NORDIC SHIPHOLDING

NORDIC SHIPHOLDING A/S
ANNUAL REPORT **2020**

CVR-no.: 76351716
Address of Nordic Shipholding A/S
Amaliegade 33B, 3rd floor,
DK-1256 Copenhagen, Denmark
Website: www.nordicshipholding.com
Registered office: Copenhagen

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Name of conductor **Signature of conductor**

Contents

2020 in brief

- The Group, with its five vessels, continued to be a tonnage provider in the product tanker segment in 2020. 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.

- Revenue earned by the vessels reached USD 42.3 million, which resulted in a Time Charter Equivalent ("TCE") revenue of USD 27.8 million and an EBITDA of USD 13.9 million.

- The very high TCE rates in the first half of the year 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 2020. Despite the downward correction in daily TCE rate from May 2020, the average daily TCE rate earned in 2020 by the five vessels was approximately 21% higher than the average TCE rate earned in 2019.

- After accounting for depreciation, impairment loss and financial income and expenses, the Group incurred a loss of USD 16.5 million. Due to the accumulated losses, equity stood at negative USD 8.5 million.

- As part of the loan restructuring concluded in Q4 2018 which expired on 30 December 2020, the quarterly loan instalments due from December 2018 to September 2020 were deferred to December 2020.

- Following successful negotiations between the major shareholder of the Group, management and the lenders, an agreement was reached with the lenders for an extension of the Company's loan facility by another year to 30 December 2021. Terms of the re-negotiated financing agreements include but are not limited to (i) the sale of two vessels, Nordic Hanne and Nordic Pia, within the first half of 2021 (ii) extension of the existing USD 3.85 million Banker's Guarantee provided by the majority shareholder until early 2022 (iii) re-instatement of quarterly loan instalments from December 2020, and (iv) new financial covenants such as revised minimum liquidity level and minimum value clauses. The loan extension was to give the Company more time to explore various sustainable scenarios, including the possibility of a merger.

- The cash sweep mechanism under the loan agreement was activated in 2020. Excess cash totalling USD 13.3 million was used to pay down the loan, in addition to the USD 1.5 million regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020.

- Nordic Hanne and Nordic Pia were reclassified as assets held-for-sale in June 2020 and December 2020, respectively.

- Without taking into account the additional impairment loss on the vessels, the actual results for 2020 was in line with the revised expectations of the Board, as indicated in the Company Announcement 11/2020 on 11 December 2020.

Group Key Figures 2016-2020

Amounts in USD thousand	2020	2019	2018	2017	2016
Income statement					
Revenue	42,319	36,119	32,787	32,841	35,693
Time charter equivalent revenue (TCE revenue)	27,766	22,498	19,173	23,232	27,703
EBITDA	13,942	6,840	2,036	6,651	10,753
Operating result (EBIT)	(12,551)	1,312	(17,801)	(180)	(1,392)
Net financials	(3,900)	(5,208)	(5,971)	(3,384)	(3,386)
Result after tax	(16,451)	(3,906)	(23,772)	(3,564)	(4,778)
Comprehensive income	(16,451)	(3,906)	(23,772)	(3,564)	(4,778)
Balance sheet and cashflow data					
Invested capital	45,103	75,265	80,313	107,612	112,972
Net working capital (NWC)	3,623	6,191	5,509	4,687	4,358
Equity	(8,549)	7,902	11,808	35,819	39,383
Balance sheet total	66,510	98,053	103,887	114,400	120,451
Investments in plant and equipment	73	6,220	974	1,168	115
Net interest bearing debt	53,652	67,363	68,505	71,793	73,589
Cash flow from operating activities	14,766	3,204	(2,738)	3,005	6,169
Cash flow for the year	(139)	(3,071)	5,288	(1,653)	(1,671)
Financial Ratios					
EBITDA margin (%)	32.9%	18.9%	6.2%	20.3%	30.1%
Net result margin (%)	-38.9%	-10.8%	-72.5%	-10.9%	-13.4%
Equity ratio (%)*	-12.9%	8.1%	11.4%	31.3%	32.7%
Return on invested capital (%)	-27.8%	1.7%	-22.2%	-0.2%	-1.2%
Return on equity (%)	192.4%	-49.4%	-201.3%	-10.0%	-12.1%
Financial gearing	-6.28	8.52	5.80	2.00	1.87
Net working capital/revenue	11.6%	16.2%	15.5%	13.8%	10.6%
Key figures per share					
(Loss)/earnings per share USD	(0.04)	(0.01)	(0.06)	(0.01)	(0.01)
Market price per share DKK, year end	0.34	0.54	0.37	0.54	0.76
Market price per share USD, year end	0.06	0.08	0.06	0.09	0.11
Exchange rate USD/DKK, year end	6.09	6.66	6.51	6.21	7.07
Average number of full time employees	1	1	1	1	1
Number of shares, year end	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403

* Excluding non-controlling interest.

Management's Review

The Group, with its five vessels, continued to be a tonnage provider in the product tanker segment in 2020. 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 technical management of the vessels are handled by Columbia Shipmanagement and Thome Ship Management.

The very high TCE rates in the first half of the year 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 2020. Despite the downward correction in daily TCE rate from May 2020, the average daily TCE rate earned in 2020 by the five vessels was approximately 21% higher than the average TCE rate earned in 2019.

Gross revenue earned by the vessels reached USD 42.3 million (USD 36.1 million). Despite the sale of Nordic Ruth in July 2019, TCE revenue rose 23.4% to USD 27.8 million (USD 22.5 million) in 2020 primarily from higher TCE revenue generated by the vessels in the pools compared to 2019. Further, the TCE revenue in 2019 were impacted negatively by the dry-dock of three vessels (Nordic Anne, Nordic Agnetha and Nordic Amy) in Q3 2019.

EBITDA increased significantly to USD 13.9 million (USD 6.8 million) as a result of improved TCE earnings in 2020 and lower vessel operating expenses of USD 12.3 million (USD 13.9 million) mainly due to the sale of Nordic Ruth in July 2019. Other external costs reduced by USD 0.3 million to USD 1.3 million (USD 1.6 million) due mainly to the reduction in other corporate expenses.

As a result from the loan restructuring in Q4 2018, a loan modification gain of USD 0.7 million was recognised in 2020 (USD 0.8 million). Excluding the loan modification gain, the net finance expenses stood at USD 4.6 million (USD 6.0 million) in 2020. The lower finance expenses in 2020 is due to the loan repayment totalling USD 14.8 million in 2020 and lower applicable 3M-USD LIBOR.

Due to decreasing vessel values towards the end of the year, further impairments were necessary. Including the impairment losses of USD 6.1 million following the reclassification of Nordic Hanne and Nordic Pia as assets held-for-sale and impairment losses of USD 14.9 million on vessels (accounted as non-current assets at the point when the impairment loss was recognised) in 2020, the Group incurred a loss after tax of USD 16.5 million in 2020 compared to a loss after tax of USD 3.9 million in 2019 (including an impairment loss of USD 0.2 million from the sale of Nordic Ruth).

Equity stood at negative USD 8.5 million (positive USD 7.9 million) as a result of the cumulative loss during the financial year.

The loan restructuring concluded in Q4 2018 and the loan covenant waivers as well as the postponement of the loan instalments during the period expired on 30 December 2020. Following successful negotiations between the major shareholder of the Group, management and the lenders, an agreement was reached with the lenders for an extension of the Company's loan facility by another year to 30 December 2021. Terms of the re-negotiated financing agreements include but are not limited to (i) the sale of two vessels, Nordic Hanne and Nordic Pia, within the first half of 2021 (ii) extension of the existing USD 3.85 million Banker's Guarantee provided by the majority shareholder until early 2022 (iii) re-instatement of quarterly loan instalments from December 2020, and (iv) new financial covenants such as revised minimum liquidity level and minimum value clauses. The loan extension was to give the Company more time to explore various sustainable scenarios, including the possibility of a merger.

The cash sweep mechanism under the loan agreement was activated in 2020. Excess cash totalling USD 13.3 million was used to pay down the loan, in addition to the USD 1.5 million regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020.

The Board of Directors and management remain thankful to our more than 3,900 shareholders that continued to support the Company throughout 2020.

Read about our diversity in management in the Statutory Corporate Governance Statement section on page 11.

Knud Pontoppidan	Philip Clausius
Chairman of the Board of Directors	Chief Executive Officer

Outlook for 2021

Without taking account the additional impairment loss on the vessels, the actual results for 2020 was in line with the revised expectations of the Board as indicated in the Company Announcement 11/2020 on 11 December 2020.

As part of the loan restructuring with the lenders that concluded in December 2020, Nordic Hanne and Nordic Pia were sold in early 2021 and will be delivered in March 2021 and April 2021, respectively. The entire net proceeds from the sale of these two vessels will be used to pay down the respective loans associated with the vessels.

Since early 2021, preliminary discussions have been held with potential merger partners to evaluate the possibility of a combination to grow the Company and reverse the negative equity position. As of the date of this report, discussions are still continuing. While the Board remains optimistic that a merger may be consummated, it is still too early to provide any indication whether these discussions will lead to a successful transaction.

In the event the merger discussion fails, it is management's expectation that the lenders will finance the Company in a period longer than 30 December 2021 to secure an orderly sale of the vessels.

If no merger is to take place and assuming the remaining three vessels remain in the Hafnia Handy Pool and Hafnia LR Pool respectively until the end of 2021, the TCE revenue for 2021 is forecasted to be in the region of USD 13.5 million – USD 15.5 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 2021 would be in the range of USD 3.0 million – USD 5.0 million, and the result before tax would be between USD -2.5 million – USD -0.5 million. The outlook for 2021 does not take into account any impairment or write-back of impairment of the vessels' carrying values.

Forward-looking statements

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

In a normal scenario, the Company's realized result may differ from the guidance caused by the factors as mentioned above, and in a normal scenario, these deviations typically will be at a manageable level.

As of the date of this report, merger discussions are still continuing. While the Board remains optimistic that a merger may be consummated, it is still too early to provide any indication whether these discussions will lead to a successful transaction. In the event the merger discussion fails, it is management's expectation that the lenders will finance the Company in a period longer than 30 December 2021 to secure an orderly sale of the vessels.

Financial Review 2020

Financial highlights of the Group in 2020 (2019 figures in brackets)
Including the impairment loss of USD 6.1 million following the reclassification of Nordic Hanne and Nordic Pia as assets held-for-sale and impairment losses of USD 14.9 million on the other vessels (including Nordic Pia before she was reclassified as an asset held-for-sale) in 2020, the Group incurred a loss after tax of USD 16.5 million in 2020 compared to a loss after tax of USD 3.9 million in 2019 (including an impairment loss of USD 0.2 million from the sale of Nordic Ruth).

Revenue generated in 2020 was USD 42.3 million (USD 36.1 million), resulted in a TCE revenue of USD 27.8 million (USD 22.5 million). EBITDA (earnings before depreciation, impairment, amortisation, interest and tax) amounted to USD 13.9 million (USD 6.8 million) and after accounting for depreciation and impairment, the Group made a net operating loss of USD 12.6 million (operating profit of USD 1.3 million).

- *Revenue*
  Revenue generated by the vessels in 2020 totalled USD 42.3 million (USD 36.1 million). Despite the sale of Nordic Ruth in July 2019, the higher gross revenue in 2020 was due to improved gross freight rates and the change of pool agreement for two vessels in 2H 2019. Under the previous agreement, they were accounted for as time charters instead of joint operations. This increase was partially offset by the loss of earnings from Nordic Hanne as she was off-hired for 47 days due to a contact damage during a Ship-to-Ship operation. Further, the gross revenue in 2019 were impacted negatively by the dry-dock of three vessels (Nordic Anne, Nordic Agnetha and Nordic Amy) in Q3 2019.

  After deduction of voyage expenses, the Group earned TCE revenue of USD 27.8 million (USD 22.5 million), an improvement of 23.4% in 2020 as compared to 2019.

- *Voyage expenses*
  As a result of the change in pool agreements for two vessels in 2H 2019, in line with the revenue allocated to the vessels, voyage expenses are similarly grossed up as compared to the previous agreement. The higher voyage expenses due to the change was partially offset by a general decline in voyage expenses in 2020. As a result, the voyage expenses in 2020 of USD 14.6 million is USD 1.0 million higher than the voyages expenses in 2019 (USD 13.6 million).

- *Operating Costs*
  Expenses related to the operation of the vessels fell to USD 12.3 million (USD 13.9 million) mainly due to the sale of Nordic Ruth in July 2019.

  Staff costs amounted to USD 0.3 million (USD 0.3 million) while other external costs decreased by USD 0.3 million to USD 1.3 million (USD 1.6 million) due mainly to the reduction in other corporate expenses.

- *Depreciation and write-downs*
  A total depreciation of USD 5.4 million (USD 5.3 million) was charged on the Group's vessels. Despite the reclassification of Nordic Hanne on 30 June 2020 and impairment losses of USD 6.5 million on the other four vessels recognised in Q3 2020, depreciation expense in 2020 increased by USD 0.1 million due to impact of full-year depreciation on dry-dock costs for Nordic Anne, Nordic Agnetha and Nordic Amy.

  In 2020, the impairment losses totalling USD 21.0 million consist of (i) USD 6.1 million arising from the reclassification of Nordic Hanne and Nordic Pia as assets held-for-sale and (ii) USD 14.9 million on vessels (accounted as non-current assets at the point when the impairment loss was recognised) whilst impairment losses totalling USD 0.2 million was recognised from the sale of Nordic Ruth in 2019. Refer to Note 7 for further disclosure.

- *Financial income and expenses*
  As a result from the loan restructuring in Q4 2018, a loan modification gain of USD 0.7 million was recognised in 2020 (USD 0.8 million). Excluding the loan modification gain, the net finance expenses stood at USD 4.6 million (USD 6.0 million) in 2020. The lower finance expenses in 2020 is due to the loan repayment totalling USD 14.8 million in 2020 and lower applicable 3M-USD LIBOR.

- *Tax*
  The Company's tax payment is primarily calculated according to the rules and regulations in Denmark. The Singapore Income Tax Act is applied for the Singapore-incorporated vessel-owning entities. For further information, please refer to Note 11 in the financial statements.

- *Assets*
  At 31 December 2020, the Group's balance sheet totalled USD 66.5 million (USD 98.1 million) comprising mainly of vessels, receivables and cash.

  Vessels and docking decreased to USD 38.9 million (USD 79.5 million) in 2020 mainly due to reclassification of Nordic Hanne and Nordic Pia as assets held-for-sale, depreciation and impairment losses on the vessels.

  The carrying value of the vessels in aggregate was supported by valuations from independent brokers less assumed selling expenses.

  Receivables amounted to USD 6.3 million as at 31 December 2020 (USD 10.6 million). The decrease was primarily due to the lower receivables allocated to the vessels by the various pools.

  As at 31 December 2020, the Group's cash balance was USD 5.4 million (USD 5.5 million), after USD 14.8 million (USD 5.3 million) repayments on the loan facility during the financial year.

- *Equity*
  Equity stood at negative USD 8.5 million (positive USD 7.9 million). The change in equity was due to the net loss after tax of USD 16.5 million (USD 3.9 million) incurred in 2020.

- *Liabilities*
  Total liabilities amounted to USD 75.1 million (USD 90.2 million). The Group's interest-bearing bank loans, including accrued interest, amounted to USD 59.0 million (USD 72.9 million, including accrued interest and accrued loan modification gain), which is due within the next 12 months from 31 December 2020 (USD 72.9 million). The decrease in the Group's interest-bearing bank loans was due mainly to the (i) loan repayments of USD 14.8 million, of which USD 13.3 million was due to the cash sweep and USD 1.5 million of regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020, (ii) release of loan modification gain to the income statement of USD 0.7 million, offset by (iii) the capitalisation of loan interest margin of 2.5% per annum.

  Loans from majority shareholder increased by USD 1.2 million to USD 11.6 million (USD 10.4 million) due to the interest accrued on the interest-bearing USD 9.0 million loans (USD 9.0 million) extended to the Group by the majority shareholder in 2018 and the finance charge accrued on the USD 3.85 million Banker's Guarantee provided by the majority shareholder as additional security to the lenders in Q1 2018.

  Trade payables amounted to USD 4.4 million as at 31 December 2020 (USD 6.8 million). The increase was primarily due to lower payables allocated to the vessels by the various pools.

- *Cash flows*
  Cash flow from operations amounted to USD 14.8 million (USD 3.2 million) mainly from the higher distributions earned by the vessels.

  Cash flow from investing activities amounted to USD -0.1 million due to balance dry-docking payment for Nordic Amy. In 2019, cash flow from investing activities amounted to USD -0.9 million due to dry-docking payments for Nordic Anne, Nordic Agnetha and Nordic Amy, offset with the net sale proceeds from the sale of Nordic Ruth.

  Cash flow from financing activities amounted to -USD 14.8 million (USD -5.3 million) due to loan repayments, of which USD 13.3 million arose due to cash sweep and USD 1.5 million of regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020 (application of net proceeds from the sale of Nordic Ruth towards the prepayment of bank loans).

  Cash flows for the year thus amounted to USD -0.1 million (USD -3.1 million), bringing the cash balance at year end to USD 5.4 million (USD 5.5 million).

Financial highlights of the Company (Parent) in 2020 (2019 figures in brackets)

The Company incurred a loss after tax of USD 16.5 million in 2020 (USD 3.9 million). The Company recognised an impairment loss of USD 14.7 million (USD 2.3 million) on its investment in subsidiaries. As a result, the Company's equity dropped to negative USD 8.5 million (positive USD 7.9 million). At 31 December 2020, the Company's total assets amounted to USD 1.2 million (USD 15.9 million). The Company's total liabilities amounted to USD 9.8 million (USD 8.0 million) mainly due to the interest capitalised on the shareholder's loan extended by the majority shareholder of the Company.

Vision & Strategy

Given the maturity of the Company's debt facilities at the end of 2021, the Board is currently very focused on consummating a strategic transaction.

Statutory Corporate Governance Statement

This statutory corporate governance statement covers the financial period 1 January to 31 December 2020.

Corporate Governance

Nordic Shipholding is committed to maintaining a high standard of corporate governance, and the Board of Directors continuously reviews the framework and principles for the overall governance of the Company. The Company is in compliance with the majority of the recommendations given in the Recommendations for Corporate Governance as made public by Nasdaq Copenhagen. Refer to 'Corporate Governance' section on the Company's website at: http://www.nordicshipholding.com/corporate-governances

Following is a brief description of the main deviations from the recommendations:

Composition of the Board of Directors

Nordic Shipholding sees no need to determine an age limit for the members of the Board of Directors as the Company strongly focuses on the competencies and relevant work experience of each Board member.

The Company's Board does not consist of a majority of independent directors given that the Company has a controlling shareholder. Strong representation on the Board by its controlling shareholder is deemed important for the Company in light of its business plans and present financial position.

The Company's Chief Executive Officer ('CEO') is also a member of the Board of Directors. Due to the nature of the Company's operations as well as the Company's slim organisation, the Board of Directors has found it beneficial that the Company's CEO is part of the Board of Directors. The CEO does not participate in board deliberations or decisions regarding the executive management.

Report on the Gender Distribution in Management, cf. Section 99b of the Danish Financial Statements Act

The current Board of Directors consists of 6 men. The Board maintains the goal to have at least one female board member by 2022 subject also to the expected merger negotiations. As there are gender inequalities in the shipping industry, the Group has not succeeded in including a female board member during the financial year. In addition, there is only one employee in the Group, and hence there is no target on diversity at the management level.

Board Committees

The Board of Directors does not find it necessary to establish other Board Committees, including an Audit Committee, Nomination Committee and Remuneration Committee, because of its shareholder structure and the nature of the Company's activities. All Board members are equally involved in the review of financial and audit matters.

Assessment of the performance of the Board of Directors and management

The Board of Directors does not have a formalised assessment procedure upon which the performance and results of the Board of Directors and the individual Board members, including the chairman, are evaluated on a regular basis. Furthermore, there is no predefined clear criteria to evaluate the work and performance of the CEO. For the time being, the Company has not found it necessary to institute a formal predefined procedure given that internal reviews are being carried out on an on-going basis by the Board of Directors.

Whistle-blower

Besides the CEO, who is engaged through the Corporate Manager, the Company has only one employee, hence, the Company's Board of Directors has not found it necessary to establish a whistle-blower policy.

Internal Control

Control environment

Transport Capital Pte. Ltd. ('Transport Capital') has been appointed as the corporate manager for the Nordic Shipholding A/S Group since December 2013. Transport Capital has authorities and procedures for entering into binding agreements on behalf of the Company. Being a corporate manager, Transport Capital adheres to strict guidelines on segregation of duties, reporting procedures, manages the overall corporate functions and oversees the technical and commercial aspects of the Company.

Financial reporting process

The Board of Directors is responsible for the Group's internal control and risk management in connection with the financial reporting process, including observance of relevant statutory rules and regulations in connection with its financial reporting.

The Board of Directors receives weekly and monthly reports and is kept abreast of the developments in the industry.

Prior to publication of quarterly and annual reports, a Board meeting is held. At the meeting, the reports are discussed and an overall assessment of the risks associated with the financial reporting process is made. The financial statements are reviewed and explained relative to the budget and expectations. Moreover, any estimates and assessments used in the financial reporting are discussed and decided on.

Risk Management

From 2020, we recognised that the global COVID-19 pandemic would pose significant risk to the business (refer to Outlook on page 5).

The Group has also identified the following risks which have the most significant effect on its financial position and business performance.

Operational risks

Freight rates

The Group is exposed to significant risks relating to the product tanker segment. Freight rates and market values of the vessels owned by the Group are the main risk elements.

The Group's revenues are exclusively generated from activities in the product tanker segment. The tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes and ship values.

Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that the vessels carry.

Pool

The vessels are placed in leading pools. Consequently, the Group is dependent on the pool's ability to attract customers and offer a product which is among the best in the market.

Bunkers

Bunker fuels constitute the major component affecting TCE earnings and increasing prices can have a material impact on the Group's results.

Financial risks

Financing and Cash flows

In the current market situation, access to cash is an important factor for the Group's development. The Group monitors its cash flow situation carefully to ensure it has adequate liquidity for its working capital requirements and interest payments. The Group's liquidity and cash flow will be affected due to the negative impact on the world economy arising from the COVID-19 situation.

The loan restructuring concluded in Q4 2018 has expired on 30 December 2020. As part of the loan restructuring concluded with the lending banks in December 2020, quarterly instalments are re-instated from December 2020.

Current loan agreements contain financial covenants including (i) minimum liquidity levels, (ii) minimum value (fair market value of vessels as a percentage of outstanding loan) and (iii) minimum equity ratio. Under the loan restructuring concluded with the lending banks in Q4 2018 which expired on 30 December 2020, financial covenants such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level was reduced. However, as part of the loan restructuring in December 2020, testing of financial covenants such as (i) minimum liquidity levels and (ii) minimum value resumed from December 2020.

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 until certain covenant ratios are met.

Interest rates

The Group's interest-bearing debt (with variable interest) amounted to USD 59.0 million as at 31 December 2020 (2019: USD 72.9 million). In addition, the Group has shareholder loans (with fixed interest) totalling USD 11.6 million as at 31 December 2020 (2019: USD 10.4 million). Both the bank loans and the shareholder loans are denominated in USD.

Credit risk

As of year-end, the Group is reliant on two reputable pools and its pool managers to distribute the allocated earnings on a regular basis. It is the Group's policy to cooperate with recognised pool partners in order to minimise this risk. Should the pools, however, fail to honour its obligations under the pool agreement and/or delay the distribution of pool earnings, the Group could sustain significant losses which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position. Furthermore, if a pool agreement is terminated or expires, the Group might not be able to find employment for these vessels in other pools under similar conditions, which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Corporate Social Responsibility (CSR)

Business model
Nordic Shipholding Group owns five vessels and is a tonnage provider within the product tanker segment. The Group has one administrative employee who is employed accordingly to Danish employment standards. All tasks and activities in connection with operating the five vessels are outsourced to service providers including corporate management, commercial management and technical management. The CEO is provided by Transport Capital Pte. Ltd. as part of the corporate management agreement signed between the Company and Transport Capital Pte. Ltd.

Risk assessment
Although Nordic Shipholding Group has only one employee and has outsourced all activities in connection with operating its five vessels, the Company acknowledges its responsibility for ensuring that crews are treated with respect and in accordance with the law and agreed upon contracts, that the environmental and climate related footprints are minimized, and that legislation in general and specifically regarding human rights and anti-corruption are complied with by all the service providers contracted by Nordic Shipholding Group.

Nordic Shipholding Group has communicated its expectations and requirements regarding employee conditions, environmental impact, climate change, human rights and anti-corruption to all service providers, which are required at any time to live up to these requirements and be able to document compliance to Nordic Shipholding Group if required by the Company.

When preparing this statement in accordance with the Danish financial statement act, Nordic Shipholding Group has required its main service providers to give input on how they have worked with the requirements during the reporting year, and the results have been consolidated along with a description of the inherent risks identified by Nordic Shipholding Group leading to the need for placing requirements on how service providers bring our expectations to life.

<u>Environment and climate change</u>
The negative environmental and climate related impact of our activities must be minimized due to the damage it can cause and the negative long-term effects it may have on the maritime eco-system. Environmental accidents are costly and may do great harm and must be avoided through environmental and fuel management. Also, environmental accidents result in bad publicity and lower trust with our customers.

Consequently, we as a company want to reduce and minimize the negative impact on the environment as much as possible and reduce our impact on the climate as well. Our policy includes:

- A commitment to a continued reduction in Greenhouse Gas (‘GHG’) emissions/carbon emissions.
- Continue exploring and implementing comprehensive energy management and energy-saving initiatives.
- Ensure vessels operate efficiently and sustainably to reduce material consumption, waste and damage to the environment.
- Eliminate use of plastic bottles and materials to reduce demand and consumption of single-use plastics.
- Implement water-saving initiatives and measures.
- Ensure all vessels implement a ballast water management ("BWM") plan in accordance with IMO's guidelines. All vessels to carry a ballast water record book, an International Ballast

Water Management Certificate and carry out ballast water management procedures based on international standards.
- Maintain ISO 14001/ 50001 certification across all operations.
- Ensure and maintain compliance with regulatory, company and customer environmental requirements and have zero tolerance for regulations violations (MARPOL, Basel, EU, Singapore, etc).

Optimization and reduction of our bunker consumption is an ongoing effort, and in 2020 our technical managers had focus on lowering our consumption per travelled nautical mile. One of our service providers has in 2020 maintained its ISE 14001 certification, and among the required continuous improvements are also focus on energy efficiency and voyage optimization.

Also, the reduction of disposed plastics in the ocean has been a focus area in 2020. The use of plastics on our vessels have been reduced to also minimize the amount of waste we need to dispose of.

Finally, 2020 has been the first year where we have only consumed low-sulfur bunker leading to lower emissions of sulfur to the atmosphere.

In 2020, all our vessels have complied with the IMO Ballast Water Management (BWM) Convention in the management of ballast water onboard.

<u>Social and employee conditions</u>
Occupational Health & Safety ('OHS') is a key risk while at sea. The well-being of crews and employees working our vessels is of great importance to us. The risk of poor work and safety conditions at our vessels would not only be of great distress to our customers and the companies we work with, it would also give Nordic Shipholding Group a poor reputation within our business. Our policy includes:

- Commit to the provision of a safe and healthy working environment for people employed at work, or people affected by our work, and embrace the Vision Zero mindset that all injuries and ill health at work can be prevented, and that zero harm is possible.
- Regularly review and monitor progress of the OHS goals and targets, so they remain relevant.
- Aim to identify the key OHS challenges and determine the risks and hazards holistically.
- Endeavour to provide OHS challenges and determine the risks and hazards holistically.
- Endeavour to provide OHS training for our workforce and promote OHS Training for portfolio companies/assets.
- Ensure that vessels are equipped with necessary equipment, tools, manuals and other information to ensure that all operations are conducted in such a manner as to minimize any other OHS effects.
- Ensure that vessels are equipped with adequate Personal Protective Equipment and other safeguarding equipment and the crew are trained to use it appropriately.
- Ensure that ship managers comply with accident prevention and OHS protection measures.

In 2020, our service providers have conducted employee events where health & safety, mental health under Covid-19, flexibility and how to encourage more women to seek employment have been on the agenda. Especially the pandemic has in 2020 brought focus on mental health while at sea, and through virtual meetings with crews and employees this theme has been addressed.

Further, policies have been updated as part of an ISO 45001 (OH & S Management System) certification, and appraisal systems have been implemented to address employee's satisfaction and career growth within the Company.

Human rights

Maintaining and respecting human rights is a prerogative to Nordic Shipholding Group. To be seen in connection with breaches or disrespect regarding human rights would do damage not only to our core values but also to our customer relations and license to operate. While at sea and when engaging with other cultures and nationalities it is a risk, that human rights are not viewed in the same way. Our positions include:

- Embrace and support employees' differences in gender, age, nationality, ethnic origin, caste, religion or belief, sexual orientation, disability or health, HIV status, union membership, political affiliation, marital status, and other characteristics that make our employees unique.
- Equal opportunity extends to all aspects of the employment relationship, including but not limited to hiring, promotions, training and development, working conditions, compensation and benefits.
- Provide employees with equal opportunity to be considered for training and development based on their strengths and needs to help them achieve their full potential.
- Take acts of discriminatory conduct, harassment, vilification, or victimisation committed by an employee very seriously and taking serious disciplinary action against the employee.
- Develop a formal channel for grievance redressal and taking initiatives and providing support to build an inclusive environment.

Also in 2020 employees with our main service providers have been informed about and how to use whistleblower systems set up and administrated by the individual service providers if cases of harassments or discrimination are experienced. Performance and knowledge have been verified through feedback from suppliers and associated compagnies, but no cases of non-compliance were experienced in 2020.

Anti-corruption

Nordic Shipholding Group does not engage in bribery or corruption of any form. We comply with relevant laws and regulations that prohibit bribery and corruption, and we do everything that we can to make sure our suppliers, contractors and business partners do the same. Several of our service providers are members of the Maritime Anti-Corruption Network (MACN). Through submission of data to MACN, members contribute in driving changes in global trade through collective action. Also, within the organization, we encourage a culture of openness and transparency where all individuals can speak up.

In 2020 employees with our service providers have been provided with training with respect to anti-corruption, and all new employees have been introduced to our zero-tolerance policy.

All employees are informed about the whistleblower hotline setup administrated at and by the individual service providers; however, in 2020 no substantiated cases were reported.

Shareholders Information

Share data at 31 December 2020

Listed on: NASDAQ OMX Copenhagen

Share capital: DKK 40,615,840

Nominal value: DKK 0.1

Shares issued: 406,158,403 shares

Shares trading on NASDAQ OMX Copenhagen: 406,158,403 shares
(Security ID code: DK0060083996)

Share classes: One

Votes per share: One

Bearer share: Yes

Restriction on voting rights: No

Restricted negotiability: No

For further corporate information please see www.nordicshipholding.com

Movements in the Company's share price at 31 December 2020

The closing price at year-end 2020 was DKK 0.34, a decrease of 37% compared with year-end 2019 (DKK 0.54).

Shareholder structure
At 31 December 2020, Nordic Shipholding had 3,902 registered shareholders.

On 31 December 2020, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland – 11.03%

Treasury shares
At year-end 2020, Nordic Shipholding held nominally DKK 2,400 treasury shares, corresponding to 24,000 shares and equivalent to 0.01% of the share capital. The acquisition hereof was part of the preparations for the IPO, and the Company has not acquired treasury shares since its listing in 2007.

Dividend policy
No dividend will be distributed for the financial year 2020, and Nordic Shipholding does not expect to distribute any dividend for the financial year 2021. Currently, the Company does not have a dividend policy.

Procedures for election of members to the Board of Directors
All the members are elected to the Board of Directors at the Annual General Meeting.

Procedures for making amendments to the articles of association
Resolutions to amend the Company's articles of association are passed at the Annual General Meeting.

Financial calendar 2021

Annual Report 2020	24 March 2021
General Assembly	23 April 2021
Interim report - Q1 2021	26 May 2021
H1 interim report 2021	25 August 2021
Interim report - Q3 2021	24 November 2021

Board of Directors and Executive Management

Board of Directors

Knud Pontoppidan
Chairman of the Board.
Born 1944. Elected to the Board of Directors on 22 April 2010.

Background:
Former Chairman and Managing Director of Danish Shipowners' Association and Executive Vice President in A.P. Møller-Mærsk A/S.

Education:
LLM (cand. jur.), University of Copenhagen.

Other management duties, etc.:
Soransk Samfunds Boligfond, Advisory Board of CBS Maritime
CEO of K. Pontoppidan ApS.

Knud Pontoppidan is considered independent.

Attendance at Board meetings held in 2020: 10/10

Jon Robert Lewis
Deputy Chairman of the Board.
Born 1962. Elected to the Board of Directors on 17 December 2013.

Background:
Partner, Managing Director and Group General Counsel of PAG.

Education:
Graduate from Cornell University and the University of Michigan Law School.

Other management duties, etc.:
Member of the Board of Directors of Ariel Asset LLC (formerly known as Ariel Asset Daebu Yuhanhoesa), Asia Sapphire Pte. Ltd., Asia Ruby Pte. Ltd., Asia Ruby One Pte. Ltd., Asia Pragati Capfin Private Limited, China Equity Investments Designated Activity Company (formerly known as: China Equity Investments Limited), DBZ (Cyprus) Limited, Indigo Star Investments Limited, Nordic Maritime S.à r.l., Pacific Alliance Group Asset Management Limited, Pacific Alliance Group Limited, Pacific Alliance Special Situations Management Limited, Pacific Alliance-FF Management Limited, Pacific Alliance-W Management Limited, PACL Secretaries Limited, PAFF Secretaries Limited, PAG Asia Capital GP I Limited, PAG Asia Capital GP II Limited, PAG Asia Loan Management Limited, PAG Asia Loan Management II Limited (formerly known as PAG Asia Loan Management II (USD) Limited), PAG China Equity Investment Management Limited, PAG China Investment Limited, PAG China Limited (formerly known as PAG Hedge Limited), PAG Consulting Australia Pty Ltd, PAG Holdings Limited (formerly known as Pacific Alliance Group Holdings Limited), PAG IPR Holdings Limited, PAG Japan Limited (formerly known as Pacific Alliance Japan Limited), PAG Real Estate (HK) Limited (formerly known as Pacific Alliance Real Estate Limited), PAG Real Estate Limited, PAG Real Estate GP Limited (formerly known as PAG Real Estate Value GP Limited), PAG Real Estate

Value LLC, PAG Secretaries Limited, PAG Special Situations LLC, PAG Special Situations Management II Limited (formerly known as PAG Management II Limited), PAIM GP I Limited, PAIM GP II Limited, PAIM Secretaries Limited, PAL GP I Limited, PAL GP II Limited, PA-LF Secretaries Limited, PA-LF2 Secretaries Limited, PARE Secretaries Limited, PASS Secretaries Limited, PASS2 Secretaries Limited, PA-W Secretaries Limited, PAX Secretaries Limited, PREP Secretaries Limited, PAG Enhanced Credit LLC (formerly known as PAG Credit Guarantee Limited), PAG Enhanced Credit Management Limited (formerly known as PAG Credit Guarantee Management Limited), PAG Enhanced Credit Investment Management Limited, PAG-C Management Limited, PAIM II GP II Limited, PAL II GP II Limited, PREP GP II Limited, PAG Real Estate Holding Limited, PAGAC II GP II Limited, PECF GP I Limited, PAG Asia Alpha Advisors Limited, PAG Enhanced Credit Advisors Limited, PAG Special Situations Advisors Limited, PAG Asia Loan Advisors Limited, PAG China Special Situations Advisors Limited, PAG Real Estate Korea Limited, PAG Growth Capital Limited (formerly known as PAG Growth Advisors Limited), PAG Asia Loan LLC, Pacific Alliance Investment Management Limited, PAG-P Management Limited (formerly known as PAG-PK Management Limited), PAG AR Opportunistic Strategies Limited, PAG Asia Alpha LLC, PAG Alpha Investment Management Limited, Asia Alpha Secretaries Limited, PREP GP I Limited, PAGAC2 Secretaries Limited, PA-ECF Secretaries Limited, PAGAC GP I Limited, PAGAC GP II Limited, PAGAC II GP I Limited, PAG CA Partners GP Limited, PAG China Special Situations LLC, PAG China Special Situations GP Limited, PAG-C AR Co-Investment GP Limited, PAG-G AR Co-Investment GP Limited, PAG Growth Capital GP I Limited, PAG BRS LLC (formerly known as PAG Reg Cap Limited), PAG BRS Advisors Limited (formerly known as PAG Reg Cap Advisors Limited), PAG BRS GP Limited (formerly known as PAG Reg Cap Management Limited), Ellida Investment Solutions Advisors Limited (fka: PAG Investment Solutions Advisors Limited), PAG Asia Loan GP III Limited, PA-LF3 Secretaries Limited, PAG Opportunistic Strategies Advisors Limited, PAG Real Estate GP II Limited, PAL III GP Limited, Maritime Asia Diamond Pte. Ltd., MFE Formwork Technology Sdn. Bhd., PAG Real Estate Partners (Luxembourg) II GP S.àr.l., PAG Enhanced Credit GP II Limited, PAG Enhanced Credit II Feeder GP Limited, PAG Asia Opportunity S Class GP Limited, PAG Special Situations GP III Limited, PAG Special Situations III Feeder GP Limited, PAG Asia Capital GP III Limited, PAG Asia Opportunity S Class Feeder I GP Limited, PAG Asia Opportunity S Class Feeder II GP Limited, PREP II Cayman GP Limited, PAGAC III GP Limited, PECF GP II Limited, PAGGC I Acme Holding GP Limited, Autumn Investment GP Limited, PAGAC Galileo Investment Holding GP Limited, PAGAC Galileo Holding GP I Limited, PAGGC 1 Autobots Holding GP Limited, PAG PI Feeder GP Limited, PAIM III GP Limited, PAG-MAG AR Investment GP Limited (formerly known as PAG - GRE AR Investment GP Limited), PAG Loan GP IV Limited, PAG Loan IV Feeder GP Limited, PAG BRS GP II Limited, PAG BRS II Feeder GP Limited, Polymer Holdings Limited, PAG BRS II Feeder Ltd., PAG Asia Opportunity CB Feeder GP Limited, PAG-B Pooled GP Limited, PAG S Class Public Pooled GP Limited, PAG Asia Opportunity B GP Limited, PAG-B Feeder GP Limited, Ellida Global Macro GP Limited (formerly known as PAGQS Global Macro GP Limited), Ellida Global Macro Feeder GP Limited (formerly known as PAGQS Global Macro Feeder GP Limited), PBRS GP II Limited, PAG Special Situations 3.2 Feeder GP Limited, PAG Special Situations GP 3.2 Limited, Ellida Global Macro Feeder II GP Limited (formerly known as PAGQS Global Macro Feeder II GP Limited), PAG Enhanced Credit GP III Limited, PAG Enhanced Credit III Feeder GP Limited, PAIM 3.2 GP Limited, PAG Loan V Feeder GP Limited, PAG Loan GP V Limited, PAG Real Estate GP III Limited and PAGGC GP II Limited.

Jon Robert Lewis is not considered independent due to his relationship with the major shareholder of the Company.

Attendance at Board meetings held in 2020: 10/10

Kanak Kapur
Member of the Board.
Born 1970. Elected to the Board of Directors on 14 April 2015.

Background:
Partner in PAG.

Education:
MBA from NYU Stern School of Business

Other management duties, etc.:
Intero Investments Limited
Bremen Developments Limited
Asia Pragati Capfin Private Limited
Maritime Asia Diamond Pte. Ltd.
UGRO Capital Limited
Nordic Shipholding A/S
Blue Canyon Country Club Co., Ltd.
Maritime Asia Pearl Pte. Ltd.
Maritime Asia Emerald Pte. Ltd.
Maritime Asia Zircon Pte. Ltd.
Maritime Asia Crystal Pte. Ltd.
Maritime Asia Opal Pte. Ltd.
APSE SPV1 Pte. Ltd.
Blue Canyon Development Co., Ltd.
Blue Canyon Property Corp., Ltd.

Kanak Kapur is not considered independent due to his relationship with the major shareholder of the Company.

Attendance at Board meetings held in 2020: 10/10

Esben Søfren Poulsson
Member of the Board.
Born 1948. Elected to the Board of Directors on 20 April 2018.

Background:
Chairman in Enesel Pte. Ltd.

Education:
Diploma in Business Administration from British Columbia Institute of Technology, Vancouver, Canada.

Other management duties, etc.:
Batchfire Resources Pty. Ltd., Cambiaso Risso Asia Pte. Ltd., Finnlines PLc., Tamar Shipmanagement Ltd., Cap San Artemissio Pte. Ltd., Cap San Maleas Pte. Ltd., Cap San Sounio Pte. Ltd., Cap San Tainaro Pte. Ltd., Evergreen Asset Grop Co. Pte. Ltd., Hamburg Sud Asset Group Co Pte. Ltd., Intermediate Holdco 1 Pte. Ltd., Thalassa Avra Pte. Ltd., Thalassa Axia Pte. Ltd., Thalassa Doxa Pte. Ltd., Thalassa Elpida Pte. Ltd., Thalassa Hellas Pte. Ltd., Thalassa Mana Pte. Ltd., Thalassa Niki Pte. Ltd., Thalassa Patris Pte. Ltd., Thalassa Pistis Pte. Ltd., Thalassa Tyhi Pte. Lltd., Maritime and Port Authority of Singapore (MPA) and BW Epic Kosan. Chairman of the International Chamber of Shipping, London. Senior Advisor to the Chairman of X-Press Feeders Ltd./Sea Consortium Pte. Ltd. On the Advisory panel of the Singapore Maritime Foundation.

Esben Søfren Poulsson is considered independent.

Attendance at Board meetings held in 2020: 9/10

Jens V. Mathiasen
Member of the Board.
Born 1971. Elected to the Board of Directors on 20 April 2018.

Background:
Partner and attorney Gorrissen Federspiel.

Education:
LL.M (cand. jur) from the University of Copenhagen, LL.M. University of Southhampton.

Other management duties, etc.:
Member of the Board of Directors of Orskov Yard A/S, Ann Birgitte & Niels Ørskov Christensen familiefond and North Sea operators Claims Conference (NSOCC). Chairman of Board of Directors of IRON Fonden, member of the Board of Directors of IRON Pump A/S, IRON Pump Holding A/S and IRON Pump Ejendomme A/S.

Jens V. Mathiasen is not considered independent as the Company engages his law firm for legal matters.

Attendance at Board meetings held in 2020: 10/10

Philip Clausius
Chief Executive Officer (CEO)
Born 1968. Elected to the Board of Directors on 17 December 2013.

Background:
Previously CEO of FSL Trust Management Pte. Ltd.

Education:
Graduate degree (Diplom-Betriebswirt) in Business Administration from the European Business School, Germany.

Other management duties, etc.:
Member of the Board of Directors of the Singapore-incorporated subsidiaries of Nordic Shipholding A/S Group, CEO and Director of Transport Capital Pte. Ltd., Director of Transport Capital Holdings Pte. Ltd. and its subsidiaries, Maritime Asia Diamond Pte. Ltd., APSE SPV2 Pte. Ltd., APSE SPV3 Pte. Ltd., APSE SPV4 Pte. Ltd., Wellard Limited and its Singapore-incorporated subsidiaries, The Standard Club Ltd, The Standard Club Asia Ltd, Bengal Tiger Line Pte. Ltd., Gram Car Carriers Holdings Pte. Ltd. and GCC (CUE) Shipowning Pte. Ltd.

Supervisor to the Board of Columbia Shipmanagement (Shanghai) Co., Ltd. and Columbia Crew Management (Shanghai) Co., Ltd. and Chairman of Singapore War Risks Mutual (SWRM) Class Committee.

Philip Clausius is not considered independent as he is the CEO of the Company.

Attendance at Board meetings held in 2020: 9/10

Executive Management

Philip Clausius
Born 1968. CEO since 2 January 2014.

As Philip Clausius is also a director of Nordic Shipholding, please see his profile under Board of Directors.

Board members' shares

Board members' ownership of shares in Nordic Shipholding A/S at 31 December 2020

Board Member	**Shares owned**
Knud Pontoppidan	102,052
Jon Robert Lewis	-
Kanak Kapur	-
Jens V. Mathiasen	-
Esben Søfren Poulsson	108,295
Philip Clausius	-

Management Statement

We have today considered and approved the Annual Report of Nordic Shipholding A/S for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and Company's financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2020 and of their financial performance and their cash flows for the financial year 1 January – 31 December 2020.

Furthermore, in our opinion the management review (page 1 – 25) gives a true and fair review of the development in the Group's and the Company's operations and financial matters, the results of the Group and the Company for the year and the financial position as a whole, and describes the significant risks and uncertainties facing the Group and the Company.

We recommend that the annual report be adopted at the General Assembly.

Copenhagen, 24 March 2021

Executive Management

Philip Clausius
CEO

Board of Directors

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

Independent Auditor's Report

To the shareholders of Nordic Shipholding A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Nordic Shipholding A/S for the financial year 1 January to 31 December 2020 comprise statement of comprehensive income, statement of financial position, statement of changes in equity, cash flows statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Nordic Shipholding A/S on 20 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of nine years including the financial year 2020.

Material uncertainty related to going concern

The Group's credit facilities, apart from the majority shareholder loans, mature on 30 December 2021. Discussions have been held with potential merger partners and it is Managements assessment that a merger may be consummated in the first half of 2021. Should the merger discussions fail, it is Managements assessment that the necessary financing needed to secure an orderly sale of the remaining vessels will be secured. With reference to note 0 of the Consolidated Financial Statements and Parent Company Financial Statements we draw attention to the matters set forth in that note, indicating that a material uncertainty exists that may cast significant doubt on the Group's, and consequently the Parent Company's ability to continue as a going concern.

Our opinions are not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying amount of non-current assets Investments in non-current assets mainly compose Vessels and dockings and are measured at cost less accumulated depreciation and impairment. Management has assessed that when considering the Company's current position and plans, fair value less costs to sell is the best reflection of the recoverable amount of the vessels, that do not meet the criteria for being classified as held for sale as of 31 December 2020. We focused on this area, because estimation uncertainty is high as Management is required to exercise considerable judgement, and because of the inherent complexity and subjectivity in estimating future events and cash flows. Reference is made to note 1, 7 and 13	In addressing the risk, we performed walk throughs of the processes and controls designed and operated by the Group relating to the assessment of the value of vessels and the identification of impairment indications. We considered the appropriateness of Management's defined cash-generating units (CGUs) within the business. We evaluated whether there were factors requiring Management to change their classification. We performed testing for the cash generating units, where the need for impairment reviews was identified by Management, by benchmarking and checking the reasonableness of the assumptions applied by Management and evaluating broker reports. We challenged whether these were appropriate considering Management's expectations to future events, including their assessment of macroeconomic assumptions regarding short-term and long-term freight rates. Regarding the brokers used by Management, we evaluated their competence, capabilities and objectivity, obtained an understanding of their work and evaluated the appropriateness of broker reposts as audit evidence for the valuation. We also evaluated the basis for the recognition of vessels at fair value less cost to sell, the associated disclosures and the estimate of fair value less costs to sell.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 24 March 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Jacob Brinch
State Authorised Public Accountant
mne35447

Financial Statements

Statement of comprehensive income for the period 1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2020**	**2019**	**2020**	**2019**
3	Total revenue	-	-	42,319	36,119
	Voyage related expenses	-	-	(14,553)	(13,621)
	Time charter equivalent revenue (TCE revenue)	**-**	**-**	**27,766**	**22,498**
4	Other income	-	132	74	132
	Expenses related to the operation of vessels	-	-	(12,320)	(13,886)
5	Staff costs	(292)	(291)	(292)	(291)
6	Other external costs	(930)	(915)	(1,286)	(1,613)
	Earnings before depreciation (EBITDA)	**(1,222)**	**(1,074)**	**13,942**	**6,840**
7	Depreciation	-	-	(5,442)	(5,316)
7	Write-down on vessels	-	-	(14,909)	-
7	Write-down on asset held-for-sale	-	-	(6,142)	(212)
	Operating result (EBIT)	**(1,222)**	**(1,074)**	**(12,551)**	**1,312**
8	Write-down on investments	(14,679)	(2,314)	-	-
9	Financial income	-	1	721	883
10	Financial expenses	(550)	(519)	(4,621)	(6,091)
	Result before tax	**(16,451)**	**(3,906)**	**(16,451)**	**(3,896)**
11	Tax on result	-	-	-	(10)
	Result after tax	**(16,451)**	**(3,906)**	**(16,451)**	**(3,906)**
	Total comprehensive income	**(16,451)**	**(3,906)**	**(16,451)**	**(3,906)**
12	Earnings per share (EPS) (USD)			(0.04)	(0.01)
12	Diluted earnings per share (USD)			(0.04)	(0.01)

Statement of financial position

Note	Amounts in USD thousand	Company 2020	Company 2019	Group 2020	Group 2019
	Non-current assets				
13	Vessels and docking	-	-	38,857	79,511
	Tangible assets	**-**	**-**	**38,857**	**79,511**
14	Investment in subsidiaries	1,064	15,743	-	-
	Financial assets	**1,064**	**15,743**	**-**	**-**
	Total non-current assets	**1,064**	**15,743**	**38,857**	**79,511**
	Current assets				
	Bunkers	-	-	1,757	2,372
15	Trade receivables	-	-	4,634	9,017
16	Other receivables	80	103	1,640	1,626
	Total receivables	**80**	**103**	**8,031**	**13,015**
18	Cash & cash equivalents	77	66	5,388	5,527
17	Asset held-for-sale	-	-	14,234	-
	Total current assets	**157**	**169**	**27,653**	**18,542**
	Total assets	**1,221**	**15,912**	**66,510**	**98,053**
	Equity				
23	Share capital	7,437	7,437	7,437	7,437
	Retained earnings	(15,986)	465	(15,986)	465
	Equity, parent company	**(8,549)**	**7,902**	**(8,549)**	**7,902**
	Equity, non-controlling interests	-	-	-	-
	Total equity	**(8,549)**	**7,902**	**(8,549)**	**7,902**
	Liabilities				
19	Finance loans, etc.	-	-	-	-
20	Loans from majority shareholder	7,055	-	11,059	-
	Non-current liabilities	**7,055**	**-**	**11,059**	**-**
19	Finance loans, etc.	-	-	59,040	72,890
20	Loans from majority shareholder	-	6,509	513	10,391
21	Trade payables	240	128	4,408	6,824
22	Payables to subsidiaries	2,438	1,336	-	-
	Corporation tax	37	37	39	46
	Total current liabilities	**2,715**	**8,010**	**64,000**	**90,151**
	Total liabilities	**9,770**	**8,010**	**75,059**	**90,151**
	Liabilities and equity	**1,221**	**15,912**	**66,510**	**98,053**

For information about treasury shares and share capital, please refer to Note 23.

Statement of changes in equity - Company

Amounts in USD thousand	Share capital	Retained earnings	Total equity
Shareholders' equity at 1 January 2020	**7,437**	**465**	**7,902**
Result for the year	-	(16,451)	(16,451)
Total comprehensive income	-	(16,451)	(16,451)
Shareholders' equity at 31 December 2020	**7,437**	**(15,986)**	**(8,549)**
Shareholders' equity at 1 January 2019	**7,437**	**4,371**	**11,808**
Result for the year	-	(3,906)	(3,906)
Total comprehensive income	-	(3,906)	(3,906)
Shareholders' equity at 31 December 2019	**7,437**	**465**	**7,902**

Statement of changes in equity - Group

Amounts in USD thousand	Share capital	Retained earnings	Equity parent company	Equity group
Shareholders' equity at 1 January 2020	**7,437**	**465**	**7,902**	**7,902**
Result for the year	-	(16,451)	(16,451)	(16,451)
Total comprehensive income	-	(16,451)	(16,451)	(16,451)
Shareholders' equity at 31 December 2020	**7,437**	**(15,986)**	**(8,549)**	**(8,549)**
Shareholders' equity at 1 January 2019	**7,437**	**4,371**	**11,808**	**11,808**
Result for the year	**-**	(3,906)	(3,906)	(3,906)
Total comprehensive income	**-**	(3,906)	(3,906)	(3,906)
Shareholders' equity at 31 December 2019	**7,437**	**465**	**7,902**	**7,902**

Statement of cash flows
1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2020**	**2019**	**2020**	**2019**
	Operating result (EBIT)	**(1,222)**	**(1,074)**	**(12,551)**	**1,312**
7	Depreciation and write-downs	-	-	26,493	5,528
	Non-cash financial (expenses)/income	(4)	(16)	(48)	40
	Changes in inventories	-	-	615	(317)
	Changes in receivables	23	9	4,369	(1,505)
	Changes in liabilities	112	(218)	(2,416)	1,140
	Paid financial expenses	-	-	(1,689)	(2,994)
	Paid corporate tax expense	-	-	(7)	-
	Cash flow from operating activities	**(1,091)**	**(1,299)**	**14,766**	**3,204**
	Net proceeds from sale of asset held-for-sale	-	-	-	5,277
13	Investments in tangible assets	-	-	(73)	(6,220)
	Cash flow from investment activities	-	-	**(73)**	**(943)**
	Payables to subsidiaries	1,102	1,017	-	-
20	Loans from majority shareholder	-	-	-	-
	Repayment of finance loans	-	-	(14,832)	(5,332)
	Cash flow from financing activities	**1,102**	**1,017**	**(14,832)**	**(5,332)**
	Cash flows for the year	**11**	**(282)**	**(139)**	**(3,071)**
	Cash as of 1 January	**66**	**348**	**5,527**	**8,598**
	Cash at the end of the year	**77**	**66**	**5,388**	**5,527**

Statement of cash flows
1 January - 31 December (cont'd)

Reconciliation of liabilities arising from financing activities:

	Company	
Amounts in USD thousand	**Payables to subsidiaries**	**Loans from majority shareholder**
1 January 2020	1,336	6,509
Proceeds from borrowings	1,102	-
Principal and interest payments	-	-
Non-cash change:		
Interest expense	-	546
31 December 2020	2,438	7,055
1 January 2019	319	6,007
Proceeds from borrowings	1,017	-
Principal and interest payments	-	-
Non-cash change:		
Interest expense	-	502
31 December 2019	1,336	6,509

	Group	
Amounts in USD thousand	**Finance loans**	**Loans from majority shareholder**
1 January 2020	72,890	10,391
Principal payments	(14,832)	-
Interest payments	(1,689)	-
Non-cash changes:		
Interest expense	3,354	1,181
Modification gain	(708)	-
Amortisation of prepaid loan fees	25	-
31 December 2020	59,040	11,572
1 January 2019	77,103	9,255
Proceeds from borrowings	-	-
Principal payments	(5,332)	-
Interest payments	(2,994)	-
Non-cash changes:		
Interest expense	4,845	1,136
Modification gain	(760)	-
Amortisation of prepaid loan fees	28	-
31 December 2019	72,890	10,391

List of Notes

0. Going concern assumption

As stated in Company Announcement 11/2020, the Company entered into an agreement with its lenders in December 2020, for an extension of the Company's loan facility by another year to 31 December 2021. Hence, the Group's loan portfolio continues to be 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 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.

Since early 2021, preliminary discussions with new potential merger partners have commenced. While the Board remains optimistic that a merger may be consummated, it is still too early to provide any indication whether these discussions will lead to a successful transaction. However, in the event the merger plan does not materialise in the first half of 2021, it is management's expectation that the lenders will finance the Company in a period longer than 30 December 2021 to secure an orderly sale of the vessels.

Although Management expects that the necessary financing will be obtained beyond 30 December 2021 and hence has prepared the financial statements for 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. Significant accounting estimates, assumptions and uncertainties

Nordic Shipholding's annual report, which includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are described in Note 2.

In connection with the preparation of the financial statements, management applies estimates and assumptions. Such estimates and assumptions are based on the most recent information available at the time of preparing the financial statements.

The most significant estimates relate to:

- measurement of vessels, and
- depreciation periods.

The estimates and assumptions are based on premises that management find reasonable, but which are uncertain or unpredictable. It may be necessary to change previous estimates as a result of future changes in the assumptions, new information, further experience or subsequent events.

Measurement of vessels

Vessels are tested for impairment if there are indications of impairment. The Company evaluates the carrying amount of three vessels within two cash generating units – (1) one LR1 vessel deployed in Hafnia LR Pool, (2) two 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.

The impairment tests are based on value in use calculations and net realisable values assessed by leading and independent international ship brokers, which are compared to the carrying amount of the assets within each of the cash generating units.

The carrying amount of the Group's vessels may not necessarily represent their actual market value at any point in time as market prices of second-hand vessels to a certain degree fluctuate with changes in charter rates and the cost of new-buildings.

If the estimated future cash flows or related assumptions change permanently, it may be necessary to reduce the carrying amount of vessels for the cash generating units.

In 2020, an impairment of USD 6.1 million was recognised arising from classification of Nordic Hanne and Nordic Pia as asset-held-for-sale and an impairment of USD 14.9 million was recognised on vessels (accounted as non-current assets at the point when the impairment loss was recognised) whilst in 2019, an impairment of USD 0.2 million was recognised arising from the sale of Nordic Ruth. The carrying amount of vessels at 31 December 2020 amounted to USD 38.9 million (2019: USD 79.5 million).

Please refer to Note 7 for more information about the impairment tests performed.

Depreciation periods

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 annual depreciation. The carrying amount of vessels at 31 December 2020 amounted to USD 38.9 million (2019: USD 79.5 million).

2. Accounting policies

Basis of preparation

The annual report of Nordic Shipholding A/S which includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are consistent with those applied to the annual report for 2019.

Adoption of new and amended IFRSs

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and IFRSs endorsed by the European Union effective on or after 1 January 2020, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2020, and management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

Consolidated financial statements

The consolidated financial statements include Nordic Shipholding (Company) and the enterprises (subsidiaries) which are controlled by the Company. Control is presumed to exist when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounts of Nordic Shipholding and its subsidiaries and joint operations. The consolidated financial statements have been prepared by adding together items of a uniform nature.

The accounts used for consolidation purposes have been prepared in accordance with the Group's accounting policies. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. Subsidiaries' items are recognised in full in the consolidated financial statements.

For vessels deployed in pools, it is evaluated based on the pool agreement between the pool and the vessel company. For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. The proportionate share of the results of the entities after elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Foreign currency translation

The functional and presentation currency of the Company is USD.

On initial recognition, transactions in currencies other than the functional currency of each enterprise are translated using the exchange rate at the date of the transaction.

Receivables, payables and other monetary items in foreign currencies, which have not been settled at the balance sheet date, are translated using the rate of exchange at the balance sheet date. Any exchange differences arising between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment and the balance sheet date, respectively, are recognised in the income statement as financial income and expenses.

Vessels and docking, inventories and other non-monetary assets purchased in foreign currencies and measured using historical costs are translated using the rate of exchange at the date of the transaction. Non-monetary items that are revalued at fair value are translated using the rate of exchange at the date of the revaluation.

Upon recognition in the consolidated financial statements of enterprises with functional currencies other than USD, the income statements are translated at the average exchange rates for the respective months. Balance sheet items are translated using the exchange rates ruling at the balance sheet date. Exchange differences arising from translation of balance sheet items at the beginning of the year at the rates of exchange at the balance sheet date and from translation of income statements from average rates of exchange to the rates of exchange at the balance sheet date are recognised as other comprehensive income. Correspondingly, exchange differences arising from changes made directly in the equity of these enterprises are also recognised as other comprehensive income.

Segment information

Nordic Shipholding has only one segment: Product Tankers. The Company therefore does not disclose segment information.

Statement of comprehensive income

Revenue recognition

Nordic Shipholding generates its revenue primarily through pool arrangements.

Total pool revenue is generated from each vessel participating in the pool. The pool measures revenue based on the contractual rates and the duration of each voyage, and revenue is recognised in the income statement upon delivery of service (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related costs are recognised in the income statement according to the entered charter parties from the vessel's load date to the delivery of the cargo (discharge). The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the next discharge (load to discharge).

For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. The proportionate share of the results of the entities after elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Voyage expenses

These are expenses related to Nordic Shipholding's vessels managed in a pool. Voyage expenses consist mainly of bunkers, port expenses and commissions. Voyage expenses are recognised as incurred on a load-to-discharge basis.

Operating expenses

Operating expenses include costs relating to the operation and maintenance of vessels, including costs relating to crew. Operating expenses are recognised as incurred.

Staff costs

Staff costs comprise directors' fees, wages and salaries and social security costs and are recognised as incurred.

Other external costs

Other external costs comprise administrative expenses.

Depreciation and write downs

Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Vessels' and 'Dockings' for the description of depreciation principles). Write downs are made when impairment tests show that the value of fixed assets is impaired.

Financial income and expenses, net

Financial income and expenses include interest income and interest expenses, realised and unrealised exchange differences, and modification gain or loss. Interest income and expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that is used to discount expected future payments related to the financial asset or the financial liability in order for the present value of such asset or liability to match its carrying amount. When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the financial year end.

No provision is made for taxation on qualifying shipping income derived from the operation of the Group's vessels held by Singapore-incorporated entities which is exempt from taxation under Section 13A of the Singapore Income Tax Act. The Singapore-incorporated entities are subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate, after adjusting for allowable expenses.

Deferred tax assets are recognised to the extent that it is probable that they can be utilised against future taxable income.

Earnings per share and diluted earnings per share

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted average number of shares in the financial year.

Statement of financial position

Vessels and docking

Vessels and docking includes vessels, upgrade costs and dockings, and are measured at cost less accumulated depreciation and impairment.

The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement.

Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which Nordic Shipholding estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton.

The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Group's business plans. Moreover, the Group evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts.

Prepayments on vessels under construction are recognised as instalments paid.

The fleet of own vessels is required to undergo planned dry-dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis to the next scheduled dry-docking. The residual value is estimated at zero.

A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Impairment tests

Vessels are tested for impairment when there are indications of impairment.

If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the need for recognising an impairment and the extent hereof. If an asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. The recoverable amount is defined as the higher of the fair value of the asset or the cash generating unit less costs to sell and the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted.

The fair value of vessel is usually determined based on the estimated selling price assessed by external brokers less costs to sell. If the recoverable amount of the asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

An impairment for the cash-generating unit is allocated to the assets of the unit, but no asset will be reduced to a lower value than its fair value less expected costs to sell. Impairment are recognised in the income statement.

If an impairment subsequently is reversed as a result of changes in assumptions used to determine the recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash-generating unit.

Bunkers

Inventories consist of oils and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

Receivables

Receivables comprise trade and other receivables. The Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Asset held-for-sale
Non-current asset is classified as asset held-for-sale and is carried at the lower of carrying amount and fair value less costs to sell if (i) its carrying amount is recovered principally through a sale transaction rather than through continuing use and (ii) the sale is highly probable. The sale is considered highly probable due to the commitment shown by the management on its plan to sell, an active programme is in place to sell the asset, the asset is actively marketed at a reasonable price, significant changes to plan are unlikely and the sale is expected to be completed within one year.

The asset is not depreciated while it is classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Dividend
Dividend is recognised as a liability at the time of approval by the General Meeting. Dividend proposed by management in respect of the year is stated under equity.

Treasury shares
Acquisition costs and consideration for treasury shares and dividend on treasury shares are recognised directly as retained earnings in equity.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions with an expected maturity of more than one year from the balance sheet date are measured at present value.

Finance loans
Finance loans are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Loans from majority shareholder
Loans from majority shareholder are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. Loans from majority shareholder are initially measured at fair value less any transaction costs. Loans from majority shareholder are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Other financial liabilities
Other financial liabilities comprise trade payables and other payables to public authorities, etc. Other financial liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

Cash flow statement

The consolidated and Company cash flow statements are presented using the indirect method and show cash flow from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less financial expenses paid attributable to operating activities.

Cash flow from investing activities includes payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of vessels and docking.

Cash flow from acquisition and divestment of enterprises is shown separately under cash flow from investing activities. Cash flow from acquired enterprises is recognised in the cash flow statement from the time of their acquisition, and cash flow from divested enterprises is recognised up to the time of sale.

Cash flow from financing activities comprises changes in the Company's share capital and related costs as well as raising and repayment of loans, instalments on interest bearing debt, acquisition of treasury shares and payment of dividend.

Cash flows in other currencies than the functional currency are recognised in the cash flow statement using average exchange rates for the respective months, unless these deviate materially from the actual exchange rates ruling at the dates of the transactions. If so, the actual exchange rates are used.

Cash and cash equivalents comprise cash at bank and cash held by the master of the respective vessels.

Supplementary accounting policies for the Company

Investments in subsidiaries in the financial statements of the Company
Investments in subsidiaries are measured at cost. If the cost price exceeds the recoverable amount of the investment, it is written down to this lower amount. The recoverable amount is defined as the higher of the fair value of the subsidiary less costs of sale and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the enterprise in question for which the estimates of future cash flows have not been adjusted.

Dividends received from subsidiaries are recognised in the income statement.

The conversion of inter-company debt owed by its subsidiaries is measured at carrying amount.

3. Revenue

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Revenue	-	-	42,319	36,119
Total revenue	**-**	**-**	**42,319**	**36,119**

4. Other income

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Other income	-	132	74	132
Total other income	**-**	**132**	**74**	**132**

Included within the other income recognised by the Group, USD 0.1 million relates to loss of hire compensation in relation to an incident in 2018 (USD 0.1 million was in relation to Goods and Services Tax refund from the tax authorities in 2019).

5. Staff costs

	Company and Group		
Amounts in USD thousand	**2020**	**2019**	**2018**
Staff costs			
Wages and salaries	(292)	(291)	(326)
Total staff costs	**(292)**	**(291)**	**(326)**
Of which:			
Board of Directors:			
Remuneration to the Board of Directors	(91)	(94)	(110)
Average number of full-time employees^	1	1	1

^ The average number excludes the CEO of the Company.

Nordic Shipholding A/S entered into a corporate management agreement with Transport Capital Pte. Ltd. ('Transport Capital') for the day to day management and operation of the Company. As part of the corporate management agreement, Transport Capital provides a CEO for the Company. The CEO's remuneration for his role in Nordic Shipholding A/S is estimated to be USD 0.3 million (2019: USD 0.3 million) and is compensated from the fee under the corporate management agreement.

Refer to Note 24 for related party transactions for the fees paid to Transport Capital Pte. Ltd., the corporate manager for the Group, during the financial year.

6. Auditor fee

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Statutory audit of annual accounts	(121)	(92)	(178)	(169)
Tax advices	(13)	(10)	(36)	(31)
Other assistance	(33)	(7)	(33)	(7)
Total fees	**(167)**	**(109)**	**(247)**	**(207)**

The above is for the corporate auditor, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab. The figures include fees for statutory audits in Singapore.

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group consists of assistance with XBRL reporting, and other general financial reporting and tax consultancy services.

7. Depreciation and write-downs on vessels

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Depreciation - vessels	-	-	(5,442)	(5,316)
Write down - vessels	-	-	(14,909)	-
Write down - asset held-for-sale	-	-	(6,142)	(212)
Total	-	-	**(26,493)**	**(5,528)**

The Group recognised an impairment loss on asset held-for-sale of USD 6.1 million in relation to Nordic Hanne and Nordic Pia (USD 0.2 million recognised in 2019 was due to the sale of Nordic Ruth in July 2019).

Impairment test

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Any impairment tests are performed in accordance with IAS 36. The impairment test is based on the knowledge that was available at 31 December 2020.

Impairment assessment of tangible assets - Vessels and dry-docking

The discussion below excludes Nordic Hanne and Nordic Pia, handysize vessels, as they were reclassified as an asset-held for sale in June 2020 and December 2020, respectively.

The management assessed the performance of the vessels based on their employment and vessel type. The remaining two handysize vessels (Nordic Agnetha and Nordic Amy) are employed in Hafnia Handy Pool. Nordic Anne, an LR1 tanker was redelivered under the 3-year time charter in October 2017, and at the same time re-entered the Hafnia LR Pool. Hence, for impairment assessment, the Group evaluates the carrying amount of vessels within two cash generating units ('CGU') – (1) one LR1 vessel deployed in Hafnia LR Pool ('CGU one') and (2) two vessels deployed in Hafnia Handy Pool ('CGU two') respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

According to Nordic Shipholding's accounting policies regarding impairment tests, a write-down is made to the higher of an estimated sale price less cost of sale (Fair Market Value, 'FMV') or calculated net present value ('value in use') for each CGU. The estimated sale price is based on valuations from accredited independent shipbrokers and is considered a level 2 on the fair value hierarchy. For impairment assessment in 2020, the recoverable amount of both CGUs was based on FMV.

For impairment assessment in 2019, the recoverable amount of both CGUs was based on value in use.

The value in use at end-December 2019 was calculated based on an increase in daily TCE, operating costs and residual value by 2.0% per annum, 3.0% per annum and 2.0% per annum, respectively, and a Weighted Average Cost of Capital (WACC) of 8.2%. Daily TCE is assumed by considering the daily TCE forecasted by the pool managers for the next four quarters ('budget period') and the long-term average ('LTA') TCE rates for period beyond the budget period. The LTA TCE rate used for the impairment test is an adjusted 5-year historical TCE rate, with annual inflation set at 2%. Operating costs is the agreed costs between the vessel company and the respective technical managers. Residual value of each vessel is estimated as the lightweight tonnage multiplied by scrap value per ton. WACC is calculated based on a standard WACC model in which the cost of equity, cost of debt and capital structure are the key parameters. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

In view of the declining freight rates from May 2020, the Group recognised impairment losses of USD 6.5 million on all vessels in Q3 2020 (excluding Nordic Hanne who was reclassified as an asset-held-for-sale in June 2020). Management has assessed that when considering the Company's current position, fair value less costs to sell is the best reflection of the recoverable amount of the vessels, which do not meet the criteria for being classified as asset held-for-sale as of 31 December 2020. Consequently, an additional impairment charge of USD 8.4 million has been recognised as at 31 December 2020.

8. Write-down on investments

	Company	
Amounts in USD thousand	**2020**	**2019**
Write-down on investments in subsidiaries	(14,679)	(2,314)
Total write-down on investments in subsidiaries	(14,679)	(2,314)

9. Financial income

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Interest income on bank balances	-	1	13	123
Modification gain on finance loans	-	-	708	760
Total financial income	**-**	**1**	**721**	**883**

The modification gain on finance loans of USD 0.7 million (2019: USD 0.8 million) arose from the release to the income statement upon the payment of scheduled loan interest and loan repayments in 2020.

10. Financial expenses

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Financial expenses to bank	-	-	(49)	(54)
Interest on finance loans	-	-	(3,354)	(4,845)
Interest on loans from majority shareholder	(546)	(502)	(790)	(746)
Finance charge on banker's guarantee provided by majority shareholder to lenders	-	-	(391)	(390)
Expenses from exchange rate adjustments	(4)	(17)	(37)	(56)
Total financial expenses	**(550)**	**(519)**	**(4,621)**	**(6,091)**
Total net financial income and expenses	**(550)**	**(518)**	**(3,900)**	**(5,208)**

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders. Following from the loan restructuring concluded in December 2020, the expiry of this Banker's Guarantee was extended till early 2022. The related finance charge calculated on this Banker's Guarantee is USD 0.4 million (2019: USD 0.4 million).

11. Tax for the year

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Current tax expense	-	-	-	(10)
Tax for the year recognised in the income statement	-	-	-	(10)
Result before tax	(16,451)	(3,906)	(16,451)	(3,896)
- of which subject to tonnage taxation or other schemes	-	-	14,677	2,304
Adjusted result before tax	**(16,451)**	**(3,906)**	**(1,774)**	**(1,592)**
Calculated tax at 22.0% (2019: 22.0%)	**(3,619)**	**(859)**	**(390)**	**(350)**
Write-down on investments not subject to tax	3,229	509	-	-
Tax assets not recognised	390	350	390	350
	3,619	859	390	350

No deferred tax has been recognised in other comprehensive income.

No deferred tax assets or liabilities are recognised as at 31 December 2020 (2019: USD Nil). Tax value of unrecognised tax losses amounted to USD 0.4 million (2019: USD 0.4 million).

There are no unrecognised tax liabilities associated with investments in foreign subsidiaries in 2020 and 2019.

12. Earnings per share

	Group	
Amounts in USD thousand	**2020**	**2019**
Earnings per share (EPS)		
Loss for the Company's shareholders	(16,451)	(3,906)
Number of shares used in calculation of earnings per share:		
Weighted average number of outstanding shares	406,158,403	406,158,403
Number of treasury shares	(24,000)	(24,000)
Number of shares used in calculation	**406,134,403**	**406,134,403**
For continuing operations:		
Earnings per share (USD)	(0.04)	(0.01)

No dividends is proposed for 2020 (2019: USD Nil).

13. Vessels and docking

Amounts in USD thousand	Group 2020 Vessels and Docking	Group 2019 Vessels and Docking
Cost at 1 January	176,146	172,340
Disposals during the year	(1,073)	(2,414)
Additions during the year	73	6,220
Reclassified to asset held-for-sale	(56,140)	-
Cost at 31 December	**119,006**	**176,146**
Depreciation and write-down at 1 January	(96,635)	(93,733)
Depreciation during the year	(5,442)	(5,316)
Disposals during the year	1,073	2,414
Write-downs of vessels	(14,909)	-
Reclassified to asset held-for-sale	35,764	-
Depreciation and write-down at 31 December	**(80,149)**	**(96,635)**
Book value at 31 December	**38,857**	**79,511**
Geographical split of tangible assets:		
Singapore	38,857	79,511
	38,857	**79,511**

The carrying amount of vessels pledged as security for finance loans in the Group is USD 38.9 million as at 31 December 2020 (2019: USD 79.5 million) including the carrying amount of the asset held-for-sale as disclosed in Note 17.

14. Investment in subsidiaries

Amounts in USD thousand	Company 2020	Company 2019
Cost at 1 January	49,764	49,764
Additions during the year	-	-
Cost at 31 December	**49,764**	**49,764**
Write-down at 1 January	(34,021)	(31,707)
Write-down during the year	(14,679)	(2,314)
Write-down at 31 December	(48,700)	(34,021)
Carrying amount at 31 December	**1,064**	**15,743**

Company summary	Primary operations	Domicile	Ownership %	Voting right %
Subsidiaries for Nordic Shipholding A/S				
Nordic Shipholding Singapore Pte. Ltd.	Investment holding company	Singapore	100	100
Subsidiaries for Nordic Shipholding Singapore Pte. Ltd.				
Nordic Agnetha Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Amy Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Anne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Hanne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Pia Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Ruth Pte. Ltd.^	Shipowning company	Singapore	100	100

^ in the process of strike-off

15. Trade receivables

Amounts in USD thousand	Company 2020	Company 2019	Group 2020	Group 2019
Receivables from freight	-	-	1,234	5,617
Working capital with pools	-	-	3,400	3,400
Total trade receivables	**-**	**-**	**4,634**	**9,017**

The carrying amount corresponds to the fair value of the receivables.

Historically, the Group has only minor losses on trade receivables and the implementation of IFRS 9 has no material effect on the provision matrix for trade receivables.

16. Other receivables

Amounts in USD thousand	Company 2020	Company 2019	Group 2020	Group 2019
Pre-payments and deposits	61	83	416	290
Other receivables	19	20	1,224	1,336
Total other receivables	**80**	**103**	**1,640**	**1,626**

The carrying amount corresponds to the fair value of the receivables.

17. Asset held-for-sale

Amounts in USD thousand	Company 2020	Company 2019	Group 2020	Group 2019
Asset held-for-sale	-	-	14,234	-
Total asset held-for-sale	**-**	**-**	**14,234**	**-**

In conjunction with the loan restructuring concluded in December 2020, one of the agreed terms include the sale of two vessels, Nordic Hanne and Nordic Pia, within the first half of 2021. For Nordic Hanne, two co-brokers were appointed in May 2020 to officially test the buying interest for her. Hence, the Group recognised impairment losses totalling USD 4.4 million in 2020 following the reclassification of Nordic Hanne as an asset held-for-sale in June 2020. For Nordic Pia, following her reclassification as an asset-held for sale in December 2020, an impairment loss of USD 1.7 million was recognised.

The carrying amount corresponds to the fair value of the held-for-sale asset based on the signed Sale and Purchase Memorandum of Agreements for the respective held-for-sale asset.

18. Financial risks and financial instruments

Foreign exchange, interest rate and credit risks and application of financial instruments

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Trade receivables	-	-	4,634	9,017
Other receivables	80	103	1,640	1,626
Cash and cash equivalents	77	66	5,388	5,527
Financial assets measured at amortised cost	**157**	**169**	**11,662**	**16,170**
Finance loans	-	-	59,040	72,890
Loans from majority shareholder	7,055	6,509	11,572	10,391
Trade payables	240	128	4,408	6,824
Financial liabilities measured at amortised cost	**7,295**	**6,637**	**75,020**	**90,105**

Methods and assumptions in determining fair value

Other financial assets and liabilities:
The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents and trade payables) corresponds to fair value.

Policy for managing financial risks

Due to its operations, investments and financing, the Group is exposed to fluctuations in foreign exchange rates and interest rates. The Company monitors and manages the Group's financial risks centrally and coordinates the Group's liquidity management, including funding. The Group pursues a finance policy which operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors. Hence, when required, the Group uses financial instruments to hedge risks. For further information on accounting policies and methods, including recognition criteria and bases of measurement, see the section on accounting policies in Note 2.

Currency risks

The Group and the Company are mildly sensitive to exchange rate fluctuations as earnings and costs are primarily denominated in USD. No financial hedges have been made for the DKK, EUR and SGD exposure in 2020 and 2019. The Group's policy is to review the currency exposure and hedge the risk if this is significant. The sensitivity towards changes in exchange rates is approximately USD 0 million for each percentage change in USD towards DKK, EUR and SGD combined (2019: USD 0 million).

Interest rate risks

With the approval from the lending banks, the Group (through the Company) has entered into two interest rate caps, one was in 2015 and the other was in 2017, to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. The notional amount of the two interest rate caps entered into by the Group (through the Company) is USD 48.0 million and USD 13.3 million which amortises quarterly to USD 39.7 million and USD 10.8 million, respectively, at maturity date (31 December 2018). The strike rate of both the interest rate caps is 2.50% per annum. Both interest rate caps have matured on 31 December 2018. As at the year-end, 100% of the Group's debt is unhedged (2019: 100% of the Group's debt is unhedged) and is vulnerable to interest rate risks. Any changes in interest rates could therefore have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

The Company entered into the interest rate caps with a third party ('original interest rate caps') and at the same time, entered into a separate interest rate cap agreement with Nordic Shipholding

Singapore ('NSHS') at the same terms as the original interest rate caps. NSHS then entered into six separate interest rate cap agreements with the respective vessel-owning Singapore incorporated subsidiaries ('SIN SPCs'), with notional amounts corresponding to the prorata loan balance booked by each SIN SPCs. The aggregate notional amounts of the interest rate cap in the SIN SPCs correspond to the notional amount of the interest rate cap agreement between NSHS and the Company. At the Company level, the original interest rate caps are negated by the internal interest rate cap with NSHS. Hence, there is no hedge exposure at the Company level.

Group

Interest rate fluctuations affect the Group's finance loans. A one percentage point increase in interest rates compared with the realised interest level would have had an adverse impact of approximately USD 0.7 million (2019: USD 0.7 million) on results for the year and equity. A corresponding decrease in interest rates would have a corresponding positive impact on results for the year and equity.

Company

Interest rate fluctuations do not significantly affect the Company in 2020 and 2019.

Date of revaluation/maturity – Group and Company

The Group's and Company's fixed-rate interest-bearing loans from the majority shareholder do not expose them to interest rate risks. The Group's and Company's floating-rate interest-bearing financial assets and liabilities expose them to interest rate risks. In respect of the Group's and Company's financial assets and liabilities, the following contractual dates of reassessment and maturity, whichever is earlier, are listed below.

Amounts in USD thousand		**Company**		
31.12.2020	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	77	-	-	77
Loans from majority shareholder, fixed rate^	-	(7,055)	-	(7,055)
Total	**77**	**(7,055)**	**-**	**(6,978)**
31.12.2019				
Cash and cash equivalents	66	-	-	66
Loans from majority shareholder, fixed rate^	(6,509)	-	-	(6,509)
Total	**(6,443)**	**-**	**-**	**(6,443)**

^ excludes interest and finance charge on banker's guarantee

Amounts in USD thousand		**Group**		
31.12.2020	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	5,388	-	-	5,388
Finance loans, floating rate^^	(58,576)	-	-	(58,576)
Loans from majority shareholder, fixed rate^	(10,055)	-	-	(10,055)
Total	**(63,243)**	**-**	**-**	**(63,243)**
31.12.2019				
Cash and cash equivalents	5,527	-	-	5,527
Finance loans, floating rate^^	(73,497)	-	-	(73,497)
Loans from majority shareholder, fixed rate^	(9,509)	-	-	(9,509)
Total	**(77,479)**	**-**	**-**	**(77,479)**

^ excludes interest and finance charge on banker's guarantee
^^ excludes interest

Liquidity Risks

The Group needs to comply with minimum liquidity levels from 19 December 2014. Hence, the Group needs to monitor its liquidity carefully to ensure that it has sufficient liquidity to repay its scheduled interest payments and meet expected operational expenses. The Group's and Company's cash resources consist of cash, which is placed with a leading Nordic bank with good creditworthiness.

Cash resources consist of the following:	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Cash and cash equivalents	77	66	5,388	5,527
Total	**77**	**66**	**5,388**	**5,527**

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million will be used to pay down the long-term facility ('cash sweep'). The cash sweep mechanism under the loan agreement was activated in 2020. Excess cash totalling USD 13.3 million was used to pay down the loan, in addition to the USD 1.5 million regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020.

As part of the loan restructuring concluded with the lending banks in Q4 2018 which expired on 30 December 2020, the quarterly loan instalments due from December 2018 to September 2020 were deferred to December 2020.

As part of the loan restructuring concluded in December 2020, the quarterly loan instalments are re-instated from December 2020.

Maturities of liabilities

The following table shows maturity of liabilities. The cashflows are shown including interests.

Amounts in USD thousand		Company			
2020	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Loans from majority shareholder	(7,055)	-	(7,670)	-	(7,670)
Trade payables	(240)	(240)	0	-	(240)
Total	**(7,295)**	**(240)**	(7,670)	-	**(7,910)**
2019					
Non-derivative financial liabilities					
Loans from majority shareholder	(6,509)	(7,055)	-	-	(7,055)
Trade payables	(128)	(128)	-	-	(128)
Total	**(6,637)**	**(7,183)**	-	-	**(7,183)**

Amounts in USD thousand		Group			
2020	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Finance loans, floating	(59,026)	(59,424)	-	-	(59,424)
Loans from majority shareholder	(10,055)	(11,414)	-	-	(11,414)
Trade payables	(4,408)	(4,408)	-	-	(4,408)
Interest payable on finance loans	(14)	(14)	-	-	(14)
Interest payable on loans from shareholder	(491)	-	(491)	-	(491)
Finance charge on banker's guarantee provided by shareholder	(1,026)	(513)	(513)	-	(1,026)
Total	**(75,020)**	**(75,773)**	**(1,004)**	**-**	**(76,777)**
2019					
Non-derivative financial liabilities					
Finance loans, floating	(72,158)	(76,306)	-	-	(76,306)
Loans from majority shareholder	(9,509)	(10,545)	-	-	(10,545)
Trade payables	(6,824)	(6,824)	-	-	(6,824)
Interest payable on finance loans	(24)	(24)	-	-	(24)
Interest payable on loans from shareholder	(247)	(247)	-	-	(247)
Finance charge on banker's guarantee provided by shareholder	(635)	(635)	-	-	(635)
Total	**(89,397)**	**(94,581)**	**-**	**-**	**(94,581)**

The fair value of the finance loans (level 3) and loans from majority shareholder may be below nominal value depending on the terms of the expected merger to be consummated in the first half of 2021.

Breach of loan agreements

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 end of September 2020.

As part of the loan restructuring concluded in December 2020, financial covenants such as the minimum liquidity level is revised and minimum value clause is re-introduced.

Credit risks

It is the Group's policy to cooperate with recognised pool partners and only grant credit to oil majors and other first class customers in order to minimise credit risks. As such, the Group’s credit risk relates to receivables from these first class customers and oil majors from pool arrangements contracted with recognised business partners in the product tanker segment.

The credit risk is deemed to be minimal and consequently, receivables are not hedged. The Group’s maximum credit risk associated with receivables corresponds to their carrying amounts.

Amounts in USD thousand		**Company**		
2020	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Other receivables	80	-	-	80
Total	**80**	**-**	**-**	**80**
2019				
Non-derivative financial assets				
Other receivables	103	-	-	103
Total	**103**	**-**	**-**	**103**

Amounts in USD thousand		**Group**		
2020	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Trade receivables	4,634	-	-	4,634
Other receivables	1,640	-	-	1,640
Total	**6,274**	**-**	**-**	**6,274**
2019				
Non-derivative financial assets				
Trade receivables	9,017	-	-	9,017
Other receivables	1,626	-	-	1,626
Total	**10,643**	**-**	**-**	**10,643**

There is no provision of doubtful debts in 2020 and 2019.

Capital management

The Group's objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders’ value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment or obtain new borrowings.

The Company is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

As mentioned in Note 0, although Management expects either to consummate a merger or that the necessary financing will be obtained beyond 30 December 2021 to secure an orderly sale of the vessels and hence has prepared the financial statements for 2020 on a going concern basis, 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.

19. Finance loans

Amounts in USD thousands	Group 2020	2019
Finance loans		
Payables to lenders are recognised in the balance sheet as follows:		
Non-current liabilities	-	-
Current liabilities	59,040	72,890
	59,040	**72,890**

At 31 December, the Group had the following loans:

Currency	Fixed/ floating	2020	2019
Finance loans (USD)	floating	59,026	72,158
Accrued modification loss		-	708
Calculated interest not yet due on finance loans		14	24
		59,040	**72,890**
Due within one year		59,040	72,890
Due between 1-2 years		-	-
Due between 2-3 years		-	-
Due between 3-4 years		-	-
Due between 4-5 years		-	-
Due after 5 years		-	-
		59,040	**72,890**

The loan agreements include change of control clauses, whereby the finance loans fall due by a change of controlling interest in the Company, change of more than 33% of the outstanding shares or voting rights, or change of more than 25% of the outstanding shares or voting rights combined with a change in the members of the Board of Directors.

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million will be used to pay down the long-term facility ('cash sweep'). The cash sweep mechanism under the loan agreement was activated in 2020. Excess cash totalling USD 13.3 million was used to pay down the loan, in addition to the USD 1.5 million regular loan amortisation which was reinstated after the loan restructuring concluded in December 2020.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 were deferred to December 2020. In addition, the financial covenants under the original loans such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020. In exchange, the interest margin is increased by 1% to 4%, of which 2.5% point of the total interest margin is capitalised quarterly.

Following successful negotiations between the major shareholder of the Group, management and the lenders, an agreement has been reached with the lenders for an extension of the Company's loan facility by another year to 30 December 2021. Terms of the re-negotiated financing agreements include but are not limited to (i) the sale of two vessels, Nordic Hanne and Nordic Pia, within the first half of 2021 (ii) re-instatement of quarterly loan instalments from December 2020, (iii) revised minimum liquidity level and (iv) re-introduction of minimum value clause. The interest margin remains at 4%, of which 2.5% point of the total interest margin is capitalised quarterly.

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. After accounting for the modification gain of USD 0.7 million (2019: USD 0.8 million) released to the income statement upon the payment of scheduled loan interest from Q4 2018, the unamortised portion of the modification loss is USD NIL (2019: USD 0.7 million).

Nordic Ruth was sold in July 2019 and the net proceeds from the sale was applied entirely to prepay the loan facility. The fair value of the finance loans may be below nominal value depending on the terms of the expected merger to be consummated in the first half of 2021.

20. Loans from majority shareholder

		Company		Group	
Amounts in USD thousands		**2020**	**2019**	**2020**	**2019**
Loans from majority shareholder					
Payables to the major shareholder are recognised in the balance sheet as follows:					
Non-current liabilities		7,055	-	11,059	-
Current liabilities		-	6,509	513	10,391
		7,055	**6,509**	**11,572**	**10,391**

At 31 December, the Company and the Group had the following loans:

Currency	**Fixed/ floating**	**2020**	**2019**	**2020**	**2019**
Loans from shareholder (USD)	Fixed	7,055	6,509	10,055	9,509
Calculated interest on loans from shareholder		-	-	491	247
Calculated finance charge on banker's guarantee provided by shareholder		-	-	1,026	635
		7,055	**6,509**	**11,572**	**10,391**
Due within one year		-	6,509	513	10,391
Due between 1-2 years		7,055	-	11,059	-
Due between 2-3 years		-	-	-	-
Due between 3-4 years		-	-	-	-
Due between 4-5 years		-	-	-	-
Due after 5 years		-	-	-	-
		7,055	**6,509**	**11,572**	**10,391**

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders and the related finance charge accrued on this Banker's Guarantee is USD 1.0 million (2019: USD 0.6 million). This Banker's Guarantee is due to expire in early January 2022.

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million and USD 3.0 million to the Company and NSHS (a wholly-owned subsidiary of the Company), respectively. Both shareholder loans are due in early January 2022. The interest on the USD 6.0 million shareholder loan extended to the Company is capitalised quarterly and is due in early January 2022 while the interest on the USD 3.0 million shareholder loan extended to NSHS is due in early January 2022.

The fair value of the loans from majority shareholder may be below nominal value depending on the terms of the expected merger to be consummated in the first half of 2021.

21. Trade payables

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Suppliers of goods and services	240	128	4,408	6,824
Total trade payables	**240**	**128**	**4,408**	**6,824**

The carrying amount corresponds to the fair value of the liabilities.

22. Payables to subsidiaries

	Company	
Amounts in USD thousand	**2020**	**2019**
Payables to subsidiaries	2,438	1,336
Total payables to subsidiaries	**2,438**	**1,336**

23. Treasury and share capital

	Company and Group	
Number of shares	**2020**	**2019**
Treasury shares at 1 January	24,000	24,000
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	24,000	24,000
Amounts in DKK		
Nominal value		
Treasury shares at 1 January	2,400	2,400
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	**2,400**	**2,400**
% of share capital		
Treasury shares at 1 January	0.01%	0.01%
Effect of change in share capital	0.00%	0.00%
Treasury shares at 31 December	**0.01%**	**0.01%**

Share capital as at 31 December 2020

The share capital as at 31 December 2020 consisted of 406,158,403 shares of DKK 0.1 (2019: 406,158,403 shares of DKK 0.1). The shares have not been divided into classes, and there are no special rights attached to the shares.

Transactions on the share capital have been the following:

Amounts in USD thousand	**2020**	**2019**	**2018**	**2017**	**2016**
Share capital at 1 January	7,437	7,437	7,437	7,437	7,437
Capital reduction	-	-	-	-	-
Capital increase	-	-	-	-	-
Share capital at 31 December	**7,437**	**7,437**	**7,437**	**7,437**	**7,437**
Number of shares:					
Shares at 1 January	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403
Issue of new shares	-	-	-	-	-
Shares at 31 December	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**

24. Related party transactions

	Company		Group	
Amounts in USD thousand	**2020**	**2019**	**2020**	**2019**
Related parties with a significant influence:				
Transport Capital Pte. Ltd. ("Transport Capital"), the Corporate Manager of the Group, is considered a related party of the Group and the Company.				
The Group has engaged in the following transaction with Transport Capital as follows:				
• Management fee paid to Transport Capital	508	505	508	505
Gorrissen Federspiel, a law firm, is considered a related party of the Group and the Company from April 2018.				
The Group has engaged in the following transaction with Gorrissen Federspiel as follows:				
• Legal assistance fees paid to Gorrissen Federspiel in 2020	16	37	16	37
Majority shareholder of the Company provided a USD 3.85 million banker's guarantee to the lending banks as additional security for the loan facility.				
Calculated finance charge on banker's guarantee	-	-	391	390
Majority shareholder of the Company provided shareholder loans of USD 6.0 million to the Company and USD 9.0 million to the Group.				
Interest on loans from majority shareholder	546	502	790	746

Board members' ownership of shares in Nordic Shipholding A/S as at 31 December:

	Company	
Number of shares held by the following Board Member	**2020**	**2019**
Knud Pontoppidan	102,052	102,052
Jon Robert Lewis	-	-
Kanak Kapur	-	-
Jens V. Mathiasen	-	-
Esben Søfren Poulsson	108,295	108,295
Philip Clausius	-	-

On 31 December 2020, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland – 11.03%

Guarantees provided to subsidiaries can be found in Note 25.

Apart from the related parties transactions mentioned above, remuneration of the Board of Directors (Note 5), and financial expenses (Note 10), there are no significant transactions with related parties.

Transactions with subsidiaries are eliminated in the consolidated accounts, in accordance with the Accounting Policies in Note 2.

25. Contingent liabilities and contractual obligations

Amounts in USD thousand	Company and Group 2020	2019
The Company has provided guarantee to the lending banks for the finance loans extended to wholly-owned vessel-owning subsidiaries^	59,040	72,890

^ The security provided to the lending banks includes cross-collateralised mortgages over all vessels owned by the Group, pledge over the shares in all subsidiaries, assignment of earnings and insurances in respect of all vessels owned by the Group, cross-guarantees from all subsidiaries in the Group and Nordic Shipholding A/S in each case as primary and joint liable obligors, and pledge of bank accounts operated by the Group.

On-going dispute

The Company is in an on-going dispute with a charterer for alleged cargo contamination for one of the vessels. In the event if no commercial settlement is reached with the charterer, the maximum potential loss in income is estimated to be USD 0.8 million.

26. Events after the reporting date

Nordic Hanne Pte. Ltd., a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Memorandum of Agreement on 15 January 2021 to sell the Nordic Hanne at a gross sale price of USD 7.85 million.

Nordic Pia Pte. Ltd., a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Memorandum of Agreement on 23 February 2021 to sell the Nordic Pia at a gross sale price of USD 7.08 million.

Definitions and calculation formulas

Net interest-bearing debt is defined as the sum of finance loans less cash and cash equivalents. Invested capital is defined as net working capital (NWC) plus vessels and docking and intangibles and less other provisions and other non-current operating liabilities. The equity ratio is defined as equity divided by total assets. This financial ratio is not defined in the Danish Society of Financial Analysts' guidelines "Recommendations & Financial Ratios". Net working capital (NWC) 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.

EBITDA margin (%)	$\frac{\text{EBITDA}}{\text{Revenue}}$
Net result margin (%)	$\frac{\text{Result}}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity * 100}}{\text{Balance sheet total}}$
Return on invested capital (%)	$\frac{\text{EBIT * 100}}{\text{Year end invested capital}}$
Return on equity (%)	$\frac{\text{Result * 100}}{\text{Year end equity}}$
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Year end equity}}$
Net working capital/revenue (%)	$\frac{\text{Average net working capital * 100}}{\text{Revenue}}$