The European Contrarian

February 26, 2019

American Shipping Company ASA

(BUY)

Price: NOK32.00
52-Week Range: NOK19.66 – NOK35.29
Shares Outstanding: 60.6 million
Market Capitalization: NOK1.94 billion ($225.8 million)[1]

Ticker[2]: AMSC NO
Dividend: $0.32
Yield: 8.6%

Data as of February 19, 2019

[1] One Norwegian krone is equivalent to $0.1164 as of February 13, 2019.
[2]The common shares of AMSC NO trade on the Oslo Børs.

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Investment Thesis

American Shipping Company (AMSC NO) is a ship leasing business based in Norway. Its fleet of ten tankers are all committed to bareboat charters for work in the US Jones Act market, currently for terms of two to four years. The charterer, Overseas Shipholding Group (NYSE: OSG), holds evergreen options to renew these agreements upon expiration, which it has done consistently. The stable, contracted revenues earned by American Shipping Company ("AMSC") are enough to cover all operating and financial expenses of the company, and leaves enough free cash flow to support a dividend yield of 8.5%. This, by itself, is enough to warrant investment. However, the company also has the opportunity to share in Overseas Shipholding's profits, which could add meaningfully to earnings over the near term and increase this dividend by approximately 50%. Shareholders are arguably paying nothing for this valuable optionality, thus presenting an attractive investment opportunity.

The market for Jones Act tankers has been weak for a number of years, first suffering from declining demand when oil prices dropped during 2014 and 2015, then struggling to absorb the number of new vessels built in anticipation of growing shale oil production. This market has only recently found equilibrium, with the total fleet size starting to shrink due to scrapping activity. At the same time, new orders for ships have stopped, as the industry has only one vessel on order. Given the lead time required to deliver new tankers, this means there will be no other newbuilds entering the market for a number of years.

As the supply of vessels has been contacting, demand is starting to increase significantly as a result of the recovery in shale oil production. The marginal source of this demand is from refineries in the Northeastern US, which will switch their feedstock from Nigerian crude to West Texas Intermediate when WTI trades at enough of a discount. This is the case today and, given the expected increases in production from areas such as the Permian basin, this discount seems likely to persist for the foreseeable future, thus increasing the demand for Jones Act tankers. With the supply and demand for Jones Act tankers finally in balance, time charter rates have been increasing steadily for nearly a year and a half. They are, however, still well below recent peak levels.

Even with rates at current levels, AMSC is likely to start generating revenues from its profit sharing agreement with OSG. It has, in fact, earned revenues from this agreement in the past, but everything generated to date has been used to pay down a profit sharing credit with OSG. This credit will be paid off shortly, thus allowing AMSC to start receiving distributions and recording this revenue in its financial statements. Historically, AMSC has generated about $10 million per year in profit sharing, although with some volatility.

The company generates approximately $20 million a year of free cash flow, after debt interest expenses and principal repayments, from the contracted part of the business. This represents a yield of 9%. Profit sharing could increase this figure by $10 million or more, implying a yield of over 13%. This is a compelling return, especially when one considers the consistency of the company's revenues in recent years; a period which, incidentally, saw OSG file for, and emerge from, bankruptcy. AMSC's resilience under such circumstances is notable and lends confidence to the stability of the business. As such, shares of AMSC are recommended for purchase.

Company Description

American Shipping Company, based in Norway, is a ship finance company focused on the US Jones Act market. Its fleet consists of nine mid-range tankers and one shuttle tanker, and these vessels comprise approximately 10% of the entire Jones Act tanker fleet. All ten ships are leased to Overseas Shipholding Group on bareboat charters. Pål Lothe Magnussen has served as the company's CEO since 2015, having first joined as Chief Financial Officer in 2014. Management has a negligible ownership stake in the company.

American Shipping was first formed by Aker ASA (AKER NO) in 2005 as Aker American Shipping ASA. That year, the company acquired Philadelphia Shipyard and entered into a bareboat charter agreement with Overseas Shipholding Group ("OSG") for ten vessels. The order to build these ten ships was placed with Philadelphia Shipyard, and delivery was taken between 2007 and 2011 (see Exhibit 1). The company decided to separate the shipbuilding business from the ship owning operations in 2007, when Aker Philadelphia Shipyard ASA (now the Philly Shipyard (PHLY NO)) was split off from the company. In 2008, Aker ASA, through its wholly-owned subsidiary Aker Capital, reduced its ownership stake in the company to 19.9% from over 53%, in compliance with the foreign ownership restrictions in the US Jones Act. Aker American Shipping changed its name to American Shipping Company that year. The value of Aker's stake in American Shipping totals approximately $45 million, which equate to less than 1% of Aker's current market capitalization.

Exhibit 1 AMSC: Fleet by Vessel and Year Built

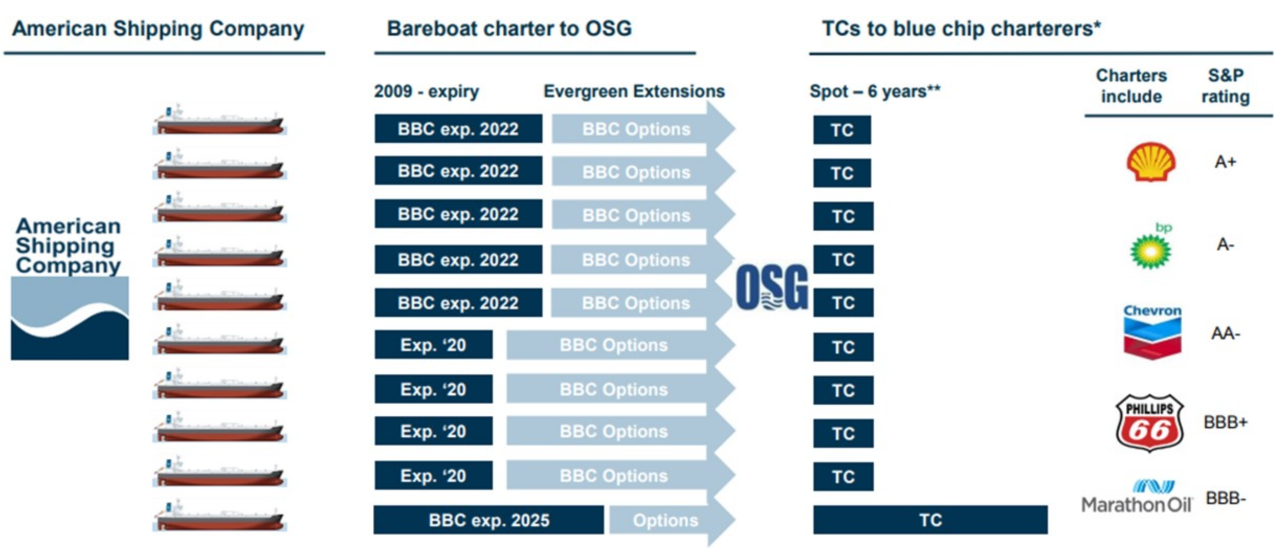
#	Vessel	Design	Type	Built
1	Overseas Houston	Veteran Class MT 46	MR	2007
2	Overseas Long Beach	Veteran Class MT 46	MR	2007
3	Overseas Los Angeles	Veteran Class MT 46	MR	2007
4	Overseas New York	Veteran Class MT 46	MR	2008
5	Overseas Texas City	Veteran Class MT 46	MR	2008
6	Overseas Boston	Veteran Class MT 46	MR	2009
7	Overseas Nikiski	Veteran Class MT 46	MR	2009
8	Overseas Martinez	Veteran Class MT 46	MR	2010
9	Overseas Anacortes	Veteran Class MT 46	MR	2010
10	Overseas Tampa	Veteran Class MT 46	Shuttle tanker	2011

Source: Company reports.

The Jones Act regulates cabotage, or coastwise trade, within the US. It stipulates that any goods or passengers transported between two ports within the US be carried on US-flagged vessels that have been constructed in the US, are at least 75%-owned by US citizens, and that at least 75% of the crew be US citizens and permanent residents. The statute also limits the amount of foreign steel that can be used in the hull and superstructure of a US-flagged vessel. Although the Jones Act does garner some criticism for being protectionist and increasing the cost of moving goods within the US, it is widely viewed as being integral to both national security and the health of the country's shipping sector, as it helps maintain a merchant marine fleet and a trained workforce, and ensures a degree of order flow for the nation's shipyards. American Shipping is able to operate in the Jones Act market due to a lease finance exception that permits foreign ownership of vessels under certain conditions. One of the key requirements of this exception is that the ships be bareboat chartered to a US operator, such as OSG.

In a bareboat charter agreement, the charterer is granted full control of the ship. The charterer also assumes all financial and legal responsibility for the vessel and is required to pay for all operating expenses, including fuel, crew, maintenance, port expenses and insurance. American Shipping's entire fleet is chartered to OSG on long-term, fixed rate charters. OSG then hires a crew and leases these ships out to its clients, typically blue chip oil companies, on time charters (see Exhibit 2). OSG has evergreen options on its charter agreements with American Shipping ("AMSC").

Exhibit 2 AMSC: Duration of Charters



Source: Company reports.

The bareboat charter agreements provide AMSC with stable revenues of $88 million per year. The company also collects a Deferred Principle Obligation ("DPO") from OSG of approximately $4 million per year, stemming from an agreement that allowed OSG to defer a portion of its bareboat charter rate on five of American Shipping's vessels for the first seven years of its contract. The DPO is being repaid over an 18-year period that began in 2014.

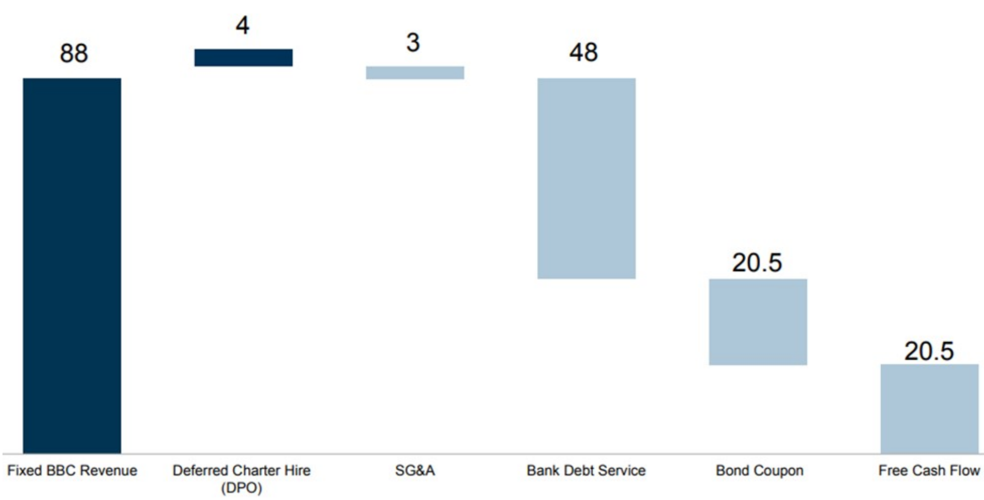
There is also a profit sharing agreement with OSG, whereby American Shipping will earn 50% of OSG'S profits over a specified threshold. Profits available to share are calculated as net time charter revenues less American Shipping's bareboat charter expenses, less agreed upon operating expenses, including a profit layer to OSG, less drydock provisions. Any profits earned by AMSC under this agreement are first used to pay down the balance of a $5.8 million credit (as of June 30,

2018) to OSG. This credit accrues interest at 9.5% per year. Once the credit is paid in full, any profit sharing earned will be distributed to AMSC. The company has yet to record any revenues from this profit sharing agreement, as everything earned to date has gone to pay down the credit with OSG.

All of the company's expenses, which consist primarily of debt service, are covered by the stable, contracted revenues earned from its bareboat charters. Operating expenses are negligible at just $3 million per year, as the company has only three employees; the CEO, CFO, and a Controller. Financial expenses are expected to total $68.5 million per year, comprising a $20.5 million coupon payment on its unsecured loan, and $48 million in bank debt service that includes a $28.3 million principal payment. As one can see in Exhibit 3, American Shipping is forecast to generate $20.5 million in stable free cash flow per year when including DPO revenue of $4 million.

Exhibit 3 AMSC: Simplified Free Cash Flow Estimate

($ in millions)



Source: Company reports.

This consistency is expressed in the company's reported financials, which show revenues of $88 million per year and operating profits of $51 million per year since 2012, which is the first year the full fleet was in operation (see Exhibit 4). Net income exhibits some volatility due primarily to the marking to market of interest rate swaps. Cash from operations is significant at over $50 million per year, and there are no capital expenditures as the fleet has already been built and all maintenance is handled by OSG. This is not an appropriate depiction of free cash flow, however, as it makes no provision for fleet renewal. For this, one should include the principal repayments on its debt, which are included in the company's free cash flow estimate shown in Exhibit 3

Exhibit 4 AMSC: Historical Financial Results; 2012-2017
($ in thousands)

Operating Results	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Operating Revenues	87,791	87,353	87,641	87,788	88,042	87,801
EBITDA	84,635	84,238	84,537	84,889	85,120	84,833
Operating Profit	51,022	50,717	50,672	50,724	50,784	50,979
Net Income	(8,880)	30,909	22,982	9,692	7,110	13,308

Free Cash Flow	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Cash from Operations	36,187	41,278	38,111	50,840	56,720	50,999
Investments in Ships	0	0	0	0	0	0
Free Cash Flow	**36,187**	**41,278**	**38,111**	**50,840**	**56,720**	**50,999**

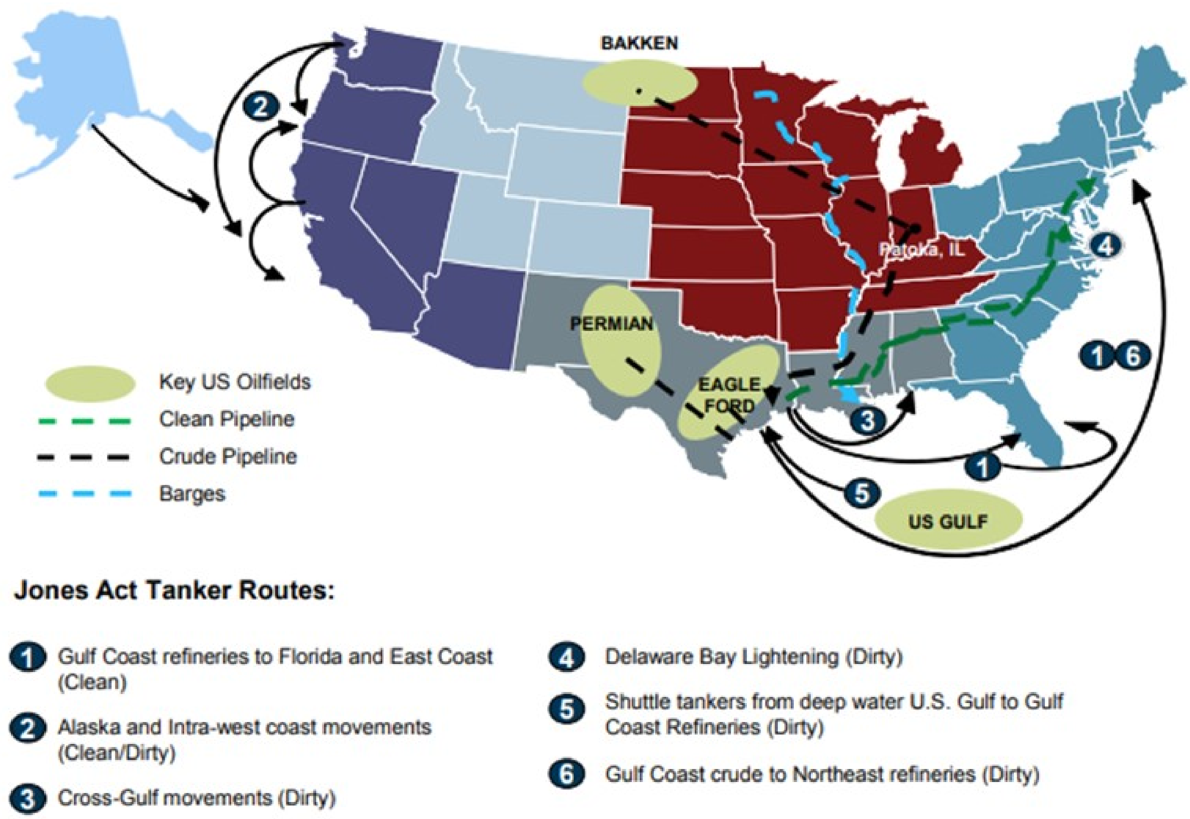
Source: Company reports.

Perhaps the more important point about the company's stability throughout this period is that it was achieved despite OSG having filed for Chapter 11 bankruptcy protection in 2012. When it emerged from bankruptcy in 2014, all of AMSC's contracts with OSG were assumed and accepted, and the ships on charter continued to be employed by OSG during the bankruptcy period.

The Jones Act Tanker and ATB Market

The Jones Act market for crude oil and refined products can be divided into the six primary trade routes shown in Exhibit 5. The first route is the transportation of clean (meaning "refined") product from refineries along the Gulf Coast to Florida and the Southwestern Atlantic coast. This area is not accessible by pipeline. The second route centers on intra-west coast transportation of crude and distillates, primarily from Alaska to Washington, Oregon and California. Intra-Gulf Coast movements, such as the transport of crude from Texas to refineries in Alabama or Mississippi, represent the third route. Lightening movements in the Delaware Bay, which involves moving oil from larger tanker ships to smaller vessels for transportation inland, and shuttle tankers that take oil from where it is being produced in the deep waters of the Gulf and transport it to Gulf Coast refineries, represent the fourth and fifth routes. The sixth comprises movements of Gulf Coast crude oil to refineries in the Northeast.

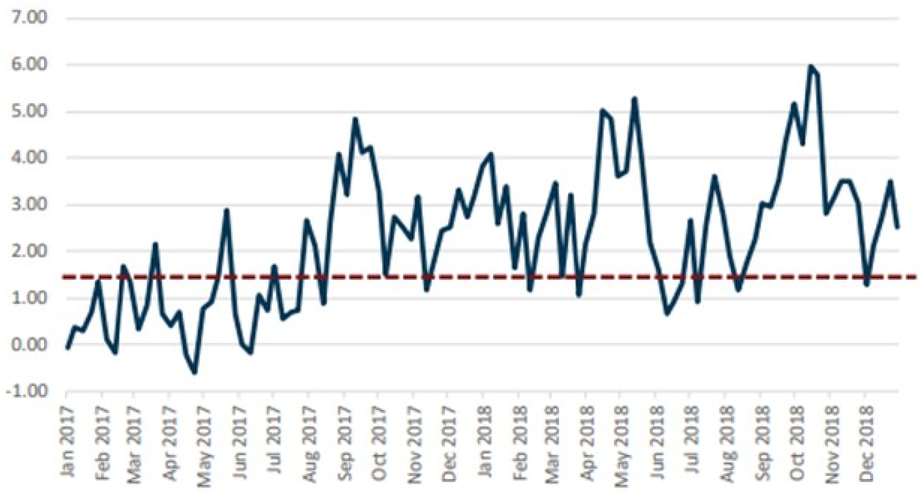
Exhibit 5 AMSC: Primary Trade Routes for Crude Oil and Refined Products



Source: Company reports.

This last trade route is believed to be the source of marginal demand for the Jones Act tanker fleet and this demand is highly correlated to the discount between West Texas Intermediate ("WTI") crude oil and Bonny Light crude from Nigeria. Refineries along the east coast tend to source Bonny Light for their feedstock. However, if WTI trades at enough of a discount to Bonny Light, these refineries will switch to WTI. It is believed that a discount of approximately $1.50 per barrel is sufficient to instigate this switch, and the discount has been this wide since late 2017, driven by increased shale production in the Permian basin (see Exhibit 6). It is also believed that the continued growth of shale production in this region means that this discount should persist for the foreseeable future.

Exhibit 6 AMSC: Crude Oil Price Spread – WTI Houston vs. Bonny Light



Source: Company reports.

This discount should not be confused with that currently being attached to WTI-Midland crude relative to WTI-Cushing, which widened dramatically throughout 2018 as shale production throughout the Permian basin increased to the point where it strained existing takeaway capacity. This latter discount is expected to collapse throughout 2019 and 2020, as a number of pipeline projects come online (see Exhibit 7) that will move WTI-Midland to the Gulf Coast. However, with the supply of US-produced oil growing, a vibrant export market for this crude will be necessary, likely resulting in an ongoing discount for the WTI complex relative to Bonny Light.

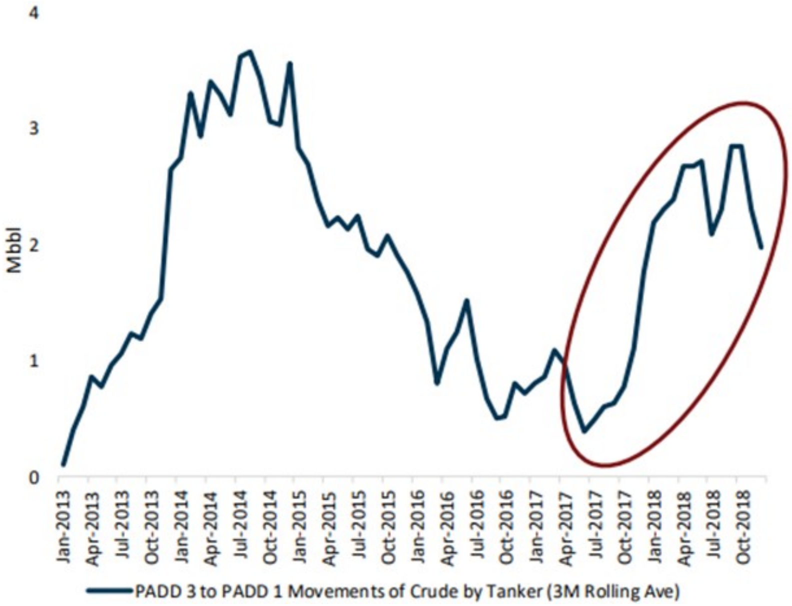
Exhibit 7 AMSC: Crude Oil Price Spread – WTI Houston vs. Bonny Light

Pipeline project	Start	Incremental capacity	Total capacity
Current capacity			2.80
Local refining		**0.50**	3.30
Sunrise	Q2 '19	**0.12**	3.51
Cactus 2	Q4 '19	**0.67**	4.18
Gray Oak	Q1 '20	**0.70**	4.88
EPIC	Q2 '20	**0.40**	5.28
Enterprise NGL	Q2 '20	**0.10**	5.38
Permian to Gulfcoast	Q3 '20	**0.60**	5.98
ExxonMobil	Q4 '20	**1.00**	6.98

Source: Company reports.

One can see the impact that this spread has on the volume of crude shipped from the Gulf Coast (or PADD 3) to the Northeast (or PADD 1) in Exhibit 8. According to the company, there are now approximately six tanker employed in this fashion, up from just one tanker during 2017.

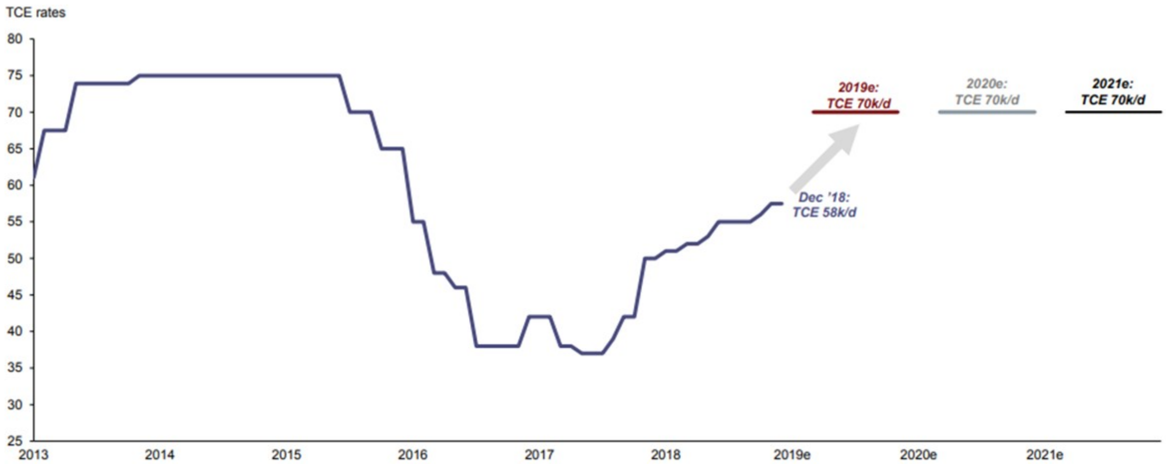
Exhibit 8 AMSC: PADD 3 to PADD 1 Crude Oil Moves by Tanker and Barge



Source: Company reports.

Exhibit 7 also highlights one of the recent industry dynamics that have put downward pressure on shipping rates in recent years. As one can see, shipping volumes increased significantly during 2013 and 2014 as the spread between Bonny Light and WTI widened. This corresponds with the beginning of the shale production boom in the US. This increase in demand for tankers led a number of companies to start expanding their fleets. Unfortunately, the WTI spread collapsed with the steep drop in oil prices during 2015, just as the ordered newbuilds began entering service. Tanker supply increased as demand weakened, causing rates to fall precipitously (see Exhibit 9).

Exhibit 9 AMSC: Time Charter Equivalent Spot Rates

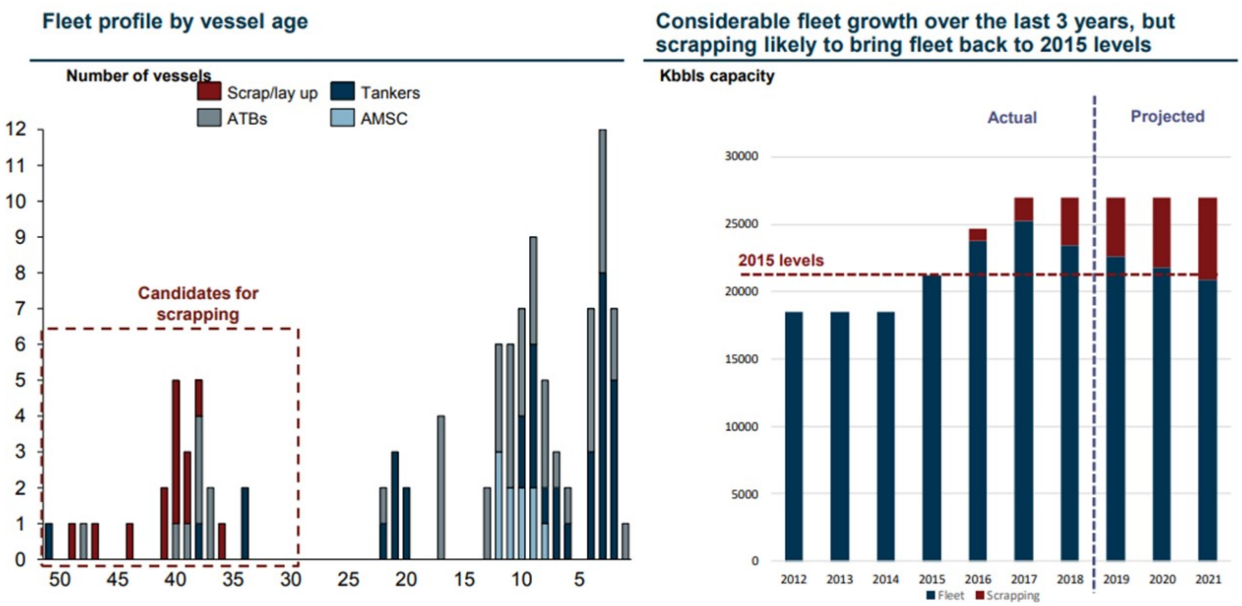


Source: Company reports, Navigistics' *Wilson Gillete Report*.

The industry's tanker fleet did not find equilibrium until 2017 and it has recently started to contract. This, along with a widening of the WTI spread, has caused rates to improve materially since 2017, and current projections by Navigistics Consulting call for a return to the peak rates experienced during 2014-2015 over the next year.

As shown in Exhibit 10, a significant percentage of the Jones Act fleet is 35 years old or older, making them candidates for scrapping. At the same time, there is only one newbuild vessel on order, with delivery scheduled for 2020. These two factors point to a contraction in the overall fleet in the coming years. Furthermore, considering that it takes approximately two to three years from the time it is ordered for a newbuild to be delivered, and that there are only two shipyards that can build these ships, the supply of vessels will likely be contracting for the foreseeable future.

Exhibit 10 AMSC: Age and Size of the Jones Act Tanker Fleet



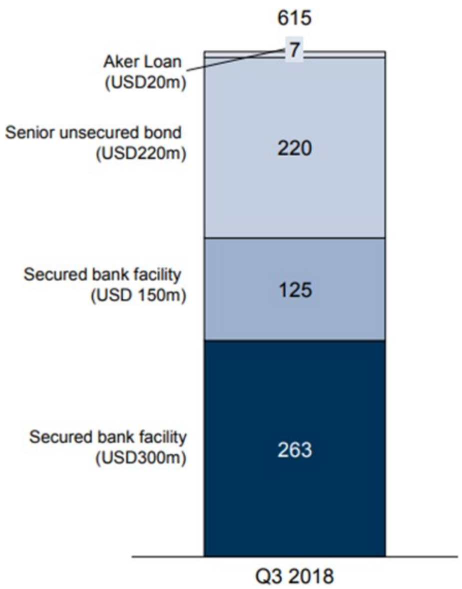
Source: Company reports.

Balance Sheet

American Shipping has $615.2 million in debt, structured as shown in Exhibit 11. It also has $47.3 million in cash, for net debt of $568 million. The Aker Loan is secured by an equity investment in Philly Tankers, which is in the process of being liquidated. American Shipping expects to receive $16 million net of tax for the remaining assets to be sold by Philly Tankers. The $220 million senior unsecured loan matures February 2022, and has a provision that calls for an additional $10 million in semi-annual amortization payments starting in August 2020. AMSC has just filled for an amendment to this bond that will remove these amortization payments. The remaining $388 million is bank debt, 80% of which matures in the fourth quarter of 2020. The rest matures in 2025. The company expects to refinance all of these obligations. As mentioned earlier, the company is currently repaying the principal on its bank debt at the rate of $28.3 million per year.

Considering the stability of the company's free cash flow and its current ability to meet its financial obligations, refinancing should be a formality, especially if the market continues to strengthen. It should be noted, however, that the company was forced to recapitalize in January 2014. This was accomplished through the issuance of 33 million shares and the renegotiation of debt. As a result of this recapitalization, the company's equity increased by $176 million and the ratio of equity to assets increased to approximately 23% from 8%.

Exhibit 11 AMSC: Debt Structure
($ in millions)



Source: Company reports.

Overseas Shipholding Group
A quick review of OSG is necessary given its importance to AMSC. The company spun off International Seaways (NYSE: INSW) in late 2016, with OSG retaining the US flag business. This operation comprises a fleet of 23 vessels, including 21 product tankers, articulated tug barges, lightering vessels and shuttle tankers that operate in the Jones Act market. OSG has been profitable since this separation, generating $56 million in net income and nearly $44 million in free cash flow during 2017. Results through the first nine months of 2018 are tracking ahead of last year.

As of September 30, 2018, OSG had $378 million of debt relative to $124 million in cash, $861 million in total assets and $333 million in equity. Virtually all of this debt was scheduled to mature 2019. However, the company announced a number of refinancing transactions in late 2018, including a five-year $325 million term loan credit facility that was used to repay the existing debt.

Valuation Analysis

American Shipping Company is yet another example of a company that is underpriced relative to its current, suboptimal earnings, and is likely to experience a meaningful increase in profitability over the near term. These upside possibilities are significant and stem from the likelihood that the company will begin realizing income from its profit-sharing agreement with OSG for the first time. Because the current earnings and free cash flow are attractive enough to warrant investment, however, investors are receiving a free option on this upside potential. When one further considers the stable, contracted nature of the current earnings, which serves to mitigate risk, it could be argued that there is meaningful upside based solely on recent results, as it would not be unusual for investors to attach a premium to this type of reliable earnings stream. Such a premium would result in an upward re-rating of the share price, although it is difficult to know when, or even if, this might occur given the market's preference for indexation and the resulting demand for large-cap, highly liquid equities.

Exhibit 12 AMSC: Current Valuation Metrics
(currency as stated, in millions)

Share Price (2/19/2019)	NOK 32.00
Shares Outstanding (millions)	60.6
Market Capitalization	**NOK 1,939.7**
USD/NKK Exchange Rate	0.1164
Market Capitalization (USD)	**$225.8**
Net Debt	561.7
Enterprise Value (USD)	**$787.5**

2018E Net Income	$9.9	2019E Net Income	$18.4
Price/2018E Earnings	**22.9x**	**Price/2019E Earnings**	**12.3x**
2018E EBITDA	$84.1	2019E EBITDA	$91.7
EV/2018E EBITDA	**9.4x**	**EV/2019E EBITDA**	**8.6x**

Source: Company reports, *Bloomberg*, *The European Contrarian* estimates.

As shown in Exhibit 12, analysts' consensus forecasts appear to be factoring in some degree of profit sharing for 2019, as net income is expected to increase by $8.5 million relative to the 2018 estimate (2018 results will be reported on February 28, 2019). AMSC is trading at only 12.3x this figure, which is attractive, especially since the company's free cash flow would likely approach $30 million in such a scenario. This is based on the $20.5 million in steady state free cash flow outlined in Exhibit 3, plus the incremental $8.5 million in earnings from profit sharing, for a total of $29 million. This amounts to a free cash flow yield of 13%. The steady-state $20.5 million estimate is attractive in its own right, representing a yield of 9%.

It should be noted that these free cash flow figures include $68.5 million for debt service, of which, approximately $40 million is allocated towards interest expense, with the balance used for principal repayments. Some might argue that this should be excluded to calculate the cash available to the equity holder. In this case, however, it is reasonable to view the debt payments almost like capital expenditures to maintain the fleet. In other words, the long-term cycle will see the company borrow money to build ships, lease these ships, pay down the debt, retire the ships, and repeat. There is no allocation being made to fleet renewal in the current free cash flow calculation, although the principal repayment of the debt serves as a reasonable proxy.

As shown in Exhibit 13, AMSC has reduced its net debt by an average of $23 million per year and its total debt by approximately $33 million per year since 2014 (the company's refinancing occurred in January 2014). Total debt has declined by an additional $19 million through the first nine months of 2018, and the pace going forward is expected to be approximately $28 million per year. This implies that sufficient progress is being made towards debt repayment and, therefore, fleet renewal, as the debt should be repaid by the time the vessels are retired, thus giving the company the capacity to finance newbuilds. Furthermore, AMSC's debt appears to be on an amortization schedule that is slightly shorter than the potential economic life of its vessels. For example if one simply assumes that the current debt of $609 million is reduced by $28 million per year (equal to debt service of $68.5 million less interest expenses of $40 million), this debt will be repaid in 25 years. This is conservative, however, as the debt will amortize at a faster rate as principal is repaid and interest expenses are reduced. In reality, this debt could be repaid in less than 20 years, just as the oldest vessels in AMSC's fleet are approaching 30 years of age. This compares favorably to the existing Jones Act fleet, which has ships that are 35-40 years old.

Exhibit 13 ASMC: Historical Profit Sharing;
($ in millions)

	2014	2015	2016	2017
Interest-Bearning Long-Term Debt	676.2	660.6	636.0	600.1
Interest-Bearing Short-Term Debt	52.2	10.1	28.3	28.3
Cash and Equivalents	85.2	31.7	49.0	52.0
Net Debt	643.2	639.0	615.3	576.4

Source: Company reports, *The European Contrarian* estimates.

The $8.5 million profit sharing estimate is also well within what the company has earned historically. This is shown in Exhibit 14, which gives the amount earned under the profit share in each year since 2013, as well as the balance of OSG's profit share credit at the end of each year. Again, this credit accrues interest at the rate of 9.5% per year. The company did not earn any profit sharing during the first six months of 2018, although it is reasonable to believe that the balance of approximately $6 million will be paid down shortly. Once that occurs, AMSC will be in the position, for the first time, to begin receiving these distributions and recording them on their financial statements.

Exhibit 14 ASMC: Historical Profit Sharing;
($ in millions)

	2013	2014	2015	2016	2017
Profit Share	9.0	5.7	11.1	10.2	0.0
OSG Credit	25.9	22.6	13.8	4.9	5.4

Source: Company reports, *The European Contrarian* estimates.

Profit sharing revenues have been as high as $11 million and could move higher should the market continue to strengthen. This would result in free cash flow of over $30 million per year, implying that the company's dividend could approach $0.50 per share (NOK4.25 per share). This equates to a dividend yield of approximately 13%. Furthermore, this dividend has historically been classified as a return of capital, which may have tax advantages for investors.

Conclusion

The free cash flow that AMSC generates from just its long-term bareboat charter agreements is enough to support the current dividend yield of 8.6%. However, the company is likely to start generating an additional $10 million a year or more, as it will soon become eligible to receive profit sharing distributions from OSG. At the same time, time charter rates for Jones Act tankers are improving, as the recent growth in shale oil production is increasing the demand for vessels. This should materially increase OSG's earnings and AMSC's profit share. When one considers the future growth expectations for oil production out of regions such as the Permian basin, this source of additional demand is likely to persist for the foreseeable future.

Once AMSC begins receiving these payments, the company's free cash flow could easily exceed $30 million a year. The company's dividend, currently at $0.32 per share, could increase to approximately $0.50 per share under such a scenario, equaling a yield of over 13%. One would be hard pressed to find a comparable level of income with relatively modest risk. Based on this, shares of AMSC are recommended for purchase.

Exhibit 15 AMSC: Consolidated Income Statement; Third Quarter 2018

($ in millions)

	unaudited			
	Q3	Q3	Year to date	
Amounts in USD million (except share and per share information)	**2018**	**2017**	**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**

Source: Company reports.

Exhibit 16 AMSC: Consolidated Income Statement; 2016-2017

($ in thousands)

Amounts in USD thousands	Note	2017	2016
Operating revenues		87 801	88 042
Wages and other personnel expenses	2	(1 140)	(1 131)
Other operating expenses	3	(1 828)	(1 791)
Operating profit before depreciation		84 833	85 120
Depreciation	6	(33 854)	(34 336)
Operating profit		50 979	50 784
Net income from equity accounted investees	4	4 180	2 668
Financial income	4	3 823	2 711
Financial expenses	4	(47 973)	(39 121)
Income before income tax		11 010	17 042
Income tax (expense) / benefit	5	2 299	(9 932)
Net income for the year *)		13 308	7 110

Source: Company reports.

Exhibit 17 AMSC: Consolidated Balance Sheet
($ in millions)

Amounts in USD million	*unaudited* 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**

Source: Company reports.