AMERICAN SHIPPING COMPANY ASA

ANNUAL REPORT
2018

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

American Shipping Company

CONTENT

KEY FIGURES

Profit and loss items		2018	2017	2016	2015
Operating revenues	USD million	87.8	87.8	88.0	87.8
EBITDA	USD million	84.2	84.8	85.1	84.9
Net income	USD million	8.6	13.3	7.1	9.7
Normalized EBITDA					
Reported EBITDA	USD million	84.2	84.8	85.1	84.9
Profit share	USD million	-	-	10.2	11.1
DPO	USD million	3.7	3.8	3.9	3.3
Normalized EBITDA	USD million	87.9	88.6	99.2	99.3

Cash flow					
Cash flow from operating activities	USD million	47.7	51.0	56.7	50.9
Cash flow from investing activities	USD million	0.3	15.1	-	-
Cash flow used in financing activities	USD million	(48.5)	(63.2)	(38.6)	(110.9)
Cash as of 31 December	USD million	53.8	54.3	51.4	33.3

Balance sheet					
Interest bearing debt	USD million	601.9	628.4	664.4	670.8
Equity	USD million	176.1	186.9	195.7	216.4
Total assets	USD million	811.3	847.1	889.4	905.0
Equity ratio	Percent	21.7%	22.1%	22.0%	23.9%

The AMSC share					
Share price as of 31 December	NOK	33.30	23.90	24.30	26.50
Dividend per share	NOK	2.76	2.59	3.99	3.42
Dividend per share	USD	0.32	0.32	0.48	0.42
Dividend yield	Percent	8.3%	10.8%	16.4%	12.4%

KEY EVENTS 2018

OSG CONTRACT EXTENSIONS

In December 2018, OSG exercised its options to extend the bareboat charter agreements for all nine of AMSC's vessels up for renewal. OSG previously exercised its option to extend its charter agreement for the 10th vessel, extending that charter into 2025. As a result, all ten bareboat charter agreements have now been extended for additional periods. Charter agreements for five of the vessels were extended for three-year terms, commencing in December 2019 and ending in December 2022. Charter agreements for four of the vessels were extended for one-year terms, commencing in December 2019 and ending in December 2020. 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 with corresponding bareboat charters expiring December 2020.

CONTINUED DIVIDENDS

For the financial year 2018, the Company declared dividends of USD 0.32 per share, USD 19.4 million in total.

IMPROVED U.S. JONES ACT MARKET

During 2018, the U.S. Jones Act tanker market experienced improved trading conditions. Towards the end of 2018, and for the first time in nearly three years, the entire Jones Act tanker fleet has been fully employed on time charter contracts. The improved supply and demand dynamics are driven by net fleet reduction in combination with stronger demand for transportation of crude oil and clean products.

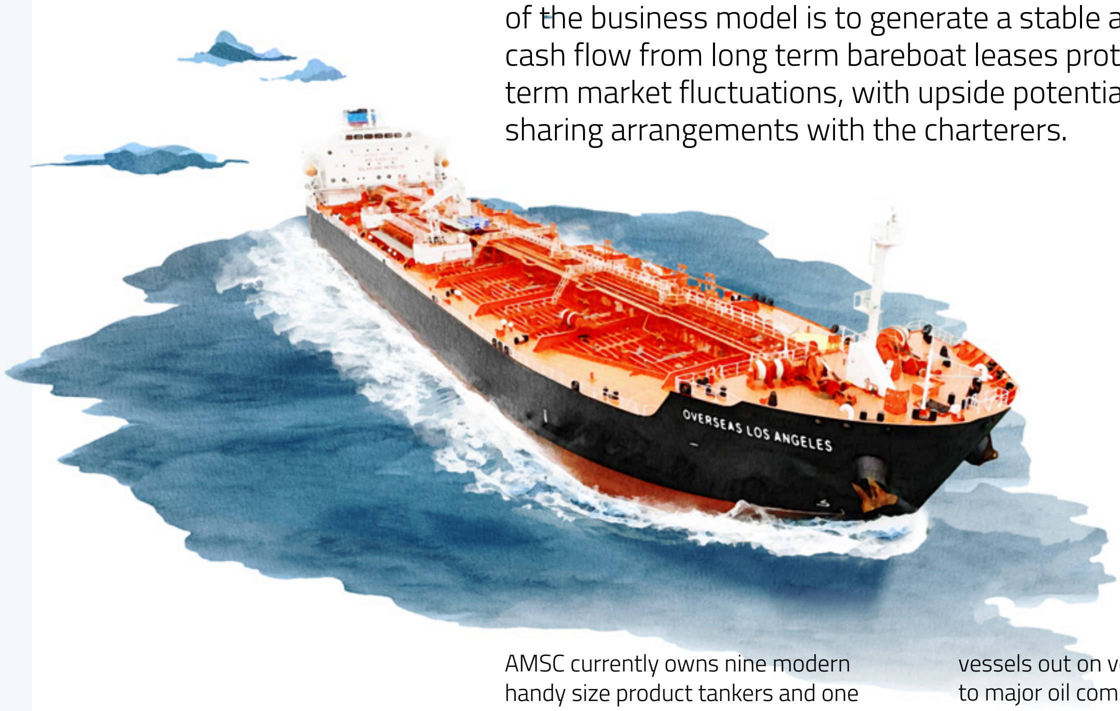
FINANCIAL CALENDAR 2019

25 April	Annual General Meeting 2019
23 May	1st quarter interim results 2019
21 August	2nd quarter interim results 2019
21 November	3rd quarter interim results 2019

(dates subject to change)

THIS IS AMERICAN SHIPPING COMPANY

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.

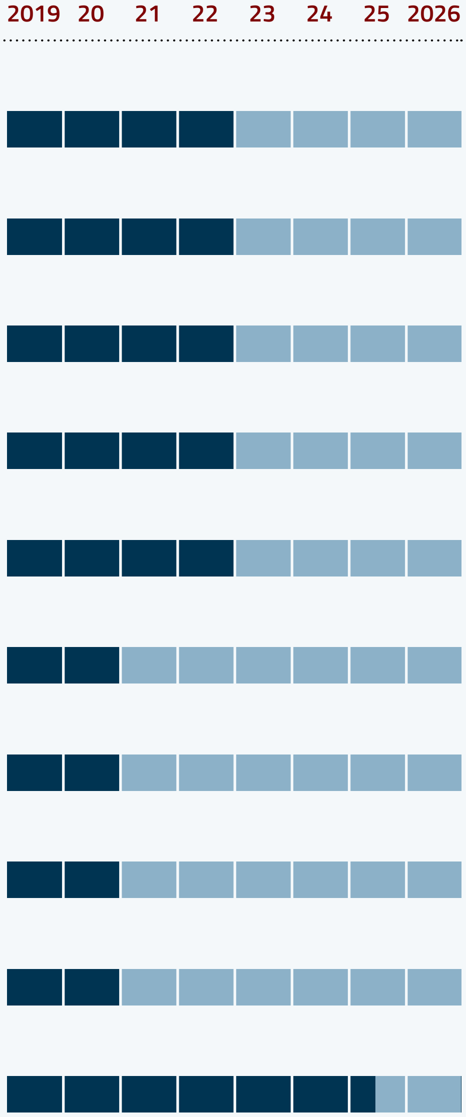


AMSC currently owns nine modern handy size product tankers and one modern handy size shuttle tanker, all built at Philly Shipyard (PHLY), a leading U.S. shipyard. All ten vessels are on long term fixed rate bareboat charters with Overseas Shipholding Group Inc. (OSG). In addition, there is a profit sharing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

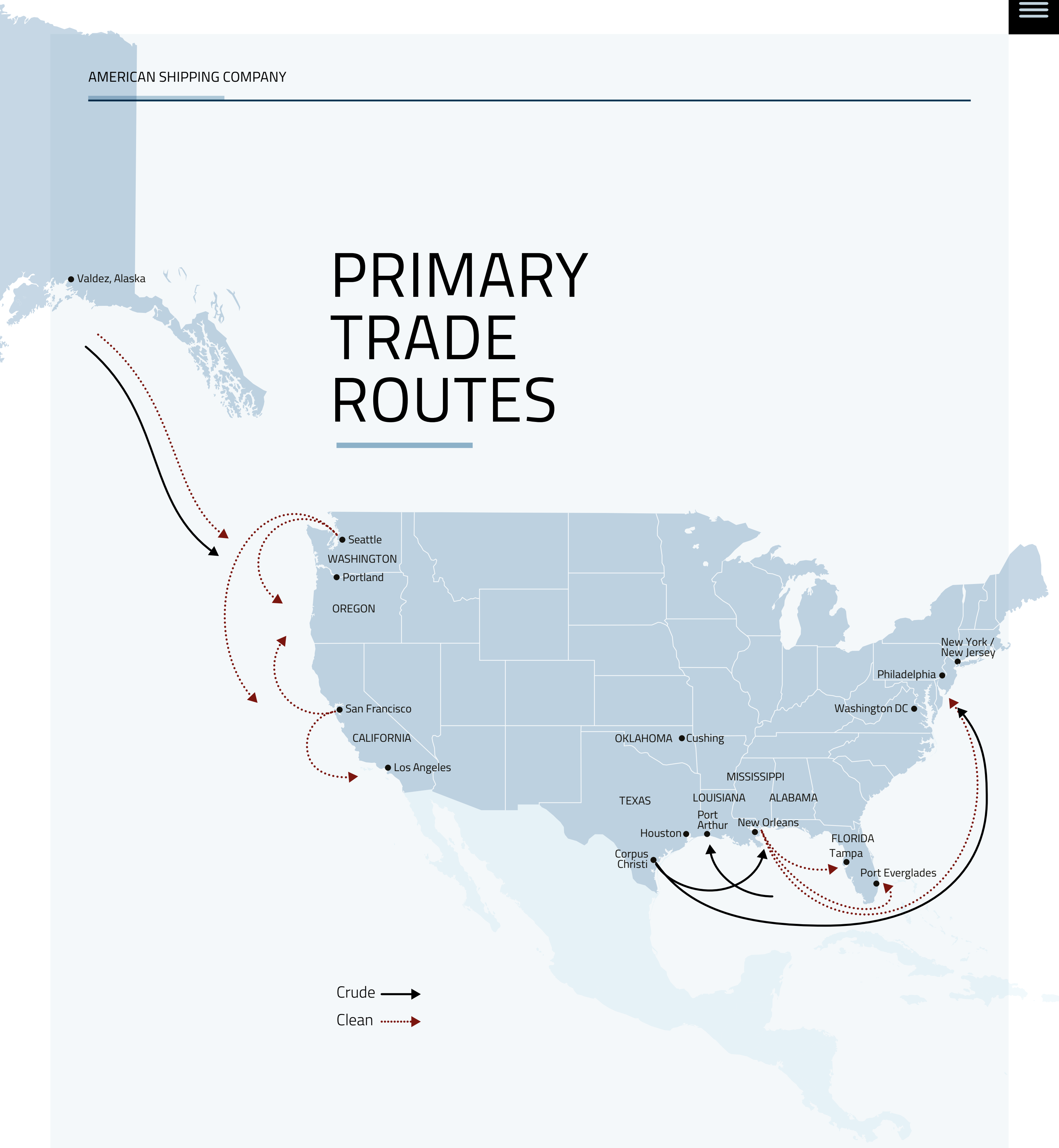


Tampa was converted to a shuttle tanker and is on a 10 year BBC backed by a 10 year TC

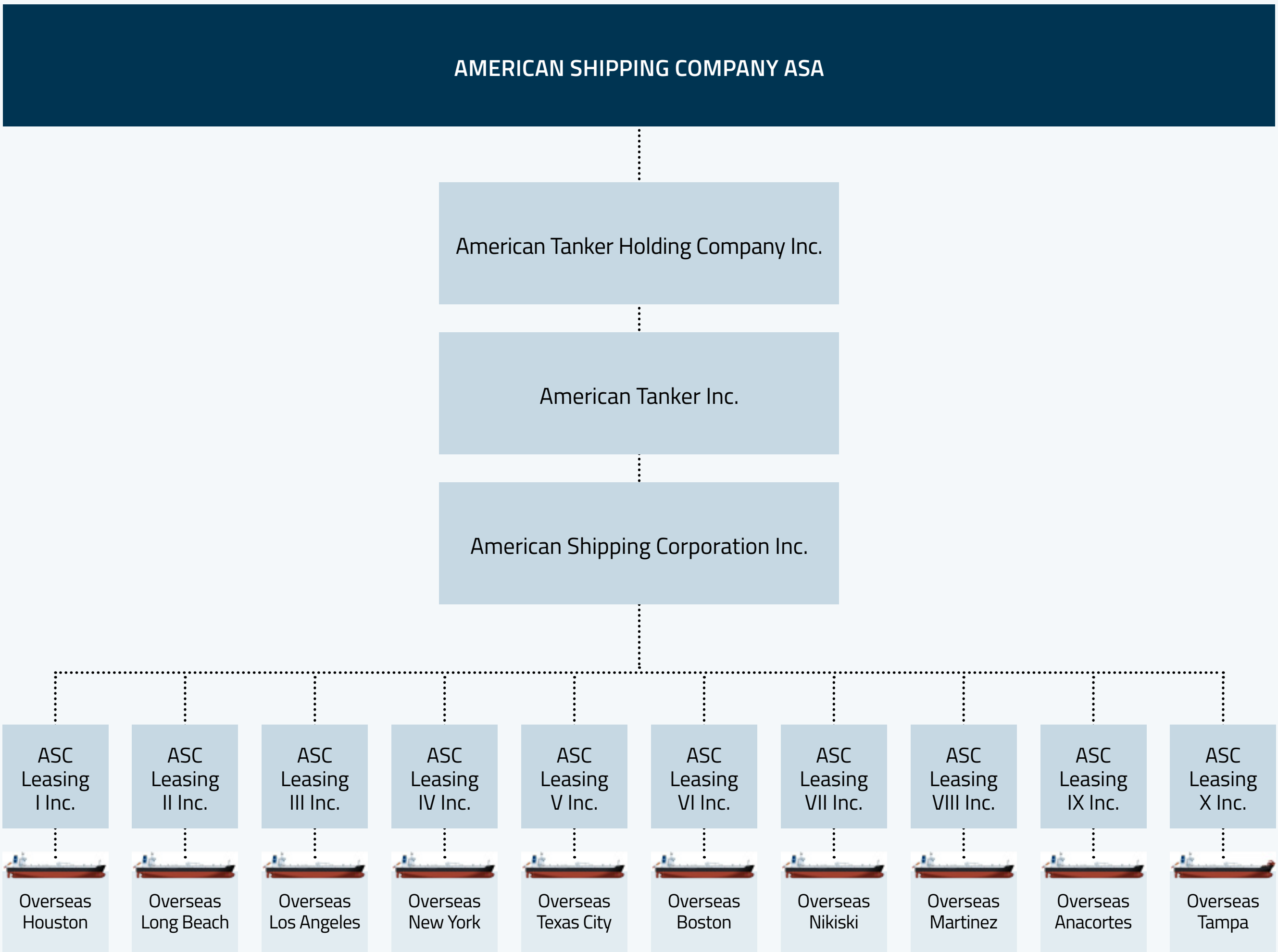
Bareboat from AMSC to OSG

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 newbuild 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

GOALS AND STRATEGIES

- 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

Mr. Magnussen was appointed CEO and President of American Shipping Company ASA effective 1 January 2015. He previously served as the Company's CFO since 1 June 2014. Prior to joining American Shipping Company, Mr. Magnussen served as Director in DNB Markets' Investment Banking Division, Shipping and Offshore group for 8 years. Earlier experience also include 4 years in DNB Bank's Shipping and Offshore Division. Mr. Magnussen has significant experience from international shipping finance and been based in New York, Singapore and Oslo. He holds a MBA from Columbia University, New York and a Master of Science degree from Norwegian School of Management, Oslo. He holds 50,000 shares in the Company

MORTEN BAKKE
CFO

Mr. Bakke was appointed CFO of AMSC effective 4 April 2016. He has 14 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 has advised multiple offshore, shipping and private equity firms on a variety of M&A deals and holds a MSC in Shipping, Trade and Finance from Cass Business School and BA in Business Studies from University of Greenwich. Mr. Bakke is a Norwegian national and holds 25,000 shares in the company through MB Capital AS.

LEIGH JAROS
Controller

Ms. Jaros joined American Shipping Company as Controller in July 2008. Ms. Jaros has over 15 years of corporate financial experience including financial reporting, analysis and budgeting. Ms. Jaros was employed by Aker Philadelphia Shipyard as its Accounting Supervisor prior to joining AMSC. Ms. Jaros holds a Bachelor of Science in Finance and Economics from West Chester University. Ms. Jaros is a U.S. citizen and holds zero shares of stock in the Company.

BOARD OF DIRECTORS

ANNETTE MALM JUSTAD
Chairman

Ms. Justad has been a member of American Shipping Company ASA's Board of Directors since December 2007. 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. Ms. Justad is a member of the Board of Port of London Authority, Odfjell, Awilco LNG ASA, Store Norske Kulkompani AS, Småkraft AS and Norske Tog AS. 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 2017-2019.

PETER D. KNUDSEN
Board member

Peter D. Knudsen is the Managing Partner of NorthCape AS. Mr. Knudsen previously worked as 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. Mr. Knudsen holds an MBA from Arizona State University. Mr. Knudsen is presently a Board member of Uglands Rederi AS and Pareto Bank ASA. He is a Norwegian citizen and holds 2,000 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 2018-2020.

KRISTIAN RØKKE
Board member

Kristian Røkke is currently Chief Investment Officer at Aker ASA. He has extensive experience from offshore oil services, shipbuilding industry, M&A and other transactions. Prior to Aker ASA, Mr. Røkke was CEO in Akastor, an investment company listed on the Oslo stock exchange. Mr. Røkke is a board member of TRG Holding AS, Aker Solution 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 for the period 2018-2020.

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 2018, all ten tankers were in operation on long term 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 in the U.S.

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.

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 2018

OSG contract extensions

On 10 December 2018, OSG exercised its options to extend the bareboat charter agreements for all nine of AMSC's vessels up for renewal. OSG previously exercised its option to extend its charter agreement for the 10th vessel, extending that charter into 2025. As a result, all ten bareboat charter agreements have now been extended for additional periods. Charter

BOARD OF DIRECTORS' REPORT

agreements for five of the vessels were extended for three-year terms, commencing in December 2019 and ending in December 2022. Charter agreements for four of the vessels were extended for one-year terms, commencing in December 2019 and ending in December 2020. OSG has options to extend the charter terms for one, three or five years for the remaining useful lives of the vessels at similar terms to the current contracts. 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 with corresponding bareboat charters expiring December 2020. An overview of bareboat charter durations and remaining extension options is provided in the table below.

Continued dividend

For the financial year 2018, the Company declared dividends of USD 0.32 per share, USD 19.4 million in total. The Company's fixed bareboat revenue currently supports this dividend level.

Improved U.S. Jones Act market

During 2018, the U.S. Jones Act tanker market experienced improved trading conditions. Towards the end of the year, and for the first time in nearly three years, the entire Jones Act tanker fleet was fully employed on time charter contracts. The improved supply and demand dynamics are driven by net fleet reduction in combination with stronger demand for transportation of crude oil and clean products.

Stable cash flow

Normalized EBITDA, calculated as operating profit before depreciation (EBITDA), plus profit share, plus the Deferred Principal Obligation ("DPO"), was USD 87.9 million for 2018 and USD 88.6 million in 2017. AMSC discloses Normalized EBITDA in order to provide meaningful supplemental information to management and investors as the Company believes this measure enhances an understanding of the Company's operating earnings.

The DPO is a receivable from OSG which originated from deferred cash payments of a portion of the daily bareboat charter rate for five of AMSC's ships for the first seven years. The DPO is repaid to AMSC over 18 years including interest unless the bareboat charter is terminated earlier at which time the DPO becomes due immediately.

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 2020	Unlimited 3 and 5 year
Overseas Nikiski	Dec 2020	Unlimited 3 and 5 year
Overseas Martinez	Dec 2020	Unlimited 3 and 5 year
Overseas Anacortes	Dec 2020	Unlimited 3 and 5 year
Overseas Tampa	Jun 2025	2 x 5 year followed by 5 x 1 year

Normalized EBITDA

(USD millions)	2018	2017
Operating profit before depreciation	84.2	84.8
Profit share (see note 19)	-	-
DPO	3.7	3.8
Normalized EBITDA	87.9	88.6

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 2018 and 2017, AMSC had operating revenues of USD 87.8 million each, a reflection of the Company's stable, predictable business model. 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 2018 or 2017. Any profits generated under the profit sharing agreement are first used to offset the OSG credit balance. In the agreement with OSG, the "OSG credit" is the amount of AMSC's profit sharing that OSG retains prior to having an obligation to remit profit sharing payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% share of the subsequent profit in cash. The Company's operating profit before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 84.2 million in 2018 compared to USD 84.8 million in 2017.

BOARD OF DIRECTORS' REPORT

Depreciation was USD 33.8 million in 2018 versus USD 33.9 million in 2017. AMSC's operating profit (EBIT) was USD 50.4 million in 2018 versus USD 51.0 million in 2017.

Net financial items were negative USD 40.5 million in 2018 compared to negative USD 40.0 million in 2017. Net financial items of negative USD 40.5 million in 2018 consist primarily of net interest expense of USD 38.7 million and other financial expenses of USD 2.5 million, offset by unrealized, non-cash gain on the mark-to-market valuation of interest rate swap agreements of USD 0.7 million. Net financial items of negative USD 40.0 million in 2017 consist primarily of net interest expense of USD 42.8 million and other financial expenses of USD 3.1 million, offset by a gain on the investment in Philliy Tanker AS of USD 4.2 million and unrealized, non-cash gain on the mark-to-market valuation of interest rate swap agreements of USD 1.7 million. Net interest expense in 2017 was affected by costs of USD 4.8 million related to the refinancing of the bond maturing February 2018.

Net profit before tax for 2018 and 2017 was USD 9.9 million and USD 11.0 million, respectively.

Non-cash deferred income tax expense was USD 1.4 million in 2018 (USD 5.8 million benefit in 2017). As a result of the U.S. federal tax reform legislation, which was passed in Q4 2017 and reduced the federal corporate income tax rate from 35% to 21%, AMSC booked a one-time non-cash tax benefit of USD 5.8 million in the fourth quarter 2017. The Company is required to revalue its net deferred tax liability based on the new lower tax rate.

Income tax benefit in 2018 was USD 0.1 million (USD 3.5 million expense in 2017, consisting of USD 2.6 million relating to AMSC's share of the income from its investment in Philly Tankers and state franchise taxes of USD 0.9 million). The benefit in 2018 is due to reversal of prior year expenses for which the Company has negotiated with certain states to avoid state tax penalties.

AMSC's 2018 net income was USD 8.6 million versus USD 13.3 million in 2017. The 2018 basic and diluted earnings per share (EPS) were USD 0.14. The corresponding figures for 2017 were USD 0.22, 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 2018 was positive USD 47.7 million (USD 51.0 million in 2017).

Net cash flow from investing activities was positive USD 0.3 million, representing U.S. tax payments made by PTAS on AMSC's behalf in 2018 (USD 15.1 million in 2017). There were no investments made in 2018 or 2017.

Net cash flow from financing activities in 2018 was negative USD 48.5 million, which included USD 28.4 million in vessel debt installments, USD 19.4 million in dividends paid/return of capital and USD 0.7 million in loan fees paid. Net cash flow from financing activities in 2017 was negative USD 63.2 million, which included USD 28.3 million in vessel debt installments, USD 13.3 million paid on the Aker ASA subordinated loan, USD 22.1 million in dividends paid/return of capital and USD 3.8 million in loan fees paid, offset by USD 4.3 million net received from the bond refinancing.

Statement of financial position and liquidity

As of 31 December 2018, American Shipping Company had cash on deposit with banks totaling USD 53.8 million. Of this total amount, USD 2.7 million is cash held for specified uses. The corresponding amounts for 2017 were USD 54.3 million in cash on deposit with banks and USD 2.3 million in cash held for specified uses.

Other current assets were USD 0.2 million as of 31 December 2018 and 31 December 2017.

Property, plant and equipment as of 31 December 2018 was USD 711.8 million (USD 745.6 million as of 31 December 2017), and includes ten vessels.

Interest-bearing long-term receivables totaled USD 26.7 million as of 31 December 2018 (USD 28.7 million as of 31 December 2017) and represent the DPO due from OSG.

Other long-term assets totaled USD 16.4 million as of 31 December 2018 and represent AMSC's investment in Philly Tankers (USD 16.6 million as of 31 December 2017).

At 31 December 2018, total assets were USD 811.3 million (USD 847.1 million as of 31 December 2017).

At 31 December 2018, total equity was USD 176.1 million. The equity ratio was 21.7% of total assets. Corresponding amounts for 2017 were USD 186.9 million and 22.1%, respectively.

BOARD OF DIRECTORS' REPORT

Total current liabilities as of 31 December 2018 were USD 49.9 million, consisting of USD 29.6 million for short-term interest bearing debt and USD 20.3 million for deferred revenues, accrued interest and other payables. The corresponding total current liabilities as of 31 December 2017 were USD 48.5 million, consisting of USD 28.3 million for short-term interest bearing debt and USD 20.2 million for deferred revenues, accrued interest and other payables.

Non-current liabilities totaled USD 585.3 million at 31 December 2018, consisting of bank debt of USD 351.8 million related to the ten vessels owned by AMSC, a bond issue of USD 220.0 million, a subordinated loan from Aker ASA of USD 6.7 million and deferred tax liability of USD 13.0 million, offset by unamortized loan fees of USD 6.2 million. Non-current liabilities totaled USD 611.7 million at 31 December 2017, consisting of bank debt of USD 381.5 million related to the ten vessels owned by AMSC, a bond issue of USD 220.0 million, a subordinated loan from Aker ASA of USD 6.7 million and deferred tax liability of USD 11.6 million, offset by unamortized loan fees of USD 8.1 million.

Tax position

AMSC has federal net operating losses in carryforward (NOLs) as of 31 December 2018 of USD 563.4 million in the U.S. and USD 94.1 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 previous bond.

In December 2017, the U.S. passed federal tax reform legislation effective from 2018 which is expected to impact AMSC in several ways. The federal tax rate was reduced from 35% to 21%. The Company was required to revalue its net deferred tax liability based on the new lower tax rate, and it recognized a one-time non-cash tax benefit of USD 5.8 million in 2017 related to the revaluation. The legislation also includes limitations on the use of net operating losses in carryforward. Losses generated in 2018 and after can offset only 80% of taxable income. AMSC's NOLs generated prior to 2018 would not be subject to such limitations. From 2018 through 2021, the deduction for interest expense is limited to 30% of EBITDA. Starting in 2022, interest deductions may not exceed 30% of EBIT. Disallowed interest deductions can generally be carried forward indefinitely. This limitation could restrict the amount of AMSC's interest costs to reduce taxable income in certain years.

During 2017, the Company evaluated its state tax position based on the operation of the vessels. In the past, the Company filed state taxes only in Pennsylvania, based on the commercial domicile of the U.S. subsidiaries. The Company concluded that, based on the evolution of state tax laws, it has had nexus in states where the vessels have operated. The effect of this change in nexus is an overall reduction in the state effective tax rate. AMSC has booked the appropriate tax expenses, as well as deferred tax assets and liabilities, in those states where the Company has nexus.

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 operational 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 2018 on time, including USD 3.7 million in payments on the DPO receivable. AMSC's counterparty risk has been reduced in 2018 with OSG's election to exercise its options on all nine vessels up for renewal. In addition, OSG successfully refinanced its term loan B in December 2018 further reducing the counterparty risk. AMSC continues to enjoy downside protection with "come hell or high water" bareboat contracts and OSG's evergreen extension options.

AMSC continues to closely monitor its employment and counterparty risk.

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 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. Following the suc-

BOARD OF DIRECTORS' REPORT

cessful bond refinancing in 2017, no debt maturities are due before Q4 2020. The majority of the bank debt matures in Q4 2020 with the remaining approximately 20% maturing in 2025. The bond matures in February 2022.

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 entered into interest rate swaps to convert its floating rate debt to fixed rates for USD 300 million of its vessel debt (USD 258.3 million as of 31 December 2018).

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 2018.

THE GOING CONCERN ASSUMPTION

In view of AMSC's financial position, the Board confirms the going concern assumptions and that the 2018 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 2018 of USD 10.3 million, due to management and guarantee fees to its subsidiaries and interest income on intercompany loans. AMSC ASA is the Norwegian parent company owning 100% of the U.S. subsidiaries and owning the 19.6% share of Philly Tankers AS. Subsequent to year-end Philly Tankers AS was liquidated and distributed USD 16.3 million to AMSC.

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

Dividend payments	USD 19.4 million
Transferred from share premium	(USD 19.4 million)
Transferred to other equity	USD 10.3 million
Total allocated	USD 10.3 million

The Board of Directors was granted authorization to pay dividends based on the Company's annual accounts for 2017 at the Annual General Meeting in 2018, which is valid up to the Company's Annual General Meeting in 2019 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 0.08 per share (USD 4.8 million in aggregate) on 27 February 2019. The dividend was paid on 15 March 2019.

Corporate governance and internal control

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. 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 73 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.

The Company's board chairman 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 2018 are as follows:

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

BOARD OF DIRECTORS' REPORT

Further description of the Board Members is on page 12.

CORPORATE SOCIAL RESPONSIBILITY

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.

AMSC's modern, double-hulled tanker fleet meets the current requirements of the U.S. Coast Guard. 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.

Because AMSC has only three employees, the Company has a limited direct environmental impact. Since all of AMSC's vessels are operated by OSG, we do not have 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. 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 2018.

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 2018, one of AMSC's employees is a woman (Controller). In addition, the chairman of the board of directors is a woman.

The Company values open communication and the Board takes a hands on approach to AMSC's governance. 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 although it has implemented formal procedures to address risks related to segregation of duties inherent in a company with so few employees. AMSC does not have any other initiatives ongoing to address corruption.

OUTLOOK

The U.S. Jones Act market, which has been in existence since 1920, is expected to remain regulated and thereby protect and preserve the need for 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 U.S. flag.

By the end of 2018, the entire Jones Act tanker fleet was under time charters for the first time for nearly three years. This signals a strengthening market where charterers look to employ vessels longer term to cater for future cargo moves on the crude as well as the clean products side. As a result of the tightening market, one year time charter contracts are now concluded in the high 50ies and we remain optimistic on future rate development.

Recent time charter fixtures have been with refiners wishing to secure tankers to transport crude oil from the U.S. Gulf to the U.S. Northeast. Over the last 12-18 months this trade has developed substantially, driven by the widening of the price spread between U.S. crude oil available for shipment in the U.S. Gulf (WTI Houston) and its foreign equivalents, most notably Bonny Light and Brent. The discounted price of U.S. crude incentivizes Northeast refiners to shift their crude oil

BOARD OF DIRECTORS' REPORT

purchasing patterns toward domestic crude sourced in the U.S. Gulf as opposed to foreign crudes. This trade lane is one of the longest in the Jones Act tanker market (~15 day round voyage) and has increased from one tanker on occasion during most of 2017 to 8 MR tankers participating in the trade during the second half of 2018.

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

As older tankers and ATBs have come off long-term charters in 2018, their owners have faced expensive drydock decisions, and we have seen two tankers and five ATBs leaving the market during 2018. The expectation is that this trend will continue as 12 units (4 tankers and 8 ATBs) are above 30 years of age. Nonetheless, some older tankers have gone through special surveys signaling the rising optimism in the market.

AMSC 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 2020 and one shuttle tanker secured until June 2025. If the market enters into a period of extended strength, the Company may benefit from a profit share arrangement with OSG, which provides upside beyond fixed contracted rates.

Following extension of the Company's bareboat charter agreements and no debt maturities due until Q4 2020, AMSC has shifted its focus to further develop growth opportunities going forward. As a Jones Act tonnage provider, the Company is in a unique position to capitalize on select opportunities within the Jones Act segment. Any expansion would aim to diversify the fleet composition, market exposure, and customer base as well as provide accretion for shareholders.

Lysaker, 20 March 2019
The Board of Directors
American Shipping Company ASA

Annette Malm Justad
Annette Malm Justad
Chairman

Peter D. Knudsen
Peter D. Knudsen
Board Member

Kristian Røkke
Kristian Røkke
Board Member

Pål Magnussen
Pål Magnussen
President/CEO

BOARD RESPONSIBILITY STATEMENT

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 2018 (Annual Report 2018).

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 2018. 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 2018.

To the best of our knowledge:
The consolidated and parent annual financial statements for 2018 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 2018 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, 20 March 2019
The Board of Directors
American Shipping Company ASA

Annette Malm Justad
Chairman

Peter D. Knudsen
Board Member

Kristian Røkke
Board Member

Pål Magnussen
President/CEO

AMERICAN SHIPPING COMPANY

ANNUAL ACCOUNTS GROUP

GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD thousands	Note	31. Dec. 2018	31. Dec. 2017
ASSETS			
Property, plant and equipment	6	711 780	745 636
Interest-bearing long-term receivables	7	26 736	28 681
Derivative financial assets	9	2 395	1 647
Equity accounted investees	12	16 405	16 686
Total non-current assets		757 316	792 650
Other receivables	8	221	210
Cash held for specified uses		2 766	2 321
Cash and cash equivalents		51 034	51 948
Total current assets		54 020	54 479
Total assets		811 336	847 129
EQUITY AND LIABILITIES			
Share capital and share premium	11	225 025	244 422
Accumulated deficit		(48 958)	(57 550)
Total equity attributable to equity holders of the parent		176 066	186 872
Total equity		176 066	186 872
Interest-bearing loans	13	572 269	600 067
Deferred tax liabilities	5	13 022	11 613
Total non-current liabilities		585 291	611 680
Interest-bearing loans	13	29 667	28 333
Deferred revenues and other payables	15	20 139	18 814
Tax payable	5	174	1 430
Total current liabilities		49 979	48 577
Total liabilities		635 270	660 257
Total equity and liabilities		811 336	847 129

Lysaker, 20 March 2019
The Board of Directors
American Shipping Company ASA

Annette Malm Justad
Chairman

Peter D. Knudsen
Board Member

Kristian Røkke
Board Member

Pål Magnussen
President/CEO

GROUP

CONSOLIDATED INCOME STATEMENT

Amounts in USD thousands	Note	2018	2017
Operating revenues		87 801	87 801
Wages and other personnel expenses	2	(1 847)	(1 140)
Other operating expenses	3	(1 734)	(1 828)
Operating profit before depreciation		84 221	84 833
Depreciation	6	(33 856)	(33 854)
Operating profit		50 365	50 979
Net income from equity accounted investees	4	-	4 180
Financial income	4	3 113	3 823
Financial expenses	4	(43 567)	(47 973)
Income before income tax		9 911	11 010
Income tax (expense) / benefit	5	(1 320)	2 299
Net income for the year *)		8 591	13 308

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD thousands (except per share)	Note	2018	2017
Net income for the year		8 591	13 308
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the year *)		8 591	13 308
Basic and diluted earnings per share	10	0.14	0.22

*) 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 2016		96 366	170 119	(70 843)	195 642
Total comprehensive income for the year		-	-	13 308	13 308
Repurchase of treasury shares		-	-	(82)	(82)
Proceeds from sale of treasury shares		-	-	67	67
Dividends paid / return of capital	11	-	(22 063)	-	(22 063)
Balance at 31 December 2017		96 366	148 056	(57 550)	186 872
Total comprehensive income for the year		-	-	8 591	8 591
Dividends paid / return of capital	11	-	(19 397)	-	(19 397)
Balance at 31 December 2018		96 366	128 659	(48 959)	176 066

GROUP

CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD thousands	Note	2018	2017
Net income before taxes		9 911	11 010
Non-cash profit according to equity method and other non-cash items		2 927	1 426
Unrealized (gain) interest swaps	9	(747)	(1 704)
Net interest expense	4	38 729	42 827
Depreciation	6	33 856	33 854
(Increase)/decrease in:			
Other current assets	8	(289)	(379)
Other long-term operating assets	7	1 944	1 944
Increase/(decrease) in:			
Accrued liabilities and other payables	15	(662)	(6 459)
Interest paid	4	(40 275)	(33 640)
Interest received	4	2 366	2 120
Net cash flow from operating activities		47 760	50 999
Distributions received from equity accounted investee	12	281	15 056
Net cash flow used in investing activities		281	15 056
Repayment of interest bearing loans	13	(28 388)	(257 416)
Loan fees paid	13	(725)	(3 685)
Proceeds from interest bearing debt	13	-	220 000
Repurchase of treasury shares		-	(82)
Proceeds from sale of treasury shares		-	67
Dividends paid / return of capital	11	(19 397)	(22 063)
Net cash flow from financing activities		(48 510)	(63 179)
Net change in cash and cash equivalents		(470)	2 876
Cash and cash equivalents, including cash for specified uses as of 1 January		54 269	51 393
Cash and cash equivalents, including cash for specified uses as of 31 December		53 800	54 269

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).

These accounts have been approved for issue from the Board of Directors on 20 March 2019 for adoption by the General Meeting on 25 April 2019.

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 INVESTEES

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 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.

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.

NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)

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.

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 IAS 17, 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.

NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)

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.

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.

NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)

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.

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.

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
IFRS 15 Revenue from contracts with Customers (effective from 1 January 2018)
Income from lease contracts where American Shipping Company is a lessor is accounted for in accordance with IAS 17, and classified as Operating Revenues in the Income Statement. As a result, the introduction of IFRS 15 Revenue from contracts with customers from 1 January 2018 did not have a material impact to the group.

IFRS 9 Financial Instruments (effective from 1 January 2018)
The standard replaced IAS 39 Financial Instruments Recognition and Measurement. The standard includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. The standard also introduces new general hedge accounting requirements, however American Shipping Company does not apply hedge accounting to derivatives held.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The standard contains three principal classification

NOTE 1: ACCOUNTING PRINCIPLES (CONTINUED)

categories: measured at amortized costs, Fair Value to Other Comprehensive Income (FVOCI) and Fair Value to Profit and Loss (FVTPL).

Based on its assessment and the nature of financial assets held by American Shipping Company, the current classifications of the financial instruments held as at 31 December 2018 were not materially impacted.

Impairment – Financial assets and contract assets
IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost or FVOCI and contract assets, except for equity instruments. Under IFRS 9, loss allowance is measured based on either "12-month ECLs" or "lifetime ECLs". The Company applied the simplified approach using "lifetime ECLs" for all trade receivables and contract assets.

Based on the Company's assessment, no significant changes in loss allowance were deemed necessary in order to satisfy the impairment requirement under IFRS 9.The transition to IFRS 9 was applied retrospectively and there was no impact the opening balance of equity as of 1 January 2018. Further, the Company adopted the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement changes, including impairment measurement.

STANDARDS ISSUED BUT NOT YET ADOPTED

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 16:
IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. IFRS 16 replaces the existing guidance in IAS 17 Leases. IFRS 16 eliminates the current dual accounting model for lessees and will establish a single on-balance sheet-accounting model that is similar to the current finance lease accounting under IAS 17.

Due to the fact that American Shipping Company is primarily a lessor and lessor accounting under IFRS 16 to a large extent remains similar to current practice, the adoption of the new standard does not have a significant impact on the financial statements of American Shipping Company.

NOTE 2: WAGES AND OTHER PERSONNEL EXPENSES

Wages and other personnel expenses consist of:

Amounts in USD thousands	2018	2017
Wages and bonuses	1 648	976
Social security contributions	144	119
Pension costs	24	19
Other expenses	31	26
Total expense	1 847	1 140
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	2018	2017
Rent and leasing expenses	63	72
Other operating expenses	1 671	1 756
Total other operating expenses	1 734	1 828

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 2018 and 2017 included only ordinary audit fees, other assurance services and tax services and were as follows (excluding VAT):

Ordinary audit fee	104	100
Other assurance services	-	9
Tax services	23	47
Total	127	156

NOTE 4: FINANCIAL ITEMS

Amounts in USD thousands	2018	2017
Net income from equity accounted investee	-	4 180
Financial income		
Interest income	2 366	2 120
Change in mark to market value of interest rate swaps	747	1 703
Financial income	3 113	3 823
Financial expenses		
Interest expense	(41 095)	(44 947)
Net foreign exchange gain/(loss)	(49)	58
Other financial expenses	(2 423)	(3 084)
Financial expenses	(43 567)	(47 973)
NET FINANCIAL ITEMS	(40 454)	(39 970)

Interest income in 2018 includes interest received from Overseas Shipholding Group ("OSG") of USD 1.7 million on the DPO receivable (see note 7) and interest earned on bank deposits of USD 0.7 million. Interest income in 2017 includes interest received from OSG of USD 1.8 million on the DPO receivable (see note 7) and interest earned on bank deposits of USD 0.3 million.

NOTE 4: FINANCIAL ITEMS (CONTINUED)

The Company has interest rate swaps, related to a portion of its vessel debt financing, with BNP Paribas ("BNP"), Credit Agricole Corporate & Investment Bank ("CACIB") and Skandinaviska Enskilda Banken AB ("SEB"). 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.

The Company has interest rate swaps, related to a portion of its vessel debt financing, with BNP Paribas ("BNP"), Credit Agricole Corporate & Investment Bank ("CACIB") and Skandinaviska Enskilda Banken AB ("SEB"). 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 income from equity accounted investees in 2017 reflects the Company's 19.6% share of net income of Philly Tankers AS ("PTAS") under the equity method totaling USD 7.1 million (related to the sale of the final three vessel contracts and related assets by PTAS to Kinder Morgan). In addition, AMSC recognized a USD 2.9 million write-down in 2017 as a result of the difference between the initial equity investment booked at cost and subsequent capital distributions from PTAS (refer to note 12 for further information).

Interest expense in 2018 includes interest paid of USD 41.1 million. Interest expense in 2017 includes interest paid of USD 31.4 million, a USD 2.2 million premium paid on the prepayment of the previous bond in February 2017 and USD 2.6 million non-cash write-off of the unamortized bond discount.

Net foreign exchange gain/(loss) in 2018 and 2017 relates to the translation of cash held in NOK into USD.

NOTE 5: TAX

INCOME TAX EXPENSE

Recognized in the income statement:

Amounts in USD thousands	2018	2017
Current tax expense/(benefit):		
Current year	(89)	3 528
Total current tax expense/(benefit)	(89)	3 528
Deferred tax expense/(benefit):		
Origination and reversal of temporary differences	1 409	(5 827)
Total deferred tax expense/(benefit)	1 409	(5 827)
Total income tax expense/(benefit) in income statement	1 320	(2 299)

NOTE 5: TAX (CONTINUED)

Reconciliation of effective tax rate:

Amounts in USD thousands	2018	2017
Profit/(loss) before tax	9 911	11 010
	23.0%	24.0%
Expected tax expense/(benefit) using nominal Norwegian tax rate	2 280	2 642
Effect of differences between nominal Norwegian tax rate and U.S. federal and state tax rate	0	955
Franchise taxes	(89)	867
Foreign exchange	2 696	17 094
Tax losses for which no deferred income tax asset was recognised, net of benefit recognized	2 007	103
Utilization of Norwegian tax losses for which no deferred tax asset was previously booked	(4 935)	(14 858)
U.S. federal and state tax benefit of change in effective rates	-	(8 204)
Other differences	(638)	(898)
Total income tax expense/(benefit) in income statement	1 320	(2 299)

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.

In December 2017, the U.S. passed federal tax reform legislation effective from 2018 which is expected to impact AMSC in several ways. The federal tax rate was reduced from 35% to 21%. The Company is required to revalue its net deferred tax liability based on the new lower tax rate, and it recognized a one-time non-cash tax benefit of USD 5.8 million in 2017 related to the revaluation. The legislation also includes limitations on the use of net operating losses in carryforward. Losses generated in 2018 and after can offset only 80% of taxable income. AMSC's NOLs generated prior to 2018 would not be subject to such limitations. Beginning in 2018 through 2021, the deduction for interest expense will be limited to 30% of EBITDA. Starting in 2022, interest deductions may not exceed 30% of EBIT. Disallowed interest deductions can generally be carried forward indefinitely. This limitation could restrict the amount of AMSC's interest costs to reduce taxable income in certain years.

During 2017, the Company evaluated its state tax position based on the operation of the vessels. In the past, the Company filed state taxes only in Pennsylvania, based on the commercial domicile of the U.S. subsidiaries. The Company concluded that, based on the evolution of state tax laws, it has had nexus in states where the vessels have operated. The effect of this change in nexus is an overall reduction in the state effective tax rate. AMSC has booked the appropriate tax expenses, as well as deferred tax assets and liabilities, in those states where the Company has nexus.

INCOME TAX EXPENSE

During 2018, AMSC recognized an income tax benefit of USD 89 thousand in state franchise taxes partially due to reversal of prior year expenses for which the Company has negotiated with certain states to avoid state tax penalties. During 2017, AMSC recognized income tax expense of USD 2.7 million relating to its share of the income from its investment in PTAS and income tax expense of USD 0.9 million in state franchise taxes.

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 2018 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	2018	2017
Net operating losses	128 689	129 696
Financial derivatives	(561)	(386)
Vessels	(152 073)	(147 023)
Unused interest deductions	8 901	4 020
Other	1 824	2 080
Net deferred tax assets/(liabilities)	(13 220)	(11 613)
Net deferred tax assets not recorded	-	-
Net deferred tax assets/(liabilities)	(13 220)	(11 613)

The Group has federal tax losses carryforward as of 31 December 2018 of USD 563.4 million in the U.S., the last of which expires in 2037.

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 2019-2033 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 188 million of the total IRC 382 losses of USD 381.3 million NOLs have not been used through 31 December 2018 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 189.6 million and the losses through 31 December 2018 of USD 373.8 million. There are no restrictions on the use of the USD 373.8 million net operating loss, the last of which expires in 2037.

In 2018, the Company recognized a deferred tax benefit of USD 0.1 million (USD 4.1 million in 2017) related to U.S. Federal income taxes. Of the 2017 amount, a one-time benefit of USD 5.8 million was a result of the lower U.S. federal tax rate from 35% to 21%.

In 2018, the Company recognized a deferred tax expense of USD 1.5 million (USD 1.7 million benefit in 2017) related to income taxes in the states where the vessels have operated. The tax benefit in 2017 is mainly due to the reduction in the state effective tax rate due to the apportionment of income and losses to multiple states.

Norway Amounts in USD thousands	2018	2017
Operating losses	21 638	26 521
Net deferred tax assets/(liabilities)	21 638	26 521
Net deferred tax assets not recorded	(21 638)	(26 521)
Net deferred tax assets/(liabilities)	-	-

The Group has net operating losses in carryforward as of 31 December 2018 of USD 94.1 million in Norway, with no expiration date. Deferred tax assets in excess of deferred tax liabilities have not been recognized in respect of these items because it is not probable that future taxable profit in the short term 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 2018 are shown below:

Amounts in USD thousands	Ships
Cost balance at 1 January 2018	1 076 563
Cost balance at 31 December 2018	1 076 563
Depreciation at 1 January 2018	330 927
Depreciation charge for the year	33 856
Depreciation at 31 December 2018	364 783
Book value at 31 December 2018	711 780

Movements in property, plant and equipment for 2017 are shown below:

Amounts in USD thousands	Ships
Cost balance at 1 January 2017	1 076 563
Cost balance at 31 December 2017	1 076 563
Depreciation at 1 January 2017	297 073
Depreciation charge for the year	33 854
Depreciation at 31 December 2017	330 927
Book value at 31 December 2017	745 636
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 400 per ton less estimated costs of disposal.

SECURED PROPERTY, PLANT AND EQUIPMENT

At 31 December 2018 vessels with a carrying amount of USD 711.8 million are subject to a registered debenture to secure bank loans (see note 13).

The BNP and CIT credit facilities are secured by, among other things, a first preferred mortgage on eight of the ten product tankers in the case of the BNP facility, and two 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).

DETERMINATION OF RECOVERABLE AMOUNTS/FAIR VALUE

The Company evaluated any potential impairment of its vessels. Based on its analysis, which included third party appraisals and a discounted cash flows ("DCF") approach, the Company concluded that no impairment of vessels occurred in 2018 or 2017.

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. In 2018, OSG exercised its option to extend all nine vessels up for renewal.

NOTE 7: INTEREST-BEARING LONG-TERM RECEIVABLES

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

Amounts in USD thousands	2018	2017
Balance at beginning of period	28 681	30 625
DPO revenue	-	-
Repayments of principal	(1 945)	(1 944)
Interest accreted	-	-
Balance at end of period	26 736	28 681

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 2018 and 2017, 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	2018	2017
Trade receivables	56	-
Prepaid fees / withheld taxes	165	210
Total	221	210

NOTE 9: DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Derivative financial assets and liabilities comprise the following items:

Amounts in USD thousands	2018	2017
Fair value of interest rate swaps	2 395	1 647
Derivative financial assets	2 395	1 647

Under the BNP loan facility, the Company entered into interest rate swaps for USD 300 million of the principal amount of the loan. As of 31 December 2018 and 2017 the market value of derivative financial instruments was positive USD 2.4 million and positive USD 1.6 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 had a negative impact of USD 39 thousand and USD 27 thousand on the fair value of interest rate swaps at 31 December 2018 and 2017, respectively.

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 data)	2018	2017
Profit/(loss) attributable to equity holders of the Company for the period for determination of earnings per share	8 591	13 308
Weighted average number of ordinary shares in issue	60 616 505	60 616 505
Basic and diluted earnings per share	0.14	0.22

NOTE 11: PAID IN CAPITAL

The issued share capital of AMSC as of 31 December 2018 is 60,616,505 ordinary shares, each with a par value of NOK 10, fully paid. No common shares were issued in 2018. The Annual General Meeting (AGM) in 2018 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 2019.

The changes in equity are:

	Common shares of equity holders of the parent		
Amounts in USD thousands	Share Capital	Share premium	Total paid in equity
31 December 2016	96 366	170 119	266 485
Dividends paid / return of capital	-	(22 063)	(22 063)
31 December 2017	96 366	148 056	244 422
Dividends paid / return of capital	-	(19 397)	(19 397)
31 December 2018	96 366	128 659	225 025

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.

2018	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 or CIT Bank which are covered by overall agreements that tie the arrangements together through either a framework agreement and/or guarantees.

NOTE 12: SUBSIDIARIES AND ASSOCIATES (CONTINUED)

ASSOCIATES

Philly Tankers AS

In 2014, AMSC made an equity investment of USD 25 million in Philly Tankers AS ("PTAS") and owns 19.6% of the Oslo, Norway based company. Philly Tankers was formed in Q3 2014 and is registered on the Norwegian OTC market. Philly Tankers ordered four 50,000 dwt product tankers from Philly Shipyard ("PHLY") which were delivered and sold between Q4 2016 and Q4 2017. AMSC also holds a seat on the Board of Directors of Philly Tankers. In 3Q 2015, Philly Tankers AS agreed to sell its four product tanker contracts to a subsidiary of Kinder Morgan, Inc. with the assignment to take place immediately before delivery of each ship.

The investment in Philly Tankers is recorded using the equity method.

As a result of the sale to Kinder Morgan, PTAS distributed excess cash to its shareholders following delivery of each vessel. During 2017, AMSC received distributions from PTAS of USD 12.5 million net of tax (USD 15.1 million before tax). On 19 February 2019, PTAS distributed USD 16.3 million to AMSC as a liquidating distribution. In total, AMSC has received USD 28.8 million in after-tax proceeds from PTAS from the initial USD 25 million investment.

The following table summarizes the financial information of Philly Tankers as included in its own financial statements.

Amounts in USD thousands	2018	2017
Current assets	85 305	85 715
Current liabilities	(2 214)	(581)
Net assets	83 091	85 134
Group's share of net assets (19.6%)	16 286	16 686
Excess of AMSC's investment over its share of equity in associates	120	-
Carrying amount of interest in associate	16 405	16 686
Net profit/(loss) of Philly Tankers AS consolidated	(974)	36 166

The following table shows the reconciliation between the opening and closing balance of equity accounted investees:

Amounts in USD thousands	2018	2017
Balance at beginning of period	16 686	27 559
Group's share of PTAS profit (19.6%)	-	7 089
Distributions from PTAS	(281)	(15 056)
Write-down initial investment booked at cost	-	(2 906)
Balance at end of period	16 405	16 686

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	2018	2017
Non-current liabilities		
Secured loans	348 055	376 653
Unsecured bond issues	217 542	216 743
Subordinated loan from Aker ASA	6 671	6 671
Total long term interest bearing loans	572 268	600 067
Current liabilities		
Current portion of secured loans	29 667	28 333
Total interest-bearing short term debt	29 667	28 333

Summary of secured loans as of 31 December	2018	2017
BNP Paribas gross borrowings	258 506	278 561
CIT Bank gross borrowings	122 917	131 250
Less unamortized loan fees	(3 700)	(4 825)
Total Secured Loans	377 722	404 986

The secured loans are structured in two separate facilities; one being an initial USD 300 million initial facility secured by eight vessels with a syndicate of banks with BNP Paribas as agent, and the other an initial USD 150 million facility secured by two vessels with CIT Maritime Finance as Sole Arranger and CIT Bank, N.A., Prudential Capital Group and AloStar Bank of Commerce as lenders. The loans have been repaid to USD 258.5 million and USD 122.9 million, respectively, at year-end 2018.

The Company entered into mandatory five year interest rate swaps in December 2015 at an average rate of 164 bps for USD 210 million of the debt. During 2016, the Company entered into four year interest rate swaps at an average rate of 93 bps for USD 90 million of the debt. The average margin on the secured vessel debt is 325 bps.

Unsecured bond issue as of 31 December	Maturity	2018	2017
Bond balance at beginning of period	2022	220 000	212 783
New bond raised		-	220 000
Repayment of old bond		-	(215 598)
Plus write-off of discount		-	2 815
Less unamortized loan fees		(2 458)	(3 257)
Total unsecured bond issue		217 542	216 743

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

On 9 February 2017, American Tanker, Inc. ("ATI"), a fully owned subsidiary of AMSC, completed the successful placement of a five year USD 220 million senior unsecured bond. The bond was widely placed to investors in the U.S., U.K., and Nordic region. Settlement was on 22 February 2017, with final maturity date on 22 February 2022. The bond has a fixed coupon of 9.25%. On 14 June 2017, ATI listed the USD 220 million unsecured bonds on the Oslo Stock Exchange under the ticker AMTI01.

The net proceeds from the bond were used to refinance the previous bond which had a maturity in February 2018.

Subordinated loan from Aker ASA	Maturity	2018	2017
Principal amount	2021	6 671	6 671
Total Subordinated Loan		6 671	6 671

As part of the bank debt refinancing in 2015, the Company entered into a USD 20 million subordinated loan with Aker ASA. The loan has an interest rate of 10.25 percent which is due in one lump sum upon repayment of the loan. The loan is due the earlier of (i) six months after the secured vessel debt becomes due or (ii) upon receipt of proceeds from Philly Tankers.

In February 2019, the Company received a liquidating distribution from PTAS and used USD 10.7 million of the proceeds to repay all outstanding principal and interest on the Aker loan.

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

	2018	2017
Balance at beginning of period	628 400	664 367
Repayment of debt	(28 388)	(257 415)
Payment of loan fees	(725)	(3 685)
Issuance of debt	-	220 000
Amortization of loan fees and discount	2 649	5 133
Balance at end of period	601 936	628 400

RESTRICTIONS ON DIVIDEND PAYMENTS

Subject to certain exceptions, as of 31 December 2018, the BNP 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. Beginning in 2019, 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 2018.

NOTE 14: OPERATING LEASES

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

Amounts in USD thousands	2018	2017
Less than one year	87 801	87 801
Between one and five years	201 246	115 256
More than five years	13 702	22 846
Total	302 750	225 903

During 2018, OSG exercised its options to extend the bareboat charter agreements for nine of AMSC's vessels. Charter agreements for five of the vessels were extended for three-year terms, commencing from December 2019 and ending in December 2022. Charter agreements for four of the vessels were extended for one-year terms commencing in December 2019 and ending in December 2020. OSG previously extended the charter for the Overseas Tampa, which expires in 2025. The non-cancellable bareboat charter revenue backlog totals approximately USD 302.7 million as of 31 December 2018. OSG has options to extend the charter terms for one, three or five years for the remaining useful lives of the vessels under similar conditions as the fixed lease term. The one-year extension options may only be used once for each vessel. The extension options must be exercised 12 months prior to the expiration date.

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

Amounts in USD thousands	2018	2017
Less than one year	46	45
Between one and five years	15	61
More than five years	-	-
Total	61	106

In 2017, AMSC extended the lease for the Kennett Square office by two years to April 2020. IFRS 16 becomes 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	2018	2017
Trade accounts payable	117	18
Accrual of financial costs	11 464	10 810
Other short-term interest free liabilities	8 558	7 986
Total	20 139	18 814

Financial costs include interest accrued but unpaid on the unsecured bond issue and subordinated Aker loan. Other short-term interest free liabilities at 31 December 2018 and 2017 include deferred revenue from OSG of USD 7.5 million because OSG makes monthly lease payments in advance and other accrued costs of USD 1.1 million (USD 0.5 million at 31 December 2017).

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 mandatory five year interest rate swaps in December 2015 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	2018	2017
Loans and receivables	26 956	28 891
Cash and cash equivalents	51 034	51 948
Cash held for specified uses	2 766	2 321
Total	80 756	83 160

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	2018	2017
Type of counterparty:		
End-user customer *)	26 736	28 681
Other receivables	221	210
Total	26 956	28 891

*) 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 BNP and CIT 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 2018 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	(288 450)	(10 175)	(10 175)	(30 350)	(237 750)	-
Long-term interest bearing external liabilities (gross)	388 094	(450 952)	(25 301)	(26 302)	(306 377)	(38 228)	(54 744)
Total as of 31 December 2018	608 094	(739 402)	(35 476)	(36 477)	(336 727)	(275 978)	(54 744)

31. December 2017 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	(308 800)	(10 175)	(10 175)	(20 350)	(268 100)	-
Long-term interest bearing external liabilities (gross)	416 482	(494 461)	(23 882)	(23 845)	(48 838)	(334 714)	(63 182)
Total as of 31 December 2017	636 482	(803 261)	(34 057)	(34 020)	(69 188)	(602 814)	(63 182)

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 2018 or 31 December 2017.

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to currency risk

The company's exposure to currency risk at 31 December 2018 and 2017 primarily related to amounts denominated in NOK, as follows:

Amounts in USD thousands	2018	2017
Gross balance sheet exposure		
Trade payables (-)	(92)	(11)
Cash	764	18
Gross balance sheet exposure	672	7
Estimated forecast expenses (-)	(2 389)	(2 345)
Gross forecasted exposure	(2 389)	(2 345)
Forward exchange contracts	-	-
Net exposure	(1 717)	(2 338)

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 2018 and 2017. 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 BNP financing, the Group has entered into interest swap agreements to lock in the interest rate paid. The bond issued in 2017 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	2018	2017
Increase/(decrease)		
Bank deposits	515	513
Financial liabilities	(1 421)	(7 546)
Interest swap	1 264	5 560
P&L sensitivity (net)	358	(1 473)

For 2018 and 2017, estimates of the interest swap valuation following the change in interest rates are based on broker quotes, with an adjustment for the Company's credit risk as described in note 9.

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 2018 and 2017, 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 2018, there were no transfers between categories.

The fair values of financial instruments, the related fair value hierarchy, together with the carrying amounts shown in the balance sheet as of 31 December 2018 are as follows:

Amounts in USD thousands	Carrying amount 2018	Fair value 2018	Fair value hierarchy	Valuation technique
Interest-bearing receivables from external companies, maturity greater than 3 years	26 736	21 971	3	Discounted cash flows at 10%
Interest swap used for economic hedging:				
Assets	2 395	2 395	2	Market comparison from a third party
Unsecured bonds (gross)	(220 000)	(214 500)	2	OSE trading price at year-end
Secured loans (gross)	(381 423)	(383 761)	2	Discounted cash flows at 4.0%
Subordinated loans (gross)	-6 671	-9 588	2	Discounted cash flows at 10.25%

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 2017 are as follows:

Amounts in USD thousands	Carrying amount 2017	Fair value 2017	Fair value hierarchy	Valuation technique
Interest-bearing receivables from external companies, maturity greater than 3 years	28 681	23 343	3	Discounted cash flows at 10%
Interest swap used for economic hedging:				
Assets	1 647	1 647	2	Market comparison from a third party
Unsecured bonds (gross)	(220 000)	(215 188)	2	OSE trading price at year-end
Secured loans (gross)	(409 811)	(411 793)	2	Discounted cash flows at 4.0%
Subordinated loans (gross)	(6 671)	(8 665)	2	Discounted cash flows at 10.25%

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 2018

Name	Position	Company	No. of shares
Pål Magnussen	President and CEO	AMSC	50 000
Morten Bakke	CFO	AMSC	25 000
Annette Malm Justad	Chairman of the Board	AMSC	4 523
Peter Knudsen	Board Member	AMSC	2 000

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 2018

Name	Position	Company	Remuneration
Annette Malm Justad	Chairman	AMSC	59 539
Peter Knudsen	Board Member	AMSC	47 667
Audun Stensvold	Board Member	AMSC	11 917
Kristian Røkke	Board Member	AMSC	23 834
Total Directors' fee			142 956

The Chairman 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 2018. Audun Stensvold served as Board Member through the general meeting in 2018, where Kristian Røkke was elected.

The Directors' fee for Audun Stensvold and Kristian Røkke is paid to Aker ASA.

Remuneration to the Nomination Committee

The nomination committee of AMSC has the following members: Arild Støren Frick and Christine Rødseter. Remuneration earned by each member of the committee in 2018 was NOK 30,000 (USD 3,750).

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 2018, 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 2018.

During 2018, Mr. Magnussen was awarded 350,000 synthetic shares. Under his synthetic share agreement, the total bonus earned during 2018 was USD 543 thousand. The cap on his salary for 2018 was NOK 7 million. During 2018, Mr. Bakke was awarded 200,000 synthetic shares, resulting in bonus earned of USD 298 thousand. The cap on his salary for 2018 was NOK 4 million. During 2018, Ms. Jaros was awarded 50,000 synthetic shares, resulting in bonus earned of USD 68 thousand. The cap on Ms. Jaros' salary for 2018 was USD 253 thousand per year.

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 2018

			Base salary	Bonus	Other Benefits	Pension Contribution	Total (USD)	Severance pay
Pål Magnussen	CEO	Jan. - Dec.	335 224	544 627	2 051	9 158	891 060	6 months
Morten Bakke	CFO	Jan. - Dec.	214 544	299 224	2 051	9 110	524 929	6 months
Leigh Jaros	Controller	Jan. - Dec.	184 583	68 417	3 081	5 672	261 752	6 months

The above amounts reflect salary and bonus earned during 2018, and include Norwegian vacation pay.

Remuneration to Senior Management during 2017

			Base salary	Bonus	Other Benefits	Pension Contribution	Total (USD)	Severance pay
Pål Magnussen	CEO	Jan. - Dec.	344 231	160 892	4 099	8 492	517 714	6 months
Morten Bakke	CFO	Jan. - Dec.	220 308	70 528	3 079	8 370	302 285	6 months
Leigh Jaros	Controller	Jan. - Dec.	180 048	16 000	2 473	2 007	200 528	6 months

The above amounts reflect salary and bonus earned during 2017, 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.

As part of the bank debt refinancing, the Company entered into a USD 20 million subordinated loan with Aker ASA. The loan has an interest rate of 10.25 percent which is due in one lump sum upon repayment of the loan. The loan is due the earlier of (i) six months after the secured vessel debt becomes due or (ii) upon receipt of proceeds from Philly Tankers. The principal balance as of 31 December 2018 was USD 6.7 million, plus USD 4.0 million in accrued interest. Subsequent to year-end, AMSC repaid the loan and accrued interest in full.

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.

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 2020; 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.

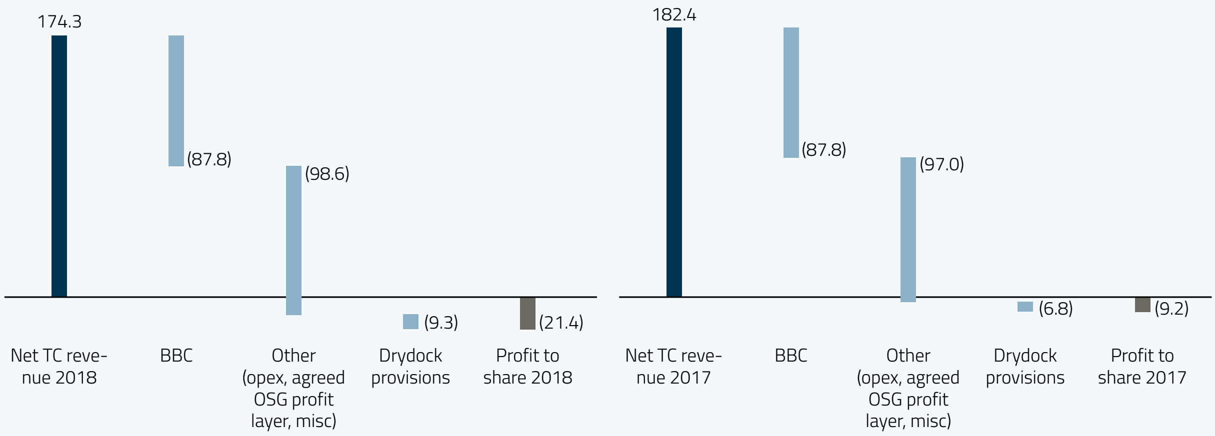
Under the profit sharing agreement, AMSC and OSG share in the profits from OSG's operations of AMSC's 10 vessels. The calculation of profit to share is made on an aggregated fleet level. The calculation thus starts with total vessel revenue, subtracted by defined cost elements, as described below.

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 start-up costs	Amortized through December 2019
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

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.

NOTE 19: AGREEMENTS WITH OSG (CONTINUED)

When drydock expenses are covered, AMSC's portion of the profit share must pay down a USD 18.2 million credit (plus accrued interest at 9.5% p.a. since December 2009) negotiated with OSG, which is the amount of AMSC's profit sharing OSG retains prior to having an obligation to remit profit sharing payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% 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 2018 the profit share was zero (2017: 0). The calculation of profit sharing for the full year 2018 and 2017 are shown with aggregated, rounded figures in USD millions below.



AMSC's 50% share of the profit (0 for 2018) is used to reduce the OSG credit. The cumulative balance as of the end of 2018 and 2017 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 2018	Beginning balance as of 31 Dec. 2017	Accrued interest	Reduction	Ending balance as of 31 Dec. 2018
OSG credit	5.4	0.5	-	5.9

Balance per 31 December 2017	Beginning balance as of 31 Dec. 2016	Accrued interest	Reduction	Ending balance as of 31 Dec. 2017
OSG credit	4.9	0.5	-	5.4

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

On 18 February 2019, AMSC, through its wholly owned subsidiary American Tanker, Inc. (ATI), proposed amendments to its unsecured bond issue, including the removal of scheduled amortization. The Company believes the amendments to the bond will improve AMSC's position in refinancing the secure bank debt as well as strengthen the Company's ability to raise capital in relation to potential future growth opportunities. The amendment was approved by written resolution on 5 March 2019.

On 19 February 2019, PTAS distributed USD 16.3 million to AMSC as a liquidating distribution. AMSC subsequently used USD 10.7 million to repay all outstanding principal and interest on its subordinated loan from Aker ASA. In total, AMSC has received USD 28.8 million in after-tax proceeds from PTAS.

On 27 February 2019, the Board authorized a quarterly dividend payment of USD 0.08 per share (USD 4.8 million in aggregate) to the shareholders of AMSC on record as of 7 March 2019. The dividend was paid on 15 March 2019.

AMERICAN SHIPPING COMPANY

ANNUAL ACCOUNTS PARENT

PARENT

STATEMENT OF FINANCIAL POSITION

Amounts in USD thousands	Note	31. Dec. 2018	31. Dec. 2017
ASSETS			
Investment in associates	3	16 405	16 686
Shares in subsidiaries	3	35 938	35 932
Deferred tax asset	4	198	198
Long-term receivable group companies	5	85 663	85 663
Total financial non-current assets		138 204	138 479
Total non-current assets		138 204	138 479
Tax receivable		389	-
Other short-term receivables		2 004	202
Cash and cash equivalents	8	23 548	33 356
Total current assets		25 941	33 558
Total assets		164 146	172 037
EQUITY AND LIABILITIES			
Share capital		96 366	96 366
Share premium reserve		123 810	143 207
Total paid in capital		220 176	239 573
Other equity		(72 756)	(83 060)
Total retained earnings		(72 756)	(83 060)
Total equity	6	147 419	156 513
Other interest-bearing debt	7	6 844	6 899
Total long-term liabilities		6 844	6 899
Tax payable	4	-	92
Dividend payable	6	4 849	4 849
Other short-term debt		5 033	3 685
Total short-term liabilities		9 882	8 625
Total equity and liabilities		164 146	172 037

Lysaker, 20 March 2019
The Board of Directors
American Shipping Company ASA

Annette Malm Justad
Chairman

Peter D. Knudsen
Board Member

Kristian Røkke
Board Member

Pål Magnussen
President/CEO

PARENT

INCOME STATEMENT

Amounts in USD thousands	Note	2018	2017
Operating revenues		1 858	60
Other operating expenses	2	(2 392)	(1 791)
Operating loss		(534)	(1 731)
Interest income from group companies		8 455	8 381
Net income from equity accounted investees	2	-	4 180
Other interest and financial income	2	3 148	2 963
Other interest and financial expenses	2 7	(765)	(8 223)
Loss after financial items		10 304	5 570
Deferred income tax benefit	4	-	106
Income tax expense	4	-	(2 660)
Profit / (loss) for the period		10 304	3 016
Allocation of net profit / (loss):			
Profit / (loss)		10 304	3 016
Other equity	6	(10 304)	(3 016)
Total		-	-

PARENT

CASH FLOW STATEMENT

Amounts in USD thousands	Note	2018	2017
Profit / (loss) before tax		10 304	5 570
Unrealized foreign exchange (gain)/loss and unpaid interest expense		693	2 323
Non-cash income from equity accounted investee		-	(4 183)
Changes in short term receivables		(2 191)	976
Changes in short term liabilities		563	(4 023)
Cash flow from operating activities		9 370	663
Changes in long term investments	3	275	281 616
Cash flow from investing activities		275	281 616
Repayment of bond obligation	7	-	(215 598)
Dividends / return of capital paid	6	(19 397)	(22 063)
Repurchase of treasury shares	6	-	(82)
Proceeds from sale of treasury shares	6	-	67
Proceeds from / (repayments of) other interest-bearing debt	7	(55)	(13 485)
Cash flow from financial activities		(19 452)	(251 161)
Cash flow for the year		(9 808)	31 117
Cash and cash equivalents 1 January		33 357	2 239
Cash and cash equivalents 31 December		23 548	33 357

PARENT

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 2018 was 8.69 and the average rate during 2018 was 8.13 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)

INCOME TAX
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 (23%) 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 they become due and payable.

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

Fees to the auditors of USD 45 thousand (without VAT) for ordinary audit was expensed in 2018. 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. Board of directors expenses were USD 143 thousand in 2018.

Other interest and financial inome in 2018 includes USD 2.7 million of guaranty fees from its subsidiaries and USD 0.4 million of interest income on bank balances.

Other interest and financial expenses in 2018 includes interest expense on the Aker loan of USD 0.7 million.

NOTE 3: SHARES IN SUBSIDIARIES AND ASSOCIATES

This item comprises the following as of 31 December 2018:

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	35 938	35 938
Philly Tankers AS	19.6%	19.6%	Oslo, Norway	16 405	16 405
Total shares				52 343	52 343

	ATHC
Subsidiaries' 2018 results after tax in USD thousands	(1 692)
Subsidiaries' equity attributable to common shareholders at 31 December 2018 in USD thousands	58 680

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. No impairment was recognized in 2018 or 2017.

ASSOCIATES

Philly Tankers AS

In 2014, AMSC made an equity investment of USD 25 million in Philly Tankers AS ("PTAS") and owns 19.6% of the Oslo, Norway based company. Philly Tankers was formed in Q3 2014 and is registered on the Norwegian OTC market. Philly Tankers ordered four 50,000 dwt product tankers from Philly Shipyard ("PHLY", formerly Aker Philadelphia Shipyard) which were delivered and sold between Q4 2016 and Q4 2017. AMSC also holds a seat on the Board of Directors of Philly Tankers. In 3Q 2015, Philly Tankers AS agreed to sell its four product tanker contracts to a subsidiary of Kinder Morgan, Inc. with the assignment to take place immediately before delivery of each ship.

The investment in Philly Tankers is recorded using the equity method.

As a result of the sale to Kinder Morgan, PTAS distributed excess cash to its shareholders following delivery of each vessel. During 2017, AMSC received distributions from PTAS of USD 12.5 million net of tax (USD 15.1 million before tax). On 19 February 2019, PTAS distributed USD 16.3 million to AMSC as a liquidating distribution. In total, AMSC has received USD 28.8 million in after-tax proceeds from PTAS from the initial USD 25 million investment.

NOTE 3: SHARES IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

The following table summarizes the financial information of Philly Tankers as included in its own financial statements.

Amounts in USD thousands	2018	2017
Current assets	85 305	85 715
Current liabilities	(2 214)	(581)
Net assets	83 091	85 134
Group's share of net assets (19.6%)	16 286	16 686
Excess of AMSC's investment over its share of equity in associates	120	-
Carrying amount of interest in associate	16 405	16 686
Net profit of Philly Tankers AS	(974)	36 166

The following table shows the reconciliation between the opening and closing balance of investments in associates:

Amounts in USD thousands	2018	2017
Balance at beginning of period	16 686	27 559
Group's share of PTAS profit (19.6%)	-	7 089
Distributions from PTAS	(281)	(15 056)
Write-down initial investment booked at cost	-	(2 906)
Balance at end of period	16 405	16 686

NOTE 4: TAX

The table below shows the difference between book and tax values at the end of 2018 and 2017, and the amounts of deferred taxes at these dates and the change in deferred taxes.

Norwegian tax payable: Amounts in USD thousands	2018	2017
Profit/(loss) before tax USD accounts in USD	10 304	5 570
Difference between NOK and USD accounts	5 079	76 902
Result before tax measured in NOK for taxation purposes	15 383	82 472
Permanent differences	12	(69 050)
Change in temporary differences	(579)	(6 652)
Other differences	-	(4 203)
FX effect on opening balance of loss carried forward	6 417	(5 675)
Estimated result for tax purposes	21 232	(3 108)
Utilization of loss carried forward	(21 232)	-
Taxable income / (loss)	-	(3 108)
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	2018	2017
Operating loss carried forward	94 076	115 308
Deferred tax asset	21 638	26 521
Restrictions regarding balance tax asset	(21 638)	(26 521)
Book value tax asset	-	-

U.S. deferred tax: Amounts in USD thousands	2018	2017
Other differences	706	706
Operating loss carried forward	-	-
Deferred tax asset	198	198
Book value tax asset	198	198

NOTE 4: TAX (CONTINUED)

U.S. tax expense/(benefit):

Amounts in USD thousands	2018	2017
Current payable tax charged to the income statement	-	2 660
Change in deferred tax	-	(106)
Total tax (benefit)	-	2 554

AMSC is recording 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	2018	2017
American Tanker, Inc. (ATI)	85 663	85 663
Total	85 663	85 663

As of 31 December 2018, AMSC holds a USD 26.5 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 2018) and with an option to pay in kind semi-annually. During 2018, ATI paid USD 2.5 million in interest payments to AMSC. The ATI note is payable on demand by AMSC. AMSC does not intend to call the note during the next 12 months.

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 2018 is USD 59.1 million. During 2018, ATI paid USD 5.9 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:

2018 Amounts in USD thousands	Share capital	Share premium	Total paid-in capital	Other equity	Total equity
Equity as of 1 January 2018	96 366	143 207	239 573	(83 060)	156 513
Dividends paid / return of capital	-	(14 548)	(14 548)	-	(14 548)
Dividend payable	-	(4 849)	(4 849)	-	(4 849)
Net result	-	-	-	10 304	10 304
Equity as of 31 December 2018	96 366	123 810	220 176	(72 756)	147 420

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 2018.

Subsequent to 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 2019. The dividend was paid on 15 March 2019.

2017 Amounts in USD thousands	Share capital	Share premium	Total paid-in capital	Other equity	Total equity
Equity as of 1 January 2017	96 366	170 119	266 485	(86 060)	180 425
Repurchase of treasury shares	-	-	-	(82)	(82)
Proceeds from sale of treasury shares	-	-	-	67	67
Dividends paid / return of capital	-	(22 063)	(22 063)	-	(22 063)
Dividend payable	-	(4 849)	(4 849)	-	(4 849)
Net result	-	-	-	3 016	3 016
Equity as of 31 December 2017	96 366	143 207	239 573	(83 060)	156 513

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 2017. During 2017, 25,000 treasury shares were purchased and subsequently sold to Morten Bakke through MB Capital AS under his share purchase agreement and lock-up restrictions.

Subsequent to the 2017 year-end, the Board declared a dividend/return of capital of USD 0.08 per share (USD 4.8 million in aggregate) on 13 February 2018. The dividend was paid on 1 March 2018.

NOTE 6: TOTAL EQUITY (CONTINUED)

The shares were owned by the following 20 largest parties as of 31 December 2018:

Name	Number	Percent
AKER CAPITAL AS	11 557 022	19.1%
DnB NOR MARKETS, AKSJEHAND/ANALYSE	9 410 804	15.5%
SKANDINAVISKA ENSKILDA BANKEN AB	9 182 389	15.1%
GOLDMAN SACHS & CO. LLC	7 807 837	12.9%
GOLDMAN SACHS INTERNATIONAL	2 783 881	4.6%
TRETHOM AS	1 414 111	2.3%
SES AS	1 000 000	1.6%
J.P. MORGAN SECURITIES LLC	852 825	1.4%
STATE STREET BANK AND TRUST GROUP	808 930	1.3%
B.O. STEEN SHIPPING AS	800 000	1.3%
UBS SWITZERLAND AG	800 000	1.3%
CITIBANK, N.A.	770 308	1.3%
NORDNET LIVSFORSIKRING AS	591 006	1.0%
SKANDINAVISKA ANSKILDA BANKEN AB	501 996	0.8%
BNP PARIBAS	475 284	0.8%
BEDDINGEN FINANS AS	313 216	0.5%
ROMAG INVEST AS	285 000	0.5%
ROESJOE	257 199	0.4%
BNP PARIBAS SECURITIES SERVICES	225 000	0.4%
CITIBANK, N.A.	220 903	0.4%
Total 20 largest shareholders	50 057 711	82.6%
Other shareholders	10 558 794	17.4%
Total	60 616 505	100.0%

NOTE 7: OTHER LONG TERM INTEREST-BEARING DEBT

Subordinated loan from Aker ASA as of 31 December 2017:

Amounts in USD thousands	Maturity	Balance	Interest Rate
Principal amount	2021	6 672	10.25%
Total subordinated loan		6 672	

As part of the bank debt refinancing in 2015, the Company entered into a USD 20 million subordinated loan with Aker ASA. The loan has an interest rate of 10.25 percent which is due in one lump sum upon repayment of the loan. Accrued interest on the loan as of 31 December 2018 is USD 4.0 million. The loan is due the earlier of (i) six months after the secured vessel debt becomes due or (ii) upon receipt of proceeds from Philly Tankers.

In February 2019, the Company received a liquidating distribution from PTAS and used USD 10.7 million of the proceeds to repay all outstanding principal and interest on the Aker loan.

NOTE 8: CASH AND CASH EQUIVALENTS

There is no restricted cash, except cash in a tax withholding account for employees' salaries of USD 82 thousand at 31 December 2018.

NOTE 9: 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 10: 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	300 000	ASC Leasing I-VII and IX, Inc.
Senior secured credit facility	Agent (CIT Bank), Security Trustee and Lenders	150 000	ASC Leasing VIII and 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 11: EVENTS AFTER THE BALANCE DATE

On 18 February 2019, AMSC, through its wholly owned subsidiary American Tanker, Inc. (ATI), proposed amendments to its unsecured bond issue, including the removal of scheduled amortization. The Company believes the amendments to the bond will improve AMSC's position in refinancing the secure bank debt as well as strengthen the Company's ability to raise capital in relation to potential future growth opportunities. The amendment was approved by written resolution on 5 March 2019.

On 19 February 2019, PTAS distributed USD 16.3 million to AMSC as a liquidating distribution. AMSC subsequently used USD 10.7 million to repay all outstanding principal and interest on its subordinated loan from Aker ASA. In total, AMSC has received USD 28.8 million in after-tax proceeds from PTAS.

On 27 February 2019, the Board authorized a quarterly dividend payment of USD 0.08 per share (USD 4.8 million in aggregate) to the shareholders of AMSC on record as of 7 March 2019. The dividend was paid on 15 March 2019.

AUDITORS' REPORT

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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 2018, 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 2018, 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 2018, 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 2018, 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.

AUDITORS' REPORT

Assessment of the carrying value of property, plant and equipment

Refer to Note 1 (accounting principles), and Note 6 (property, plant and equipment)

The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2018 the Group has reported Property, Plant and Equipment of USD 711.8 million, which includes vessels on operating lease contracts with customers. 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. Management uses significant judgment in determining recoverable amounts of the vessels, by making assumptions related to expected future cash flows. 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 the carrying amount of Property, Plant and Equipment was considered to be a key audit matter.	We applied professional scepticism and critically assessed management's judgment. Our work included the following procedures: • We assessed the cash flow forecast from lease contracts by agreeing to underlying contracts and the options exercised by OSG in 2018, • We challenged and analyzed management's assumptions related to extensions of the bareboat contracts, and the discount rates applied with reference to market data, • We evaluated the forecasted residual values, • We performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment. • We obtained corroborating evidence for management's conclusions, including independent vessel valuation reports.

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

AUDITORS' REPORT

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 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.

AUDITORS' REPORT

KPMG

Auditor's Report - 2018
American Shipping Company ASA

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 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, 21 March 2019
KPMG AS

Gunnar Sotnakk
Gunnar Sotnakk
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 on a quarterly basis the amount of dividend, if any, to be paid. The decision to pay dividend is based on the financial situation at the relevant point in time and applicable restrictions under AMSC's financial agreements.

DIVIDENDS

The Company paid dividends totaling USD 0.32 per share (USD 19.4 million) in 2018. 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 2018 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 2017, valid up to the Company's Annual General Meeting in 2019. 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 2018, the BNP 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. Beginning in 2019, dividends may be paid only if all ships remain on bareboat charter contract.

SHARES AND SHARE CAPITAL

As of 31 December 2018, 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 2016 accounts).

As of 31 December 2018, the Company had 1,519 shareholders, of whom 9.6 percent 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 2018.

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. From time to time, agreements are entered into between two or more

SHARE AND SHAREHOLDER INFORMATION

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 2018 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 2019.

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 2018

Shareholder	Number of shares held	Ownership (in %)
AKER CAPITAL AS	11 557 022	19.1%
DnB NOR MARKETS, AKSJEHAND/ANALYSE	9 410 804	15.5%
SKANDINAVISKA ENSKILDA BANKEN AB	9 182 389	15.1%
GOLDMAN SACHS & CO. LLC	7 807 837	12.9%
GOLDMAN SACHS INTERNATIONAL	2 783 881	4.6%
TRETHOM AS	1 414 111	2.3%
SES AS	1 000 000	1.6%
J.P. MORGAN SECURITIES LLC	852 825	1.4%
STATE STREET BANK AND TRUST GROUP	808 930	1.3%
B.O. STEEN SHIPPING AS	800 000	1.3%
UBS SWITZERLAND AG	800 000	1.3%
CITIBANK, N.A.	770 308	1.3%
NORDNET LIVSFORSIKRING AS	591 006	1.0%
SKANDINAVISKA ANSKILDA BANKEN AB	501 996	0.8%
BNP PARIBAS	475 284	0.8%
BEDDINGEN FINANS AS	313 216	0.5%
ROMAG INVEST AS	285 000	0.5%
ROESJOE	257 199	0.4%
BNP PARIBAS SECURITIES SERVICES	225 000	0.4%
CITIBANK, N.A.	220 903	0.4%
Total 20 largest shareholders	50 057 711	82.6%
Other shareholders	10 558 794	17.4%
Total	60 616 505	100.0%

GEOGRAPHIC DISTRIBUTION

as of 31 December 2018

Nationality	Number of shares held	Ownership (in %)
Non-Norwegian shareholders	18 729 812	30.9%
Norwegian shareholders	41 886 693	69.1%
Total	60 616 505	100.0%

SHARE AND SHAREHOLDER INFORMATION

Visitors to American Shipping Company's website at 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 year are available at the Company's website: 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.

SAVE THE ENVIRONMENT – READ REPORTS ONLINE

Annual reports are published on the Company's website (www.americanshippingco.com) at the same time as they are made available via website release by the Oslo Stock Exchange: 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 unable to receive the electronic version of interim and annual reports, may subscribe to the printed version by contacting American Shipping Company.

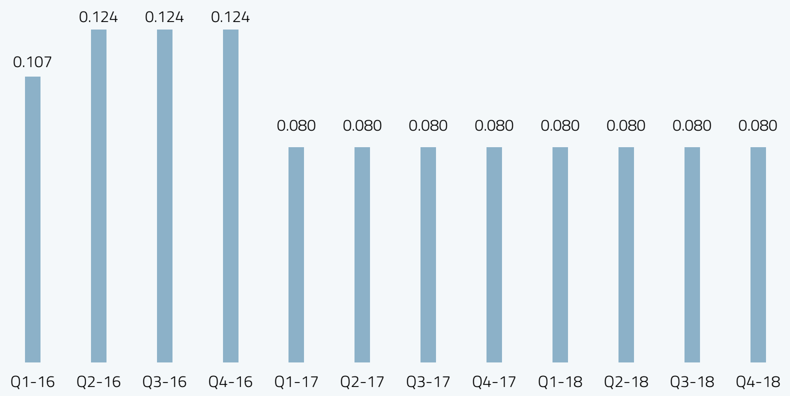
OWNERSHIP STRUCTURE

as of 31 December 2018

Shares owned	Number of shareholders	Percent of share capital
1-100	290	0.02%
101-1000	471	0.41%
1,001-10,000	524	3.28%
10,001-100,000	197	9.69%
100,001-500,000	23	6.96%
over 500,000	14	79.65%
Total	1 519	100.00%

DIVIDEND HISTORY

USD per share



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.

2018 SHARE DATA

The Company's total market capitalization as of 31 December 2018 was NOK 2,019 million. During 2018, a total of 30,179,473 American Shipping Company ASA shares traded. The shares traded on 249 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 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 and the Continuing Obligations of stock exchange listed companies may be found at 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 § 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 of Directors, 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 Directors 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 of directors 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 of directors 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 of Director's report.

EQUITY AND DIVIDENDS

Equity

The Group's book equity as of 31 December 2018 was USD 176.1 million corresponding to an equity ratio of 21.6 percent. The Company's Board of Directors 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 of Directors 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 70-72] 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 2018 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 2019.

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.

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

CORPORATE GOVERNANCE

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 Chairman of the Board or an individual appointed by the Chairman 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 Chairman 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 chairman 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 of Directors 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 of Directors 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 (ticker: AMSC) and on the Company's website www.americanshippingco.com.

NOMINATION COMMITTEE
Pursuant to American Shipping Company's Articles of Association, the Nomination Committee recommends candidates for members of the Board of Directors. 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 Arild Støren Frick (chair) and Christine Rødsæther.

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 Chairman 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 of Directors, 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 of Directors 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,

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up to three shareholder-elected deputy board members may be elected annually. The Chairman of the Board is elected by the General Meeting. The Board may elect a Deputy Board Chairman.

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 (Chairman), 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 are up for election in 2019.

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, Chairman, 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 information 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 Chairman 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 chairman.

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 of Directors 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 of Directors, 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 of Directors 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 of Directors' 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 of Directors. Meetings between management, the external auditor and members of the Board, to identify significant accounting issues or other issues

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are held prior to completion of 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 monthly.

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 of Directors approves the Company's yearly budget and reviews deviations to the budget on a monthly 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 Chairman and the Board of Directors have not received benefits other than directors' fees.

Additional information on remuneration paid to board members for 2018 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 of Directors.

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. The statement will include information on which aspects of the guidelines are advisory, and which, if any, is binding. The shareholders will be able to vote separately on these aspects of the guidelines.

INFORMATION AND COMMUNICATIONS

The Board of Directors 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; stock exchange notices are also available from 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.

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AUDITOR

The auditor will make an annual presentation to the Board of a plan for the auditing work for the year. Further, the 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 of Directors with written confirmation of its independence.

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