NORDIC SHIPHOLDING

Interim Report H1 2019

21 August 2019
CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 June 2018 are stated in parenthesis.

The Group started 2019 on a positive note as the average daily Time Charter Equivalent ("TCE") rate in Q1 2019 for the six vessels was approximately 23% higher than the average TCE rate in Q4 2018. However, the TCE rate started to decline from May 2019. The average TCE earned by the six vessels in H1 2019 was 19% higher than the average TCE earned in H1 2018.

For the 6 months ended 30 June 2019, the Group incurred a loss after tax of USD 1.3 million (loss of USD 11.8 million which included a one-off impairment loss of USD 8.2 million for the vessels).

TCE earnings rose 19.0% to USD 12.2 million (USD 10.2 million) in H1 2019.

Expenses relating to the operation of vessels in H1 2019 decreased marginally to USD 7.1 million (USD 7.2 million).

EBITDA increased significantly to USD 4.3 million (USD 1.9 million) as a result of improved TCE earnings in H1 2019. Other external costs were reduced by USD 0.4 million to USD 0.6 million (USD 1.0 million) due mainly to the reduction in management fees charged by the corporate manager of the Group and other corporate expenses.

The Group recognised an impairment loss on asset-held-for-sale of USD 0.3 million in H1 2019 related to the sale of Nordic Ruth in July 2019. The Group did not make any impairment nor reversal of impairment on the remaining vessels in H1 2019.

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 30 September 2020. In addition, the quarterly loan instalments are deferred from December 2018 to September 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 (excluding the bank balance held in dry-docking reserve bank accounts) in excess of USD 6.0 million towards prepayment of the loan. There was no cash sweep in H1 2019 and H1 2018.

During the financial period, cash flow generated from operations was USD 0.2 million (cash flow used in operations of USD 0.2 million) mainly contributed by earnings from the three pools. In H1 2019, the Group did not capitalise any dry-dock expenditure (the Group paid USD 0.5 million for the dry-docking of Nordic Ruth in H1 2018). The Group did not make any loan repayments in H1 2019 (USD NIL million in H1 2018 as the Group used previously swept cash for the scheduled amortisation) on the term loan facility. As at 30 June 2019, cash and cash equivalents (including balances held in dry-docking reserve bank accounts) was USD 8.8 million (USD 3.6 million).

The outlook for 2019 remains unchanged as indicated in the 2018 Annual Report.

Consolidated financial highlights

Amounts in USD thousand	**YTD 30 Jun 2019**	**YTD 30 Jun 2018**	**FY 2018**
Time charter equivalent revenue (TCE revenue)	12,152	10,208	19,173
EBITDA	4,285	1,878	2,036
Operating result (EBIT)	1,491	(9,792)	(17,801)
Net finance expenses	(2,744)	(1,980)	(5,971)
Result after tax	(1,253)	(11,772)	(23,772)
Equity ratio (%)	10.4%	22.6%	11.4%
Earnings per share, US cents	(0.31)	(2.90)	(5.85)
Market price per share DKK, period end	0.42	0.57	0.37
Market price per share USD, period end	0.06	0.09	0.06
Exchange rate USD/DKK, period end	6.56	6.38	6.51
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")
Sundkrogsgade 19, DK-2100 Copenhagen, Denmark
CVR- no. 76 35 17 16
Website: www.nordicshipholding.com
Registered office: Copenhagen
Contact persons regarding this interim report: Knud Pontoppidan, Chairman
Philip Clausius, CEO

Executive Management
Philip Clausius, CEO

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

Auditors
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

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

Management's review

The Group with its five vessels, continues to be a tonnage provider in the product tanker segment. Nordic Agnetha, Nordic Amy and Nordic Ruth left the UPT Handy Pool in June 2019. Thereafter, Nordic Agnetha and Nordic Amy were deployed in the spot market before the commencement of their second special survey in July 2019 and September 2019 respectively. Upon completion of their respective second special surveys, both vessels will join Nordic Pia and Nordic Hanne in the Hafnia Handy Pool. The LR1 tanker, Nordic Anne, remained commercially managed by Straits Tankers Pool.

The Group started 2019 on a positive note as the average daily Time Charter Equivalent ("TCE") rate in Q1 2019 for the six vessels was approximately 23% higher than the average TCE rate in Q4 2018. However, the TCE rate started to decline from May 2019. The average TCE earned by the six vessels in H1 2019 was 19% higher than the average TCE earned in H1 2018.

Financial results for the period 1 January – 30 June 2019
The comparison figures for the same period in 2018 are stated in parenthesis.

For the 6 months ended 30 June 2019, the Group incurred a loss after tax of USD 1.3 million (loss of USD 11.8 million which included a one-off impairment loss of USD 8.2 million for the vessels).

TCE earnings rose 19.0% to USD 12.2 million (USD 10.2 million) in H1 2019.

Expenses relating to the operation of vessels in H1 2019 decreased marginally to USD 7.1 million (USD 7.2 million).

EBITDA increased significantly to USD 4.3 million (USD 1.9 million) as a result of improved TCE earnings in H1 2019. Other external costs were reduced by USD 0.4 million to USD 0.6 million (USD 1.0 million) due mainly to the reduction in management fees charged by the corporate manager of the Group and other corporate expenses.

The Group recognised an impairment loss on asset-held-for-sale of USD 0.3 million in H1 2019 related to the sale of Nordic Ruth in July 2019. The Group did not make any impairment nor reversal of impairment on the remaining vessels in H1 2019.

During the financial period, depreciation amounted to USD 2.5 million (USD 3.5 million).

Net finance expenses increased by USD 0.8 million to USD 2.7 million (USD 2.0 million) due to the higher 3M-USD LIBOR and higher interest margin imposed by the lenders following the loan restructuring concluded in Q4 2018.

Financial position as at 30 June 2019
The comparison figures for 31 December 2018 are stated in parenthesis.

Total assets amounted to USD 101.9 million (USD 103.9 million).

Vessels and docking stood at USD 76.1 million (USD 78.6 million). The change is due to depreciation on the vessels totaling USD 2.5 million excluding Nordic Ruth which was reclassified as an asset-held for sale in Q4 2018.

Receivables balance was USD 9.1 million as at 30 June 2019 (USD 9.1 million).

From 31 December 2018 to 30 June 2019, net working capital[1] increased by USD 2.4 million from USD 5.5 million to USD 7.9 million due mainly to the reduction in trade payables.

Cash and cash equivalents stood at USD 8.8 million (USD 8.6 million), an increase of USD 0.2 million from 31 December 2018.

Between 31 December 2018 and 30 June 2019, equity decreased from USD 11.8 million to USD 10.6 million as a result of the cumulative loss during the period. Consequently, the equity ratio decreased from 11.4% to 10.4%.

Non-current liabilities stood at USD 81.4 million (USD 80.4 million). Current liabilities at USD 10.0 million (USD 11.7 million) comprised the current portion of term loan of USD 5.9 million (USD 5.8 million), loan from majority shareholder of USD 0.2 million (USD 0.1 million) and other current liabilities of USD 3.8 million (USD 5.7 million).

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020. In addition, the quarterly loan instalments are deferred from December 2018 to September 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 (excluding the bank balance held in dry-docking reserve bank accounts) in excess of USD 6.0 million towards prepayment of the loan. There was no cash sweep in H1 2019 and H1 2018.

[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 – 30 June 2019
The comparison figures for the same period in 2018 are stated in parenthesis.

During the financial period, cash flow generated from operations was USD 0.2 million (cash flow used in operations of USD 0.2 million) mainly contributed by earnings from the three pools. In H1 2019, the Group did not capitalise any dry-dock expenditure (the Group paid USD 0.5 million for the dry-docking of Nordic Ruth in H1 2018). The Group did not make any loan repayments in H1 2019 (USD NIL million in H1 2018 as the Group used previously swept cash for the scheduled amortisation) on the term loan facility. As at 30 June 2019, cash and cash equivalents (including balances held in dry-docking reserve bank accounts) was USD 8.8 million (USD 3.6 million).

Events occurring after the end of the financial period

As announced in July 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of Nordic Shipholding A/S, has successfully delivered the M/T Nordic Ruth to her new owners. Net proceeds from the sale were used to reduce the term loan with the lenders.

Outlook for 2019

For the rest of 2019, the five vessels will continue to be commercially deployed on a pool basis.

Nordic Anne and Nordic Agnetha had completed their second special survey in August 2019 and Nordic Amy will undergo her second special survey in September 2019.

The outlook for 2019 remains unchanged as indicated in the 2018 Annual Report.

The TCE revenue generated in the first half of 2019 generally tracked the forecasts provided by the respective pool managers. Together with the projected TCE revenue for the remaining 6 months, forecasted TCE revenue for 2019 is maintained in the region of USD 23.0 million – USD 26.0 million. Projected TCE revenue is based on updated forecasts by the respective commercial managers for the five product tankers.

After accounting for operating expenditure budgeted by the respective technical managers, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for 2019 is maintained in the range of USD 5.0 million – USD 8.0 million with a budgeted stable positive cash flow. The result before tax, as indicated in the 2018 Annual Report, is unchanged at USD -6.0 million – USD -3.0 million. This outlook for 2019 does not take into account any impairment or write-back of impairment of vessels' carrying values.

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

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 30 June 2019.

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

In our opinion, the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's financial position at 30 June 2019 and of its financial performance and cash flows for the period 1 January – 30 June 2019. 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 description of the significant risks and uncertainties facing the Group. Besides what has been disclosed in the interim report for the period 1 January – 30 June 2019, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2018 Annual Report.

Copenhagen, 21 August 2019

Executive Management

Philip Clausius, CEO

Board of Directors

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

Consolidated statement of comprehensive income (condensed)

Amounts in USD thousand	**Q2 2019**	**Q2 2018**	**YTD 30 Jun 2019**	**YTD 30 Jun 2018**	**FY 2018**
Total revenue	**7,769**	**7,754**	**17,572**	**16,786**	**32,787**
Voyage related expenses	(2,734)	(3,459)	(5,420)	(6,578)	(13,614)
TCE revenue	**5,035**	**4,295**	**12,152**	**10,208**	**19,173**
Other income	-	-	-	-	224
Expenses related to the operation of vessels	(3,472)	(3,499)	(7,097)	(7,175)	(15,021)
Staff costs	(71)	(85)	(154)	(174)	(326)
Other external costs	(346)	(548)	(616)	(981)	(2,014)
EBITDA	**1,146**	**163**	**4,285**	**1,878**	**2,036**
Depreciation	(1,244)	(1,718)	(2,540)	(3,453)	(6,620)
Impairment loss on vessels	-	(8,217)	-	(8,217)	(13,217)
Impairment loss on asset-held-for-sale	(254)	-	(254)	-	-
Operating result (EBIT)	**(352)**	**(9,772)**	**1,491**	**(9,792)**	**(17,801)**
Financial income	40	8	80	15	32
Financial expenses	(1,390)	(1,090)	(2,824)	(1,995)	(6,003)
Result before tax	**(1,702)**	**(10,854)**	**(1,253)**	**(11,772)**	**(23,772)**
Tax on result	-	-	-	-	-
Result after tax	**(1,702)**	**(10,854)**	**(1,253)**	**(11,772)**	**(23,772)**
Other comprehensive income	-	-	-	-	-
Comprehensive income	**(1,702)**	**(10,854)**	**(1,253)**	**(11,772)**	**(23,772)**
Distribution of result					
Parent Company	(1,702)	(10,854)	(1,253)	(11,772)	(23,772)
Non-controlling interest	-	-	-	-	-
	(1,702)	**(10,854)**	**(1,253)**	**(11,772)**	**(23,772)**
Distribution of comprehensive income					
Parent Company	(1,702)	(10,854)	(1,253)	(11,772)	(23,772)
Non-controlling interest	-	-	-	-	-
	(1,702)	**(10,854)**	**(1,253)**	**(11,772)**	**(23,772)**
Number of shares, end of period	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	(0.42)	(2.67)	(0.31)	(2.90)	(5.85)
Diluted earnings per share, US cents	(0.42)	(2.67)	(0.31)	(2.90)	(5.85)

Statement of financial position (condensed)

Amounts in USD thousand	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**
Non-current assets			
Vessels and docking	76,067	92,288	78,607
Total non-current assets	**76,067**	**92,288**	**78,607**
Current assets			
Bunkers and lubricant stocks	2,598	1,751	2,055
Receivables	9,139	7,558	9,138
Other financial assets	-	8	-
Cash & cash equivalents	8,794	3,579	8,598
Asset held-for-sale	5,347	-	5,489
Total current assets	25,878	12,896	25,280
Total assets	**101,945**	**105,184**	**103,887**
Equity and liabilities			
Equity			
Equity, Parent Company	10,555	23,808	11,808
Equity, non-controlling interest	-	-	-
Total equity	**10,555**	**23,808**	**11,808**
Liabilities			
Non-current liabilities			
Finance loans, etc.	71,824	74,233	71,276
Loans from majority shareholder	9,594	1,024	9,133
Total non-current liabilities	**81,418**	**75,257**	**80,409**
Current liabilities			
Finance loans, etc.	5,904	879	5,827
Loans from majority shareholder	219	24	122
Other current liabilities	3,849	5,216	5,721
Total current liabilities	**9,972**	**6,119**	**11,670**
Total liabilities	**91,390**	**81,376**	**92,079**
Equity and liabilities	**101,945**	**105,184**	**103,887**

Statement of changes in equity (condensed)

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

Amounts in USD thousand	Share capital	Retained earnings	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2018	**7,437**	**28,382**	**35,819**	**-**	**35,819**
Impact due to IFRS 15	-	(239)	(239)	-	(239)
Result for the period	-	(11,772)	(11,772)	-	(11,772)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2018	**7,437**	**16,371**	**23,808**	**-**	**23,808**

Statement of cash flow (condensed)

Amounts in USD thousand	**YTD 30 Jun 2019**	**YTD 30 Jun 2018**	**Year 2018**
Operating result (EBIT)	1,491	(9,792)	(17,801)
Adjustments for:			
Depreciation and impairment loss	2,794	11,670	19,837
Non-cash financial expenses	-	-	(8)
Operating profit before working capital changes	4,285	1,878	2,028
Changes in working capital	(2,528)	(156)	(1,060)
Net financial expenses paid	(1,561)	(1,926)	(3,706)
Cash flows from operating activities	**196**	(204)	(2,738)
Investments in tangible assets	-	(527)	(974)
Net cash from investing activities	**-**	(527)	(974)
Loans from majority shareholder	-	1,000	9,000
Net cash from financing activities	**-**	1,000	9,000
Cash flows for the period	196	269	5,288
Cash and cash equivalents at beginning of period	8,598	3,310	3,310
Cash and cash equivalents at end of period	**8,794**	3,579	8,598

Notes

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 2018 Annual Report for Nordic Shipholding A/S.

New IAS/IFRSs
Nordic Shipholding A/S has implemented the new financial reporting standards or interpretations which were effective from 1 January 2019. Among the new financial reporting standards, only IFRS 16, Leases, is relevant to the Group. The core principle of IFRS 16 is that the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. Management have assessed the impact of this new standard and it does not have any impact on Nordic Shipholding A/S's results or equity in the interim report and disclosure in the notes since the Company has no lease obligation exceeding 12 months.

2. Accounting estimates

Impairment tests
The discussion below excludes Nordic Ruth, a handysize vessel, as she was delivered to her new owners in July 2019.

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. The Group evaluates the carrying amount of vessels within two cash generating units – (1) one LR1 vessel deployed in Straits Tankers Pool and (2) four vessels deployed in handysize pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

Based on the assessment, there were no indicators of impairment nor reversal of previous impairment made for the five vessels. For description of sensitivities, please refer to Note 7 of the 2018 Annual Report and Note 2 of the Q1 2019 Interim Report.

Depreciation
Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the depreciation for the period. There was no change to the estimates of useful lives and residual values during H1 2019. The carrying amount of vessels as at 30 June 2019 amounted to USD 76.1 million, excluding asset-held-for-sale (30 June 2018: USD 92.3 million; 31 December 2018: USD 78.6 million).

3. Finance loans

As at 30 June 2019, the Group had outstanding finance loans of USD 77.7 million (30 June 2018: USD 75.1 million; 31 December 2018: USD 77.1 million). There was no loan repayment in H1 2019. The capitalisation of 2.5% point of the total loan interest margin resulted in the increase in the outstanding finance loans.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. As of 30 June 2019, the unamortised portion of the modification loss stood at USD 1.1 million.

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

4. Loans from majority shareholder

As at 30 June 2019, the Group had outstanding loans from majority shareholder of USD 9.8 million (30 June 2018: USD 1.0 million; 31 December 2018: USD 9.3 million). The increase in the loans from majority shareholder from 31 December 2018 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 July 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of Nordic Shipholding A/S, has successfully delivered the M/T Nordic Ruth to her new owners. Net proceeds from the sale were used to reduce the term loan with the lenders.