



NORDIC SHIPHOLDING

Interim Report Q1 2014

28 May 2014

CVR-no. 76 35 17 16

Summary

The comparison figures for first quarter 2013 are stated in parenthesis.

The Group incurred a loss before tax of USD 1.1 million in Q1 2014 compared to a larger loss of USD 2.5 million before tax in the same quarter last year. This was due to lower interest expenses of USD 1.3 million and no contribution in Q1 2013 from Nordic Ruth as she underwent repair and was off-hire. Coupled with improved freight rates, TCE earnings rose 27.9% to USD 7.3 million (USD 5.7 million) in Q1 2014.

Expenses relating to the operation of vessels in Q1 2014 was USD 4.1 million, a marginal decrease compared to the same period last year (USD 4.3 million). However, EBITDA fell 8.3% to USD 1.2 million (USD 1.3 million) due mainly to higher professional fees incurred and costs relating to the change of technical managers.

Cash flow from operations was USD 1.1 million (USD 1.5 million) mainly from the distributions earned by the respective pools and after payment of periodic interest expense on the working capital facility and term loan. Cash balance as at 31 March 2014 totalled USD 6.3 million (USD 7.7 million).

As of 31 March 2014, two vessels (Nordic Hanne and Nordic Agnetha) have been transferred to two separate wholly-owned legal entities in Singapore.

Consolidated financial highlights

<i>Amounts in USD thousand</i>	Q1 2014	Q1 2013	FY 2013
Time charter equivalent revenue (TCE revenue)	7,348	5,746	25,881
EBITDA	1,221	1,332	3,601
Operating result (EBIT)	(241)	(258)	(2,029)
Gain on restructuring	-	-	28,561
Net finance expenses	(847)	(2,195)	(7,061)
Result after tax	(1,088)	(2,453)	19,435
Earnings per share US cents	(0.27)	(6.31)	37.39
Market price per share DKK, period end	1.48	0.50	0.72
Market price per share USD, period end	0.27	0.09	0.13
Exchange rate USD/DKK, period end	5.42	5.80	5.41
Number of shares, period end	406,158,403	38,946,697	406,158,403
Average number of shares	406,158,403	38,946,697	52,025,470

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. Morch

Anil Kumar Gorthy

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 rates, freight rates, operating expenses and vessel prices as well as possible disruptions of traffic and operations resulting from outside events.

Management's review

Post restructuring, the Group with its six vessels, continues to be a tonnage provider in the product tanker segment. The five 37,000 dwt handy tankers remain commercially managed by Maersk in the Handytankers Pool, whilst the 73,000 dwt LR1 remains under the joint commercial management of Hafnia and Mitsui OSK in the Straits Tankers Pool.

Save for Nordic Ruth, the change of technical managers for the five vessels has been completed as of the date of this report with Columbia Shipmanagement managing two vessels and Thome Ship Management managing three vessels.

For most of Q1 2014, the average daily TCE rate earned by the vessels in the Handytankers pool was marginally better than the forecasted daily rate of USD 14,000. However, for the LR1 vessel, the daily TCE rate was below the forecasted daily rate of USD 15,200.

Financial results for the period 1 January – 31 March 2014

The comparison figures for first quarter 2013 are stated in parenthesis.

The Group incurred a loss before tax of USD 1.1 million in Q1 2014 compared to a larger loss of USD 2.5 million before tax in the same quarter last year. This was due to lower interest expenses of USD 1.3 million and no contribution in Q1 2013 from Nordic Ruth as she underwent repair and was off-hire. Coupled with improved freight rates, TCE earnings rose 27.9% to USD 7.3 million (USD 5.7 million) in Q1 2014.

Expenses relating to the operation of vessels in Q1 2014 was USD 4.1 million, a marginal decrease compared to the same period last year (USD 4.3 million). However, EBITDA fell 8.3% to USD 1.2 million (USD 1.3 million) due mainly to higher professional fees incurred and costs relating to the change of technical managers.

Depreciation was USD 1.5 million (USD 1.6 million).

With the loans being refinanced, net finance expenses were lower at USD 0.8 million (USD 2.2 million).

Financial position as at 31 March 2014

The comparison figures for 31 March 2013 are stated in parenthesis.

Total assets amounted to USD 136.3 million (USD 139.6 million). The small decrease is primarily due to depreciation of the six vessels.

Vessels and docking stood at 116.9 million (USD 121.4 million).

Receivables reached USD 10.2 million as at 31 March 2014 (USD 8.4 million).

Cash stood at USD 6.3 million (USD 7.7 million).

The Group's equity was USD 27.1 million, a turnaround from USD -39.5 million as at 31 March 2013. This was due to the restructuring completed on 19 December 2013.

Non-current liabilities were USD 99.8 million (USD nil), being the term loan re-financed with the lenders at restructuring and with no principal repayments until 2015. Current liabilities were USD 9.4 million (USD 179.2 million) comprising primarily the working capital facility of USD 4.0 million (finance loans of USD 170.1 million) and other current liabilities of USD 5.4 million (USD 9.1 million).

Other current liabilities reduced by USD 3.7 million to USD 5.4 million (USD 9.1 million) due mainly to conversion of the interest rate swap as part of the restructuring in December 2013.

Uncertainties

Insurance receivables for Nordic Ruth

The receivables from the insurance claims for Nordic Ruth are earmarked to pay down the working capital facility as and when the claims proceeds were received. As only 1 of 3 of the claims has been confirmed by the insurance adjuster, there is still uncertainty as to whether the final amount received is materially less than the anticipated amount. For the claim that has been finalised by the adjuster, the receivable has been adjusted downwards by USD 262k in Q1 2014 to reflect the anticipated collection.

Events occurring after the end of the financial period

Apart from the completion of the transfer of Nordic Amy, Nordic Pia and Nordic Anne to three separate wholly-owned legal entities in Singapore, no other significant event has occurred after 31 March 2014.

Outlook for 2014

Barring unforeseen circumstances, the forecasted financials indicated in the 2013 Annual Report remains unchanged. TCE revenue from the six product tankers is expected to be in the region of USD 27.0 – 30.0 million, EBITDA to be in the range of USD 9.0 – 12.0 million while results before tax is expected to be between USD -2.0 million and USD 1.0 million. The Group's cash flows is expected to be between USD -1.0 million and USD 2.0 million.

As announced on 19 May 2014, the Company's main shareholder has established a joint venture with BW Group in the product tanker segment. The Company is not a party to this venture and it is too early to say whether Nordic Shipholding will be impacted by this new venture.

The Board is continually seeking suitable investment opportunities in the product tanker segment to grow the Company and maximise shareholder returns.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 31 March 2014.

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 2014 and of its financial performance and cash flows for the period 1 January – 31 March 2014. 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.

Copenhagen, 28 May 2014

Executive Management

Philip Clausius, CEO

Board of Directors

Knud Pontoppidan
Chairman

Jon Robert Lewis
Deputy Chairman

Kristian V. Morch

Anil Kumar Gorthy

Philip Clausius

Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	Q1 2014	Q1 2013	FY 2013
TCE revenue	7,348	5,746	25,881
Other income	3	357	-
Expenses related to the operation of vessels	(4,104)	(4,315)	(18,711)
Staff costs	(28)	(67)	(287)
Other external costs	(1,998)	(389)	(3,282)
EBITDA	1,221	1,332	3,601
Depreciation	(1,462)	(1,590)	(5,630)
Operating result (EBIT)	(241)	(258)	(2,029)
Gain from restructuring	-	-	28,561
Financial income	8	-	-
Financial expenses	(855)	(2,195)	(7,061)
Result before tax	(1,088)	(2,453)	19,471
Tax on result	-	-	(36)
Result after tax	(1,088)	(2,453)	19,435
Other comprehensive income	-	327	2,120
Comprehensive income	(1,088)	(2,126)	21,555
Distribution of result			
Parent Company	(1,088)	(2,453)	19,435
Non-controlling interest	-	-	-
	(1,088)	(2,453)	19,435
Distribution of comprehensive income			
Parent Company	(1,088)	(2,126)	21,555
Non-controlling interest	-	-	-
	(1,088)	(2,126)	21,555
Number of shares, end of period	406,158,403	38,946,697	406,158,403
Earnings per share, US cents	(0.27)	(6.31)	37.39
Diluted earnings per share, US cents	(0.27)	(6.31)	37.39

Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	31 Mar 2014	31 Mar 2013	31 Dec 2013
Non-current assets			
Vessels and docking	116,883	121,410	118,170
Other financial assets	185	141	141
Total non-current assets	117,068	121,551	118,311
Current assets			
Lubricant stocks	2,683	1,959	2,664
Receivables	10,218	8,369	11,438
Cash & cash equivalents	6,319	7,742	5,391
Total current assets	19,220	18,070	19,493
Total assets	136,288	139,621	137,804
Equity and liabilities			
Equity			
Equity, Parent Company	27,115	(39,535)	28,203
Equity, non-controlling interest	-	-	-
Total equity	27,115	(39,535)	28,203
Liabilities			
Non-current liabilities			
Finance loans, etc.	99,807	-	99,801
Total non-current liabilities	99,807	-	99,801
Current liabilities			
Finance loans, etc.	4,009	170,092	4,113
Other current liabilities	5,357	9,064	5,687
Total current liabilities	9,366	179,156	9,800
Total liabilities	109,173	179,156	109,601
Equity and liabilities	136,288	139,621	137,804

Statement of changes in equity (condensed)

<i>Amounts in USD thousand</i>	Share capital	Retained earnings	Reserves	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2014	7,437	(37,500)	58,266	28,203	-	28,203
Result for the period	-	(1,088)	-	(1,088)	-	(1,088)
Other comprehensive income for the period	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-
Equity as at 31 March 2014	7,437	(38,588)	58,266	27,115	-	27,115

<i>Amounts in USD thousand</i>	Share capital	Retained earnings	Reserves	Equity Parent company	Non-controlling interest	Total equity
Equity as at 1 January 2013	6,695	(100,270)	56,146	(37,429)	-	(37,429)
Result for the period	-	(2,453)	-	(2,453)	-	(2,453)
Other comprehensive income for the period	-	-	327	327	-	327
Share-based payment	-	20	-	20	-	20
Equity as at 31 March 2013	6,695	(102,703)	56,473	(39,535)	-	(39,535)

Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	Q1 2014	Q1 2013	Year 2013
Operating result (EBIT)	(241)	(258)	(2,029)
Adjustments for:			
Depreciation of vessels	1,462	1,590	5,630
Share-based payment	-	20	79
Operating profit before working capital changes	1,221	1,352	3,680
Changes in working capital	829	2,372	(3,126)
Net financial expenses paid	(948)	(2,195)	(6,332)
Paid taxes	-	(2)	(28)
Cash flows from operating activities	1,102	1,527	(5,806)
Investments in tangible assets	(174)	-	(800)
Net cash from investing activities	(174)	-	(800)
Financing raised	-	90	3,872
Capital increase	-	-	2,000
Net cash from financing activities	-	90	5,872
Cash flows for the period	928	1,617	(734)
Cash and cash equivalents at beginning of period	5,391	6,125	6,125
Cash and cash equivalents at end of period	6,319	7,742	5,391

Notes

1. Uncertainties regarding going concern

The 2013 Annual Report was prepared based on the going concern principle, as the Group based on management's forecast for 2014, was not expected to breach any covenants.

Even though management expects the Group to be in compliance with covenants throughout 2014, there is uncertainty regarding the development in freight rates, reduction in operating expenditure and collection of the insurance receivable. If the freight rates do not increase as expected, operating expenditure do not decrease as expected, or if the insurance receivable is not received, this could lead to breach of covenants in 2014.

These and other forecast assumptions in 2014 may cast doubt about the ability of Nordic Shipholding A/S to continue as a going concern. If the Group should breach any loan covenants, management expects to find a solution for the financing of the Group.

Barring unforeseen circumstances, the forecasted financials indicated in the 2013 Annual Report remains unchanged.

2. 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 except for the impact of the revised standards, etc. mentioned below. For a further description of the accounting policies, see the 2013 Annual Report for Nordic Shipholding A/S.

New and revised accounting standards

Nordic Shipholding A/S has adopted all new, amended standards, revised accounting standards and interpretations (IFRIC) as endorsed by the EU and which are effective for the accounting period beginning on 1 January 2014. These accounting standards have no significant impact on the Group's Q1 2014 financial statements.

3. 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 in Straits Tankers pool and vessels deployed in Handytankers pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

There was no impairment loss recognised in Q1 2014.

Based on the continued uncertain freight market, management has assessed not to write-back any portion of the impairment that was written-down in 2012 (impairment loss recognised in 2012: USD 39.7 million).

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 2014. The carrying amount of vessels as at 31 March 2014 amounted to USD 116.9 million (31 March 2013: USD 121.4 million; 31 December 2013: USD 118.2 million).

Docking of Nordic Ruth

From December 2012 to June 2013, Nordic Ruth went off-hire due to severe damages in the vessel's water ballast tanks. During Q1 2014, 1 of 3 of the claims was confirmed by the insurance adjuster and the receivable has been adjusted in Q1 2014 to reflect the anticipated collection. As at 31 March 2014, the expected amount receivable from the insurer is USD 1.4 million (31 March 2013: USD 0.8 million; 31 December 2013: USD 1.7 million) and is still encumbered with uncertainty as only 1 of 3 of the claims was confirmed by the insurance adjuster.

4. Finance loans

As at 31 March 2014, the Group had outstanding finance loans of USD 103.8 million (31 March 2013: USD 170.1 million; 31 December 2013: USD 103.8 million). The reduction in finance loans between Q1 2014 and Q1 2013 is due to the conversion of debt to equity, which was part of the restructuring completed on 19 December 2013.