# AMERICAN SHIPPING COMPANY ASA

Fourth Quarter 2020 Report

# Fourth Quarter 2020 Report

Lysaker, 12 February 2021, American Shipping Company ASA ("AMSC" or the "Company") announces results for fourth quarter ending 31 December 2020.

## HIGHLIGHTS

- Stable Q4 financial performance with bareboat revenue of USD 22.2 million, normalized EBITDA of USD 22.2 million and adjusted net profit of USD 4.9 million
- Backlog of secured bareboat revenue of USD 235 million with average weighted tenor of 2.7 years
- Declared Q4 dividend of USD 0.10 per share, backed by the Company's free cash flow
- Subsequent to year-end, the USD 200 million senior unsecured bond was listed on the Oslo Stock Exchange under the ticker ATI02

AMSC CEO, Pål Lothe Magnussen comments, *"We are pleased to deliver another stable quarter of financial results, but note that the effects of COVID-19 are becoming more visible in the Jones Act tanker market. We expect the time charter market to be volatile in the near term, but have seen some spot and term market activity in January, which is an encouraging sign. AMSC remains insulated from short term volatility with bareboat contracts in place for the entire fleet."*

## MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating income**: Operating income was stable at USD 12.7 million in Q4 2020 and USD 12.8 million in Q4 2019.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.2 million for Q4 2020 consists of base bareboat revenue of USD 22.2 million, plus Deferred Principal Obligation ("DPO") of USD 0.9 million, less SG&A of USD 0.9 million. The comparative figure for Q4 2019 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 5.0 million for Q4 2020 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 2019 was USD 2.4 million. See Note 14 for further details.

- **COVID-19 Impact:** Demand for transportation of petroleum products in the U.S. market was sharply reduced in Q2 last year and remains lower than normal to date. Consumer demand for clean products has already recovered substantially, but is expected to remain below historical averages in the near term. EIA expects demand for clean products to gradually recover to normal during 2021 and 2022. AMSC is insulated in the short to medium term from the COVID-19 pandemic with long term "come hell and high water" bareboat contracts with OSG.

- **Dividends:** On 19 November 2020, the Board authorized a quarterly dividend payment of USD 0.10 per share, the equivalent of NOK 0.8975 per share, to the shareholders on record as of 27 November 2020, which was paid on 7 December 2020. The dividend was classified as a return of paid in capital.

  On 11 February 2021, the Board authorized a dividend payment of USD 0.10 per share to the shareholders on record as of 19 February 2021. The shares in AMSC will be traded ex. dividend from and including 18 February 2021, and the dividend will be paid on or about 1 March 2021. 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. The Covid-19 pandemic is increasing uncertainty on market fundamentals impacting the Jones Act tanker market and could affect the Company's ability to continue paying dividends.

## FOURTH QUARTER FINANCIAL REVIEW

### Condensed Income Statement

| | *unaudited* | | | |
|---|---|---|---|---|
| **Amounts in USD million (except share and per share information)** | **Q4 2020** | **Q4 2019** | **Full year 2020** | **2019** |
| Operating revenues | 22.2 | 22.1 | 88.2 | 87.8 |
| Operating profit before depreciation - EBITDA | 21.3 | 21.3 | 85.2 | 84.7 |
| **Normalized EBITDA** | **22.2** | **22.2** | **88.6** | **88.3** |
| Operating profit - EBIT | 12.7 | 12.8 | 51.0 | 50.8 |
| Gain / (loss) on investments | - | - | - | (0.1) |
| Net financial expense | (7.6) | (10.3) | (49.0) | (40.6) |
| Unrealized gain/(loss) on interest swaps | 0.4 | 0.1 | (0.4) | (3.2) |
| Net foreign exchange gain/(loss) | - | - | - | - |
| Profit/(loss) before income tax | 5.5 | 2.5 | 1.6 | 6.8 |
| Income tax expense | (0.1) | - | (0.4) | (0.1) |
| Non-cash income tax (expense) / benefit | 14.5 | 1.3 | 16.9 | 1.6 |
| Net profit/(loss) for the period * | 19.9 | 3.8 | 18.1 | 8.3 |
| **Adjusted net profit** | **5.0** | **2.4** | **15.9** | **9.9** |
| Average number of common shares | 60,616,505 | 60,616,505 | 60,616,505 | 60,616,505 |
| Earnings/(loss) per share (USD) | 0.33 | 0.06 | 0.30 | 0.14 |

### Fourth quarter results

AMSC's operating revenues for Q4 2020 was USD 22.2 million, versus USD 22.1 million in Q4 2019. EBITDA was USD 21.3 million in Q4 2020 and Q4 2019. EBIT was USD 12.7 million in Q4 2020 and USD 12.8 million in Q4 2019.

Net financial expense for Q4 2020 was USD 7.6 million (USD 10.3 million in Q4 2019). The reduced expense is due to the refinancing of AMSC's debt during 2020.

In Q4 2020, AMSC had an unrealized gain of USD 0.4 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 0.1 million gain in Q4 2019).

AMSC had a net profit before tax for Q4 2020 of USD 5.5 million (USD 2.5 million in Q4 2019). Income tax expense for Q4 2020 was USD 0.1 million (0 in Q4 2019). Non-cash deferred income tax benefit was USD 14.5 million in Q4 2020 (benefit of USD 1.3 million in Q4 2019). During the quarter, AMSC recognized its net deferred tax assets in Norway that had not been previously recognized. Net profit for Q4 2020 was USD 19.9 million compared to net profit of USD 3.8 million in Q4 2019.

As of 31 December 2020, AMSC has approximately USD 517.6 million of federal net operating losses in carryforward in its U.S. subsidiaries and approximately USD 75.8 million of net operating losses in Norway. See Note 6 for more detailed information.

The non-cash deferred income tax benefit in the U.S. 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.

### Full year results

AMSC's operating revenues for the full year 2020 and 2019 were USD 88.2 million and USD 87.8 million, respectively. EBITDA was USD 85.2 million in 2020 (USD 84.7 million for 2019). EBIT was USD 51.0 million for the full year 2020 and USD 50.8 million for the full year 2019.

Net financial expense for 2020 was USD 49.0 million (USD 40.6 million for 2019). The increase in 2020 was due to one-time payments of USD 9.2 million for the call premium on the refinanced bonds, USD 1.9 million paid to terminate the interest rate swaps in connection with the bank debt refinancing which was closed during April 2020, and a non-cash write-off of unamortized loan fees of USD 3.3 million.

In 2020, AMSC had an unrealized loss of USD 0.4 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 3.2 in 2019).

AMSC had a net profit before tax for the full year 2020 of USD 1.6 million (USD 6.8 million in 2019). Non-cash deferred income tax benefit was 16.9 million in 2020 (benefit of USD 1.6 million in 2019). During 2020, AMSC recognized its net deferred tax assets in Norway that had not been previously recognized. AMSC recognized an income tax expense of USD 0.4 million in 2020 (USD 0.1 million in 2019), relating to state taxes. Net profit for the full year 2020 was USD 18.1 million compared to USD 8.3 million in the full year 2019.

### Condensed Statement of Financial Position

| | *unaudited* | |
|---|---|---|
| **Amounts in USD million** | **31-Dec 2020** | **31-Dec 2019 *** |
| Vessels | 649.5 | 678.9 |
| Deferred tax assets | 14.8 | - |
| Interest-bearing long term receivables (DPO) | 23.3 | 25.3 |
| Trade and other receivables | 0.3 | 0.4 |
| Cash held for specified uses | 0.9 | 1.6 |
| Cash and cash equivalents | 34.9 | 46.3 |
| **Total assets** | **723.7** | **752.4** |
| | | |
| Total equity | 161.3 | 165.0 |
| Deferred tax liabilities | 9.2 | 11.4 |
| Interest-bearing long term debt | 516.9 | 522.7 |
| Derivative financial liabilities | 1.2 | 0.8 |
| Interest-bearing short term debt | 26.8 | 44.3 |
| Deferred revenues and other payables | 8.3 | 8.2 |
| **Total equity and liabilities** | **723.7** | **752.4** |

* Derived from audited financial statements

The decrease in Vessels from 31 December 2019 reflects depreciation of the Company's 10 vessels for 2020 of USD 34.2 million, partly offset by USD 4.8 million paid for investments in ballast water treatment systems for two vessels.

During 2020, AMSC recognized its Norwegian net deferred tax assets of USD 14.8 million that had not previously been recognized.

During 2020, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 3.5 million, of which USD 2.0 million is principal repayment. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Interest bearing debt as of 31 December 2020 was USD 543.6 million, net of USD 8.7 million in capitalized fees versus USD 567.0 million as of 31 December 2019. This debt relates to the bank financing for the Company's 10 vessels of USD 352.4 million and the unsecured bond of USD 200.0 million. AMSC was in compliance with all of its debt covenants as of 31 December 2020.

## Outlook

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.

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

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

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

Whilst multiple tankers were returned from oil companies and refiners during December 2020, we now see chartering activity picking up for spot voyages as well as term contracts. We expect this development to continue during 2021 as charterers reassess their transportation requirements through the economic recovery.

The vessel supply side remains stable with no newbuilds likely to materialize for many years, due to limited newbuild capacity. The Jones Act tanker fleet will continue to shrink as older tonnage is facing expensive drydocks and special surveys and will likely be phased out.

## 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.

The COVID-19 pandemic is causing increased uncertainty around fundamentals relating to the Jones Act tanker market. Demand for gasoline and jet fuel in the U.S. as well as domestic oil production may remain volatile in the medium term.

For further details of AMSC's risks, refer to the 2019 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, 11 February 2021
The Board of Directors and President / CEO
American Shipping Company ASA

| | |
|---|---|
| Annette Malm Justad<br>Chairperson | Peter D. Knudsen<br>Director |
| Kristian Røkke<br>Director | Pål Magnussen<br>President / CEO |

# AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FULL YEAR 2020

**CONDENSED INCOME STATEMENT**

| | *unaudited* | | | |
|---|---|---|---|---|
| | **Q4** | **Q4** | **Full year** | |
| **Amounts in USD million (except share and per share information)** | **2020** | **2019** | **2020** | **2019*** |
| Operating revenues | 22.2 | 22.1 | 88.2 | 87.8 |
| Operating expenses | (0.9) | (0.8) | (3.0) | (3.1) |
| **Operating profit before depreciation - EBITDA** | **21.3** | **21.3** | **85.2** | **84.7** |
| Depreciation | (8.7) | (8.5) | (34.2) | (33.9) |
| **Operating profit - EBIT** | **12.7** | **12.8** | **51.0** | **50.8** |
| Gain / (loss) on investments | - | - | - | (0.1) |
| Net financial expense | (7.6) | (10.3) | (49.0) | (40.6) |
| Unrealized gain/(loss) on interest swaps | 0.4 | 0.1 | (0.4) | (3.2) |
| **Profit/(loss) before income tax** | **5.5** | **2.5** | **1.6** | **6.8** |
| Income tax expense | (0.1) | - | (0.4) | (0.1) |
| Non-cash income tax (expense) / benefit | 14.5 | 1.3 | 16.9 | 1.6 |
| **Net profit/(loss) for the period *** | **19.9** | **3.8** | **18.1** | **8.3** |
| Average number of common shares | 60,616,505 | 60,616,505 | 60,616,505 | 60,616,505 |
| **Earnings/(loss) per share (USD)** | **0.33** | **0.06** | **0.30** | **0.14** |

**CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME**

| | *unaudited* | | | |
|---|---|---|---|---|
| | **Q4** | **Q4** | **Full year** | |
| **Amounts in USD million** | **2020** | **2019** | **2020** | **2019*** |
| Net income/(loss) for the period | 19.9 | 3.8 | 18.1 | 8.3 |
| Other comprehensive income for the period, net of tax | - | - | - | - |
| **Total comprehensive income/(loss) for the period *** | **19.9** | **3.8** | **18.1** | **8.3** |

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

| | *unaudited* | |
|---|---|---|
| | **31-Dec** | **31-Dec** |
| **Amounts in USD million** | **2020** | **2019 *** |
| **Assets** | | |
| **Non-current assets** | | |
| Vessels | 649.5 | 678.9 |
| Deferred tax assets | 14.8 | - |
| Interest-bearing long term receivables (DPO) | 23.3 | 25.3 |
| **Total non-current assets** | **687.6** | **704.1** |
| **Current assets** | | |
| Trade and other receivables | 0.3 | 0.4 |
| Cash held for specified uses | 0.9 | 1.6 |
| Cash and cash equivalents | 34.9 | 46.3 |
| **Total current assets** | **36.1** | **48.3** |
| **Total assets** | **723.6** | **752.4** |
| **Equity and liabilities** | | |
| **Total equity** | **161.3** | **165.0** |
| **Non-current liabilities** | | |
| Bond payable | 200.0 | 220.0 |
| Other interest-bearing loans | 325.6 | 307.3 |
| Derivative financial liabilities | 1.2 | 0.8 |
| Capitalized fees | (8.7) | (4.6) |
| Deferred tax liability | 9.2 | 11.4 |
| **Total non-current liabilities** | **527.3** | **534.9** |
| **Current liabilities** | | |
| Interest-bearing short-term debt | 26.8 | 44.3 |
| Deferred revenues and other payables | 8.3 | 8.2 |
| **Total current liabilities** | **35.1** | **52.5** |
| **Total liabilities** | **562.4** | **587.4** |
| **Total equity and liabilities** | **723.7** | **752.4** |

* Derived from audited financial statements

**CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY**

| Amounts in USD million | unaudited Full year 2020 | 2019* |
|---|---|---|
| **Equity as of beginning of period** | **165.0** | **176.1** |
| Total comprehensive income for the period | 18.1 | 8.3 |
| Repurchase of treasury shares | (0.1) | - |
| Proceeds from sale of treasury shares | 0.1 | - |
| Dividends/return of capital | (21.8) | (19.4) |
| **Total equity as of end of period** | **161.3** | **165.0** |

**CONDENSED CASH FLOW STATEMENT**

| Amounts in USD million | unaudited Full year 2020 | 2019* |
|---|---|---|
| Net cash flow from operating activities | 43.8 | 35.9 |
| Net cash flow from investing activities | (4.8) | 15.4 |
| Net cash flow used in financing activities | (51.1) | (57.2) |
| **Net change in cash and cash equivalents** | **(12.1)** | **(5.9)** |
| Cash and cash equivalents, including cash held for specified uses at the beginning of period | 47.9 | 53.8 |
| **Cash and cash equivalents, including cash held for specified uses at end of period** | **35.7** | **47.9** |

* Derived from audited financial statements

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2020

### 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 2020 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 2019 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 2019.

### 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 2019.

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 2019 that have a significant impact on AMSC's financial reporting for the three or twelve months ended 31 December 2020.

### 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 2019.

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 the tax benefit was recorded during 2020.

The Company has approximately USD 517.6 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2020, of which approximately USD 164 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2019 consolidated financial statements for more details). The Company also has approximately USD 75.8 million of net operating losses in carryforward in Norway as of 31 December 2020.

### 7. Share capital and equity

As of 31 December 2020, 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) | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 16-Mar-20 | 4-Jun-20 | 7-Sep-20 | 7-Dec-20 | 15-Mar-19 | 5-Jun-19 | 10-Sep-19 | 5-Dec-19 |
| NOK per share | 0.7478 | 0.8019 | 0.8958 | 0.8975 | 0.6936 | 0.6975 | 0.7249 | 0.731 |
| USD per share | 0.080 | 0.080 | 0.100 | 0.100 | 0.080 | 0.080 | 0.080 | 0.080 |
| Aggregate NOK (millions) | 45.3 | 48.6 | 54.3 | 54.4 | 42.0 | 42.3 | 43.9 | 44.3 |
| Aggregate USD (millions) | 4.8 | 4.8 | 6.1 | 6.1 | 4.8 | 4.8 | 4.8 | 4.8 |

### 8. Interest-bearing debt

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

| Amounts in USD million | 12 months to 31-Dec-20 | 12 months to 31-Dec-19 |
|---|---|---|
| **Balance at beginning of period** | 567.0 | 601.9 |
| Repayment of debt / loan fees | (534.3) | (37.8) |
| Issuance of debt | 505.0 | - |
| Amortization of loan fees | 5.9 | 2.9 |
| **Balance at end of period** | 543.6 | 567.0 |

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

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

The two facilities are summarized below:

**European facility:**
- 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)

**U.S. facility:**
- 5 year loan secured by 4 vessels
- Amount USD145m
- Pricing LIBOR+325bps
- Annual amortization: USD 8.5 million (repayment profile: 17 years)

On 2 July, AMSC closed on the refinancing of the outstanding USD 220 million bond, with a new USD 200 million bond plus USD 25 million from the Company's revolving credit facility. The new bond has a 7.75% semiannual coupon and matures 2 July 2025.

During 2020, AMSC entered into interest rate swap contracts on 60% of its bank debt at an average rate of 49 bps.

## 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. Net financial expenses

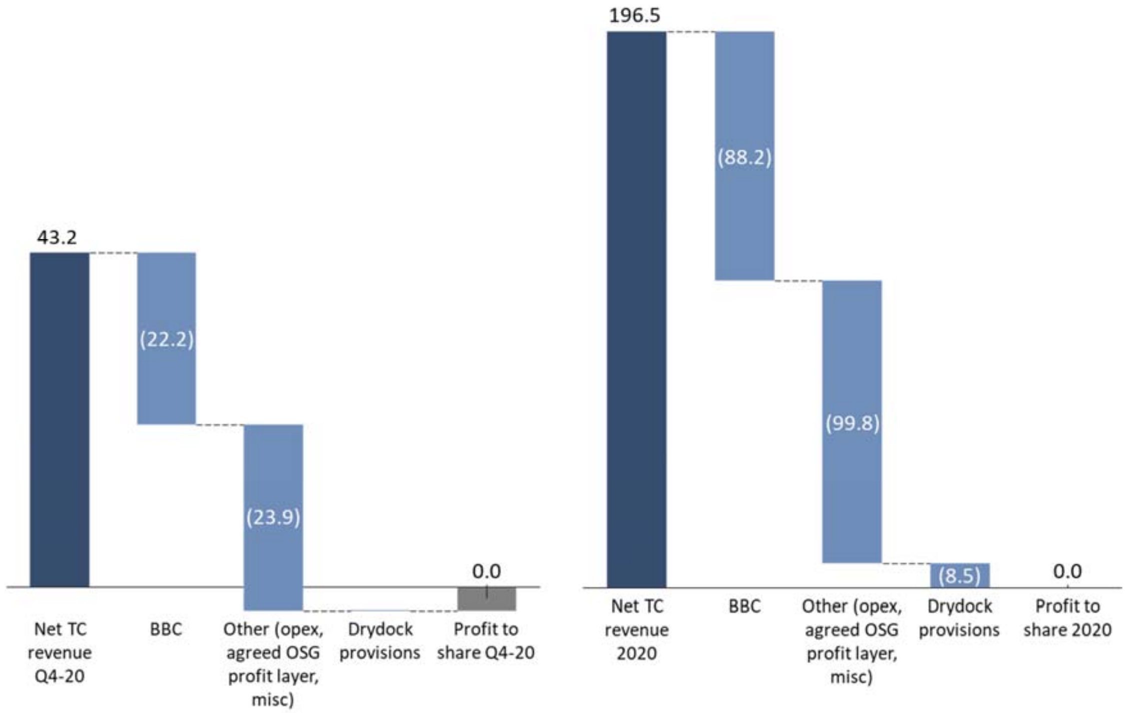
| | 3 months to | | 12 months to | |
|---|---|---|---|---|
| **Amounts in USD million** | **31-Dec-20** | **31-Dec-19** | **31-Dec-20** | **31-Dec-19** |
| Interest expense | (8.0) | (10.5) | (38.2) | (42.8) |
| Refinancing costs | - | - | (9.2) | - |
| Write-off unamortized loan fees | - | - | (3.3) | - |
| Interest income | 0.4 | 0.2 | 1.7 | 2.2 |
| **Net financial expense** | **(7.6)** | **(10.3)** | **(49.0)** | **(40.6)** |

## 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 time charter 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.

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 and full year 2020**




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 2020 USD 7.1 million.

## 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 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 first quarter DPO payment was received subsequent to the quarter and is therefore not reflected in the accounts; the payment is included in Normalized EBITDA as described in note 14.

| | **12 months to** | |
|---|---|---|
| **Amounts in USD million** | **31-Dec-20** | **31-Dec-19** |
| | | |
| **Balance at beginning of period** | 25.3 | 26.7 |
| Repayments of principal | (2.0) | (1.4) |
| **Balance at end of period** | 23.3 | 25.3 |

## 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 2019 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 2020, there were no transfers between categories.

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

| *Amounts in USD millions* | Carrying amount 31-Dec-20 | Fair value 31-Dec-20 | Fair value hierarchy * |
|---|---|---|---|
| Interest-bearing receivables (DPO) | 23.3 | 19.5 | 3 |
| Interest swap used for economic hedging | (1.2) | (1.2) | 2 |
| Unsecured bond issue (gross) | (200.0) | (201.6) | 2 |
| Secured loans (gross) | (359.1) | (353.1) | 2 |

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

* Described in the 2019 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)** | **2020** | **2019** | **2020** | **2019** |
| Base bareboat revenue | 22.2 | 22.1 | 88.2 | 87.8 |
| Less operating expenses | (0.9) | (0.8) | (3.0) | (3.1) |
| **Reported EBITDA** | **21.3** | **21.3** | **85.2** | **84.7** |
| Plus profit share | - | - | - | - |
| Plus DPO | 0.9 | 0.9 | 3.4 | 3.6 |
| **Normalized EBITDA** | **22.2** | **22.2** | **88.6** | **88.3** |

| | *unaudited* | | | |
|---|---|---|---|---|
| | **Q4** | **Q4** | **Full year** | |
| **Adjusted net profit (amounts in USD millions)** | **2020** | **2019** | **2020** | **2019** |
| Net profit/loss after tax | 19.9 | 3.8 | 18.1 | 8.3 |
| Add back: | | | | |
| Unrealized (gain)/loss on interest swaps | (0.4) | (0.1) | 0.4 | 3.2 |
| Non-cash income tax expense | (14.5) | (1.3) | (16.9) | (1.6) |
| Loan refinancing: | | | | |
| Interest swap termination payments | - | - | 1.9 | - |
| Bond call price | - | - | 9.2 | - |
| Write-off unamortized lending fees | - | - | 3.3 | - |
| **Adjusted net profit** | **5.0** | **2.4** | **15.9** | **9.9** |

## 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 2020.

**CONDENSED INCOME STATEMENT**

| | *unaudited* |
|---|---|
| **Amounts in USD million (except share and per share information)** | **Full year 2020** |
| Operating revenues | 88.2 |
| Operating expenses | (2.7) |
| **Operating profit before depreciation - EBITDA** | **85.5** |
| Depreciation | (34.1) |
| **Operating profit - EBIT** | **51.3** |
| Net interest expense | (57.8) |
| Unrealized gain/(loss) on interest swaps | (0.4) |
| Other financial expenses | (2.2) |
| **Profit/(loss) before income tax** | **(9.0)** |
| Income tax expense | (0.4) |
| Non-cash income tax benefit/(expense) | 2.2 |
| **Net profit/(loss) for the period *** | **(7.2)** |
| Average number of common shares | 1,000 |
| **Earnings/(loss) per share (USD thousands)** | **(7.24)** |

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

| | *unaudited* |
|---|---|
| **Amounts in USD million** | **31-Dec 2020** |
| **Assets** | |
| **Non-current assets** | |
| Vessels | 648.5 |
| Interest-bearing long term receivables (DPO) | 23.3 |
| Derivative financial assets | - |
| **Total non-current assets** | **671.8** |
| **Current assets** | |
| Other current assets | 0.2 |
| Cash held for specified uses | 0.9 |
| Cash and cash equivalents | 21.1 |
| **Total current assets** | **22.2** |
| | |
| **Total assets** | **694.1** |
| **Equity and liabilities** | |
| **Total equity** | **44.6** |
| **Non-current liabilities** | |
| Bond payable | 200.0 |
| Other interest-bearing loans | 415.0 |
| Derivative financial liabilities | 1.2 |
| Capitalized fees | (8.7) |
| Deferred tax liability | 9.9 |
| **Total non-current liabilities** | **617.4** |
| **Current liabilities** | |
| Interest-bearing short-term debt | 26.8 |
| Deferred revenues and other payables | 5.2 |
| **Total current liabilities** | **32.0** |
| | |
| **Total liabilities** | **649.4** |
| | |
| **Total equity and liabilities** | **694.1** |

**CONDENSED CASH FLOW STATEMENT**

| Amounts in USD million | *unaudited* Full year 2020 |
|---|---|
| Net cash flow from operating activities | 33.3 |
| Net cash flow from investing activities | (4.8) |
| Net cash flow used in financing activities | (33.8) |
| **Net change in cash and cash equivalents** | **(5.4)** |
| Cash and cash equivalents, including cash held for specified uses at the beginning of period | 27.4 |
| **Cash and cash equivalents, including cash held for specified uses at end of period** | **22.0** |

## 16. Subsequent events

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

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

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