**170.5**	**104.1**
Total assets	**246.3**	**187.3**
Equity and liabilities		
Total equity	**195.5**	**114.0**
Non-current liabilities		
Interest-bearing long-term debt	0.9	3.0
Other long-term liabilities	8.1	6.9
Deferred tax liabilities	7.7	7.9
Total non-current liabilities	**16.7**	**17.8**
Current liabilities		
Customer advances, net	7.1	33.8
Interest-bearing short-term debt	0.2	2.6
Taxes, trade payables and accrued liabilities	26.8	19.1
Total current liabilities	**34.1**	**55.5**
Total liabilities	**50.8**	**73.3**
Total equity and liabilities	**246.3**	**187.3**

* All attributed to the equity holders of AKPS.
** Annual 2013 financial information is derived from audited financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Three Months Ended 31 Mar.	
Amounts in USD millions	**2014**	**2013**
As of beginning of period	114.0	98.4
Issuance of shares, net of transaction costs	63.7	-
Total comprehensive income for the period	17.8	12.0
As of end of period	**195.5**	**110.4**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Three Months Ended 31 Mar.	
Amounts in USD millions	**2014**	**2013**
Net cash (used in)/from operating activities	(19.5)	62.0
Net cash used in investing activities	(1.8)	(1.5)
Net cash from/(used in) financing activities	59.2	(31.9)
Net change in cash and cash equivalents	**37.9**	**28.6**
Cash and cash equivalents at beginning of period	68.8	58.3
Cash and cash equivalents at end of period	**106.7**	**86.9**

Notes to the condensed interim consolidated financial statements for the 1st quarter 2014

1. Introduction - Aker Philadelphia Shipyard ASA

Aker Philadelphia Shipyard ASA (AKPS) is a company domiciled in Norway. The condensed interim consolidated financial statements for the three-month periods ended 31 March 2014 and 31 March 2013 are comprised of AKPS and its direct and indirect wholly-owned subsidiaries, including Aker Philadelphia Shipyard, Inc. (APSI).

This interim report has not been subject to audit or review by independent auditors.

The consolidated 2013 annual financial statements of AKPS, which include a detailed description of accounting policies and significant estimates, are available at www.akerphiladelphia.com.

2. Basis of preparation

These condensed interim consolidated financial statements reflect all adjustments, in the opinion of AKPS's management, that are necessary for a fair presentation of the results of operations for the periods presented. Operating results for the three-month periods are not necessarily indicative of the results that may be expected for any subsequent quarter or year.

3. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of AKPS as of and for the year ended 31 December 2013.

4. Significant accounting principles

The accounting policies applied by AKPS in these condensed interim consolidated financial statements are substantially the same as those applied by AKPS in its consolidated financial statements as of and for the year ended 31 December 2013.

There have not been any new IFRS standards or interpretations which were effective 1 January 2014 that have had a significant impact on Q1 2014.

5. Use of estimates

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The most significant judgments made by management in preparing these condensed interim consolidated financial statements in applying AKPS's accounting policies, and the key sources of estimation uncertainty, are the same as those that are applied to the consolidated financial statements as of and for the year ended 31 December 2013 unless described elsewhere in this report.

6. Tax estimates

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

7. Share capital and equity

At 31 March 2014, AKPS had 12,574,766 ordinary shares at a par value of NOK 10 per share which reflected the share issuances of 2,250,000 on 10 February 2014 and 159,461 on 27 March 2014. Based on these issuances a weighted average for the three months ended 31 March 2014 of 11,397,392 was used in the calculation of earnings per share. For all previous periods in 2013, 10,165,305 ordinary shares were used for purposes of calculation of earnings per share.

8. Interest-bearing debt

The following shows material changes in interest-bearing debt during 2014:

Amounts in USD millions	Long-term debt	Short-term debt	Total interest-bearing debt
Balance 31.12.13	**3.0**	**2.6**	**5.6**
Issuance of debt	-	-	-
Repayment of debt	(2.1)	(2.4)	(4.5)
Balance 31.03.14	**0.9**	**0.2**	**1.1**

On 6 March 2014, the Company entered into a loan agreement with Caterpillar Financial Services Corporation (Cat Financial) for a USD 120 million loan facility for construction financing on the four product tankers under contract with Crowley Maritime Corporation. The loan is subject to a maximum borrowing amount of USD 58-60 million per vessel and will be secured by a first lien on Hulls 021-024. The loan will accrue interest at three-month Libor plus 3% as defined in the loan agreement.

On 15 January 2014, the commitment the Company had received during Q4 2013 from a group of private lenders for a secured term loan of USD 65 million expired. This loan will not be closed. The Company incurred a charge of USD 1.2 million in Q1 2014 related to this transaction.

On 24 February 2014, APSI prepaid in full the remaining balance of USD 2.8 million under a USD 20 million loan by the Pennsylvania Industrial Development Authority (PIDA) and the remaining balance of USD 1.2 million under a USD 10 million loan from PIDC Local Development Corporation (PIDC), without premium or penalty, and the mortgages and all other liens securing such loans were released.

On 6 November 2013, APSI executed a commitment letter with PIDC Regional Center, LP XXXI, a partnership between CanAm Enterprises and PIDC, for a secured term loan of up to USD 60 million. The commitment letter provides that the loan will have a five-year term and will be initially secured by a second lien on Hulls 021-024 during construction. After the vessels are delivered, the lender will have a lien on the economic interests in the vessels under the joint venture with Crowley. The commitment letter provides further that the loan will have a fixed interest rate of 2.75% through maturity. The funds are anticipated to be drawn in Q4 2014 and Q1 2015. This loan will be made through the Welcome Fund loan program, a source of low-cost capital generally available to commercial, retail, industrial or non-profit firms that create significant job growth and are located in or planning to locate to the City of Philadelphia.

AKPS expects to sign definitive documentation for the Welcome Fund loan described above in Q2 2014.

9. Related party transactions

Converto Capital Fund AS, an investment fund controlled by Aker ASA, is the majority shareholder of AKPS, owning 57.6% of its total outstanding shares as of 31 March 2014. In addition, Kristian Rokke, the President and CEO of AKPS, is a Board member of TRG Holding AS, which owns 66.7% of the total outstanding shares of Aker ASA as of 31 March 2014. AKPS believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

AKPS has service agreements with Aker ASA and its affiliates which provide certain specified consulting, accounting, tax, financial and administrative services. AKPS also has a secondment agreement with Aker ASA which establishes a framework for the mutual secondment of personnel between their respective organizations. All payables under these agreements are paid within the normal course of business.

Related administrative costs and financial statement amounts for the three-month period ending 31 March 2014 were USD 37 thousand (USD 37 thousand for the same period in 2013).

10. Capitalized interest

Amounts in USD millions	Q1 2014	Q1 2013
Interest expense	(0.2)	(0.3)
Interest capitalized on construction contracts	-	0.1
Net interest expense	**(0.2)**	**(0.2)**

11. Construction contracts

The order backlog is USD 977.9 million at 31 March 2014 and represents an obligation to deliver vessels that have not yet been produced for the Company's customers: SeaRiver, Crowley and Matson. The order backlog consists of future revenues plus certain materials to be supplied by SeaRiver (approximately USD 6.4 million) and is subject to adjustments based on change orders as defined in the construction contracts. The materials to be supplied by SeaRiver will not be recognized as future revenues by AKPS.

Amounts in USD millions	Order backlog 31.03.14	Order intake 3 months to 31.03.14	Order backlog 31.12.13
	977.9	**0.8**	**1,017.7**

The recognized profit on long-term contracts in process for the periods that ended:

Amounts in USD millions	31.03.14
Contract revenue recognized as revenue to date	278.4
Less: recognized contract expenses	(270.2)
Recognized profit to date	**8.2**
Contract costs incurred to date	**265.7**

Customer milestone payments as of 31 March 2014 and 31 March 2013 totaled USD 274.2 and USD 138.1 million, respectively.

Customer advances, net as of 31 March 2014 and 31 March 2013 totaled USD 7.1 million and USD 45.2 million, respectively. These represent customer milestone payments net of work-in-process and earned profit.

As of 31 March 2014, APSI has non-cancellable purchase commitments for materials and equipment of approximately USD 63.4 million for the construction of Hulls 019-024.

12. Operating revenues and other income

Amounts in USD millions	Q1 2014	Q1 2013
Operating revenues	45.1	130.9
Gain-on-sale of profit sharing	32.3	-
Operating revenues and other income	**77.4**	**130.9**

13. Financial instruments
As of 31 March 2014, the Company accounts for the forward exchange contracts (fair value of USD 99 thousand liability at 31 March 2014) at fair value which are the only assets and liabilities accounted for at fair value. As disclosed in the Company's 2013 annual report, the fair value of forward exchange contracts are determined by market observable inputs. Other than as noted above, there are no significant deviations between carrying amounts of financial assets and liabilities and their fair values due to short-term maturities.

14. Commitments and contingencies
On 6 November 2013, APSI executed definitive agreements for a joint venture with Crowley Maritime Corporation and certain of its affiliates ("CMC") related to the ownership, operation and chartering of four product tankers. The vessels will be delivered in 2015 and 2016 and Crowley will maintain control over the ownership, technical operation, and commercial management of the vessels. APSI and CMC will share approximately 49.9% and 50.1%, respectively, in the economic benefits from the vessels. It is anticipated that APSI will have an investment in the joint venture of approximately USD 115 million once all four vessels are delivered. The actual amount of the investment will depend upon the total capital cost of the vessels to the joint venture and the net amount of takeout financing upon delivery of the vessels. The vessels owned by the joint venture will be subject to mortgage debt residing at the joint venture. Due to the nature of the transaction, approximately 49.9% of the gross margin on each vessel being constructed by APSI for the joint venture will be deferred and recognized ratably over the life of such vessel once it is delivered. As of 31 March 2014, the Company had deferred USD 445 thousand in profit which is included in other accrued liabilities on the statement of financial position. All four vessels have multi-year charters in place at 31 December 2013.

As part of the transactions contemplated by the Authorization Agreement executed by APSI and Philadelphia Shipyard Development Corporation (PSDC) in 2011, APSI agreed to a new termination event under its shipyard lease, pursuant to which PSDC has the right to recapture the shipyard if APSI fails to maintain an average of at least 200 full-time employees at the shipyard for 90 consecutive days, subject to the right of APSI to complete work-in-process projects and a one-time, limited cure right which allows APSI to restore the lease to a 5-year term under certain circumstances. Based on its current construction schedule and backlog, AKPS expects that it will have at least 200 full-time employees on staff for the foreseeable future.

15. Events after 31 March 2014
On 30 April 2014, the Board of Directors authorized a dividend of NOK 17.5 (approximately USD 2.93) per share. The dividend payment will take place on or about 16 May 2014 to shareholders on record as of 6 May 2014. The shares will be traded exclusive dividend from and including 7 May 2014.

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