AMERICAN SHIPPING COMPANY ASA

Fourth Quarter 2016 Report

Fourth Quarter and Full Year 2016 Report

Lysaker, 6 February 2017, American Shipping Company ASA ("AMSC or the "Company") announces results for fourth quarter ending 31 December 2016.

HIGHLIGHTS

- Stable Q4 bareboat revenue of USD 22.1 million and backlog of secured bareboat revenue of USD 314 million with average weighted tenor of 3.6 years
- Normalized EBITDA for Q4 of USD 24.3 million, including profit share of USD 1.8 million attributed to AMSC
- Recognized a gain of USD 2.2 million related to the Company's investment in Philly Tankers AS ("Philly Tankers"), related to the delivery and sale of the first vessel by Philly Tankers to Kinder Morgan
- Adjusted net profit for Q4 of USD 5.8 million
- Declared Q4 dividend of USD 0.124 per share, in line with previous guidance for full year 2016 dividends

AMSC CEO, Pål Magnussen comments, *"The Jones Act tanker market remained oversupplied in the fourth quarter, although we are beginning to see a trend of charterers replacing articulated tub barges (ATBs) with tankers. This dynamic currently leads to high utilization of our assets. As a bareboat provider with assets contracted on long-term charters, we enjoy stable, predictable cash flows during periods of market weakness. At the same time, we are well positioned to benefit from a market recovery through the profit sharing component of our charter agreements on the back of higher oil prices and expected rise in U.S. shale oil production"*.

MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating income**: Stable operating income was USD 12.8 million in Q4 2016 versus USD 12.8 million in Q4 2015.

- **Normalized EBITDA:** Normalized EBITDA of USD 24.3 million for Q4 2016 consists of base bareboat revenue of USD 22.1 million, plus profit share of USD 1.8 million, plus Deferred Principal Obligation ("DPO") of USD 1.0 million, less SG&A of USD 0.6 million. The comparative figure for Q4 2015 for normalized EBITDA was USD 26.3 million (consisting of base bareboat revenue of USD 22.1 million, plus profit share of USD 3.4 million, plus DPO of USD 1.0 million, less SG&A of USD 0.2 million). See Note 14 for more detailed information.

- **Profit share:** Q4 profit share of USD 1.8 million attributed to AMSC, which reduces the profit share credit to USD 4.9 million. In comparison, Q4 2015 profit share was USD 3.4 million. See Note 11 for more detailed information.

- **Adjusted net profit:** Q4 adjusted net profit of USD 5.8 million consists of net profit after tax adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax. Comparative figure for Q4 2015 was USD 2.4 million. See Note 14 for further details.

- **Dividends:** On 7 November 2016, the Board authorized a quarterly dividend payment of USD 0.124 per share, to the shareholders of AMSC on record as of 15 November 2016, which was paid on 23 November 2016, equaling NOK 1.04 per share. The dividend was classified as a return of paid in capital.

  On 5 February 2017, the Board authorized a quarterly dividend payment of USD 0.124 per share to the shareholders of AMSC on record as of 14 February 2016. The shares in AMSC will be traded ex. dividend from and including 13 February and will be paid on or about 22 February 2017. The dividend is classified as a return of paid in capital.

- **Dividend guidance:** The Company anticipates that it will pay a dividend of USD 0.08 per share per quarter starting Q1 2017. This amount is covered by the contracted cash flow from our vessels on hell and high water bareboat charters. The Company's policy with respect to dividends is driven by the Board's commitment to return value to its shareholders while also prudently manage its balance sheet and maintain financial flexibility.

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.

- **Philly Tankers:** Subsequent to year-end, Philly Tankers distributed a dividend (classified as a repayment of capital) to its shareholders from the sale of its first vessel. AMSC received USD 6.8 million as its share of the distribution and subsequently used the funds to repay the Aker loan.

FOURTH QUARTER FINANCIAL REVIEW

Condensed Income Statement

	unaudited			
		Q4	**Full year**	
Amounts in USD million (except share and per share information)	**Q4 2016**	**2015 *(restated)***	**2016**	**2015 *(restated)***
Operating revenues	22.1	22.1	88.0	87.8
Operating profit before depreciation - EBITDA	21.5	21.9	85.1	84.9
Normalized EBITDA	**24.3**	**26.3**	**99.2**	**99.3**
Operating profit - EBIT	12.8	12.8	50.8	50.7
Gain on investments	2.2	-	2.7	-
Net interest expense	(9.2)	(10.3)	(37.2)	(48.9)
Unrealized gain/(loss) on interest swaps	6.3	(0.9)	0.6	12.5
Net foreign exchange gain/(loss)	-	-	0.1	(0.2)
Profit/(loss) before income tax	12.1	1.6	17.0	14.1
Non-cash income tax expense	(4.6)	(4.4)	(9.9)	(4.4)
Net profit/(loss) for the period *	7.5	(2.9)	7.1	9.7
Adjusted net profit	**5.8**	**2.4**	**16.3**	**1.8**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.12	(0.05)	0.12	0.16

* Applicable to common stockholders of the parent company

Fourth quarter results

AMSC's operating revenues for Q4 2016 and Q4 2015 were USD 22.1 million each, a reflection of the Company's stable, predictable business model. EBITDA was USD 21.5 million in Q4 2016 (USD 21.9 million in Q4 2015). EBIT was USD 12.8 million in Q4 2016 and Q4 2015.

Net interest expense (interest expense less interest income) for Q4 2016 was USD 9.2 million (USD 10.3 million in Q4 2015).

In Q4 2016, AMSC had an unrealized gain of USD 6.3 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (unrealized loss of USD 0.9 million in Q4 2015).

In Q4 2016, AMSC recognized a gain of USD 2.2 million on its investment in Philly Tankers, related to the delivery and sale of the first vessel by Philly Tankers to Kinder Morgan.

AMSC had a net profit before tax for Q4 2016 of USD 12.1 million and USD 1.6 million in Q4 2015. Non-cash deferred income tax expense was USD 4.6 million in Q4 2016 (USD 4.4 million in Q4 2015). During 2016, AMSC identified an error in the calculation of 2014 and 2015 non-cash deferred income tax expense. The restated figures for 2015 are shown in the table above and include a USD 5.0 million correction to non-cash income tax expense in Q4 2015. See note 15 for more information.

Net profit for Q4 2016 was USD 7.5 million compared to restated net loss of USD 2.9 million in Q4 2015.

As of 31 December 2016, AMSC has USD 525.9 million of net operating losses in carryforward in its U.S. subsidiaries. The non-cash deferred income tax expense is a result of accelerated tax depreciation, which has created differences between accumulated depreciation for book and tax purposes and corresponding tax losses, the net of which is recognized as a deferred tax liability on the balance sheet.

AMSC's U.S. subsidiaries are not expected to pay federal tax for many years and in no event until the vessels are fully depreciated for tax purposes and available tax operating losses are fully utilized. See Note 6 for more detailed information.

Year to date results

AMSC's operating revenues for the full year 2016 and 2015 were USD 88.0 million and USD 87.8 million, respectively. EBITDA was USD 85.1 million in 2016 (USD 84.9 million for 2015). EBIT was USD 50.8 million for the twelve months ending 31 December 2016 and USD 50.7 million for the full year 2015.

Net interest expense (interest expense less interest income) for the full year 2016 was USD 37.2 million (USD 48.9 million in for the full year 2015).

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

In 2016, AMSC had an unrealized gain of USD 0.6 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (gain of USD 12.5 million in 2015).

In 2016, AMSC recognized a gain of USD 2.7 million on its investment in Philly Tankers, related to the operations of Philly Tanker and delivery and sale of the first vessel by Philly Tankers to Kinder Morgan. The investment in Philly Tankers is recorded using the equity method.

AMSC had a net profit before tax for 2016 and 2015 of USD 17.0 million and USD 14.1 million, respectively. Non-cash deferred income tax expense was USD 9.9 million in 2016 (USD 4.4 million in 2015). During Q4 2016, AMSC identified an error in the calculation of 2014 and 2015 non-cash deferred income tax expense. The restated figures for 2015 are shown in the table above and include a USD 5.0 million correction to non-cash income tax expense in 2015. See note 15 for more information.

Net profit for 2016 was USD 7.1 million compared to restated net profit of USD 9.7 million in 2015, driven by non-cash deferred income tax and unrealized gain/loss on interest rate swaps

Condensed Statement of Financial Position

	unaudited		
		restated	
Amounts in USD million	**31-Dec 2016**	**31-Dec 2015**	**1-Jan 2015**
Vessels	779.5	813.8	848.0
Interest-bearing long term receivables (DPO)	30.6	32.6	33.2
Other non current assets	27.6	24.9	24.9
Trade and other receivables	0.3	0.4	0.3
Cash held for specified uses	2.3	1.6	8.1
Cash and cash equivalents	49.1	31.7	85.2
Total assets	**889.4**	**905.0**	**999.7**
Total equity	195.7	216.4	231.7
Deferred tax liabilities	17.4	7.5	3.1
Interest-bearing long term debt	636.1	660.6	676.2
Derivative financial liabilities - long term portion	0.1	0.2	7.5
Interest-bearing short term debt	28.3	10.2	52.2
Derivative financial liabilities - short term portion	-	0.6	19.9
Deferred revenues and other payables	11.8	9.5	9.1
Total equity and liabilities	**889.4**	**905.0**	**999.6**

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

During the twelve months of 2016, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 3.9 million, of which USD 1.9 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 a result of the sale of four product tankers to Kinder Morgan announced in August 2015, Philly Tankers expects to distribute excess cash to its shareholders following delivery of each vessel. When the last of the four product tankers has been delivered, expected to be in December 2017, Philly Tankers will initiate steps to liquidate the company in order to distribute its remaining available cash to its shareholders. AMSC will receive its pro-rata share of the dividends and liquidation proceeds.

During 2016, AMSC identified an error in the calculation of 2014 and 2015 deferred income tax liabilities. The restated figures are shown in the table above and include a USD 2.8 million correction to the 1 January 2015 balance sheet, as an increase in the deferred tax liabilities and a decrease in retained earnings. The 2015 correction increased the deferred tax liabilities by USD 5.0 million and reduced retained earnings accordingly. See note 15 for more information.

Interest bearing debt as of 31 December 2016 was USD 664.4 million, net of USD 6.7 million in capitalized fees versus USD 670.8 million as of 31 December 2015. This debt relates to the bank financing of the ten vessels of USD 438.3 million, the bond of USD 212.8 million and a subordinated loan from Aker ASA of USD 20.0 million. AMSC was in compliance with all of its debt covenants as of 31 December 2016.

Outlook

The U.S. Jones Act Product tanker market remained soft in Q4. The Company remains insulated from current market conditions with nine product tankers on “hell or high water” bareboat contracts until December 2019 and one tanker that has been converted to a shuttle tanker on a “hell or high water” bareboat contract until June 2025.

Despite the current environment, there are several encouraging signs that support the Company’s long-term view for the prospects of the U.S. Jones Act product tanker market. First and foremost, the prices of crude oil have risen on the back of cuts in production by OPEC and select non-OPEC countries, which has led to expectations of increased U.S. shale oil production to meet forecast global demand growth for crude oil. Whilst clean products trades remain stable and have increased with rising domestic gasoline consumption, increased U.S. crude oil production may lead to increasing demand for Jones Act tankers. .

On the supply side, eight newbuilding vessels were delivered during 2016, and two vessels were scrapped. This led to an oversupplied market that was exacerbated by the continued decline in U.S. shale production. It is expected, however, that the pace of vessel scrapping in the tanker and ATB fleet will accelerate over the next several years given that 21% of the existing fleet is above 30 years of age. Notably, no new tanker orders have been placed over the past two years, and the capacity of the two prominent Jones Act tanker shipyards (NASSCO and Philly Shipyard) is restricted as the shipyards are contracted to build Jones Act container vessels over the next few years. Following additions to the tanker fleet scheduled for delivery in 2017, no new vessels are scheduled to enter the market.

Although the Jones Act tanker market may remain soft in the near term, the Company expects that a combination of the factors described above – namely, increased shale production and accelerated vessels scrapping – will drive charter rates to stronger levels over time.

Risks

The risks facing AMSC principally relate to the operational and financial performance of OSG as well as overall market risk.

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

For further details of AMSC’s risks, including our guarantees, refer to the 2015 Annual Report.

Definitions

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

Oslo, 5 February 2017
The Board of Directors and President / CEO
American Shipping Company ASA

Annette Malm Justad Chairperson	Peter D. Knudsen Director
Audun Stensvold Director	Pål Magnussen President / CEO

AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2016

CONDENSED INCOME STATEMENT

	unaudited			
		Q4	Full year	
	Q4	2015		2015
Amounts in USD million (except share and per share information)	**2016**	**(restated)**	**2016**	**(restated)**
Operating revenues	22.1	22.1	88.0	87.8
Operating expenses	(0.6)	(0.2)	(2.9)	(2.9)
Operating profit before depreciation - EBITDA	**21.5**	**21.9**	**85.1**	**84.9**
Depreciation	(8.7)	(9.2)	(34.3)	(34.2)
Operating profit - EBIT	**12.8**	**12.8**	**50.8**	**50.7**
Gain on investments	2.2	-	2.7	-
Net interest expense	(9.2)	(10.3)	(37.2)	(48.9)
Unrealized gain/(loss) on interest swaps	6.3	(0.9)	0.6	12.5
Net foreign exchange gain/(loss)	-	-	0.1	(0.2)
Profit/(loss) before income tax	**12.1**	**1.6**	**17.0**	**14.1**
Non-cash income tax expense	(4.6)	(4.4)	(9.9)	(4.4)
Net profit/(loss) for the period *	**7.5**	**(2.9)**	**7.1**	**9.7**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.12**	**(0.05)**	**0.12**	**0.16**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
		2015	Full year	
	Q4	2015		2015
Amounts in USD million	**2016**	**(restated)**	**2016**	**(restated)**
Net income/(loss) for the period	7.5	(2.9)	7.1	9.7
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**7.5**	**(2.9)**	**7.1**	**9.7**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited		
		restated	
	31-Dec	31-Dec	1-Jan
Amounts in USD million	**2016**	**2015**	**2015**
Assets			
Non-current assets			
Vessels	779.5	813.8	848.0
Interest-bearing long term receivables (DPO)	30.6	32.6	33.2
Other long term assets	27.6	24.9	24.9
Total non-current assets	**837.7**	**871.3**	**906.1**
Current assets			
Trade and other receivables	0.3	0.4	0.3
Cash held for specified uses	2.3	1.6	8.1
Cash and cash equivalents	49.1	31.7	85.2
Total current assets	**51.7**	**33.7**	**93.6**
Total assets	**889.4**	**905.0**	**999.7**
Equity and liabilities			
Total equity	**195.7**	**216.4**	**231.7**
Non-current liabilities			
Bond payable	212.8	210.4	201.3
Other interest-bearing loans	430.0	458.2	479.4
Derivative financial liabilities - long term portion	0.1	0.2	7.5
Capitalized fees	(6.7)	(8.0)	(4.5)
Deferred tax liability	17.4	7.5	3.1
Total non-current liabilities	**653.6**	**668.3**	**686.8**
Current liabilities			
Interest-bearing short-term debt	28.3	10.2	52.2
Derivative financial liabilities - short term portion	-	0.6	19.9
Deferred revenues and other payables	11.8	9.5	9.1
Total current liabilities	**40.1**	**20.3**	**81.2**
Total liabilities	**693.7**	**688.6**	**768.0**
Total equity and liabilities	**889.4**	**905.0**	**999.7**

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

	unaudited	
	Full year	
Amounts in USD million	**2016**	**2015**
Reported equity as of beginning of period	224.2	234.5
Non-cash deferred tax correction	(7.8)	(2.8)
Restated equity as of beginning of period	**216.4**	**231.7**
Total comprehensive income for the period	7.1	9.7
Dividends/return of capital	(27.8)	(25.0)
Total equity as of end of period	**195.7**	**216.4**

CONDENSED CASH FLOW STATEMENT

	unaudited	
	Full year	
Amounts in USD million	**2016**	**2015**
Net cash flow from operating activities	56.7	50.8
Net cash flow used in financing activities	(38.6)	(110.8)
Net change in cash and cash equivalents	**18.1**	**(60.0)**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	33.3	93.3
Cash and cash equivalents, including cash held for specified uses at end of period	**51.4**	**33.3**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2016

1. Introduction - American Shipping Company

American Shipping Company ASA ("AMSC") is a company domiciled in Norway. The condensed interim financial statements for the three and twelve months ended 31 December 2016 comprise AMSC and its wholly owned subsidiaries. These financial statements have not been audited or reviewed by the Company's auditors. American Shipping Company has one operating segment.

The consolidated 2015 annual financial statements of AMSC are available at www.americanshippingco.com.

2. Basis of Preparation

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

3. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) applicable for interim reporting, *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2015.

4. Significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2015.

There have not been any new IFRS standards or interpretations issued or effective after the completion of the annual consolidated financial statements for the year 2015 that have a significant impact on AMSC's financial reporting for the three and twelve months ended 31 December 2016.

5. Use of estimates

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

The most significant judgments made by management in preparing these condensed consolidated interim financial statements in applying the Group's accounting policies, and the key sources of estimation uncertainty, are the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2015.

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

6. Tax

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 for many more years after vessels are fully depreciated for tax purposes and available tax operating losses are fully utilized. Deferred tax expense is a non-cash item.

During Q4 2016, the Company recognized a deferred tax expense of USD 1.6 million related to income taxes in the Commonwealth of Pennsylvania (USD 0.1 million in Q4 2015) and a deferred tax expense of USD 3.0 million related to U.S. federal income tax (USD 4.3 million in Q4 2015). During the full year 2016, the Company recognized a deferred tax expense of USD 1.8 million related to income taxes in the Commonwealth of Pennsylvania (USD 0.1 million in the full year 2015) and a deferred tax expense of USD 8.1 million related to U.S. federal income tax (USD 4.3 million in the full year 2015). Since the entities in the Group cannot be consolidated for state tax purposes, the Company must recognize a state deferred tax liability for those entities in which gross tax liabilities exceed gross tax assets. Deferred tax assets include the Company's net operating losses in carryforward, the losses on derivative financial liabilities and capitalized loan fees. Deferred tax liabilities include the value of the vessels. AMSC's effective tax rate is significantly impacted by losses in Norway for which no tax benefit is recorded.

During 2016, AMSC identified an error in the calculation of 2014 and 2015 deferred income tax liabilities, which is a non-cash item. The restated figures include a USD 2.8 million correction to the 1 January 2015 balance sheet, as an increase in the deferred tax liabilities and a decrease in retained earnings. The 2015 correction increased the deferred tax liabilities by USD 5.0 million and reduced retained earnings accordingly. See note 15 for more information.

The Company has USD 525.9 million of net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2016, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2015 consolidated financial statements for more details). The Company also has USD 112.2 million of net operating losses in carryforward in Norway as of 31 December 2016.

7. Share capital and equity

As of 31 December 2016, AMSC had 60,616,505 ordinary shares at a par value of NOK 10 per share.

Dividends paid (classified as repayment of previously paid in share premium)	Year to date							
	2016				2015			
	3-Mar-16	8-Jun-16	31-Aug-16	23-Nov-16	27-Feb-15	29-May-15	28-Aug-15	13-Nov-15
NOK per share	0.92322	0.89122	1.01871	1.04000	0.77503	0.77049	0.85352	0.87748
USD per share	0.107	0.107	0.124	0.124	0.103	0.103	0.103	0.103
Aggregate NOK (millions)	56.0	54.0	61.8	63.0	47.0	46.7	51.7	53.2
Aggregate USD (millions)	6.50	6.50	7.50	7.37	6.25	6.25	6.25	6.25

8. Interest-bearing debt

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

Amounts in USD million	12 months to 31-Dec-16	12 months to 31-Dec-15
Balance at beginning of period	670.8	728.4
Repayment of debt / loan fees	(10.7)	(541.6)
Issuance of debt	-	470.0
Interest added to oustanding debt	-	6.7
Amortization of loan fees and discount	4.3	7.3
Balance at end of period	664.4	670.8

The Company was in compliance with all of its debt covenants as of 31 December 2016.

9. Related party transactions

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

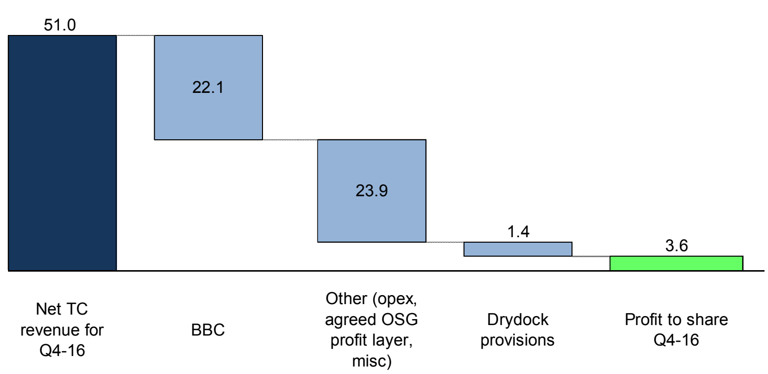
10. Interest

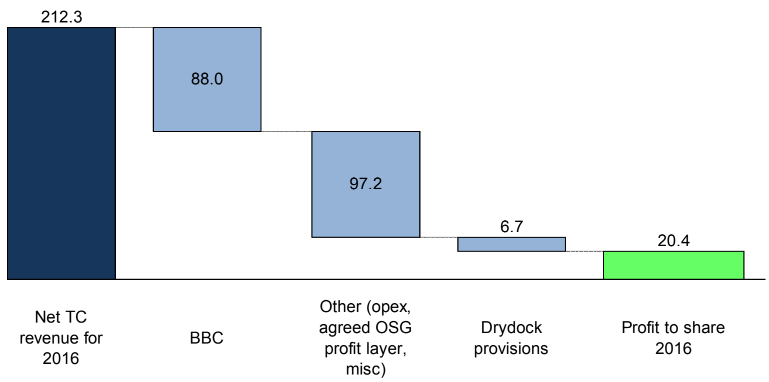
Amounts in USD million	3 months to 31-Dec-16	3 months to 31-Dec-15	12 months to 31-Dec-16	12 months to 31-Dec-15
Interest expense	(10.1)	(10.8)	(39.2)	(51.0)
Interest income	0.9	0.5	2.0	2.1
Net interest expense	**(9.2)**	**(10.3)**	**(37.2)**	**(48.9)**

11. Profit sharing agreement with OSG

As disclosed, AMSC and OSG have an agreement sharing profits from OSG's operations of AMSC's ten vessels. The calculation of profit to share is made on an aggregated fleet level. The calculation thus starts with total vessel revenue, subtracted by defined cost elements.

Profit Sharing Calculation for Q4 and full year 2016





AMSC's 50% share of the profit (USD 1.8 million for the fourth quarter 2016; USD 10.2 million for the full year 2016) 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 in cash. The cumulative balance as of 31 December 2016 for the OSG credit is shown in the table below. The calculations are shown with aggregated, rounded figures in USD millions. Please note that these figures are unaudited numbers and have not been subject to affirmative review.

Balance per 31 December 2016:

	Beginning balance as of 30 Sept 2016	Accrued interest	Reduction	Ending balance as of 31 Dec 2016
OSG credit	6.4	0.3	(1.8)	4.9

	Beginning balance as of 31 Dec 2015	Interest	Reduction	Ending balance as of 31 Dec 2016
OSG credit	13.8	1.3	(10.2)	4.9

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	12 months to 31-Dec-16	31-Dec-15
Balance at beginning of period	32.6	33.2
DPO revenue	-	0.6
Repayments of principal	(2.0)	(1.7)
Interest accreted	-	0.5
Balance at end of period	30.6	32.6

13. Financial Instruments

The only financial instruments that the Company accounts for at fair value on an ongoing basis are the interest rate swaps, which are classified in the Level 2 category as is described in the 2015 consolidated financial statements. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the quarter ended 31 December 2016, there were no transfers between categories.

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

Amounts in USD millions	Carrying amount 31-Dec-16	Fair value 31-Dec-16	Fair value hierarchy *
Interest-bearing receivables (DPO)	30.6	24.7	3
Interest swap used for economic hedging	(0.1)	(0.1)	2
Unsecured bond issue (gross)	(212.8)	(208.3)	3
Secured loans (gross)	(438.3)	(438.2)	2
Subordinated loans (gross)	(20.0)	(19.8)	2

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

* Described in the 2015 consolidated financial statements

14. Alternative Performance Measures

The new guidelines of the European Securities and Markets Authority ("ESMA") for alternative performance measures become effective for the financial year 2016. Alternative performance measures are financial measures other than the financial measures defined under IFRS. In accordance with this guideline, AMSC publishes the explanation of the use of alternative performance measures used by the Company, definitions of the performance measures used and reconciliation with the IFRS financial statement.

AMSC discloses Normalized EBITDA and Adjusted Net Profit in order to provide meaningful supplemental information to management and investors as the Company believes these measures enhance an understanding of the Company's operating earnings.

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

Alternative Performance Measures (APM) Reporting:

	unaudited			
			Full year	
Normalized EBITDA (amounts in USD millions)	**Q4 2016**	**Q4 2015** ***(restated)***	**2016**	**2015** ***(restated)***
Base bareboat revenue	22.1	22.1	88.0	87.8
Less operating expenses	(0.6)	(0.2)	(2.9)	(2.9)
Reported EBITDA	**21.5**	**21.9**	**85.1**	**84.9**
Plus profit share	1.8	3.4	10.2	11.1
Plus DPO	1.0	1.0	3.9	3.3
Normalized EBITDA	24.3	26.3	99.2	99.3

	unaudited			
			Full year	
Adjusted net profit (amounts in USD millions)	**Q4 2016**	**Q4 2015** ***(restated)***	**2016**	**2015** ***(restated)***
Net profit/loss after tax	7.5	(2.9)	7.1	9.7
Add back:				
Unrealized (gain)/loss on interest swaps	(6.3)	0.9	(0.6)	(12.5)
Net foreign exchange (gain)/loss	-	-	(0.1)	0.2
Non-cash income tax expense	4.6	4.4	9.9	4.4
Adjusted net profit	5.8	2.4	16.3	1.8

15. Prior year restatement

During 2016, AMSC identified an error in the calculation of 2014 and 2015 non-cash deferred income tax liabilities, which was due to an overstatement of the U.S. NOLs in carry forward in the tax provision. The restated figures include a USD 2.8 million correction to the 1 January 2015 balance sheet, as an increase in the deferred tax liabilities and a decrease in retained earnings. The 2015 correction increased the deferred tax liabilities by USD 5.0 million and reduced retained earnings accordingly. See also note 6 for more information.

(USD millions)	Restated	Reported	Understatement of liability	Correction (expense)/income	2014	2015
Federal deferred tax asset/(liability) as of 31 December 2015	(4.3)	2.0	(6.3)	(6.3)	-	(6.3)
State deferred tax asset/(liability) as of 31 December 2015	(3.2)	(1.7)	(1.5)	(1.5)	(2.8)	1.3
Total deferred tax asset/(liability) as of 31 December 2015	(7.5)	0.3	(7.8)	(7.8)	(2.8)	(5.0)

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