AMERICAN SHIPPING COMPANY ASA

Fourth Quarter 2018 Report

Fourth Quarter 2018 Report

Lysaker, 28 February 2019, American Shipping Company ASA ("AMSC" or the "Company") announces results for fourth quarter ending 31 December 2018.

HIGHLIGHTS

- Overseas Shipholding Group ("OSG") exercised options to extend the bareboat charter agreements for all nine of AMSC's vessels up for renewal
- Stable Q4 bareboat revenue of USD 22.1 million and backlog of secured bareboat revenue of USD 302.7 million with average weighted tenor of 3.4 years
- Normalized EBITDA for Q4 of USD 22.2 million
- Adjusted net profit for Q4 of USD 2.9 million
- Favorable WTI Houston vs Bonny Light/Brent spreads leading to strong U.S. Northeast crude trade
- Increased level of time charter fixtures at rates in the 55,000 – 58,000 per day range for modern tankers
- Towards the end of the quarter, all Jones Act tanker vessels were fixed on time charter contracts
- Declared Q4 dividend of USD 0.08 per share, in line with previous guidance and backed by the Company's contracted cash flow

AMSC CEO, Pål Magnussen comments, *"We are pleased to see the entire Jones Act tanker fleet being fixed on time charters during the final quarter of 2018. The combination of an ageing Jones Act tanker fleet, the lack of yard availability for newbuilds as well as increased demand from the U.S. Northeast crude trade is likely to put additional upward pressure on time charter rates going forward. We believe the fleet is ideally positioned to capitalize on rising time charter rates as OSG has not committed to time charters on most of our ships beyond December 2019."*

MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating income**: Operating income was stable at USD 12.8 million in Q4 2018 versus USD 12.9 million in Q4 2017.

- **Profit share:** There was no profit share for Q4 2018 or Q4 2017 attributed to AMSC. The profit share is reported quarterly, but calculated on an aggregated fleet level over a full calendar year. See note 11 for further details.

- **Normalized EBITDA:** Normalized EBITDA of USD 22.2 million for Q4 2018 consists of base bareboat revenue of USD 22.1 million, plus Deferred Principal Obligation ("DPO") of USD 0.9 million, less SG&A of USD 0.8 million. The comparative figure for Q4 2017 for normalized EBITDA was USD 22.1 million (consisting of base bareboat revenue of USD 22.1 million, plus DPO of USD 0.9 million, less SG&A of USD 1.0 million). See Note 14 for more detailed information.

- **Adjusted net profit:** Adjusted net profit of USD 2.9 million for Q4 2018 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 2017 was USD 3.9 million. See Note 14 for further details.

- **OSG contract extensions:** On 10 December 2018, OSG exercised its options to extend the bareboat charter agreements for all nine of AMSC's vessels up for renewal. OSG previously exercised its option to extend its charter agreement for the 10th vessel, extending that charter into 2025. As a result, all ten bareboat charter agreements have now been extended for additional periods. Charter agreements for five of the vessels were extended for three-year terms, commencing in December 2019 and ending in December 2022. Charter agreements for four of the vessels were extended for one-year terms, commencing in December 2019 and ending in December 2020. OSG has options to extend the charter terms for one, three or five years for the remaining useful lives of the vessels. The one-year extension options may only be used once for each vessel and OSG has exhausted the opportunity to declare a one year extension for the four vessels with corresponding bareboat charters expiring December 2020. An overview of bareboat charter durations and remaining extension options is provided in the table below.

Vessel	Charter Expiration	Remaining Charter Extension Options
Overseas Houston	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Long Beach	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Los Angeles	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas New York	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Texas City	Dec 22	1 x 1 year, unlimited 3 and 5 year
Overseas Boston	Dec 20	Unlimited 3 and 5 year
Overseas Nikiski	Dec 20	Unlimited 3 and 5 year
Overseas Martinez	Dec 20	Unlimited 3 and 5 year
Overseas Anacortes	Dec 20	Unlimited 3 and 5 year
Overseas Tampa	Jun 25	2 x 5 year followed by 5 x 1 year

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

- **Bond amendment:** On 18 February 2019, AMSC, through its wholly owned subsidiary American Tanker, Inc. (ATI), proposed amendments to its unsecured bond issue, including the removal of scheduled amortization. A majority of bondholders have already given their support to the amendments. The Company believes the amendments to the bond will improve AMSC's position in refinancing the secure bank debt as well as strengthen the Company's ability to raise capital in relation to potential future growth opportunities. AMSC expects the amendments to be executed during Q1 2019.

- **Dividends:** On 14 November 2018, the Board authorized a quarterly dividend payment of USD 0.08 per share, the equivalent of NOK 0.6793 per share, to the shareholders on record as of 22 November 2018, which was paid on 30 November 2018. The dividend was classified as a return of paid in capital.

  On 27 February 2019, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 7 March 2019, in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 6 March 2019, and the dividend will be paid on or about 15 March 2019. The dividend is classified as a return of paid in capital.

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

FOURTH QUARTER FINANCIAL REVIEW

Condensed Income Statement

Amounts in USD million (except share and per share information)	unaudited Q4 2018	Q4 2017	Full year 2018	2017
Operating revenues	22.1	22.1	87.8	87.8
Operating profit before depreciation - EBITDA	21.3	21.2	84.2	84.8
Normalized EBITDA	**22.2**	**22.1**	**87.9**	**88.6**
Operating profit - EBIT	12.8	12.9	50.4	51.0
Gain / (loss) on investments	-	(1.0)	-	3.7
Net interest expense	(10.2)	(10.2)	(41.2)	(45.4)
Unrealized gain/(loss) on interest swaps	(1.8)	1.8	0.7	1.7
Net foreign exchange gain/(loss)	-	-	-	-
Profit/(loss) before income tax	0.8	3.5	9.9	11.0
Income tax expense	0.3	(1.9)	0.1	(3.5)
Non-cash income tax expense	(0.8)	8.4	(1.4)	5.8
Net profit/(loss) for the period *	0.3	9.9	8.6	13.3
Adjusted net profit	**2.9**	**3.9**	**9.3**	**14.7**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	0.01	0.16	0.14	0.22

* Applicable to common stockholders of the parent company

Fourth quarter results

AMSC's operating revenues for each of Q4 2018 and Q4 2017 were USD 22.1 million. EBITDA was USD 21.3 million in Q4 2018 (USD 21.2 in Q4 2017). EBIT was USD 12.8 million in Q4 2018 (USD 12.9 million in Q4 2017).

Net interest expense (interest expense less interest income) for Q4 2018 was USD 10.2 million (USD 10.2 million in Q4 2017).

In Q4 2018, AMSC had an unrealized loss of USD 1.8 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (gain of USD 1.8 million in Q4 2017).

AMSC had a net profit before tax for Q4 2018 of USD 0.8 million (USD 3.5 million in Q4 2017). Non-cash deferred income tax expense was USD 0.8 million in Q4 2018 (benefit of USD 8.4 million in Q4 2017). As a result of the U.S. federal tax reform legislation, which was passed in Q4 2017 and reduced the federal corporate income tax rate from 35% to 21%, Q4 2017 included a one-time non-cash tax benefit of USD 5.9 million. AMSC recognized an income tax benefit of USD 0.3 million in Q4 2018 relating state taxes (expense of USD 1.9 million in Q4 2017 relating to its share of the income from its investment in Philly Tankers and state taxes).

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

As of 31 December 2018, AMSC has approximately USD 563 million of federal net operating losses in carryforward in its U.S. subsidiaries. See Note 6 for more detailed information.

Net profit for Q4 2018 was USD 0.3 million compared to USD 9.9 million in Q4 2017.

Full year results

AMSC's operating revenues for each of the full year of 2018 and 2017 were USD 87.8 million. EBITDA was USD 84.2 million in 2018 (USD 84.8 million in 2017). EBIT was USD 50.4 million for the full year 2018 and USD 51.0 million for 2017.

Net interest expense (interest expense less interest income) for the full year 2018 was USD 41.2 million (USD 45.4 million for 2017). The increased expense in 2017 over 2018 was due to extraordinary items relating to the bond refinancing in Q1 2017 of USD 4.8 million.

In 2018, AMSC had an unrealized gain of USD 0.7 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 1.7 million in 2017).

In 2017, AMSC recognized net income from equity accounted investment in Philly Tankers of USD 3.7 million (0 in 2018), related to the delivery and sale of two vessels by Philly Tankers to Kinder Morgan.

AMSC had a net profit before tax for 2018 and 2017 of USD 9.9 million and USD 11.0 million, respectively. Non-cash deferred income tax expense was USD 1.4 million in 2018 (benefit of USD 5.8 million in 2017). AMSC recognized an income tax benefit of USD 0.1 million in 2018 (expense of USD 3.5 million in 2017), relating to its share of the income from its investment in Philly Tankers and state taxes. Net profit for the full year 2018 was USD 8.6 million compared to USD 13.3 million in the full year 2017.

Condensed Statement of Financial Position

	unaudited	
Amounts in USD million	**31-Dec 2018**	**31-Dec 2017 ***
Vessels	711.8	745.6
Interest-bearing long term receivables (DPO)	26.7	28.7
Other non current assets	16.4	16.6
Derivative financial assets	2.4	1.6
Trade and other receivables	0.2	0.2
Cash held for specified uses	2.7	2.3
Cash and cash equivalents	51.1	52.0
Total assets	**811.3**	**847.1**
Total equity	176.1	186.9
Deferred tax liabilities	13.0	11.6
Interest-bearing long term debt	572.3	600.1
Interest-bearing short term debt	29.6	28.3
Deferred revenues and other payables	20.3	20.2
Total equity and liabilities	**811.3**	**847.1**

* Derived from audited financial statements

The decrease in Vessels from 31 December 2017 reflects depreciation of the Company's 10 vessels for the twelve months ending 31 December 2018.

During 2018, Overseas Shipholding Group, Inc. ("OSG") made repayments on the DPO of USD 3.7 million, of which USD 1.9 million is principal repayment. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Other non-current assets include AMSC's 19.6% investment in Philly Tankers AS ("PTAS"). As a result of the sale of four product tankers to Kinder Morgan announced in August 2015, PTAS has distributed excess cash to its shareholders following delivery of each vessel. During 2017, AMSC received USD 12.5 million in cash dividends from PTAS. Subsequent to year-end, PTAS liquidated the company and distributed its remaining available cash to its shareholders. AMSC received USD 16.3 million net of tax, of which USD 10.7 million was used to repay all outstanding principal and interest on its subordinated loan from Aker ASA. In total, AMSC received USD 28.8 million in gross after tax proceeds from the initial USD 25 million investment in PTAS.

Interest bearing debt as of 31 December 2018 was USD 601.9 million, net of USD 6.2 million in capitalized fees versus USD 628.4 million as of 31 December 2017. This debt relates to the bank financing for the Company's 10 vessels of USD 381.4 million, the bond of USD 220.0 million and a subordinated loan from

Aker ASA of USD 6.7 million (plus USD 4.0 million of accrued interest). AMSC was in compliance with all of its debt covenants as of 31 December 2018.

Outlook

By the end of 2018, the entire Jones Act tanker fleet was under time charters for the first time for nearly three years. This signals a strengthening market where charterers look to fix in vessels longer term to cater for future cargo moves on the crude as well as the clean products side. As a result of the tightening market, 12 month time charter deals are now done in the high 50ies, and we remain optimistic on future rate developments.

Recent time charter fixtures have been with refiners wishing to secure tankers to transport crude oil from the U.S. Gulf to the U.S. Northeast. Over the last 12-18 months this trade has developed substantially, driven by the widening of the price spread between U.S. crude oil available for shipment in the U.S. Gulf (WTI Houston) and its foreign equivalents, most notably Bonny Light and Brent. The discounted price of U.S. crude incentivizes Northeast refiners to shift their crude oil purchasing patterns toward domestic crude sourced in the Gulf as opposed to foreign crudes. This trade lane is one of the longest in the Jones Act tanker market (~15 day round voyage) and has increased from one tanker on occasion during most of 2017 to 8 MR tankers participating in the trade during the second half of 2018.

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

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

AMSC continues to enjoy downside protection with "come hell or high water" bareboat contracts, with five product tankers secured until December 2022, four product tankers secured until December 2020 and one shuttle tanker secured until June 2025. If the market enters into a period of extended strength, the Company may benefit from a profit share arrangement with OSG, which provides upside beyond fixed contracted rates.

Risks

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

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

For further details of AMSC's risks, refer to the 2017 Annual Report.

Definitions

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

Lysaker, 27 February 2019
The Board of Directors and President / CEO
American Shipping Company ASA

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

AMERICAN SHIPPING COMPANY ASA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FULL YEAR 2018

CONDENSED INCOME STATEMENT

	unaudited			
	Q4	Q4	Full year	
Amounts in USD million (except share and per share information)	**2018**	**2017**	**2018**	**2017 ***
Operating revenues	22.1	22.1	87.8	87.8
Operating expenses	(0.8)	(1.0)	(3.6)	(3.0)
Operating profit before depreciation - EBITDA	**21.3**	**21.2**	**84.2**	**84.8**
Depreciation	(8.5)	(8.3)	(33.8)	(33.9)
Operating profit - EBIT	**12.8**	**12.9**	**50.4**	**51.0**
Gain / (loss) on investments	-	(1.0)	-	3.7
Net interest expense	(10.2)	(10.2)	(41.2)	(45.4)
Unrealized gain/(loss) on interest swaps	(1.8)	1.8	0.7	1.7
Profit/(loss) before income tax	**0.8**	**3.5**	**9.9**	**11.0**
Income tax expense	0.3	(1.9)	0.1	(3.5)
Non-cash income tax (expense) / benefit	(0.8)	8.4	(1.4)	5.8
Net profit/(loss) for the period *	**0.3**	**9.9**	**8.6**	**13.3**
Average number of common shares	60,616,505	60,616,505	60,616,505	60,616,505
Earnings/(loss) per share (USD)	**0.01**	**0.16**	**0.14**	**0.22**

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

	unaudited			
	Q4	Q4	Full year	
Amounts in USD million	**2018**	**2017**	**2018**	**2017 ***
Net income/(loss) for the period	0.3	9.9	8.6	13.3
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	**0.3**	**9.9**	**8.6**	**13.3**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	unaudited	
	31-Dec	**31-Dec**
Amounts in USD million	**2018**	**2017 ***
Assets		
Non-current assets		
Vessels	711.8	745.6
Interest-bearing long term receivables (DPO)	26.7	28.7
Other long term assets	16.4	16.6
Derivative financial assets	2.4	1.6
Total non-current assets	**757.3**	**792.6**
Current assets		
Trade and other receivables	0.2	0.2
Cash held for specified uses	2.7	2.3
Cash and cash equivalents	51.1	52.0
Total current assets	**54.0**	**54.5**
Total assets	**811.3**	**847.1**
Equity and liabilities		
Total equity	**176.1**	**186.9**
Non-current liabilities		
Bond payable	220.0	220.0
Other interest-bearing loans	358.5	388.2
Capitalized fees	(6.2)	(8.1)
Deferred tax liability	13.0	11.6
Total non-current liabilities	**585.3**	**611.7**
Current liabilities		
Interest-bearing short-term debt	29.6	28.3
Deferred revenues and other payables	20.3	20.2
Total current liabilities	**49.9**	**48.5**
Total liabilities	**635.2**	**660.3**
Total equity and liabilities	**811.3**	**847.1**

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	*unaudited* Full year 2018	2017 *
Equity as of beginning of period	**186.9**	**195.7**
Total comprehensive income for the period	8.6	13.3
Repurchase of treasury shares	-	(0.1)
Proceeds from sale of treasury shares	-	0.1
Dividends/return of capital	(19.4)	(22.1)
Total equity as of end of period	**176.1**	**186.9**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* Full year 2018	2017 *
Net cash flow from operating activities	47.7	51.0
Net cash flow from investing activities	0.3	15.1
Net cash flow used in financing activities	(48.5)	(63.2)
Net change in cash and cash equivalents	**(0.5)**	**2.9**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	54.3	51.4
Cash and cash equivalents, including cash held for specified uses at end of period	**53.8**	**54.3**

* Derived from audited financial statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2018

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 2018 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 2017 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 2017.

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 2017.

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 2017 that have a significant impact on AMSC's financial reporting for the twelve months ended 31 December 2018.

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 2017.

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 563 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2018, of which approximately USD 381 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2017 consolidated financial statements for more details). The Company also has USD 119.3 million of net operating losses in carryforward in Norway as of 31 December 2017.

7. Share capital and equity

As of 31 December 2018, 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)	2018				2017			
	1-Mar-18	7-Jun-18	7-Sep-18	30-Nov-18	22-Feb-17	8-Jun-17	31-Aug-17	1-Dec-17
NOK per share	0.6209	0.6537	0.665	0.679	1.039	0.673	0.631	0.663
USD per share	0.080	0.080	0.080	0.080	0.124	0.080	0.080	0.080
Aggregate NOK (millions)	37.6	39.6	40.3	41.2	63.0	40.8	38.3	40.2
Aggregate USD (millions)	4.8	4.8	4.8	4.8	7.5	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-18	12 months to 31-Dec-17
Balance at beginning of period	628.4	664.4
Repayment of debt / loan fees	(29.1)	(261.1)
Issuance of debt	-	220.0
Amortization of loan fees and discount	2.6	5.1
Balance at end of period	601.9	628.4

On 9 February 2017, American Tanker, Inc. ("ATI"), a fully owned subsidiary of AMSC, completed the successful placement of a five year USD 220 million senior unsecured bond. Settlement was on 22

February 2017, with final maturity date on 22 February 2022. The bond has a fixed coupon of 9.25%. The net proceeds from the bond were used to repay the unsecured bond which had a maturity in February 2018.

The Company was in compliance with all of its debt covenants as of 31 December 2018.

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

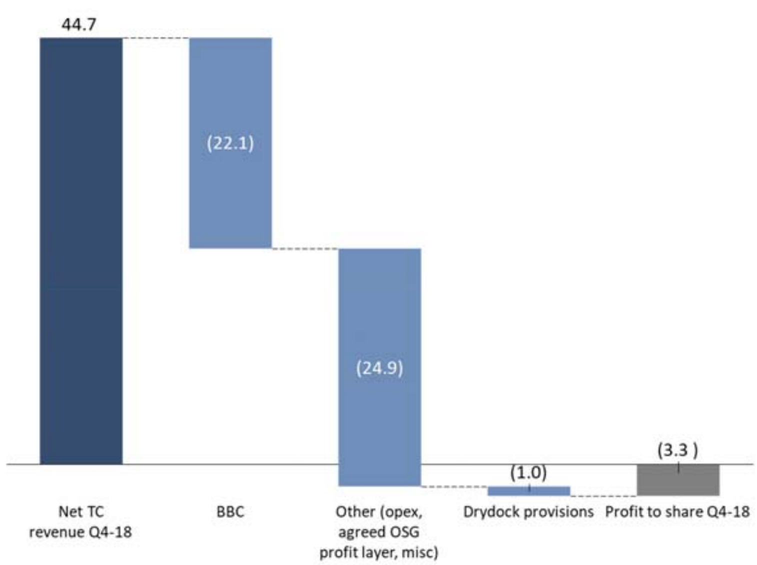
Amounts in USD million	3 months to 31-Dec-18	3 months to 31-Dec-17	12 months to 31-Dec-18	12 months to 31-Dec-17
Interest expense	(10.8)	(10.8)	(43.6)	(47.6)
Interest income	0.6	0.6	2.4	2.2
Net interest expense	**(10.2)**	**(10.2)**	**(41.2)**	**(45.4)**

The higher expense in 2017 was due to extraordinary items relating to the bond refinancing in Q1 2017 of USD 4.8 million

11. Profit sharing agreement with OSG

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

Profit Sharing Calculation for Q4 2018



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 2017 USD 5.4 million. Since profit share for 2018 was zero, the OSG credit balance of USD 5.4 million has not been reduced, and interest of USD 0.5 million was accrued.

12. Deferred Principal Obligation (DPO)

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

Amounts in USD million	12 months to 31-Dec-18	31-Dec-17
Balance at beginning of period	28.7	30.6
Repayments of principal	(2.0)	(1.9)
Balance at end of period	26.7	28.7

13. Financial Instruments

The only financial instruments that the Company accounts for at fair value on an ongoing basis are the interest rate swaps, which are classified in the Level 2 category as is described in the 2017 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 2018, there were no transfers between categories.

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

Amounts in USD millions	Carrying amount 31-Dec-18	Fair value 31-Dec-18	Fair value hierarchy *
Interest-bearing receivables (DPO)	26.7	22.0	3
Interest swap used for economic hedging	2.4	2.4	2
Unsecured bond issue (gross)	(220.0)	(214.5)	2
Secured loans (gross)	(381.4)	(383.8)	2
Subordinated loans (gross)	(6.7)	(9.6)	2

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

* Described in the 2017 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.

Alternative Performance Measures (APM) Reporting:

	unaudited			
	Q4	Q4	Full year	
Normalized EBITDA (amounts in USD millions)	**2018**	**2017**	**2018**	**2017**
Base bareboat revenue	22.1	22.1	87.8	87.8
Less operating expenses	(0.8)	(1.0)	(3.6)	(3.0)
Reported EBITDA	**21.3**	**21.2**	**84.2**	**84.8**
Plus profit share	-	-	-	-
Plus DPO	0.9	0.9	3.7	3.8
Normalized EBITDA	**22.2**	**22.1**	**87.9**	**88.6**

	unaudited			
	Q4	Q4	Full year	
Adjusted net profit (amounts in USD millions)	**2018**	**2017**	**2018**	**2017**
Net profit/loss after tax	0.3	9.9	8.6	13.3
Add back:				
Unrealized (gain)/loss on interest swaps	1.8	(1.8)	(0.7)	(1.7)
Net foreign exchange (gain)/loss	-	-	-	-
Non-cash income tax expense	0.8	(8.4)	1.4	(5.8)
Prior year tax expense		1.2	-	1.2
Non-cash capital loss		2.9	-	2.9
Bond closing:				
Non-cash write-off of unamortized bond discount	-	-	-	2.6
Bond call price	-	-	-	2.2
Adjusted net profit	**2.9**	**3.9**	**9.3**	**14.7**

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 2018.

CONDENSED INCOME STATEMENT

	unaudited
	Full year
Amounts in USD million (except share and per share information)	**2018**
Operating revenues	87.8
Operating expenses	(3.0)
Operating profit before depreciation - EBITDA	**84.8**
Depreciation	(33.8)
Operating profit - EBIT	**51.0**
Net interest expense	(49.7)
Unrealized gain/(loss) on interest swaps	0.7
Other financial expenses	(2.4)
Profit/(loss) before income tax	**(0.3)**
Income tax expense	0.1
Non-cash income tax expense	(1.4)
Net profit/(loss) for the period *	**(1.7)**
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	**(1.65)**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	*unaudited* 31-Dec 2018
Assets	
Non-current assets	
Vessels	710.7
Interest-bearing long term receivables (DPO)	26.7
Derivative financial assets	2.4
Total non-current assets	**739.9**
Current assets	
Other current assets	0.1
Cash held for specified uses	2.7
Cash and cash equivalents	27.5
Total current assets	**30.3**
Total assets	**770.2**
Equity and liabilities	
Total equity	**60.7**
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	437.3
Capitalized fees	(6.2)
Deferred tax liability	13.9
Total non-current liabilities	**665.1**
Current liabilities	
Interest-bearing short-term debt	29.6
Deferred revenues and other payables	14.8
Total current liabilities	**44.4**
Total liabilities	**709.5**
Total equity and liabilities	**770.2**

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	*unaudited* Full year 2018
Net cash flow from operating activities	38.5
Net cash flow used in financing activities	(29.2)
Net change in cash and cash equivalents	**9.3**
Cash and cash equivalents, including cash held for specified uses at the beginning of period	20.9
Cash and cash equivalents, including cash held for specified uses at end of period	**30.2**

16. Subsequent events

On 18 February 2019, AMSC, through its wholly owned subsidiary American Tanker, Inc. (ATI), proposed amendments to its unsecured bond issue, including the removal of scheduled amortization. A majority of bondholders have already given their support to the amendments. The Company believes the amendments to the bond will improve AMSC's position in refinancing the secure bank debt as well as strengthen the Company's ability to raise capital in relation to potential future growth opportunities. AMSC expects the amendments to be executed during Q1 2019.

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

On 27 February 2019, the Board authorized a quarterly dividend payment of USD 0.08 per share to the shareholders on record as of 7 March 2019, in line with prior guidance. The shares in AMSC will be traded ex. dividend from and including 6 March 2019, and the dividend will be paid on or about 15 March 2019. The dividend is classified as a return of paid in capital.

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