



NORDIC SHIPHOLDING

Interim Report Q1 2021

26 May 2021

CVR-no. 76 35 17 16

Summary

The comparison figures for the period ended 31 March 2020 are stated in parenthesis.

The first quarter of this year saw the Group performed poorly as the Time Charter Equivalent ("TCE") rates were largely depressed due to low tonnage demand caused by the COVID-19 pandemic coupled with excessive tonnage in the market. As a result, the average daily TCE rate earned in Q1 2021 by the five vessels was 61% lower than the average daily TCE rate earned in Q1 2020.

For the 3 months ended 31 March 2021, the Group incurred a loss after tax of USD 1.5 million (including a one-off impairment loss of USD 0.2 million on the vessels), compared to a profit after tax of USD 3.6 million for the same period last year. The significant decline in TCE rates drove the loss incurred in Q1 2021.

Expenses relating to the operation of vessels in Q1 2021 remained unchanged at USD 2.9 million (USD 2.9 million).

EBITDA decreased significantly to USD 0.4 million (USD 6.4 million) due to the lower TCE revenue generated in Q1 2021. Other external costs remained unchanged at USD 0.3 million (USD 0.3 million).

The Group recognised an impairment loss of USD 0.2 million in Q1 2021 (USD NIL) due to the recognition of certain incremental expenses relating to the sale of Nordic Pia which took place in April 2021.

After accounting for depreciation, impairment losses, interest expenses and other finance expenses, the loss after tax was USD 1.5 million in Q1 2021 (profit of USD 3.6 million).

Between 31 December 2020 and 31 March 2021, equity decreased from negative USD 8.5 million to negative USD 10.0 million as a result of the cumulative loss incurred during the quarter.

Following successful negotiations between the major shareholder of the Group, management and the lenders in December 2020, 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) reinstatement 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 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. There was no cash sweep in Q1 2021 (cash sweep of USD 3.3 million was used to pay down the loan in Q1 2020).

During the financial quarter under review, cash flow from operations was a net cash outflow of USD 0.4 million (net cash inflow of USD 4.0 million) after payment of periodic interest expenses on the term loan. The Group made a partial repayment of USD 1.5 million on the term loan facility. As a result, cash and cash equivalents reduced to USD 3.5 million as at 31 March 2021 from USD 5.4 million as at 31 December 2020.

Nordic Hanne and Nordic Pia were committed for sale when the Sale and Purchase Memorandum of Agreements were signed in January 2021 and February 2021, respectively. Nordic Hanne exited from the Hafnia Handy Pool on 31 March 2021 and was subsequently delivered to her new owner on 19 April 2021. Nordic Pia was delivered to her new owner on 20 April 2021.

The outlook for 2021 remains unchanged as indicated in the 2020 Annual Report.

Consolidated financial highlights

<i>Amounts in USD thousand</i>	Q1 2021	Q1 2020	FY 2020
Time charter equivalent revenue (TCE revenue)	3,739	9,731	27,766
EBITDA	445	6,367	13,942
Operating result (EBIT)	(561)	4,860	(12,551)
Net finance expenses	(924)	(1,220)	(3,900)
Result after tax	(1,485)	3,640	(16,451)
Equity ratio (%)	-15.8%	12.0%	-12.9%
Earnings per share, US cents	(0.37)	0.90	(4.05)
Market price per share DKK, period end	0.32	0.42	0.34
Market price per share USD, period end	0.05	0.06	0.06
Exchange rate USD/DKK, period end	6.34	6.77	6.09
Number of shares, period end	406,158,403	406,158,403	406,158,403
Average number of shares	406,158,403	406,158,403	406,158,403

Company data

Company

Nordic Shipholding A/S (the "Company")
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CVR- no. 76 35 17 16

Website: www.nordicshipholding.com

Registered office: Copenhagen

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Philip Clausius, CEO

Executive Management

Philip Clausius, CEO

Board of Directors

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

Auditors

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

Forward-looking statements

This report contains forward-looking statements reflecting Nordic Shipholding A/S's current beliefs of future events. Forward-looking statements are inherently subject to uncertainty, and Nordic Shipholding A/S's actual results may differ significantly from expectations. Factors which could cause actual results to deviate from the expectations include, but not limited to, changes in macroeconomic, regulatory and political conditions, especially on the Company's main markets, changes in currency exchange and interest rates, freight rates, operating expenses and vessel prices as well as possible disruptions of traffic and operations resulting from outside events. Also, the COVID-19 pandemic adds significant uncertainties to the expectations.

Management's review

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

The first quarter of this year saw the Group performed poorly as the TCE rates were largely depressed due to low tonnage demand caused by the COVID-19 pandemic coupled with excessive tonnage in the market. As a result, the average daily TCE rate earned in Q1 2021 by the five vessels was 61% lower than the average daily TCE rate earned in Q1 2020.

Financial results for the period 1 January – 31 March 2021

The comparison figures for the same period in 2020 are stated in parenthesis.

For the 3 months ended 31 March 2021, the Group incurred a loss after tax of USD 1.5 million (including a one-off impairment loss of USD 0.2 million on the vessels), compared to a profit after tax of USD 3.6 million for the same period last year. The significant decline in TCE rates drove the loss incurred in Q1 2021.

Expenses relating to the operation of vessels in Q1 2021 remained unchanged at USD 2.9 million (USD 2.9 million).

EBITDA decreased significantly to USD 0.4 million (USD 6.4 million) due to the lower TCE revenue generated in Q1 2021. Other external costs remained unchanged at USD 0.3 million (USD 0.3 million).

The Group recognised an impairment loss of USD 0.2 million in Q1 2021 (USD NIL) due to the recognition of certain incremental expenses relating to the sale of Nordic Pia which took place in April 2021.

During the quarter under review, depreciation amounted to USD 0.8 million (USD 1.5 million).

Finance expenses decreased by USD 0.5 million to USD 0.9 million (USD 1.4 million) due to loan repayments totaling USD 13.1 million between 31 March 2020 and 31 March 2021 and lower 3M-USD LIBOR. The loan modification gain of USD 0.2 million released to the Income Statement in Q1 2020, due to the loan restructuring in Q4 2018, was recognised in full by end-2020.

After accounting for depreciation, impairment losses, interest expenses and other finance expenses, the loss after tax was USD 1.5 million in Q1 2021 (profit of USD 3.6 million).

Financial position as at 31 March 2021

The comparison figures for 31 December 2020 are stated in parenthesis.

Total assets amounted to USD 63.6 million (USD 66.5 million).

Vessels and docking decreased USD 0.8 million to USD 38.1 million as at 31 March 2021 (USD 38.9 million) due to depreciation recognised on the vessels.

Receivables balance was USD 6.2 million as at 31 March 2021 (USD 6.3 million).

Asset held-for-sale decreased USD 0.2 million to USD 14.0 million as at 31 March 2021 (USD 14.2 million) due to the recognition of certain incremental expenses relating to the sale of Nordic Pia which took place in April 2021.

From 31 December 2020 to 31 March 2021, net working capital¹ increased by USD 0.6 million from USD 3.6 million to USD 4.2 million.

Cash and cash equivalents stood at USD 3.5 million (USD 5.4 million), a decrease of USD 1.9 million from 31 December 2020.

Between 31 December 2020 and 31 March 2021, equity decreased from negative USD 8.5 million to negative USD 10.0 million as a result of the cumulative loss incurred during the quarter.

Non-current liabilities stood at USD NIL (USD 11.1 million which comprised the loans from majority shareholder). Current liabilities at USD 73.7 million (USD 64.0 million) comprised the current portion of term loan of USD 57.9 million (USD 59.0 million), loans from majority shareholder of USD 11.9 million (USD 0.5 million) and other current liabilities of USD 3.9 million (USD 4.4 million).

Following successful negotiations between the major shareholder of the Group, management and the lenders in December 2020, 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) reinstatement 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 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. There was no cash sweep in Q1 2021 (cash sweep of USD 3.3 million was used to pay down the loan in Q1 2020).

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

Cash flow for the period 1 January – 31 March 2021

The comparison figures for the same period in 2020 are stated in parenthesis.

During the financial quarter under review, cash flow from operations was a net cash outflow of USD 0.4 million (net cash inflow of USD 4.0 million) after payment of periodic interest expenses on the term loan. The Group made a partial repayment of USD 1.5 million on the term loan facility. As a result, cash and cash equivalents reduced to USD 3.5 million as at 31 March 2021 from USD 5.4 million as at 31 December 2020.

Outlook for 2021

As part of the loan restructuring with the lenders that concluded in December 2020, Nordic Hanne and Nordic Pia were sold in Q1 2021 and delivered to their respective new owners in April 2021. The net proceeds from the sale of these two vessels were 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, the outlook for 2021 remains unchanged as indicated in the 2020 Annual Report. 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 maintained 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 is maintained in the range of USD 3.0 million – USD 5.0 million, and the result before tax, as indicated in the 2020 Annual Report, is unchanged at USD -2.5 million – USD -0.5 million. The outlook for 2021 does not take into account any further impairment or write-back of impairment of the vessels' carrying values.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 31 March 2021.

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

In our opinion, the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's financial position at 31 March 2021 and of its financial performance and cash flows for the period 1 January – 31 March 2021. In our opinion, the management's review gives a true and fair review of the development in and results of the Group's operations and financial position as a whole and a specification of the significant risks and uncertainties facing the Group. Besides what has been disclosed in the interim report for the period 1 January – 31 March 2021, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2020 Annual Report.

Copenhagen, 26 May 2021

Executive Management

Philip Clausius, CEO

Board of Directors

Knud Pontoppidan
Chairman

Jon Robert Lewis
Deputy Chairman

Kanak Kapur

Jens V. Mathiasen

Esben Søfren Poulsson

Philip Clausius

Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	Q1 2021	Q1 2020	FY 2020
Total revenue	7,002	14,183	42,319
Voyage related expenses	(3,263)	(4,452)	(14,553)
TCE revenue	3,739	9,731	27,766
Other income	-	-	74
Expenses related to the operation of vessels	(2,945)	(2,949)	(12,320)
Staff costs	(75)	(76)	(292)
Other external costs	(274)	(339)	(1,286)
EBITDA	445	6,367	13,942
Depreciation	(801)	(1,507)	(5,442)
Impairment loss on vessels	-	-	(14,909)
Impairment loss on asset-held-for-sale	(205)	-	(6,142)
Operating result (EBIT)	(561)	4,860	(12,551)
Financial income	-	185	721
Financial expenses	(924)	(1,405)	(4,621)
Result before tax	(1,485)	3,640	(16,451)
Tax on result	-	-	-
Result after tax	(1,485)	3,640	(16,451)
Other comprehensive income	-	-	-
Comprehensive income	(1,485)	3,640	(16,451)
Distribution of result			
Parent Company	(1,485)	3,640	(16,451)
Non-controlling interest	-	-	-
	(1,485)	3,640	(16,451)
Distribution of comprehensive income			
Parent Company	(1,485)	3,640	(16,451)
Non-controlling interest	-	-	-
	(1,485)	3,640	(16,451)
Number of shares, end of period	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	(0.37)	0.90	(4.05)
Diluted earnings per share, US cents	(0.37)	0.90	(4.05)

Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	31 Mar 2021	31 Mar 2020	31 Dec 2020
Non-current assets			
Vessels and docking	38,057	78,076	38,857
Total non-current assets	38,057	78,076	38,857
Current assets			
Bunkers and lubricant stocks	1,888	2,039	1,757
Receivables	6,179	10,229	6,274
Cash & cash equivalents	3,490	6,155	5,388
Asset held-for-sale	14,034	-	14,234
Total current assets	25,591	18,423	27,653
Total assets	63,648	96,499	66,510
Equity and liabilities			
Equity			
Equity, Parent Company	(10,034)	11,542	(8,549)
Equity, non-controlling interest	-	-	-
Total equity	(10,034)	11,542	(8,549)
Liabilities			
Non-current liabilities			
Finance loans, etc.	-	-	-
Loans from majority shareholder	-	-	11,059
Total non-current liabilities	-	-	11,059
Current liabilities			
Finance loans, etc.	57,928	69,890	59,040
Loans from majority shareholder	11,869	10,680	513
Other current liabilities	3,885	4,387	4,447
Total current liabilities	73,682	84,957	64,000
Total liabilities	73,682	84,957	75,059
Equity and liabilities	63,648	96,499	66,510

Statement of changes in equity (condensed)

<i>Amounts in USD thousand</i>	Share capital	Retained earnings	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2021	7,437	(15,986)	(8,549)	-	(8,549)
Result for the period	-	(1,485)	(1,485)	-	(1,485)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 31 March 2021	7,437	(17,471)	(10,034)	-	(10,034)

<i>Amounts in USD thousand</i>	Share capital	Retained earnings	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2020	7,437	465	7,902	-	7,902
Result for the period	-	3,640	3,640	-	3,640
Other comprehensive income for the period	-	-	-	-	-
Equity as at 31 March 2020	7,437	4,105	11,542	-	11,542

Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	YTD 31 Mar 2021	YTD 31 Mar 2020	Year 2020
Operating result (EBIT)	(561)	4,860	(12,551)
Adjustments for:			
Depreciation and write-downs	1,006	1,507	26,493
Non-cash financial expenses	-	-	(48)
Operating profit before working capital changes	445	6,367	13,894
Changes in working capital	(606)	(1,730)	2,568
Net financial expenses paid	(203)	(643)	(1,689)
Income tax paid	-	(7)	(7)
Cash flows from operating activities	(364)	3,987	14,766
Investments in tangible assets	-	(72)	(73)
Net cash from investing activities	-	(72)	(73)
Repayment of finance loans	(1,534)	(3,287)	(14,832)
Net cash from financing activities	(1,534)	(3,287)	(14,832)
Cash flows for the period	(1,898)	628	(139)
Cash and cash equivalents at beginning of period	5,388	5,527	5,527
Cash and cash equivalents at end of period	3,490	6,155	5,388

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 30 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 and hence has prepared the financial statements for Q1 2021 on a going concern basis, the above also indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If the Company is no longer a going concern, there is a risk of further significant write-down on the vessels' carrying values.

1. Accounting policies

The interim report has been presented as a condensed set of financial statements in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies have been consistently applied. For a further description of the accounting policies, see the 2020 Annual Report for Nordic Shipholding A/S.

New IAS/IFRSs

There are no new financial reporting standards or interpretations that are implemented or amended in Q1 2021.

2. Accounting estimates

Impairment tests

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Excluding Nordic Hanne and Nordic Pia which has been reclassified as an asset held-for-sale, the Group evaluates the carrying amount of vessels within two cash generating units – (1) one LR1 vessel deployed in Hafnia LR Pool and (2) 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.

In Q1 2021, an impairment loss of USD 0.2 million was recognised on asset held-for-sale. There was no impairment loss recognised or reversal of impairment write-down on vessels that do not meet the criteria for being classified as asset held-for-sale as of 31 March 2021.

Depreciation

Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the depreciation for the period. There was no change to the estimates of useful lives and residual values during Q1 2021. The carrying amount of vessels as at 31 March 2021 amounted to USD 38.1 million (31 December 2020: USD 38.9 million).

3. Finance loans

As at 31 March 2021, the Group had outstanding finance loans of USD 57.9 million (31 December 2020: USD 59.0 million). The reduction in finance loans from 31 December 2020 was due to partial repayment on term loan, which is offset by the capitalisation of 2.5% point of the total loan interest margin.

Following successful negotiations between the major shareholder of the Group, management and the lenders in December 2020, 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) reinstatement of quarterly loan instalments from December 2020, and (iv) new financial covenants such as revised minimum liquidity level and minimum value clauses.

4. Loans from majority shareholder

As at 31 March 2021, the Group had outstanding loans from majority shareholder of USD 11.9 million (31 December 2020: USD 11.6 million). The increase in the loans from the majority shareholder from 31 December 2020 is due to accrued interest on the (i) outstanding loans and (ii) banker's guarantee of USD 3.85 million provided as additional security to the lenders.

5. Events occurring after the end of the financial period

As announced in April 2021, Nordic Hanne Pte. Ltd. and Nordic Pia Pte. Ltd., both wholly-owned subsidiaries of Nordic Shipholding A/S, have successfully delivered the M/T Nordic Hanne and M/T Nordic Pia to their respective new owners. The net proceeds from the sale of these two vessels were used to pay down the respective loans associated with the vessels.