AMERICAN SHIPPING COMPANY ASA

Fourth Quarter 2019 Report

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Lysaker, 28 February 2020, American Shipping Company ASA (“AMSC” or the “Company”) announces results for fourth quarter ending 31 December 2019.

HIGHLIGHTS

- Overseas Shipholding Group (“OSG”) exercised one of its perpetual 3 year extension options for the bareboat charter agreements for four of AMSC’s vessels, moving these charter expiries to December 2023
- Secured firm commitments from lenders to refinance the current bank debt facilities on 9 of our vessels at attractive and improved terms
- Stable Q4 bareboat revenue of USD 22.1 million, normalized EBITDA of USD 22.2 million and adjusted net profit of USD 2.4 million
- Backlog of secured bareboat revenue of USD 322.3 million with average weighted tenor of 3.7 years
- Declared Q4 dividend of USD 0.08 per share, in line with previous guidance and backed by the Company’s contracted cash flow

AMSC CEO, Pål Lothe Magnussen comments, *“We are pleased to announce that we have secured firm commitments from lenders to refinance the majority of our current outstanding bank debt. The new debt comes with improved terms, including a USD70 million revolving credit facility, reflecting the infrastructure characteristics of our business. The bank debt refinancing makes us well positioned to address a refinancing of the USD220m senior unsecured bond, which should further reduce cost of capital and increase dividend capacity going forward. Last quarter also included the much anticipated bareboat charter extension by OSG for four of our vessels, a reflection of the strong and improving market for Jones Act tankers.”*

MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating income**: Operating income was stable at USD 12.8 million in both Q4 2019 and Q4 2018.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.2 million for Q4 2019 consists of base bareboat revenue of USD 22.1 million, plus Deferred Principal Obligation (“DPO”) of USD 0.9 million, less SG&A of USD 0.8 million. The comparative figure for Q4 2018 for normalized EBITDA was USD 22.2 million (consisting of base bareboat revenue of USD 22.1 million, plus DPO of USD 0.9 million, less SG&A of USD 0.8 million). See Note 14 for more detailed information.

- **Adjusted net profit:** Adjusted net profit of USD 2.4 million for Q4 2019 consists of net profit after tax, adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to non-cash deferred tax expenses. The comparative figure for Q4 2018 was USD 2.9 million. See Note 14 for further details.

- **Profit share:** There was no profit share for Q4 2019 or Q4 2018 attributed to AMSC. Net time charter revenue for our 10 vessels increased in Q4 2019, as a result of vessels commencing new time charters. However, provisions for drydock also increased, driven by vessels entering its third and more expensive drydock cycle. We expect drydock provisions to stay elevated through 2020. The profit share is reported quarterly, but calculated on an aggregated fleet level over a full calendar year. Provisions for drydock are applied over a five year cycle and may accordingly vary from quarter to quarter. See note 11 for further details.

- **OSG contract extensions:** On 11 December 2019, OSG exercised one of its perpetual options to extend the bareboat charter agreements for four vessels currently under charter from AMSC. Each bareboat charter agreement was extended for additional three-year terms, commencing from December 2020 and ending in December 2023. OSG previously exercised its options to extend charter agreements for the six other vessels that it charters from AMSC. As a result, all ten bareboat charter agreements with AMSC have now been extended for additional periods. For all vessels excluding the Overseas Tampa, OSG has options to extend the charter terms for one, three or five years for the remaining useful lives of the vessels. The one-year extension options may only be used once for each vessel and OSG has exhausted the opportunity to declare a one year extension for the four vessels extended in December 2019.

OSG holds two five year extension options on the Overseas Tampa followed by five one year extensions that may be declared after the two five year extensions are exhausted.

All extension options must be declared 12 months prior to expiry of the individual bareboat charter. Bareboat charter expiries and remaining extension options are displayed in the table below.

Vessel	Charter Expiration	Remaining Charter Extension Options
Overseas Houston	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Long Beach	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Los Angeles	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas New York	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Texas City	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Boston	Dec 23	Unlimited 3 and 5 year
Overseas Nikiski	Dec 23	Unlimited 3 and 5 year
Overseas Martinez	Dec 23	Unlimited 3 and 5 year
Overseas Anacortes	Dec 23	Unlimited 3 and 5 year
Overseas Tampa	Jun 25	2 x 5 year followed by 5 x 1 year

- **Senior secured debt refinancing:** Subsequent to year end, AMSC secured credit approvals from leading ship finance lenders and U.S. financial institutions for refinancing of 9 of its vessels on terms described below:

  Facility A:
  - 5 year loan secured by 5 vessels
  - Amount: USD160m, of which USD90m is a term loan and USD70m is a revolving credit facility
  - Pricing: LIBOR+270bps
  - Annual amortization: USD 13.3 million (repayment profile: 12 years)

  Facility B
  - 5 year loan secured by 4 vessels
  - Amount USD165m
  - Pricing LIBOR+325bps
  - Annual amortization: USD 9.7 million (repayment profile: 17 years)

  The above facilities are credit approved by all lending institutions subject to documentation and closing expected to occur during Q2 2020.

- **Dividends:** On 19 November 2019, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.7313 per share, to the shareholders on record as of 27 November 2019, which was paid on 5 December 2019. The dividend was classified as a return of paid in capital.

  On 27 February 2020, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 6 March 2020 in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 5 March 2020, and the dividend will be paid on or about 16 March 2020. The dividend is classified as a return of paid in capital.

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

FOURTH QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	Q4 2019	Q4 2018	Full Year 2019	2018
	unaudited			
Operating revenues	22.1	22.1	87.8	87.8
Operating profit before depreciation - EBITDA	21.3	21.3	84.7	84.2
Normalized EBITDA	**22.2**	**22.2**	**88.3**	**87.9**
Operating profit - EBIT	12.8	12.8	50.8	50.4
Gain / (loss) on investments	-	-	(0.1)	-
Net interest expense	(10.3)	(10.2)	(40.6)	(41.2)
Unrealized gain/(loss) on interest swaps	0.1	(1.8)	(3.2)	0.7
Profit/(loss) before income tax	2.5	0.8	6.8	9.9
Income tax expense	-	0.3	(0.1)	0.1
Non-cash income tax (expense) / benefit	1.3	(0.8)	1.6	(1.4)
Net profit/(loss) for the period *	3.8	0.3	8.3	8.6
Adjusted net profit	**2.4**	**2.9**	**9.9**	**9.3**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.06	0.01	0.14	0.14

* Applicable to common stockholders of the parent company

Fourth quarter results

AMSC's operating revenues for each of Q4 2019 and Q4 2018 were USD 22.1 million. EBITDA was USD 21.3 million in Q4 2019 and Q4 2018. EBIT was USD 12.8 million in Q4 2019 and Q4 2018.

Net interest expense (interest expense less interest income) for Q4 2019 was USD 10.3 million (USD 10.2 million in Q4 2018).

In Q4 2019, AMSC had an unrealized gain of USD 0.1 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 1.8 million in Q4 2018).

AMSC had a net profit before tax for Q4 2019 of USD 2.5 million (USD 0.8 million in Q4 2018). Non-cash deferred income tax benefit was USD 1.3 million in Q4 2019 (expense of USD 0.8 million in Q4 2018). Current tax expense was USD 0.3 million in Q4 2018.

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

As of 31 December 2019, AMSC has approximately USD 547 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q4 2019 was USD 3.8 million compared to USD 0.3 million in Q4 2018.

Year to date results

AMSC's operating revenues for each of the full year 2019 and 2018 were USD 87.8 million. EBITDA was USD 84.7 million in the full year 2019 (USD 84.2 million for the full year 2018). EBIT was USD 50.8 million for the full year 2019 and USD 50.4 million for the same period in 2018.

Net interest expense (interest expense less interest income) for the full year 2019 was USD 40.6 million (USD 41.2 million for the same period in 2018).

In the twelve months of 2019, AMSC had an unrealized loss of USD 3.2 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (gain of USD 0.7 in the same period in 2018).

AMSC had a net profit before tax for the full year 2019 and 2018 of USD 6.8 million and USD 9.9 million, respectively. Non-cash deferred income tax benefit was USD 1.6 million in the full year 2019 (expense of USD 1.4 million in the same period of 2018). AMSC recognized an income tax expense of USD 0.1 million for the full year 2019 (USD 0.1 million benefit in the same period 2018), relating to state taxes. Net profit for the full year 2019 was USD 8.3 million compared to USD 8.6 million in the same period of 2018.

Condensed Statement of Financial Position

Amounts in USD million	*unaudited* 31-Dec 2019	31-Dec 2018 *
Vessels	678.9	711.8
Interest-bearing long term receivables (DPO)	25.3	26.7
Other non current assets	-	16.4
Derivative financial assets	-	2.4
Trade and other receivables	0.4	0.2
Cash held for specified uses	1.6	2.7
Cash and cash equivalents	46.3	51.1
Total assets	**752.4**	**811.3**
Total equity	165.0	176.1
Deferred tax liabilities	11.4	13.0
Interest-bearing long term debt	522.7	572.3
Derivative financial liabilities	0.8	-
Interest-bearing short term debt	44.3	29.6
Deferred revenues and other payables	8.2	20.3
Total equity and liabilities	**752.4**	**811.3**

* Derived from audited financial statements

The decrease in Vessels from 31 December 2018 reflects depreciation of the Company's 10 vessels for the full year 2019 of USD 33.9 million, offset by investments in the vessels of USD 0.9 million for ballast water treatment systems.

During 2019, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 2.7 million, of which USD 1.5 million is principal repayment. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Other non-current assets included AMSC's 19.6% investment in Philly Tankers AS ("PTAS"). In Q1 2019, PTAS liquidated the company and distributed its remaining available cash to its shareholders. AMSC received USD 16.3 million net of tax, of which USD 10.7 million was used to repay all outstanding principal and interest on its subordinated loan from Aker ASA. In total, AMSC received USD 28.8 million in gross after tax proceeds from the initial USD 25 million investment in PTAS.

Interest bearing debt as of 31 December 2019 was USD 567.0 million, net of USD 4.6 million in capitalized fees versus USD 601.9 million as of 31 December 2018. This debt relates to the bank financing for the Company's 10 vessels of USD 351.6 million and the bond of USD 220.0 million. AMSC was in compliance with all of its debt covenants as of 31 December 2019.

Outlook

The Jones Act tanker market ended 2019 by piercing through the USD 60,000 per day veil with multiple time charters being fixed at these levels for 2020 onwards. All integrated Jones Act tankers are now on time charter contracts and AMSC's fleet is fully booked for most of 2020.

As a result of the tightening market, one to three year time charter contracts are now returning as oil majors are more interested in locking in tonnage forward. AMSC is of the opinion that we are in a multi-year period with a stable Jones Act tanker market which is demonstrating strengthening conditions, resulting in gradually higher time charter rates for longer durations.

The current conditions in the Jones Act tanker market are a result of negative fleet growth over the past two years, in combination with gradually increasing demand for transportation of clean products as well as a crude shipping transportation.

The order book for new vessels is practically empty and older vessels are continuing to be removed from the fleet. This trend is expected to continue for the coming years with limited yard capacity effectively increasing newbuild cost and delaying potential delivery times. Expensive maintenance capex makes it unattractive to keep investing in older vessels, and we expect the remaining 8 vessels older than 35 years to leave the fleet over the next several years.

The market fundamentals driving demand for shipping clean products as well as crude remain stable and is not expected to change in the foreseeable future. The crude spread between WTI priced in Houston and Bonny Light remained open during Q4 and monthly cargoes being shipped on Jones Act tankers to the U.S. Northeast remained stable at similar levels as seen over the last two years. Clean cargo volumes, mainly from the U.S. Gulf into Florida, remained stable with the majority of the Jones Act fleet being deployed on this trade.

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 2023 and one shuttle tanker secured until June 2025. In a prolonged strong Jones Act tanker market, the Company may benefit from a profit share arrangement with OSG, which provides upside beyond fixed contracted rates.

Risks

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

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

For further details of AMSC’s risks, refer to the 2018 Annual Report.

Definitions

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

Lysaker, 27 February 2020
The Board of Directors and President / CEO
American Shipping Company ASA

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

AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FULL YEAR 2019

CONDENSED INCOME STATEMENT

	unaudited			
	Q4	**Q4**	**Full Year**	
Amounts in USD million (except share and per share information)	**2019**	**2018**	**2019**	**2018 ***
Operating revenues	22.1	22.1	87.8	87.8
Operating expenses	(0.8)	(0.8)	(3.1)	(3.6)
Operating profit before depreciation - EBITDA	**21.3**	**21.3**	**84.7**	**84.2**
Depreciation	(8.5)	(8.5)	(33.9)	(33.8)
Operating profit - EBIT	**12.8**	**12.8**	**50.8**	**50.4**
Gain / (loss) on investments	-	-	(0.1)	-
Net interest expense	(10.3)	(10.2)	(40.6)	(41.2)
Unrealized gain/(loss) on interest swaps	0.1	(1.8)	(3.2)	0.7
Profit/(loss) before income tax	**2.5**	**0.8**	**6.8**	**9.9**
Income tax expense	-	0.3	(0.1)	0.1
Non-cash income tax (expense) / benefit	1.3	(0.8)	1.6	(1.4)
Net profit/(loss) for the period *	**3.8**	**0.3**	**8.3**	**8.6**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.06**	**0.01**	**0.14**	**0.14**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
	Q4	**Q4**	**Full Year**	
Amounts in USD million	**2019**	**2018**	**2019**	**2018 ***
Net income/(loss) for the period	3.8	0.3	8.3	8.6
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**3.8**	**0.3**	**8.3**	**8.6**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited	
	31-Dec	**31-Dec**
Amounts in USD million	**2019**	**2018 ***
Assets		
Non-current assets		
Vessels	678.9	711.8
Interest-bearing long term receivables (DPO)	25.3	26.7
Other long term assets	-	16.4
Derivative financial assets	-	2.4
Total non-current assets	**704.1**	**757.3**
Current assets		
Trade and other receivables	0.4	0.2
Cash held for specified uses	1.6	2.7
Cash and cash equivalents	46.3	51.1
Total current assets	**48.3**	**54.0**
Total assets	**752.4**	**811.3**
Equity and liabilities		
Total equity	**165.0**	**176.1**
Non-current liabilities		
Bond payable	220.0	220.0
Other interest-bearing loans	307.3	358.5
Derivative financial liabilities	0.8	-
Capitalized fees	(4.6)	(6.2)
Deferred tax liability	11.4	13.0
Total non-current liabilities	**534.9**	**585.3**
Current liabilities		
Interest-bearing short-term debt	44.3	29.6
Deferred revenues and other payables	8.2	20.3
Total current liabilities	**52.5**	**49.9**
Total liabilities	**587.4**	**635.2**
Total equity and liabilities	**752.4**	**811.3**

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

	unaudited	
	Full Year	
Amounts in USD million	**2019**	**2018 ***
Equity as of beginning of period	**176.1**	**186.9**
Total comprehensive income for the period	8.3	8.6
Repurchase of treasury shares	-	-
Proceeds from sale of treasury shares	-	-
Dividends/return of capital	(19.4)	(19.4)
Total equity as of end of period	**165.0**	**176.1**

CONDENSED CASH FLOW STATEMENT

	unaudited	
	Full Year	
Amounts in USD million	**2019**	**2018 ***
Net cash flow from operating activities	35.9	47.7
Net cash flow from investing activities	15.4	0.3
Net cash flow used in financing activities	(57.2)	(48.5)
Net change in cash and cash equivalents	**(5.9)**	**(0.5)**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	53.8	54.3
Cash and cash equivalents, including cash held for specified uses at end of period	**47.9**	**53.8**

* Derived from audited financial statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2019

1. Introduction - American Shipping Company

American Shipping Company ASA (“AMSC”) is a company domiciled in Norway. The condensed interim financial statements for the three and twelve months ended 31 December 2019 comprise AMSC and its wholly owned subsidiaries. These financial statements have not been audited or reviewed by the Company’s auditors. American Shipping Company has one operating segment.

The consolidated 2018 annual financial statements of AMSC are available at www.americanshippingco.com.

2. Basis of Preparation

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

3. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) applicable for interim reporting, *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2018.

4. Significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2018.

There have not been any new IFRS standards or interpretations issued or effective after the completion of the annual consolidated financial statements for the year 2018 that have a significant impact on AMSC’s financial reporting for the three and twelve months ended 31 December 2019.

5. Use of estimates

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

The most significant judgments made by management in preparing these condensed consolidated interim financial statements in applying the Group's accounting policies, and the key sources of estimation uncertainty, are the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2018.

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

6. Tax

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

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

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

The Company has approximately USD 547 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2019, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2018 consolidated financial statements for more details). The Company also has USD 94.1 million of net operating losses in carryforward in Norway as of 31 December 2018.

7. Share capital and equity

As of 31 December 2019, AMSC had 60,616,505 ordinary shares at a par value of NOK 10 per share.

Dividends paid (classified as repayment of previously paid in share premium)	2019				2018			
	15-Mar-19	5-Jun-19	10-Sep-19	5-Dec-19	1-Mar-18	7-Jun-18	7-Sep-18	30-Nov-18
NOK per share	0.6936	0.6975	0.725	0.731	0.6209	0.654	0.665	0.679
USD per share	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Aggregate NOK (millions)	42.0	42.3	43.9	44.3	37.6	39.6	40.3	41.2
Aggregate USD (millions)	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8

8. Interest-bearing debt

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

	12 months to	
Amounts in USD million	**31-Dec-19**	**31-Dec-18**
Balance at beginning of period	601.9	628.4
Repayment of debt / loan fees	(37.8)	(29.1)
Amortization of loan fees and discount	2.9	2.6
Balance at end of period	567.0	601.9

The Company was in compliance with all of its debt covenants as of 31 December 2019.

Subsequent to year end, AMSC secured credit approvals from leading ship finance lenders and U.S. financial institutions for refinancing of 9 of its vessels on terms described below:

Facility A:
- 5 year loan secured by 5 vessels
- Amount: USD160m, of which USD90m is a term loan and USD70m is a revolving credit facility
- Pricing: LIBOR+270bps
- Annual amortization: USD 13.3 million (repayment profile: 12 years)

Facility B
- 5 year loan secured by 4 vessels
- Amount USD165m
- Pricing LIBOR+325bps
- Annual amortization: USD 9.7 million (repayment profile: 17 years)

The above facilities are credit approved by all lending institutions subject to documentation and closing expected to occur during Q2 2020.

9. Related party transactions

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

10. Interest

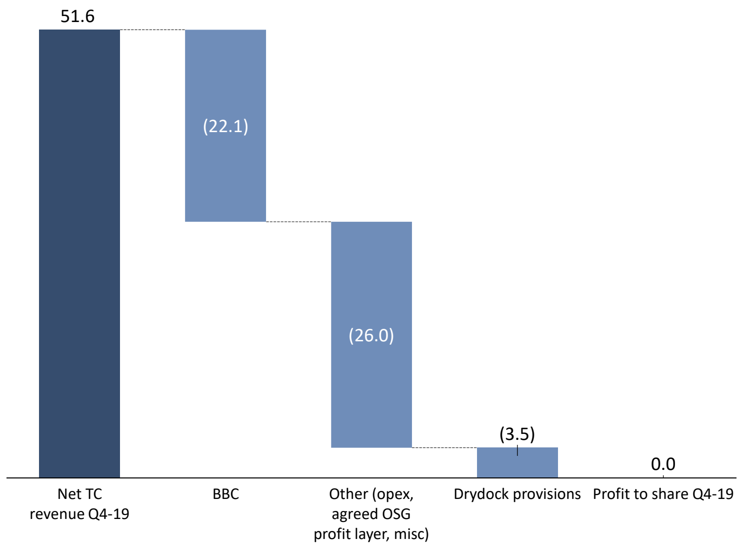
	3 months to		12 months to	
Amounts in USD million	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Interest expense	(10.5)	(10.8)	(42.8)	(43.6)
Interest income	0.2	0.6	2.2	2.4
Net interest expense	**(10.3)**	**(10.2)**	**(40.6)**	**(41.2)**

11. Profit sharing agreement with OSG

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

However, in years of weak markets there may be shortfalls in net time charter revenues applied to cover provisions for future drydocks. Such shortfalls need to be recovered by net time charter revenues in subsequent years with stronger markets. Similarly, if drydock provisions deducted in the profit share calculation are too high, these are adjusted through a true-up mechanism once special surveys for individual vessels are completed. The concept of true-ups ensure that any shortfall or excess in drydock provisions are adjusted to reflect the actual cost of drydocks over the five-year special survey cycles.

Profit Sharing Calculation for Q4 2019



AMSC's 50% share of the full year profit is used to reduce the OSG credit. In the agreement negotiated with OSG, the "OSG credit" is the amount of AMSC's profit sharing that OSG retains prior to having an obligation to remit profit sharing payments to AMSC. After the OSG credit has been fully reduced to zero, AMSC will receive its 50% share of the subsequent profit share in cash. The OSG credit balance was as of 31 December 2019 USD 6.5 million. Since profit share for 2019 was zero, the OSG credit balance of USD 5.9 million as of 31 December 2018 has not been reduced, and interest of USD 0.6 million was accrued.

12. Deferred Principal Obligation (DPO)

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

The fourth quarter DPO payment was received on 3 January 2020 and is therefore not reflected in the year-end accounts; the payment is included in Normalized EBITDA as described in note 14.

Amounts in USD million	12 months to 31-Dec-19	 31-Dec-18
Balance at beginning of period	26.7	28.7
Repayments of principal	(1.4)	(2.0)
Balance at end of period	25.3	26.7

13. Financial Instruments

The only financial instruments that the Company accounts for at fair value on an ongoing basis are the interest rate swaps, which are classified in the Level 2 category as is described in the 2018 consolidated financial statements. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the quarter ended 31 December 2019, there were no transfers between categories.

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

Amounts in USD millions	Carrying amount 31-Dec-19	Fair value 31-Dec-19	Fair value hierarchy *
Interest-bearing receivables (DPO)	25.3	20.9	3
Interest swap used for economic hedging	(0.8)	(0.8)	2
Unsecured bond issue (gross)	(220.0)	(224.7)	2
Secured loans (gross)	(351.6)	(357.5)	2

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

* Described in the 2018 consolidated financial statements

14. Alternative Performance Measures

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

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

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

	unaudited			
	Q4	**Q4**	**Full Year**	
Normalized EBITDA (amounts in USD millions)	**2019**	**2018**	**2019**	**2018**
Base bareboat revenue	22.1	22.1	87.8	87.8
Less operating expenses	(0.8)	(0.8)	(3.1)	(3.6)
Reported EBITDA	**21.3**	**21.3**	**84.7**	**84.2**
Plus profit share	-	-	-	-
Plus DPO	0.9	0.9	3.6	3.7
Normalized EBITDA	**22.2**	**22.2**	**88.3**	**87.9**

	unaudited			
	Q4	**Q4**	**Full Year**	
Adjusted net profit (amounts in USD millions)	**2019**	**2018**	**2019**	**2018**
Net profit/loss after tax	3.8	0.3	8.3	8.6
Add back:				
Unrealized (gain)/loss on interest swaps	(0.1)	1.8	3.2	(0.7)
Non-cash income tax expense	(1.3)	0.8	(1.6)	1.4
Adjusted net profit	**2.4**	**2.9**	**9.9**	**9.3**

15. American Tanker, Inc. consolidated financial statements

In accordance with the bond loan agreement, below are the consolidated unaudited financial statements for American Tanker, Inc. and its subsidiaries for the full year 2019.

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	*unaudited* Full year 2019
Operating revenues	87.8
Operating expenses	(2.3)
Operating profit before depreciation - EBITDA	**85.5**
Depreciation	(33.8)
Operating profit - EBIT	**51.7**
Net interest expense	(49.6)
Unrealized gain/(loss) on interest swaps	(3.2)
Other financial expenses	(2.5)
Profit/(loss) before income tax	**(3.7)**
Income tax expense	-
Non-cash income tax benefit/(expense)	1.8
Net profit/(loss) for the period *	**(1.9)**
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	**(1.89)**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	*unaudited* 31-Dec 2019
Assets	
Non-current assets	
Vessels	677.8
Interest-bearing long term receivables (DPO)	25.3
Derivative financial assets	-
Total non-current assets	**703.1**
Current assets	
Other current assets	0.3
Cash held for specified uses	1.6
Cash and cash equivalents	25.8
Total current assets	**27.7**
Total assets	**730.8**
Equity and liabilities	
Total equity	**58.9**
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	394.2
Derivative financial liabilities	0.8
Capitalized fees	(4.6)
Deferred tax liability	12.1
Total non-current liabilities	**622.6**
Current liabilities	
Interest-bearing short-term debt	44.3
Deferred revenues and other payables	5.0
Total current liabilities	**49.3**
Total liabilities	**671.9**
Total equity and liabilities	**730.8**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* Full year 2019
Net cash flow from operating activities	29.1
Net cash flow from investing activities	(0.9)
Net cash flow used in financing activities	(31.1)
Net change in cash and cash equivalents	**(2.8)**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	30.2
Cash and cash equivalents, including cash held for specified uses at end of period	**27.4**

16. Subsequent events

On 27 February 2020, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 6 March 2020 in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 5 March 2020, and the dividend will be paid on or about 16 March 2020. The dividend is classified as a return of paid in capital.

Subsequent to year end, AMSC secured credit approvals from leading ship finance lenders and U.S. financial institutions for refinancing of 9 of its vessels on terms described below:

Facility A:

- 5 year loan secured by 5 vessels
- Amount: USD160m, of which USD90m is a term loan and USD70m is a revolving credit facility
- Pricing: LIBOR+270bps
- Annual amortization: USD 13.3 million (repayment profile: 12 years)

Facility B

- 5 year loan secured by 4 vessels
- Amount USD165m
- Pricing LIBOR+325bps
- Annual amortization: USD 9.7 million (repayment profile: 17 years)

The above facilities are credit approved by all lending institutions subject to documentation and closing expected to occur during Q2 2020.

American Shipping Company ASA
Oksenøyveien 10
PO Box 230
1326 Lysaker
NORWAY

Pål Magnussen	**Morten Bakke**	**Leigh Jaros**
President / CEO	*CFO*	*Business Controller/ Financial Manager*
Tel: +47 24 13 00 04	Tel: +47 24 13 00 87	
Cell: +47 90 54 59 59	Cell: +47 90 09 55 94	Cell: +1 484 880 3741
pal.magnussen@amshipco.no	morten.bakke@amshipco.no	leigh.jaros@amshipco.com

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