

AMERICAN SHIPPING COMPANY ASA

First Quarter 2020 Report



First Quarter 2020 Report

Lysaker, 20 May 2020, American Shipping Company ASA (“AMSC” or the “Company”) announces results for first quarter ending 31 March 2020.

HIGHLIGHTS

- AMSC successfully closed a USD 305 million bank debt refinancing with new and existing lenders at attractive and improved terms. The new debt facilities reduce cost of capital and increase free cash flow
- Stable Q1 financial performance with bareboat revenue of USD 21.9 million, normalized EBITDA of USD 22.0 million and adjusted net profit of USD 2.9 million
- Backlog of secured bareboat revenue of USD 300.4 million with average weighted tenor of 3.4 years
- Declared Q1 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 report another quarter with stable financial performance based on contracted cash flow for the entire fleet. Stable cash flow in combination with the new bank debt financing, will translate into stronger financial results going forward and increasing net free cash flow. Despite global uncertainty from the COVID-19 pandemic, AMSC remains insulated with “come hell and high water” bareboat contracts, and no debt maturities until 2022.”

MAIN EVENTS DURING AND SUBSEQUENT TO THE FIRST QUARTER

- **Operating income:** Operating income was stable at USD 12.7 million in Q1 2020 and USD 12.5 million in Q1 2019.
- **Normalized EBITDA:** Normalized EBITDA of USD 22.0 million for Q1 2020 consists of base bareboat revenue of USD 21.9 million, plus Deferred Principal Obligation (“DPO”) of USD 0.9 million, less SG&A of USD 0.8 million. The comparative figure for Q1 2019 for normalized EBITDA was USD 21.7 million (consisting of base bareboat revenue of USD 21.6 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 2.9 million for Q1 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 Q1 2019 was USD 2.2 million. See Note 14 for further details.
- **Profit share:** There was no profit share for Q1 2020 or Q1 2019 attributed to AMSC. Net time charter revenue for our 10 vessels increased in Q1 2020, 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.
- **COVID-19 Impact:** Demand for transportation of petroleum products in the U.S. market was sharply reduced in March and April and remains lower than normal to date in May. Consumer demand for clean product has already recovered substantially from the April low, but is expected to remain below historical averages for most of the year. EIA expects demand for clean products to recover to normal by the end of 2020. 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. The cost of the current lower fleet utilization is primarily borne by oil companies and refiners as OSG has more than 90% time charter cover for 2020 for the ten AMSC vessels it operates.
- **Senior secured debt refinancing:** Subsequent to the end of Q1, 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)

- **Interest Rate Swaps** Subsequent to quarter-end, the Company entered into 5 year interest rate swaps with some of its lenders, fixing the LIBOR exposure for approximately USD 220m of its loans at an average 0.493% rate.
- **Dividends:** On 27 February 2020, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.7478 per share, to the shareholders on record as 6 March 2020, which was paid on 16 March 2020. The dividend was classified as a return of paid in capital.

On 19 May 2020, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 27 May 2020 in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 26 May 2020, and the dividend will be paid on or about 4 June 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. 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.

FIRST QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	<i>unaudited</i>	
	Q1 2020	Q1 2019
Operating revenues	21.9	21.6
Operating profit before depreciation - EBITDA	21.1	20.8
Normalized EBITDA	22.0	21.7
Operating profit - EBIT	12.7	12.5
Gain / (loss) on investments	-	(0.2)
Net interest expense	(11.7)	(10.3)
Unrealized gain/(loss) on interest swaps	0.8	(1.2)
Net foreign exchange gain/(loss)	(0.2)	-
Profit/(loss) before income tax	1.6	0.8
Non-cash income tax (expense) / benefit	-	0.1
Net profit/(loss) for the period *	1.6	0.9
Adjusted net profit	2.9	2.2
Average number of common shares	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.03	0.01

* Applicable to common stockholders of the parent company

First quarter results

AMSC's operating revenues for each of Q1 2020 and Q1 2019 were USD 21.9 million and USD 21.6 million, respectively. EBITDA was USD 21.1 million in Q1 2020 and USD 20.8 million in Q1 2019. EBIT was USD 12.7 million in Q1 2020 and USD 12.5 million in Q1 2019.

Net interest expense (interest expense less interest income) for Q1 2020 was USD 11.7 million (USD 10.3 million in Q1 2019). The increase in the first quarter of 2020 was due to a one-time payment of USD 1.9 million to terminate the interest rate swaps in connection with the bank debt refinancing which was closed during April 2020.

In Q1 2020, AMSC had an unrealized gain of USD 0.8 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (loss of USD 1.2 million in Q1 2019).

AMSC had a net profit before tax for Q1 2020 of USD 1.6 million (USD 0.8 million in Q1 2019). Non-cash deferred income tax was immaterial in Q1 2020 (benefit of USD 0.1 million in Q1 2019).

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 March 2020, AMSC has approximately USD 542 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q1 2020 was USD 1.6 million compared to USD 0.9 million in Q1 2019.

Condensed Statement of Financial Position

Amounts in USD million	<i>unaudited</i>		31-Dec 2019 *
	31-Mar 2020	31-Mar 2019	
Vessels	670.4	703.4	678.9
Interest-bearing long term receivables (DPO)	24.8	26.3	25.3
Derivative financial assets	-	1.2	-
Trade and other receivables	0.3	0.2	0.4
Cash held for specified uses	0.8	3.2	1.6
Cash and cash equivalents	36.3	48.8	46.3
Total assets	732.7	783.2	752.4
Total equity	161.8	172.1	165.0
Deferred tax liabilities	11.4	12.9	11.4
Interest-bearing long term debt	512.3	554.3	522.7
Derivative financial liabilities	-	-	0.8
Interest-bearing short term debt	44.3	33.7	44.3
Deferred revenues and other payables	3.0	10.2	8.2
Total equity and liabilities	732.7	783.2	752.4

* Derived from audited financial statements

The decrease in Vessels from 31 December 2019 reflects depreciation of the Company's 10 vessels for the first quarter of 2020 of USD 8.4 million.

During 2020, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 0.9 million, of which USD 0.5 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 March 2020 was USD 556.6 million, net of USD 3.9 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 340.5 million and the bond of USD 220.0 million. AMSC was in compliance with all of its debt covenants as of 31 March 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. 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.

The long term fundamentals in the Jones Act tanker market remain strong, 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.

Demand for clean products in Q1 2020 was relatively unaffected by the "stay at home" policies across the USA, but the month of April showed a 30% decline in demand as the general activity level dropped. A part of this decline has already recovered in early May, but remains below historical levels and we expect increased volatility in the coming months. The U.S. Energy Information Administration (EIA) is forecasting a gradual recovery for the remainder of 2020 with demand returning to normal levels by the end of the year.

With also U.S. refinery crude throughput being reduced by ~30% combined with the sharp drop in demand for clean products, multiple Jones Act tankers are now being offered for relets. As most MR Jones Act tankers have time charter contracts for 2020 and beyond, the drop in utilization mainly affects oil majors and refiners as opposed to ship owners and operators.

Demand for clean products in the US market is expected to rebound as the economy continues to open. Although the demand outlook for jet fuel may stay muted, there are reasons to be optimistic regarding

recovering demand for gasoline, as Americans are likely to resort to domestic vacations involving the use of automobiles replacing air traffic and maritime cruises.

With gasoline typically comprising 65-70% of cargoes shipped from US Gulf refineries to Florida it is expected to offset the lack of jet fuel cargoes which normally comprise only 10-15% of capacity.

Crude cargoes from the U.S. Gulf to the U.S. Northeast is holding up well during Q1 and in April, but with lower crude throughput at refineries and reduced outlook for U.S. shale oil production we continue to monitor developments in this segment, and expect increased volatility in the coming months. The U.S. Northeast crude trade currently only constitutes around 10% of demand for Jones Act tankers.

On the supply side, another ATB was sold for scrap after the quarter end and with Philly Shipyard being awarded the training ships contract by MARAD and NASSCO building for the U.S. Navy, there will likely be no newbuild MR tankers delivered for many years to come. With only two replacement barges entering the market in Q2 and Q4 2020, the Jones Act tanker fleet will continue to shrink as older tonnage is facing expensive drydocks and special surveys.

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 documentation 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, 19 May 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 FIRST QUARTER 2020

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	<i>unaudited</i>	
	Q1 2020	Q1 2019
Operating revenues	21.9	21.6
Operating expenses	(0.8)	(0.8)
Operating profit before depreciation - EBITDA	21.1	20.8
Depreciation	(8.4)	(8.3)
Operating profit - EBIT	12.7	12.5
Gain / (loss) on investments	-	(0.2)
Net interest expense	(11.7)	(10.3)
Unrealized gain/(loss) on interest swaps	0.8	(1.2)
Net foreign exchange gain/(loss)	(0.2)	-
Profit/(loss) before income tax	1.6	0.8
Non-cash income tax (expense) / benefit	-	0.1
Net profit/(loss) for the period *	1.6	0.9
Average number of common shares	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.03	0.01

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>	
	Q1 2020	Q1 2019
Net income/(loss) for the period	1.6	0.9
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income/(loss) for the period *	1.6	0.9

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>		31-Dec 2019 *
	31-Mar 2020	31-Mar 2019	
Assets			
Non-current assets			
Vessels	670.4	703.4	678.9
Interest-bearing long term receivables (DPO)	24.8	26.3	25.3
Derivative financial assets	-	1.2	-
Total non-current assets	695.2	730.9	704.1
Current assets			
Trade and other receivables	0.3	0.2	0.4
Cash held for specified uses	0.8	3.2	1.6
Cash and cash equivalents	36.3	48.8	46.3
Total current assets	37.5	52.3	48.3
Total assets	732.7	783.2	752.4
Equity and liabilities			
Total equity	161.8	172.1	165.0
Non-current liabilities			
Bond payable	220.0	220.0	220.0
Other interest-bearing loans	296.2	340.6	307.3
Derivative financial liabilities	-	-	0.8
Capitalized fees	(3.9)	(6.3)	(4.6)
Deferred tax liability	11.4	12.9	11.4
Total non-current liabilities	523.7	567.2	534.9
Current liabilities			
Interest-bearing short-term debt	44.3	33.7	44.3
Deferred revenues and other payables	3.0	10.2	8.2
Total current liabilities	47.3	43.9	52.5
Total liabilities	570.9	611.1	587.4
Total equity and liabilities	732.7	783.2	752.4

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	<i>unaudited</i>	
	Year to date 2020	2019
Equity as of beginning of period	165.0	176.1
Total comprehensive income for the period	1.6	0.9
Repurchase of treasury shares	-	-
Proceeds from sale of treasury shares	-	-
Dividends/return of capital	(4.8)	(4.8)
Total equity as of end of period	161.8	172.1

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>	
	Year to date 2020	2019
Net cash flow from operating activities	5.2	1.5
Net cash flow from investing activities	-	16.3
Net cash flow used in financing activities	(15.9)	(19.5)
Net change in cash and cash equivalents	(10.7)	(1.7)
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	37.1	52.1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 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 months ended 31 March 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 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 months ended 31 March 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 no tax benefit is recorded.

The Company has approximately USD 542 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 March 2020, of which approximately USD 177 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 USD 85.6 million of net operating losses in carryforward in Norway as of 31 December 2019.

7. Share capital and equity

As of 31 March 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	15-Mar-19
NOK per share	0.7478	0.6936
USD per share	0.080	0.080
Aggregate NOK (millions)	45.3	42.0
Aggregate USD (millions)	4.8	4.8

8. Interest-bearing debt

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

Amounts in USD million	3 months to	
	31-Mar-20	31-Mar-19
Balance at beginning of period	567.0	601.9
Repayment of debt / loan fees	(11.1)	(14.7)
Amortization of loan fees and discount	0.7	0.8
Balance at end of period	556.6	588.0

The Company was in compliance with all of its debt covenants as of 31 March 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)

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

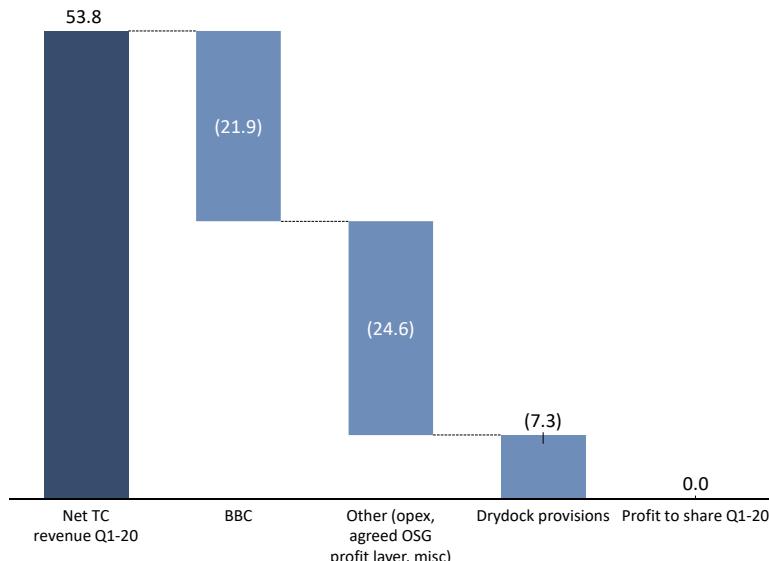
Amounts in USD million	3 months to	
	31-Mar-20	31-Mar-19
Interest expense	(12.2)	(10.9)
Interest income	0.6	0.7
Net interest expense	(11.7)	(10.3)

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 Q1 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 2019 USD 6.5 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 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 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.

Amounts in USD million	3 months to	
	31-Mar-20	31-Mar-19
Balance at beginning of period	25.3	26.7
Repayments of principal	(0.5)	(0.5)
Balance at end of period	24.8	26.2

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 March 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	Fair value	Fair value hierarchy *
	31-Mar-20	31-Mar-20	hierarchy *
Interest-bearing receivables (DPO)	24.8	20.6	3
Unsecured bond issue (gross)	(220.0)	(229.4)	2
Secured loans (gross)	(340.5)	(343.2)	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.

Normalized EBITDA (amounts in USD millions)	unaudited	
	Q1 2020	Q1 2019
Base bareboat revenue	21.9	21.6
Less operating expenses	(0.8)	(0.8)
Reported EBITDA	21.1	20.8
Plus profit share	-	-
Plus DPO	0.9	0.9
Normalized EBITDA	22.0	21.7

Adjusted net profit (amounts in USD millions)	unaudited	
	Q1 2020	Q1 2019
Net profit/loss after tax	1.6	0.9
Add back:		
Unrealized (gain)/loss on interest swaps	(0.8)	1.2
Net foreign exchange (gain)/loss	0.2	-
Non-cash income tax expense	-	(0.1)
Non-cash capital loss	-	0.2
Loan refinancing:		
Interest swap termination payments	1.9	-
Adjusted net profit	2.9	2.2

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 first quarter 2020.

CONDENSED INCOME STATEMENT

	<i>unaudited</i>
	Q1
	2020
Amounts in USD million (except share and per share information)	
Operating revenues	21.9
Operating expenses	(0.3)
Operating profit before depreciation - EBITDA	21.6
Depreciation	(8.4)
Operating profit - EBIT	13.1
Net interest expense	(13.9)
Unrealized gain/(loss) on interest swaps	0.8
Other financial expenses	(0.6)
Profit/(loss) before income tax	(0.5)
Income tax expense	-
Non-cash income tax benefit/(expense)	-
Net profit/(loss) for the period *	(0.5)
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	(0.46)

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>unaudited</i>
	31-Mar
	2020
Amounts in USD million	
Assets	
Non-current assets	
Vessels	669.4
Interest-bearing long term receivables (DPO)	24.8
Derivative financial assets	-
Total non-current assets	694.2
Current assets	
Other current assets	0.3
Cash held for specified uses	0.8
Cash and cash equivalents	19.2
Total current assets	20.4
Total assets	714.5
Equity and liabilities	
Total equity	58.4
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	383.8
Derivative financial liabilities	-
Capitalized fees	(3.9)
Deferred tax liability	12.1
Total non-current liabilities	612.0
Current liabilities	
Interest-bearing short-term debt	44.3
Deferred revenues and other payables	(0.2)
Total current liabilities	44.1
Total liabilities	656.1
Total equity and liabilities	714.5

CONDENSED CASH FLOW STATEMENT

	<i>unaudited</i>
	Q1
	2020
Amounts in USD million	
Net cash flow from operating activities	3.8
Net cash flow from investing activities	-
Net cash flow used in financing activities	(11.1)
Net change in cash and cash equivalents	(7.2)
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	20.1

16. Subsequent events

On 19 May 2020, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 27 May 2020 in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 26 May 2020, and the dividend will be paid on or about 4 June 2020. The dividend is classified as a return of paid in capital.

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