Aker Philadelphia Shipyard (OSE: AKPS)
Q3 2014 Results

5 November 2014

Highlights

- ✓ Third quarter Adjusted EBITDA of USD 5.3 million compared to USD 5.2 million (including USD 1.6 million of net positive adjustments of certain accruals) in Q3 2013
- ✓ Commenced construction on the 2nd and 3rd vessels of the AKPS-Crowley joint venture (Hulls 022 & 023)
- ✓ Launched Hull 020, the second and last aframax vessel for SeaRiver
- ✓ Total cash and cash equivalents of USD 97.4 million at quarter-end, including USD 20.0 million of restricted cash related to the SeaRiver contract
- ✓ Order backlog of USD 1,088 million on 30 September 2014 with last delivery in December 2018
- ✓ Finalized contracts with Philly Tankers for two firm orders and two options for 50,000 dwt product tankers
- ✓ Repurchased 185,203 shares as part of the buyback program, totaling approximately 1.47% of the shares outstanding
- ✓ Paid dividends for Q2 2014 totaling USD 3.0 million (NOK 18.9 million), bringing year-to-date paid dividends to USD 40.0 million (NOK 238.9 million)
- ✓ AKPS Board approved a quarterly dividend for Q3 2014 of USD 0.25 per share
- ✓ In line with Converto's announcement on 29 September 2014, the Company continues its evaluation of a potential U.S. listing and other strategic initiatives to maximize shareholder value

Subsequent Events

- ✓ Steinar Nerbovik has been appointed President and CEO of AKPS. He had been serving as Managing Director for the past seven months. Kristian Rokke continues as Chairman, but in a non-executive capacity. Both changes are in line with the announcement on 19 March 2014. See the separate press release dated 5 November 2014 for more details.

Financial Information

Third Quarter and Year-to-date 2014 Results

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

Revenues and other income for the quarter were USD 66.5 million compared to USD 50.7 million in the third quarter of 2013. The increase was driven by increased shipbuilding activity on the AKPS-Crowley joint venture product tankers. In the third quarter of 2013, revenues were primarily related to progress on the SeaRiver aframax vessels, while in the third quarter of 2014, revenues were recorded on both projects.

EBITDA for the quarter was USD 2.3 million compared to USD 5.2 million in the third quarter of 2013. Reported earnings this quarter, in contrast to the third quarter last year, were affected by the deferral of accounting profits on the AKPS-Crowley joint venture vessels where AKPS has a significant economic interest. When adjusting for these deferred profits, Adjusted EBITDA for the quarter is USD 5.3 million compared to USD 5.2 million in the third quarter of 2013. Adjusted EBITDA in Q3 2013 includes net positive adjustments of certain warranty and ship related accruals totaling USD 1.6 million.

Net financial items for the quarter were negative USD 3.1 million in Q3 2014 compared to positive USD 0.1 million in Q3 2013. The decrease is primarily attributable to unrealized currency losses on foreign exchange forward contracts and certain cash balances held in Norwegian Kroner.

Net loss for the quarter was USD 1.8 million compared to net income of USD 1.9 million for the third quarter of 2013. The difference was due to the above-mentioned factors, including the effect related to deferred profits.

Revenues and other income year-to-date 2014 ended at USD 202.2 million compared with USD 227.7 million in the nine months ended 30 September 2013. The primary reason for the decrease was the recognition of revenues upon the delivery to Crowley in Q1 2013 of Hull 018, which originally had been built for AKPS's own account, partially offset by the recognition of revenues upon the sale of the Company's profit sharing interests in Hulls 017 and 018 to Crowley in Q1 2014. Adjusted EBITDA in the first nine months of 2014 totaled USD 34.4 million compared to USD 28.1 million in the same period of 2013. The increase year-over-year is primarily attributable to the gain recorded from the sale of the profit sharing interests described above. Net income for the nine months ended 30 September 2014 was USD 17.4 million compared to USD 15.1 million for the nine months ended 30 September 2013.

As previously reported, Philly Tankers completed a private placement on 10 July 2014 with a subsequent listing of Philly Tankers on the Norwegian OTC on 11 July 2014. AKPS has committed to investing USD 58.5 million in Philly Tankers. Substantially all of these funds will be invested over the construction period of Hulls 025 and 026, which will be delivered in Q4 2016 and Q1 2017. The value of AKPS's investment in Philly Tankers at the subscription price of USD 1,000 per share is USD 68.5 million. The USD 10.0 million implied economic gain is expected to be recognized for accounting purposes upon delivery of the two vessels under contract. However, the value of AKPS's investment in Philly Tankers will fluctuate over time to the extent Philly Tankers' share price fluctuates on the Norwegian OTC.

Balance Sheet

As of 30 September 2014, total assets were USD 290.8 million compared to USD 187.3 million on 31 December 2013.

The Company's overall debt level increased in Q3 2014 with long-term debt at USD 34.1 million and short-term debt at USD 22.7 million. The increase was mainly due to the contribution of a non-interest bearing promissory note to the equity capital of Philly Tankers in exchange for shares in Philly Tankers. The debt level will continue to increase when the USD 60 million Welcome Fund loan is drawn, which is planned to occur in Q4 2014 and Q1 2015, and as draws are made on the construction loan from Caterpillar Financial Services Corporation (Cat Financial) during the construction period of Hulls 021-024.

Cash and cash equivalents were USD 77.4 million at quarter-end, compared to USD 68.8 million at 31 December 2013. The increase of USD 8.6 million was primarily due to the net effects from customer milestone payments, proceeds from the sale of the Company's profit share interests in Hulls 017 and 018 to Crowley, and the private placement in AKPS, partially offset by increases in vessels-under-construction receivable, dividends paid and share repurchases.

Cash and cash equivalents excludes restricted cash of USD 20 million related to the SeaRiver project, USD 13 million of which is expected to be released upon the delivery of Hull 020 and the balance of which is expected to be released one year later.

Total equity increased to USD 150.3 million at the end of the quarter from USD 114.0 million at year-end 2013. This increase was driven by the AKPS private placement and current year profits, partially offset by dividends paid and share repurchases.

Financing

The Company has a commitment for a secured five-year term loan for up to USD 60 million from PIDC Regional Center through the Welcome Fund loan program. The loan will carry a fixed interest rate of 2.75% through maturity in 2019. This facility will be used to fund the Company's investment in the AKPS-Crowley joint venture product tankers.

Based on the current strength of the Company's balance sheet and expected cash generation from operations, the Company does not foresee the need for additional equity to fulfill its obligations on its order backlog or fund its existing shipping investment commitments, or to participate pro-rata in a potential equity raise for Philly Tankers upon the declaration of its two options.

On 13 August 2014, the Company announced that it had decided to explore various possibilities for debt financing in the international capital markets as additional financing sources for up to USD 100 million. Although the Company received positive feedback from several debt providers, it has decided not to secure additional debt financing at this time due to both prevailing market conditions and opportunities the Company sees to secure additional low cost debt in the future. The Company will continue to proactively review its financing options to optimize both its anticipated investment program and overall target capital structure.

Shareholder Distributions

The AKPS Board approved a dividend for the quarter of USD 0.25 per share that will be paid on or about 21 November 2014 to shareholders of the Company of record on 11 November 2014. 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.

As disclosed in a stock exchange notice on 17 July 2014, the Company initiated a share buyback program to repurchase up to 10% of its share capital in accordance with the authorization granted to the Board of Directors at the Annual General Meeting held on 9 April 2014. The decision reflects the Company's focus on maximizing shareholder returns over time, its strong financial position, its confidence in its ability to deliver on its operational commitments, and a reflection of the opportunities it sees to further develop its shipping investments. To date, the Company has repurchased a total of 185,203 own shares, constituting approximately 1.47% of the shares outstanding.

Operations and Shipping Investments

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 quarter-end was 0.8 compared to 1.3 at the same point in 2013, a decrease of 38%. This compares to an OSHA comparable industry average of 2.4. AKPS's 12-month trailing average for its Total Recordable Incident Rate (TRIR), as defined by OSHA, at quarter-end was 4.2 compared to 5.5 at the same point in 2013, a decrease of 23%. The TRIR for the OSHA comparable industry average is 7.6.

Vessel Construction

At the end of the third quarter of 2014, AKPS had four vessels under construction – one for SeaRiver (Hull 020) and three for the AKPS-Crowley joint venture (Hulls 021, 022 and 023). Hull 020 was launched as planned in September 2014 and is undergoing final testing and commissioning. The first grand block for Hull 021, the first product tanker for the AKPS-Crowley joint venture, was placed in the Building Dock during a small ceremony on 24 September 2014. Hulls 022 and 023 are in the prefabrication and block stages of construction.

All design, procurement, planning and production activities for the product tankers are progressing according to plan and expectations. AKPS has previously built fourteen similar vessels and expects to benefit from its prior experience with series construction. The majority of purchasing activities for Hulls 021-028 have been completed. The Company continues to actively manage its exposure to foreign currency and material pricing for its backlog. AKPS's workforce is in-line with historical norms and will continue to be adjusted according to its backlog and production activities.

Engineering and procurement activities are underway for the Matson project (Hulls 029 and 030). AKPS is leveraging the extended time between contract and delivery on these vessels to maximize pre-production activities and facilitate a smooth construction process.

Shipping Investments

As previously disclosed on 10 June 2014, AKPS and certain financial sponsors, including American Shipping Company ASA (OSE: AMSC) and funds managed by affiliates of Apollo Global Management, LLC (NYSE: APO), created a pure play Jones Act shipping company, Philly Tankers. Philly Tankers has ordered two 50,000 dwt product tankers from Aker Philadelphia Shipyard, Inc. (APSI) with deliveries in Q4 2016 and Q1 2017 (Hulls 025 and 026) and has an option for two additional 50,000 dwt product tankers from APSI with deliveries in 2017 (Hulls 027 and 028).

The private placement of shares of Philly Tankers was completed on 10 July 2014. As a result, AKPS owns 54% of the new company in exchange for an investment of USD 58.5 million. Substantially all of these funds will be paid over time as Hulls 025 and 026 are constructed. Philly Tankers' financial sponsors have invested USD 59.0 million for the remaining 46% of the new company. All of these funds were paid at closing. Philly Tankers became listed on the Norwegian OTC on 11 July 2014.

On 7 July 2014, an Extraordinary General Meeting of Philly Tankers was held where, among other things, the capital increase by private placement and election of a new Board of Directors was approved. AKPS is pleased to see an experienced Board of Directors in place and is looking forward to working actively with them to grow and further develop Philly Tankers.

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. These assets provide a mechanism for AKPS to achieve returns on the ownership, chartering and operation of the vessels it builds, in addition to traditional shipbuilding activities. AKPS maintains a view that the Jones Act market can provide attractive long-term returns and will pursue opportunities accordingly. However, as demonstrated by the sale of its profit sharing interests in Hulls 017 and 018 earlier this year, AKPS will continue to pursue an opportunistic approach to creating and managing its shipping assets.

Outlook

Shipbuilding

The contracts with SeaRiver (Hull 020), 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 September 2014, these projects represented an order backlog of USD 1,088.1 million.

Philly Tankers currently holds an option for Hulls 027-028 with deliveries in 2017, which is expected to be exercised. AKPS is confident in the demand for these two vessels and expects them to be constructed either for Philly Tankers or for others if the existing option is not declared.

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, wind turbine installation vessels, and other large steel fabrication projects. 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

The fundamental outlook for Jones Act shipping remains firm in light of continued growth of domestic crude production, and strong demand for clean petroleum products and coastwise chemical movements. Available tonnage in the market continues to be limited in the short and medium term, with increased tonnage expected to come online in 2016 and 2017. The Company continues to see strong demand in this timeframe and believes that newly ordered tonnage will effectively be absorbed in the market with a premium placed on modern, more fuel efficient tonnage. AKPS has also seen increased interest by master limited partnerships (MLPs) in acquiring Jones Act product tankers.

Although there has been continued media attention to the issue of crude oil exports, the Company does not foresee any significant changes to U.S. government policy related to crude oil or condensate exports in the near future. The Company anticipates a gradual increase in crude oil exports over time despite the significant political tension surrounding crude oil exports in general.

Philly Tankers is focused primarily on building up its own platform organically with a possible subsequent conversion to a yieldco structure. Philly Tankers has been approached by several parties interested in exploring strategic initiatives, including potential partnerships and asset sales. The Company's and Philly Tankers' respective governing bodies will consider these types of opportunities as appropriate.

Strategic Initiatives

In addition to the process to evaluate the listing of the Company's shares on a U.S. stock exchange, the Company is working with its majority shareholder, Converto Capital Fund, to evaluate other strategic initiatives. Further information is contained in the Converto Capital Fund's release on 29 September 2014.

Risks

Operational risk is the ability to deliver 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 has established guidelines and systems to manage its exposure in the financial markets. These systems cover currency, interest rate, counterparty and liquidity risks. 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 options for its building slots, including the risk that those options are not declared and the underlying vessels are ultimately sold 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 2013 AKPS annual report.

Oslo, Norway
4 November 2014
Board of Directors and Managing Director
Aker Philadelphia Shipyard ASA

CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in USD millions (except shares and per share information)	Q3 Unaudited 2014	Q3 2013	Nine Months Ended 30 Sept. Unaudited 2014	Nine Months Ended 30 Sept. 2013	Full Year 2013 *
Operating revenues and other income	66.5	50.7	202.2	227.7	279.0
Operating expenses	(64.2)	(45.5)	(172.8)	(199.6)	(248.9)
Operating income before depreciation - EBITDA	**2.3**	**5.2**	**29.4**	**28.1**	**30.1**
Depreciation	(1.9)	(1.8)	(5.5)	(5.2)	(6.9)
Operating income - EBIT	**0.4**	**3.4**	**23.9**	**22.9**	**23.2**
Net financial items	(3.1)	0.1	(2.1)	0.1	0.2
(Loss)/income before tax	**(2.7)**	**3.5**	**21.8**	**23.0**	**23.4**
Tax benefit/(expense)	0.9	(1.6)	(4.4)	(7.9)	(7.8)
**(Loss)/income for the period ** **	**(1.8)**	**1.9**	**17.4**	**15.1**	**15.6**
Average number of shares	**12,468,891**	**10,165,305**	**12,150,941**	**10,165,305**	**10,165,305**
Basic and diluted (loss)/earnings per share (USD)	**(0.15)**	**0.19**	**1.43**	**1.48**	**1.53**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD millions	Q3 Unaudited 2014	Q3 2013	Nine Months Ended 30 Sept. Unaudited 2014	Nine Months Ended 30 Sept. 2013	Full Year 2013
(Loss)/income for the period	(1.8)	1.9	17.4	15.1	15.6
Other comprehensive income, net of income tax	-	-	-	-	-
**Total comprehensive income for the period ** **	**(1.8)**	**1.9**	**17.4**	**15.1**	**15.6**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD millions	Unaudited 30-Sept 2014	31-Dec 2013 *
Assets		
Non-current assets		
Property, plant and equipment	53.3	54.8
Restricted cash	7.0	20.0
Deferred tax assets	0.6	3.0
Investment in affiliates	55.9	-
Other non-current assets	0.2	5.4
Total non-current assets	**117.0**	**83.2**
Current assets		
Vessels-under-construction receivable	49.8	-
Restricted cash	13.0	-
Prepayments and other receivables	33.6	35.3
Cash and cash equivalents	77.4	68.8
Total current assets	**173.8**	**104.1**
Total assets	**290.8**	**187.3**
Equity and liabilities		
Total equity	**150.3**	**114.0**
Non-current liabilities		
Interest-bearing long-term debt	0.8	3.0
Note payable	33.3	-
Other long-term liabilities	7.3	6.9
Deferred tax liabilities	7.4	7.9
Total non-current liabilities	**48.8**	**17.8**
Current liabilities		
Customer advances, net	36.9	33.8
Interest-bearing short-term debt	0.2	2.6
Current portion of note payable	22.5	-
Taxes, trade payables and accrued liabilities	32.1	19.1
Total current liabilities	**91.7**	**55.5**
Total liabilities	**140.5**	**73.3**
Total equity and liabilities	**290.8**	**187.3**

* Annual 2013 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	Nine Months Ended 30 Sept. Unaudited 2014	2013	Full Year 2013 *
As of beginning of period	114.0	98.4	98.4
Issuance of shares, net of transaction costs	63.6	-	-
Dividends paid	(40.0)	-	-
Purchase of treasury shares	(4.7)	-	-
Total comprehensive income for the period **	17.4	15.1	15.6
As of end of period	**150.3**	**113.5**	**114.0**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD millions	Nine Months Ended 30 Sept. Unaudited 2014	2013	Full Year 2013 *
Net cash (used in)/from operating activities	(1.6)	73.5	49.2
Investment in P,P&E	(4.0)	(3.6)	(4.9)
Investment in affiliates	(55.9)	-	-
Net cash used in investing activities	(59.9)	(3.6)	(4.9)
Proceeds from shares issued	63.6	-	-
Dividends paid	(40.0)	-	-
Purchase of treasury shares	(4.7)	-	-
Note payable	55.8	-	-
Repayment of debt	(4.6)	(33.2)	(33.8)
Net cash from/(used in) financing activities	70.1	(33.2)	(33.8)
Net change in cash and cash equivalents	**8.6**	**36.7**	**10.5**
Cash and cash equivalents at beginning of period	68.8	58.3	58.3
Cash and cash equivalents at end of period	**77.4**	**95.0**	**68.8**

* Annual 2013 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 3rd 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 and nine-month periods ended 30 September 2014 and 30 September 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 audited consolidated financial statements of AKPS as of and for the year ended 31 December 2013, 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 nine-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 audited 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 Q3 2014 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 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 30 September 2014, AKPS had 12,389,563 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 less 185,203 shares repurchased between 1 July and 30 September 2014. Based on these issuances, 12,468,891 ordinary shares was used in the calculation of earnings per share for the quarter ended 30 September 2014 and a weighted average of 12,150,941 ordinary shares was used in the calculation of earnings per share for the nine months ended 30 September 2014. For all previous periods in 2013, 10,165,305 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 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	(2.2)	(2.4)	(4.6)
Balance 30.09.14	**0.8**	**0.2**	**1.0**

As previously disclosed, during Q1 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. No funds have been drawn under this facility as of 30 September 2014.

As previously disclosed, during Q4 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 Q4 2014. No funds have been drawn under this facility as of 30 September 2014.

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 3.5% per annum. The full amount is due and payable on the earlier of the date of delivery of Hull 026 and 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 September 2014. 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 September 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 certain of its affiliates which provide 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 30 September 2014 were USD 137 thousand (USD 35 thousand for the same period in 2013) and for the nine-month period ending 30 September 2014 were USD 448 thousand (USD 109 thousand for the same period in 2013).

APSI has agreed to reimburse Aker ASA for certain support and assistance provided by Aker ASA to APSI in conjunction with the SeaRiver project. Costs for the three-month and nine-month periods ending 30 September 2014 were USD 8 thousand and USD 57 thousand (USD 31 thousand and USD 86 thousand, respectively, for the same periods in 2013).

10. Capitalized interest

	Q3		Nine Months Ended 30 Sept.	
Amounts in USD millions	**2014**	**2013**	**2014**	**2013**
Interest expense	(0.5)	(0.2)	(0.8)	(0.6)
Interest capitalized on construction contracts	-	-	-	0.1
Net interest expense	**(0.5)**	**(0.2)**	**(0.8)**	**(0.5)**

11. Construction contracts

The order backlog is USD 1,088.1 million at 30 September 2014 and represents an obligation to deliver vessels that have not yet been produced for the Company’s customers: SeaRiver, Crowley, Philly Tankers and Matson. The order backlog consists of future revenues plus certain materials to be supplied by SeaRiver (approximately USD 0.9 million) and is subject to adjustment 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 30.09.14	Order intake 9 months to 30.09.14	Order backlog 31.12.13
	1,088.1	**254.9**	**1,017.7**

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

Amounts in USD millions	30.09.14
Contract revenue recognized as revenue to date	403.2
Less: recognized contract expenses	(393.2)
Recognized profit to date	**10.0**
Contract costs incurred to date	**388.9**

AKPS is recognizing revenues and expenses for the two-tanker order from SeaRiver as one project. As of 30 September 2014, the SeaRiver project was approximately 96% complete. AKPS is also recognizing revenues and expenses for the four-tanker order from Crowley as a single project. As of 30 September 2014, the Crowley project was approximately 18% complete.

Customer milestone payments as of 30 September 2014 and 30 September 2013 totaled USD 238.0 million and USD 219.3 million, respectively.

Customer advances, net as of 30 September 2014 and 30 September 2013 totaled USD 36.9 million and USD 32.7 million, respectively. These represent customer milestone payments net of work-in-process and earned profit.

As of 30 September 2014, APSI has non-cancellable purchase commitments for materials and equipment of approximately USD 82.9 million for the construction of Hulls 020-030.

12. Operating revenues and other income

	Q3		Nine Months Ended 30 Sept.	
Amounts in USD millions	**2014**	**2013**	**2014**	**2013**
Operating revenues	66.5	50.7	169.9	227.7
Gain-on-sale of profit sharing	-	-	32.3	-
Operating revenues and other income	**66.5**	**50.7**	**202.2**	**227.7**

13. Financial instruments

As of 30 September 2014, the Company accounts for its forward exchange contracts with a notional value of USD 37.9 million (fair value of a USD 492 thousand liability at 30 September 2014) at fair value. These contracts 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, AKPS 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. AKPS and CMC 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 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 30 September 2014, the Company had deferred USD 5.0 million in profit which is recorded as a reduction in revenues and included in accrued liabilities 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

	Q3		Nine Months Ended 30 Sept.		
	Unaudited		**Unaudited**		**Full Year**
Amounts in USD millions	**2014**	**2013**	**2014**	**2013**	**2013**
EBITDA	2.3	5.2	29.4	28.1	30.1
plus: deferred profits for Hulls 021-024	3.0	-	5.0	-	-
Adjusted EBITDA	**5.3**	**5.2**	**34.4**	**28.1**	**30.1**

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 profits.

16. Events after 30 September 2014

On 4 November 2014, the Board of Directors authorized a dividend of USD 0.25 per share. The dividend payment will take place on or about 21 November 2014 to shareholders of the Company of record on 11 November 2014. The shares will be traded exclusive dividend from and including 12 November 2014.

On 4 November 2014, the Board of Directors appointed Steinar Nerbovik as President and CEO of AKPS. Mr. Nerbovik previously served as Manager Director. Kristian Rokke will continue as Chairman, but in a non-executive capacity. Both changes are effective 5 November 2014.

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