Aker Philadelphia Shipyard (OSE: AKPS)

Q2 2015 Results

15 July 2015

Highlights

- ✓ Second quarter Adjusted EBITDA was USD 9.5 million compared to USD 4.4 million in Q2 2014. Second quarter EBITDA was USD 5.0 million compared to USD 2.9 million in Q2 2014
- ✓ Total cash and cash equivalents of USD 50.6 million at 30 June 2015, including USD 7.0 million of restricted cash related to the SeaRiver contract
- ✓ Order backlog of USD 848.8 million on 30 June 2015 with last delivery in December 2018
- ✓ Five product tankers currently under construction
- ✓ AKPS launches plan to divest all of its shipping assets, consisting of its investments in both the AKPS-Crowley joint venture and Philly Tankers, with two potential sale transactions anticipated to be finalized in Q3 2015
- ✓ Jan Ivar Nielsen appointed as Chief Financial Officer and will join AKPS in September 2015
- ✓ Q1 2015 quarterly dividend paid totaling USD 3.0 million

Subsequent Events

- ✓ On 7 July 2015, Philly Tankers declared its option for Hulls 027 and 028 with deliveries in 2017, subject to the satisfaction of certain conditions subsequent
- ✓ On 15 July 2015, the AKPS Board approved a quarterly dividend for Q2 2015 of USD 0.25 per share
- ✓ On 16 July 2015, it was announced that AKPS intends to change its name to Philly Shipyard ASA effective in early Q4 2015

Operations and Shipping Investments

Vessel Construction

At the end of the second quarter of 2015, AKPS had five vessels under construction – the four product tankers for the AKPS-Crowley joint venture (Hulls 021-024) and the first vessel for Philly Tankers (Hull 025). Hull 021, the first product tanker for the AKPS-Crowley joint venture, was launched on 7 April 2015 and is now in the final commissioning stage. On 23 April 2015, the first block of Hull 023 was placed in the Building Dock, joining Hull 022. The Company continues prefabrication activities on Hulls 024 and 025.

The majority of purchasing and engineering activities for the product tanker series (Hulls 021-028) are completed. Detailed engineering activities for the Matson project (Hulls 029 and 030) have begun in preparation for the start of production later this year. The Company continues to actively manage its exposure to foreign currency and material pricing for its backlog.

Shipping Investments

AKPS's current portfolio of shipping assets consists of a potential exposure toward eight product tankers through its future interests in the four-ship AKPS-Crowley joint venture and its investment in Philly Tankers. All of the AKPS-Crowley joint venture vessels (Hulls 021-024) and two of the four Philly Tankers vessels (Hulls 025 and 026) have commitments for long-term charters. These assets provide a mechanism for AKPS to achieve returns on the ownership, chartering and operation of the vessels it builds, in addition to returns on traditional shipbuilding activities.

For the past several quarters, the Company has been evaluating and exploring strategic initiatives and potential transactions with regards to its shipping assets. Based on this effort, the Company has decided to launch a plan to divest all of its shipping assets. In connection with this plan, the Company is presently engaged in negotiations with a third party related to the buy-out of AKPS' future interests in the four-ship AKPS-Crowley joint venture. In addition, Philly Tankers is currently engaged in negotiations with a third party related to the purchase and sale of all four of its product tankers. Each of these potential transactions is dependent on, among other things, agreement upon key commercial terms, execution of mutually acceptable definitive documentation and receipt of certain internal approvals and third party consents. It is anticipated that both potential transactions will be finalized in Q3 2015.

Health, Safety, Security and Environment (HSSE)

AKPS's 12-month trailing average for its Lost Time Incident Frequency Rate (LTIFR), as defined by the Occupational Safety and Health Administration (OSHA), at the end of Q2 2015 was 1.25 compared to 0.48 at the same time in 2014. This compares to an OSHA comparable industry average of 2.4. AKPS's 12-month trailing average for its other Recordable Incident Frequency Rate, based on recordable incidents (other than lost time incidents) per 200,000 hours, at the end of Q2 2015 was 3.01 compared to 4.29 at the same point in 2014, a decrease of 30%.

Financial Information

Second Quarter & Year-to-date 2015 Results

Operating revenues and other income for the quarter were USD 83.7 million compared to USD 60.3 million in the second quarter of 2014. Q2 2015 operating revenues and other income were comprised primarily of continued progress on the AKPS-Crowley joint venture project whereas Q2 2014 operating revenues and other income were primarily driven by progress on the SeaRiver project.

As noted above, AKPS maintains an economic interest in the four vessels comprising the AKPS-Crowley joint venture with deliveries in 2015 and 2016. As a result of this economic interest, under IFRS, 49.9% of the gross profit on each of these vessels will be deferred and recognized over its lifetime commencing with its delivery. Due to this accounting treatment, AKPS will also report Adjusted EBITDA, which is defined here as EBITDA plus deferred shipbuilding profits plus capitalized Welcome Fund interest expense. The Company believes presenting Adjusted EBITDA is useful to investors as it provides another measure of AKPS's profitability from its operations, as if AKPS had no economic interest in the AKPS-Crowley joint venture vessels, and more closely represents earnings from shipbuilding activities.

EBITDA for the quarter was USD 5.0 million compared to USD 2.9 million in the second quarter of 2014. Adjusted EBITDA for the quarter was USD 9.5 million compared to USD 4.4 million in the second quarter of 2014.

Net financial items for the quarter were USD 0.4 million compared to USD 1.2 million in Q2 2014. The negative impact is primarily attributable to lower unrealized currency gains on foreign exchange forward contracts and higher interest expense driven by increased net debt.

Net income for the quarter was USD 1.9 million compared to net income of USD 1.5 million for the second quarter of 2014. The difference was due to the above-mentioned factors.

Operating revenues and other income in the first half of 2015 ended at USD 153.8 million compared with USD 137.7 million in the first half of 2014. June 2015 year-to-date operating revenues and other income were comprised primarily of continued progress on the AKPS-Crowley joint venture project whereas June 2014 year-to-date operating revenues and other income were comprised primarily of continued progress on the SeaRiver project and the one-time gain of USD 32.3 million on the sale of the Company's profit sharing interests in Hulls 017 and 018 to Crowley.

EBITDA for the first half of 2015 was USD 8.8 million compared to USD 27.1 million in the same period of 2014. Adjusted EBITDA in the first half of 2015 totaled USD 16.3 million compared to USD 29.1 million in the same period of 2014. A main driver of EBITDA and Adjusted EBITDA for the first six months of 2014 was the one-time gain of USD 32.3 million on the sale of the Company's profit sharing interests in Hulls 017 and 018 to Crowley.

Net income for the first half of 2015 of USD 2.2 million compares with USD 19.3 million in the same period of 2014, driven by the same factors that affected EBITDA.

Balance Sheet

As of 30 June 2015, total assets were USD 361.5 million compared to USD 268.4 million on 31 December 2014. The increase was primarily driven by an increase in vessels-under-construction receivable which increased from USD 87.9 million to USD 189.1 million.

The Company's overall debt level increased in 2015 to USD 149.8 million at quarter-end compared to total debt at year-end 2014 of USD 57.2 million. The increase was mainly due to draws on the debt facilities described under Financing below. The total debt figures include a USD 58 million promissory note contributed to the equity capital of Philly Tankers in return for shares of Philly Tankers.

Cash and cash equivalents (excluding restricted cash related to the SeaRiver contract) were USD 43.6 million at quarter-end, compared to USD 40.5 million at 31 December 2014. The increase of USD 3.1 million was primarily due to increases in both construction financing and long-term debt, the release of USD 13.0 million of restricted cash from escrow and continued customer milestone payments offset by the dividend paid and increases in vessels-under-construction receivable.

Cash and cash equivalents at quarter-end excludes the restricted cash balance of USD 7.0 million related to the SeaRiver project which is expected to be released in March 2016.

Total equity decreased to USD 134.3 million at the end of the quarter from USD 138.2 million at year-end 2014 due to the dividend paid.

Financing

The Company has a USD 120 million loan facility with Caterpillar Financial Services Corporation (Cat Financial) for construction financing on the four AKPS-Crowley joint venture vessels. The Company had drawn USD 32 million under this facility as of 30 June 2015.

The Company also has a secured five-year term loan for up to USD 60 million from PIDC Regional Center, LP XXXI through the Welcome Fund loan program. Total amounts drawn under this facility at 30 June 2015 were USD 60 million.

Shareholder Distributions

The AKPS Board approved a dividend for the quarter of USD 0.25 per share that will be paid on or about 31 July 2015 to shareholders of the Company of record on 21 July 2015. The Company expects to continue to pay a regular quarterly dividend of USD 0.25 per share for the foreseeable future, with ambitions of increasing the amount over time.

Outlook

Shipbuilding

The contracts with Crowley (Hulls 021-024), Philly Tankers (Hulls 025 and 026), and Matson (Hulls 029 and 030) provide for shipbuilding activity with delivery dates through 2018. As of 30 June 2015, AKPS had an order backlog of approximately USD 849 million. After the end of the quarter, Philly Tankers declared its option for Hulls 027 and 028, subject to the satisfaction of certain conditions subsequent.

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

Shipping

AKPS's shipping assets currently consist of its investments in the AKPS-Crowley joint venture and Philly Tankers. Through these investments, AKPS is set to become a partial owner in a total of eight Jones Act product tankers (Hulls 021-028) with an approximate contract value of USD 1 billion. All of these vessels other than Hulls 027 and 028 have commitments for long-term charters. The fundamental outlook for Jones Act tanker shipping remains firm and the Company continues to believe that when Hulls 027 and 028 are delivered in 2017, they will be effectively absorbed in the market. However, as reported above, the Company has decided to launch a plan to divest all of its shipping assets and, in connection with this plan, AKPS and Philly Tankers are actively pursuing two potential sale transactions.

Risks

Operational risk is the ability to deliver vessels under existing contracts at the agreed time, quality, functionality and cost. Delivering projects in accordance with the contract terms and the anticipated cost framework represents a substantial risk element, which is expected to be the most significant factor affecting AKPS's financial performance. Results also depend on costs of goods and services, both AKPS's own and those charged by suppliers, and on interest expense, exchange rates and customers' ability to pay. AKPS is dependent on commitments for debt financing and has exposure in the financial markets, including currency, interest rate, counterparty and liquidity risks. AKPS has established guidelines and systems to manage this exposure. AKPS faces risks related to its shipping assets, including the risk of failure to secure time charters and take-out financing for the underlying vessels. To the extent these are not secured on a timely basis or on market terms, it could have a negative effect on AKPS's business and financial performance. AKPS faces risks related to the contracts for its vessels, including the risk that those contracts are cancelled and the underlying vessels are ultimately sold to third parties for less favorable terms. If this risk were to materialize, then it could have a negative effect on AKPS's financial performance. For a further analysis of risks, please refer to the 2014 AKPS annual report.

Oslo, Norway
15 July 2015
Board of Directors and Chief Executive Officer
Aker Philadelphia Shipyard ASA

Responsibility Statement

The unaudited condensed interim consolidated financial statements and interim financial report as of and for the six months ended 30 June 2015 were approved by the Board of Directors and the President and CEO on 15 July 2015.

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the European Union and the Norwegian additional requirements in the Securities Trading Act.

To the best of our knowledge, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of AKPS, and the interim management report of AKPS includes a fair review of the development and performance of the business and the position of AKPS, together with a description of the principle opportunities and risks associated with the expected development of AKPS for the remaining months of the financial year.

Oslo, Norway
15 July 2015
Board of Directors and Chief Executive Officer
Aker Philadelphia Shipyard ASA

Kristian Rokke Board Chairman	Amy Humphreys Board Member	Elin Karfjell Board Member
Audun Stensvold Deputy Board Chairman	Steinar Nerbovik President and CEO	

CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in USD millions (except shares and per share information)	Q2 Unaudited 2015	Q2 2014	Six Months Ended 30 June Unaudited 2015	Six Months Ended 30 June 2014 *	Full Year 2014 *
Operating revenues and other income	83.7	60.3	153.8	137.7	272.7
Operating expenses	(78.7)	(57.4)	(145.0)	(110.6)	(240.6)
Operating income before depreciation - EBITDA	**5.0**	**2.9**	**8.8**	**27.1**	**32.1**
Depreciation	(1.9)	(1.8)	(3.7)	(3.6)	(7.4)
Operating income - EBIT	**3.1**	**1.1**	**5.1**	**23.5**	**24.7**
Net financial items	0.4	1.2	(1.1)	1.0	(5.8)
Income before tax	**3.5**	**2.3**	**4.0**	**24.5**	**18.9**
Tax expense	(1.6)	(0.8)	(1.8)	(5.2)	(5.3)
Income after tax **	**1.9**	**1.5**	**2.2**	**19.3**	**13.6**
Weighted average number of shares	**12,107,901**	**12,574,766**	**12,107,901**	**11,989,331**	**12,170,960**
Basic and diluted earnings per share (USD)	**0.16**	**0.12**	**0.18**	**1.61**	**1.12**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD millions	Q2 Unaudited 2015	Q2 2014	Six Months Ended 30 June Unaudited 2015	Six Months Ended 30 June 2014 *	Full Year 2014 *
Income after tax	1.9	1.5	2.2	19.3	13.6
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive income for the period **	**1.9**	**1.5**	**2.2**	**19.3**	**13.6**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD millions	Unaudited 30 June 2015	31 Dec. 2014 *
Assets		
Non-current assets		
Property, plant and equipment	51.0	52.9
Restricted cash	-	7.0
Deferred tax assets	3.1	0.3
Equity-accounted investees	56.2	56.0
Other non-current assets	1.3	0.2
Total non-current assets	**111.6**	**116.4**
Current assets		
Vessels-under-construction receivable	189.1	87.9
Restricted cash	7.0	13.0
Prepayments and other receivables	10.2	10.6
Cash and cash equivalents	43.6	40.5
Total current assets	**249.9**	**152.0**
Total assets	**361.5**	**268.4**
Equity and liabilities		
Total equity	**134.3**	**138.2**
Non-current liabilities		
Interest-bearing long-term debt	60.6	0.7
Non-current portion of note payable	-	10.8
Other long-term liabilities	7.5	7.2
Total non-current liabilities	**68.1**	**18.7**
Current liabilities		
Customer advances, net	41.0	26.1
Interest-bearing short-term debt	0.2	0.2
Note payable	57.0	45.5
Construction loan	32.0	-
Taxes, trade payables and accrued liabilities	28.9	39.7
Total current liabilities	**159.1**	**111.5**
Total liabilities	**227.2**	**130.2**
Total equity and liabilities	**361.5**	**268.4**

* Annual 2014 financial information is derived from audited financial statements.
** All attributed to the equity holders of AKPS.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD millions	Six Months Ended 30 June Unaudited 2015	2014 *	Full Year 2014 *
As of beginning of period	138.2	114.0	114.0
Proceeds from shares issued, net of transaction costs	-	63.7	63.7
Dividend paid	(6.1)	(37.1)	(43.1)
Purchase of treasury shares	-	-	(10.0)
Total comprehensive income for the period **	2.2	19.3	13.6
As of end of period	**134.3**	**159.9**	**138.2**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD millions	Six Months Ended 30 June Unaudited 2015	2014 *	Full Year 2014 *
Net cash used in operating activities	(81.3)	(18.3)	(67.9)
Investments in property, plant and equipment	(1.8)	(3.8)	(5.5)
Investment in equity-accounted investees	(0.3)	-	(6.0)
Distribution received from equity-invested investees	-	-	5.5
Sale of profit sharing, net of transaction costs	-	39.7	39.7
Net cash (used in)/from investing activities	(2.1)	35.9	33.7
Proceeds from shares issued, net of transaction costs	-	63.7	63.7
Dividend paid	(6.1)	(37.1)	(43.1)
Purchase of treasury shares	-	-	(10.0)
Proceeds from interest-bearing long-term debt	60.7	-	-
Proceeds from construction loan	32.0	-	-
Repayment of interest-bearing debt	(0.1)	(4.6)	(4.7)
Net cash from financing activities	86.5	22.0	5.9
Net change in cash and cash equivalents	**3.1**	**39.6**	**(28.3)**
Cash and cash equivalents at beginning of period	40.5	68.8	68.8
Cash and cash equivalents at end of period	**43.6**	**108.4**	**40.5**

* Annual 2014 financial information is derived from audited financial statements.
** All attributed to the equity holders of AKPS.

Notes to the condensed interim consolidated financial statements for the 2nd quarter 2015

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 and six-month periods ended 30 June 2015 and 30 June 2014 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 audited consolidated financial statements of AKPS as of and for the year ended 31 December 2014, 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 and six-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 2014.

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 audited consolidated financial statements as of and for the year ended 31 December 2014.

There have not been any new IFRS standards or interpretations which were effective 1 January 2015 that have had a significant impact on Q2 2015 or the year-to-date period.

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 audited consolidated financial statements as of and for the year ended 31 December 2014 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 30 June 2015, AKPS had 12,107,901 ordinary shares (excluding 466,865 own shares) at a par value of NOK 10 per share. There were no share issuances or repurchases in Q2 2015 nor for year-to-date. Accordingly, 12,107,901 ordinary shares was used in the calculation of earnings per share for the quarter and for the year-to-date ended 30 June 2015. For the quarter ended 30 June 2014, a weighted average of 12,574,766 ordinary shares was used for purposes of calculation of earnings per share; for the six-month period ended 30 June 2014, a weighted average of 11,989,331 ordinary shares was used for purposes of calculation of earnings per share.

8. Interest-bearing debt

The following shows material changes in interest-bearing debt during 2015:

Amounts in USD millions	Long-term debt	Short-term debt	Total interest-bearing debt
Balance 31 Dec. 2014	**11.5**	**45.7**	**57.2**
Issuance of debt	60.0	32.7	92.7
Repayment of debt	-	(0.1)	(0.1)
Reclass of debt	(10.9)	10.9	-
Balance 30 June 2015	**60.6**	**89.2**	**149.8**

The Company has 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 is secured by a first lien on Hulls 021-024. The loan accrues interest at three-month Libor plus 3.0% as defined in the loan agreement. USD 32 million is drawn under the facility at 30 June 2015.

APSI has a secured term loan of up to USD 60 million with PIDC Regional Center, LP XXXI, a partnership between CanAm Enterprises and the Philadelphia Industrial Development Corporation (PIDC). The loan has a five-year term and is 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 AKPS-Crowley joint venture. The loan has a fixed interest rate of 2.625% through maturity. This loan was 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. USD 60 million is drawn under the term loan at 30 June 2015.

In return for shares in Philly Tankers, the Company contributed a promissory note with a face value of USD 58 million to the equity capital of Philly Tankers. This note will be reduced dollar-for-dollar as the shipyard spends its own funds on the construction of Hulls 025 and 026. As this note was issued as an interest-free instrument, the Company has discounted its value and is imputing interest expense on the discounted amount at a rate of 3.56% per annum. The full amount is due and payable on the earlier of the date of delivery of Hull 026 or 30 November 2018.

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 30 June 2015. In addition, Kristian Rokke, the Chairman of the Board of Directors of AKPS, is a Board member of TRG Holding AS, which owns 66.7% of the total outstanding shares of Aker ASA as of 30 June 2015. 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 certain of its affiliates which provide specified consulting, accounting, tax, financial and administrative services. 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 30 June 2015 were USD 36 thousand (USD 156 thousand for the same period in 2014) and for the six-month period ending 30 June 2015 were USD 83 thousand (USD 311 thousand for the same period in 2014).

APSI entered into an administrative services agreement with Philly Tankers LLC (PTLLC) whereby APSI will supply certain administrative and commercial services to PTLLC. Related revenues for the three-month period ending 30 June 2015 were USD 30 thousand (USD 0 for the same period in 2014) and for the year-to-date period ending 30 June 2015 were USD 60 thousand (USD 0 for the same period in 2014).

10. Capitalized interest

	Q2		Six Months Ended 30 June	
Amounts in USD millions	**2015**	**2014**	**2015**	**2014**
Interest expense	(1.0)	(0.1)	(1.7)	(0.3)
Interest capitalized on construction contracts	0.4	-	0.5	-
Net interest expense	**(0.6)**	**(0.1)**	**(1.2)**	**(0.3)**

11. Construction contracts

The order backlog is USD 848.8 million at 30 June 2015 and represents an obligation to deliver vessels that have not yet been produced for the Company's customers: Crowley, Philly Tankers and Matson. Order backlog consists of future revenues and is subject to adjustment based on change orders as defined in the construction contracts.

Amounts in USD millions	Order backlog 30 June 2015	Order intake 6 months to 30 June 2015	Order backlog 31 Dec. 2014
	848.8	**(3.4)**	**1,012.9**

The recognized profit on long-term contracts in process as of 30 June 2015 is as follows:

Amounts in USD millions	30 June 2015
Contract revenue recognized as revenue to date	298.3
Less: recognized contract expenses	(282.1)
Recognized profit to date	**16.2**
Contract costs incurred to date	**294.1**

AKPS is recognizing revenues and expenses for the four-tanker order from Crowley as one project. As of 30 June 2015, the Crowley project was approximately 64% complete.

Customer milestone payments as of 30 June 2015 and 30 June 2014 totaled USD 163.3 million and USD 173.1 million, respectively.

Customer advances, net as of 30 June 2015 and 30 June 2014 totaled USD 41.0 million and USD 17.7 million, respectively. These represent customer milestone payments net of work-in-process and earned profit.

As of 30 June 2015, APSI has non-cancellable purchase commitments for materials and equipment of approximately USD 171.9 million for the construction of Hulls 021-030.

12. Operating revenues and other income

	Q2		Six Months Ended 30 June	
Amounts in USD millions	**2015**	**2014**	**2015**	**2014**
Operating revenues	83.4	60.3	153.5	105.4
Profit in equity-accounted investees	0.3	-	0.3	-
Gain-on-sale of profit shares	-	-	-	32.3
Operating revenues and other income	**83.7**	**60.3**	**153.8**	**137.7**

13. Financial instruments

As of 30 June 2015, the Company accounts for its forward exchange contracts with a notional value of USD 60.4 million at fair value (fair value of a USD 2.5 million liability at 30 June 2015). These contracts are the only assets and liabilities accounted for at fair value. As disclosed in the Company's 2014 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, AKPS executed definitive agreements for a joint venture with Crowley Maritime Corporation and certain of its affiliates (Crowley) 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. AKPS and Crowley will share approximately 49.9% and 50.1%, respectively, in the economic benefits from the vessels. It is anticipated that AKPS will have an investment in the joint venture of approximately USD 110 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 profits 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 30 June 2015, the Company had deferred USD 16.2 million in profit which is recorded as a reduction in revenues and included in vessels-under-construction receivable on the statement of financial position. All four vessels have multi-year charters in place.

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. Use and reconciliation of non-GAAP financial measures

	Q2		Six Months Ended 30 June		
	Unaudited		Unaudited		Full Year
Amounts in USD millions	**2015**	**2014**	**2015**	**2014**	**2014**
EBITDA	5.0	2.9	8.8	27.1	32.1
plus: deferred shipbuilding profits for Hulls 021-024	4.2	1.5	7.2	2.0	9.0
plus: capitalized Welcome Fund interest expense	0.3	-	0.3	-	-
Adjusted EBITDA	**9.5**	**4.4**	**16.3**	**29.1**	**41.1**

Non-GAAP financial measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP (i.e. IFRS).

The following financial measure may be considered a non-GAAP financial measure:

> Adjusted EBITDA which is defined as EBITDA plus deferred shipbuilding profits plus capitalized Welcome Fund interest expense.

The Company believes presenting Adjusted EBITDA is useful to investors as it provides another measure of AKPS's profitability from its operations, as if AKPS had no economic interest in the AKPS-Crowley joint venture vessels, and more closely represents earnings from shipbuilding activities.

16. Events after 30 June 2015

On 7 July 2015, Philly Tankers declared its option for Hulls 027 and 028 with deliveries in 2017, subject to the satisfaction of certain conditions subsequent.

On 15 July 2015, the Board of Directors authorized a dividend of USD 0.25 per share. The dividend payment will take place on or about 31 July 2015 to shareholders of the Company of record on 21 July 2015. The shares will be traded exclusive dividend from and including 22 July 2015.

On 16 July 2015, the Company announced its intentions to change its name, subject to shareholder approval, to Philly Shipyard ASA. See separate announcement issued 16 July 2015 for additional details.

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