AMERICAN SHIPPING COMPANY ASA
Third Quarter 2018 Report

Third Quarter 2018 Report

Lysaker, 15 November 2018, American Shipping Company ASA ("AMSC" or the "Company") announces results for third quarter ending 30 September 2018.

HIGHLIGHTS

- Stable Q3 bareboat revenue of USD 22.1 million and backlog of secured bareboat revenue of USD 160 million with average weighted tenor of 1.8 years
- Normalized EBITDA for Q3 of USD 22.2 million
- Adjusted net profit for Q3 of USD 2.4 million
- Widening WTI Houston vs Bonny Light/Brent spreads leading to continued strong U.S. Northeast crude trade
- Increased level of time charter fixtures at rates in the 50,000 – 55,000 range for modern tankers, despite somewhat reduced clean spot charter activity
- Declared Q3 dividend of USD 0.08 per share, in line with previous guidance and backed by the Company's contracted cash flow

AMSC CEO, Pål Magnussen comments, *"We are encouraged to see an increasing amount of time charter contracts in the Jones Act tanker market on the back of continued growing demand for moving domestic crude oil from the U.S. Gulf to the Northeast refineries. The price spread between WTI versus the Bonny Light and Brent crudes is a key driver for this development. This spread has remained in a favorable range for the past 12 months and charterers have now started to secure tonnage with longer commitments."*

MAIN EVENTS DURING AND SUBSEQUENT TO THE THIRD QUARTER

- **Operating income**: Operating income was stable at USD 12.8 million in Q3 2018 versus USD 12.9 million in Q3 2017.

- **Profit share:** There was no profit share for Q3 2018 or Q3 2017 attributed to AMSC. The profit share is reported quarterly, but calculated on an aggregated fleet level over a full calendar year. Accordingly, there may be individual quarters with positive profit share offset by quarters with negative profit share. Nonetheless, AMSC's portion of the profit share can never be negative on an annual basis. See note 11 for further details.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.2 million for Q3 2018 consists of base bareboat revenue of USD 22.1 million, plus Deferred Principal Obligation ("DPO") of USD 0.9 million, less SG&A of USD 0.8 million. The comparative figure for Q3 2017 for normalized EBITDA was USD 22.4 million (consisting of base bareboat revenue of USD 22.1 million, plus DPO of USD 0.9 million, less SG&A of USD 0.6 million). See Note 14 for more detailed information.

- **Adjusted net profit:** Adjusted net profit of USD 2.4 million for Q3 2018 consists of net profit after tax, adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to non-cash deferred tax expenses. The comparative figure for Q3 2017 was USD 3.8 million. See Note 14 for further details.

- **Dividends:** On 22 August 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.6649 per share, to the shareholders on record as of 30 August 2018, which was paid on 7 September 2018. The dividend was classified as a return of paid in capital.

  On 14 November 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 22 November 2018, in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 21 November 2018, and the dividend will be paid on or about 30 November 2018. The dividend is classified as a return of paid in capital.

Dividend guidance: The Company's policy with respect to dividends is driven by the Board's commitment to return value to its shareholders while also prudently managing its balance sheet and maintaining financial flexibility to pursue growth and diversification opportunities. Dividend payments depend on, among other things, performance of existing contracts including outlook for profit share, and will be considered in conjunction with the Company's financial position, debt covenants, capital requirements, and market conditions going forward.

THIRD QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	Q3 2018	Q3 2017	Year to date 2018	Year to date 2017
	unaudited			
Operating revenues	22.1	22.1	65.7	65.7
Operating profit before depreciation - EBITDA	21.3	21.5	62.9	63.7
Normalized EBITDA	**22.2**	**22.4**	**65.6**	**66.5**
Operating profit - EBIT	12.8	12.9	37.6	38.1
Gain / (loss) on investments	-	2.3	-	4.6
Net interest expense	(10.4)	(10.4)	(31.0)	(35.2)
Unrealized gain/(loss) on interest swaps	0.1	0.1	2.5	(0.1)
Net foreign exchange gain/(loss)	-	0.1	-	0.1
Profit/(loss) before income tax	2.5	5.0	9.1	7.5
Income tax expense	-	(1.0)	(0.2)	(1.6)
Non-cash income tax expense	(0.1)	(0.5)	(0.6)	(2.6)
Net profit/(loss) for the period *	2.4	3.5	8.3	3.4
Adjusted net profit	**2.4**	**3.8**	**6.4**	**10.8**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.04	0.06	0.14	0.06

* Applicable to common stockholders of the parent company

Third quarter results

AMSC's operating revenues for each of Q3 2018 and Q3 2017 were USD 22.1 million. EBITDA was USD 21.3 million in Q3 2018 (USD 21.5 in Q3 2017). EBIT was USD 12.8 million in Q3 2018 (USD 12.9 million in Q3 2017).

Net interest expense (interest expense less interest income) for Q3 2018 was USD 10.4 million (USD 10.4 million in Q3 2017).

In Q3 2018, AMSC had an unrealized gain of USD 0.1 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 0.1 million in Q3 2017).

AMSC had a net profit before tax for Q3 2018 of USD 2.5 million (USD 5.0 million in Q3 2017). Non-cash deferred income tax expense was USD 0.1 million in Q3 2018 (USD 0.5 million in Q2 2017). AMSC recognized an income tax expense of USD 1.0 million in Q3 2017 relating its share of the income from its investment in Philly Tankers.

The non-cash deferred income tax expense was the result of accelerated tax depreciation, which has created differences between accumulated depreciation for book and tax purposes and corresponding tax losses, the net of which is recognized as a deferred tax liability on the balance sheet.

As of 30 September 2018, AMSC has approximately USD 583 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q3 2018 was USD 2.4 million compared to USD 3.5 million in Q3 2017.

Year to date results

AMSC's operating revenues for each of the first nine months of 2018 and 2017 were USD 65.7 million. EBITDA was USD 62.9 million in the first nine months of 2018 (USD 63.7 million for the nine months ending 30 September 2017). EBIT was USD 37.6 million for the nine months ending 30 September 2018 and USD 38.1 million for the same period in 2017.

Net interest expense (interest expense less interest income) for the first nine months of 2018 was USD 31.0 million (USD 35.2 million for the same period in 2017). The increased expense in 2017 over 2018 was due to non-recurring items relating to the bond refinancing in Q1 2017 of USD 4.8 million.

In the first nine months of 2018, AMSC had an unrealized gain of USD 2.5 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 0.1 in the same period of 2017).

In the first nine months of 2017, AMSC recognized net income from equity accounted investment in Philly Tankers of USD 4.6 million (0 in 2018), related to the delivery and sale of two vessels by Philly Tankers to Kinder Morgan.

AMSC had a net profit before tax for the nine months ending 30 September 2018 and 2017 of USD 9.1 million and USD 7.5 million, respectively. Non-cash deferred income tax expense was USD 0.6 million in the first nine months of 2018 (USD 2.6 million in the same period of 2017). AMSC recognized an income tax expense of USD 0.2 million in the first nine months of 2018 (USD 1.6 million in the same period 2017), relating to its share of the income from its investment in Philly Tankers and state taxes. Net profit for year-to-date 2018 was USD 8.3 million compared to USD 3.4 million in the same period of 2017.

Condensed Statement of Financial Position

	unaudited		
Amounts in USD million	**30-Sep 2018**	**30-Sep 2017**	**31-Dec 2017 ***
Vessels	720.3	753.9	745.6
Interest-bearing long term receivables (DPO)	27.2	29.2	28.7
Other non current assets	16.4	17.7	16.7
Derivative financial assets	4.2	-	1.6
Trade and other receivables	0.1	0.6	0.2
Cash held for specified uses	2.2	2.4	2.3
Cash and cash equivalents	47.3	46.3	52.0
Total assets	**817.7**	**850.1**	**847.1**
Total equity	180.6	181.8	186.9
Deferred tax liabilities	12.3	20.0	11.6
Interest-bearing long term debt	580.7	606.6	600.1
Derivative financial liabilities	-	0.1	-
Interest-bearing short term debt	28.3	28.3	28.3
Deferred revenues and other payables	15.8	13.3	20.2
Total equity and liabilities	**817.7**	**850.1**	**847.1**

* Derived from audited financial statements

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

During the first nine months of 2018, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 2.7 million, of which USD 1.5 million is principal repayment. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Other non-current assets include AMSC's 19.6% investment in Philly Tankers AS ("PTAS"). As a result of the sale of four product tankers to Kinder Morgan announced in August 2015, PTAS has distributed excess cash to its shareholders following delivery of each vessel. During 2017, AMSC received USD 12.5 million in cash dividends from PTAS. During 2018, PTAS will initiate steps to liquidate the company and then distribute its remaining available cash to its shareholders. AMSC will receive its pro-rata share of the dividends and liquidation proceeds, expected to be approximately USD 16 million net of tax, approximately USD 10.4 million of which will be used to repay the loan from Aker ASA. In total, AMSC expects to receive USD 28.5 million in gross after tax proceeds from the initial USD 25 million investment in PTAS.

Interest bearing debt as of 30 September 2018 was USD 609.0 million, net of USD 6.2 million in capitalized fees versus USD 628.4 million as of 31 December 2017. This debt relates to the bank financing for the Company's 10 vessels of USD 388.5 million, the bond of USD 220.0 million and a subordinated loan from Aker ASA of USD 6.7 million (plus USD 3.9 million of accrued interest). AMSC was in compliance with all of its debt covenants as of 30 September 2018.

Outlook

The U.S. Jones Act tanker market has entered a phase characterized by continued stability of time charter fixtures in the 55,000 per day range. A number of vessels previously trading in the spot market or on short term contracts have been fixed on 12-18 month contracts at profitable rate levels, effectively reducing the number of tankers available for spot charters.

Recent time charter fixtures have been with refiners wishing to secure tankers to transport crude oil from the U.S. Gulf to the U.S. Northeast. Over the last 12-18 months this trade has developed substantially, driven by the widening of the price spread between U.S. crude oil available for shipment in the U.S. Gulf (WTI Houston) and its foreign equivalents, most notably Bonny Light and Brent. The discounted price of U.S. crude incentivizes Northeast refiners to shift their crude oil purchasing patterns toward domestic crude sourced in the Gulf as opposed to foreign crudes. This trade lane is one of the longest in the Jones Act tanker market (~15 day round voyage) and increased from one tanker on occasion during most of 2017 to 8 MR tankers participating in the trade during the third quarter of 2018.

The volumes of clean cargoes, mainly from the U.S. Gulf into Florida, remained stable with the majority of the Jones Act fleet being deployed on this trade.

As older tankers and ATBs have come off long-term charters in 2018, their owners have faced expensive drydock decisions, and we have seen two tankers and two ATBs leaving the market during the first half of 2018. The expectation is that this trend will continue as 15 units (tankers and 11 ATBs) are above 30 years of age. Nonetheless, some older tankers have, or are in the process of, going through special surveys signaling the rising optimism in the market. This sentiment is also reflected by the recent order of a Jones Act ATB for delivery in Q2 2020 together with an option for an additional ATB for delivery in Q4 2020.

AMSC continues to enjoy downside protection with nine product tankers on “hell or high water” bareboat contracts until December 2019 and one shuttle tanker on a “hell or high water” bareboat contract until June 2025. If the market enters into a period of extended strength, the Company may benefit from a profit share arrangement with OSG, which provides upside beyond fixed contracted rates. For the nine product tankers OSG has an unlimited number of individual options to extend the existing charter terms for three or five year periods. In addition, OSG has a one-time option per vessel to extend the existing charter terms for one year. Extension options need to be declared by OSG in mid-December 2018.

Should OSG not declare extensions for one or more tankers, the vessel(s) will be redelivered to AMSC in December 2019. In such event, AMSC is prepared to find alternative employment for such vessel(s). AMSC is actively engaged with operators, oil majors and other end users of MR tankers in order to ensure that the entire AMSC fleet remains employed and the Company’s cash flow is not negatively impacted by any decision made by OSG.

Risks

The risks facing AMSC principally relate to the operational and financial performance of OSG, re-chartering risk as well as overall market risk. Nine of the ten vessel charters expire in December 2019 and the charterer has until December 2018 to declare its extension options. In the event one or several of the extension options are not declared, AMSC will seek to re-charter the relevant vessel(s) to other Jones Act operators or directly to end users in the Jones Act tanker trade.

AMSC’s activities also expose the Company to a variety of other financial risks, including but not limited to, currency, interest rate, refinancing, and liquidity risk.

For further details of AMSC’s risks, refer to the 2017 Annual Report.

Definitions

Jones Act - The U.S. cabotage law, referred to as Jones Act, requires all commercial vessels operating between U.S. ports to be built, owned, operated and manned by U.S. citizens and to be registered under the U.S. flag. In 1996 certain amendments were enacted to the U.S. vessel documentations laws, allowing increased non-U.S. participation in the ownership of vessels operating in the Jones Act trade under certain conditions, known as the finance lease exemption.

Lysaker, 14 November 2018
The Board of Directors and President / CEO
American Shipping Company ASA

Annette Malm Justad Chairperson	Peter D. Knudsen Director
Kristian Røkke Director	Pål Magnussen President / CEO

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

CONDENSED INCOME STATEMENT

	unaudited			
Amounts in USD million (except share and per share information)	**Q3 2018**	**Q3 2017**	**Year to date 2018**	**2017**
Operating revenues	22.1	22.1	65.7	65.7
Operating expenses	(0.8)	(0.6)	(2.8)	(2.0)
Operating profit before depreciation - EBITDA	**21.3**	**21.5**	**62.9**	**63.7**
Depreciation	(8.5)	(8.6)	(25.3)	(25.6)
Operating profit - EBIT	**12.8**	**12.9**	**37.6**	**38.1**
Gain / (loss) on investments	-	2.3	-	4.6
Net interest expense	(10.4)	(10.4)	(31.0)	(35.2)
Unrealized gain/(loss) on interest swaps	0.1	0.1	2.5	(0.1)
Net foreign exchange gain/(loss)	-	0.1	-	0.1
Profit/(loss) before income tax	**2.5**	**5.0**	**9.1**	**7.5**
Income tax expense	-	(1.0)	(0.2)	(1.6)
Non-cash income tax (expense) / benefit	(0.1)	(0.5)	(0.6)	(2.6)
Net profit/(loss) for the period *	**2.4**	**3.5**	**8.3**	**3.4**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.04**	**0.06**	**0.14**	**0.06**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
Amounts in USD million	**Q3 2018**	**Q3 2017**	**Year to date 2018**	**2017**
Net income/(loss) for the period	2.4	3.5	8.3	3.4
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**2.4**	**3.5**	**8.3**	**3.4**

*** Applicable to common stockholders of the parent company.**

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited		
Amounts in USD million	**30-Sep 2018**	**30-Sep 2017**	**31-Dec 2017 ***
Assets			
Non-current assets			
Vessels	720.3	753.9	745.6
Interest-bearing long term receivables (DPO)	27.2	29.2	28.7
Other long term assets	16.4	17.7	16.7
Derivative financial assets	4.2	-	1.6
Total non-current assets	**768.1**	**800.8**	**792.6**
Current assets			
Trade and other receivables	0.1	0.6	0.2
Cash held for specified uses	2.2	2.4	2.3
Cash and cash equivalents	47.3	46.3	52.0
Total current assets	**49.6**	**49.3**	**54.5**
Total assets	**817.7**	**850.1**	**847.1**
Equity and liabilities			
Total equity	**180.6**	**181.8**	**186.9**
Non-current liabilities			
Bond payable	220.0	220.0	220.0
Other interest-bearing loans	366.9	395.3	388.2
Derivative financial liabilities	-	0.1	-
Capitalized fees	(6.2)	(8.7)	(8.1)
Deferred tax liability	12.3	20.0	11.6
Total non-current liabilities	**593.0**	**626.7**	**611.7**
Current liabilities			
Interest-bearing short-term debt	28.3	28.3	28.3
Deferred revenues and other payables	15.8	13.3	20.2
Total current liabilities	**44.1**	**41.6**	**48.5**
Total liabilities	**637.1**	**668.3**	**660.3**
Total equity and liabilities	**817.7**	**850.1**	**847.1**

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

	unaudited	
	Year to date	
Amounts in USD million	**2018**	**2017**
Equity as of beginning of period	**186.9**	**195.6**
Total comprehensive income for the period	8.3	3.4
Repurchase of treasury shares	-	(0.1)
Proceeds from sale of treasury shares	-	0.1
Dividends/return of capital	(14.5)	(17.2)
Total equity as of end of period	**180.6**	**181.8**

CONDENSED CASH FLOW STATEMENT

	unaudited	
	Year to date	
Amounts in USD million	**2018**	**2017**
Net cash flow from operating activities	30.8	33.9
Net cash flow from investing activities	0.3	14.6
Net cash flow used in financing activities	(35.9)	(51.2)
Net change in cash and cash equivalents	**(4.8)**	**(2.7)**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	54.3	51.4
Cash and cash equivalents, including cash held for specified uses at end of period	**49.5**	**48.7**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

1. Introduction - American Shipping Company

American Shipping Company ASA ("AMSC") is a company domiciled in Norway. The condensed interim financial statements for the three and nine months ended 30 September 2018 comprise AMSC and its wholly owned subsidiaries. These financial statements have not been audited or reviewed by the Company's auditors. American Shipping Company has one operating segment.

The consolidated 2017 annual financial statements of AMSC are available at www.americanshippingco.com.

2. Basis of Preparation

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

3. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) applicable for interim reporting, *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2017.

4. Significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2017.

There have not been any new IFRS standards or interpretations issued or effective after the completion of the annual consolidated financial statements for the year 2017 that have a significant impact on AMSC's financial reporting for the nine months ended 30 September 2018.

5. Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The most significant judgments made by management in preparing these condensed consolidated interim financial statements in applying the Group's accounting policies, and the key sources of estimation uncertainty, are the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2017.

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

6. Tax

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

Without the benefit of accelerated depreciation on vessels for U.S. income tax purposes, the Company would have U.S. taxable income. Accordingly, substantially all of the deferred tax expense results from accelerated tax depreciation, which has created differences between accumulated depreciation for book and tax purposes and corresponding tax losses, the net of which is recognized as a deferred tax liability. The Company expects that the deferred tax liability will continue to grow until the U.S. subsidiaries are in a tax payable position for U.S. Federal income tax purposes, which is not expected until the vessels are fully depreciated for tax purposes and currently available tax operating losses are fully utilized. Deferred tax expense is a non-cash item.

Deferred tax assets include the Company's net operating losses in carryforward, the losses on derivative financial liabilities and capitalized loan fees. Deferred tax liabilities include the value of the vessels. AMSC's effective tax rate is significantly impacted by losses in Norway for which no tax benefit is recorded.

The Company has approximately USD 583 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 30 September 2018, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2017 consolidated financial statements for more details). The Company also has USD 119.3 million of net operating losses in carryforward in Norway as of 31 December 2017.

7. Share capital and equity

As of 30 September 2018, AMSC had 60,616,505 ordinary shares at a par value of NOK 10 per share.

Dividends paid (classified as repayment of previously paid in share premium)	**2018**			**2017**		
	1-Mar-18	**7-Jun-18**	**7-Sep-18**	**22-Feb-17**	**8-Jun-17**	**31-Aug-17**
NOK per share	0.6209	0.6537	0.665	1.039	0.673	0.631
USD per share	0.080	0.080	0.080	0.124	0.080	0.080
Aggregate NOK (millions)	37.6	39.6	40.3	63.0	40.8	38.3
Aggregate USD (millions)	4.8	4.8	4.8	7.5	4.8	4.8

8. Interest-bearing debt

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

	9 months to	
Amounts in USD million	**30-Sep-18**	**30-Sep-17**
Balance at beginning of period	628.4	664.4
Repayment of debt / loan fees	(21.4)	(254.0)
Issuance of debt	-	220.0
Amortization of loan fees and discount	2.0	4.5
Balance at end of period	609.0	634.9

On 9 February 2017, American Tanker, Inc. ("ATI"), a fully owned subsidiary of AMSC, completed the successful placement of a five year USD 220 million senior unsecured bond. Settlement was on 22 February 2017, with final maturity date on 22 February 2022. The bond has a fixed coupon of 9.25%. The net proceeds from the bond were used to repay the unsecured bond which had a maturity in February 2018.

The Company was in compliance with all of its debt covenants as of 30 September 2018.

9. Related party transactions

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

10. Interest

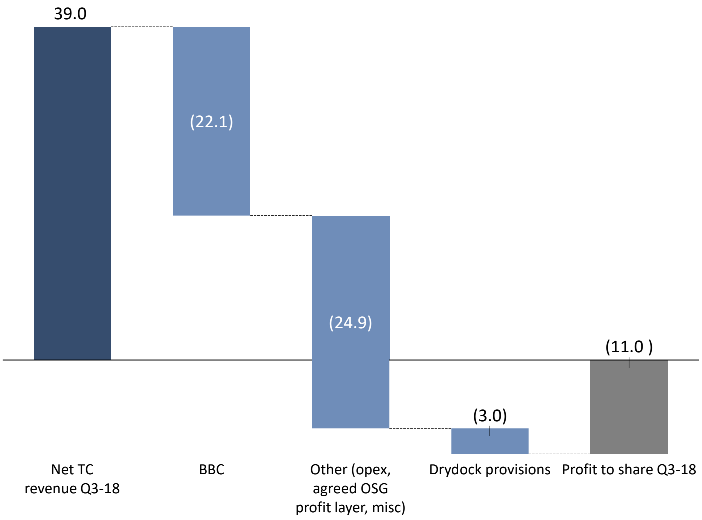
Amounts in USD million	3 months to 30-Sep-18	3 months to 30-Sep-17	9 months to 30-Sep-18	9 months to 30-Sep-17
Interest expense	(11.0)	(10.9)	(32.7)	(36.8)
Interest income	0.6	0.5	1.7	1.6
Net interest expense	**(10.4)**	**(10.4)**	**(31.0)**	**(35.2)**

The higher expense in 2017 was due to non-recurring items relating to the bond refinancing in Q1 2017 of USD 4.8 million

11. Profit sharing agreement with OSG

As disclosed, AMSC and OSG have an agreement sharing profits from OSG's operations of AMSC's 10 vessels. The calculation of profit to share is made on an aggregated fleet level. The calculation thus starts with total vessel revenue, subtracted by defined cost elements. The profit share is reported quarterly, but is calculated on an aggregated fleet level over a full calendar year. Accordingly, one may have individual quarters with positive profit share offset by quarters with negative profit share. Nonetheless, AMSC's portion of the profit can never be negative on an annual basis.

Profit Sharing Calculation for Q3 2018



AMSC's 50% share of the full year profit is used to reduce the OSG credit. In the agreement negotiated with OSG, the "OSG credit" is the amount of AMSC's profit sharing that OSG retains prior to having an obligation to remit profit sharing payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% share of the subsequent profit share in cash. The OSG credit balance was as of 31 December 2017 USD 5.4 million. Since profit share for first half of 2018 was zero, the OSG credit balance of USD 5.4 million has not been reduced, and interest of USD 0.4 million was accrued.

12. Deferred Principal Obligation (DPO)

Pursuant to the current charter agreements, OSG had the right to defer payment of a portion of the bareboat charter hire for the first five vessels during the initial seven year fixed bareboat charter periods. OSG paid a reduced bareboat charter rate and assumed the DPO. The DPO accrued on a daily basis to a maximum liability from OSG of USD 7.0 million per vessel. The DPO during the initial seven year period was discounted using the estimated market discount rate at lease inception. After the initial seven years, the DPO is repaid to AMSC over 18 years including interest unless the bareboat charter is terminated earlier at which time the DPO becomes due immediately. OSG has made repayments on all five vessels delivered under the arrangement, and those vessels' cash bareboat charter hire resumed to its full contractual amount.

Amounts in USD million	**9 months to 30-Sep-18**	**30-Sep-17**
Balance at beginning of period	28.7	30.6
Repayments of principal	(1.5)	(1.4)
Balance at end of period	27.2	29.2

13. Financial Instruments

The only financial instruments that the Company accounts for at fair value on an ongoing basis are the interest rate swaps, which are classified in the Level 2 category as is described in the 2017 consolidated financial statements. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the quarter ended 30 September 2018, there were no transfers between categories.

The fair values of financial instruments, the related fair value hierarchy, together with the carrying amounts shown in the balance sheet are as follows:

Amounts in USD millions	Carrying amount 30-Sep-18	Fair value 30-Sep-18	Fair value hierarchy *
Interest-bearing receivables (DPO)	27.2	22.3	3
Interest swap used for economic hedging	4.2	4.2	2
Unsecured bond issue (gross)	(220.0)	(220.0)	2
Secured loans (gross)	(388.5)	(398.8)	2
Subordinated loans (gross)	(6.7)	(9.3)	2

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

* Described in the 2017 consolidated financial statements

14. Alternative Performance Measures

Alternative performance measures are financial measures other than the financial measures defined under IFRS. In accordance with guidelines, AMSC publishes the explanation of the use of alternative performance measures used by the Company, definitions of the performance measures used and reconciliation with the IFRS financial statement.

AMSC discloses Normalized EBITDA and Adjusted Net Profit in order to provide meaningful supplemental information to management and investors as the Company believes these measures enhance an understanding of the Company's operating earnings. The Company also discloses its revenue backlog which includes its bareboat charter revenue from fixed bareboat contracts, not including options.

Normalized EBITDA is calculated as operating revenues (base bareboat revenue) less operating expenses plus profit sharing plus DPO. Adjusted Net Profit includes net profit/(loss) after tax, adjusting for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax. The tables below illustrate the comparative information for normalized EBITDA and reconciliation to the reported EBITDA and Adjusted net profit and a reconciliation to net profit/(loss) after tax.

Alternative Performance Measures (APM) Reporting:

Normalized EBITDA (amounts in USD millions)	Q3 2018	Q3 2017	Year to date 2018	2017
	unaudited			
Base bareboat revenue	22.1	22.1	65.7	65.7
Less operating expenses	(0.8)	(0.6)	(2.8)	(2.0)
Reported EBITDA	**21.3**	**21.5**	**62.9**	**63.7**
Plus profit share	-	-	-	-
Plus DPO	0.9	0.9	2.7	2.8
Normalized EBITDA	**22.2**	**22.4**	**65.6**	**66.5**

Adjusted net profit (amounts in USD millions)	Q3 2018	Q3 2017	Year to date 2018	2017
	unaudited			
Net profit/loss after tax	2.4	3.5	8.3	3.4
Add back:				
Unrealized (gain)/loss on interest swaps	(0.1)	(0.1)	(2.5)	0.1
Net foreign exchange (gain)/loss	-	(0.1)	-	(0.1)
Non-cash income tax expense	0.1	0.5	0.6	2.6
Bond closing:				
Non-cash write-off of unamortized bond discount	-	-	-	2.6
Bond call price	-	-	-	2.2
Adjusted net profit	**2.4**	**3.8**	**6.4**	**10.8**

15. American Tanker, Inc. consolidated financial statements

In accordance with the bond loan agreement, below are the consolidated unaudited financial statements for American Tanker, Inc. and its subsidiaries for the first half of 2018.

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	*unaudited* YTD 2018
Operating revenues	65.7
Operating expenses	(0.8)
Operating profit before depreciation - EBITDA	**64.9**
Depreciation	(25.3)
Operating profit - EBIT	**39.6**
Net interest expense	(37.1)
Unrealized gain/(loss) on interest swaps	2.5
Other financial expenses	(2.0)
Profit/(loss) before income tax	**2.9**
Income tax expense	(0.2)
Non-cash income tax expense	(0.6)
Net profit/(loss) for the period *	**2.1**
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	**2.11**

*** Applicable to common stockholders of the parent company.**

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	*unaudited* 30-Sep 2018
Assets	
Non-current assets	
Vessels	719.3
Interest-bearing long term receivables (DPO)	27.2
Derivative financial assets	4.2
Total non-current assets	**750.7**
Current assets	
Cash held for specified uses	2.2
Cash and cash equivalents	22.0
Total current assets	**24.2**
Total assets	**774.9**
Equity and liabilities	
Total equity	**64.5**
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	446.3
Capitalized fees	(6.1)
Deferred tax liability	13.2
Total non-current liabilities	**673.4**
Current liabilities	
Interest-bearing short-term debt	28.3
Deferred revenues and other payables	8.7
Total current liabilities	**37.0**
Total liabilities	**710.4**
Total equity and liabilities	**774.9**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* YTD 2018
Net cash flow from operating activities	24.6
Net cash flow used in financing activities	(21.3)
Net change in cash and cash equivalents	**3.3**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	20.9
Cash and cash equivalents, including cash held for specified uses at end of period	**24.2**

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