



# **American Shipping Company ASA**

## **Company Presentation**

**10 September 2014**

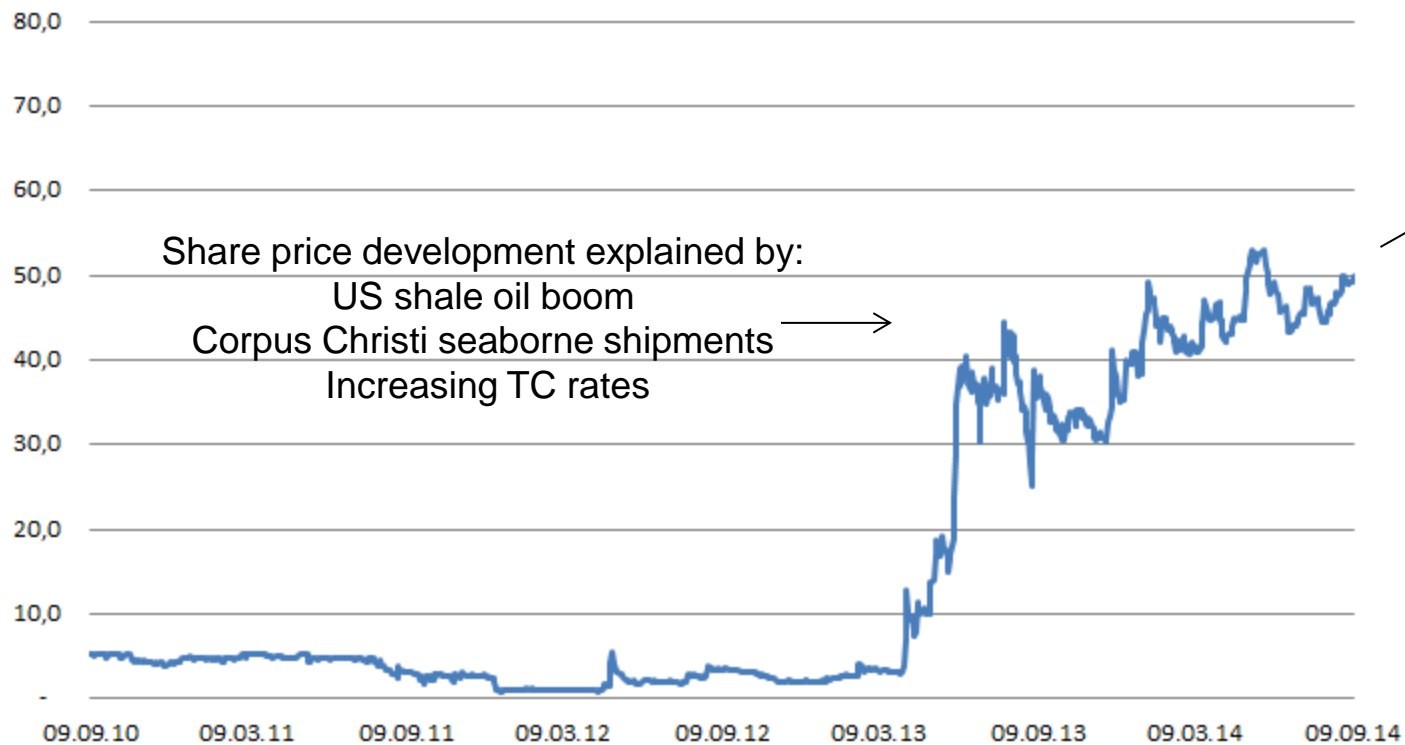


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# AMSC – “Best pure play in rising Jones Act market”?

**NOK per share**



Pricing potential  
looking at future cash  
flows and dividend  
capacity

# Valuation upside coming from...

## Strong market fundamentals

- Strong and improving market conditions
- High charter rates and increasing demand for shipping as a result of the shale oil boom
- Limited supply of vessels, scrapping of old tankers, and only two shipyards

## Increasing dividends

- Increasing profit share from OSG
- Refinance current debt structure to achieve lower cost of funds and flexible amortization
- Full payout dividend policy

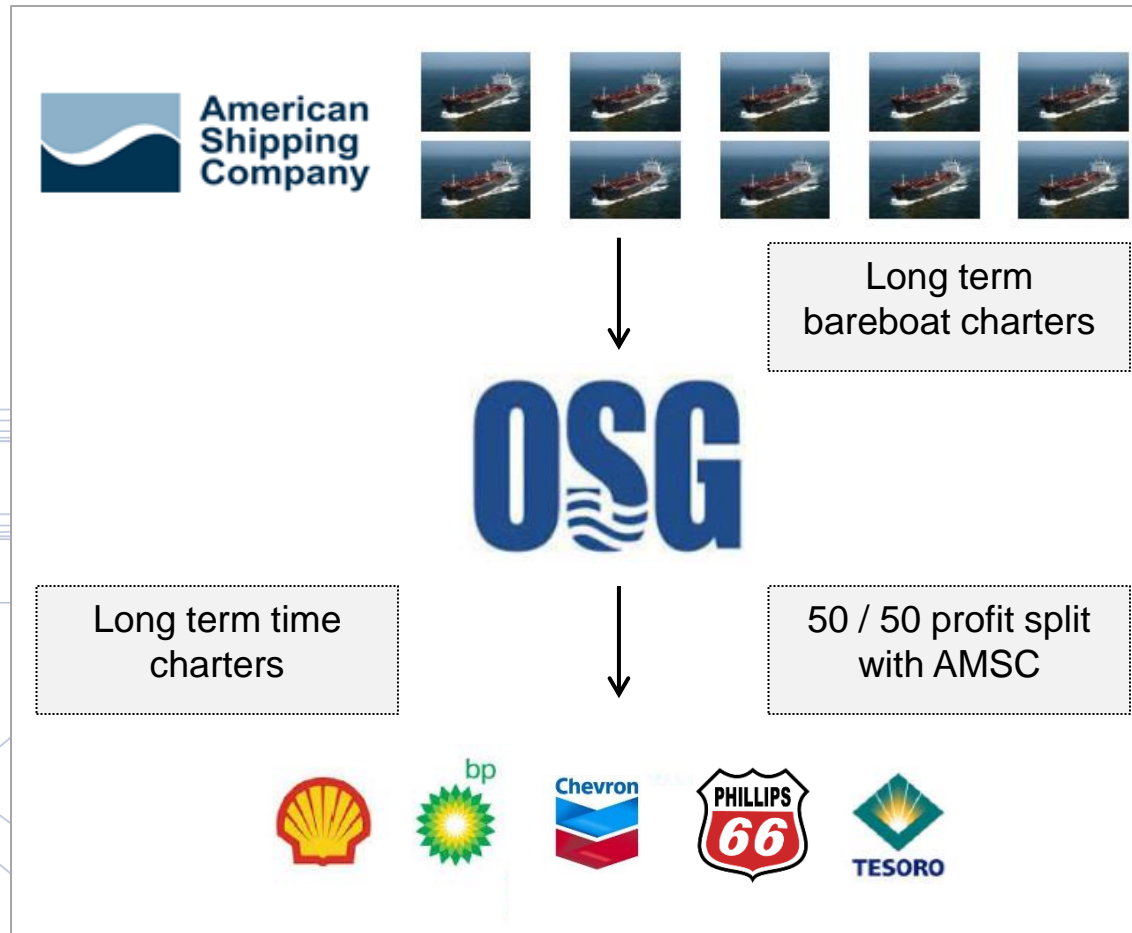
## MLP/Yieldco

- Establish MLP/Yieldco with public listing in the US generating low cost of capital and superior valuation
- Maintain AMSC as sponsor and General Partner
- Free up capital, dividend out all excess cash

## Potential M&A

- AMSC fleet and contracts are attractive to MLPs and Yieldcos as dropdown candidates
- An AMSC acquisition is highly accretive to MLP/Yieldco buyers at current valuation
- OSG out of Chapter 11

# All ten AMSC vessels on bareboat charters with OSG



- OSG has firm bareboat charters for all vessels until December 2019 with evergreen extension options
- OSG time charters the vessels to oil majors for Jones Act trade
- AMSC receives fixed annual BBC of USD 88m + 50% of the profits generated by OSG under the TCs
- Significant upside potential through an attractive profit sharing agreement in tight Jones Act market
- OSG recently emerged from Chapter 11 as a financially healthy company with new shareholders, new Board of Directors and new management

# Lean organisation with highly experienced management team

**Annette Malm Justad**  
Chairperson



- Member of AMSC's Board of Directors since December 2007
- Board member of PGS, Awilco LNG, Store Norske Kulkompani and Small Turbine Partners
- 2006 – 10: CEO of Eitzen Maritime Services ASA
- Previously: Various positions within Yara International ASA, Norgas Carriers/IM Skaugen ASA, and Norsk Hydro ASA
- Master degree in Technology Management from MIT (Sloan School)/NTH/NHH in addition to a MSc in Chemical Engineering from NTH

**Dag Fasmer Wittusen**  
President / CEO



- CEO of AMSC since July 2011
- Previously: Special advisor to Aker ASA and Board Member of AMSC since 2009, in addition to numerous executive positions within the Aker Group, including CEO of Aker Finans AS, Executive Director of TH Global (ex Kvaerner PLC), member of various Aker boards, Executive Vice President of Aker RGI and Managing Director of RGI. Also co-founder of investment banking group Orkla Finans, Vice President of Eksportfinans and Loan Officer at the World Bank
- BA from Brown University and an MPA from Princeton University

**Pål Lothe Magnussen**  
CFO

- Mr. Magnussen was appointed CFO of AMSC effective 1 June 2014.
- Previously: Director of the Investment Banking Division in DNB Markets where he has worked since 2007. Prior to that he worked for five years as Vice President of Corporate Banking in DNB Bank in New York, Singapore and Oslo.
- MBA from Columbia University, New York and a Master of Science in International Business from the Norwegian School of Management, Oslo

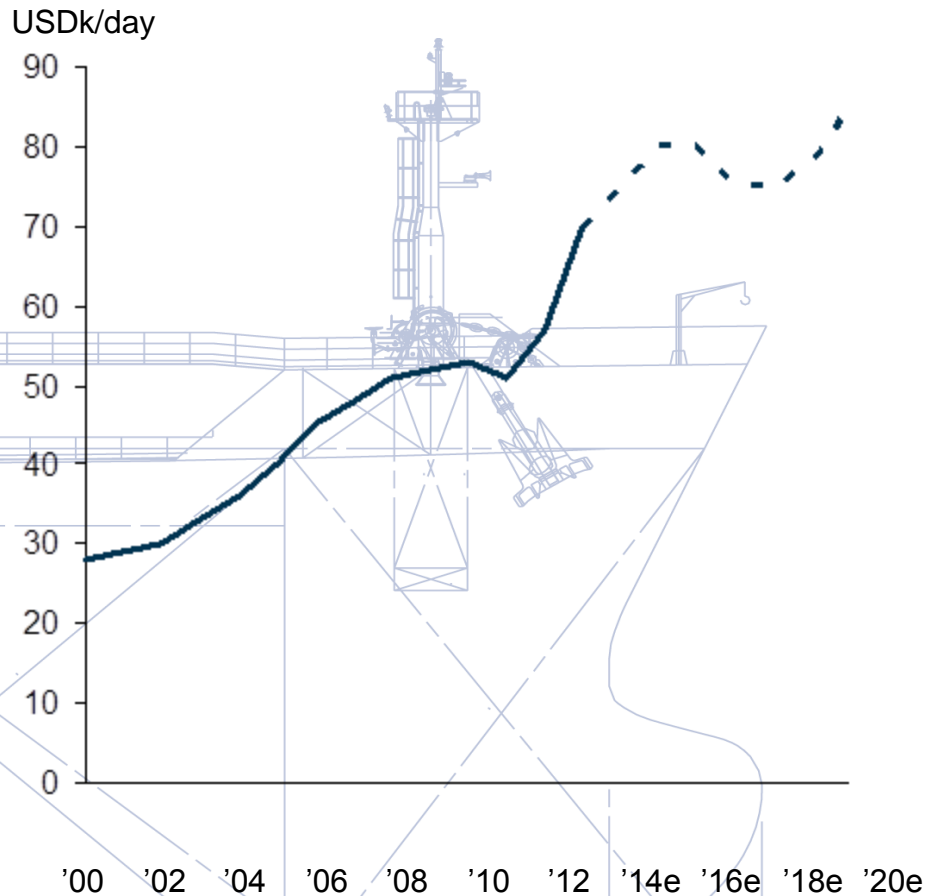
**Leigh Jaros**  
Business Controller / Finance Manager



- Controller in AMSC from July 2008 and CFO July 2011 – June 2014
- Previously: +10 years of progressively responsible corporate financial experience including financial reporting, analysis and budgeting. Ms. Jaros was employed by Aker Philadelphia Shipyard as its Accounting Supervisor prior to joining AMSC.
- BSc in Finance and Economics from West Chester University

# The product tanker market is expected to remain tight in the coming years

Daily Time Charter Rate Trend for Jones Act Tankers



Favorable supply/demand dynamics

Increase in shale oil production

Surplus refinery capacity in Gulf coast area

Longer shipping distances

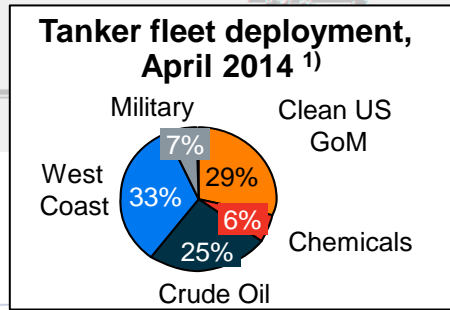
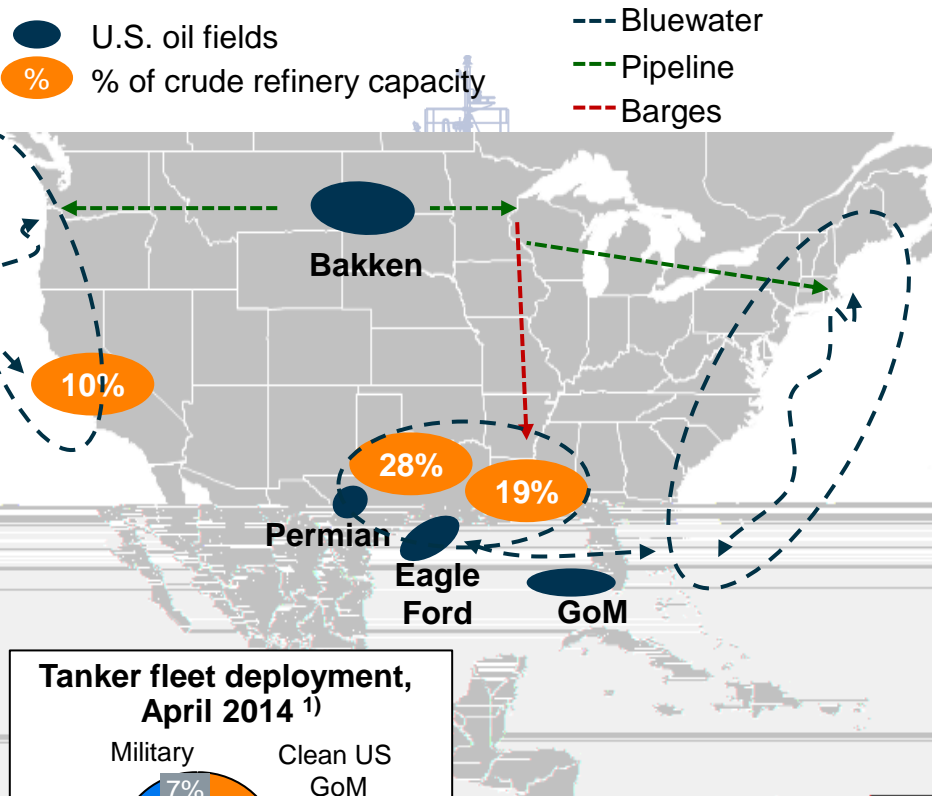
Shuttle tanker requirement

Limited newbuilding capacity

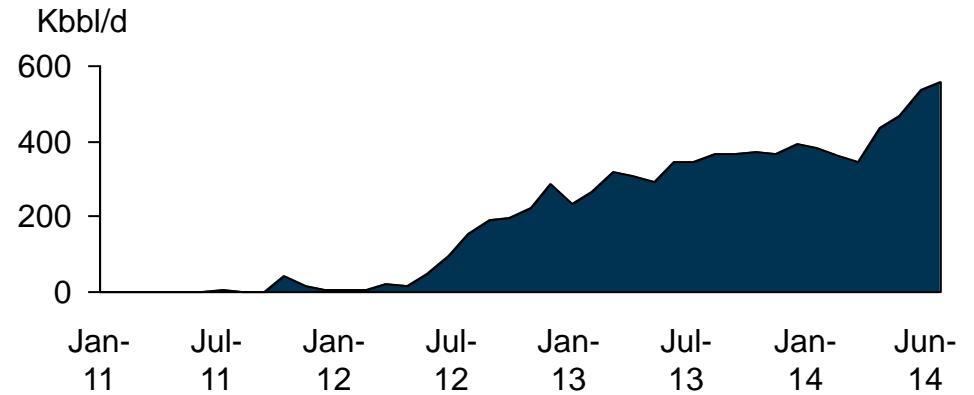
Orderbook includes few open vessels

# Shipping demand is driven by shale oil boom and increased refining in the U.S. Gulf of Mexico

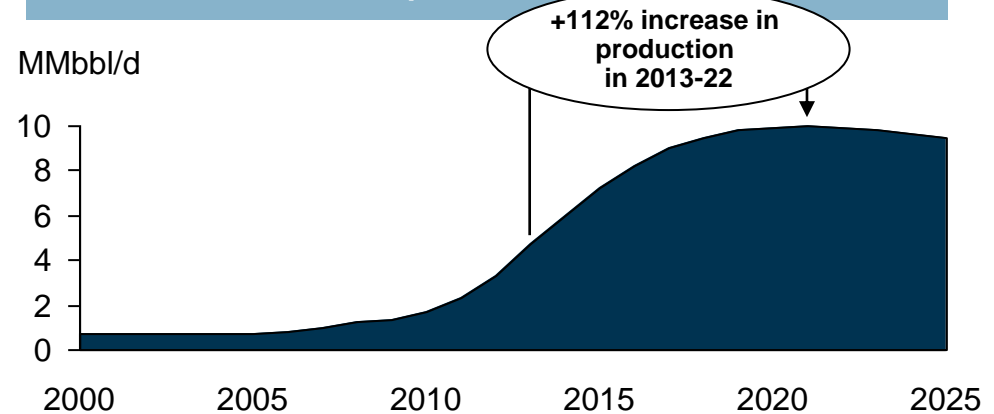
Shale oil and shift of U.S. refining to Gulf Coast increases demand for Jones Act tanker vessels



Seaborne shale oil out of Corpus Christi port, Texas



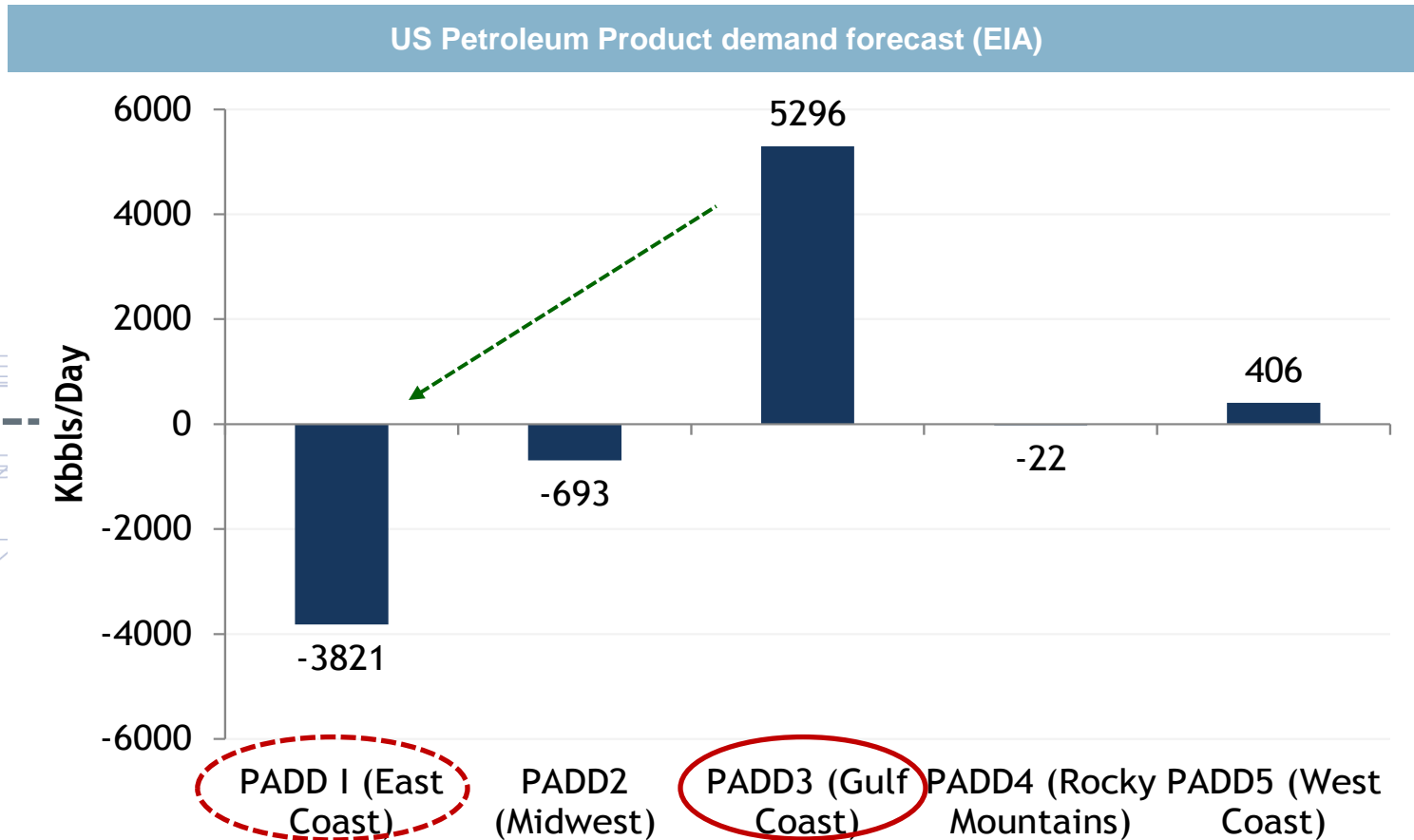
Shale oil production forecast



Notes: 1) Fleet deployment for U.S. Jones Act product tankers by capacity  
 Source: Port of Corpus Christi, Rystad Energy, EIA



# Surplus of refinery capacity in Gulf coast area will continue to drive product flows

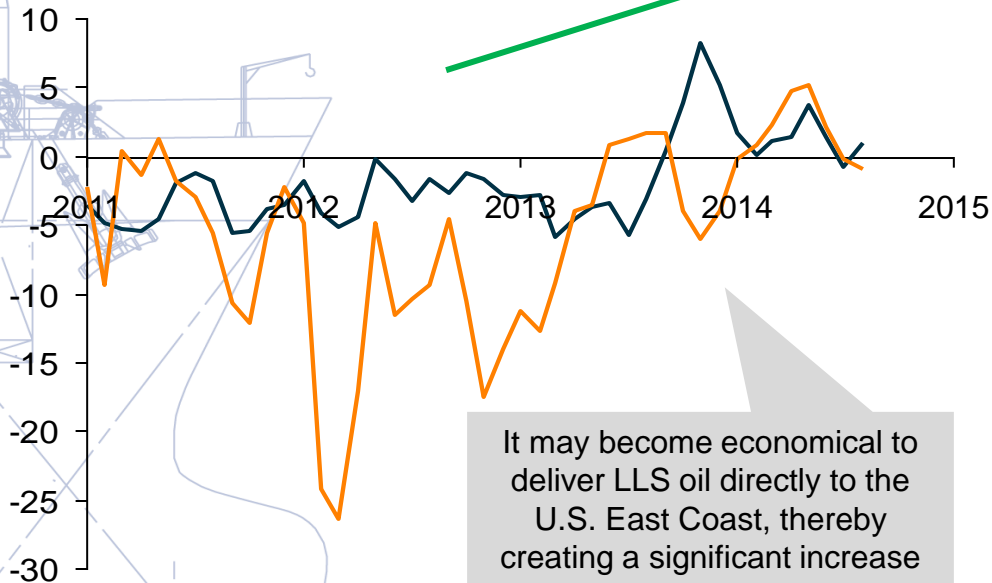


# A new trade lane is emerging, driving crude oil from the U.S. Gulf of Mexico to U.S. East Coast

Price arbitrage between Louisiana Light Sweet oil and Bakken and Brent oils is creating a new trade pattern

LLS more economical than Brent / Bakken

USD/bbl



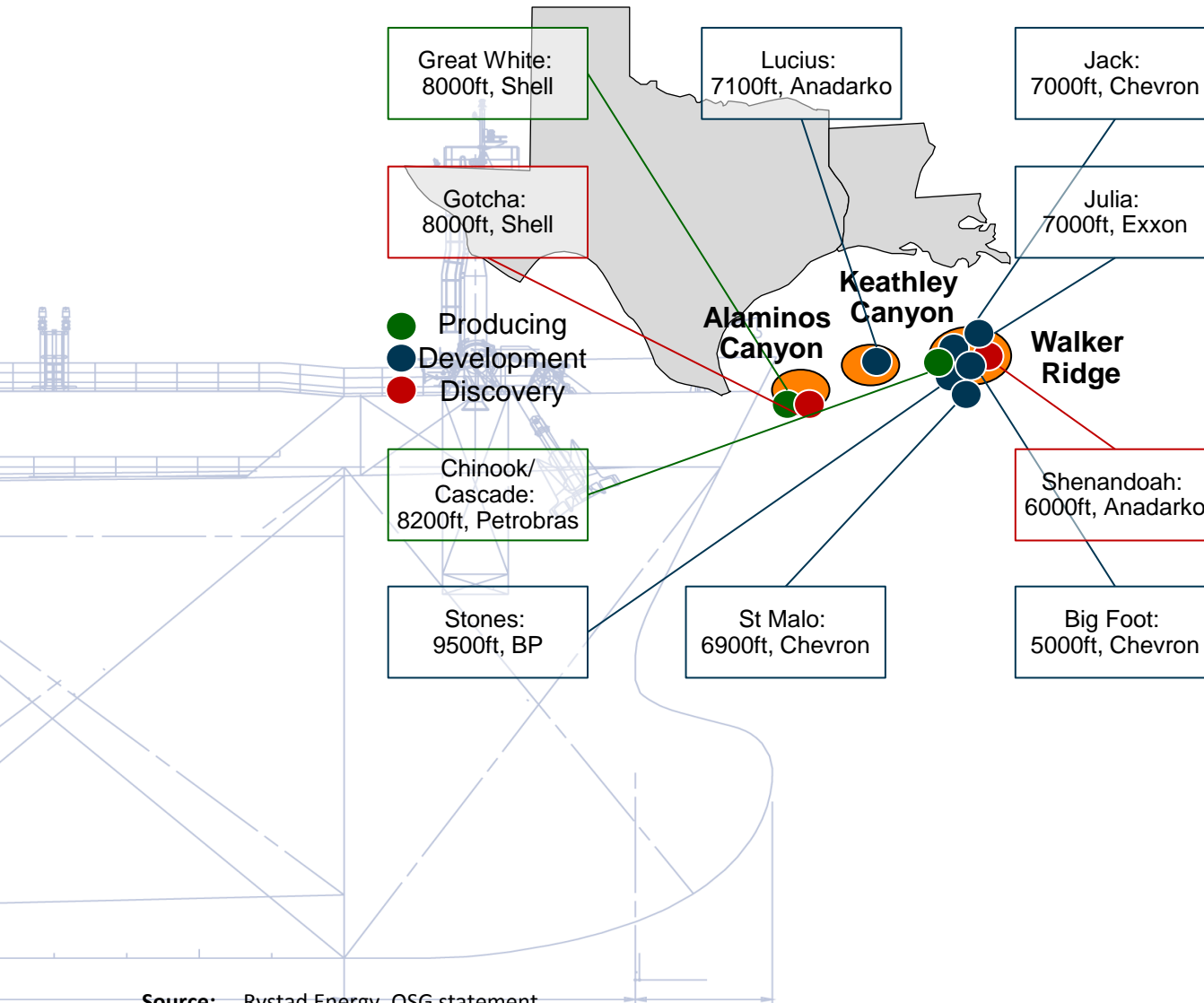
LLS more expensive than Brent / Bakken



**Notes:** 1) Brent price includes USD 2/bbl for transportation on imports while Bakken and LLS includes USD 15/bbl and USD 4.5/bbl respectively

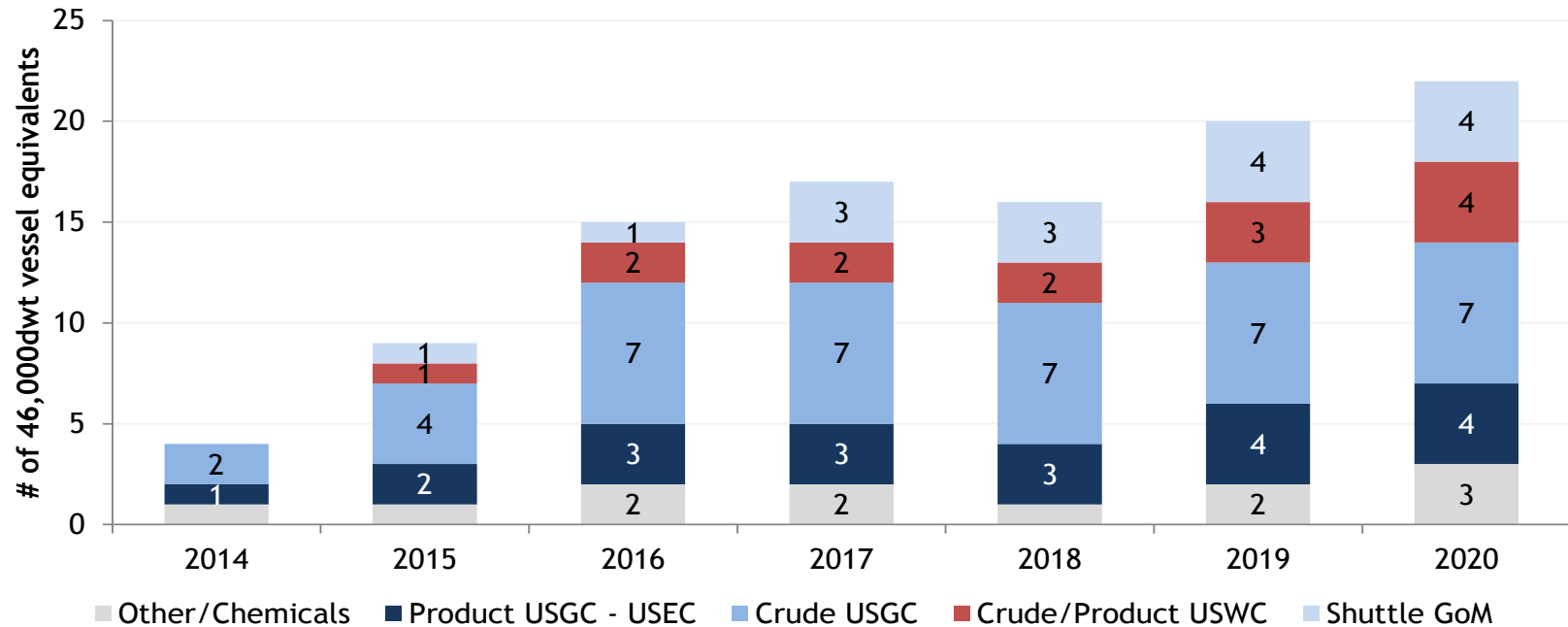
**Source:** Bloomberg, Plains All American, RBN Energy

# U.S. Gulf of Mexico deepwater developments will create significant demand for shuttle tankers



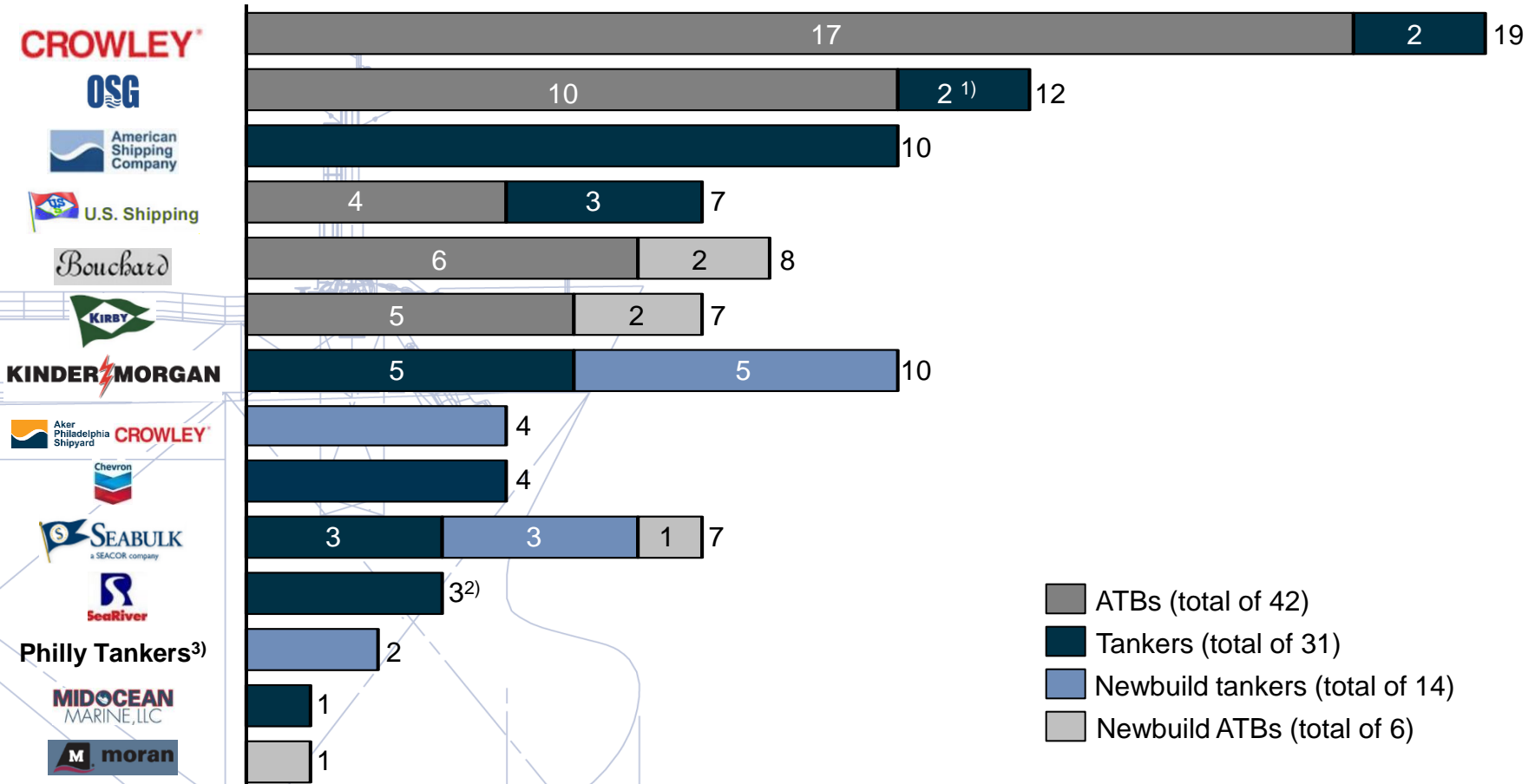
# Demand for Jones Act tankers estimated to grow by 22 product tanker equivalents within 2020

Tonnage demand growth in US trade (converted to 46,000dwt vessel equivalents)



# 73 vessels in the product/crude tanker trade today – 14 players – consolidation?

# of Jones Act tanker vessels by owner



ATBs (total of 42)  
 Tankers (total of 31)  
 Newbuild tankers (total of 14)  
 Newbuild ATBs (total of 6)

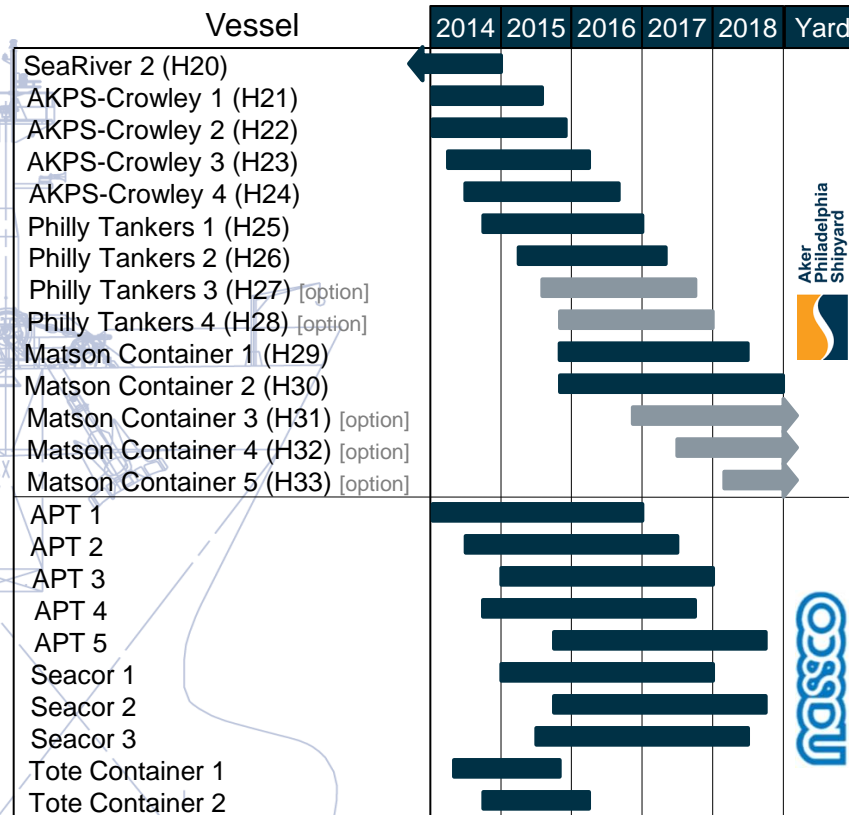
- Notes:**
- 1) OSG ATB fleet includes 2 lightering vessels, which are illustrated separate ly in OSG’s own fleet reports
  - 2) Including 2x SeaRiver tankers from 1978/79 which are expected to enter service
  - 3) Philly Tankers has two options that come in addition

**Source:** Navigistics Consulting ©, Arctic Sec. / Pareto Sec. research



# Yard capacity is filling up beyond 2018 - limiting supply of new vessels

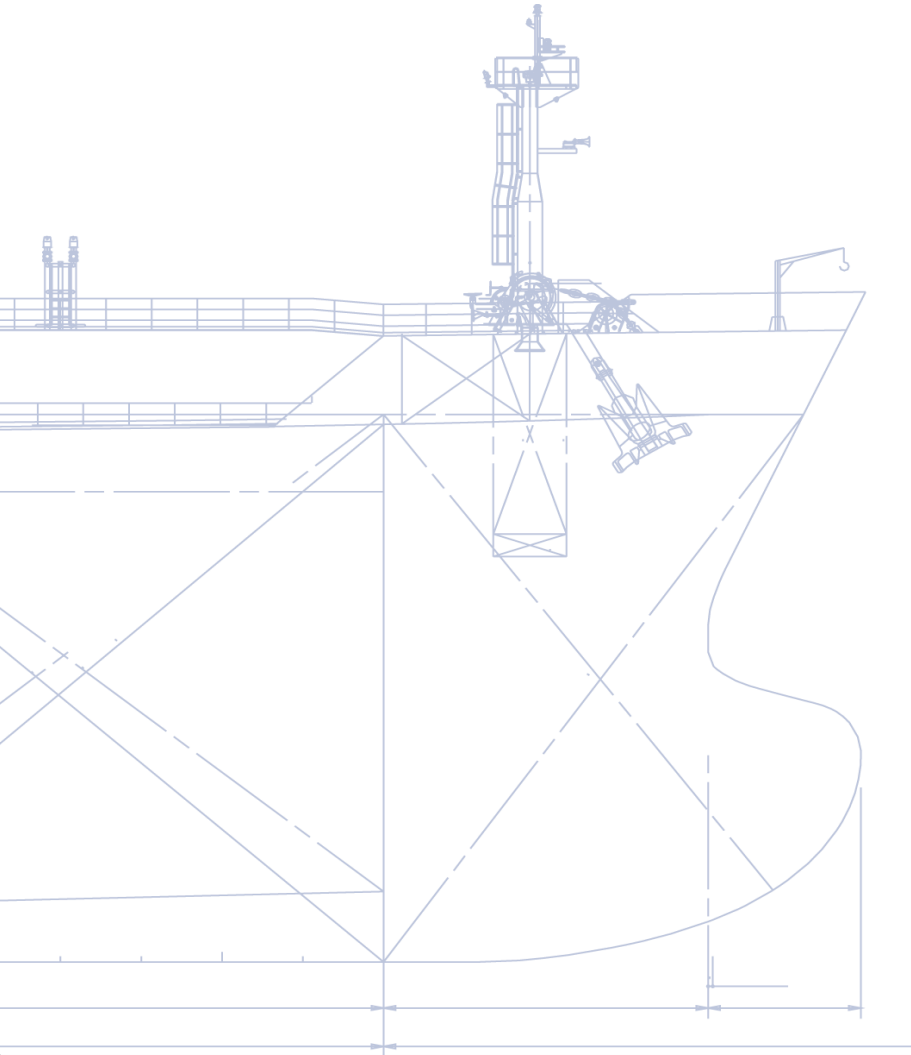
Delivery schedule of new commercial U.S. Jones Act vessels from APSI and NASSCO



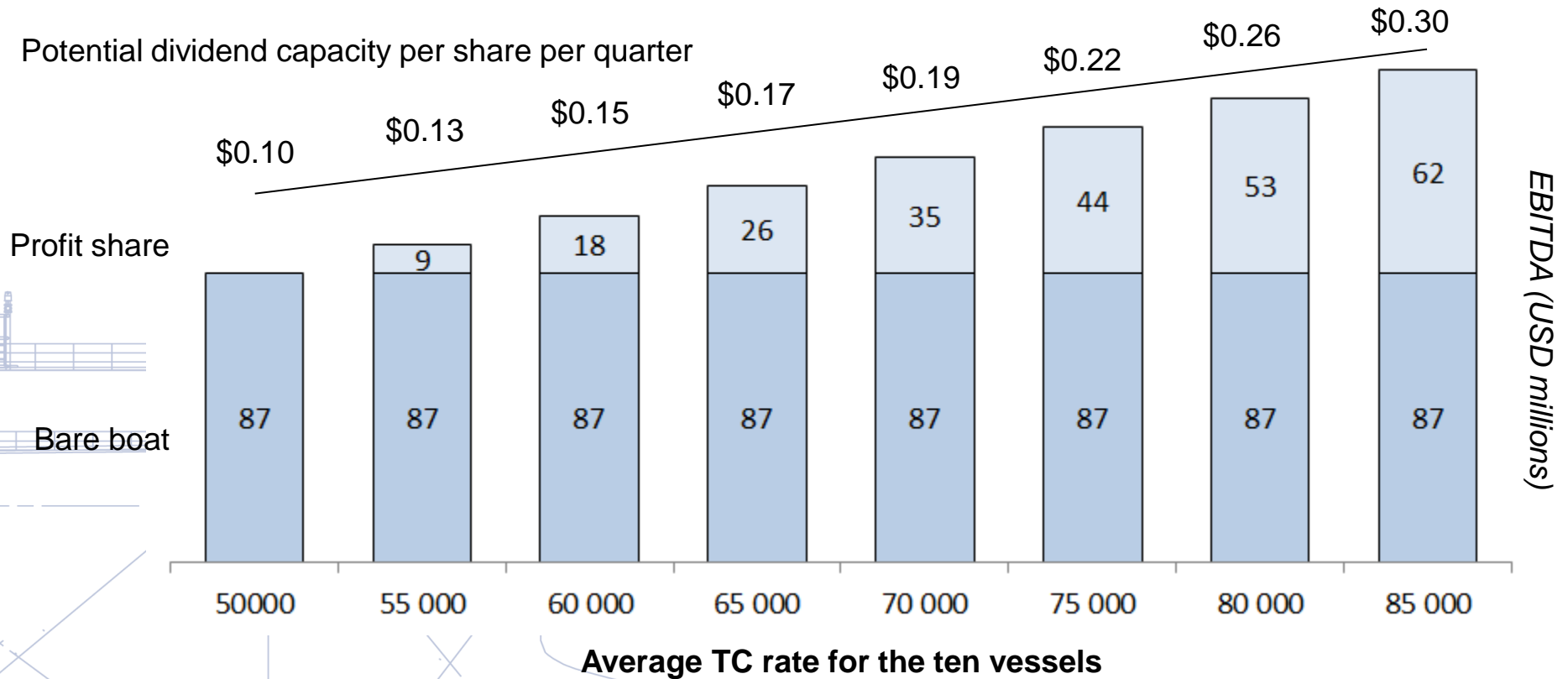
Only NASSCO and Aker Philadelphia Shipyard have capability to build MR size product tankers at competitive prices and timetables



# OSG time-charter structure – upside potential



# Increasing dividend capacity with higher OSG time charter rates (*Illustrative*)



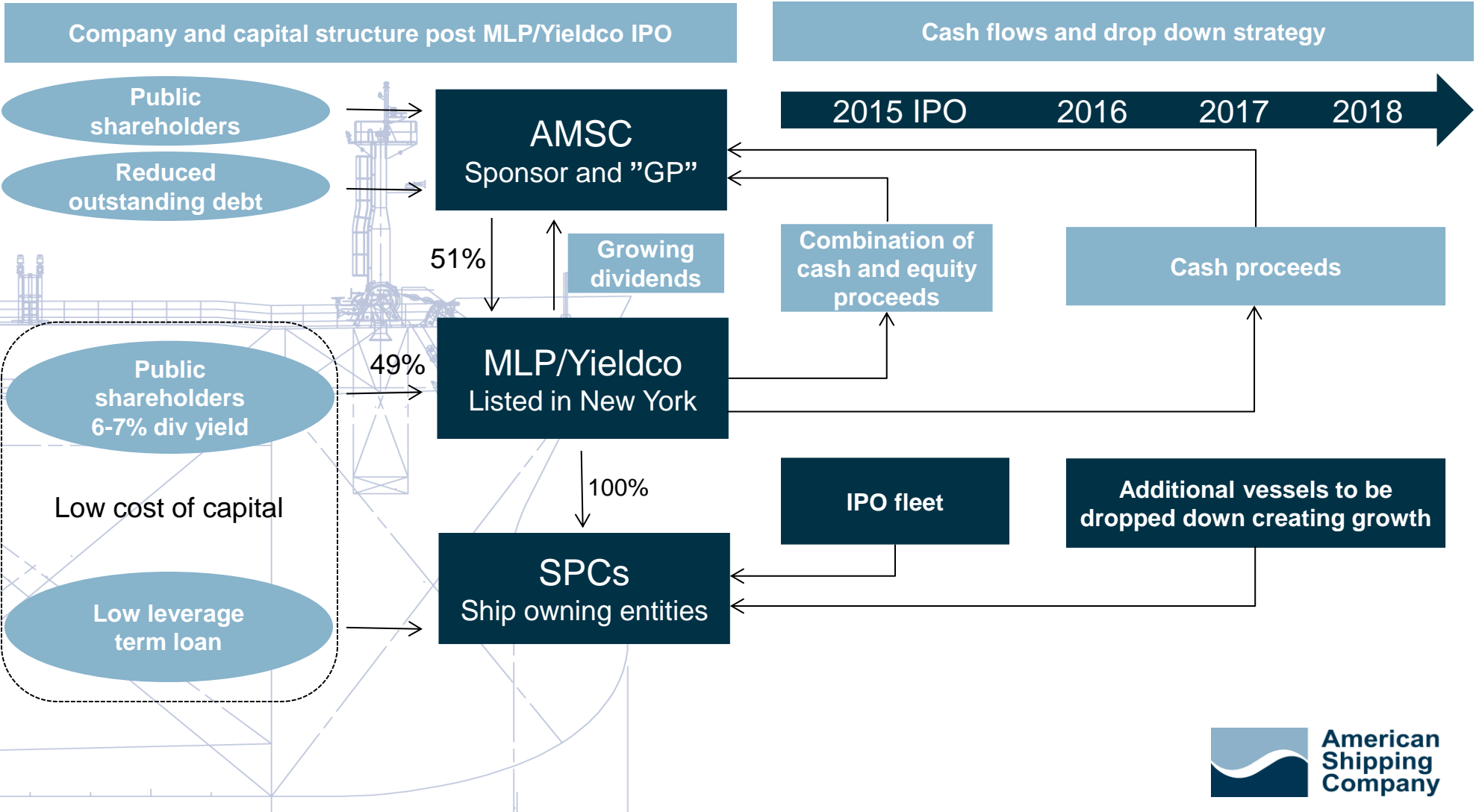
Limited downside and significant upside potential for dividend distribution going forward



**Note:** Assuming 96.5% utilization, estimated 2014 break even rates of USD 50k / day, bareboat revenue including DPO and refinanced debt structure

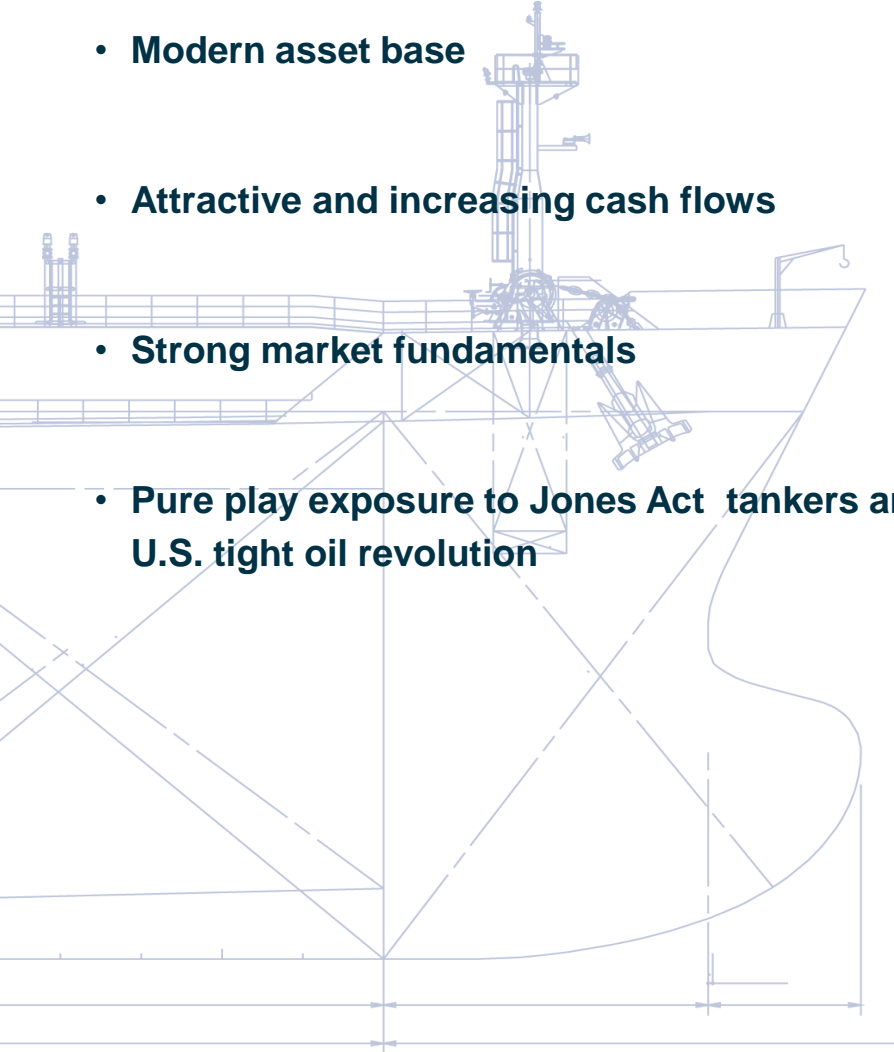


# Low cost of capital achieved in an AMSC MLP/Yieldco enables vessel transactions at superior valuations



# Investment highlight

## Unique position in rising market

- **Modern asset base**
  - **Attractive and increasing cash flows**
  - **Strong market fundamentals**
  - **Pure play exposure to Jones Act tankers and to U.S. tight oil revolution**
- 
- A technical line drawing of a ship's hull and deck structure, showing various components like the superstructure, deck, and hull plating. The drawing is rendered in a light blue color and serves as a background for the text on the left side of the slide.

## Key AMSC value triggers

- **Execution of full payout dividend policy**
- **Refinance current debt with lower cost of capital and flexible amortization profile**
- **Launch Yieldco process aiming for a Q2 2015 listing**
- **OSG out of chapter 11 with new stakeholders**

# Q & A

