NORDIC SHIPHOLDING

Interim Report Q1 2020

27 May 2020

CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 31 March 2019 are stated in parenthesis.

While the COVID-19 pandemic and the oil price war which started in Q1 2020 did not have any negative impact on the Group's earnings in Q1 2020, the Group's performance was boosted by the substantial improvement in the tanker market caused by the oil price war during this period as compared to Q4 2019. As a result, the average daily Time Charter Equivalent ("TCE") rate earned in Q1 2020 by the 5 vessels was approximately 24% higher than the average TCE rate earned in Q4 2019.

For the 3 months ended 31 March 2020, the Group generated a profit after tax of USD 3.6 million (USD 0.4 million) primarily due to improved TCE revenue generated in Q1 2020.

Despite the sale of Nordic Ruth in July 2019, TCE earnings rose 36.7% to USD 9.7 million (USD 7.1 million) in Q1 2020 arising from higher TCE earnings by the vessels in the pools compared to the same period last year.

Expenses relating to the operation of vessels in Q1 2020 decreased to USD 2.9 million (USD 3.6 million) primarily due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 6.4 million (USD 3.1 million) as a result of improved TCE earnings in Q1 2020. Other external costs remained relatively consistent at USD 0.3 million (USD 0.3 million).

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 3.6 million in Q1 2020 (USD 0.4 million).

Between 31 December 2019 and 31 March 2020, equity increased from USD 7.9 million to USD 11.5 million as a result of the cumulative profit earned during the period. Consequently, the equity ratio improved from 8.1% to 12.0%.

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

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. This cash sweep mechanism was activated on 31 March 2020 and excess cash of USD 3.3 million was used to pay down the loan (USD NIL cash sweep for Q1 2019).

During the financial period under review, cash flow generated from operations was USD 4.0 million (USD 0.7 million) contributed by earnings from the pools. As at 31 March 2020, cash and cash equivalents stood at USD 6.2 million (USD 9.3 million, including balances held in dry-docking reserve bank accounts).

For the rest of 2020, the vessels will continue to be commercially deployed on a pool basis.

As mentioned, the high TCE revenue in Q1 2020 has resulted in the Group being able to repay USD 3.3 million on its loan facilities under the cash sweep mechanism, and as the positive TCE revenue has continued well into Q2 2020, it is expected that the Group shall be able to make further repayment on its loan facilities under the cash sweep mechanism by the end of Q2 2020.

Despite these improved results and extraordinary principal payments, the Group is still in a difficult position, and with a view to the uncertainties ahead caused by the COVID-19 pandemic and the collapse of the oil price, the forecast for the rest of the year is still subject to unprecedented uncertainties; therefore, the Group for the time being, is unable to provide a forecast for 2020. A forecast will be provided when there is more certainty. As described in Note 0 in the Interim Report Q1 2020, the management is pursuing various alternatives to secure the Group's ability to continue as a going concern by securing long-term financing for the Group. These alternatives include a potential merger and renegotiation of the Group's loan facilities, but may also include disposal of one or more vessels and further repayment on its loan facilities.

Consolidated financial highlights

Amounts in USD thousand	Q1 2020	Q1 2019	FY 2019
Time charter equivalent revenue (TCE revenue)	9,731	7,117	22,498
EBITDA	6,367	3,139	6,840
Operating result (EBIT)	4,860	1,843	1,312
Net finance expenses	(1,220)	(1,394)	(5,208)
Result after tax	3,640	449	(3,906)
Equity ratio (%)	12.0%	11.9%	8.1%
Earnings per share, US cents	0.90	0.11	(0.96)
Market price per share DKK, period end	0.42	0.42	0.54
Market price per share USD, period end	0.06	0.06	0.08
Exchange rate USD/DKK, period end	6.77	6.65	6.66
Number of shares, period end	406,158,403	406,158,403	406,158,403
Average number of shares	406,158,403	406,158,403	406,158,403

Company data

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

Executive Management
Philip Clausius, CEO

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

Auditors
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

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

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.

While the COVID-19 pandemic and the oil price war which started in Q1 2020 did not have any negative impact on the Group's earnings in Q1 2020, the Group's performance was boosted by the substantial improvement in the tanker market caused by the oil price war during this period as compared to Q4 2019. As a result, the average daily Time Charter Equivalent ("TCE") rate earned in Q1 2020 by the 5 vessels was approximately 24% higher than the average TCE rate earned in Q4 2019.

Financial results for the period 1 January – 31 March 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

For the 3 months ended 31 March 2020, the Group generated a profit after tax of USD 3.6 million (USD 0.4 million) primarily due to improved TCE revenue generated in Q1 2020.

Despite the sale of Nordic Ruth in July 2019, TCE earnings rose 36.7% to USD 9.7 million (USD 7.1 million) in Q1 2020 arising from higher TCE earnings by the vessels in the pools compared to the same period last year.

Expenses relating to the operation of vessels in Q1 2020 decreased to USD 2.9 million (USD 3.6 million) primarily due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 6.4 million (USD 3.1 million) as a result of improved TCE earnings in Q1 2020. Other external costs remained relatively consistent at USD 0.3 million (USD 0.3 million).

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

During the financial period, depreciation amounted to USD 1.5 million (USD 1.3 million).

Net finance expenses decreased by USD 0.2 million to USD 1.2 million due to the loan repayment totaling USD 8.6 million between 31 March 2019 and 31 March 2020 and lower 3M-USD LIBOR (USD 1.4 million).

After accounting for depreciation, interest expenses and other finance expenses, the Group generated a profit after tax of USD 3.6 million in Q1 2020 (USD 0.4 million).

Financial position as at 31 March 2020

The comparison figures for 31 December 2019 are stated in parenthesis.

Total assets amounted to USD 96.5 million (USD 98.1 million).

Vessels and docking stood at USD 78.1 million (USD 79.5 million). The change is due to depreciation on the vessels totaling USD 1.5 million offset by capitalisation of dry-docking of Nordic Anne, Nordic Agnetha and Nordic Amy.

Receivables balance was USD 10.2 million as at 31 March 2020 (USD 10.6 million).

From 31 December 2019 to 31 March 2020, net working capital[1] increased by USD 1.7 million from USD 6.2 million to USD 7.9 million due mainly to the reduction in trade payables.

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

Between 31 December 2019 and 31 March 2020, equity increased from USD 7.9 million to USD 11.5 million as a result of the cumulative profit earned during the period. Consequently, the equity ratio improved from 8.1% to 12.0%.

Non-current liabilities stood at USD NIL (USD NIL). Current liabilities at USD 85.0 million (USD 90.2 million) comprised the current portion of term loan of USD 69.9 million (USD 72.9 million), loan from majority shareholder of USD 10.7 million (USD 10.4 million) and other current liabilities of USD 4.4 million (USD 6.9 million). At the last financial year-end, as all parties are still in the process to achieve a longer-term agreement, the bank loans and loans from the majority shareholder is classified as current loans.

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

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. This cash sweep mechanism was activated on 31 March 2020 and excess cash of USD 3.3 million was used to pay down the loan (USD NIL cash sweep for Q1 2019).

[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 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

During the financial period under review, cash flow generated from operations was USD 4.0 million (USD 0.7 million) contributed by earnings from the pools. As at 31 March 2020, cash and cash equivalents stood at USD 6.2 million (USD 9.3 million, including balances held in dry-docking reserve bank accounts).

Outlook for 2020

For the rest of 2020, the vessels will continue to be commercially deployed on a pool basis.

As mentioned, the high TCE revenue in Q1 2020 has resulted in the Group being able to repay USD 3.3 million on its loan facilities under the cash sweep mechanism, and as the positive TCE revenue has continued well into Q2 2020, it is expected that the Group shall be able to make further repayment on its loan facilities under the cash sweep mechanism by the end of Q2 2020.

Despite these improved results and extraordinary principal payments, the Group is still in a difficult position, and with a view to the uncertainties ahead caused by the COVID-19 pandemic and the collapse of the oil price, the forecast for the rest of the year is still subject to unprecedented uncertainties; therefore, the Group for the time being, is unable to provide a forecast for 2020. A forecast will be provided when there is more certainty. As described in Note 0 in the Interim Report Q1 2020, the management is pursuing various alternatives to secure the Group's ability to continue as a going concern by securing long-term financing for the Group. These alternatives include a potential merger and renegotiation of the Group's loan facilities, but may also include disposal of one or more vessels and further repayment on its loan facilities.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 31 March 2020.

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

In our opinion, the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's financial position at 31 March 2020 and of its financial performance and cash flows for the period 1 January – 31 March 2020. In our opinion, the management's review gives a true and fair review of the development in and results of the Group's operations and financial position as a whole and a specification of the significant risks and uncertainties facing the Group. Besides what has been disclosed in the interim report for the period 1 January – 31 March 2020, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2019 Annual Report.

Copenhagen, 27 May 2020

Executive Management
Philip Clausius, CEO

Board of Directors

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

Consolidated statement of comprehensive income (condensed)

Amounts in USD thousand	**Q1 2020**	**Q1 2019**	**FY 2019**
Total revenue	**14,183**	**9,803**	**36,119**
Voyage related expenses	(4,452)	(2,686)	(13,621)
TCE revenue	**9,731**	**7,117**	**22,498**
Other income	-	-	132
Expenses related to the operation of vessels	(2,949)	(3,625)	(13,886)
Staff costs	(76)	(83)	(291)
Other external costs	(339)	(270)	(1,613)
EBITDA	**6,367**	**3,139**	**6,840**
Depreciation	(1,507)	(1,296)	(5,316)
Write-downs	-	-	(212)
Operating result (EBIT)	**4,860**	**1,843**	**1,312**
Financial income	185	40	883
Financial expenses	(1,405)	(1,434)	(6,091)
Result before tax	**3,640**	**449**	**(3,896)**
Tax on result	-	-	(10)
Result after tax	**3,640**	**449**	**(3,906)**
Other comprehensive income	-	-	-
Comprehensive income	**3,640**	**449**	**(3,906)**
Distribution of result			
Parent Company	3,640	449	(3,906)
Non-controlling interest	-	-	-
	3,640	**449**	**(3,906)**
Distribution of comprehensive income			
Parent Company	3,640	449	(3,906)
Non-controlling interest	-	-	-
	3,640	**449**	**(3,906)**
Number of shares, end of period	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	0.90	0.11	(0.96)
Diluted earnings per share, US cents	0.90	0.11	(0.96)

Statement of financial position (condensed)

Amounts in USD thousand	**31 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Non-current assets			
Vessels and docking	78,076	77,311	79,511
Total non-current assets	**78,076**	**77,311**	**79,511**
Current assets			
Bunkers and lubricant stocks	2,039	1,907	2,372
Receivables	10,229	8,800	10,643
Cash & cash equivalents	6,155	9,285	5,527
Asset held-for-sale	-	5,489	-
Total current assets	18,423	25,481	18,542
Total assets	**96,499**	**102,792**	**98,053**
Equity and liabilities			
Equity			
Equity, Parent Company	11,542	12,257	7,902
Equity, non-controlling interest	-	-	-
Total equity	**11,542**	**12,257**	**7,902**
Liabilities			
Non-current liabilities			
Finance loans, etc.	-	71,550	-
Loans from majority shareholder	-	9,361	-
Total non-current liabilities	**-**	**80,911**	**-**
Current liabilities			
Finance loans, etc.	69,890	5,858	72,890
Loans from majority shareholder	10,680	170	10,391
Other current liabilities	4,387	3,596	6,870
Total current liabilities	**84,957**	**9,624**	**90,151**
Total liabilities	**84,957**	**90,535**	**90,151**
Equity and liabilities	**96,499**	**102,792**	**98,053**

Statement of changes in equity (condensed)

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity Parent company**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2020	**7,437**	**465**	**7,902**	**-**	**7,902**
Result for the period	-	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**

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	-	449	449	-	449
Other comprehensive income for the period	-	-	-	-	-
Equity as at 31 March 2019	**7,437**	**4,820**	**12,257**	**-**	**12,257**

Statement of cash flow (condensed)

Amounts in USD thousand	YTD 31 Mar 2020	YTD 31 Mar 2019	Year 2019
Operating result (EBIT)	4,860	1,843	1,312
Adjustments for:			
Depreciation and write-downs	1,507	1,296	5,528
Non-cash financial income	-	-	40
Operating profit before working capital changes	6,367	3,139	6,880
Changes in working capital	(1,730)	(1,640)	(682)
Net financial expenses paid	(643)	(812)	(2,994)
Income tax paid	(7)	-	-
Cash flows from operating activities	**3,987**	687	3,204
Net proceeds from sale of asset held-for-sale	-	-	5,277
Investments in tangible assets	(72)	-	(6,220)
Net cash from investing activities	**(72)**	-	(943)
Repayment of loan	(3,287)	-	(5,332)
Net cash from financing activities	(3,287)	-	(5,332)
Cash flows for the period	628	687	(3,071)
Cash and cash equivalents at beginning of period	5,527	8,598	8,598
Cash and cash equivalents at end of period	**6,155**	9,285	5,527

Notes

0. Going concern assumption

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

Since 4th quarter 2018, management has continuously worked with various initiatives to secure the long-term financing of the Group. Together with the majority shareholder of the Company, merger discussions with a potential entity have commenced since late 2019. The proposed merger entails potentially issuance of new NSH A/S shares for cash and assets in combination with certain concessions to be undertaken by the respective stakeholders of the Company. Whilst the respective parties have not reached any agreement, negotiation is in an advanced stage. Based on the on-going discussions, the Board is of the opinion that all parties are working positively with a view to reach an agreement in the foreseeable future. As in all negotiations, there is no guarantee that a final agreement will be reached.

In the event the merger discussion fails, it is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020 to secure an orderly sale of the vessels.

Although Management expect that the necessary financing will be obtained and hence has prepared the financial statements for Q1 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.

1. Accounting policies

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

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

2. Accounting estimates

Impairment tests

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

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

Depreciation

Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the depreciation for the period. There was no change to the estimates of useful lives and residual values during Q1 2020. The carrying amount of vessels as at 31 March 2020 amounted to USD 78.1 million (31 March 2019: USD 77.3 million; 31 December 2019: USD 79.5 million).

3. Finance loans

As at 31 March 2020, the Group had outstanding finance loans of USD 69.9 million (31 March 2019: USD 77.4 million; 31 December 2019: USD 72.9 million). The reduction in finance loans from 31 December 2019 was due to partial repayment on term loan, which is offset by the capitalisation of 2.5% point of the total loan interest margin.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. As of 31 March 2020, the unamortised portion of the modification loss stood at USD 0.5 million.

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

4. Loans from majority shareholder

As at 31 March 2020, the Group had outstanding loans from majority shareholder of USD 10.7 million (31 March 2019: USD 9.5 million; 31 December 2019: USD 10.4 million). The increase in the loans from the majority shareholder from 31 December 2019 is due to accrued interest on the (i) outstanding loans and (ii) banker's guarantee of USD 3.85 million provided as additional security to the lenders.