



NORDIC SHIPHOLDING

Interim Report H1 2017

26 August 2017

CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 June 2016 are stated in parenthesis.

The softer tanker market continued into Q2, resulting in a decrease in TCE revenue to USD 12.6 million (USD 16.4 million) in H1 2017. For the 6 months ended 30 June 2017, the Group incurred a loss after tax of USD 1.0 million compared to a profit after tax of USD 2.5 million in the same period last year. The reduction in profit of USD 3.5 million is mainly due to the lower tanker Time Charter Equivalent ("TCE") revenue from the vessels deployed in the two pools. The loss of earnings arising from the dry-docking of Nordic Hanne in June 2017 also contributed to the decrease.

Expenses relating to the operation of vessels in H1 2017 was marginally lower at USD 7.5 million (USD 7.6 million) compared to the same period last year.

EBITDA fell to USD 4.1 million (USD 7.7 million) primarily due to the reduction in TCE revenue in H1 2017.

The Group did not make any impairment nor reversal of impairment during the first half of the financial year.

After accounting for depreciation, interest expenses and other finance expenses, the loss after tax in H1 2017 was USD 1.0 million (profit after tax of USD 2.5 million).

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. As the cash balance did not exceed USD 6.0 million, there was no cash sweep for the period under review (cash sweep of USD 2.7 million), in addition to the regular loan amortisation.

During the financial period, cash flow generated from operations was USD 3.6 million (USD 5.1 million) mainly from earnings by the two pools and time-charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan. During the financial period, the Group invested USD 1.1 million (USD 0.2 million) in dry-docking. The Group made a partial repayment of USD 3.3 million (USD 5.2 million, including a USD 2.7 million cash sweep) on the term loan facility. As at 30 June 2017, cash and cash equivalents was USD 4.0 million (USD 6.4 million).

The relatively weak tanker market continued to extend into Q3 2017. Based on the respective commercial managers' updated forecasts, the Board has revised downwards the forecast for 2017 previously indicated in the 2016 Annual Report. The result before tax is expected to be between USD -3.5 million – USD -1.5 million, decreased from USD -1.0 million – USD 1.0 million.

Consolidated financial highlights

<i>Amounts in USD thousand</i>	YTD 30 Jun 2017	YTD 30 Jun 2016	FY 2016
Time charter equivalent revenue (TCE revenue)	12,644	16,414	27,703
EBITDA	4,084	7,749	10,753
Operating result (EBIT)	722	4,174	(1,392)
Net finance expenses	(1,688)	(1,692)	(3,386)
Result after tax	(966)	2,482	(4,778)
Equity ratio (%)	32.8%	35.8%	32.7%
Earnings per share US cents	(0.24)	0.61	(1.18)
Market price per share DKK, period end	0.75	0.92	0.76
Market price per share USD, period end	0.12	0.14	0.11
Exchange rate USD/DKK, period end	6.51	6.70	7.07
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
Kristian V. Mørch
Kanak Kapur
Philip Clausius

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). The pool agreement, which qualify as joint operation are recognized and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. For the other pool, which does not qualify as a joint operation, the accounting is made on a "net-basis", i.e. Time Charter Equivalent ("TCE") for income and "net" for assets and liabilities. This has resulted in an overall reduction in revenue as well as current assets and liabilities, compared to H1 2016.

The LR1 tanker (Nordic Anne) is on a 3-year time charter expiring in November 2017.

In H1 2017, the average daily TCE rate earned by the vessels in the two pools was also lower than the forecasted daily rate, whilst the LR1 vessel (Nordic Anne) tracked the forecasted daily rate.

Financial results for the period 1 January – 30 June 2017

The comparison figures for the same period in 2016 are stated in parenthesis.

For the 6 months ended 30 June 2017, the Group incurred a loss after tax of USD 1.0 million compared to a profit after tax of USD 2.5 million in the same period last year. The reduction in profit of USD 3.5 million is mainly due to the lower tanker TCE revenue from the vessels deployed in the two pools. The loss of earnings arising from the dry-docking of Nordic Hanne in June 2017 also contributed to the decrease.

Expenses relating to the operation of vessels in H1 2017 was marginally lower at USD 7.5 million (USD 7.6 million) compared to the same period last year.

EBITDA fell to USD 4.1 million (USD 7.7 million) primarily due to the reduction in TCE revenue in H1 2017.

The Group did not make any impairment nor reversal of impairment during the first half of the financial year.

During the financial period, depreciation amounted to USD 3.4 million (USD 3.6 million).

Net finance expenses were at USD 1.7 million (USD 1.7 million). The reduced loan balance was offset by a higher 3M-USD LIBOR applicable in H1 2017 as compared to the same period last year.

After accounting for depreciation, interest expenses and other finance expenses, the loss after tax in H1 2017 was USD 1.0 million (profit after tax of USD 2.5 million).

Financial position as at 30 June 2017

The comparison figures for 30 June 2016 are stated in parenthesis.

Total assets amounted to USD 117.0 million (USD 130.2 million).

Vessels and docking stood at USD 106.4 million (USD 117.2 million). The change is due to the depreciation on the vessels which is offset with the capitalization of dry-docking of Nordic Hanne.

Receivables balance was USD 5.7 million as at 30 June 2017 (USD 5.7 million).

From 30 June 2016 to 30 June 2017, net working capital¹ decreased by USD 0.8 million from USD 4.1 million to USD 3.3 million.

Cash and cash equivalents stood at USD 4.0 million (USD 6.4 million), a reduction of USD 2.4 million from 30 June 2016.

Between 30 June 2016 and 30 June 2017, equity decreased from USD 46.6 million to USD 38.4 million as a result of the cumulative loss during the period. Consequently, the equity ratio decreased from 35.8% to 32.8% between 30 June 2016 and 30 June 2017.

Non-current liabilities fell to USD 68.5 million (USD 75.2 million), due to the periodic repayment of the term loan. Current liabilities at USD 10.0 million (USD 8.3 million) comprised the current portion of term loan of USD 6.7 million (USD 5.8 million) comprised by regular instalments from July 2017 to June 2018, and other current liabilities of USD 3.3 million (USD 2.5 million).

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. As the cash balance did not exceed USD 6.0 million, there was no cash sweep for the period under review (cash sweep of USD 2.7 million), in addition to the regular loan amortisation.

Cash flow for the period 1 January – 30 June 2017

The comparison figures for the same period in 2016 are stated in parenthesis.

During the financial period, cash flow generated from operations was USD 3.6 million (USD 5.1 million) mainly from earnings by the two pools and time-charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan. During the financial period, the Group invested USD 1.1 million (USD 0.2 million) in dry-docking. The Group made a partial repayment of USD 3.3 million (USD 5.2 million, including a USD 2.7 million cash sweep) on the term loan facility. As at 30 June 2017, cash and cash equivalents was USD 4.0 million (USD 6.4 million).

Events occurring after the end of the financial period

There is no significant event which has occurred after 30 June 2017.

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.

Outlook for 2017

For 2017, the 5 handysize vessels are expected to remain commercially deployed in the UPT Handy Pool and Hafnia Handy Pool respectively. The current time charter for the LR1 vessel will expire in November 2017 (if the charterer does not exercise its one-year extension option). The Company will explore employment options during H2 this year.

The relatively weak tanker market continued to extend into Q3 2017. Based on the respective commercial managers' updated forecasts, the Board has revised downwards the forecast for 2017 previously indicated in the 2016 Annual Report. The EBITDA (earnings before interest, tax, depreciation and amortisation) is expected to be in the range of USD 6.0 million – USD 9.0 million, a reduction from USD 8.0 million – USD 11.0 million. The result before tax is expected to be between USD -3.5 million – USD -1.5 million, decreased from USD -1.0 million – USD 1.0 million. This outlook for 2017 does not take into account any impairment of vessels' carrying values.

The Board will look at growth and 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 2017.

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 2017 and of its financial performance and cash flows for the period 1 January – 30 June 2017. 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 – 30 June 2017, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2016 Annual Report.

Copenhagen, 26 August 2017

Executive Management

Philip Clausius, CEO

Board of Directors

Knud Pontoppidan
Chairman

Jon Robert Lewis
Deputy Chairman

Kristian V. Mørch

Kanak Kapur

Philip Clausius

Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	Q2 2017	Q2 2016	YTD 30 Jun 2017	YTD 30 Jun 2016	FY 2016
Total revenue	8,169	10,120	16,828	20,764	35,693
Voyage related expenses	(2,295)	(2,246)	(4,184)	(4,350)	(7,990)
TCE revenue	5,874	7,874	12,644	16,414	27,703
Other income	-	-	-	-	15
Expenses related to the operation of vessels	(3,556)	(3,782)	(7,549)	(7,630)	(15,091)
Staff costs	(65)	(67)	(142)	(131)	(261)
Other external costs	(477)	(455)	(869)	(904)	(1,613)
EBITDA	1,776	3,570	4,084	7,749	10,753
Depreciation	(1,682)	(1,785)	(3,362)	(3,575)	(7,095)
Write-downs	-	-	-	-	(5,050)
Operating result (EBIT)	94	1,785	722	4,174	(1,392)
Financial expenses	(824)	(791)	(1,688)	(1,692)	(3,386)
Result before tax	(730)	994	(966)	2,482	(4,778)
Tax on result	-	-	-	-	-
Result after tax	(730)	994	(966)	2,482	(4,778)
Other comprehensive income	-	-	-	-	-
Comprehensive income	(730)	994	(966)	2,482	(4,778)
Distribution of result					
Parent Company	(730)	994	(966)	2,482	(4,778)
Non-controlling interest	-	-	-	-	-
	(730)	994	(966)	2,482	(4,778)
Distribution of comprehensive income					
Parent Company	(730)	994	(966)	2,482	(4,778)
Non-controlling interest	-	-	-	-	-
	(730)	994	(966)	2,482	(4,778)
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	(0.18)	0.24	(0.24)	0.61	(1.18)
Diluted earnings per share, US cents	(0.18)	0.24	(0.24)	0.61	(1.18)

Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	30 Jun 2017	30 Jun 2016	31 Dec 2016
Non-current assets			
Vessels and docking	106,360	117,193	108,622
Other financial assets	3	10	29
Total non-current assets	106,363	117,203	108,651
Current assets			
Bunkers and lubricant stocks	900	809	894
Receivables	5,650	5,734	5,943
Cash & cash equivalents	4,047	6,413	4,963
Total current assets	10,597	12,956	11,800
Total assets	116,960	130,159	120,451
Equity and liabilities			
Equity			
Equity, Parent Company	38,417	46,643	39,383
Equity, non-controlling interest	-	-	-
Total equity	38,417	46,643	39,383
Liabilities			
Non-current liabilities			
Finance loans, etc.	68,530	75,180	71,855
Total non-current liabilities	68,530	75,180	71,855
Current liabilities			
Finance loans, etc.	6,689	5,848	6,697
Other current liabilities	3,324	2,488	2,516
Total current liabilities	10,013	8,336	9,213
Total liabilities	78,543	83,516	81,068
Equity and liabilities	116,960	130,159	120,451

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 2017	7,437	31,946	39,383	-	39,383
Result for the period	-	(966)	(966)	-	(966)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2017	7,437	30,980	38,417	-	38,417

<i>Amounts in USD thousand</i>	Share capital	Retained earnings	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2016	7,437	36,724	44,161	-	44,161
Result for the period	-	2,482	2,482	-	2,482
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2016	7,437	39,206	46,643	-	46,643

Statement of cash flow (condensed)

	YTD 30 Jun 2017	YTD 30 Jun 2016	Year 2016
<i>Amounts in USD thousand</i>			
Operating result (EBIT)	722	4,174	(1,392)
Adjustments for:			
Depreciation and write-downs	3,362	3,575	12,145
Non-cash financial expenses	-	-	(68)
Operating profit before working capital changes	4,084	7,749	10,685
Changes in working capital	1,096	(926)	(1,168)
Net financial expenses paid	(1,621)	(1,704)	(3,348)
Cash flows from operating activities	3,559	5,119	6,169
Investments in tangible assets	(1,100)	(115)	(115)
Net cash from investing activities	(1,100)	(115)	(115)
Purchase of interest rate caps	(35)	-	-
Repayment of finance loans	(3,340)	(5,225)	(7,725)
Net cash from financing activities	(3,375)	(5,225)	(7,725)
Cash flows for the period	(916)	(221)	(1,671)
Cash and cash equivalents at beginning of period	4,963	6,634	6,634
Cash and cash equivalents at end of period	4,047	6,413	4,963

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 2016 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 2017. The changes 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, 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 – vessel deployed on a 3-year time-charter and vessels deployed in the two pools respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

In H1 2017, 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 two pools.

The value in use calculation is sensitive to fluctuations in freight rates. As an indication of this sensitivity, a fluctuation of 3.0% on the daily long-term TCE rate would, all things being equal, change the calculated value in use by USD 2.0 million for the LR1 tanker and USD 6.8 million for the five handysize vessels. If the daily long-term TCE rate decreases by 3%, there would be an impairment loss of USD nil million for the LR1 tanker and USD 5.7 million for the five 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 3.0% on the WACC would, all things being equal, change the calculated value in use by USD 0.5 million for the LR1 tanker and USD 1.1 million for the five handysize vessels. If the WACC increases by 3%, there would be no impairment loss for both the LR1 tankers and the five 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 H1 2017. The carrying amount of vessels as at 30 June 2017 amounted to USD 106.4 million (30 June 2016: USD 117.2 million; 31 December 2016: USD 108.6 million).

3. Finance loans

As at 30 June 2017, the Group had outstanding finance loans of USD 75.2 million (30 June 2016: USD 81.0 million; 31 December 2016: USD 78.6 million). The reduction in finance loans between the periods was due to partial repayment on term loan.