American Tanker, Inc. Consolidated Group ("ATI", the "Company" or the "Group")
Second quarter and half year 2023 report

MAIN EVENTS DURING AND SUBSEQUENT TO THE SECOND QUARTER

- Bareboat revenue: USD 23.3 million for Q2 2023
- Contracted backlog: USD 282.6 million with an average weighted tenor of 3.0 years
- Operating profit: Operating profit was USD 12.0 million in Q2 2023 compared to USD 12.8 million in Q2 2022
- Sale of 100% of the shares in American Tanker Holding Company ("ATHC", ATI's direct parent): Subject to satisfaction of certain customary conditions, as well as shareholder approval, AMSC ASA (ATI's ultimate parent) will receive gross cash proceeds from the transaction of in aggregate USD 249.3 million, divided between consideration for the shares in ATHC and repayment of a shareholder loan, reflecting an enterprise value of ATHC of USD 746.7 million based the balance sheet of ATHC as per 31 March 2023. The consideration represents a valuation of ATHC that is 2.4x book equity (based on year end 2022 book equity and including the shareholder loan) and EV/EBITDA (2022) ratio of 9.1 and P/E ratio of 19.8 (2022). The transaction is expected to close no later than October 2023. Please see separate stock exchange notice for further details.

SECOND QUARTER AND HALF YEAR FINANCIAL REVIEW

Condensed Income Statement

	unaudited			
Amounts in USD million (except share and per share information)	Q2 2023	Q2 2022	Year to date 2023	Year to date 2022
Operating revenues	23.3	22.0	46.1	43.7
Operating expenses	(1.5)	(0.6)	(2.1)	(1.8)
Operating profit before depreciation - EBITDA	21.8	21.4	44.0	42.0
Depreciation	(9.7)	(8.6)	(18.5)	(17.1)
Operating profit - EBIT	12.0	12.8	25.5	24.9
Net financial expense	(12.3)	(9.9)	(24.3)	(19.6)
Unrealized gain/(loss) on interest swaps	0.3	1.7	(0.4)	8.2
Other financial expenses	(0.4)	(0.5)	(0.9)	(1.0)
Profit before income tax	(0.4)	4.1	(0.1)	12.5
Income tax (expense) / benefit	(0.0)	(0.0)	(0.1)	(0.1)
Non-cash income tax (expense) / benefit	0.1	(0.8)	-	(2.7)
Net profit for the period	(0.3)	3.3	(0.2)	9.8
Average number of common shares	1,000	1,000	1,000	1,000
Basic and diluted earnings per share (USD thousands)	(0.32)	3.27	(0.21)	9.76

Second quarter results

ATI's leasing revenues for Q2 2023 and Q2 2022 were USD 23.3 million and USD 22.0 million, respectively.

EBITDA was USD 21.8 million in Q2 2023 and USD 21.4 million in Q2 2022. Operating profit was USD 12.0 million in Q2 2023 (USD 12.8 million in Q2 2022).

Net financial expense for Q2 2023 was USD 12.3 million (USD 9.9 million in Q2 2022). The increase is due to an increased portion of floating rate debt during Q2 2023.

In Q2 2023, ATI had a gain of USD 0.3 million on the mark-to-market valuation of its interest rate swap contract related to its vessel financing (USD 1.7 million gain in Q2 2022). Other financial expenses for Q2 2023 were USD 0.4 million (USD 0.5 million in Q2 2022) and relate to parent company guarantee fees.

ATI had a net loss before tax for Q2 2023 of USD 0.4 million compared to profit of USD 4.1 million in Q2 2022. Current income tax expense was zero in both Q2 2023 and Q2 2022. Non-cash income tax benefit was USD 0.1 million in Q2 2023 (expense of USD 0.8 million in Q2 2022). Net loss for Q2 2023 was USD 0.3 million compared to profit of USD 3.3 million in Q2 2022.

Year to date results

ATI's operating revenues for the first six months of 2023 and 2022 were USD 46.1 million and USD 43.7 million, respectively. EBITDA was USD 44.0 million year to date in 2023 and USD 42.0 million in the first six months of 2022. EBIT was USD 25.5 million in the six months ending 30 June 2023 (USD 24.9 million in the same period of 2022).

Net financial expense for the first six months of 2023 was USD 24.3 million (USD 19.6 million in the first six months of 2022). The increase is due to an increased portion of floating rate debt during 2023.

In 2023, ATI had an unrealized loss of USD 0.4 million on the mark-to-market valuation of its interest rate swap contracts related to its vessel financing (USD 8.2 million gain in 2022). Other financial expenses during the first half of 2023 were USD 0.9 million (USD 1.0 million in 2022) and relate to parent company guarantee fees.

ATI had a net loss before tax for the six months ending 30 June 2023 of USD 0.1 million (profit of USD 12.5 million for the six months ending 30 June 2022). Current income tax expense for year-to-date 2023 and 2022 was 0.1 million each. Non-cash income tax expense was zero in 2023 (USD 2.7 million in 2022). Net loss for the first six months of 2023 was USD 0.2 million compared to profit of USD 9.8 million in the first six months of 2022.

Condensed Statement of Financial Position

	unaudited		
Amounts in USD million	30-Jun 2023	30-Jun 2022	31-Dec 2022 *
Assets			
Non-current assets			
Vessels	585.1	599.0	594.3
Interest-bearing long term receivables (DPO)	6.1	6.9	6.5
Other long term assets	7.3	-	2.9
Derivative financial assets	4.2	11.8	4.7
Total non-current assets	602.8	617.7	608.4
Current assets			
Trade and other receivables	1.1	14.2	5.6
Cash held for specified uses	4.6	6.4	5.0
Cash and cash equivalents	27.6	29.5	29.8
Total current assets	33.3	50.1	40.4
Total assets	636.1	667.8	648.8
Equity and liabilities			
Total equity	12.0	26.4	12.3
Non-current liabilities			
Bond payable	220.0	220.0	220.0
Other interest-bearing loans	353.9	374.9	364.3
Capitalized fees	(3.6)	(5.8)	(4.7)
Deferred tax liability	19.1	19.3	19.1
Total non-current liabilities	589.3	608.4	598.7
Current liabilities			
Interest-bearing short-term debt	35.2	35.2	35.4
Trade and other payables	(0.5)	(2.2)	2.5
Total current liabilities	34.7	33.0	37.8
Total liabilities	624.1	641.3	636.5
Total equity and liabilities	636.1	667.8	648.8

* Derived from audited financial statements

The change in vessels from 31 December 2022 reflects installation of ballast water treatment systems of USD 8.4 million, offset by depreciation for the first half of 2023 of USD 17.6 million. Similar investments will be made for the final Jones Act tanker in connection with its special survey during the remainder of 2023.

During the first half of 2023, the DPO was reduced by repayments made by Overseas Shipholding Group, Inc. ("OSG") of USD 4.3 million. As of 30 June 2023, USD 0.8 million of the DPO balance was reclassified to short term trade and other receivables. See note 11 to the condensed consolidated financial statements for additional information on the DPO.

During Q4 2022, OSG failed to pay the DPO balance due for one of the three vessels redelivered in December 2022. As a result, ATI filed a complaint against OSG in U.S. district court for the District of Southern New York for USD 4.5 million. During Q2 2023, ATI and OSG settled the outstanding dispute and OSG repaid the overdue balance of USD 3.9 million plus accrued interest. ATI has no other ongoing litigation.

Other non-current assets reflect capitalized costs, including special survey costs, relating to the three ships delivered to Keystone during Q4 2022 and will be amortized over the fixed charter terms, or in the case of special survey costs, over the period until the next dry docking. Amortization during the first half 2023 was USD 0.8 million.

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 30 June 2023 was USD 605.5 million, net of USD 3.6 million in capitalized fees versus USD 615.0 million as of 31 December 2022. This debt relates to the bank financing for the Company's 10 vessels of USD 285.2 million, the unsecured bond of USD 220.0 million, a parent company loan of USD 95.5 million and accrued financial costs of USD 8.4 million. ATI was in compliance with all of its debt covenants as of 30 June 2023.

Risks

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

Indirectly ATI is exposed to overall Jones Act tanker market risk and the charterers' ability to secure time charter contracts for its fleet.

ATI 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, and one vessel is contracted through June 2025.

ATI is also exposed to refinancing and interest rate risk related to the bank debt on the 10 Jones Act tankers and the ATI unsecured bond. The Jones Act secured bank debt matures in April and November 2025. The ATI unsecured bond matures in July 2025.

ATI's activities also expose the Company to a variety of other financial risks, including but not limited to, currency, liquidity risk and ability to stay in compliance with covenants.

For further details of ATI's risks, refer to the 2022 Annual Report.

Responsibility statement

The unaudited condensed interim consolidated financial statements of American Tanker, Inc. and its subsidiaries ("Group") and interim financial report as of 30 June 2023 and for the first half of 2023 were approved by the Board of Directors and on 29 August 2023.

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

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

29 August 2023
The Board of Directors and President / CEO
American Tanker, Inc.

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in USD million	Note	unaudited 30-Jun 2023	30-Jun 2022	31-Dec 2022 *
Assets				
Non-current assets				
Vessels		585.1	599.0	594.3
Interest-bearing long term receivables (DPO)	11	6.1	6.9	6.5
Other long term assets		7.3	-	2.9
Derivative financial assets		4.2	11.8	4.7
Total non-current assets		602.8	617.7	608.4
Current assets				
Trade and other receivables		1.1	14.2	5.6
Cash held for specified uses		4.6	6.4	5.0
Cash and cash equivalents		27.6	29.5	29.8
Total current assets		33.3	50.1	40.4
Total assets		636.1	667.8	648.8
Equity and liabilities				
Total equity	7	12.0	26.4	12.3
Non-current liabilities				
Bond payable	8	220.0	220.0	220.0
Other interest-bearing loans	8	353.9	374.9	364.3
Capitalized fees	8	(3.6)	(5.8)	(4.7)
Deferred tax liability	6	19.1	19.3	19.1
Total non-current liabilities		589.3	608.4	598.7
Current liabilities				
Interest-bearing short-term debt	8	35.2	35.2	35.4
Trade and other payables		(0.5)	(2.2)	2.5
Total current liabilities		34.7	33.0	37.8
Total liabilities		624.1	641.3	636.5
Total equity and liabilities		636.1	667.8	648.8

* Derived from audited financial statements

Approved 29th August 2023

Leigh Jaros

Leigh Jaros, Director/President/CEO

CONDENSED INCOME STATEMENT

Amounts in USD million (except share and per share information)	Note	unaudited Q2 2023	Q2 2022	Year to date 2023	2022
Operating revenues		23.3	22.0	46.1	43.7
Operating expenses		(1.5)	(0.6)	(2.1)	(1.8)
Operating profit before depreciation - EBITDA		21.8	21.4	44.0	42.0
Depreciation		(9.7)	(8.6)	(18.5)	(17.1)
Operating profit - EBIT		12.0	12.8	25.5	24.9
Net financial expense	10	(12.3)	(9.9)	(24.3)	(19.6)
Unrealized gain/(loss) on interest swaps		0.3	1.7	(0.4)	8.2
Other financial expenses		(0.4)	(0.5)	(0.9)	(1.0)
Profit before income tax		(0.4)	4.1	(0.1)	12.5
Income tax (expense) / benefit	6	(0.0)	(0.0)	(0.1)	(0.1)
Non-cash income tax (expense) / benefit	6	0.1	(0.8)	-	(2.7)
Net profit for the period *		(0.3)	3.3	(0.2)	9.8
Average number of common shares	7	1,000	1,000	1,000	1,000
Basic and diluted earnings per share (USD thousands)		(0.32)	3.27	(0.21)	9.76

CONDENSED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

Amounts in USD million	unaudited Q2 2023	Q2 2022	Year to date 2023	2022
Net income/(loss) for the period	(0.3)	3.3	(0.2)	9.8
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period *	(0.3)	3.3	(0.2)	9.8

* Applicable to common stockholders of the parent company.

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

	unaudited	
	Year to date	
Amounts in USD million	2023	2022
Equity as of beginning of period	12.3	38.6
Total comprehensive income for the period	(0.2)	9.8
Dividends/return of capital	-	(22.0)
Total equity as of end of period	12.0	26.4

CONDENSED CASH FLOW STATEMENT

	unaudited	
	Year to date	
Amounts in USD million	2023	2022
Net cash flow from operating activities	26.3	23.3
Net cash flow used in investing activities	(15.5)	(1.9)
Net cash flow used in financing activities	(13.4)	(35.4)
Net change in cash and cash equivalents	(2.6)	(14.0)
Cash and cash equivalents, including cash held for specified uses at the beginning of period	34.8	50.0
Cash and cash equivalents, including cash held for specified uses at end of period	32.2	35.9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2023

1. Introduction - American Tanker, Inc.

American Tanker, Inc. (“ATI”) is a company incorporated in Delaware. The condensed interim financial statements for the three and six months ended 30 June 2023 and 2022 comprise ATI and its wholly owned subsidiaries. These interim financial statements have not been audited or reviewed by the Company’s auditors. ATI is wholly owned by American Tanker Holding Company, Inc. (ATHC), which is wholly owned by American Shipping Company ASA (AMSC), an Oslo Stock Exchange listed company based in Norway. American Tanker has one operating segment.

The consolidated 2022 annual financial statements of ATI are available at https://www.americanshippingco.com/bond-overview/.

2. Basis of Preparation

These consolidated interim financial statements reflect all adjustments, in the opinion of ATI's management, that are necessary for a fair presentation of the results of operations for the periods presented. Operating results for the three and six month periods are not necessarily indicative of the results that may be expected for any subsequent interim period or year.

3. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) applicable for interim reporting, IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2022.

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 2022.

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 2022 that have a significant impact on ATI's financial reporting for the three and six months ended 30 June 2023.

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 2022.

Certain prior period reclassifications were made to conform to current year presentation and include reclassification of accrued financial costs.

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 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 Group has approximately USD 412.3 million of federal net operating losses in carryforward as of 31 December 2023, of which approximately USD 139.0 million are subject to certain limitations under Internal Revenue Service Code Section 382 (see note 5 of the 2022 consolidated financial statements for more details).

7. Share capital and equity

The current authorized share capital of ATI is 2,000 ordinary shares. The issued share capital of ATI as of 30 June 2023 is 1,000 ordinary shares, each with a par value of USD 0.01.

8. Interest-bearing debt

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

Amounts in USD million	6 months to 30-Jun-23	6 months to 30-Jun-22
Balance at beginning of period	**615.0**	**636.7**
Repayment of debt / loan fees	(13.4)	(13.4)
Interest added to outstanding debt	3.0	-
Amortization of loan fees	1.1	1.1
Change in accrued financial costs	(0.1)	(0.1)
Balance at end of period	**605.5**	**624.3**

The Company was in compliance with all of its debt covenants as of 30 June 2023.

9. Related party transactions

ATI believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions and had no new related party agreements during the first half of 2023. Please reference note 18 in the 2022 consolidated financial statements for the Group for further details.

10. Net financial expenses

Amounts in USD million	3 months to		6 months to	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Interest expense	(12.7)	(10.2)	(25.1)	(20.2)
Interest income	0.4	0.3	0.7	0.7
Net financial expense	**(12.3)**	**(9.9)**	**(24.3)**	**(19.6)**

11. Deferred Principal Obligation (DPO)

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

Amounts in USD million	6 months to 30-Jun-23	6 months to 30-Jun-22
Balance at beginning of period	**11.2**	**21.4**
Repayments of principal	(4.3)	(1.0)
Balance at end of period	**6.9**	**20.4**
Reclassified to short-term receivables	(0.8)	(13.5)
Balance at end of period	**6.1**	**6.9**

12. 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 2022 consolidated financial statements. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the quarter ended 30 June 2023, 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 million	Carrying amount 30-Jun-23	Fair value 30-Jun-23	Fair value heirarchy *
Interest-bearing receivables (DPO)	6.9	19.0	3
Interest swap used for economic hedging	4.2	4.2	2
Unsecured bond issue (gross)	(220.0)	(214.5)	2
Secured loans (gross)	(285.2)	(277.7)	2
Subordinated parent company loans (gross)	(95.5)	(97.6)	3

13. Subsequent events

On 21 August 2023, the Company's indirect wholly-owned parent, AMSC ASA (AMSC) announced it has signed a share purchase agreement (SPA) for the sale of its wholly owned subsidiary American Tanker Holding Company, Inc. (ATHC). ATHC owns 100% of the shares in ATI and comprises 100% of the AMSC's U.S. Jones Act tanker business. AMSC will receive gross cash proceeds from the transaction, subject to certain adjustments, of in aggregate USD 249.3 million, divided between consideration for the shares in ATHC and repayment of a shareholder loan, reflecting an enterprise value of ATHC of USD 746.7 million based on the balance sheet of ATHC as per 31 March 2023. The parties expect the transaction to close no later than in October 2023. The closing of the transaction is subject to the satisfaction of certain customary conditions, as well as the approval of the transaction by the affirmative vote of 2/3 of AMSC's shareholders present and voting at an extraordinary general meeting of AMSC.