

AMERICAN SHIPPING COMPANY ASA

# ANNUAL REPORT

## 2020

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American  
Shipping  
Company

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Mission: to be the preferred ship owning and leasing partner to the US Jones Act market



# CONTENT

KEY FIGURES	3
KEY EVENTS 2020	4
THIS IS AMERICAN SHIPPING COMPANY	5
FLEET OVERVIEW	6
PRIMARY TRADE ROUTES	7
COMPANY STRUCTURE	8
COMPANY HISTORY	9
GOALS AND STRATEGIES	10
MANAGEMENT	11
BOARD OF DIRECTORS	12
BOARD OF DIRECTORS' REPORT	13
BOARD RESPONSIBILITY STATEMENT	19

ANNUAL ACCOUNTS - GROUP	21
Consolidated Statement of Financial Position	21
Consolidated Income Statement	22
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Changes in Equity	23
Consolidated Cash Flow Statement	24
Notes to the Consolidated Accounts	25
NOTE 1: Accounting principles	25
NOTE 2: Wages and other personnel expenses	30
NOTE 3: Other operating expenses	30
NOTE 4: Financial items	31
NOTE 5: Tax	32
NOTE 6: Property, plant and equipment	34
NOTE 7: Interest-bearing long-term receivables	35
NOTE 8: Other receivables	35
NOTE 9: Derivative financial assets and liabilities	36
NOTE 10: Earnings per share	36
NOTE 11: Paid in capital	37
NOTE 12: Subsidiaries and associates	38
NOTE 13: Interest-bearing loans and liabilities	39
NOTE 14: Operating leases	41
NOTE 15: Deferred revenues and other payables	41
NOTE 16: Financial instruments	42
NOTE 17: Shares owned or controlled	47
NOTE 18: Transactions and agreements with related parties	49
NOTE 19: Agreements with OSG	49
NOTE 20: Events after the balance sheet date	51

ANNUAL ACCOUNTS - PARENT	53
Statement of Financial Position	53
Income Statement	54
Cash Flow Statement	55
Notes to the Accounts	56
NOTE 1: Accounting principles	56
NOTE 2: Other operating and financial expenses	57
NOTE 3: Shares in subsidiaries and associates	58
NOTE 4: Tax	59
NOTE 5: Long-term receivables	60
NOTE 6: Total equity	61
NOTE 7: Cash and cash equivalents	63
NOTE 8: Shares owned by the board of directors and the senior management	63
NOTE 9: Guarantees	63
NOTE 10: Events after the balance date	63

AUDITORS' REPORT	64
SHARE AND SHAREHOLDER INFORMATION	68
CORPORATE GOVERNANCE	71

# KEY FIGURES

Profit and loss items		2020	2019	2018
Operating revenues	USD million	88.2	87.8	87.8
EBITDA	USD million	85.2	84.7	84.2
Net income	USD million	18.1	8.3	8.6
Normalized EBITDA	USD million			
Reported EBITDA	USD million	85.2	84.7	84.2
Profit share	USD million	-	-	-
DPO	USD million	3.4	3.6	3.7
Normalized EBITDA	USD million	88.6	88.3	87.9
Cash flow				
Cash flow from operating activities	USD million	43.8	35.9	47.7
Cash flow from investing activities	USD million	(4.8)	15.4	0.3
Cash flow used in financing activities	USD million	(51.1)	(57.2)	(48.5)
Cash as of 31 December	USD million	35.7	47.9	53.8
Balance sheet				
Interest bearing debt	USD million	543.6	567.0	601.9
Equity	USD million	161.3	165.0	176.1
Total assets	USD million	723.6	752.4	811.3
Equity ratio	Percent	22.3%	21.9%	21.7%
The AMSC share				
Share price as of 31 December	NOK	28.20	32.90	33.30
Dividend per share	NOK	3.44	2.90	2.76
Dividend per share	USD	0.38	0.32	0.32
Dividend yield	Percent	12.2%	8.8%	8.3%

# KEY EVENTS 2020

## SENIOR SECURED DEBT REFINANCING

In April 2020, AMSC closed on the refinancing of its senior secured debt for nine of the vessels, totaling USD 305 million with new and existing lenders. Annual amortization is USD 21.8 million for five years with an average margin of 277 bps. Also during Q2 2020, AMSC entered into interest rate swap contracts on 60% of its bank debt at an average rate of 49 bps.

## UNSECURED BOND REFINANCING

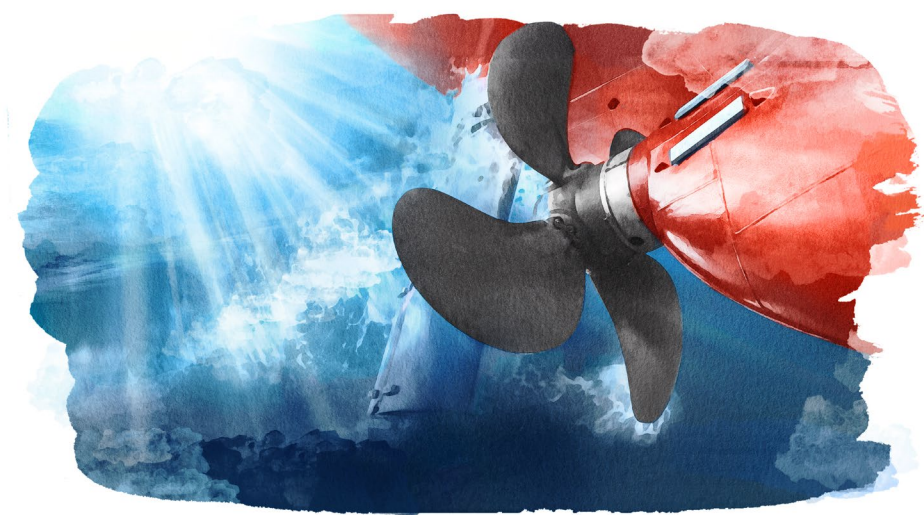
In July 2020, AMSC closed on the re-financing of the outstanding USD 220 million bond, with a new USD 200 million bond. The new bond has a 7.75% semi-annual coupon and matures 2 July 2025.

## COVID 19 IMPACT

Although demand for transportation of crude and petroleum products in the U.S. was sharply reduced during 2020, AMSC is insulated in the short to medium term due to its "come hell or high water" bareboat contracts with OSG. The timing of the market recovery could adversely affect AMSC based on the maturity of the bareboat charter contracts, five of which expire in December 2022, four in December 2023 and one in June 2025.

## CONTINUED DIVIDENDS

For the financial year 2020, the Company declared dividends of USD 0.36 per share, USD 21.8 million in total.



## FINANCIAL CALENDAR 2021

20 April	Annual General Meeting 2021
20 May	1st quarter interim results 2021
20 August	2nd quarter interim results 2021
19 November	3rd quarter interim results 2021
(dates subject to change)	

# THIS IS AMERICAN SHIPPING COMPANY

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American Shipping Company ASA (AMSC) was established in 2005, and is listed on the Oslo Stock Exchange with the ticker AMSC. The business model of AMSC is to own and bareboat charter out U.S. built vessels to qualified U.S. citizen operators, making the Company a pure play Jones Act owner. The objective of the business model is to generate a stable and predictable cash flow from long term bareboat leases protected from short term market fluctuations, with upside potential through profit sharing arrangements with the charterers.



AMSC currently owns nine modern handy size product tankers and one modern handy size shuttle tanker, all built at Philly Shipyard (PHLY), a leading U.S. shipyard. All ten vessels are on long term fixed rate bareboat charters with Overseas Shipholding Group Inc. (OSG). In addition, there is a profit sharing arrangement in place with OSG, providing the Company with exposure to improving market conditions. OSG charters the



vessels out on voyage and time charters to major oil companies and refineries. OSG has options to renew the bareboat charters for the life of the vessels.

AMSC is headquartered in Lysaker, Norway, with its principal operating subsidiaries located in Pennsylvania, USA.

# FLEET OVERVIEW

VESSEL	DESIGN	TYPE	DELIVERED	2020	21	22	23	24	25	2026
 Overseas Houston	Veteran Class MT 46	MR	2007							
 Overseas Long Beach	Veteran Class MT 46	MR	2007							
 Overseas Los Angeles	Veteran Class MT 46	MR	2007							
 Overseas New York	Veteran Class MT 46	MR	2008							
 Overseas Texas City	Veteran Class MT 46	MR	2008							
 Overseas Boston	Veteran Class MT 46	MR	2009							
 Overseas Nikiski	Veteran Class MT 46	MR	2009							
 Overseas Martinez	Veteran Class MT 46	MR	2010							
 Overseas Anacortes	Veteran Class MT 46	MR	2010							
 Overseas Tampa	Veteran Class MT 46	ST	2011							

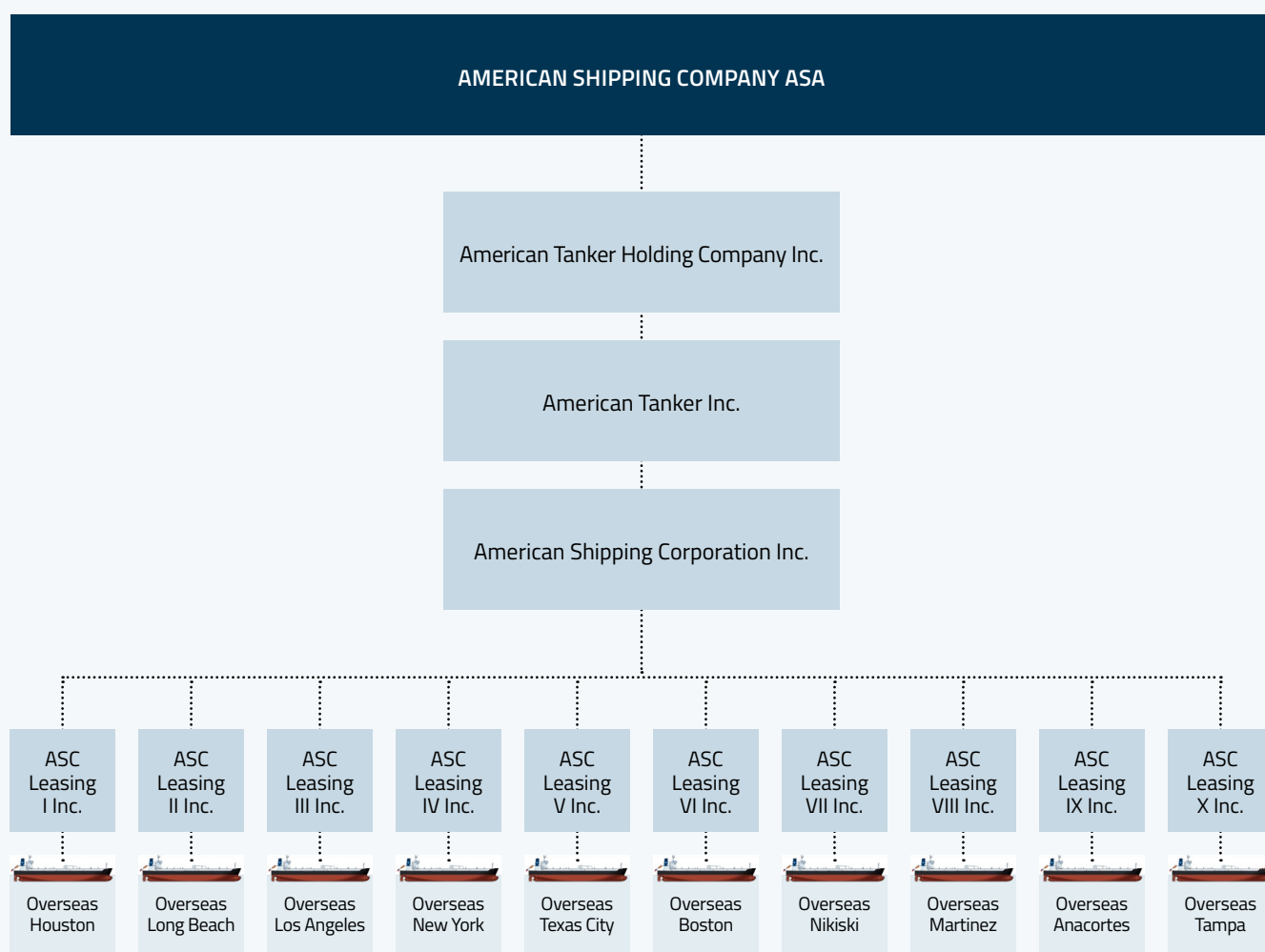
Tampa was converted to a shuttle tanker and is on a 10 year BBC backed by a 10 year TC

 Bareboat from AMSC to OSG  
 OSG extension options for life

# PRIMARY TRADE ROUTES



# COMPANY STRUCTURE





# COMPANY HISTORY

## 2005

- Aker American Shipping ASA (AKASA) established and listed on Oslo Stock Exchange
- Closed a ten ship bareboat charter agreement with Overseas Shipholding Group, Inc. (OSG), with ships delivered between 2007 and 2011

## 2007

- Obtained take-out financing for ten vessels and issued NOK 700 million bond for investments in vessels

## 2008

- Name changed to American Shipping Company ASA and trading ticker changed from AKASA to AMSC

## 2009

- Finalized settlement agreement with OSG that settled all commercial disputes between the companies

## 2011

- Extended maturity of the NOK bond for 6 years

## 2012

- Extended maturity of vessel debt to June 2016
- Achieved bareboat charter extensions with OSG to December 2019

## 2013

- Launched major recapitalization of the Company, completed in 2014, which raised USD 128 million in cash and increased equity by USD 166 million

## 2014

- Began paying quarterly dividends
- Overseas Tampa converted to a shuttle tanker for a ten year time charter to Shell beginning in 2015
- Invested USD 25 million for a 19.6% stake in Philly Tankers AS with orders for four product tankers

## 2015

- Refinancing of secured vessel debt completed with USD 450 million in new secured debt
- Philly Tankers secured long-term time charters on its first two ships, declared its two options and entered into agreement to sell all four tanker contracts upon delivery

## 2016

- First Philly Tankers new-build contract and related assets sold to subsidiaries of Kinder Morgan. Transaction proceeds distributed during 2017, with a final liquidation proceed during 2018

## 2017

- Raised USD 220 million senior unsecured bond used to refinance the outstanding bond with maturity in February 2018
- Received USD 12.5 million in distributions from Philly Tankers from its sale of all four product tanker newbuild contracts

## 2018

- OSG elected to extend all nine vessels up for renewal, effectively increasing AMSC's average bareboat charter duration to 3.5 years

## 2019

- Liquidation of PTAS with USD 16.3 million received, USD 28.8 million in total after-tax proceeds
- OSG elected to extend four vessels up for renewal, effectively increasing AMSC's average bareboat charter duration to 3.7 years

## 2020

- Closing of USD 305 million senior secured debt financing for nine ships with maturity in 2025
- Closing of USD 200 million unsecured bond, maturing in 2025



## GOALS AND STRATEGIES

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- Be a preferred ship owning and lease finance company in the Jones Act market
- Generate stable cash flow from long term bareboat charters
- Have a modern, safe and operationally friendly fleet
- Explore and invest in value creating opportunities for our stakeholders
- Ensure an optimal use of capital

# MANAGEMENT



**PÅL MAGNUSSEN**  
President / CEO

Pål L. Magnussen was appointed President and CEO of AMSC effective 1 January 2015. He previously served as AMSC's CFO from 1 June 2014. A Norwegian national, Mr. Magnussen comes from the position as Director of the Investment Banking Division in DNB Markets where he worked since 2007 focusing on the shipping and offshore sectors. Prior to that, he worked for five years as Vice President of Corporate Banking in DNB Bank's shipping and offshore division. He has significant experience from international shipping finance and has been based in New York, Singapore and Oslo. Mr. Magnussen holds an MBA from Columbia University, New York and a Master of Science from the Norwegian School of Management, Oslo. He holds 85,000 share in the Company.



**MORTEN BAKKE**  
CFO

Morten Bakke was appointed Chief Financial Officer from April 2014. He has multiple years of corporate finance, shipping and offshore experience of which 10 years with DVB Corporate Finance in London and Oslo and previously with Chartered Accountants Moore Stephens and Credit Suisse, both in London. Mr. Bakke holds a MSC in Shipping, Trade and Finance from Cass Business School in London and BA in Business Studies from University of Greenwich. Mr. Bakke is a Norwegian national and holds 80,000 shares in the Company through MB Capital AS.



**LEIGH JAROS**  
Controller

Leigh Jaros joined AMSC as Controller in July 2008 and was employed by Philly Shipyard as its Accounting Supervisor from January 2007, prior to joining AMSC. Ms. Jaros has multiple years of corporate finance and accounting experience including financial reporting, analysis and budgeting. Ms. Jaros holds a Bachelor of Science in Finance and Economics from West Chester University. Ms. Jaros is a U.S. citizen and holds 2,000 shares in the Company.

# BOARD OF DIRECTORS



**ANNETTE MALM JUSTAD**  
Chair

Ms. Justad has been a member of American Shipping Company ASA's Board of Directors since December 2007 and was elected as chair of the Board in 2010. From 2006 through 2010, she held the position of CEO of Eitzen Maritime Services ASA, a Norwegian marine shipping services Company. Prior to that she has held various positions in large companies such as Yara International ASA, Norgas Carriers/IM Skaugen ASA, and Norsk Hydro ASA. Presently, Ms. Justad is a partner at Recore, chair of REC Silicon, Norske tog AS and Store Norske Spitsbergen Kulkompani AS and a board member of Torm plc, Awilco LNG ASA and PowerCell Sweden AB. Ms. Justad holds a Master degree of Technology Management from MIT (Sloan School)/ NTH/NHH in addition to a MSc in Chemical Engineering from NTH. Ms. Justad is a Norwegian citizen. Ms. Justad holds 4,523 shares in the Company and has no stock options. She has been re-elected for the period 2019-2021.



**PETER D. KNUDSEN**  
Board member

Peter D. Knudsen is the Managing Partner of NorthCape AS, a financial advisory firm. Mr. Knudsen was previously the CEO of Oslo listed Camillo Eitzen & Co. ASA from November 2008 to February 2012. Prior to Camillo Eitzen & Co. ASA, Mr. Knudsen was employed by Nordea Bank (Shipping Offshore and Oil Services) for 15 years, and his last position was as a General Manager of Nordea Bank in Singapore. Mr. Knudsen has also been employed with GIEK, Den norske Creditbank, Jøtun Fonds and Stemoco Shipping. He is presently a board member with Oslo listed Pareto Bank ASA and Uglands Rederi AS. Mr. Knudsen holds an MBA from Arizona State University. He is a Norwegian citizen and holds 3,000 shares of stock in the Company through Vilja AS. Mr. Knudsen has been a Board Member of American Shipping Company ASA since 2012 and has been re-elected for the period 2020-2022.



**KRISTIAN RØKKE**  
Board member

Kristian Røkke is currently CEO of Aker Horizons, a holding company with a portfolio of companies in the renewable energy and green technologies space. He has extensive experience from offshore oil services, shipbuilding industry, M&A and other transactions. Prior to Aker Horizons, Mr. Røkke was CIO of Aker ASA. Mr. Røkke is a board member of TRG Holding AS, Aker Capital AS, Aker Solution ASA, Philly Shipyard ASA and Akastor ASA. He holds an MBA from The Wharton School, University of Pennsylvania. Mr. Røkke is a Norwegian and American citizen and holds zero shares in the Company. Mr. Røkke was elected to the Board of Directors at the Company's Annual General Meeting in 2018, and has been re-elected for the period 2020-2022.



# BOARD OF DIRECTORS' REPORT

American Shipping Company ASA ("AMSC" or the "Company") is a ship owning and lease finance company with a modern fleet of nine product tankers and one shuttle tanker operating in the U.S. domestic ("Jones Act") trades. During 2020, all ten tankers were in operation on bareboat charters to Overseas Shipholding Group, Inc. and its subsidiaries (collectively "OSG"), one of the largest operators in the Jones Act tanker market, and domiciled in Tampa, Florida.

## THE GROUP'S BUSINESS ACTIVITIES

The main entities in the AMSC Group (the "Group") are the Norwegian holding company American Shipping Company ASA and its wholly owned U.S. subsidiaries American Tanker Holding Company, Inc. (ATHC), American Tanker, Inc. (ATI), American Shipping Corporation (ASC), and the ten single purpose leasing companies (ASC Leasing I through X, Inc.), each owning one of the ten tankers. American Shipping Company ASA is domiciled in Lysaker, Norway, and listed on the Oslo Stock Exchange, with the U.S. subsidiaries located in Kennett Square, Pennsylvania.

AMSC's business model is to own and long-term bareboat charter-out vessels for operation in the U.S. Jones Act market, earning fixed bareboat charter revenues generating stable cash flows to protect against short-term market fluctuations, and, in addition, with profit share potential generated by the bareboat charterers' operations in the time or voyage charter markets.

In accordance with this policy, all of AMSC's vessels are on long-term fixed rate bareboat charters with OSG, together with a profit sharing agreement which gives AMSC the upside of sharing the profits generated by OSG. OSG employs the vessels on voyage and time charters to major oil companies, refineries and trading companies.

The vessels were built at Philly Shipyard ("PHLY"), a leading U.S. shipyard and delivered between 2007 and 2011.

The Company has no research and development activity.

## THE JONES ACT MARKET

The U.S. cabotage law, commonly referred to as the Jones Act, requires all commercial vessels transporting cargoes between points in the United States to be U.S. built, owned, operated and manned by U.S. citizens, and registered under the U.S. flag. The Jones Act has existed since 1920 and enjoys strong bipartisan political support in the USA.

AMSC's operation in the Jones Act market is made possible by the lease finance exception of the Jones Act, which permits foreign ownership of the ships under certain conditions. Compliance with the lease finance exception requires, among other things, that the vessels be bareboat chartered to qualified U.S. citizen operators, such as OSG.

## KEY EVENTS 2020

### Senior secured debt refinancing

During the second quarter 2020, AMSC closed on the refinancing of its senior secured debt for nine of the vessels, totaling USD 305 million with new and existing lenders. Annual amortization is USD 21.8 million for five years with an average margin of 277 bps. AMSC also entered into interest rate swap contracts on 60% of its bank debt at an average rate of 49 bps.

### Unsecured bond refinancing

During the third quarter 2020, AMSC closed on the refinancing of the outstanding USD 220 million bond, with a



## BOARD OF DIRECTORS' REPORT

Vessel	Charter Expiration	Remaining Charter Extension Options
Overseas Houston	Dec 2022	1 x 1 year, unlimited 3 and 5 year
Overseas Long Beach	Dec 2022	1 x 1 year, unlimited 3 and 5 year
Overseas Los Angeles	Dec 2022	1 x 1 year, unlimited 3 and 5 year
Overseas New York	Dec 2022	1 x 1 year, unlimited 3 and 5 year
Overseas Texas City	Dec 2022	1 x 1 year, unlimited 3 and 5 year
Overseas Boston	Dec 2023	Unlimited 3 and 5 year
Overseas Nikiski	Dec 2023	Unlimited 3 and 5 year
Overseas Martinez	Dec 2023	Unlimited 3 and 5 year
Overseas Anacortes	Dec 2023	Unlimited 3 and 5 year
Overseas Tampa	Jun 2025	2 x 5 year followed by 5 x 1 year

new USD 200 million bond. The new bond has a 7.75% semiannual coupon and matures 2 July 2025.

### COVID-19 impact

Although demand for transportation of crude oil and petroleum products in the U.S. was sharply reduced in 2020, AMSC is insulated in the short to medium term due to its "come hell or high water" bareboat contracts with OSG. The timing of market recovery could adversely affect AMSC based on the maturity of the bareboat charter contracts. The table above summarizes the durations and remaining extension options of AMSC's ten vessels.

### Continued dividends

For the financial year 2020, the Company declared dividends of USD 0.36 per share, USD 21.8 million in total. The Company's fixed bareboat revenue currently supports this dividend level.

### REVIEW OF THE ANNUAL ACCOUNTS

AMSC prepares and presents its consolidated accounts according to International Financial Reporting Standards (IFRS) as adopted by the EU, and has one operating segment.

### Profit and loss accounts

In 2020 and 2019, AMSC had operating revenues of USD 88.2 million and USD 87.8 million, respectively, a reflection of

the Company's stable, predictable business model. The increase in revenue from 2019 is due to contracted adjustments of the bareboat charter rate reflecting the Company's investments in ballast water treatment systems on two of its vessels. Revenues are recognized on a monthly basis and represent the income from the bareboat charter agreements. There were no profits generated under the profit sharing agreement with OSG in 2020 or 2019. The Company's operating profit before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 85.2 million in 2020 compared to USD 84.7 million in 2019.

Depreciation was USD 34.2 million in 2020 versus USD 33.9 million in 2019. AMSC's operating profit (EBIT) was USD 51.0 million in 2020 versus USD 50.8 million in 2019.

Net financial items were negative USD 49.4 million in 2020 compared to negative USD 44.0 million in 2019. Net financial items of negative USD 49.4 million in 2020 consist primarily of net interest expense of USD 33.7 million and other financial expenses of USD 15.3 million, and non-cash loss on the mark-to-market valuation of interest rate swap agreements of USD 0.4 million. Net financial items of negative USD 44.0 million in 2019 consist primarily of net

interest expense of USD 37.7 million and other financial expenses of USD 3.1 million, and non-cash loss on the mark-to-market valuation of interest rate swap agreements of USD 3.2 million.

Net profit before tax for 2020 and 2019 was USD 1.6 million and USD 6.8 million, respectively.

Non-cash deferred income tax benefit was USD 16.9 million in 2019 (USD 1.6 million in 2019). During 2020, AMSC recognized its net deferred tax assets in Norway that had not been previously recognized. The recognition of the deferred tax asset is due to expectations of future income to offset historical tax losses. Income tax expense in 2020 was USD 0.4 million (USD 0.1 million in 2019).

AMSC's 2020 net income was USD 18.1 million versus USD 8.3 million in 2019. The 2020 basic and diluted earnings per share (EPS) were USD 0.30. The corresponding figures for 2019 were USD 0.14, for both basic and diluted EPS.

### Cash flow

The Company's operating cash flow is primarily composed of bareboat charter hire and DPO received, less interest paid. Total net cash flow from operating activities in 2020 was positive USD 43.9 million (USD 35.9 million in 2019).

Net cash flow used in investing activities in 2020 was USD 4.8 million, representing the Company's investment in two ballast water treatment systems. Net cash flow from investing activities was positive USD 15.4 million in 2019, representing a liquidation distribution from PTAS of USD 16.3 million, offset by investments in ballast water treatment systems of USD 0.9 million.

Net cash flow used in financing activities in 2020 was USD 51.1 million, which included USD 31.2 million in vessel debt

## BOARD OF DIRECTORS' REPORT

installments, USD 21.8 million in dividends paid/return of capital, USD 10.1 million in loan fees paid, offset by net received from refinancing of USD 12.0 million. Net cash flow used in financing activities in 2019 was USD 57.2 million, which included USD 29.8 million in vessel debt installments, USD 19.4 million in dividends paid/return of capital, USD 6.7 million to repay Aker ASA subordinated loan and USD 1.3 million in loan fees paid.

### Statement of financial position and liquidity

As of 31 December 2020, American Shipping Company had cash on deposit with banks totaling USD 35.8 million. Of this total amount, USD 0.9 million is cash held for specified uses. The corresponding amounts for 2019 were USD 47.9 million in cash on deposit with banks and USD 1.6 million in cash held for specified uses.

Other current assets were USD 0.3 million as of 31 December 2020 and USD 0.4 million as of 31 December 2019.

Property, plant and equipment as of 31 December 2020 was USD 649.5 million (USD 678.9 million as of 31 December 2019), and includes ten vessels.

Interest-bearing long-term receivables totaled USD 23.3 million as of 31 December 2020 (USD 25.3 million as of 31 December 2019) and represent the DPO due from OSG.

Deferred tax assets totaled USD 14.8 million as of 31 December 2020 and represent AMSC's Norwegian net operating losses in carryforward, which were not previously recognized.

At 31 December 2020, total assets were USD 723.6 million (USD 752.4 million as of 31 December 2019).

At 31 December 2020 total equity was USD 161.3 million. The equity ratio was 22.3% of total assets. Corresponding amounts for 2019 were USD 165.0 million and 21.9%, respectively.

Total current liabilities as of 31 December 2020 were USD 35.1 million, consisting of USD 26.8 million for short-term interest bearing debt and USD 8.3 million for accrued interest and other payables. The corresponding total current liabilities as of 31 December 2019 were USD 52.5 million, consisting of USD 44.3 million for short-term interest bearing debt and USD 8.2 million for accrued interest and other payables.

Non-current liabilities totaled USD 527.3 million at 31 December 2020, consisting of long-term bank debt of USD 325.6 million related to the ten vessels owned by AMSC, a bond issue of USD 200.0 million, deferred tax liability of USD 9.2 million and derivative financial liabilities of USD 1.2 million, offset by unamortized loan fees of USD 8.7 million. Non-current liabilities totaled USD 534.9 million at 31 December 2019, consisting of bank debt of USD 307.3 million related to the ten vessels owned by AMSC, a bond issue of USD 220.0 million, deferred tax liability of USD 11.4 million and derivative financial liabilities of USD 0.8 million, offset by unamortized loan fees of USD 4.6 million.

### Tax position

AMSC has federal net operating losses in carryforward (NOLs) as of 31 December 2020 of USD 517.6 million in the U.S. and USD 75.8 million in Norway. These NOLs have been generated since 2005 from the tax losses of the Company, which in the U.S. are mostly due to the accelerated depreciation of the vessels for tax purposes (10 years) and in Norway are mainly due to the interest cost on the original 2007 bond loan.

See note 5 in the consolidated accounts for further information.

## RISKS

### Counterparty risk and charter renewal risk

The risks facing AMSC principally relate to the commercial and financial performance of OSG and from OSG's operation of our vessels, re-chartering risk as well as overall Jones Act market risk.

Since OSG is currently AMSC's only counterparty, AMSC is exposed to OSG's credit risk. As charterer of all of the Company's vessels, OSG continued to service its financial obligations to AMSC in 2020 on time, including payments on the DPO receivable. AMSC's charter renewal risk was reduced in 2019 with OSG's election to exercise its options on all vessels up for renewal. AMSC enjoys downside protection with "come hell or high water" bareboat contracts and OSG's evergreen extension options.

The long-term fundamentals in the Jones Act tanker market remain stable, although the current impact of the COVID-19 pandemic has reduced demand for crude oil and clean products in the U.S market in the near term.

AMSC continues to closely monitor its employment and counterparty risk, as well as Jones Act tanker market fundamentals.

### Financial risk and risk management

AMSC's activities expose it to a variety of financial risks: market risk, currency risk, interest rate risk, counterparty risk, price risk, credit risk, and liquidity risk. AMSC's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on AMSC's financial performance. AMSC uses derivative financial instruments to hedge certain risk exposure.

AMSC operates in a business environment that is capital intensive. The Company is dependent upon having access

## BOARD OF DIRECTORS' REPORT

to long-term funding for the vessels and other loan facilities to the extent its own cash flow from operations is insufficient to fund its operations. With the closing of the secured bank debt and unsecured bond during 2020, all of the Company's debt matures in 2025.

Through the vessel financing, the Company is exposed to fluctuations in interest rates on its long-term debt. The interest rate risk related to the vessel financing is partially mitigated by the use of interest rate swap agreements to hedge the interest rate risk. The Company has interest rate swaps to convert its floating rate debt to fixed rates for USD 226 million of its vessel debt (USD 300 million as of 31 December 2019).

AMSC is subject to financial covenants under the secured bank loans relating to minimum liquidity and collateral, and leverage and debt service ratios. AMSC is subject to financial covenants under the bond related to minimum liquidity and maximum leverage. AMSC was in compliance with all of its debt covenants as of 31 December 2020.

### THE GOING CONCERN ASSUMPTION

In view of AMSC's financial position, the Board confirms the going concern assumptions and that the 2020 annual accounts have been prepared based on the assumption of a going concern.

### Parent company accounts and allocation of income for the year

The profit and loss account of American Shipping Company ASA ("AMSC ASA") shows a profit for the year 2020 of USD 34.9 million, due to the recognition of the parent company's net deferred tax assets, management and guarantee fees to its subsidiaries, reversal of impairment charges and interest income on intercompany loans. AMSC ASA is the Norwegian parent company owning 100% of the U.S. subsidiaries.

The Board of Directors proposes that the profit for the year be allocated as shown below:

Dividend payments	USD 21.8 million
Transferred from share premium	(USD 21.8 million)
Transferred to other equity	USD 34.9 million
Total allocated	USD 34.9 million

The Board of Directors was granted authorization to pay dividends based on the Company's annual accounts for 2019 at the Annual General Meeting in 2020, which is valid up to the Company's Annual General Meeting in 2021 subject to the Board evaluating the liquidity position of the Company. Such authorization facilitates payment of dividend by the Board of Directors on a quarterly basis.

Subsequent to year-end, the Board declared a dividend/return of capital of USD 0.10 per share (USD 6.1 million in aggregate) on 11 February 2021. The dividend was paid on 1 March 2021.

### CORPORATE SOCIAL RESPONSIBILITY AND ESG REPORTING

In accordance with the Norwegian Accounting Act §3-3, section c, the Board has assessed AMSC's Corporate Social Responsibility (CSR) in the following areas: human rights, labor standards, environment and corruption. In addition, AMSC is committed to report on ESG, which is the consideration of environmental, social and governance factors in the day-to-day operations of the Company.

#### Environment

AMSC's modern, double-hulled tanker fleet meets the current requirements of the U.S. Coast Guard. AMSC's fleet was delivered between 2007 and 2011, and represents 28% of all modern tankers in the U.S. Jones Act below 20 years. Under its lease agreements, OSG is responsible for the day to day operation of the vessels.

In addition, the ships' crews are managed by OSG. OSG is one of the largest ship operators in the U.S. Jones Act and OSG has a commitment to meeting and exceeding environmental regulations and social responsibility and safety standards. AMSC's bareboat contracts are based on the BIMCO standard bareboat charter, BARECON 2001, and include requirements for the charterer to maintain the vessels to the standards of the American Bureau of Shipping. The lease agreements also include requirements for OSG to insure the vessels for marine risk, war risk and protection and indemnity insurance.

Because AMSC is a passive lessor of vessels, the Company has limited direct environmental impact. OSG is obligated to notify AMSC if (i) any of the vessels are involved in an accident involving repairs, the cost of which is likely to exceed \$500,000, (ii) events have occurred whereby any of the vessels are likely to become a total loss, or (iii) any of the vessels have been arrested or someone has exercised or purports to exercise a lien on the vessel. If OSG makes a claim under its hull policy in connection with an accident involving damage to the vessel in excess of \$500,000, AMSC would be notified by the hull underwriters. There have been no such reported incidents during 2020.

The ships owned by AMSC are operated under the North American Emissions Control Area. The fleet is therefore subject to heightened scrutiny of sulfur emissions for its fuel which is limited to 0.1% sulfur content as opposed to the less rigid International Maritime Organization (IMO 2020) regulation of 0.5% sulfur content.

AMSC and OSG are working jointly to install ballast water treatment systems on all ten tankers; two were installed during 2020 while the remaining 8 ships are scheduled for installation between 2021 and 2024, complying with U.S. Coast Guard requirements.



## BOARD OF DIRECTORS' REPORT

AMSC's Jones Act tankers also facilitate short haul transportation of crude and clean petroleum products which is a substitute for longer haul transportation from Africa, Europe, Middle- or Far-East of the same commodities. Such short haul transportation has a substantial impact on the environment by reducing fuel emissions per barrel transported.

Jones Act vessels typically trade until after its 35th anniversary compared with 20-25 years in international shipping and has accordingly a longer life span which leads to less frequent reproduction of ships. Once the ship is sold for demolition, the steel is recycled and used in steel melting mills to produce various steel products.

### Social

All of AMSC's vessels are operated and crewed by OSG and the Company does accordingly not have any formal policies covering safety of personnel, workers' rights and the environment. Nevertheless, our policy is to meet our responsibilities by choosing a reputable business partner to operate our vessels and by following the laws and regulations applicable to our employees. We believe both AMSC and OSG share a common commitment to work safely and in a manner that protects and promotes the health and well-being of the employees and the environment.

The Company has three full time employees who are senior executives who work in offices in the United States and Norway. AMSC has agreements with Aker ASA and Aker U.S. Services, LLC which primarily include office services and tax services. The Company allows a flexible working schedule and work location for its employees.

American Shipping Company ASA seeks to be an attractive employer, focused on employee retention, and maintains a working environment with competitive

compensation and benefits that is open and fair. AMSC is committed to providing equal opportunity regardless of race, ethnic background, gender, religion, age or any other legally protected status. Because the Company has so few employees, its human resource policies, including those on discrimination, are not formalized but follow the laws and practices customary to the geographical location of each of its offices.

At year-end 2020, one of AMSC's employees is a woman (Controller). In addition, the chair of the board of directors is a woman.

### Governance

American Shipping Company ASA's corporate governance policy exists to ensure an appropriate division of roles among the company's owners, board of directors, and executive management. Such a separation of roles ensures that goals and strategies are prepared, adopted corporate strategies are implemented, and the results achieved are subject to verification and follow-up. With the small size of AMSC's staff and the location and nature of its operations, the Board sees the risk of corruption as low. AMSC does not have any other ongoing initiatives to address corruption. An appropriate division of responsibilities and satisfactory internal controls will contribute to the greatest possible value creation over time, to the benefit of shareholders and other stakeholders. AMSC's corporate governance guidelines are presented in greater detail on page 71 of this annual report and it is the Board's opinion that the Company's corporate governance policy is effectively applied. Based on the relatively simple business model and small size of the Company's staff, the Board believes that adequate steps have been taken to mitigate the internal control risk.

Good corporate governance, that is, proper board conduct and company

management, are key to AMSC's efforts to build and maintain trust. AMSC is committed to maintaining an appropriate division of responsibilities between the Company's governing bodies, its Board of Directors, and management. AMSC has compared the Norwegian requirements and recommendations on corporate governance for listed companies with the Company's own corporate governance procedures and practice. The findings show that the Company is in compliance with respect to the requirements and substantially in conformance with those recommendations. Any deviations from the recommendations are explained in the Corporate Governance report on page 71.

The Company's board chair is elected at the Company's annual shareholders' meeting and the shareholder-elected directors are elected for two year terms.

The Board members of AMSC as of 31 December 2020 are as follows:

Chair	Annette Malm Justad
Board Member	Peter D. Knudsen
Board Member	Kristian Røkke

Two of the three members of the Board are independent of the Company's significant shareholders and significant business associates. Further description of the Board Members is on page 12.

The Company is required to periodically report information to its banks and bondholders relating to collateral valuations and other financial ratios.

### OUTLOOK

The long term fundamentals in the Jones Act tanker market remain stable, although the current impact of the COVID-19 pandemic has significantly reduced demand for crude oil and clean products in the U.S. market in the near term. Towards the end of 2020, demand for clean products, mainly being gasoline,

## BOARD OF DIRECTORS' REPORT

diesel and jet fuel, remained negatively impacted by reduced economic activity across the USA. Although economic activity has recovered substantially from the low point in the second quarter of 2020, consumption of clean products is currently still lagging by about 9% compared to the last five years' average. EIA is forecasting a gradual full recovery during 2021 and 2022.

Crude cargoes from the U.S. Gulf to the U.S. Northeast are reduced as a result of lower crude throughput at refineries. Overall, current refinery utilization in the USA is 82.5%, down from around 92% average over the past five years. Refinery utilization has increased steadily during second half of 2020 and is expected to follow the same recovery path as for demand for fuel.

Shorter term market volatility does not directly affect AMSC as it continues to enjoy downside protection with "come hell or high water" bareboat contracts, with five

product tankers secured until December 2022, four product tankers secured until December 2023 and one shuttle tanker secured until June 2025. The order book for new vessels remains empty and older vessels are continuing to be removed from the fleet. This trend is expected to continue for the coming years with limited yard capacity effectively increasing newbuild cost and delaying potential delivery times. Expensive maintenance capex makes it unattractive to keep investing in older vessels, and we expect the remaining six vessels older than 35 years to leave the fleet over the next several years.

Overall, we believe the Jones Act tanker market is balanced. Fleet utilization is below last year with several tankers idle for the time being. With the present pace of the COVID-19 vaccination, the board is working under the assumption that U.S. economic activity is picking up and domestic demand for transportation of petroleum products and crude oil will resume.

Following extension of the Company's bareboat charter agreements and closings of the senior secured debt and unsecured bond refinancing, which moves all debt maturities to 2025, AMSC will shift its focus to develop select growth opportunities in the Jones Act market and beyond. Any expansion would aim to diversify the fleet composition, market exposure, and customer base as well as provide value accretion for shareholders.

Lysaker, 16 March 2021  
The Board of Directors  
American Shipping Company ASA

  
Annette Malm Justad  
Chair

  
Peter D. Knudsen  
Board Member

  
Kristian Røkke  
Board Member

  
Pål Magnussen  
President/CEO

# BOARD RESPONSIBILITY STATEMENT

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Today, the Board of Directors and the President/CEO reviewed and approved the Board of Directors' Report and the consolidated and parent company annual financial statements for American Shipping Company ASA as of and for the year ended 31 December 2020 (Annual Report 2020).

American Shipping Company ASA's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for American Shipping Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2020. The Board of Directors' Report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as of 31 December 2020.

**To the best of our knowledge:**

The consolidated and parent annual financial statements for 2020 have been prepared in accordance with the applicable accounting standards.

The consolidated and parent annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of and for the year ended 31 December 2020 for the group and the parent company.

The Board of Directors' Report for the group and the parent company includes a true and fair review of:

- the development and performance of the business and the position of the group and the parent company.
- the principal risks and uncertainties the group and the parent company face.

Lysaker, 16 March 2021  
The Board of Directors  
American Shipping Company ASA

  
Annette Malm Justad  
Chair

  
Peter D. Knudsen  
Board Member

  
Kristian Røkke  
Board Member

  
Pål Magnussen  
President/CEO

AMERICAN SHIPPING COMPANY

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# ANNUAL ACCOUNTS GROUP

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION	21
CONSOLIDATED INCOME STATEMENT	22
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONSOLIDATED CASH FLOW STATEMENT	24
NOTES TO THE CONSOLIDATED ACCOUNTS	25
NOTE 1: ACCOUNTING PRINCIPLES	25
NOTE 2: WAGES AND OTHER PERSONNEL EXPENSES	30
NOTE 3: OTHER OPERATING EXPENSES	30
NOTE 4: FINANCIAL ITEMS	31
NOTE 5: TAX	32
NOTE 6: PROPERTY, PLANT AND EQUIPMENT	34
NOTE 7: INTEREST-BEARING LONG-TERM RECEIVABLES	35
NOTE 8: OTHER RECEIVABLES	35
NOTE 9: DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	36
NOTE 10: EARNINGS PER SHARE	36
NOTE 11: PAID IN CAPITAL	37
NOTE 12: SUBSIDIARIES AND ASSOCIATES	38
NOTE 13: INTEREST-BEARING LOANS AND LIABILITIES	39
NOTE 14: OPERATING LEASES	41
NOTE 15: DEFERRED REVENUES AND OTHER PAYABLES	41
NOTE 16: FINANCIAL INSTRUMENTS	42
NOTE 17: SHARES OWNED OR CONTROLLED	47
NOTE 18: TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES	49
NOTE 19: AGREEMENTS WITH OSG	49
NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE	51

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## GROUP

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION


Amounts in USD thousands	Note	31. Dec. 2020	31. Dec. 2019
<b>ASSETS</b>			
Property, plant and equipment	6	649 521	678 850
Deferred tax assets	5	14 751	-
Interest-bearing long-term receivables	7	23 333	25 278
<b>Total non-current assets</b>		<b>687 605</b>	<b>704 128</b>
Other receivables	8	325	380
Cash held for specified uses	16	872	1 606
Cash and cash equivalents	16	34 861	46 244
<b>Total current assets</b>		<b>36 058</b>	<b>48 230</b>
<b>Total assets</b>		<b>723 663</b>	<b>752 358</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital and share premium	11	183 806	205 627
Accumulated deficit		(22 521)	(40 656)
<b>Total equity attributable to equity holders of the parent</b>		<b>161 284</b>	<b>164 971</b>
<b>Total equity</b>		<b>161 284</b>	<b>164 971</b>
Interest-bearing loans	13	516 767	522 643
Deferred tax liabilities	5	9 212	11 385
Derivative financial liabilities	9	1 211	840
<b>Total non-current liabilities</b>		<b>527 190</b>	<b>534 868</b>
Interest-bearing loans	13	26 862	44 333
Deferred revenues and other payables	15	8 309	8 068
Tax payable	5	18	117
<b>Total current liabilities</b>		<b>35 189</b>	<b>52 519</b>
<b>Total liabilities</b>		<b>562 379</b>	<b>587 387</b>
<b>Total equity and liabilities</b>		<b>723 663</b>	<b>752 358</b>

Lysaker, 16 March 2021  
The Board of Directors  
American Shipping Company ASA

  
Annette Malm Justad  
Chair

  
Peter D. Knudsen  
Board Member

  
Kristian Røkke  
Board Member

  
Pål Magnussen  
President/CEO

## GROUP

# CONSOLIDATED INCOME STATEMENT

Amounts in USD thousands	Note	2020	2019
Operating revenues	14	88 203	87 804
Wages and other personnel expenses	2	(1 127)	(1 146)
Other operating expenses	3	(1 899)	(1 979)
Operating profit before depreciation		85 177	84 679
Depreciation	6	(34 170)	(33 860)
Operating profit		51 007	50 820
Net loss from equity accounted investees	4	-	(113)
Financial income	4	1 736	2 189
Financial expenses	4	(51 076)	(46 098)
Income before income tax		1 667	6 798
Income tax (expense) / benefit	5	16 513	1 505
Net income for the year *		18 181	8 302

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD thousands (except per share)	Note	2020	2019
Net income for the year		18 181	8 302
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the year *		18 181	8 302
Basic and diluted earnings per share	10	0.30	0.14

\* Applicable to common shareholders of the parent company.

## GROUP

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD thousands	Note	Share Capital	Share Premium	Accum. deficit	Total equity
Balance at 31 December 2018		96 366	128 659	(48 959)	176 066
Total comprehensive income for the year		-	-	8 302	8 302
Dividends paid / return of capital	11	-	(19 397)	-	(19 397)
Balance at 31 December 2019		96 366	109 261	(40 656)	164 971
Total comprehensive income for the year		-	-	18 181	18 181
Equity issued		-	-	-	-
Repurchase of treasury shares		-	-	(148)	(148)
Proceeds from sale of treasury shares		-	-	102	102
Dividends paid / return of capital	11	-	(21 822)	-	(21 822)
Balance at 31 December 2020		96 366	87 439	(22 521)	161 284

## GROUP

# CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD thousands	Note	2020	2019
Net income before taxes		1 667	6 798
Non-cash profit according to equity method and other non-cash items		6 177	3 130
Unrealized (gain) interest swaps	9	371	3 235
Net interest expense	4	33 715	37 672
Depreciation	6	34 170	33 860
(Increase)/decrease in:			
Other current assets	8	(325)	(274)
Other long-term operating assets	7	1 944	1 458
Increase/(decrease) in:			
Accrued liabilities and other payables	15	(545)	(8 360)
Interest paid	4	(35 026)	(43 798)
Interest received	4	1 736	2 189
<b>Net cash flow from operating activities</b>		<b>43 885</b>	<b>35 909</b>
Investments in ships	6	(4 840)	(930)
Distributions received from equity accounted investee	12	-	16 292
<b>Net cash flow used in investing activities</b>		<b>(4 840)</b>	<b>15 362</b>
Repayment of interest bearing loans	13	(524 230)	(36 511)
Loan fees paid	13	(10 063)	(1 313)
Proceeds from interest bearing debt	13	505 000	-
Repurchase of treasury shares		(148)	-
Proceeds from sale of treasury shares		101	-
Dividends paid / return of capital	11	(21 822)	(19 397)
<b>Net cash flow from financing activities</b>		<b>(51 162)</b>	<b>(57 221)</b>
<b>Net change in cash and cash equivalents</b>		<b>(12 117)</b>	<b>(5 950)</b>
Cash and cash equivalents, including cash for specified uses as of 1 January		47 850	53 800
Cash and cash equivalents, including cash for specified uses as of 31 December		35 733	47 850



## GROUP

# NOTES TO THE CONSOLIDATED ACCOUNTS

**NOTE 1: ACCOUNTING PRINCIPLES****CORPORATE INFORMATION**

American Shipping Company ASA (the Company, the Group or AMSC) is incorporated and domiciled in Norway. The address of the main office is Oksenøyveien 10, P.O. Box 230, NO-1366 Lysaker, Norway. American Shipping Company ASA is listed on the Oslo Stock Exchange.

The principle activity of the business is to purchase and bareboat charter out product tankers, shuttle tankers and other vessels to operators and end users in the U.S. Jones Act market.

**STATEMENT OF COMPLIANCE**

The consolidated financial statements of American Shipping Company ASA and all its subsidiaries (AMSC) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and in accordance with the Norwegian Accounting Act.

These accounts have been approved for issue from the Board of Directors on 16 March 2021 for adoption by the General Meeting on 20 April 2021.

**BASIS FOR PREPARATION**

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The consolidated financial statements are presented in USD (thousands), except when indicated otherwise.

**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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions include revenue recognition, accounting for property, plant and equipment, and impairment. The significant factors that affect these estimates and assumptions are detailed in the accompanying financial statements and footnotes.

**GROUP ACCOUNTING, CONSOLIDATION PRINCIPLES AND EQUITY INVESTEEES**

The consolidated financial statements of AMSC Group include the financial statements of the parent company American Shipping Company ASA and its subsidiaries. Subsidiaries are those entities over which American Shipping Company has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Associates are entities in which AMSC has significant influence but not control or joint control. Interests in associates are accounted for using the equity method. Investments in associates are initially recognized at cost, which includes transaction costs. Subsequently the consolidated financial statements include AMSC's share of the profit or loss and other comprehensive income of equity accounted investees.

**NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)****FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS****Functional currency**

Items included in the financial statements of each subsidiary in the Group are initially recorded in the functional currency, i.e. the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary.

The consolidated financial statements are presented in United States dollars (USD), which is the functional and reporting currency of the parent company and subsidiaries.

**Transactions and balances**

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into USD at the exchange rates ruling on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange differences arising in respect of operating business items are included in operating profit in the appropriate income statement account, and those arising in respect of financial assets and liabilities are recorded as a net financial item.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment acquired by Group companies are stated at historical cost. Vessels are depreciated to their salvage value on a straight-line basis and adjusted for impairment charges, if any. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate less estimated costs of disposal. The carrying value of the property, plant and equipment in the statement of financial position represents the cost less accumulated depreciation and any impairment charges. Cost includes expenditures that are directly attributable to the acquisition of the asset. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Expected useful lives and salvage value estimates of long-lived assets are reviewed annually and, where they differ significantly from previous estimates, depreciation is changed prospectively.

Ordinary repairs and maintenance costs, to the extent they are AMSC's responsibility, are charged to the income statement during the financial period in which they are incurred. The cost of improvements is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Improvements are depreciated over the useful lives of the related assets.

**IMPAIRMENT OF LONG-LIVED ASSETS**

Property, plant and equipment and other non-current assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable, mainly independent, cash flows. The Company considers the vessels' cash generating unit ("CGU") as the group of ten product tankers. Although each of the tankers produces its own cash inflows through the bareboat charter contracts, the profit sharing agreement with Overseas Shipholding Group ("OSG") is based on the aggregate results of the group of ten vessels. In addition, management makes decisions regarding the operations and financing of the vessels in the aggregate. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of the asset's net selling price and its value in use. The value in use is determined by reference to discounted cash flows. Most critical in determining the value in use of vessels is determining the estimated profit share on existing contracts and estimating future revenues from leases. These estimates are primarily influenced by expectations of future demand in the Jones Act market.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years.

**NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)**

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**LEASES**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Income from lease contracts where American Shipping Company is a lessor is accounted for in accordance with IFRS 16, and classified as Operating Revenues in the Income Statement.

**OTHER NON-CURRENT ASSETS**

Other non-current assets represent a long-term receivable balance due from a customer which is accounted for using the amortized cost method.

**TRADE RECEIVABLES**

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Cash held for specified uses is restricted to debt service payments.

**SHARE CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity.

**INTEREST-BEARING LIABILITIES**

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the interest-bearing liabilities. Amortized cost is calculated by taking into account any issue costs, and any discount or premium.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized, for instance due to significant modifications to or settlements of existing financing agreements.

**INCOME TAXES****Current income taxes**

Income tax receivable and payable for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax law as used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

**Deferred income taxes**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Expected utilization of tax losses are not discounted when calculating the deferred tax asset.

**NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)**

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Deferred income tax assets are recognized when it is probable that they will be realized. Determining probability requires the Group to estimate the sources of future taxable income from operations and reversing taxable temporary differences. Determining these amounts is subject to uncertainty and is based primarily on expected earnings from existing contracts and expected profit sharing participation.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

**PROVISIONS**

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as interest expense.

**PENSIONS**

The Group has defined contribution pension plans that cover its employees whereby contributions are paid to qualifying pension plans. Once the contributions have been paid, there are no further payment obligations. Plan contributions are charged to the income statement in the period to which the contributions relate. The Company's retirement schemes meet the minimum requirement of the Norwegian Act of Mandatory Occupational Pension.

**ACCOUNTING FOR DERIVATIVE FINANCING INSTRUMENTS AND HEDGING ACTIVITIES**

Derivative financial instruments are recognized initially and on a recurring basis at fair value. AMSC does not apply hedge accounting to derivative contracts held.

Changes in the fair value of any derivative instruments are recognized immediately in the income statement.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Estimates of the fair value of interest rate swaps are based on broker quotes, with an adjustment for the Company's credit risk as described in note 9. The fair value of derivative short-term and long-term financial liabilities is disclosed in note 16 regarding financial instruments.

**RELATED PARTY TRANSACTIONS**

All transactions, agreements and business activities with related parties are, in the Group's opinion, conducted on an arm's length basis according to ordinary business terms and conditions.

**REVENUE RECOGNITION**

Revenue is recognized only if it is probable that future economic benefits will flow to American Shipping Company, and these benefits can be measured reliably. Lease revenues related to fixed term vessel bareboat charter agreements are recognized straight line over the charter period. Revenue related to profit sharing agreements (see note 19) is recognized when the amount becomes fixed and determinable.

**SEGMENT INFORMATION**

AMSC has only one operating segment. All operations and bareboat charter revenues are in the U.S.

**BASIC AND DILUTED EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders adjusted for preferred share dividends using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period. The Group currently has no potentially dilutive shares outstanding.

**NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)**

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**EVENTS AFTER THE BALANCE SHEET DATE**

A distinction is made between events both favorable and unfavorable that provide evidence of conditions that existed at the balance sheet date (adjusting events) and those that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Financial statements will only be adjusted to reflect adjusting events (although there are disclosure requirements for non-adjusting events).

**NEW STANDARDS AND INTERPRETATIONS ADOPTED**

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

**Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted new or amended standards in preparing these consolidated financial statements as of 31 December 2020.

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current.

Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract Annual

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Amendments to IFRS 3: Reference to Conceptual Framework



**NOTE 2: WAGES AND OTHER PERSONNEL EXPENSES**

Wages and other personnel expenses consist of:

Amounts in USD thousands	2020	2019
Wages and bonuses	931	875
Social security contributions	137	219
Pension costs	27	18
Other expenses	33	35
<b>Total expense</b>	<b>1 127</b>	<b>1 146</b>
Average number of employees	3	3
Number of employees at year-end	3	3

The Group has a defined contribution plan for its employees which provides for a contribution based upon a fixed matching amount plus discretionary percentage of salaries. This expense is included in pension costs above.

**NOTE 3: OTHER OPERATING EXPENSES**

Other operating expenses consist of:

Amounts in USD thousands	2020	2019
Rent and leasing expenses	73	74
Other operating expenses	1 826	1 905
<b>Total other operating expenses</b>	<b>1 899</b>	<b>1 979</b>

Other operating expenses primarily relate to selling, general and administrative expenses including legal and outside consulting costs and fees to auditors for the American Shipping Company ASA Group. Audit expenses for 2020 and 2019 included only ordinary audit fees and were as follows (excluding VAT). ATI capitalized USD 24 thousand of audit fees relating to the listing of the bond.

Ordinary audit fee	80	157
<b>Total</b>	<b>80</b>	<b>157</b>

**NOTE 4: FINANCIAL ITEMS**

Amounts in USD thousands	2020	2019
Net loss from equity accounted investee	-	(113)
Financial income		
Interest income	1 736	2 189
Financial income	1 736	2 189
Financial expenses		
Interest expense	(35 452)	(39 862)
Net foreign exchange gain/(loss)	24	(5)
Change in mark to market value of interest rate swaps	(371)	(3 235)
Other financial expenses	(15 277)	(2 997)
Financial expenses	(51 076)	(46 098)
<b>NET FINANCIAL ITEMS</b>	<b>(49 339)</b>	<b>(44 022)</b>

Interest income in 2020 includes interest received from Overseas Shipholding Group ("OSG") of USD 1.5 million on the DPO receivable (see note 7) and interest earned on bank deposits of USD 0.2 million. Interest income in 2019 includes interest received from OSG of USD 1.2 million on the DPO receivable (see note 7) and interest earned on bank deposits of USD 1.0 million.

The Company has interest rate swaps, related to a portion of its vessel debt financing, with BNP Paribas ("BNP"), Skandinaviska Enskilda Banken AB ("SEB"), National Australia Bank ("NAB") and CIT Bank, N.A. ("CIT"). Estimates of the fair value of the interest rate swaps are obtained from a third party, with an adjustment for the Company's credit risk as described in note 9.

Net loss from equity accounted investees in 2019 reflects a USD 0.1 million realized loss on the liquidation of Philly Tankers AS ("PTAS") during 2019.

Interest paid during 2020 totaled USD 35.0 million, including a one-time fee of USD 1.9 million to terminate the previous interest rate swap agreements. Interest expense in 2019 includes interest paid of USD 40.0 million.

Net foreign exchange gain/(loss) in 2020 and 2019 relates to the translation of cash held in NOK into USD.

Other financial expenses in 2020 relate to the bond call price of USD 9.2 million, write-off of capitalized loan fees of USD 3.4 million and amortization of loan fees of USD 2.7 million. Other financial expenses in 2019 relate to amortization of loan fees of USD 3.0 million.

**NOTE 5: TAX****INCOME TAX EXPENSE**

Recognized in the income statement:

Amounts in USD thousands	2020	2019
Current tax expense/(benefit):		
Current year	404	132
Total current tax expense/(benefit)	404	132
Deferred tax expense/(benefit):		
Origination and reversal of temporary differences	(16 917)	(1 637)
Total deferred tax expense/(benefit)	(16 917)	(1 637)
Total income tax expense/(benefit) in income statement	(16 513)	(1 505)

Reconciliation of effective tax rate:

Amounts in USD thousands	2020	2019
Profit/(loss) before tax	1 621	6 798
	22.0%	23.0%
Expected tax expense/(benefit) using nominal Norwegian tax rate	357	1 496
Effect of differences between nominal Norwegian tax rate and U.S. federal and state tax rate	90	(11)
Franchise taxes	(1 436)	132
Expenses not deductible for tax purposes	15	-
Foreign exchange	(180)	1 265
Tax losses for which no deferred income tax asset was recognised, net of benefit recognized	1 206	(66)
Recognition of net deferred tax assets in Norway	(14 744)	-
Utilization of Norwegian tax losses for which no deferred tax asset was previously booked	(2 173)	(3 514)
U.S. federal and state tax benefit of change in effective rates	190	(859)
Other differences	163	52
Total income tax expense/(benefit) in income statement	(16 513)	(1 505)

The foreign exchange difference arises as the Company's functional currency is USD, whilst the tax calculation in Norway is performed based on the accounts in NOK. As such, the tax calculation for the Company is in NOK, but presented in USD. In addition, there is a foreign exchange component of the Norwegian operating losses carried forward.

**INCOME TAX EXPENSE**

During 2020, AMSC recognized an income tax expense of USD 0.4 million relating to state franchise taxes (USD 0.1 million in 2019).

**DEFERRED TAX ASSETS AND LIABILITIES**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority, which through 31 December 2020 for the Group was primarily Norway, the U.S., and other local states in the U.S. where the vessels operate.

## NOTE 5: TAX (CONTINUED)

Deferred tax assets and (liabilities) were as follows at 31 December:

United States		
Amounts in USD thousands	2020	2019
Net operating losses	114 166	121 940
Financial derivatives	284	196
Vessels	(148 690)	(152 240)
Unused interest deductions	24 951	18 679
Other	77	39
Net deferred tax assets/(liabilities)	(9 212)	(11 385)
Net deferred tax assets not recorded	-	-
Net deferred tax assets/(liabilities)	(9 212)	(11 385)

The Group has federal tax losses carryforward as of 31 December 2019 of USD 517.6 million in the U.S., the last of which expires in 2038.

On 3 January 2014, American Tanker Holding Company, Inc. (ATHC) and subsidiaries experienced a change of ownership in the U.S. as defined by Internal Revenue Code Section 382 due to a greater than 50% shift in owners of AMSC stock. The utilization of the tax losses in carryforward as of that date are subject to annual limitations. The NOLs subject to limitations totaled USD 381.3 million.

Based on the IRC 382 limits, AMSC expects to be able to utilize USD 12.6 million per year from 2020-2033 of its U.S. tax losses to reduce U.S. taxable income. Any net tax losses recovered but not used in a year will carry over to the following year. Therefore, USD 164.3 million of the total IRC 382 limited losses of USD 381.3 million NOLs have not been used through 31 December 2020 and are carried forward.

The Group's U.S. Federal tax losses in carryforward are comprised of the remaining IRC 382 limited NOLs of USD 164.3 million and the freely useable NOLs through 31 December 2020 of USD 353.3 million. There are no restrictions on the use of the USD 353.3 million net operating loss, the last of which expires in 2038.

In 2020, the Company recognized a deferred tax benefit of USD 1.9 million (USD 0.5 million benefit in 2019) related to U.S. Federal income taxes.

In 2020, the Company recognized a deferred tax benefit of USD 0.3 million (USD 1.1 million expense in 2019) related to income taxes in the states where the vessels have operated.

Norway		
Amounts in USD thousands	2020	2019
Operating losses	16 683	18 836
Financial instruments	(1 933)	-
Fixed assets	1	-
Net deferred tax assets/(liabilities)	14 751	18 836
Net deferred tax assets not recorded	-	(18 836)
Net deferred tax assets/(liabilities)	14 751	-

The Group has net operating losses in carryforward as of 31 December 2020 of USD 75.8 million in Norway, with no expiration date. Net deferred tax assets were recognized during 2020 since it is expected that future taxable profit will be available against which the Group can utilize the benefits therefrom.

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment for 2020 are shown below:

Amounts in USD thousands	Ships
Cost balance at 1 January 2020	1 077 493
Purchases	4 840
Cost balance at 31 December 2020	1 082 333
Depreciation at 1 January 2020	398 643
Depreciation charge for the year	34 170
Depreciation at 31 December 2020	432 813
Book value at 31 December 2020	649 521

Movements in property, plant and equipment for 2019 are shown below:

Amounts in USD thousands	Ships
Cost balance at 1 January 2019	1 076 563
Purchases	930
Cost balance at 31 December 2019	1 077 493
Depreciation at 1 January 2019	364 783
Depreciation charge for the year	33 860
Depreciation at 31 December 2019	398 643
Book value at 31 December 2019	678 850
Depreciation period	30 years
Depreciation method	straight-line

Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate of USD 365 per ton less estimated costs of disposal.

**SECURED PROPERTY, PLANT AND EQUIPMENT**

At 31 December 2020 vessels with a carrying amount of USD 649.5 million are subject to a registered debenture to secure bank loans (see note 13).

The BNP, Prudential and CIT credit facilities are secured by, among other things, a first preferred mortgage on five of the ten product tankers in the case of the BNP facility, four of the ten product tankers in the case of the Prudential facility and one of the ten product tankers in the case of the CIT facility. In addition, the credit facilities are secured by collateral assignments of the insurances, earnings and bareboat charters for those vessels (and certain related guarantees of those bareboat charters and related supplemental indemnifications by OSG).



**NOTE 6: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****DETERMINATION OF RECOVERABLE AMOUNTS/FAIR VALUE**

The Company evaluated any potential impairment of its vessels. During 2020, the Company performed an impairment trigger assessment and no impairment triggers were identified. For 2019, the Company based its analysis on third party appraisals and a discounted cash flows ("DCF") approach. The Company concluded that no impairment of vessels occurred in 2020 or 2019.

Elements of the DCF, which is used to determine the recoverable amount, include assumptions for bareboat charter hire, profit sharing, asset lives, salvage value and the Company's weighted average cost of capital ("WACC"). The DCF assumes that OSG renews the lease terms under their extension options for the remaining useful lives of the vessels under similar conditions as the fixed lease term.

**NOTE 7: INTEREST-BEARING LONG-TERM RECEIVABLES**

Financial interest-bearing long-term receivables consist of the following items:

Amounts in USD thousands	2020	2019
Balance at beginning of period	25 278	26 736
Repayments of principal	(1 945)	(1 458)
Balance at end of period	23 333	25 278

Other interest-bearing long-term receivables relate to a deferred principal obligation (DPO). Pursuant to the current charter and financing 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 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 over 18 years including interest at 6.04% unless the bareboat charter is terminated earlier at which time the DPO becomes due immediately. During 2020 and 2019, OSG made repayments on the five vessels delivered under the arrangement, and those vessels' cash bareboat charter hire resumed to its full contractual amount.

**NOTE 8: OTHER RECEIVABLES**

Trade and other receivables consist of the following items:

Amounts in USD thousands	2020	2019
Trade receivables	52	106
Prepaid fees / withheld taxes	273	274
Total	325	380

**NOTE 9: DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Derivative financial assets and liabilities comprise the following items:

Amounts in USD thousands	2020	2019
Fair value of interest rate swaps	1 211	840
Derivative financial liabilities	1 211	840

The Company entered into new interest rate swaps in 2020 for USD 226 million of the principal amount of the secured loans. The previous interest rate swaps were terminated in Q1 2020 for USD 1.9 million. As of 31 December 2020 and 2019 the market value of derivative financial instruments was negative USD 1.2 million and negative USD 0.8 million, respectively. The fair value of the interest swaps is based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. In accordance with IFRS 9, the Company considered the impact its own credit risk would have on the valuation in the market. It therefore adjusted the risk-free discount rate to include a credit spread of 200 basis points. The result of the credit spread differential is immaterial in 2020 and 2019.

Refer to note 16 for additional information regarding financial instruments.

**NOTE 10: EARNINGS PER SHARE**

Basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares.

Amounts in USD thousands (except share and per share data)	2020	2019
Profit/(loss) attributable to equity holders of the Company for the period for determination of earnings per share	18 181	8 302
Weighted average number of ordinary shares in issue	60 616 505	60 616 505
Basic and diluted earnings per share	0.30	0.14

**NOTE 11: PAID IN CAPITAL**

The issued share capital of AMSC as of 31 December 2020 is 60,616,505 ordinary shares, each with a par value of NOK 10, fully paid. No common shares were issued in 2020. The Annual General Meeting (AGM) in 2020 granted an authorization to the Board to purchase treasury shares in connection with the Company's incentive scheme for employees. The Board was also granted an authorization to increase the share capital in connection with strengthening of the Company's equity capital or to raise equity capital for future investments within the Company's scope of operations. These authorizations are valid up to the AGM in 2021.

The changes in equity are:

	Common shares of equity holders of the parent		Total paid in equity
	Share Capital	Share premium	
Amounts in USD thousands			
31 December 2018	96 366	128 659	225 025
Dividends paid / return of capital	-	(19 397)	(19 397)
31 December 2019	96 366	109 262	205 627
Dividends paid / return of capital	-	(21 822)	(21 822)
31 December 2020	96 366	87 440	183 806

**NOTE 12: SUBSIDIARIES AND ASSOCIATES**

The subsidiaries included in the American Shipping Company ASA's Group account were as follows. Companies owned directly by American Shipping Company ASA are highlighted.

2020	AMSC's common holding %	AMSC's voting share %	Principal place of business	Country
American Tanker Holding Company, Inc. (ATHC)	100%	100%	Kennett Square, PA	USA
American Tanker, Inc. (ATI)	100%	100%	Kennett Square, PA	USA
American Shipping Corporation (ASC)	100%	100%	Kennett Square, PA	USA
ASC Leasing I - X, Inc. (10 legal entities)	100%	100%	Kennett Square, PA	USA

American Shipping Company ASA ("AMSC ASA") is the Norwegian parent company and is listed on Oslo Børs. AMSC ASA owns ATHC 100%. The unsecured bond is issued by ATI. ATHC, ATI and ASC are intermediary holding companies. Each of the Company's ten vessels are owned by an individual leasing company, ASC Leasing I - X, Inc. Each of the individual leasing companies have contracts directly with OSG and vessel debt directly with BNP Paribas, Prudential or CIT Bank which are covered by overall agreements that tie the arrangements together through either a framework agreement and/or guarantees.

**CAPITAL MANAGEMENT RISK**

AMSC's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital. To meet these capital structure objectives, AMSC will review annually with its Board any proposed dividends, covenant requirements as well as any needs to raise additional equity for future business opportunities or to reduce debt.

**NOTE 13: INTEREST-BEARING LOANS AND LIABILITIES**

Following is information about the contractual terms of AMSC's interest-bearing loans and borrowings.

Amounts in USD thousands	2020	2019
<b>Non-current liabilities</b>		
Secured loans, net of capitalized fees	320 397	304 922
Unsecured bond issues, net of capitalized fees	196 370	217 721
<b>Total long term interest bearing loans</b>	<b>516 767</b>	<b>522 643</b>
<b>Current liabilities</b>		
Current portion of secured loans	26 862	44 333
<b>Total interest-bearing short term debt</b>	<b>26 862</b>	<b>44 333</b>
<b>Summary of secured Loans as of 31 December</b>	<b>2020</b>	<b>2019</b>
BNP Paribas gross borrowings	150 000	237 000
Prudential gross borrowings	138 603	-
CIT Bank gross borrowings	63 750	114 583
Less unamortized loan fees	(5 093)	(2 328)
<b>Total Secured Loans</b>	<b>347 259</b>	<b>349 255</b>

On 9 April 2020, AMSC closed on the refinancing of its senior secured debt for nine of the vessels with new and existing lenders. The refinancing is structured in two separate facilities; one being a USD 160 million facility secured by five vessels with a club of three banks consisting of BNP Paribas, SEB and National Australia Bank and the other, a USD 145 million facility secured by four vessels, with a syndicate of four lenders consisting of Prudential Private Capital, Siemens Financial Services, Wintrust Asset Finance and Atlantic Union Equipment Finance. The CIT facility remains secured by one vessel.

The two facilities are summarized below:

**BNP Paribas:**

- 5 year loan secured by 5 vessels
- USD 160 million, of which USD 90 million is a term loan and USD 70 million is a revolving credit facility
- Pricing: LIBOR + 270 bps
- Annual amortization: USD 13.3 million, 12 year repayment profile

**Prudential facility:**

- 5 year loan secured by 4 vessels
- USD 145 million
- Pricing LIBOR + 325 bps
- Annual amortization: USD 8.5 million, 17 year repayment profile

The refinancing repaid the previous BNP vessel debt of USD 228.0 million and part of the CIT vessel debt of USD 45.0 million, which had a maturity in Q2 2021. The Company paid USD 5.2 million in fees for the new borrowing arrangements, which were capitalized and will be amortized as additional interest expense over the term of the loans.

The Company entered into interest rate swaps in 2020 at an average rate of 49 bps for USD 226 million of the debt.

**NOTE 13: INTEREST-BEARING LOANS AND LIABILITIES (CONTINUED)**

Unsecured bond issue as of 31 December	Maturity	2020	2019
Gross bond balance at beginning of period	2025	220 000	220 000
Less unamortized loan fees		(2 279)	(2 458)
<b>Total unsecured bond issue</b>		<b>217 721</b>	<b>217 542</b>

On 7 July 2020, American Tanker, Inc. ("ATI"), a fully owned subsidiary of AMSC, closed on the refinancing of the outstanding USD 220 million unsecured bond, with a new USD 200 million bond plus USD 25 million from the Company's revolving credit facility. The new bond has a 7.75% semiannual coupon and matures 2 July 2025. On 25 January 2021, the ATI bond was listed on the Oslo Stock Exchange under the ticker ATI02.

The following table shows the reconciliation between the opening and closing balance of interest-bearing loans:

	2020	2019
Balance at beginning of period	566 976	601 936
Repayment of debt	(524 230)	(36 511)
Payment of loan fees	(9 913)	(1 313)
Issuance of debt	505 000	-
Amortization of loan fees	5 797	2 864
<b>Balance at end of period</b>	<b>543 629</b>	<b>566 976</b>

**RESTRICTIONS ON DIVIDEND PAYMENTS**

Subject to certain exceptions, as of 31 December 2020, the BNP, Prudential and CIT credit agreements restrict the payment of dividends by AMSC and its subsidiaries. Specifically, AMSC and its subsidiaries may pay cash dividends only if there is no default and the Company is in compliance with its financial covenants under the loans. Dividends may be paid only if all ships remain on bareboat charter contract.

**FINANCIAL COVENANTS**

AMSC is subject to financial covenants under the secured bank loans relating to minimum liquidity and collateral, and leverage and debt service ratios. AMSC is subject to financial covenants under the bond related to minimum liquidity and maximum leverage.

AMSC was in compliance with all of its debt covenants as of 31 December 2020.



**NOTE 14: OPERATING LEASES**

Non-cancellable operating lease rentals for bareboat charter hire are receivable as follows:

Amounts in USD thousands	2020	2019
Less than one year	88 185	88 041
Between one and two years	88 185	87 801
Between two and three years	45 298	87 801
Between three and four years	9 168	44 913
Between four and five years	4 534	9 168
More than five years	-	4 534
<b>Total</b>	<b>235 371</b>	<b>322 258</b>

In December 2019, OSG exercised one of its perpetual 3 year extension options for the bareboat charter agreements for four of AMSC's vessels, moving these charter expiries to December 2023. OSG previously exercised its options to extend charter agreements for the six other vessels that it charters from AMSC. As a result, all ten bareboat charter agreements have now been extended for additional periods. For all vessels excluding the Overseas Tampa, OSG has options to extend the charter terms for one, three or five years for the remaining useful lives of the vessels. The one-year extension options may only be used once for each vessel and OSG has exhausted the opportunity to declare a one year extension for the four vessels extended in December 2019. OSG holds two five year extension options on the Overseas Tampa, followed by five one year extensions that may be declared after the two five year extensions are exhausted. All extension options must be declared 12 months prior to the expiry of the individual bareboat charter.

Non-cancellable operating lease rentals for office space are payable as follows:

Amounts in USD thousands	2020	2019
Less than one year	47	46
Between one and five years	16	63
More than five years	-	-
<b>Total</b>	<b>63</b>	<b>109</b>

In 2019, AMSC extended the lease for the Kennett Square office by two years to April 2022. IFRS 16 became effective as of 1 January 2019 and does not have a material impact on AMSC.

**NOTE 15: DEFERRED REVENUES AND OTHER PAYABLES**

Trade and other payables comprise the following items:

Amounts in USD thousands	2020	2019
Trade accounts payable	140	156
Accrual of financial costs	7 785	7 401
Other short-term interest free liabilities	384	511
<b>Total</b>	<b>8 309</b>	<b>8 068</b>

Financial costs include interest accrued but unpaid on the unsecured bond issue.

**NOTE 16: FINANCIAL INSTRUMENTS****FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, cash-flow interest-rate risk and foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk-management is carried out under policies approved by the Board of Directors. The Board of Directors provides principles for overall financial risk management as well as policies covering specific areas such as foreign exchange risk, interest-rate risk, credit risk, and use of derivative financial instruments and non-derivative financial instruments.

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are used from time to time to hedge exposure to fluctuations in foreign exchange rates and interest rates for business purposes. The Company entered into interest rate swaps for a portion of the secured bank debt.

**Credit risk**

The carrying amount of financial assets represents the maximum credit exposure.

At 31 December the maximum exposure to credit risk is as follows:

Amounts in USD thousands	2020	2019
Loans and receivables	23 658	25 658
Cash and cash equivalents	34 861	46 244
Cash held for specified uses	872	1 606
<b>Total</b>	<b>59 391</b>	<b>73 508</b>

AMSC regularly monitors the financial health of the financial institutions which it uses for cash management services and in which it makes deposits and other investments. AMSC responds to changes in conditions affecting its deposit relationships as situations warrant.

Receivables are to be collected from the following types of counterparties:

Amounts in USD thousands	2020	2019
Type of counterparty:		
End-user customer *	23 333	25 278
Other receivables	325	380
<b>Total</b>	<b>23 658</b>	<b>25 658</b>

\* Due to the nature of the Group's operations, revenues and related receivables, including the DPO, are currently concentrated amongst OSG and its affiliates. The Group continually evaluates the credit risk associated with customers.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

With regards to making the debt service payments on the secured loans, the Group has established cash earnings accounts whereby all charter hire payments are deposited and utilized for debt service prior to being available for general corporate purposes.

## NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

The following are the contractual maturities of financial liabilities including interest payments:

31. December 2020 Amounts in USD thousands	Book value	Contract. cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured bonds (gross)	200 000	(277 542)	(7 835)	(7 665)	(15 500)	(246 542)	-
Long-term interest bearing external liabilities (gross)	352 353	(402 070)	(19 703)	(19 501)	(38 287)	(324 579)	-
Total as of 31 December 2020	552 353	(679 612)	(27 538)	(27 166)	(53 787)	(571 121)	-

31. December 2019 Amounts in USD thousands	Book value	Contract. cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured bonds (gross)	220 000	(270 875)	(10 175)	(10 175)	(20 350)	(230 175)	-
Long-term interest bearing external liabilities (gross)	351 583	(384 173)	(30 332)	(28 943)	(256 155)	(22 829)	(45 914)
Total as of 31 December 2019	571 584	(655 048)	(40 507)	(39 118)	(276 505)	(253 004)	(45 914)

**Currency risk**

American Shipping Company is exposed to foreign currency risk related to certain cash accounts; however, the Group may enter into foreign exchange derivative instruments, from time to time, to mitigate that risk.

The Group incurs foreign currency risk on purchases and borrowings that are denominated in a currency other than USD. The currency giving rise to this risk is primarily NOK.

Foreign exchange gains and losses relating to the monetary items are recognized as part of "net financing costs" (see note 4). The Company did not have any exchange contracts at 31 December 2020 or 31 December 2019.

## NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

**Exposure to currency risk**

The company's exposure to currency risk at 31 December 2020 and 2019 primarily related to amounts denominated in NOK, as follows:

Amounts in USD thousands	2020	2019
Gross balance sheet exposure		
Trade payables (-)	(202)	(113)
Cash	167	189
Gross balance sheet exposure	(35)	76
Estimated forecast expenses (-)	(2 416)	(2 338)
Gross forecasted exposure	(2 416)	(2 338)
Forward exchange contracts	-	-
Net exposure	(2 451)	(2 262)

**Sensitivity analysis**

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

It is estimated that a general strengthening of ten percent in the value of the USD against the NOK would have had an immaterial impact on the Group's earnings before tax for the years ended 31 December 2020 and 2019. This analysis assumes that all other variables remain constant.

**Exposure to interest rate risk**

The Group is exposed to fluctuations in interest rates for its variable interest rate debt. With regards to the secured debt financing, the Group has entered into interest swap agreements to lock in the interest rate paid on a portion of the loans. The bond issued in 2020 has a fixed interest rate.

**Sensitivity analysis**

An increase of 100 basis points in interest rates in the reporting year would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Amounts in USD thousands	2020	2019
Increase/(decrease)		
Bank deposits	372	525
Financial liabilities	(739)	(1 215)
Interest swap	6 417	2 671
P&L sensitivity (net)	6 050	1 981

## NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

**Fair values****Fair value hierarchy**

IFRS requires companies to disclose certain information about how fair value is determined in a “fair value hierarchy” for financial instruments recorded at fair value, which for AMSC are derivative financial instruments, or disclosures about fair value measurements which have been identified below. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 includes assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.

The only financial instruments that the Company accounts for at fair value are the interest rate swaps as of 31 December 2020 and 2019, which are classified in the Level 2 category described above. 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 year ended 31 December 2020, 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 as of 31 December 2020 are as follows:

Amounts in USD thousands	Carrying amount 2020	Fair value 2020	Fair value hierarchy	Valuation technique
Interest-bearing receivables from external companies, maturity greater than 3 years	23 333	19 521	3	Discounted cash flows at 10%
Interest swap used for economic hedging:				
Liabilities	(1 211)	(1 211)	2	Market comparison from a third party
Unsecured bonds (gross)	(200 000)	(201 620)	2	Market comparison from a third party
Secured loans (gross)	(352 353)	(353 069)	2	Discounted cash flows at 3.5%

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

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives where hedge accounting is not applied are accounted for as trading instruments.

## NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of financial instruments, the related fair value hierarchy, together with the carrying amounts shown in the balance sheet as of 31 December 2019 are as follows:

Amounts in USD thousands	Carrying amount 2019	Fair value 2019	Fair value hierarchy	Valuation technique
Interest-bearing receivables from external companies, maturity greater than 3 years	25 278	20 932	3	Discounted cash flows at 10%
Interest swap used for economic hedging:				
Liabilities	(840)	(840)	2	Market comparison from a third party
Unsecured bonds (gross)	(220 000)	(224 675)	2	OSE trading price at year-end
Secured loans (gross)	(351 583)	(357 459)	2	Discounted cash flows at 4.0%

The discounted cash flow valuation model considers the present value of expected payments, discounted using the risk adjusted discount rate noted.

*Financial instruments measured at fair value*

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swaps	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable



**NOTE 17: SHARES OWNED OR CONTROLLED BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, BOARD OF DIRECTORS AND SENIOR EMPLOYEES OF THE AMERICAN SHIPPING COMPANY GROUP****Shares in American Shipping Company ASA of 31 December 2020**

Name	Position	Company	No. of shares
Pål Magnussen	President and CEO	AMSC	85 000
Morten Bakke	CFO	AMSC	80 000
Leigh Jaros	Controller	AMSC	2 000
Annette Malm Justad	Chair of the Board	AMSC	4 523
Peter Knudsen	Board Member	AMSC	3 000

There is no share option agreement between American Shipping Company ASA and senior management or Directors.

**Remuneration to the board of directors through 31 December 2020**

Name	Position	Company	Remuneration
Annette Malm Justad	Chair	AMSC	50 789
Peter Knudsen	Board Member	AMSC	40 097
Kristian Røkke	Board Member	AMSC	38 055
Total Directors' fee			128 941

The Chair and the Board of Directors have not received benefits other than Directors' fees. The Board of Director's term runs from 1 April through 31 March and the above remuneration reflects cash payments to board members during the calendar year 2020.

The Directors' fee for Kristian Røkke is paid to Aker ASA. The Company has no obligations to pay Board members extraordinary compensation upon termination of appointment.

**Remuneration to the Nomination Committee**

The nomination committee of AMSC has the following members: Ove A. Taklo (chair) and Ingebret G. Hisdal. Remuneration earned by each member of the committee in 2020 was NOK 25,000.

**Guidelines for remuneration of Senior Management**

The basis of remuneration of senior management has been developed in order to create a performance-based system which is founded on the Company's values. This system of reward was designed to contribute to the achievement of good financial results and increase in shareholder value.

The senior management receives a base salary and may also be granted a variable pay.

The senior management is entitled to 6 months' severance payment. Except for this, the members of the management are not entitled to special benefits beyond ordinary severance pay during available termination notice periods. The senior management participate in a standard pension and insurance scheme.

**NOTE 17: SHARES OWNED OR CONTROLLED BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, BOARD OF DIRECTORS AND SENIOR EMPLOYEES OF THE AMERICAN SHIPPING COMPANY GROUP (CONTINUED)**

In 2020, the senior management received a base salary in addition to a variable pay based on the award of synthetic shares in order to align performance payments with shareholder value creation. The system is based on awarding a certain number of synthetic shares to each member of the management team. The holder of the synthetic shares receives cash payments equal to the dividend paid to the shareholders. Further, the annual share price increase, if any, is paid as a cash bonus at the end of the year. There is a cap on the maximum compensation payable to each member of the management team. The remuneration of the senior management is in accordance with the guidelines for remuneration for 2020.

During 2020, Mr. Magnussen was awarded 437,500 synthetic shares. Under his synthetic share agreement, the total bonus earned during 2020 was USD 158 thousand. The cap on his salary for 2020 was NOK 7.5 million. During 2020, Mr. Bakke was awarded 200,000 synthetic shares, resulting in bonus earned of USD 72 thousand. The cap on his salary for 2020 was NOK 4.3 million. During 2020, Ms. Jaros was awarded 50,000 synthetic shares, resulting in bonus earned of USD 18 thousand. The cap on Ms. Jaros' salary for 2020 was USD 300 thousand per year.

The guidelines for 2021 are required to be approved at the Company's AGM, at the latest 1 October 2021. The guidelines will be published with the AGM documents for vote at the 20 April 2021 meeting and will be made available on the Company's website thereafter.

The Company also has an incentive scheme for the management, where the Company can offer the management to purchase shares in the Company, subject to lock-up restrictions, with a view to incentivize long-term value creation and performance by the management.

The Company does not offer share option programs to the management.

**Remuneration to Senior Management during 2020**

			Base salary	Bonus	Other Benefits	Pension Contribution	Total (USD)	Severance pay
Pål Magnussen	CEO	Jan. - Dec.	359 624	175 941	1 045	8 194	544 804	6 months
Morten Bakke	CFO	Jan. - Dec.	208 567	80 787	1 071	7 987	298 412	6 months
Leigh Jaros	Controller	Jan. - Dec.	197 618	18 000	6 855	5 685	228 158	6 months

The above amounts reflect salary and bonus earned during 2020, and include Norwegian vacation pay.

**Remuneration to Senior Management during 2019**

			Base salary	Bonus	Other Benefits	Pension Contribution	Total (USD)	Severance pay
Pål Magnussen	CEO	Jan. - Dec.	343 622	127 813	1 091	8 723	481 249	6 months
Morten Bakke	CFO	Jan. - Dec.	219 918	73 036	1 091	8 597	302 642	6 months
Leigh Jaros	Controller	Jan. - Dec.	190 064	16 000	5 825	5 144	217 033	6 months

The above amounts reflect salary and bonus earned during 2019, and include Norwegian vacation pay.

**NOTE 18: TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES**

AMSC's largest shareholder is a subsidiary of Aker ASA which holds 19.1 percent of the Company's shares.

The Group has service agreements with Aker ASA and Aker US Services, LLC which provide certain office services and tax services. The cost of these services was not significant, however they are important to the Company's operations. In addition, the Company has a lease for office space in Norway from a company affiliated with Aker ASA.

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

**NOTE 19: AGREEMENTS WITH OSG**

AMSC's only customer is OSG. The key agreements with OSG include the bareboat charter agreements, DPO agreements and profit sharing agreement.

Under the bareboat charter agreements, OSG pays AMSC a fixed daily rate for leasing the vessels and OSG is responsible for operating costs and maintenance of the vessels. The fixed terms five of the bareboat charters run through December 2022; four of the bareboat charters run through December 2023; and the Overseas Tampa runs to 2025, with options for OSG to extend the charters for 1, 3 or 5 years for the useful lives of the vessels.

Under the DPO agreement (see note 7), OSG deferred payment of a portion of the daily bareboat charter hire for the first seven years of vessels 1-5. This deferred payment accrued on a daily basis to a maximum of USD 7.0 million per vessel and is now repayable over 18 years after the initial 7 year period.

Under the profit sharing agreement, AMSC and OSG share in the 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, as described below.

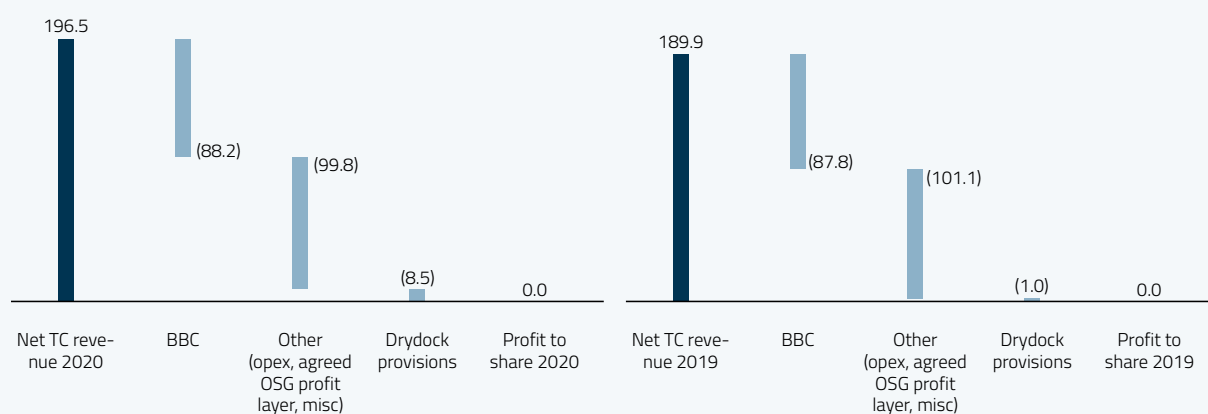
Time Charter Hire	Fleet revenue
Less:	
BBC hire	Bareboat rate paid from OSG to AMSC
OPEX	Crew, maintenance & repairs, insurance, fees & vetting, lubes
OSG profit layer	Fixed daily rate of USD 4,000/day per vessel
Management fee	Fixed daily rate plus annual escalation
Auditor expenses	Actual OSG auditor expenses
Amortization of conversion costs	Amortized over ten years
= Profit to share before Drydock Reserve Provision, Drydock Reserve True-Up	Income subject to Profit Share before covering drydocking costs

## NOTE 19: AGREEMENTS WITH OSG (CONTINUED)

The profit to share is then reduced by a drydock reserve provision, adjusted for a drydock reserve true-up once a drydock has been completed. The drydock reserve provision includes the estimated costs for each Intermediary Repair Period (IRP), which occurs every 3 years and each special survey occurring every 5 years. In years of weak markets there may be shortfalls in net time charter revenues applied to cover provisions for future drydocks. Such shortfalls need to be recovered by net time charter revenues in subsequent years with stronger markets. Similarly, if drydock provisions deducted in the profit share calculation are too high, these are adjusted through a true-up mechanism once special surveys for individual vessels are completed. The concept of true-ups ensure that any shortfall or excess in drydock provisions are adjusted to reflect the actual cost of drydocks over the five-year special survey cycles.

When drydock expenses are covered, AMSC's portion of the profit share must pay down a USD 7.1 million credit negotiated with OSG in 2009 (originally USD 18.2 million, accruing interest annually, and repaid to current level with historical profits), which is the amount of AMSC's profit sharing OSG retains prior to having an obligation to remit cash payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% of subsequent profits under the formula above in cash and will recognize profit sharing revenue. AMSC's portion of the profit can never be negative on an annual basis. For the full year 2020 and 2019, the profit share was zero.

The calculation of profit sharing for the full year 2020 and 2019 are shown with aggregated, rounded figures in USD millions below.



AMSC's 50% share of the profit (0 for 2020) is used to reduce the OSG credit, which accrues interest at 9.5% per year. The cumulative balance as of the end of 2020 and 2019 for the OSG credit is shown in the table below and as described above, must be covered prior to AMSC being entitled to receive profit share from OSG:

Balance per 31 December 2020	Beginning balance as of 31 Dec. 2019	Accrued interest	Reduction	Ending balance as of 31 Dec. 2020
OSG credit	6.5	0.6	-	7.1
Balance per 31 December 2019	Beginning balance as of 31 Dec. 2018	Accrued interest	Reduction	Ending balance as of 31 Dec. 2019
OSG credit	5.9	0.6	-	6.5

**NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE**

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On 25 January 2021, the ATI bond was listed on the Oslo Stock Exchange under the ticker ATIO2.

On 11 February 2021, the Board authorized a quarterly dividend payment of USD 0.10 per share to the shareholders on record as of 19 February 2021 in line with prior guidance. The shares in AMSC were traded ex. dividend from and including 18 February 2021, and the dividend was paid on 1 March 2021. The dividend is classified as a return of paid in capital.

AMERICAN SHIPPING COMPANY

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# ANNUAL ACCOUNTS PARENT

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STATEMENT OF FINANCIAL POSITION	53
INCOME STATEMENT	54
CASH FLOW STATEMENT	55
NOTES TO THE ACCOUNTS	56
NOTE 1: ACCOUNTING PRINCIPLES	56
NOTE 2: OTHER OPERATING AND FINANCIAL EXPENSES	57
NOTE 3: SHARES IN SUBSIDIARIES AND ASSOCIATES	58
NOTE 4: TAX	59
NOTE 5: LONG-TERM RECEIVABLES	60
NOTE 6: TOTAL EQUITY	61
NOTE 7: CASH AND CASH EQUIVALENTS	63
NOTE 8: SHARES OWNED BY THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT	63
NOTE 9: GUARANTEES	63
NOTE 10: EVENTS AFTER THE BALANCE DATE	63

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## PARENT

STATEMENT OF  
FINANCIAL POSITION


Amounts in USD thousands	Note	31. Dec. 2020	31. Dec. 2019
<b>ASSETS</b>			
Shares in subsidiaries	3	38 457	35 947
Deferred tax asset	4	14 751	-
Long-term receivable group companies	5	89 451	86 938
Total financial non-current assets		142 659	122 885
Total non-current assets		142 659	122 885
Tax receivable		18	30
Other short-term receivables		134	114
Cash and cash equivalents	7	13 711	20 486
Total current assets		13 863	20 630
<b>TOTAL ASSETS</b>		<b>156 522</b>	<b>143 516</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		96 366	96 366
Share premium reserve		81 378	104 412
Total paid in capital		177 744	200 778
Other equity		(27 632)	(62 533)
Total retained earnings		(27 632)	(62 533)
Total equity	6	150 112	138 246
Dividend payable	6	6 062	4 849
Other short-term debt		348	421
Total short-term liabilities		6 410	5 270
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>156 522</b>	<b>143 516</b>

Lysaker, 16 March 2021  
The Board of Directors  
American Shipping Company ASA

  
Annette Malm Justad  
Chair

  
Peter D. Knudsen  
Board Member

  
Kristian Røkke  
Board Member

  
Pål Magnussen  
President/CEO



## PARENT

# INCOME STATEMENT

Amounts in USD thousands	Note	2020	2019
Management fee from subsidiaries, U.S. based		1 404	1 016
Other operating expenses	2	(1 701)	(1 835)
Operating loss		(297)	(819)
Interest income from group companies	5	8 739	8 523
Net income/(loss) from equity accounted investees	2	-	(113)
Other interest and financial income	2	11 762	2 931
Other interest and financial expenses	2	(1)	(38)
Profit after financial items		20 202	10 485
Deferred income tax benefit / (expense)	4	14 744	(198)
Income tax expense	4	-	(63)
Profit / (loss) for the period		34 947	10 223
Allocation of net profit / (loss):			
Profit / (loss)		34 947	10 223
Other equity	6	(34 947)	(10 223)
Total		-	-

## PARENT

# CASH FLOW STATEMENT

Amounts in USD thousands	Note	2020	2019
Profit / (loss) before tax		20 202	10 485
Unrealized foreign exchange (gain)/loss and unpaid interest expense		(2 513)	(1 275)
Non-cash expense/(income) from equity accounted investee / subsidiaries		(2 509)	113
Changes in short term receivables		(8)	2 186
Changes in short term liabilities		1 134	(4 612)
Cash flow from operating activities		16 306	6 897
Changes in long term investments	3	-	16 283
Cash flow from investing activities		-	16 283
Dividends / return of capital paid	6	(23 034)	(19 397)
Repurchase of treasury shares	6	(148)	-
Proceeds from sale of treasury shares	6	101	-
Proceeds from / (repayments of) other interest-bearing debt		-	(6 844)
Cash flow from financial activities		(23 081)	(26 242)
Cash flow for the year		(6 775)	(3 062)
Cash and cash equivalents 1 January		20 486	23 548
Cash and cash equivalents 31 December		13 711	20 486

# NOTES TO THE ACCOUNTS

## NOTE 1: ACCOUNTING PRINCIPLES

The annual report is prepared according to the Norwegian Accounting Act and generally accepted accounting principles in Norway.

### SUBSIDIARIES AND INVESTMENT IN ASSOCIATES

Subsidiaries are valued by the cost method in the company accounts. The investment is valued at the cost of acquiring shares in the subsidiary, providing that a write down is not required. A write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down is no longer present.

If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet.

Investments in associates are valued by the equity method. The investment is valued at the cost of acquiring the shares, with an adjustment for the Company's share of the associate's profit or loss. A write down will be recorded based on the Company's share of the associates' equity value.

### CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Assets and liabilities are presented as current when they are due within one year or they are part of the operating cycle. Other assets and liabilities are classified as non-current.

Current assets are valued at the lowest of cost and fair value. Current liabilities are valued at nominal value at the time of recognition.

Non-current receivables are measured at cost less impairment losses that are not considered to be temporary. Non-current liabilities are initially valued at transaction value less attributable transaction cost. Subsequent to initial recognition, interest bearing non-current borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowing on an effective interest basis.

### TRADE AND OTHER RECEIVABLES

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts.

### FOREIGN CURRENCY TRANSLATION

The company's functional currency is U.S. dollars (USD). Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into USD at the exchange rates ruling on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. The NOK/USD foreign exchange rate as of 31 December 2020 was 8.53 and the average rate during 2020 was 9.57 NOK/USD.

### SHORT TERM INVESTMENTS

Short term investments (stocks, short-term bonds, liquid placements and shares) are valued at the lower of acquisition cost or fair value at the balance sheet date. Dividends and other distributions are recognized as other investment income.

**NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)**

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**INCOME TAX AND DEFERRED TAXES**

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at the percent on the basis of existing temporary differences (22%) between accounting profit and taxable profit together with tax deductible deficits at year end. Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

**CASH FLOW STATEMENT**

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term highly liquid deposits with original maturities of three months or less.

**REVENUE RECOGNITION**

The Company's revenues consist of management fees charged to foreign subsidiaries and are recognized when earned.

**PENSIONS**

The Company has a defined contribution pension plan that covers its employees whereby contributions are paid to qualifying pension plans. Once the contributions have been paid, there are no further payment obligations. Plan contributions are charged to the income statement in the period to which the contributions relate.

**USE OF ESTIMATES**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date. Actual results can differ from these estimates.

Contingent losses that are probable and quantifiable are expensed as occurred.

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

**NOTE 2: OTHER OPERATING AND FINANCIAL EXPENSES**

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Fees to the auditors of USD 47 thousand (without VAT) for ordinary audit was expensed in 2020. The audit fees are split 60/40 between the US group and AMSC ASA. For more information on fees paid to KPMG, see note 3 in the consolidated accounts.

The Company has no other employees than the CEO and CFO. See note 17 in the consolidated accounts for more information regarding remuneration to senior management. Pension costs totaled USD 16 thousand in 2020 and covered two employees. Board of directors expenses were USD 129 thousand in 2020.

Other interest and financial income in 2020 includes USD 7.0 million in dividends received from subsidiaries, USD 2.5 million in reversal of impairment charges (see note 3) and USD 2.2 million of guarantee fees from subsidiaries.

Refer to note 18 in the consolidated accounts for information regarding transactions and agreements with related parties.

**NOTE 3: SHARES IN SUBSIDIARIES AND ASSOCIATES**

This item comprises the following as of 31 December 2020:

Amounts in USD thousands	Ownership of common shares (%)	Voting rights (%)	Business address	Historical cost	Book value
American Tanker Holding Company, Inc. (ATHC)	100%	100%	Kennett Square, PA	38 457	38 457
<b>Total shares</b>				<b>38 457</b>	<b>38 457</b>

## ATHC

Subsidiaries' 2020 results after tax in USD thousands (7 236)

Subsidiaries' equity attributable to common shareholders  
at 31 December 2020 in USD thousands 42 553

American Shipping Company ASA ("AMSC ASA") is the Norwegian parent company and is listed on Oslo Børs. AMSC ASA owns ATHC 100%. ATHC, ATI and ASC are intermediary holding companies. Each of the Company's ten vessels are owned by an individual leasing company, ASC Leasing I - X, Inc. Each of the individual leasing companies have contracts directly with OSG and vessel debt directly with BNP Paribas or CIT Bank which are covered by overall agreements that tie the arrangements together through either a framework agreement and/or guarantees.

AMSC analyzes the value of its investments in subsidiaries on an annual basis, or sooner if conditions change or events occur which could cause the carrying values to change. Detailed analysis, including discounted cash flows and third party appraisals, are prepared and reviewed by management supporting the carrying value of each of its investments. AMSC considers many factors, including the appropriate cost of capital, asset lives, market values and likelihood of events, in reviewing its investment value. During 2020, AMSC reversed a USD 2.5 million impairment charge that was recognized in 2010 on the investment in ATHC, originally booked due to a shortfall in market value versus book value..

**NOTE 4: TAX**

The table below shows the difference between book and tax values at the end of 2020 and 2019, and the amounts of deferred taxes at these dates and the change in deferred taxes.

Norwegian tax payable:		
Amounts in USD thousands	2020	2019
Profit/(loss) before tax USD accounts in USD	20 202	10 223
Difference between NOK and USD accounts	(1 193)	4 788
Result before tax measured in NOK for taxation purposes	19 010	15 011
Permanent differences	(9 460)	(3 014)
Change in temporary differences	2 855	(752)
Other differences	-	-
FX effect on opening balance of loss carried forward	(2 481)	1 023
Estimated result for tax purposes	9 923	12 268
Utilization of loss carried forward	(9 923)	(12 268)
Taxable income / (loss)	-	-
Tax payable	-	-

The result before taxes in NOK are different from the result before taxes in USD primarily due to currency exchange differences. The foreign exchange difference arises as the Company's functional currency is USD, whilst the tax calculation in Norway is performed based on the accounts in NOK. As such, the tax calculation for the Company is in NOK, but presented in USD.

Norwegian deferred tax:		
Amounts in USD thousands	2020	2019
Other differences	(8 784)	-
Operating loss carried forward	75 833	85 616
Total differences	67 049	85 616
Deferred tax asset	14 751	18 836
Restrictions regarding balance tax asset	-	(18 836)
Book value tax asset	14 751	-

The Group has net operating losses in carryforward as of 31 December 2020 of USD 75.8 million in Norway, with no expiration date. Net deferred tax assets were recognized during 2020 since it is expected that future taxable profit will be available against which the Group can utilize the benefits therefrom, based on taxable profits for the last three years as well as expectations that future taxable profits will be available.

**NOTE 4: TAX (CONTINUED)**

U.S. tax expense/(benefit):		
Amounts in USD thousands	2020	2019
Current payable tax charged to the income statement	-	63
Change in deferred tax	-	198
Total tax expense / (benefit)	-	261

AMSC has recorded U.S. taxes in the income statement and balance sheet related to the U.S. income taxes on AMSC's investment in Philly Tankers. This is due to Philly Tankers having elected to be taxed as a partnership under the Internal Revenue Code, with the consent of its shareholders. As such, AMSC as a shareholder separately accounts for their pro rata shares of the Company's income, deductions, losses and credits in their separate income tax returns.

**NOTE 5: LONG-TERM RECEIVABLES**

Long-term receivables are:

Amounts in USD thousands	2020	2019
American Tanker, Inc. (ATI)	89 451	86 938
Total	89 451	86 938

As of 31 December 2020, AMSC holds a USD 28.9 million loan to ATI. The loan to ATI is unsecured and bears interest at the higher of 9.5% or LIBOR plus 7% (9.5% at 31 December 2020) and with an option to pay in kind semi-annually. During 2020, ATI paid USD 1.7 million in interest payments to AMSC.

In 2015, in connection with the vessel debt refinancing, AMSC made a second loan of USD 52.2 million loan to ATI. The loan to ATI is unsecured and bears interest at 10%, with an option to pay in kind each quarter. The balance as of 31 December 2020 is USD 60.6 million. During 2020, ATI paid USD 4.5 million in interest payments to AMSC. The ATI note is payable on demand by AMSC, provided that demand may not be made prior to the maturity date of the secured vessel debt.



**NOTE 6: TOTAL EQUITY**

Changes in equity are:

<b>2020</b>					
Amounts in USD thousands	Share capital	Share premium	Total paid-in capital	Other equity	Total equity
Equity as of 1 January 2020	96 366	104 412	200 778	(62 533)	138 245
Repurchase of treasury shares	-	-	-	(148)	(148)
Proceeds from sale of treasury shares	-	-	-	102	102
Dividends paid / return of capital	-	(16 973)	(16 973)	-	(16 973)
Dividend payable	-	(6 062)	(6 062)	-	(6 062)
Net result	-	-	-	34 947	34 947
Equity as of 31 December 2020	96 366	81 378	177 744	(27 632)	150 112

The total outstanding shares of AMSC are 60,616,505 shares each with a par value of NOK 10 per share.

No treasury shares were held as of 31 December 2020.

Subsequent to year-end, the Board declared a dividend/return of capital of USD 0.10 per share (USD 6.1 million in aggregate) on 11 February 2021. The dividend was paid on 1 March 2021.

<b>2019</b>					
Amounts in USD thousands	Share capital	Share premium	Total paid-in capital	Other equity	Total equity
Equity as of 1 January 2019	96 366	123 810	220 176	(72 756)	147 420
Dividends paid / return of capital	-	(14 548)	(14 548)	-	(14 548)
Dividend payable	-	(4 849)	(4 849)	-	(4 849)
Net result	-	-	-	10 223	10 223
Equity as of 31 December 2019	96 366	104 412	200 778	(62 533)	138 245

The total outstanding shares of AMSC are 60,616,505 shares each with a par value of NOK 10 per share.

No treasury shares were held as of 31 December 2019.

Subsequent to 2019 year-end, the Board declared a dividend/return of capital of USD 0.08 per share (USD 4.8 million in aggregate) on 27 February 2020. The dividend was paid on 16 March 2020.

## NOTE 6: TOTAL EQUITY (CONTINUED)

The shares were owned by the following 20 largest parties as of 31 December 2020:

Name	Number	Percent
AKER CAPITAL AS	11 557 022	19.1%
DNB Markets Aksjehandel/-analyse	9 469 436	15.6%
SKANDINAVISKA ENSKILDA BANKEN AB	9 169 810	15.1%
Goldman Sachs & Co. LLC	5 616 420	9.3%
TRETHOM AS	2 351 111	3.9%
SES AS	1 525 000	2.5%
PERSHING LLC	966 460	1.6%
B.O. STEEN SHIPPING AS	900 000	1.5%
NORDNET LIVSFORSIKRING AS	874 339	1.4%
Citibank, N.A.	818 538	1.4%
Skandinaviska Enskilda Banken AB	588 000	1.0%
MAGNESTAD	412 000	0.7%
VERDIPAPIRFONDET KLP AKSJENORGE IN	345 434	0.6%
Skandinaviska Enskilda Banken AB	328 982	0.5%
SIX SIS AG	326 810	0.5%
BEDDINGEN FINANS AS	313 216	0.5%
NÆRINGSLIVETS HOVEDORGANISASJON	251 487	0.4%
Citibank, N.A.	238 892	0.4%
Citibank, N.A.	236 634	0.4%
UBS SWITZERLAND AG	211 801	0.3%
Total 20 largest shareholders	46 501 392	76.7%
Other shareholders	14 115 113	23.3%
Total	60 616 505	100.0%

**NOTE 7: CASH AND CASH EQUIVALENTS**

There is no restricted cash, except cash in a tax withholding account for employees' salaries of USD 66 thousand at 31 December 2020.

**NOTE 8: SHARES OWNED BY THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT**

For information regarding shares owned by the members of the board of directors and the senior management, see note 17 in the consolidated accounts.

**NOTE 9: GUARANTEES**

The company has made the following guarantees:

Description	Beneficiary	Amount (USD thousands)	Guarantee party
Senior secured credit facility	Agent (BNP Paribas), Arranger, Lenders and Hedging Banks	160 000	ASC Leasing I-V, Inc.
Senior secured credit facility	Agent (PGIM, Inc.), Security Trustee and Lenders	145 000	ASC Leasing VI-IX, Inc.
Senior secured credit facility	Agent (CIT Bank), Security Trustee and Lenders	90 000	ASC Leasing X, Inc.

AMSC has also agreed to indemnify OSG for any losses resulting from any breach by a vessel owning company of its obligations under its agreements with OSG.

**NOTE 10: EVENTS AFTER THE BALANCE DATE**

On 25 January 2021, the ATI bond was listed on the Oslo Stock Exchange under the ticker ATI02.

On 11 February 2021, the Board authorized a quarterly dividend payment of USD 0.10 per share to the shareholders on record as of 19 February 2021 in line with prior guidance. The shares in AMSC were traded ex. dividend from and including 18 February 2021, and the dividend was paid on 1 March 2021. The dividend is classified as a return of paid in capital.

# AUDITORS' REPORT



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Enterprise 935 174 627 MVA

To the Annual General Meeting of American Shipping Company ASA

## Independent auditor's report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of American Shipping Company ASA. The financial statements comprise:

- The financial statements of the parent company American Shipping Company ASA (the Company), which comprise the statement of financial position as of 31 December 2020, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of American Shipping Company ASA and its subsidiaries (the Group), which comprise the statement of financial position as of 31 December 2020, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

#### Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

# AUDITORS' REPORT



**Auditor's Report - 2020**  
American Shipping Company ASA

## Assessment of the carrying value of Property, plant and equipment

Refer to Note 1 (Accounting principles), and Note 6 (Property, plant and equipment)

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2020 the Group has reported Property, plant and equipment of USD 649.5 million, which includes vessels on operating lease contracts with customers.</p> <p>Management reviews Property, plant and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.</p> <p>Due to the potential impact on the Group's consolidated financial statements given the size of the balance and the current economic environment, and the auditor judgment required when evaluating whether management's assumptions are reasonable and supportable, the assessment of impairment indicators of the carrying value of Property, plant and equipment was considered to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Our audit procedures in this area included:</li> <li>• Assessing management's process and results for identification and classification of CGUs to ensure they were appropriate and in accordance with relevant accounting standards;</li> <li>• Evaluating management's impairment trigger assessment and assessing any additional potential indicators of impairment through our review of possible external and internal indicators;</li> <li>• Obtaining corroborating evidence for management's conclusions, including independent vessel valuation reports; and external information on market rates and Jones Act newbuild values and relevant transactions; and</li> <li>• Assessing the adequacy of the disclosures related to the assessment of impairment.</li> </ul>

## Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the

# AUDITORS' REPORT



**Auditor's Report - 2020**  
American Shipping Company ASA

Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the

## AUDITORS' REPORT



**Auditor's Report - 2020**  
American Shipping Company ASA

key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

#### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

#### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2021  
KPMG AS

A handwritten signature in blue ink, appearing to read 'M. Hansen'.

Monica Hansen  
State Authorized Public Accountant

# SHARE AND SHAREHOLDER INFORMATION

American Shipping Company is committed to maintaining an open and direct dialogue with its shareholders, potential investors, analysts, brokers, and the financial community in general. The timely release of information to the market that could affect the Company's share price helps ensure that American Shipping Company ASA's share price reflects its underlying value.



American Shipping Company's goal is that the Company's shareholders will, over time, receive competitive returns on their investment. The Board considers the amount of dividend, if any, to be recommended for approval by the shareholders on an annual basis. The recommendation is based upon earnings for the year just ended, the financial situation at the relevant point in time and applicable restrictions under AMSC's financial agreements.

## DIVIDENDS

The Company paid dividends totaling USD 0.36 per share (USD 21.8 million) in 2020. The dividends were classified for accounting purposes as repayment of previously paid in share premium.

The Norwegian Public Limited Liability Companies Act allows for the Board of Directors to pay dividends on the basis of an authorization from the General Meeting. At the 2020 Annual General Meeting, the Board of Directors were granted an authorization to pay dividends up to an approved amount at their discretion based on the Company's annual accounts for 2019, valid up to the Company's Annual General Meeting in 2021. Such authorization facilitated payment of dividend by the Board of Directors on a quarterly basis.

Payment of dividends by AMSC is subject to restrictions under its vessel debt facilities and the bond loan. Subject to certain exceptions, as of 31 December 2020, the BNP, Prudential and CIT credit agreements restrict the payment of dividends by AMSC and its subsidiaries. Specifically, AMSC and its subsidiaries may pay cash dividends only if there is

no default, the Company is in compliance with its financial covenants under the loans and all ships remain on bareboat charter contract.

## SHARES AND SHARE CAPITAL

As of 31 December 2020, American Shipping Company ASA had 60 616 505 ordinary common shares; each share with a par value of NOK 10 (see Note 11 to the Company's 2020 accounts).

As of 31 December 2020, the Company had 2,159 shareholders, of whom 5.9 per cent were non-Norwegian shareholders.

American Shipping Company ASA currently has a single share class. Each share is entitled to one vote, but is subject to certain voting and ownership restrictions due to the fact that the Company is operating under an exception from the U.S. ownership requirement in the Jones Act (see Articles of Association available on the Company's web page). The Company held no own (treasury) shares as of 31 December 2020.

## STOCK-EXCHANGE LISTING

The Company's shares are listed on the Oslo Stock Exchange's main (OSEBX) list (ticker: AMSC). American Shipping Company's shares are registered in the Norwegian Central Securities Depository; the shares have the securities registration number ISIN NO 0010272065. DNB Bank is the Company's registrar.

## SIGNIFICANT SHAREHOLDER

American Shipping Company ASA's largest shareholder is Aker Capital AS, which holds 19.1 percent of the Company's shares.



## SHARE AND SHAREHOLDER INFORMATION

From time to time, agreements are entered into between two or more former related companies. The boards of directors and other parties involved in the decision-making processes related to such agreements are all critically aware of the need to handle such matters in the best interests of the involved companies, in accordance with good corporate governance practice and on an arm's length basis. If needed, external, independent opinions are sought.

### CURRENT BOARD AUTHORIZATIONS

The Annual General Meeting in 2020 granted an authorization to the Board to purchase own (treasury) shares in connection with the Company's incentive scheme for employees. The Board was also granted an authorization to increase the share capital in connection with strengthening of the Company's equity capital or to raise equity capital for future investments within the Company's scope of operations.

The Board of Directors has authorization to pay dividends, to facilitate payment of dividends on a quarterly basis.

All of these Board authorizations are valid up to the Annual General Meeting in 2021.

### SHARE INCENTIVE PROGRAM

The Company currently does not have any share or stock option plans, but the Annual General Meeting approved the establishment of an incentive program for its employees, giving the Board of Directors the ability to offer its employees to purchase shares in the Company on favorable terms, subject to certain lock-up restrictions.

### INVESTOR RELATIONS

American Shipping Company ASA seeks to maintain an open and direct dialogue with shareholders, financial analysts, and the financial market in general.

### 20 LARGEST SHAREHOLDERS

as of 31 December 2020

Shareholder	Number of shares held	Ownership (in %)
AKER CAPITAL AS	11 557 022	19.1%
DNB Markets Aksjehandel/-analyse	9 469 436	15.6%
SKANDINAVISKA ENSKILDA BANKEN AB	9 169 810	15.1%
Goldman Sachs & Co. LLC	5 616 420	9.3%
TRETHOM AS	2 351 111	3.9%
SES AS	1 525 000	2.5%
PERSHING LLC	966 460	1.6%
B.O. STEEN SHIPPING AS	900 000	1.5%
NORDNET LIVSFORSIKRING AS	874 339	1.4%
Citibank, N.A.	818 538	1.4%
Skandinaviska Enskilda Banken AB	588 000	1.0%
MAGNESTAD	412 000	0.7%
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Citibank, N.A.	238 892	0.4%
Citibank, N.A.	236 634	0.4%
UBS SWITZERLAND AG	211 801	0.3%
Total 20 largest shareholders	46 501 392	76.7%
Other shareholders	14 115 113	23.3%
Total	60 616 505	100.0%

### GEOGRAPHIC DISTRIBUTION

as of 31 December 2020

Nationality	Number of shares held	Ownership (in %)
Non-Norwegian shareholders	12 720 960	21.0%
Norwegian shareholders	47 895 545	79.0%
Total	60 616 505	100.0%

## SHARE AND SHAREHOLDER INFORMATION

Visitors to American Shipping Company's website at [www.americanshippingco.com](http://www.americanshippingco.com) can subscribe to email delivery of American Shipping Company news releases.

American Shipping Company's press releases and investor relations (IR) publications for the current and prior years are available at the Company's website: [www.americanshippingco.com](http://www.americanshippingco.com). This online resource includes the Company's quarterly and annual reports, prospectuses, corporate presentations, articles of association, financial calendar, and its Investor Relations and Corporate Governance policies, along with other information.

Shareholders can contact the Company at [ir@amshipco.com](mailto:ir@amshipco.com).

### SAVE THE ENVIRONMENT – READ REPORTS ONLINE

Annual reports are published on the Company's website ([www.americanshippingco.com](http://www.americanshippingco.com)) at the same time as they are made available via website release by the Oslo Stock Exchange: [www.newsweb.no](http://www.newsweb.no) (ticker: AMSC).

American Shipping Company ASA encourages its shareholders to subscribe to the Company's annual reports via the electronic delivery system of the Norwegian Central Securities Depository (VPS). Please note that VPS services (VPS Investortjenester) are designed primarily for Norwegian shareholders. Subscribers to this service receive annual reports in PDF format by email.

Electronic distribution is the fastest channel for accessing Company information; it is also cost-effective and environmentally friendly.

Quarterly reports, which are generally only distributed electronically, are available from the Company's website and other sources. Shareholders who are

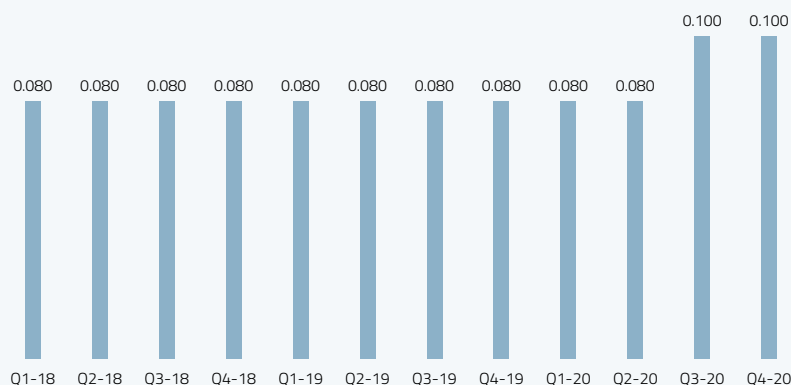
### OWNERSHIP STRUCTURE

as of 31 December 2019

Shares owned	Number of shareholders	Percent of share capital
11-100	462	0.02%
101-1000	702	0.57%
1001-10,000	720	4.51%
10,001-100,000	230	12.05%
100,001-500,000	34	10.53%
over 500,000	11	72.32%
<b>Total</b>	<b>2 159</b>	<b>100.00%</b>

### DIVIDEND HISTORY

USD per share



unable to receive the electronic version of interim and annual reports, may subscribe to the printed version by contacting American Shipping Company.

### ANNUAL SHAREHOLDERS' MEETING

American Shipping Company ASA's annual shareholders' meeting is normally held in late March or April. Written notification is sent to all shareholders individually or to shareholders' nominee. To vote at shareholders' meetings, shareholders

(or their duly authorized representatives) must either be physically present, vote by proxy or vote electronically prior to the shareholders' meeting.

### 2020 SHARE DATA

The Company's total market capitalization as of 31 December 2020 was NOK 1,709 million. During 2020, a total of 19,933,695 American Shipping Company ASA shares traded. The shares traded on 252 trading days.

# CORPORATE GOVERNANCE

American Shipping Company ASA's focus is on building a premier ownership position in the Jones Act market to create maximum value for its shareholders. Good corporate governance will help to reduce risk and ensure sustainable value creation.

The Board of Directors (the "Board") of American Shipping Company ASA has reviewed and updated the Company's principles for corporate governance. The Board's statement of corporate governance is included in the annual report. The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018 (the "Code of Practice"), the principles set out in the Continuing Obligations of stock exchange listed companies from the Oslo Stock Exchange, and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice is available at [www.nues.no](http://www.nues.no) and the Continuing Obligations of stock exchange listed companies may be found at [www.oslobors.no](http://www.oslobors.no). The principles also apply to American Shipping Company ASA's subsidiaries where relevant.

The following presents American Shipping Company ASA's (hereinafter "American Shipping Company", "AMSC", the "Company" or the "Group") practice regarding each of the recommendations contained in the Code of Practice. Any deviations from the recommendations are found under the item in question. In addition to the Code of Practice, the Norwegian Accounting Act section 3-3b stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. This report is integrated in this corporate governance statement.

## PURPOSE

American Shipping Company's Corporate Governance principles are intended to ensure an appropriate division of roles and responsibilities among the Company's owners, its Board, and its executive management and that the Company's activities are subject to satisfactory control. These principles contribute to the greatest possible value creation over time, to the benefit of owners and other stakeholders. It is the responsibility of the Board of AMSC to ensure that the Company implements sound corporate governance.



## CORPORATE GOVERNANCE

### BUSINESS

The Company's business model is to own and bareboat charter vessels for operation in the U.S. Jones Act market through its wholly owned subsidiary leasing companies. The corporate structure of American Shipping Company, through its operating subsidiaries in the United States, is in conformance with the applicable requirements of the Jones Act. All of its vessels are fully qualified to participate in the domestic maritime trades of the United States.

Pursuant to clause 3 of the Company's articles of association, the objective of the Company is "to own and carry out industrial business and other activities related hereto, including ownership of vessels, capital management and other functions for the group, as well as participation in or acquisition of other companies."

The function of the business purpose clause is to ensure that shareholders have control of the business and its risk profile, without limiting the Board or management's ability to carry out strategic and financially viable decisions within the defined purpose. The Group's financial goals and main strategies are as follows:

- Be a preferred ship owning and lease finance company in the Jones Act market
- Generate stable cash flow from long term bareboat charters
- Have a modern, safe and operationally friendly fleet
- Explore and invest in value creating opportunities for our shareholders
- Ensure an optimal use of capital

The Board defines clear objectives, strategies and risk profiles for the Company's business activities such that the Company creates value for shareholders. The company has guidelines for how it integrates considerations related to its stakeholders

into its value creation. The Board evaluates these objectives, strategies and risk profiles at least yearly. These objectives, goals, strategies and risk profiles are presented in more detail on page 10 of this report and in the Board's report. The Norwegian Accounting Act section 3-3c stipulates that companies must report on what they do to integrate corporate social responsibility into their activities and this is presented in more detail on page 16 in the Board of Director's report.

### EQUITY AND DIVIDENDS

#### Equity

The Group's book equity as of 31 December 2020 was USD 161.3 million corresponding to an equity ratio of 22.2 percent. The Company's Board frequently monitors the Company's equity level according to the Norwegian Public Limited Liability Companies Act sections 3-4 and 3-5. As such, the Company regards the Group's current equity as sound. The Board also monitors the Company's capital structure and ensures that the Company's capital structure is appropriate to AMSC's objective, strategy and risk profile.

#### Dividends

American Shipping Company's dividend policy is included in the section "Shares and shareholder information", on pages 68-70 of this annual report. The Company's goal is that its shareholders shall, over time, receive competitive returns on their investment. Any payment of dividend will be based upon the Group's earnings for the last year ended and other factors, the financial situation at the relevant point in time and applicable restrictions under AMSC's financial agreements and applicable laws and regulations.

#### Board authorizations

The Board's proposals for Board authorizations to increase the Company's share capital are to be limited to defined issues and to be valid only until the next annual general meeting.

The annual general meeting in 2020 granted an authorization to the Board to purchase own (treasury) shares in connection with the Company's incentive scheme for employees. The Board was also granted an authorization to increase the share capital in connection with strengthening of the Company's equity capital or to raise equity capital for future investments within the Company's scope of operations. The Board has authorization to pay dividends, to facilitate payment of dividends on a quarterly basis.

All of these Board authorizations are valid up to the annual general meeting in 2021.

### EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has a single class of shares, and all shares carry the same rights in the Company. However, the shares are subject to certain ownership and voting restrictions due to the fact that the Company is operating under an exception from the U.S ownership requirement in the Jones Act (see the Company's articles of association section 8, which are available on the Company's web page).

Equal treatment of all shareholders is crucial. If existing shareholders' pre-emptive rights are waived upon an increase in share capital, the Board must justify the waiver. Transactions in own (treasury) shares must be executed on the Oslo Stock Exchange or by other means at the listed price.

If there are material transactions between the Company and a shareholder, board member, member of executive management, or a party closely related to any of the aforementioned, the Board shall ensure that independent valuations are available.

## CORPORATE GOVERNANCE

See information on transactions with related parties in Note 18 to the consolidated accounts.

### SHARES AND NEGOTIABILITY

American Shipping Company's shares are freely negotiable. However, the transferability of shares is subject to certain voting and ownership restrictions on "Shipping Operators" due to the fact that the Company is operating under an exception from the U.S ownership requirement in the Jones Act. A "Shipping Operator" is defined in the Company's articles of association as a person or entity that operates any vessel for hire or directly or indirectly controls, is controlled by, or is under common control with any company or person who operates any vessel for hire. For further details, see the Company's articles of association section 8, which are available on the Company's web page.

### GENERAL MEETINGS

The Board encourages shareholders to participate in its general meetings. It is the Board's priority to hold the annual general meeting as early as possible after the year-end. Notices convening general meetings, with comprehensive documentation relating to the items on the agenda, including the recommendations from the nomination committee, are made available on the Company's website no later than 21 days prior to the general meeting. The deadline for shareholders to register to the shareholders' meetings is set as close to the date of the meeting as possible and the deadline for registration may not expire earlier than five days prior to the date of the general meeting.

The notice materials include a thorough explanation of all procedures for registration, voting and attendance. The proxy form includes instructions for representation at the meeting through a proxy and allows shareholders to nominate a person who will be available to vote on

behalf of the shareholders. In addition, to the extent possible, the proxy form includes separate voting instructions to be given for each matter to be considered by the meeting. The shareholders may also vote electronically in advance of the general meeting.

Pursuant to the Company's articles of association, the Chair of the Board or an individual appointed by the Chair of the Board will chair shareholder's meetings. Thus, the articles of association of the Company deviates from the Code of Practice in this respect. Having the Chair of the Board or a person appointed by her chairing the general meetings simplifies the preparations for the general meetings significantly. Board members and the chair of the nomination committee are required to attend general meetings. The auditor shall attend shareholders' meetings when items to be considered are of such a nature that the auditor's attendance is regarded as essential.

The shareholders are invited to vote on the composition of the Board proposed by the nomination committee as a group, and not on each board member separately. Hence, the Company deviates from the Code of Practice in this regard as it is important to the Company that the Board works in the best possible manner as a team, and that the background and competence of the board members complement each other.

Minutes of general meetings are published as soon as practically possible via the Oslo Stock Exchange messaging service [www.newsweb.no](http://www.newsweb.no) (ticker: AMSC) and on the Company's website [www.americanshippingco.com](http://www.americanshippingco.com).

### NOMINATION COMMITTEE

Pursuant to American Shipping Company's articles of association, the nomination committee recommends candidates for members of the Board.

The nomination committee also makes recommendations as to remuneration of Board members and members of the nomination committee. The current members of the nomination committee, as elected by the general meeting, are Ove A. Taklo (chair) and Ingebret G. Hisdal.

The general meeting of the Company has adopted guidelines for the nomination committee. According to these guidelines, the nomination committee shall emphasize that candidates for the Board have the necessary experience, competence and capacity to perform their duties in a satisfactory manner. Furthermore, attention should be paid to ensure that the Board can function effectively as a collegiate body. A reasonable representation with regard to gender and background should also be emphasized, and the nomination committee should present its nomination of Directors to the Board, and also justify its nominations. The guidelines for the nomination committee are available on the Company's website.

The Chair of the nomination committee has the overall responsibility for the work of the committee. In the exercise of its duties, the nomination committee may contact, amongst others, shareholders, the Board, management and external advisors. The nomination committee shall also ensure that its recommendations are endorsed by the largest shareholders. The Company will provide their shareholders with information on how to submit proposals to the nomination committee for candidates for election to the Board on the Company's website.

### BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Company's articles of association and corporate governance policy, the Board comprises between three and nine members, which are elected for a period of two years. Further, up to three shareholder-elected deputy

## CORPORATE GOVERNANCE

board members may be elected annually. The Chair of the Board is elected by the general meeting. The Board may elect a Deputy Board Chair.

The majority of the shareholder-elected Board members are to be independent of the Company's executive management, its significant business associates and its significant shareholders. Representatives of American Shipping Company's executive management shall not be board members. The current composition of the Board is presented on page 12 of this annual report, which also includes the board members' expertise, capabilities and independence. The current members of the Board are Annette Malm Justad (Chair), Peter Knudsen and Kristian Røkke. Two of the three members of the Board are independent of the Company's significant shareholders and significant business associates. The Company encourages the board members to invest in the Company shares, and the shareholdings of the board members are presented in Note 17 to the consolidated accounts.

The board members represent a combination of expertise, capabilities, and experience from various finance, industry, and non-governmental organizations. Based on the current board members' experience and expertise, the Board functions effectively as a collegiate body.

One of the three shareholder-elected Board members is up for election in 2021.

### THE WORK OF THE BOARD OF DIRECTORS

The Board has adopted informal guidelines that regulate areas of responsibility, tasks, and division of roles of the Board, Chair, and CEO. These instructions also feature rules governing Board schedules, rules for notice and chairing of Board meetings, decision-making rules, the CEO's duty and right to disclose informa-

tion to the Board, professional secrecy, impartiality, and other issues. In general, four ordinary board meetings are convened each year, with one meeting held every quarter.

To ensure a more independent consideration of matters of a material nature in which the Chair is, or has been, personally involved, the Board's consideration of such matters should be chaired by another member of the Board. The Board itself assesses the need to elect a deputy chair.

The Norwegian Public Limited Liability Companies Act requires that companies listed on a regulated market shall have an audit committee. Due to the small size of the Company's Board, the entire Board acts as the audit committee, thus the Company deviates from The Code of Practice in this respect. The majority of the members of the audit committee are independent of the Company's operations.

With the exception of the audit committee, the Board has not deemed it necessary to establish other board committees at this time. The Board has considered appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to executive personnel. However, due to the small size of the Board and since no members of the executive personnel are also members of the Board, the Board does not deem it necessary to appoint a remuneration committee at this time. If the Board decides to appoint a remuneration committee, the membership of the committee shall be restricted to members of the Board who are independent of the Company's executive personnel.

American Shipping Company has prepared guidelines designed to ensure that members of the Board and executive management notify the Board of any

direct or indirect stake they may have in agreements entered into by the Group.

The Board evaluates its own performance and expertise once a year.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is to ensure that the Company maintains solid in-house control practices and appropriate risk management systems tailored to the Company's business activities and its values and ethical guidelines. The Board annually reviews the Company's most important risk areas and internal control systems and procedures, and the main elements of these assessments are mentioned in the Board's report.

#### Audit Committee

The audit committee has reviewed the Company's internal reporting systems, internal control and risk management and had dialogue with the Company's auditor. The audit committee has also considered the auditor's independence.

AMSC's financial policies ensure follow-up of financial risk. Key targets are identified by the Board and management to ensure timely control of currency exposure, interest rate exposure and compliance with loan covenants.

#### Financial Statement Close Process

Consolidation and control over the financial statement close process is the Controller's responsibility. The Company's current business includes bareboat chartering of its ten vessels and therefore means that the activities of its employees are managing the financing of vessels and overhead. The Company has a small organization with three employees, who all have direct communication with the Board. Meetings between management, the external auditor and members of the Board, to identify significant accounting issues or other issues are held prior to completion of



## CORPORATE GOVERNANCE

the annual report and in connection with management's reporting to the audit committee. The purpose of these meetings is to focus on new and amended accounting principles or other issues in the financial statements. Financial results and cash development are analyzed and compared to the budget by the CFO and Controller and reported to the Board quarterly.

Because of the inherent segregation of duties matters caused by having only three employees, special actions have been implemented. In Norway, disbursements are managed by accounting services purchased from an accounting firm, with normal control procedures in place such as management approval of invoices for payment and two signatories required for payments.

The Board approves the Company's yearly budget and reviews deviations to the budget on a quarterly basis.

### REMUNERATION OF THE BOARD OF DIRECTORS

Board remuneration is to reflect the Board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on American Shipping Company's financial performance and the Company does not grant share options to the board members. Board members and companies with whom they are associated must not take on special tasks for the Company beyond their Board appointments unless such assignments are disclosed to the full Board and remuneration for such additional duties is approved by the Board. The Chair and the Board have not received benefits other than directors' fees.

Additional information on remuneration paid to board members for 2020 is presented in Note 17 to the consolidated accounts.

### REMUNERATION OF EXECUTIVE MANAGEMENT

The Board has adopted guidelines for remuneration of executive management in accordance with the Norwegian Public Limited Company Act section 6-16a. Salary and other remuneration of American Shipping Company's CEO are determined by the Board.

The Board's guidelines for remuneration of executive management will be made available as a separate appendix to the agenda for the annual general meeting and be subject to the shareholders' approval.

### INFORMATION AND COMMUNICATIONS

The Board has established guidelines for the reporting of financial and other information and is based on openness and on equal treatment of shareholders, the financial community, and other interested parties. The long-term goal of American Shipping Company's investor relations activities is to ensure the Company's access to capital at competitive terms and to ensure shareholders' correct pricing of shares.

These goals are to be accomplished through correct and timely distribution of information that can affect the Company's share price; the Company is also to comply with current rules and market practices, including the requirement of equal treatment. All stock exchange notifications and press releases are made available on the Company's website [www.americanshippingco.com](http://www.americanshippingco.com); stock exchange notices are also available from [www.newsweb.no](http://www.newsweb.no). All information that is distributed to shareholders is simultaneously published on American Shipping Company's website. The Company's financial calendar is also found on page 4 of this annual report.

### TAKE-OVERS

The overriding principle is equal treatment of shareholders. The principles are based on the bidder, the Company

and the management all having an independent responsibility for fair and equal treatment of the shareholders in a takeover process, and that company operations are not unnecessarily disturbed. It is the responsibility of the Board to ensure that the shareholders are kept informed and that they have reasonable time to assess the offer.

Unless the Board has particular reasons for so doing, it will not take steps to prevent or obstruct a take-over bid for the Company's business or shares, nor use share issue authorizations or other measures to hinder the progress of the bid, without such actions being approved by the shareholders' meeting after the takeover offer has become public knowledge.

If an offer is made for the Company's shares, the Board will make a statement to the shareholders that provides an assessment of the bid, the Board's recommendations, and reasons for these recommendations. If the Board cannot make a recommendation to the shareholders, the Board shall explain their reasoning for no such recommendation. For each bid, an assessment will be made as to the necessity of bringing in independent expertise. In a situation where a competing bid is made and the bidder has a connection to any member of the Board or executive personnel, or if the bidder is a main shareholder, the Board shall seek an independent valuation. The valuation is to be recorded in the Board's statement.

Transactions that have the effect of sale of the Company or a major component of it are to be decided on by shareholders at a shareholders' meeting.

### AUDITOR

The auditor will make an annual presentation to the Board of a plan for the auditing work for the year. Further, the

## CORPORATE GOVERNANCE

auditor is to provide the Board with an annual written confirmation that the requirement of independence has been met.

The auditor participates in at least one Board meeting annually, including the meeting prior to the annual general meeting. At this meeting, the auditor reviews any material changes in the Company's accounting policies, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement

between the auditor and the executive management of the Company. The auditor also presents to the Board a review of the Company's internal control procedures, including identified weaknesses and proposals for improvements.

One meeting a year is held between the auditor and the Board, at which no representatives of executive management are present. Auditors are to provide the Board with an annual overview of services other than auditing that have been supplied to the Company. Remuneration

for auditors, presented in note 3 to the consolidated accounts, is stated for the four categories of ordinary auditing, other attestation services, tax assistance and other assurance services. In addition, these details are presented at the annual general meeting. The auditor has provided the Board with written confirmation of its independence.







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