

AMERICAN SHIPPING COMPANY ASA

Second Quarter 2022 Report



Second Quarter 2022 Report

Lysaker, 23 August 2022, American Shipping Company ASA (“AMSC” or the “Company”) announces results for the second quarter ending 30 June 2022.

HIGHLIGHTS

- Stable financial performance with bareboat revenue of USD 22.0 million, normalized EBITDA of USD 20.9 million and adjusted net profit of USD 3.8 million
- On 12th May, AMSC reported an agreement to acquire the offshore construction vessel Normand Maximus and to enter into a long- term bareboat charter commencing in Q4 2022 to a subsidiary of Solstad Offshore ASA
- On 10th June, AMSC announced two new multi-year Jones Act bareboat charters with Keystone Shipping Co., commencing upon redelivery of the current charters in December 2022
- Backlog of Jones Act secured bareboat revenue of USD 175.7 million with average weighted tenor of 1.9 years
- Declared Q2 dividend of USD 0.12 per share, supported by the Company’s free cash flow

AMSC CEO, Pål Lothe Magnussen comments, *“As our existing fleet remains fully contracted in a Jones Act tanker market that has recovered beyond pre-covid levels, we report stable financial results for the quarter. Two of the three tankers returning to us in December have successfully been rechartered at improved rates and we are actively working with alternatives for the third vessel. In addition, we are excited about the announced acquisition of Normand Maximus, which we believe will be an accretive and valuable addition to our fleet. The current momentum in the offshore services market is strong and the outlook promising which makes us confident in the long-term potential for Normand Maximus.”*

MAIN EVENTS DURING AND SUBSEQUENT TO THE SECOND QUARTER

- **Operating profit:** Operating profit was stable at USD 11.5 million in Q2 2022 and USD 12.1 million in Q2 2021.
- **Normalized EBITDA:** Normalized EBITDA of USD 20.9 million for Q2 2022 consists of base bareboat revenue of USD 22.0 million, plus Deferred Principal Obligation (“DPO”) of USD 0.8 million, less SG&A of USD 1.9 million. The comparative figure for Q2 2021 for normalized EBITDA was USD 21.4 million (consisting of base bareboat revenue of USD 21.9 million, plus DPO of USD 0.8 million, less SG&A of USD 1.3 million). See the section on Alternative Performance Measures for more detailed information.
- **Adjusted net profit:** Adjusted net profit of USD 3.8 million for Q2 2022 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 Q2 2021 was USD 4.0 million. See the section on Alternative Performance Measures for further details.
- **Acquisition of Normand Maximus:** On 12th May 2022, the Company announced an agreement to acquire the offshore construction vessel Normand Maximus and to enter into a new long-term bareboat contract with a subsidiary of Solstad Offshore ASA. Purchase price is USD 157 million, which the Company intends to finance through 70% debt and the remaining 30% through cash on hand and new equity. A USD 20

million deposit has been placed in an escrow account and delivery of the vessel is expected to take place during Q4 2022. The bareboat contract is 5 years firm with 2 x 5-year extension options. Solstad Offshore has options to purchase the vessel at year 5 and 10. The vessel will be placed in a Norwegian single purpose company directly and 100% owned by American Shipping Company ASA.

- **Two new multi-year Jones Act bareboat charters:** On 10th June 2022, the Company announced new three-year bareboat charters for two of its vessels commencing in December 2022 with Keystone Shipping Co. The charters include two optional one-year periods and are secured by back-to-back time charters with a larger refinery group.
- **Dividends:** On 18 May 2022, the Board authorized a quarterly dividend payment of USD 0.12 per share, the equivalent of NOK 1.1517 per share, to the shareholders on record as of 26 May, which was paid on 10 June 2022. The dividend was classified as a return of paid in capital.

On 22 August 2022, the Board authorized a dividend payment of USD 0.12 per share to the shareholders on record as of 30 August 2022. The shares in AMSC will be traded ex. dividend from and including 29 August 2022, and the dividend will be paid on or about 7 September 2022. 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 ability to secure new contracts for redelivered vessels and will be considered in conjunction with the Company's financial position, debt covenants, capital requirements, and market conditions going forward.

SECOND QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	<i>unaudited</i>			
	Q2 2022	Q2 2021	Year to date 2022 2021	
Operating revenues	22.0	21.9	43.7	43.6
Operating profit before depreciation - EBITDA	20.1	20.6	41.0	41.0
Normalized EBITDA	20.9	21.4	42.6	42.7
Operating profit - EBIT	11.5	12.1	23.9	24.2
Net financial expense	(7.7)	(7.6)	(15.2)	(14.5)
Unrealized gain/(loss) on interest swaps	1.7	0.4	8.2	(0.1)
Net foreign exchange gain/(loss)	(1.4)	-	(1.3)	-
Profit/(loss) before income tax	4.1	4.9	15.6	9.6
Income tax expense	-	(0.3)	(0.1)	-
Non-cash income tax (expense) / benefit	(0.8)	(1.0)	(3.4)	(2.1)
Net profit/(loss) for the period *	3.3	3.6	12.1	7.5
Adjusted net profit	3.8	4.0	8.7	9.4
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Basic and diluted earnings per share (USD)	0.05	0.06	0.20	0.12

* Applicable to common stockholders of the parent company

Second quarter results

AMSC's operating revenues for Q2 2022 and Q2 2021 were USD 22.0 million and USD 21.9 million, respectively. EBITDA was USD 20.1 million in Q2 2022 and USD 20.6 million in Q2 2021. Operating profit was USD 11.5 million in Q2 2022 (USD 12.1 million in Q2 2021).

Net financial expense for Q2 2022 was USD 7.7 million (USD 7.6 million in Q2 2021). Included in net financial expense in Q2 2021, AMSC recognized a one-time gain of USD 0.2 million on the bond tap issued at 101 of par.

In Q2 2022, AMSC had an unrealized gain of USD 1.7 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 0.4 million in Q2 2021). Net foreign exchange loss for Q2 2022 was USD 1.4 million, relating to revaluation of NOK balances into USD functional currency (0 in Q2 2021).

AMSC had a net profit before tax for Q2 2022 of USD 4.1 million compared to USD 4.9 million in Q2 2021. Current income tax expense was zero in Q2 2022 (USD 0.3 million in Q2 2021). Non-cash income tax expense was USD 0.8 million in Q2 2022 (USD 1.0 million in Q2 2021). Net profit for Q2 2022 was USD 3.3 million compared to USD 3.6 million in Q2 2021.

Year to date results

AMSC's operating revenues for the first six months of 2022 and 2021 were USD 43.7 million and USD 43.6 million, respectively. EBITDA was USD 41.0 million year to date in 2022, as well as 2021. EBIT was USD 23.9 million in the six months ending 30 June 2022 (USD 24.2 million in the same period of 2021).

Net financial expense for the first six months of 2022 was USD 15.2 million (USD 14.5 million in the first six months of 2021). Included in net financial expense in 2021, AMSC recognized a one-time gain of USD 0.2 million on the bond tap issued at 101 of par.

In 2022, AMSC had an unrealized gain of USD 8.2 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 0.1 million loss in 2021). AMSC also recognized a net foreign exchange loss of USD 1.3 million during the first half of 2022 (0 in the same period of 2021).

AMSC had a net profit before tax for the six months ending 30 June 2022 of USD 15.6 million (USD 9.6 million for the six months ending 30 June 2021). Current income tax expense for year-to-date 2022 was 0.1 million (0 in 2021). Non-cash income tax expense was USD 3.4 million in 2022 (USD 2.1 million in 2021). Net profit for the first six months of 2022 was USD 12.1 million compared to USD 7.5 million in the first six months of 2021.

Condensed Statement of Financial Position

Amounts in USD million	<i>unaudited</i>		31-Dec 2021 *
	30-Jun 2022	30-Jun 2021	
Vessels	600.0	632.7	615.1
Deferred tax assets	9.4	13.7	11.3
Interest-bearing long term receivables (DPO)	6.9	20.5	7.3
Derivative financial assets	11.8	-	3.6
Deposit for ship	20.0	-	-
Trade and other receivables	14.3	2.8	14.9
Cash held for specified uses	6.5	5.9	5.4
Cash and cash equivalents	33.0	53.9	55.9
Total assets	701.8	729.6	713.6
Total equity	146.8	156.7	149.2
Deferred tax liabilities	18.8	10.3	16.2
Interest-bearing long term debt	499.5	524.1	511.9
Derivative financial liabilities	-	1.3	-
Interest-bearing short term debt	26.8	26.8	26.8
Trade and other payables	9.9	10.4	9.5
Total equity and liabilities	701.8	729.6	713.6

* Derived from audited financial statements

The decrease in vessels from 31 December 2021 reflects depreciation of the Company's 10 vessels for the first half 2022 of USD 17.1 million, offset by capital expenditures of USD 1.9 million.

During Q2 2022, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 1.6 million, of which USD 1.0 million is principal repayment. As of 30 June 2022, USD 13.5 million of the DPO balance was reclassified to short term trade and other receivables of which USD 12.3 million will become due in connection with the three ships' redeliveries in December 2022. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Cash held for specified uses includes minimum balances held in earnings accounts for each of the Company's respective bank loans.

Interest bearing debt as of 30 June 2022 was USD 526.3 million, net of USD 5.8 million in capitalized fees versus USD 538.6 million as of 31 December 2021. This debt relates to the bank financing for the Company’s 10 vessels of USD 312.1 million and the unsecured bond of USD 220.0 million. AMSC was in compliance with all of its debt covenants as of 30 June 2022.

Outlook

The first half of 2022 has provided a full recovery of the Jones Act tanker market after the Covid-19 pandemic. All integrated Jones Act tankers are out of lay-up and employed on time charters and there are only two available ships coming off charters until year-end. Time charter rates have moved above \$60,000 for 3 to 9 month charters, and the market has also seen two and three year fixtures above the \$60,000 hurdle.

Whilst demand for clean transportation is back to pre-pandemic levels, it is the emerging renewable diesel trade that drives demand and time charter rates. AMSC is presently counting five vessels in this trade and understand that this may increase to seven vessels in the near term. The renewables trade consists of transportation of bio-fuels from the U.S. Gulf to the U.S. West Coast and is required for states on the U.S. West Coast to reach certain carbon emissions targets. The round trip from U.S. Gulf to U.S. West Coast is over 30 days and accordingly the longest in the Jones Act, which means additional ton miles for the fleet.

As previously reported, the supply side of the market remains stable with limited U.S. yard capacity and rising newbuilding costs, making it unlikely for newbuilds to enter the market for years to come.

The long-term fundamentals in the Jones Act tanker market remain positive. MR tankers are a reliable means of transportation and a key part of the infrastructure transporting fuel and crude oil across the USA. AMSC’s 10 tankers are a key part of the Jones Act fleet and represent about 30% of the modern tankers. AMSC continues to enjoy downside protection with “come hell or high water” bareboat contracts with varying maturities as presented below.

Vessel	Charter Expiration	Operator	Remaining Charter Extension Options
Overseas New York	Dec 2022	OSG / TBA	None
Overseas Houston	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Long Beach	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Boston	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Nikiski	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Martinez	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Anacortes	Dec 2023	OSG	Unlimited 3 and 5 year
Overseas Los Angeles	Dec 2025	OSG / Keystone	2 x 1 year
Overseas Texas City	Dec 2025	OSG / Keystone	2 x 1 year
Overseas Tampa	Jun 2025	OSG	2 x 5 year followed by 5 x 1 year

The offshore services market is currently experiencing strong momentum with increased activity particularly for subsea assets. Solstad Offshore continues to report promising outlook for this segment and are currently working on several shorter and longer term employment opportunities for the Normand Maximus after the current time charter expires in Q4 2022.

Risks

The risks facing AMSC principally relate to the operational and financial performance of its charterers. Indirectly AMSC is exposed to overall Jones Act tanker market risk and following the announced acquisition of the offshore construction vessel Normand Maximus, AMSC will also be exposed to the offshore services market in the future.

AMSC is exposed to rechartering risk upon expiry of existing bareboat charters. Presently, one vessel has a bareboat charter expiring in December 2022, six vessels have bareboat charters expiring in December 2023, two vessels have bareboat charters expiring in December 2025 and one vessel is contracted through June 2025. Three vessels will be redelivered to AMSC upon expiration in December 2022 of which two vessels have been redeployed with Keystone Shipping. There is no guarantee that AMSC will be successful in finding alternative employment for the Overseas New York and there could be additional costs and capital expenditures required to maintain the vessel.

AMSC is exposed to the risk of Solstad's ability to secure time charters for the Normand Maximus and to perform under a bareboat charter with AMSC. AMSC is also exposed to financing risk related to the acquisition of the vessel.

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 2021 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, 22 August 2022
The Board of Directors and President / CEO
American Shipping Company ASA

Annette Malm Justad
Chairperson

Peter D. Knudsen
Director

Frank O. Reite
Director

Pål Magnussen
President / CEO

Responsibility statement

The unaudited condensed interim consolidated financial statements of American Shipping Company ASA and its subsidiaries (“Group”) and interim financial report as of 30 June 2022 and for the first half of 2022 were approved by the Board of Directors and Managing Director on 22 August 2022.

The interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU and the additional requirements in the Norwegian Securities Trading Act.

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principle opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Lysaker, 22 August 2022

The Board of Directors and President / CEO
American Shipping Company ASA

Annette Malm Justad
Chairperson

Peter D. Knudsen
Director

Frank O. Reite
Director

Pål Magnussen
President / CEO

**AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF 2022**

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information) Note	<i>unaudited</i>			
	Q2 2022	Q2 2021	Year to date 2022 2021	
Operating revenues	22.0	21.9	43.7	43.6
Operating expenses	(1.9)	(1.3)	(2.7)	(2.6)
Operating profit before depreciation - EBITDA	20.1	20.6	41.0	41.0
Depreciation	(8.6)	(8.5)	(17.1)	(16.8)
Operating profit - EBIT	11.5	12.1	23.9	24.2
Net financial expense 10	(7.7)	(7.6)	(15.2)	(14.5)
Unrealized gain/(loss) on interest swaps	1.7	0.4	8.2	(0.1)
Net foreign exchange gain/(loss)	(1.4)	-	(1.3)	-
Profit before income tax	4.1	4.9	15.6	9.6
Income tax (expense) / benefit 6	-	(0.3)	(0.1)	-
Non-cash income tax (expense) / benefit 6	(0.8)	(1.0)	(3.4)	(2.1)
Net profit for the period *	3.3	3.6	12.1	7.5
Average number of common shares 7	60,616,505	60,606,505	60,606,505	60,606,505
Basic and diluted earnings per share (USD)	0.05	0.06	0.20	0.12

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>			
	Q2 2022	Q2 2021	Year to date 2022 2021	
Net income/(loss) for the period	3.3	3.6	12.1	7.5
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	3.3	3.6	12.1	7.5

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	Note	<i>unaudited</i>		31-Dec 2021 *
		30-Jun 2022	30-Jun 2021	
Assets				
Non-current assets				
Vessels		600.0	632.7	615.1
Deferred tax assets		9.4	13.7	11.3
Interest-bearing long term receivables (DPO)	12	6.9	20.5	7.3
Derivative financial assets		11.8	-	3.6
Total non-current assets		628.0	666.9	637.3
Current assets				
Deposit for ship		20.0	-	-
Trade and other receivables		14.3	2.8	14.9
Cash held for specified uses		6.5	5.9	5.4
Cash and cash equivalents		33.0	53.9	55.9
Total current assets		73.8	62.7	76.2
Total assets		701.8	729.6	713.5
Equity and liabilities				
Total equity		146.8	156.7	149.2
Non-current liabilities				
Bond payable	8	220.0	220.0	220.0
Other interest-bearing loans	8	285.3	312.1	298.7
Derivative financial liabilities		-	1.3	-
Capitalized fees	8	(5.8)	(8.0)	(6.9)
Deferred tax liability	6	18.8	10.3	16.2
Total non-current liabilities		518.3	535.7	528.0
Current liabilities				
Interest-bearing short-term debt	8	26.8	26.8	26.8
Trade and other payables		9.9	10.4	9.5
Total current liabilities		36.7	37.2	36.3
Total liabilities		555.0	572.9	564.3
Total equity and liabilities		701.8	729.6	713.5

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	<i>unaudited</i>	
	Year to date	
	2022	2021
Equity as of beginning of period	149.2	161.3
Total comprehensive income for the period	12.1	7.5
Repurchase of treasury shares	-	-
Proceeds from sale of treasury shares	-	-
Dividends/return of capital	(14.5)	(12.1)
Total equity as of end of period	146.8	156.7

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>	
	Year to date	
	2022	2021
Net cash flow from operating activities	28.0	30.1
Net cash flow used in investing activities	(21.9)	-
Net cash flow used in financing activities	(27.9)	(6.0)
Net change in cash and cash equivalents	(21.8)	24.1
Cash and cash equivalents, including cash held for specified uses at the beginning of period	61.3	35.7
Cash and cash equivalents, including cash held for specified uses at end of period	39.5	59.9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022
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 six months ended 30 June 2022 and 2021 comprise AMSC and its wholly owned subsidiaries. These interim financial statements have not been audited or reviewed by the Company’s auditors. American Shipping Company has one operating segment.

The consolidated 2021 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 six 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 2021.

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 2021.

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 2021 that have a significant impact on AMSC's financial reporting for the three and six months ended 30 June 2022.

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 2021.

Certain prior period reclassifications were made to conform to current year presentation and include reclassification of short-term DPO receivables as well as reclassification between Cash and cash equivalents and Cash held for specified uses.

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, unused interest expense deductions and capitalized loan fees. Deferred tax liabilities include the value of the vessels.

The Company has approximately USD 467.8 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2021, of which approximately USD 151.7 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2021 consolidated financial statements for more details). The Company also has approximately USD 62.9 million of net operating losses in carryforward in Norway as of 31 December 2021.

7. Share capital and equity

As of 30 June 2022, AMSC had 60,616,505 ordinary shares at a par value of NOK 1 per share. The Annual General Meeting on 22 April 2022 adopted a resolution to reduce the par value of AMSC's share capital from NOK 10 per

share to NOK 1 per share. Upon completion of the creditor notice period during Q2 2022, the reduced amount was transferred to other equity and constitutes unrestricted other deposited equity.

Dividends paid (classified as repayment of previously paid in share premium)	2022		2021	
	14-Mar-22	10-Jun-22	1-Mar-21	4-Jun-21
NOK per share	1.0573	1.1517	0.8470	0.8321
USD per share	0.120	0.120	0.100	0.100
Aggregate NOK (millions)	64.1	69.8	51.3	50.4
Aggregate USD (millions)	7.3	7.3	6.1	6.1

8. Interest-bearing debt

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

Amounts in USD million	6 months to	
	30-Jun-22	30-Jun-21
Balance at beginning of period	538.6	543.6
Repayment of debt / loan fees	(13.4)	(13.8)
Issuance of debt	-	20.0
Amortization of loan fees	1.1	1.1
Balance at end of period	526.3	550.9

The Company was in compliance with all of its debt covenants as of 30 June 2022.

9. Related party transactions

AMSC believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions and had no new related party agreements during the first half of 2022. Please reference note 18 in the 2021 consolidated financial statements for the Group for further details.

10. Net financial expenses

Amounts in USD million	3 months to		6 months to	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
Interest expense	(8.0)	(7.9)	(15.8)	(15.6)
Interest income	0.3	0.3	0.7	1.1
Interest capitalized	-	-	-	-
Net financial expense	(7.7)	(7.6)	(15.2)	(14.5)

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.

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, and in no event is AMSC obligated to repay the credit. The OSG credit balance was as of 31 December 2021 USD 7.7 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.

Amounts in USD million	6 months to	
	30-Jun-22	30-Jun-21
Balance at beginning of period	21.4	23.3
Repayments of principal	(1.0)	(1.0)
Balance at end of period	20.4	22.3
Reclassified to short-term receivables	(13.5)	(1.9)
Long term balance at end of period	6.9	20.5

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 2021 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 30 June 2022, 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:

<i>Amounts in USD millions</i>	Carrying amount 30-Jun-22	Fair value 30-Jun-22	Fair value hierarchy *
Interest-bearing receivables (DPO)	20.4	19.0	3
Interest swap used for economic hedging	11.8	11.8	2
Unsecured bond issue (gross)	(220.0)	(211.2)	2
Secured loans (gross)	(312.1)	(316.0)	2

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

* Described in the 2021 consolidated financial statements

14. 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 first half 2022.

Amounts in USD million (except share and per share information)	<i>unaudited</i>
	Year to date 2022
Operating revenues	43.7
Operating expenses	(1.8)
Operating profit before depreciation - EBITDA	42.0
Depreciation	(17.1)
Operating profit - EBIT	24.9
Net interest expense	(19.6)
Unrealized gain/(loss) on interest swaps	8.2
Other financial expenses	(1.0)
Profit/(loss) before income tax	12.5
Income tax expense	(0.1)
Non-cash income tax benefit/(expense)	(2.7)
Net profit/(loss) for the period *	9.8
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	9.76

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>
	30-Jun 2022
Assets	
Non-current assets	
Vessels	599.0
Interest-bearing long term receivables (DPO)	6.9
Derivative financial assets	11.8
Total non-current assets	617.7
Current assets	
Other current assets	14.2
Cash held for specified uses	6.4
Cash and cash equivalents	29.5
Total current assets	50.1
Total assets	667.8
Equity and liabilities	
Total equity	26.4
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	374.9
Capitalized fees	(5.8)
Deferred tax liability	19.3
Total non-current liabilities	608.4
Current liabilities	
Interest-bearing short-term debt	26.8
Trade and other payables	6.2
Total current liabilities	33.0
Total liabilities	641.3
Total equity and liabilities	667.8

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>
	Year to date 2022
Net cash flow from operating activities	23.3
Net cash flow used in investing activities	(1.9)
Net cash flow used in financing activities	(35.4)
Net change in cash and cash equivalents	(14.1)
Cash and cash equivalents, including cash held for specified uses at the beginning of period	50.0
Cash and cash equivalents, including cash held for specified uses at end of period	35.9

15. Subsequent events

On 22 August 2022, the Board authorized a dividend payment of USD 0.12 per share to the shareholders on record as of 30 August 2022. The shares in AMSC will be traded ex. dividend from and including 29 August 2022, and the dividend will be paid on or about 7 September 2022. The dividend is classified as a return of paid in capital.

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) minus 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.

	<i>unaudited</i>			
	Q2 2022	Q2 2021	Year to date	
			2022	2021
Normalized EBITDA (amounts in USD millions)				
Base bareboat revenue	22.0	21.9	43.7	43.6
Less operating expenses	(1.9)	(1.3)	(2.7)	(2.6)
Reported EBITDA	20.1	20.6	41.0	41.0
Plus DPO	0.8	0.8	1.6	1.7
Normalized EBITDA	20.9	21.4	42.6	42.7

	<i>unaudited</i>			
	Q2 2022	Q2 2021	Year to date	
			2022	2021
Adjusted net profit (amounts in USD millions)				
Net profit/loss after tax	3.3	3.6	12.1	7.5
Add back:				
Unrealized (gain)/loss on interest swaps	(1.7)	(0.4)	(8.2)	0.1
Net foreign exchange (gain)/loss	1.4	-	1.3	-
Non-cash income tax expense	0.8	1.0	3.4	2.1
Bond (premium)	-	(0.2)	-	(0.2)
Adjusted net profit	3.8	4.0	8.7	9.4

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