



**NORDIC SHIPHOLDING**

## **Interim Report Q1 2019**

22 May 2019

CVR-no. 76 35 17 16

## Summary

*The comparison figures for period ended 31 March 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 6 vessels was approximately 23% higher than the average TCE rate in Q4 2018.

For the 3 months ended 31 March 2019, the Group generated a profit after tax of USD 0.4 million (loss of USD 0.9 million) primarily due to improved TCE revenue generated in Q1 2019.

TCE earnings rose 20.4% to USD 7.1 million (USD 5.9 million) in Q1 2019 as TCE earnings for the vessels in the three pools were higher compared to the same period last year.

Expenses relating to the operation of vessels in Q1 2019 decreased marginally to USD 3.6 million (USD 3.7 million).

EBITDA increased significantly to USD 3.1 million (USD 1.7 million) as a result of improved TCE earnings in Q1 2019. Other external costs reduced by USD 0.2 million to USD 0.2 million (USD 0.4 million) due mainly to the reduction in management fees charged by the corporate manager of the Group.

The Group did not make any impairment nor reversal of impairment during the quarter.

After accounting for depreciation, interest expenses and other finance expenses, the Group generated a profit after tax of USD 0.4 million in Q1 2019 (loss after tax of USD 0.9 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 Q1 2019 and Q1 2018.

During the financial period, cash flow generated from operations was USD 0.7 million (USD 0.4 million) mainly contributed by earnings from the three pools. During the financial period, there is no payment for dry-docking (USD 11K for the preparation of dry-docking for Nordic Ruth in Q2 2018). The Group did not make any loan repayments in Q1 2019 (USD NIL million in Q1 2018 as the Group used previously swept cash for the scheduled amortisation) on the term loan facility under the restructured loan terms agreed with the lenders in Q4 2018. As at 31 March 2019, cash and cash equivalents (including balances held in dry-docking reserve bank accounts) was USD 9.3 million (USD 3.7 million).

With regard to Nordic Ruth, as announced in April 2019, Nordic Shipholding A/S will continue to market the 19-year old vessel for sale.

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

## Consolidated financial highlights

<i>Amounts in USD thousand</i>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>FY 2018</b>
Time charter equivalent revenue (TCE revenue)	7,117	5,913	19,173
EBITDA	3,139	1,715	2,036
Operating result (EBIT)	1,843	(20)	(17,801)
Net finance expenses	(1,394)	(898)	(5,971)
Result after tax	449	(918)	(23,772)
Equity ratio (%)	11.9%	30.4%	11.4%
Earnings per share, US cents	0.11	(0.23)	(5.85)
Market price per share DKK, period end	0.42	0.60	0.37
Market price per share USD, period end	0.06	0.10	0.06
Exchange rate USD/DKK, period end	6.65	6.05	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](http://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 six vessels, continues to be a tonnage provider in the product tanker segment. The five handysize tankers remained commercially managed by the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne) while 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 6 vessels was approximately 23% higher than the average TCE rate in Q4 2018.

### Financial results for the period 1 January – 31 March 2019

*The comparison figures for the same period in 2018 are stated in parenthesis.*

For the 3 months ended 31 March 2019, the Group generated a profit after tax of USD 0.4 million (loss of USD 0.9 million) primarily due to improved TCE revenue generated in Q1 2019.

TCE earnings rose 20.4% to USD 7.1 million (USD 5.9 million) in Q1 2019 as TCE earnings for the vessels in the three pools were higher compared to the same period last year.

Expenses relating to the operation of vessels in Q1 2019 decreased marginally to USD 3.6 million (USD 3.7 million).

EBITDA increased significantly to USD 3.1 million (USD 1.7 million) as a result of improved TCE earnings in Q1 2019. Other external costs reduced by USD 0.2 million to USD 0.2 million (USD 0.4 million) due mainly to the reduction in management fees charged by the Corporate Manager of the Group

The Group did not make any impairment nor reversal of impairment during the quarter.

During the financial period, depreciation amounted to USD 1.3 million (USD 1.7 million).

Net finance expenses increased by USD 0.5 million to USD 1.4 million due to the higher 3M-USD LIBOR and higher interest margin imposed by the lenders following the loan restructuring concluded in Q4 2018 (USD 0.9 million).

After accounting for depreciation, interest expenses and other finance expenses, the Group generated a profit after tax of USD 0.4 million in Q1 2019 (loss after tax of USD 0.9 million).

### Financial position as at 31 March 2019

*The comparison figures for 31 December 2018 are stated in parenthesis.*

Total assets amounted to USD 102.8 million (USD 103.9 million).

Vessels and docking stood at USD 77.3 million (USD 78.6 million). The change is due to depreciation on the vessels totaling USD 1.3 million excluding Nordic Ruth which has been reclassified as an asset-held for sale in Q4 2018.

Receivables balance was USD 8.8 million as at 31 March 2019 (USD 9.1 million).

From 31 December 2018 to 31 March 2019, net working capital<sup>1</sup> increased by USD 1.6 million from USD 5.5 million to USD 7.1 million due mainly to the reduction in trade payables.

Cash and cash equivalents stood at USD 9.3 million (USD 8.6 million), an increase of USD 0.7 million from 31 December 2018.

Between 31 December 2018 and 31 March 2019, equity increased from USD 11.8 million to USD 12.3 million as a result of the cumulative profit during the period. Consequently, the equity ratio increased from 11.4% to 11.9% between 31 December 2018 and 31 March 2019.

Non-current liabilities stood at USD 80.9 million (USD 80.4 million). Current liabilities at USD 9.6 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 3.6 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 Q1 2019 and Q1 2018.

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<sup>1</sup> 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 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 0.7 million (USD 0.4 million) mainly contributed by earnings from the three pools. During the financial period, there is no payment for dry-docking (USD 11K for the preparation of dry-docking for Nordic Ruth in Q2 2018). The Group did not make any loan repayments in Q1 2019 (USD NIL million in Q1 2018 as the Group used previously swept cash for the scheduled amortisation) on the term loan facility under the restructured loan terms agreed with the lenders in Q4 2018. As at 31 March 2019, cash and cash equivalents (including balances held in dry-docking reserve bank accounts) was USD 9.3 million (USD 3.7 million).

## **Events occurring after the end of the financial period**

With regard to Nordic Ruth, as announced in April 2019, Nordic Shipholding A/S will continue to market the 19-year old vessel for sale. Nordic Ruth will remain deployed in the UPT Handy Pool until she is sold.

## **Outlook for 2019**

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

Nordic Anne and Nordic Agnetha will undergo their second special survey in June 2019 and Nordic Amy will undergo her second special survey in July 2019.

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

The TCE revenue generated in the first quarter of 2019 tracked generally the forecasts provided by the respective pool managers. Together with the projected TCE revenue for the remaining 9 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 6 product tankers (including the expected TCE revenue earned by Nordic Ruth until she is sold).

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.

With a considerably improved balance sheet structure, the Company is in a more favourable position 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 – 31 March 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 31 March 2019 and of its financial performance and cash flows for the period 1 January – 31 March 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 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 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, 22 May 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)

<i>Amounts in USD thousand</i>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>FY 2018</b>
Total revenue	<b>9,803</b>	<b>9,032</b>	<b>32,787</b>
Voyage related expenses	(2,686)	(3,119)	(13,614)
<b>TCE revenue</b>	<b>7,117</b>	<b>5,913</b>	<b>19,173</b>
Other income	-	-	224
Expenses related to the operation of vessels	(3,625)	(3,676)	(15,021)
Staff costs	(83)	(89)	(326)
Other external costs	(270)	(433)	(2,014)
<b>EBITDA</b>	<b>3,139</b>	<b>1,715</b>	<b>2,036</b>
Depreciation	(1,296)	(1,735)	(6,620)
Write-downs	-	-	(13,217)
<b>Operating result (EBIT)</b>	<b>1,843</b>	<b>(20)</b>	<b>(17,801)</b>
Financial income	40	-	32
Financial expenses	(1,434)	(898)	(6,003)
<b>Result before tax</b>	<b>449</b>	<b>(918)</b>	<b>(23,772)</b>
Tax on result	-	-	-
<b>Result after tax</b>	<b>449</b>	<b>(918)</b>	<b>(23,772)</b>
<b>Other comprehensive income</b>	-	-	-
<b>Comprehensive income</b>	<b>449</b>	<b>(918)</b>	<b>(23,772)</b>
<b>Distribution of result</b>			
Parent Company	449	(918)	(23,772)
Non-controlling interest	-	-	-
	<b>449</b>	<b>(918)</b>	<b>(23,772)</b>
<b>Distribution of comprehensive income</b>			
Parent Company	449	(918)	(23,772)
Non-controlling interest	-	-	-
	<b>449</b>	<b>(918)</b>	<b>(23,772)</b>
Number of shares, end of period	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	0.11	(0.23)	(5.85)
Diluted earnings per share, US cents	0.11	(0.23)	(5.85)

## Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	<b>31 Mar 2019</b>	<b>31 Mar 2018</b>	<b>31 Dec 2018</b>
<b>Non-current assets</b>			
Vessels and docking	77,311	101,235	78,607
<b>Total non-current assets</b>	<b>77,311</b>	<b>101,235</b>	<b>78,607</b>
<b>Current assets</b>			
Bunkers and lubricant stocks	1,907	1,493	2,055
Receivables	8,800	7,496	9,138
Other financial assets	-	9	-
Cash & cash equivalents	9,285	3,693	8,598
Asset held-for-sale	5,489	-	5,489
<b>Total current assets</b>	<b>25,481</b>	<b>12,691</b>	<b>25,280</b>
<b>Total assets</b>	<b>102,792</b>	<b>113,926</b>	<b>103,887</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity, Parent Company	12,257	34,662	11,808
Equity, non-controlling interest	-	-	-
<b>Total equity</b>	<b>12,257</b>	<b>34,662</b>	<b>11,808</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance loans, etc.	71,550	75,081	71,276
Loans from majority shareholder	9,361	-	9,133
<b>Total non-current liabilities</b>	<b>80,911</b>	<b>75,081</b>	<b>80,409</b>
<b>Current liabilities</b>			
Finance loans, etc.	5,858	45	5,827
Loans from majority shareholder	170	-	122
Other current liabilities	3,596	4,138	5,721
<b>Total current liabilities</b>	<b>9,624</b>	<b>4,183</b>	<b>11,670</b>
<b>Total liabilities</b>	<b>90,535</b>	<b>79,264</b>	<b>92,079</b>
<b>Equity and liabilities</b>	<b>102,792</b>	<b>113,926</b>	<b>103,887</b>

## Statement of changes in equity (condensed)

<i>Amounts in USD thousand</i>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Equity Parent company</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Equity as at 1 January 2019</b>	<b>7,437</b>	<b>4,371</b>	<b>11,808</b>	-	<b>11,808</b>
Result for the period	-	449	449	-	449
Other comprehensive income for the period	-	-	-	-	-
<b>Equity as at 31 March 2019</b>	<b>7,437</b>	<b>4,820</b>	<b>12,257</b>	-	<b>12,257</b>

<i>Amounts in USD thousand</i>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Equity Parent company</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Equity as at 1 January 2018</b>	<b>7,437</b>	<b>28,382</b>	<b>35,819</b>	-	<b>35,819</b>
Impact due to IFRS 15	-	(239)	(239)	-	(239)
<b>Adjusted shareholders' equity as at 1 January 2018</b>	<b>7,437</b>	<b>28,143</b>	<b>35,580</b>	-	<b>35,580</b>
Result for the period	-	(918)	(918)	-	(918)
Other comprehensive income for the period	-	-	-	-	-
<b>Equity as at 31 March 2018</b>	<b>7,437</b>	<b>27,225</b>	<b>34,662</b>	-	<b>34,662</b>

## Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	<b>YTD 31 Mar 2019</b>	<b>YTD 31 Mar 2018</b>	<b>Year 2018</b>
<b>Operating result (EBIT)</b>	1,843	(20)	(17,801)
Adjustments for:			
Depreciation and write-downs	1,296	1,735	19,837
Non-cash financial expenses	-	-	(8)
<b>Operating profit before working capital changes</b>	<b>3,139</b>	<b>1,715</b>	<b>2,028</b>
Changes in working capital	(1,640)	(441)	(1,060)
Net financial expenses paid	(812)	(880)	(3,706)
<b>Cash flows from operating activities</b>	<b>687</b>	<b>394</b>	<b>(2,738)</b>
Investments in tangible assets	-	(11)	(974)
<b>Net cash from investing activities</b>	<b>-</b>	<b>(11)</b>	<b>(974)</b>
Loans from majority shareholder	-	-	9,000
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>9,000</b>
Cash flows for the period	687	383	5,288
Cash and cash equivalents at beginning of period	8,598	3,310	3,310
<b>Cash and cash equivalents at end of period</b>	<b>9,285</b>	<b>3,693</b>	<b>8,598</b>

## 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.

### 2. Accounting estimates

#### *Impairment tests*

The discussion below excludes Nordic Ruth, a handysize vessel, as she has been reclassified as an asset-held for sale in Q4 2018.

In accordance with IAS 36, intangible assets with indefinite lives are tested for impairment at least annually and 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) two vessels deployed in UPT Handy Pool and 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 2019, there was no impairment loss recognised or reversal of impairment write-down. We have assessed that there is no further reversal of the impairment loss that was recognised in 2012 for the vessels deployed in the pools.

The value in use calculation is sensitive to fluctuations in freight rates. As an indication of this sensitivity, a fluctuation of 5.0% on the daily long-term TCE rate would, all things being equal, changes the calculated value in use by USD 2.7 million for the LR1 tanker and by USD 4.0 million for the four handysize vessels. If the daily long-term TCE rate decreases by 5.0%, there would be an impairment loss of USD 0.9 million for the LR1 tanker and USD 0.2 million for the four handysize vessels.

Another key assumption used in the value in use calculation is its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. 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. Similarly,

a fluctuation of 1 percentage point on the WACC would, all things being equal, changes the calculated value in use by USD 1.5 million for the LR1 tanker and by USD 1.5 million for the four handysize vessels. If the WACC increases by 1 percentage point, there would be no impairment loss for the LR1 tanker and the four handysize vessels.

#### *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 2019. The carrying amount of vessels as at 31 March 2019 amounted to USD 77.3 million (31 March 2018: USD 101.2 million; 31 December 2018: USD 78.6 million).

### **3. Finance loans**

As at 31 March 2019, the Group had outstanding finance loans of USD 77.4 million (31 March 2018: USD 75.1 million; 31 December 2018: USD 77.1 million). There was no loan repayment in Q1 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 31 March 2019, the unamortised portion of the modification loss stood at USD 1.2 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 31 March 2019, the Group had outstanding loans from majority shareholder of USD 9.5 million (31 March 2018: USD NIL; 31 December 2018: USD 9.3 million). The increase in the loans from majority shareholder 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.