

AMSC ASA

Fourth Quarter 2022 Report



Fourth Quarter 2022 Report

Lysaker, 28 February 2023, AMSC ASA (“AMSC” or the “Company”) announces results for the fourth quarter ending 31 December 2022.

HIGHLIGHTS

- On 10 October 2022, AMSC received Tranche 2 of the equity private placement, USD 17.2 million; USD 37.6 million total net proceeds received
- On 18 October 2022, AMSC closed on the acquisition of the Normand Maximus and commenced a long-term bareboat charter with a single purpose subsidiary of Solstad Offshore ASA
- On 9 December 2022, OSG declared options to extend bareboat charter agreements for six vessels by three years, moving the new bareboat expiries to December 2026
- During December 2022, AMSC took redelivery of three vessels from OSG and began new three-year bareboat charters with a subsidiary of Keystone Shipping Co. (“Keystone”)
- Increased bareboat revenue for Q4 2022 to USD 27.6 million, including a partial quarter of bareboat revenue from the Normand Maximus and adjusted net profit of USD 3.8 million
- Contracted backlog of U.S. Jones Act bareboat revenue of USD 326.7 million with average weighted tenor of 3.5 years
- Contracted backlog of Offshore bareboat revenue of USD 145.4 million with 4.8 years tenor
- Declared Q4 2022 dividend of USD 0.12 per share, supported by the Company’s free cash flow

AMSC CEO, Pål Lothe Magnussen comments, “AMSC is pleased to have concluded an active Q4 including financial close for the acquisition of the Normand Maximus and redeployment of three of our Jones Act tankers on new bareboat charters. OSG’s decision to declare extension options for six tankers is a further reflection of the present strength in the Jones Act tanker market. We have accordingly increased our contract backlog across our fleet to an average 3.8 years totaling USD 472.1 million, which provides for continued improving and predictable financial performance from AMSC.”

MAIN EVENTS DURING AND SUBSEQUENT TO THE FOURTH QUARTER

- **Operating profit:** Operating profit was increased to USD 15.0 million in Q4 2022 compared to USD 12.1 million in Q4 2021.
- **Adjusted net profit:** Adjusted net profit of USD 3.8 million for Q4 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 Q4 2021 was USD 4.3 million. See the section on Alternative Performance Measures for further details.
- **Private Placement:** On 15 September 2022, AMSC conducted an equity private placement, raising gross proceeds of NOK 404.9 million, through the allocation of 11,247,333 new shares in the Company at a subscription price of NOK 36 per share. Tranche 1 of the Private Placement, 6,061,650 shares were registered on 21 September 2022, while Tranche 2 obtained EGM approval on 6 October 2022 and the remaining 5,185,683 shares were registered on 10 October 2022. See note 8 for further details.

- **Delivery of Normand Maximus:** AMSC took delivery of the vessel on 18 October 2022 when it also commenced a long-term bareboat charter, adding USD 151.5 million in revenue backlog. The purchase price of USD 157 million was funded with USD 110 million secured loan from DNB, proceeds from the private placement and cash on hand. During Q4 2022, USD 6.2 million of charter hire was deferred, which we expect will be repaid during 2023. Solstad announced in December 2022 that it has secured contracts that have a combined duration of minimum 200 days plus additional option periods, with a minimum revenue of approximately USD 50 million.
- **Redelivery of three Jones Act tankers:** All three Jones Act tankers redelivered from OSG were delivered to Keystone under their new bareboat charters during December 2022 and subsequently commenced time charters with end users in January 2023.
- **OSG contract extensions:** On 9 December 2022, OSG exercised six of its recurring options to extend the bareboat charter agreements for six vessels currently under charter from AMSC. Each bareboat charter agreement was extended for additional three-year terms, commencing from December 2023, and ending in December 2026. Following the extensions, AMSC has 7 vessels on bareboat charters to OSG.
- **Legal Action:** During the redelivery process of three Jones Act tankers in December 2022, OSG withheld a DPO amount of USD 3.9 million owed to AMSC for one of the redelivered vessels. OSG claims a breach of quiet enjoyment of the vessel as a result of a third-party inspection authorized by AMSC in August 2022. AMSC has categorically rejected OSG's allegations and filed a complaint against OSG in U.S District Court for the Southern District of New York in December 2022 for USD 4.5 million. On 27 December 2022, AMSC was granted an order for the Process of Maritime Attachment and Garnishment which has subsequently frozen three of OSG's accounts up to a total of USD 4.5 million. OSG fully repaid DPO amounts for the other two vessels.
- **Dividends:** On 21 November 2022, the Board authorized a quarterly dividend payment of USD 0.12 per share, the equivalent of NOK 1.1912 per share, to the shareholders on record as of 29 November 2022, which was paid on 7 December 2022. The dividend was classified as a return of paid in capital.

On 27 February 2023, the Board authorized a dividend payment of USD 0.12 per share to the shareholders on record as of 7 March 2023. The shares in AMSC will be traded ex. dividend from and including 6 March 2023, and the dividend will be paid on or about 15 March 2023. 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)	<i>unaudited</i>			
	Q4 2022	Q4 2021	Full year 2022 2021	
Leasing revenues	27.6	22.2	93.7	88.2
Operating profit before depreciation - EBITDA	25.7	21.1	88.5	83.6
Operating profit - EBIT	15.0	12.1	52.0	49.2
Gain on investments	0.4	-	0.4	-
Net financial expense	(11.5)	(7.7)	(34.6)	(30.0)
Change in market value of interest rate swaps	(0.2)	5.1	11.2	4.8
Net foreign exchange gain/(loss)	2.6	(0.1)	(0.1)	(0.5)
Profit/(loss) before income tax	6.3	9.4	28.9	23.5
Income tax expense	(0.1)	(0.1)	(0.4)	(0.2)
Non-cash income tax (expense) / benefit	(4.7)	(6.9)	(9.8)	(9.9)
Net profit/(loss) for the period	1.5	2.4	18.7	13.4
Adjusted net profit	3.8	4.3	17.5	18.8
Average number of common shares *	71,300,177	60,616,505	63,458,841	60,616,505
Basic and diluted earnings per share (USD)	0.02	0.04	0.29	0.22

* On 21 September 2022, 6,061,650 shares were issued. On 10 October 2022, 5,185,683 shares were issued. On 31 December 2022, 71,863,838 common shares were outstanding.

Fourth quarter results

AMSC's leasing revenues for Q4 2022 and Q4 2021 were USD 27.6 million and USD 22.2 million, respectively. The increase is due to the commencement of the bareboat charter for Normand Maximus on 18 October 2022. EBITDA was USD 25.7 million in Q4 2022 and USD 21.1 million in Q4 2021. Operating profit was USD 15.0 million in Q4 2022 (USD 12.1 million in Q4 2021).

Net financial expense for Q4 2022 was USD 11.5 million (USD 7.7 million in Q3 2021). The increase is due to higher balances of secured loans for financing the Normand Maximus, as well as an increased portion of floating rate debt during Q4 2022.

In Q4 2022, AMSC had a loss of USD 0.2 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 5.1 million gain in Q4 2021). During Q4 2022, the interest rate swaps associated with the BNP loan were terminated for a total payment received of USD 10.2 million. Net foreign exchange gain for Q4 2022 was USD 2.6 million, relating to revaluation of NOK balances into USD functional currency (USD 0.1 million loss in Q4 2021).

AMSC had a net profit before tax for Q4 2022 of USD 6.3 million compared to USD 9.4 million in Q4 2021. Current income tax expense was USD 0.1 million each in Q4 2022 and in Q4 2021. Non-cash income tax expense was USD 4.7 million in Q4 2022 (USD 6.9 million in Q4 2021). Net profit for Q4 2022 was USD 1.5 million compared to USD 2.4 million in Q4 2021.

Full year results

AMSC's leasing revenues for the twelve months of 2022 and 2021 were USD 93.7 million and USD 88.2 million, respectively. EBITDA was USD 88.5 million in the full year 2022, compared to USD 83.6 million in the full year 2021. EBIT was USD 52.0 million in the twelve months ending 31 December 2022 (USD 49.2 million in the same period of 2021).

Net financial expense for the full year 2022 was USD 34.6 million (USD 30.0 million in the full year 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 the full year 2022, AMSC had a gain of USD 11.2 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 4.8 million in the full year 2021). AMSC recognized a net foreign exchange loss of USD 0.1 million during the full year 2022 (USD 0.5 million loss during the full year 2021).

AMSC had a net profit before tax for the twelve months ending 31 December 2022 of USD 28.9 million (USD 23.5 million for the twelve months ending 31 December 2021). Current income tax expense for the full year 2022 was 0.4 million (USD 0.2 million in the same period in 2021). Non-cash income tax expense was USD 9.8 million for 2022 (USD 9.9 million for 2021). Net profit for the twelve months ending 31 December 2022 was USD 18.7 million compared to USD 13.4 million for the twelve months ending 31 December 2021.

Condensed Statement of Financial Position

Amounts in USD million	<i>unaudited</i>	
	31-Dec 2022	31-Dec 2021 *
Vessels	750.8	615.1
Deferred tax assets	2.9	11.3
Interest-bearing long term receivables (DPO)	7.2	7.3
Other non current assets	0.3	-
Derivative financial assets	4.7	3.6
Trade and other receivables	12.9	14.9
Cash held for specified uses	5.0	5.4
Cash and cash equivalents	45.5	55.9
Total assets	829.3	713.5
Total equity	175.0	149.2
Deferred tax liabilities	18.8	16.2
Interest-bearing long term debt	555.3	511.8
Interest-bearing short term debt	67.3	26.8
Trade and other payables	12.9	9.6
Total equity and liabilities	829.3	713.5

* Derived from audited financial statements

The change in vessels from 31 December 2021 reflects the purchase of Normand Maximus during Q4 2022 for USD 157 million plus capitalized costs, investments in the Jones Act fleet of USD 15.0 million, offset by depreciation for the full year 2022 of USD 36.5 million.

During the full year 2022, the DPO was reduced by repayments made by Overseas Shipholding Group, Inc. (“OSG”) of USD 10.2 million (USD 11.6 million including interest), offset by charter hire deferral of USD 6.2 million for the Normand Maximus contract. As of 31 December 2022, OSG failed to pay the DPO balance due for one of the three vessels redelivered in December 2022. As a result, AMSC has filed a complaint against OSG in U.S. district court for the District of Southern New York for USD 4.5 million. As of 31 December 2022, USD 6.4 million of the DPO balance was reclassified to short term trade and other receivables. See note 12 to the condensed consolidated financial statements for additional information on the DPO.

Cash held for specified uses includes minimum balance requirements held in earnings accounts for each of the Company’s respective bank loans.

Interest bearing debt as of 31 December 2022 was USD 622.5 million, net of USD 6.1 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 U.S. Jones Act vessels of USD 298.6 million, bank financing for the Normand Maximus of USD 110 million and the unsecured bond of USD 220.0 million. AMSC was in compliance with all of its debt covenants as of 31 December 2022.

Outlook

The entire U.S. Jones Act tanker fleet is presently fully employed on term charters and short-term charter rates are now around USD 70,000 per day based on recent contract fixtures. The combination of demand for clean products across the USA, increasing transportation needs for renewable fuel and favorable market conditions for transporting crude oil domestically, drives the demand side in the Jones Act tanker market. 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 combination of strong demand and stable supply is likely to maintain a strong Jones Act tanker market going forward.

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, represents about 30% of the modern tankers, and are attractive assets for Jones Act charterers.

The offshore services market is currently experiencing increased activity and demand, particularly for subsea assets. The backlog for subsea EPC contracts, as reported by the three largest contractors, is continuing to grow and is currently at levels seen 10 years ago. Solstad announced in December 2022 that it has secured contracts that have a combined duration of minimum 200 days plus additional option periods, with a minimum revenue of approximately USD 50 million.

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 Tampa	Jun 2025	OSG	2 x 5 year followed by 5 x 1 year
Seakay Star	Jan 2026	Keystone	2 x 1 year
Seakay Sky	Jan 2026	Keystone	2 x 1 year
Seakay Valor	Jan 2026	Keystone	None
Overseas Boston	Dec 2026	OSG	Unlimited 3 and 5 year

Overseas Nikiski	Dec 2026	OSG	Unlimited 3 and 5 year
Overseas Martinez	Dec 2026	OSG	Unlimited 3 and 5 year
Overseas Anacortes	Dec 2026	OSG	Unlimited 3 and 5 year
Overseas Houston	Dec 2026	OSG	Unlimited 3 and 5 year
Overseas Long Beach	Dec 2026	OSG	Unlimited 3 and 5 year
Normand Maximus	Oct 2027	Subsidiary of Solstad	2 x 5 year

Risks

The risks facing AMSC principally relate to the operational and financial performance of its charterers, refinancing risk, and interest rate risk.

Indirectly AMSC is exposed to overall Jones Act tanker market risk and OSG's ability to secure time charter contracts for its fleet. Following the acquisition of the offshore construction vessel Normand Maximus, AMSC is also exposed to the offshore services market risk and Solstad's ability to secure time charters for the Normand Maximus and to perform under the bareboat contract with AMSC.

AMSC is exposed to rechartering risk upon expiry of existing bareboat charters. Presently, six vessels have bareboat charters expiring in December 2026, three vessels have bareboat charters expiring in January 2026, one vessel is contracted through June 2025 and one vessel is contracted through October 2027.

AMSC is also exposed to refinancing and interest rate risk related to the bank debt on the 10 Jones Act tankers, the bank debt for Normand Maximus and the ATI unsecured bond.

AMSC's activities also expose the Company to a variety of other financial risks, including but not limited to, currency, 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, 27 February 2023
The Board of Directors and President / CEO
AMSC ASA

Annette Malm Justad
Chairperson

Peter D. Knudsen
Director

Frank O. Reite
Director

Pål Magnussen
President / CEO

AMSC ASA GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2022

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	Note	<i>unaudited</i>			
		Q4 2022	Q4 2021	Full year 2022 2021	
Leasing revenues		27.6	22.2	93.7	88.2
Operating expenses		(1.9)	(1.1)	(5.1)	(4.6)
Operating profit before depreciation - EBITDA		25.7	21.1	88.5	83.6
Depreciation		(10.7)	(9.0)	(36.5)	(34.4)
Operating profit - EBIT		15.0	12.1	52.0	49.2
Gain on investments		0.4	-	0.4	-
Net financial expense	11	(11.5)	(7.7)	(34.6)	(30.0)
Change in market value of interest rate swaps		(0.2)	5.1	11.2	4.8
Net foreign exchange gain/(loss)		2.6	(0.1)	(0.1)	(0.5)
Profit before income tax		6.3	9.4	28.9	23.5
Income tax (expense) / benefit	7	(0.1)	(0.1)	(0.4)	(0.2)
Non-cash income tax (expense) / benefit	7	(4.7)	(6.9)	(9.8)	(9.9)
Net profit for the period		1.5	2.4	18.7	13.4
Average number of common shares *	8	71,300,177	60,616,505	63,458,841	60,616,505
Basic and diluted earnings per share (USD)		0.02	0.04	0.29	0.22

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	<i>unaudited</i>			
	Q4 2022	Q4 2021	Full year 2022 2021	
Net income/(loss) for the period	1.5	2.4	18.7	13.4
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	1.5	2.4	18.7	13.4

* On 21 September 2022, 6,061,650 shares were issued. On 10 October 2022, 5,185,683 shares were issued. On 31 December 2022, 71,863,838 common shares were outstanding.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	Note	<i>unaudited</i>	
		31-Dec 2022	31-Dec 2021
Assets			
Non-current assets			
Vessels		750.8	615.1
Deferred tax assets	7	2.9	11.3
Interest-bearing long term receivables (DPO)	12	7.2	7.3
Other long term assets		0.3	-
Derivative financial assets		4.7	3.6
Total non-current assets		765.9	637.3
Current assets			
Trade and other receivables		12.9	14.9
Cash held for specified uses		5.0	5.4
Cash and cash equivalents		45.5	55.9
Total current assets		63.4	76.2
Total assets		829.3	713.5
Equity and liabilities			
Total equity		175.0	149.2
Non-current liabilities			
Bond payable	9	220.0	220.0
Other interest-bearing loans	9	341.4	298.7
Capitalized fees	9	(6.1)	(6.9)
Deferred tax liability	7	18.8	16.2
Total non-current liabilities		574.1	528.0
Current liabilities			
Interest-bearing short-term debt	9	67.3	26.8
Trade and other payables		12.9	9.5
Total current liabilities		80.2	36.3
Total liabilities		654.3	564.3
Total equity and liabilities		829.3	713.5

* Derived from audited financial statements

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

Amounts in USD million	Note	<i>unaudited</i>	
		Full year 2022	2021
Equity as of beginning of period		149.2	161.3
Total comprehensive income for the period		18.7	13.4
Repurchase of treasury shares		-	(0.2)
Proceeds from sale of treasury shares		-	0.1
Dividends paid, classified as return of capital	8	(30.4)	(25.5)
Proceeds from share capital issued	8	37.6	-
Total equity as of end of period		175.0	149.2

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>	
	Full year 2022	2021
Net cash flow from operating activities	62.5	57.8
Net cash flow used in investing activities	(172.1)	-
Net cash flow used in financing activities	98.8	(32.2)
Net change in cash and cash equivalents	(10.8)	25.6
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	50.5	61.3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2022
1. Introduction – AMSC ASA

AMSC ASA (“AMSC”) is a company domiciled in Norway. The condensed interim financial statements for the three and twelve months ended 31 December 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. AMSC has two operating segments.

The consolidated 2021 annual financial statements of AMSC are available at www.amscasa.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 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 twelve months ended 31 December 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. Operating segments

AMSC defines its operating segments based on the Group's internal management of the fleet of vessels.

Operating profit	Q4		Full year	
	2022	2021	2022	2021
Amounts in USD million				
U.S Jones Act tankers	10.9	13.1	47.0	51.0
Offshore	4.5	-	4.5	-
Other and eliminations	(0.4)	(1.0)	0.6	(1.8)
Operating profit	15.0	12.1	52.0	49.2

7. 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 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 413.6 million of federal net operating losses in carryforward in the U.S. subsidiaries as of 31 December 2022, of which approximately USD 139 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 62.7 million of net operating losses in carryforward in Norway as of 31 December 2022.

8. Share capital and equity

As of 31 December 2022, AMSC had 71,863,838 ordinary shares at a par value of NOK 1 per share.

On 21 September 2022, 6,061,650 new shares were issued at a par value of NOK 1 per share, raising net proceeds of USD 20.4 million. On 10 October 2022, an additional 5,185,683 new shares were issued at a par value of NOK 1 per share, raising net proceeds of USD 17.2 million.

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	7-Sep-22	7-Dec-22	1-Mar-21	4-Jun-21	3-Sep-21	6-Dec-21
NOK per share	1.0573	1.1517	1.1592	1.1912	0.8470	0.8321	0.8872	1.071
USD per share	0.120	0.120	0.120	0.120	0.100	0.100	0.100	0.120
Aggregate NOK (millions)	64.1	69.8	70.3	85.6	51.3	50.4	53.8	64.9
Aggregate USD (millions)	7.3	7.3	7.3	8.6	6.1	6.1	6.1	7.3

9. Interest-bearing debt

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

Amounts in USD million	12 months to	
	31-Dec-22	31-Dec-21
Balance at beginning of period	538.6	543.6
Repayment of debt / loan fees	(28.5)	(26.7)
Issuance of debt	110.0	20.0
Amortization of loan fees	2.4	1.7
Balance at end of period	622.5	538.6

The DNB loan terms are summarized below:

- Tranche A:
 - USD 75 million
 - Quarterly amortization USD 1.3 million
 - Margin: SOFR + 450 bps
 - Matures 2Q2025
- Tranche B:
 - USD 35 million
 - Quarterly amortization USD 3.8 million, commencing 9 months after utilization
 - Margin: SOFR + 850 bps

- Matures 4Q2023

The Company was in compliance with all of its debt covenants as of 31 December 2022.

10. 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 2022. Reference note 18 in the 2021 consolidated financial statements for the Group for further details.

11. Net financial expenses

Amounts in USD million	3 months to		12 months to	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Interest expense	(12.1)	(8.0)	(36.3)	(31.8)
Interest income	0.6	0.4	1.7	1.8
Net financial expense	(11.5)	(7.7)	(34.6)	(30.0)

12. Deferred Principal Obligation (DPO)

Pursuant to the current charter agreements with OSG, they 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 payable to AMSC. The DPO accrued on a daily basis to USD 7.0 million per vessel. The DPO is repaid to AMSC over 18 years including interest at 6.04% unless the bareboat charter is terminated earlier at which time the DPO becomes due immediately. During December 2022, OSG satisfied its contractual obligations to repay the full DPO balance for two of the three redelivered ships, totaling USD 8.3 million. As a result of OSG's failure to repay the third DPO balance of USD 3.9 million, AMSC filed a complaint against OSG in U.S District Court for the Southern District of New York in December 2022 for USD 4.5 million. On 27 December 2022, AMSC was granted an order for the Process of Maritime Attachment and Garnishment which has subsequently frozen three of OSG's accounts up to a total of USD 4.5 million.

Under the Normand Maximus bareboat charter agreement, the charterer has the right to defer up to USD 10 million of bareboat charter hire. This unpaid bareboat charter hire accrues interest at 12%. The balance of this deferral as of 30 December 2022 was USD 6.2 million.

Amounts in USD million	12 months to	
	31-Dec-22	31-Dec-21
Balance at beginning of period	21.4	23.3
DPO revenue	6.2	-
Repayments of principal	(10.2)	(1.9)
Balance at end of period	17.4	21.4
Reclassified to short-term receivables	(10.2)	(14.1)
Long term balance at end of period	7.2	7.4

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 31 December 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 31-Dec-22	Fair value 31-Dec-22	Fair value hierarchy *
Interest-bearing receivables (DPO)	17.4	16.2	3
Interest swap used for economic hedging	4.7	4.7	2
Unsecured bond issue (gross)	(220.0)	(212.9)	2
Secured loans (gross)	(408.6)	(385.1)	2

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

* Described in the 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 full year 2022.

CONDENSED INCOME STATEMENT	
Amounts in USD million (except share and per share information)	<i>unaudited</i> Full year 2022
Operating revenues	87.4
Operating expenses	(5.1)
Operating profit before depreciation - EBITDA	82.3
Depreciation	(34.8)
Operating profit - EBIT	47.5
Net interest expense	(41.2)
Change in market value of interest rate swaps	11.2
Other financial expenses	(1.9)
Profit/(loss) before income tax	15.6
Income tax expense	(0.6)
Non-cash income tax benefit/(expense)	(2.4)
Net profit/(loss) for the period	12.6
Average number of common shares	1,000
Earnings/(loss) per share (USD thousands)	12.60

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	<i>unaudited</i>
	31-Dec 2022
Assets	
Non-current assets	
Vessels	594.3
Interest-bearing long term receivables (DPO)	6.5
Other long term assets	0.3
Derivative financial assets	4.7
Total non-current assets	605.8
Current assets	
Other current assets	5.6
Cash held for specified uses	5.0
Cash and cash equivalents	29.8
Total current assets	40.4
Total assets	646.2
Equity and liabilities	
Total equity	12.3
Non-current liabilities	
Bond payable	220.0
Other interest-bearing loans	364.4
Capitalized fees	(4.7)
Deferred tax liability	19.1
Total non-current liabilities	598.8
Current liabilities	
Interest-bearing short-term debt	26.8
Trade and other payables	8.4
Total current liabilities	35.2
Total liabilities	633.9
Total equity and liabilities	646.2

CONDENSED CASH FLOW STATEMENT

Amounts in USD million	<i>unaudited</i>
	Full year 2022
Net cash flow from operating activities	55.5
Net cash flow used in investing activities	(15.0)
Net cash flow used in financing activities	(55.7)
Net change in cash and cash equivalents	(15.2)
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	34.8

15. Subsequent events

On 27 February 2023, the Board authorized a dividend payment of USD 0.12 per share to the shareholders on record as of 7 March 2023. The shares in AMSC will be traded ex. dividend from and including 6 March 2023, and the dividend will be paid on or about 15 March 2023. 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 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.

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 table below illustrates the comparative information for Adjusted net profit and a reconciliation to net profit/(loss) after tax.

	<i>unaudited</i>			
	Q4 2022	Q4 2021	Full year	
Adjusted net profit (amounts in USD millions)			2022	2021
Net profit/loss after tax	1.5	2.4	18.7	13.4
Add back:				
Change in market value of interest rate swaps	0.2	(5.1)	(11.2)	(4.8)
Net foreign exchange (gain)/loss	(2.6)	0.1	0.1	0.5
Non-cash income tax expense	4.7	6.9	9.8	9.9
Bond (premium)	-	-	-	(0.2)
Adjusted net profit	3.8	4.3	17.5	18.8

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Disclaimer

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