NORDIC SHIPHOLDING

Interim Report H1 2020

29 August 2020
CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 June 2019 are stated in parenthesis.

The very high Time Charter Equivalent ("TCE") rates arising from the short-term surge in demand for tonnage caused by the COVID-19 pandemic and the oil price war which started in Q1 2020 positively impacted the Group's earnings in H1 2020. As a result, the average daily TCE rate earned in H1 2020 by the 5 vessels was approximately 20% and 83% higher than the average TCE rate earned in Q4 2019 and H1 2019, respectively.

For the 6 months ended 30 June 2020, the Group generated a profit after tax of USD 5.7 million (loss of USD 1.3 million) primarily due to improved TCE revenue generated.

Despite the sale of Nordic Ruth in July 2019, TCE revenue rose 59.8% to USD 19.4 million (USD 12.2 million) in H1 2020 principally from higher TCE revenue by the vessels in the pools compared to the same period last year.

Expenses relating to the operation of vessels in H1 2020 decreased to USD 5.7 million (USD 7.1 million) mainly due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 13.0 million (USD 4.3 million) as a result of improved TCE revenue in H1 2020. Other external costs increased marginally by USD 0.1 million to USD 0.7 million (USD 0.6 million).

In line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities, two co-brokers were appointed in May 2020 to officially test the buying interest for one vessel, Nordic Hanne, a handysize tanker. Hence, the Group recognised an impairment loss of USD 2.0 million in H1 2020 following the reclassification of Nordic Hanne as an asset held-for-sale. It is noted that the estimation of Nordic Hanne's expected sale value is highly uncertain. No other impairment nor reversal of impairment have been taken for the other four vessels.

After accounting for depreciation, impairment loss, interest expenses and other finance expenses, the Group generated a profit after tax of USD 5.7 million in H1 2020 (loss of USD 1.3 million).

Between 31 December 2019 and 30 June 2020, equity increased from USD 7.9 million to USD 13.6 million as a result of the cumulative profit earned during the period. Consequently, the equity ratio improved from 8.1% to 15.0%.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature. The Company, together with its majority shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. It is management's expectation that the lenders will finance the

Company in a period longer than 31 December 2020 (reference is made to Note 0 in this interim report).

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group in excess of USD 6.0 million towards prepayment of the loan. During H1 2020, this cash sweep mechanism was activated on 31 March 2020 and on 30 June 2020, and a total of USD 11.1 million excess cash was used to pay down the loan (USD NIL cash sweep for H1 2019).

During the financial period under review, cash flow generated from operations was USD 11.9 million (USD 0.2 million) contributed by earnings from the pools. As at 30 June 2020, cash and cash equivalents stood at USD 6.2 million (USD 8.8 million, including balances held in dry-docking reserve bank accounts).

The outlook for 2020 remains unchanged as indicated in the Company Announcement 07/2020 on 26 August 2020.

Consolidated financial highlights

Amounts in USD thousand	YTD 30 Jun 2020	YTD 30 Jun 2019	FY 2019
Time charter equivalent revenue (TCE revenue)	19,413	12,152	22,498
EBITDA	12,966	4,285	6,840
Operating result (EBIT)	7,936	1,491	1,312
Net finance expenses	(2,283)	(2,744)	(5,208)
Result after tax	5,653	(1,253)	(3,906)
Equity ratio (%)	15.0%	10.4%	8.1%
Earnings per share, US cents	1.39	(0.31)	(0.96)
Market price per share DKK, period end	0.44	0.42	0.54
Market price per share USD, period end	0.07	0.06	0.08
Exchange rate USD/DKK, period end	6.63	6.56	6.66
Number of shares, period end	406,158,403	406,158,403	406,158,403
Average number of shares	406,158,403	406,158,403	406,158,403

Company data

Company
Nordic Shipholding A/S (the "Company")
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CVR- no. 76 35 17 16
Website: www.nordicshipholding.com
Registered office: Copenhagen
Contact persons regarding this interim report: Knud Pontoppidan, Chairman
Philip Clausius, CEO

Executive Management
Philip Clausius, CEO

Board of Directors
Knud Pontoppidan, Chairman
Jon Robert Lewis, Deputy Chairman
Kanak Kapur
Philip Clausius
Jens V. Mathiasen
Esben Søfren Poulsson

Auditors
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

Forward-looking statements
This report contains forward-looking statements reflecting Nordic Shipholding A/S's current beliefs concerning future events. Forward-looking statements are inherently subject to uncertainty, and Nordic Shipholding A/S's actual results may thus differ significantly from expectations. Factors which could cause actual results to deviate from the expectations include, but not limited to, changes in macroeconomic, regulatory and political conditions, especially on the Company's main markets, changes in currency exchange and interest rates, freight rates, operating expenses and vessel prices as well

as possible disruptions of traffic and operations resulting from outside events. Also, the COVID-19 pandemic adds significant uncertainties to the expectations.

Management's review

The Group with its five vessels, continues to be a tonnage provider in the product tanker segment. The four handysize tankers remained commercially managed by the Hafnia Handy Pool (Nordic Agnetha, Nordic Amy, Nordic Pia and Nordic Hanne) while the LR1 tanker (Nordic Anne) remained commercially managed by Hafnia LR Pool.

The very high Time Charter Equivalent ("TCE") rates arising from the short-term surge in demand for tonnage caused by the COVID-19 pandemic and the oil price war which started in Q1 2020 positively impacted the Group's earnings in H1 2020. As a result, the average daily TCE rate earned in H1 2020 by the 5 vessels was approximately 20% and 83% higher than the average TCE rate earned in Q4 2019 and H1 2019, respectively.

Financial results for the period 1 January – 30 June 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

For the 6 months ended 30 June 2020, the Group generated a profit after tax of USD 5.7 million (loss of USD 1.3 million) primarily due to improved TCE revenue generated.

Despite the sale of Nordic Ruth in July 2019, TCE revenue rose 59.8% to USD 19.4 million (USD 12.2 million) in H1 2020 principally from higher TCE revenue by the vessels in the pools compared to the same period last year.

Expenses relating to the operation of vessels in H1 2020 decreased to USD 5.7 million (USD 7.1 million) mainly due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 13.0 million (USD 4.3 million) as a result of improved TCE revenue in H1 2020. Other external costs increased marginally by USD 0.1 million to USD 0.7 million (USD 0.6 million).

In line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities, two co-brokers were appointed in May 2020 to officially test the buying interest for one vessel, Nordic Hanne, a handysize tanker. Hence, the Group recognised an impairment loss of USD 2.0 million in H1 2020 following the reclassification of Nordic Hanne as an asset held-for-sale. It is noted that the estimation of Nordic Hanne's expected sale value is highly uncertain. No other impairment nor reversal of impairment have been taken for the other four vessels.

During the financial period, depreciation amounted to USD 3.0 million (USD 2.5 million).

Finance expenses decreased by USD 0.2 million to USD 2.6 million due to the loan repayment totaling USD 16.5 million between 30 June 2019 and 30 June 2020 and lower 3M-USD LIBOR (USD 2.8 million). The lower finance expenses, coupled with the loan modification gain released to the income statement of USD 0.4 million, resulted in lower net finance expenses of USD 2.3 million (USD 2.7 million).

After accounting for depreciation, impairment loss, interest expenses and other finance expenses, the Group generated a profit after tax of USD 5.7 million in H1 2020 (loss of USD 1.3 million).

Financial position as at 30 June 2020
The comparison figures for 31 December 2019 are stated in parenthesis.

Total assets amounted to USD 90.2 million (USD 98.1 million).

Vessels and docking stood at USD 64.7 million (USD 79.5 million). The change is mainly due to the reclassification of Nordic Hanne as an asset held-for-sale and depreciation on the vessels.

Receivables balance was USD 8.0 million as at 30 June 2020 (USD 10.6 million).

From 31 December 2019 to 30 June 2020, net working capital[1] decreased marginally by USD 0.1 million from USD 6.2 million to USD 6.1 million.

Cash and cash equivalents stood at USD 6.2 million (USD 5.5 million), an increase of USD 0.7 million from 31 December 2019.

Between 31 December 2019 and 30 June 2020, equity increased from USD 7.9 million to USD 13.6 million as a result of the cumulative profit earned during the period. Consequently, the equity ratio improved from 8.1% to 15.0%.

Non-current liabilities stood at USD NIL (USD NIL). Current liabilities at USD 76.6 million (USD 90.2 million) comprised the current portion of term loan of USD 62.3 million (USD 72.9 million), loan from majority shareholder of USD 11.0 million (USD 10.4 million) and other current liabilities of USD 3.3 million (USD 6.9 million). At the last financial year-end, as all parties are still in the process to achieve a longer-term agreement, the bank loans and loans from the majority shareholder is classified as current loans.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature. The Company, together with its majority shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. It is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020 (reference is made to Note 0 in this interim report).

[1] Net working capital is defined as inventories, receivables and other current operating assets less trade payables and other liabilities (excluding provisions) as well as other current operating liabilities.

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group in excess of USD 6.0 million towards prepayment of the loan. During H1 2020, this cash sweep mechanism was activated on 31 March 2020 and on 30 June 2020, and a total of USD 11.1 million excess cash was used to pay down the loan (USD NIL cash sweep for H1 2019).

Cash flow for the period 1 January – 30 June 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

During the financial period under review, cash flow generated from operations was USD 11.9 million (USD 0.2 million) contributed by earnings from the pools. As at 30 June 2020, cash and cash equivalents stood at USD 6.2 million (USD 8.8 million, including balances held in dry-docking reserve bank accounts).

Outlook for 2020

As stated in Note 0 in the Interim Report Q1 2020, the management together with the majority shareholder of the Company had commenced merger discussions with a potential entity since late 2019. However, these merger discussions have stalled due to the diminished financial and economic visibility that have evolved and is still evolving from the COVID-19 pandemic.

In the meantime, the Group has offered one of its vessels, Nordic Hanne, to the market for sale. This is in line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities. As of the date of this interim report, no potential buyer has been identified.

2020 started strongly with the vessels grossing very high TCE rates for several months. However, TCE rates abated as the Group entered H2 2020. Historically, Q3 is the weakest quarter and expectation is that the market will improve slowly over the winter period. Barring unforeseen circumstances and no vessel sales, the Group is forecasted to incur a small loss or breakeven in H2 2020.

For the rest of 2020, the five vessels will continue to be commercially deployed on a pool basis (including the vessel currently earmarked for sale).

Assuming all five vessels remain in the Handy and LR pools respectively, the TCE revenue for 2020 is forecasted to be in the region of USD 28.0 million – USD 31.0 million.

After accounting for operating expenditure budgeted by the respective technical managers, the Group's expected EBITDA (earnings before interest, tax, depreciation and amortisation) for 2020 is in the range of USD 14.0 million – USD 17.0 million. The result before tax is between USD 2.5 million – USD 5.5 million. The outlook for 2020 does not take into account any impairment or write-back of impairment of vessels' carrying values, except for the vessel currently earmarked for sale.

The Company continues to pursue growth and potential consolidation opportunities that are accretive to the Company.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 30 June 2020.

The interim report, which has not been audited or reviewed, has been presented in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's financial position at 30 June 2020 and of its financial performance and cash flows for the period 1 January – 30 June 2020. In our opinion, the management's review gives a true and fair review of the development in and results of the Group's operations and financial position as a whole and a specification of the significant risks and uncertainties facing the Group. Besides what has been disclosed in the interim report for the period 1 January – 30 June 2020, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2019 Annual Report.

Copenhagen, 29 August 2020

Executive Management
Philip Clausius, CEO

Board of Directors

Knud Pontoppidan Chairman	Jon Robert Lewis Deputy Chairman	Kanak Kapur
Jens V. Mathiasen	Esben Søfren Poulsson	Philip Clausius

Consolidated statement of comprehensive income (condensed)

Amounts in USD thousand	**Q2 2020**	**Q2 2019**	**YTD 30 Jun 2020**	**YTD 30 Jun 2019**	**FY 2019**
Total revenue	**14,126**	**7,769**	**28,309**	**17,572**	**36,119**
Voyage related expenses	(4,444)	(2,734)	(8,896)	(5,420)	(13,621)
TCE revenue	**9,682**	**5,035**	**19,413**	**12,152**	**22,498**
Other income	74	-	74	-	132
Expenses related to the operation of vessels	(2,725)	(3,472)	(5,674)	(7,097)	(13,886)
Staff costs	(69)	(71)	(145)	(154)	(291)
Other external costs	(363)	(346)	(702)	(616)	(1,613)
EBITDA	**6,599**	**1,146**	**12,966**	**4,285**	**6,840**
Depreciation	(1,517)	(1,244)	(3,024)	(2,540)	(5,316)
Impairment loss on asset-held-for-sale	(2,006)	(254)	(2,006)	(254)	(212)
Operating result (EBIT)	**3,076**	**(352)**	**7,936**	**1,491**	**1,312**
Financial income	175	40	360	80	883
Financial expenses	(1,238)	(1,390)	(2,643)	(2,824)	(6,091)
Result before tax	**2,013**	**(1,702)**	**5,653**	**(1,253)**	**(3,896)**
Tax on result	-	-	-	-	(10)
Result after tax	**2,013**	**(1,702)**	**5,653**	**(1,253)**	**(3,906)**
Other comprehensive income	-	-	-	-	-
Comprehensive income	**2,013**	**(1,702)**	**5,653**	**(1,253)**	**(3,906)**
Distribution of result					
Parent Company	2,013	(1,702)	5,653	(1,253)	(3,906)
Non-controlling interest	-	-	-	-	-
	2,013	**(1,702)**	**5,653**	**(1,253)**	**(3,906)**
Distribution of comprehensive income					
Parent Company	2,013	(1,702)	5,653	(1,253)	(3,906)
Non-controlling interest	-	-	-	-	-
	2,013	**(1,702)**	**5,653**	**(1,253)**	**(3,906)**
Number of shares, end of period	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	0.50	(0.42)	1.39	(0.31)	(0.96)
Diluted earnings per share, US cents	0.50	(0.42)	1.39	(0.31)	(0.96)

Statement of financial position (condensed)

Amounts in USD thousand	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Non-current assets			
Vessels and docking	64,663	76,067	79,511
Total non-current assets	**64,663**	**76,067**	**79,511**
Current assets			
Bunkers and lubricant stocks	1,425	2,598	2,372
Receivables	7,995	9,139	10,643
Cash & cash equivalents	6,204	8,794	5,527
Asset held-for-sale	9,891	5,347	-
Total current assets	25,515	25,878	18,542
Total assets	**90,178**	**101,945**	**98,053**
Equity and liabilities			
Equity			
Equity, Parent Company	13,555	10,555	7,902
Equity, non-controlling interest	-	-	-
Total equity	**13,555**	**10,555**	**7,902**
Liabilities			
Non-current liabilities			
Finance loans, etc.	-	71,824	-
Loans from majority shareholder	-	9,594	-
Total non-current liabilities	**-**	**81,418**	**-**
Current liabilities			
Finance loans, etc.	62,307	5,904	72,890
Loans from majority shareholder	10,973	219	10,391
Other current liabilities	3,343	3,849	6,870
Total current liabilities	**76,623**	**9,972**	**90,151**
Total liabilities	**76,623**	**91,390**	**90,151**
Equity and liabilities	**90,178**	**101,945**	**98,053**

Statement of changes in equity (condensed)

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity Parent company**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2020	**7,437**	**465**	**7,902**	**-**	**7,902**
Result for the period	-	5,653	5,653	-	5,653
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2020	**7,437**	**6,118**	**13,555**	**-**	**13,555**

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity Parent company**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2019	**7,437**	**4,371**	**11,808**	**-**	**11,808**
Result for the period	-	(1,253)	(1,253)	-	(1,253)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2019	**7,437**	**3,118**	**10,555**	**-**	**10,555**

Statement of cash flow (condensed)

Amounts in USD thousand	**YTD 30 Jun 2020**	**YTD 30 Jun 2019**	**Year 2019**
Operating result (EBIT)	7,936	1,491	1,312
Adjustments for:			
Depreciation and write-downs	5,030	2,794	5,528
Non-cash financial income	-	-	40
Operating profit before working capital changes	12,966	4,285	6,880
Changes in working capital	73	(2,528)	(682)
Net financial expenses paid	(1,152)	(1,561)	(2,994)
Income tax paid	(7)	-	-
Cash flows from operating activities	**11,880**	196	3,204
Net proceeds from sale of asset held-for-sale	-	-	5,277
Investments in tangible assets	(72)	-	(6,220)
Net cash from investing activities	**(72)**	-	(943)
Repayment of loan	(11,131)	-	(5,332)
Net cash from financing activities	(11,131)	-	(5,332)
Cash flows for the period	677	196	(3,071)
Cash and cash equivalents at beginning of period	5,527	8,598	8,598
Cash and cash equivalents at end of period	**6,204**	8,794	5,527

Notes

0. Going concern assumption

As stated in Company Announcement 9/2018, the Company entered into an agreement with its lenders in 4th quarter 2018, which included various waivers of terms and conditions that allowed the Company up to September 2020 to finalize the implementation of its various strategies. The maturity date of December 2020 as stipulated in the original loan agreement remained unchanged as noted in the 2018 and 2019 Annual Reports. Hence, the Group's loan portfolio is classified as current loans.

Since 4th quarter 2018, management has continuously worked with various initiatives to secure the long-term financing of the Group. Together with the majority shareholder of the Company, merger discussions with a potential entity have commenced since late 2019. However, these merger discussions have stalled due to the diminished financial and economic visibility that have evolved and is still evolving from the COVID-19 pandemic.

Although the merger discussions have stalled, the Company, together with its majority shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. It is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020.

Although management expects that the necessary financing will be obtained and hence has prepared the financial statements for H1 2020 on a going concern basis, the above also indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If the Company is no longer a going concern, there is a risk of further significant write-down on the vessels' carrying values.

1. Accounting policies

The interim report has been presented as a condensed set of financial statements in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies have been consistently applied. For a further description of the accounting policies, see the 2019 Annual Report for Nordic Shipholding A/S.

New IAS/IFRSs
The new financial reporting standards or interpretations, effective from 1 January 2020, are not applicable for Nordic Shipholding A/S and have no impact on Nordic Shipholding A/S's results or equity in the interim report and disclosure in the notes.

2. Accounting estimates

Impairment tests

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Excluding Nordic Hanne who has been reclassified as an asset held-for-sale, the Group evaluates the carrying amount of vessels within two cash generating units – (1) one LR1 vessel deployed in Hafnia LR Pool and (2) three vessels deployed in Hafnia Handy Pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

Based on the assessment, there were no indicators of impairment nor reversal of previous impairment made for the four vessels. For description of sensitivities, please refer to Note 7 of the 2019 Annual Report.

Depreciation

Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the depreciation for the period. There was no change to the estimates of useful lives and residual values during H1 2020. The carrying amount of vessels as at 30 June 2020 amounted to USD 64.7 million (30 June 2019: USD 76.1 million; 31 December 2019: USD 79.5 million).

3. Finance loans

As at 30 June 2020, the Group had outstanding finance loans of USD 62.3 million (30 June 2019: USD 77.7 million; 31 December 2019: USD 72.9 million). The reduction in finance loans from 31 December 2019 was due to partial repayment on term loan, which is offset by the capitalisation of 2.5% point of the total loan interest margin.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. As of 30 June 2020, the unamortised portion of the modification loss stood at USD 0.4 million.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature.

4. Loans from majority shareholder

As at 30 June 2020, the Group had outstanding loans from majority shareholder of USD 11.0 million (30 June 2019: USD 9.8 million; 31 December 2019: USD 10.4 million). The increase in the loans from the majority shareholder from 31 December 2019 is due to accrued interest on the (i) outstanding loans and (ii) banker's guarantee of USD 3.85 million provided as additional security to the lenders.