NORDIC SHIPHOLDING

Interim Report H1 2014

27 August 2014
CVR-no. 76 35 17 16

Summary

The comparison figures for first half of 2013 are stated in parenthesis.

The Group incurred a loss before tax of USD 3.4 million in H1 2014 compared to a larger loss of USD 5.0 million before tax in the same period last year. This was due to lower interest expenses of USD 1.7 million and more earning days in 2014 as Nordic Ruth underwent repairs and was off-hire for repairs during the corresponding period in 2013. With the inclusion of the contribution in H1 2014 from Nordic Ruth, TCE earnings rose 7.9% to USD 12.8 million (USD 11.8 million) in H1 2014. The increase would have been potentially USD 0.8 million higher if not for 3 vessels which underwent scheduled dry-docking in H1 2014.

Including the one-off costs of USD 1.5 million (USD nil) arising from the change of technical managers, expenses relating to the operation of vessels in H1 2014 increased 1.5% to USD 9.4 million (USD 9.2 million).

EBITDA fell 25.1% to USD 1.3 million (USD 1.7 million) due mainly to higher professional fees incurred.

Cash flow generated from operations was USD 2.7 million (USD -1.9 million) mainly from the distributions earned by the respective pools, proceeds received from an insurance claim for Nordic Ruth, offset by payment of periodic interest expenses on the working capital facility and term loan. The Group invested USD 2.0 million in dry-docking expenses and made a partial repayment of USD 1.7 million on the working capital loan facility. Cash balance as at 30 June 2014 totalled USD 4.4 million (USD 4.1 million).

As of 30 June 2014, all vessels have been transferred to separate wholly-owned legal entities in Singapore.

Consolidated financial highlights

Amounts in USD thousand	**YTD 30 Jun 2014**	**YTD 30 Jun 2013**	**FY 2013**
Time charter equivalent revenue (TCE revenue)	12,763	11,824	25,881
EBITDA	1,309	1,747	3,601
Operating result (EBIT)	(1,706)	(1,433)	(2,029)
Gain on restructuring	-	-	28,561
Net finance expenses	(1,719)	(3,563)	(7,061)
Result after tax	(3,433)	(4,997)	19,435
Earnings per share US cents	(0.85)	(12.85)	37.39
Market price per share DKK, period end	1.39	0.67	0.72
Market price per share USD, period end	0.26	0.12	0.13
Exchange rate USD/DKK, period end	5.45	5.70	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
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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.

During H1 2014, all the vessels were transferred to separate wholly-owned legal entities in Singapore as part of the restructuring. At the same time, the change of technical managers for all the six vessels was also completed with Columbia Shipmanagement and Thome Ship Management managing three vessels each.

The transfer of the technical management on all six vessels went as planned and final costs were lower than budgeted. In addition, the reduction in TCE earnings - budgeted as a result of the change of technical managers, and the consequential re-approval requested by oil majors - has also been less than budgeted.

For H1 2014, the spot market for both the handy tankers and LR1 vessel exhibited volatility. In particular, the handy tanker spot market rates were on a downward trend. As a result, the average daily TCE rates earned by the vessels in the Handytankers pool and the LR1 vessel were below the forecasted daily rate of USD 14,000 and USD 15,200, respectively.

Financial results for the period 1 January – 30 June 2014
The comparison figures for first half 2013 are stated in parenthesis.

The Group incurred a loss before tax of USD 3.4 million in H1 2014 compared to a larger loss of USD 5.0 million before tax in the same period last year. This was due to lower interest expenses of USD 1.7 million and more earning days in 2014 as Nordic Ruth underwent repairs and was off-hire for repairs during the corresponding period in 2013. With the inclusion of the contribution in H1 2014 from Nordic Ruth, TCE earnings rose 7.9% to USD 12.8 million (USD 11.8 million) in H1 2014. The increase would have been potentially USD 0.8 million higher if not for 3 vessels which underwent scheduled dry-docking in H1 2014.

Including the one-off costs of USD 1.5 million (USD nil) arising from the change of technical managers, expenses relating to the operation of vessels in H1 2014 increased 1.5% to USD 9.4 million (USD 9.2 million).

EBITDA fell 25.1% to USD 1.3 million (USD 1.7 million) due mainly to higher professional fees incurred.

Depreciation was USD 3.0 million (USD 3.2 million).

Net finance expenses were lower at USD 1.7 million (USD 3.6 million) as the loans were refinanced in December 2013 as part of the restructuring that was completed on 19 December 2013.

Financial position as at 30 June 2014

The comparison figures for 30 June 2013 are stated in parenthesis.

Total assets amounted to USD 134.0 million (USD 134.7 million). The small decrease is primarily due to depreciation of the six vessels partially offset by increase in lubricant stocks.

Vessels and docking stood at 117.7 million (USD 119.8 million). The change is due to depreciation partially offset by capitalisation of dry-docking costs for 4 vessels.

Receivables reached USD 8.8 million as at 30 June 2014 (USD 8.9 million).

From 31 December 2013 to 30 June 2014, working capital decreased by USD 3.8 million, of which USD 1.1 million was due to the receipt of insurance proceeds for Nordic Ruth.

Cash stood at USD 4.4 million (USD 4.1 million).

The Group's equity was USD 24.8 million, a turnaround from USD -42.0 million as at 30 June 2013. This was due to the restructuring completed on 19 December 2013.

Non-current liabilities amounted to USD 97.8 million (USD nil), being the long-term portion of the term loan re-financed with the lenders at restructuring. Current liabilities at USD 11.4 million (USD 176.7 million) comprised the working capital facility of USD 2.3 million, current portion of term loan of USD 2.0 million due to normal instalments in 2015 (finance loans of USD 170.1 million) and other current liabilities of USD 7.1 million (USD 6.6 million).

Uncertainties

Insurance receivables for Nordic Ruth

As mentioned in the 2013 Annual Report, the receivables from the insurance claims for Nordic Ruth were earmarked to pay down the working capital facility as and when the claims proceeds were received. During Q2 2014, 1 of 3 of the claims has been finalised and the Group received net proceeds of USD 1.1 million. Of the 2 remaining claims, one has been settled in July 2014.

Events occurring after the end of the financial period

No significant event has occurred after 30 June 2014.

Outlook for 2014

Due to the poorer performance in H1 2014 and lower TCE forecasted by the respective Pool Managers for H2 2014, the forecasted financials indicated in the 2013 Annual Report have been revised downwards. The Group expects EBITDA (earnings before interest, tax, depreciation and amortisation) to be in the range of USD 5.0 million – USD 8.0 million, a reduction from USD 9.0 million – USD 12.0 million. Barring further unforeseen circumstances, the result before tax is expected to be USD -5.0 million – USD -2.0 million, a decrease from USD -2.0 million – USD 1.0 million. The Group does not expect any write-downs of vessels' carrying value unless significant weakness in the product tanker sector sets in.

For 2014, the Group's cash flows is expected to be USD -3.0 million – USD -1.0 million, after repaying the outstanding short-term working capital loan. The previous cash flow forecast was USD -1.0 million – USD 2.0 million.

As discussed in the Interim Report Q1 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 is not aware of any further development in this respect. Simultaneously, the Board is continually seeking suitable investment opportunities to grow the Company in the product tanker segment.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 30 June 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 30 June 2014 and of its financial performance and cash flows for the period 1 January – 30 June 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. Besides what has been disclosed in the interim report for the period 1 January – 30 June 2014, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2013 Annual Report.

Copenhagen, 27 August 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)

Amounts in USD thousand	Q2 2014	Q2 2013	YTD 30 Jun 2014	YTD 30 Jun 2013	FY 2013
TCE revenue	**5,415**	**6,078**	**12,763**	**11,824**	**25,881**
Other income	-	101	3	458	-
Expenses related to the operation of vessels	(4,628)	(4,910)	(9,359)	(9,225)	(18,711)
Staff costs	(24)	(68)	(52)	(135)	(287)
Other external costs	(675)	(786)	(2,046)	(1,175)	(3,282)
EBITDA	**88**	**415**	**1,309**	**1,747**	**3,601**
Depreciation	(1,553)	(1,590)	(3,015)	(3,180)	(5,630)
Operating result (EBIT)	**(1,465)**	**(1,175)**	**(1,706)**	**(1,433)**	**(2,029)**
Gain from restructuring	-	-	-	-	28,561
Financial income	3	-	11	-	-
Financial expenses	(875)	(1,368)	(1,730)	(3,563)	(7,061)
Result before tax	**(2,337)**	**(2,543)**	**(3,425)**	**(4,996)**	**19,471**
Tax on result	(8)	(1)	(8)	(1)	(36)
Result after tax	**(2,345)**	**(2,544)**	**(3,433)**	**(4,997)**	**19,435**
Other comprehensive income	-	59	-	386	2,120
Comprehensive income	**(2,345)**	**(2,485)**	**(3,433)**	**(4,611)**	**21,555**
Distribution of result					
Parent Company	(2,345)	(2,544)	(3,433)	(4,997)	19,435
Non-controlling interest	-	-	-	-	-
	(2,345)	**(2,544)**	**(3,433)**	**(4,997)**	**19,435**
Distribution of comprehensive income					
Parent Company	(2,345)	(2,485)	(3,433)	(4,611)	21,555
Non-controlling interest	-	-	-	-	-
	(2,345)	**(2,485)**	**(3,433)**	**(4,611)**	**21,555**
Number of shares, end of period	406,158,403	38,946,697	406,158,403	38,946,697	406,158,403
Earnings per share, US cents	(0.58)	(6.54)	(0.85)	(12.85)	37.39
Diluted earnings per share, US cents	(0.58)	(6.54)	(0.85)	(12.85)	37.39

Statement of financial position (condensed)

Amounts in USD thousand	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
Non-current assets			
Vessels and docking	117,655	119,820	118,170
Other financial assets	185	141	141
Total non-current assets	**117,840**	**119,961**	**118,311**
Current assets			
Lubricant stocks	2,913	1,728	2,664
Receivables	8,757	8,881	11,438
Cash & cash equivalents	4,448	4,106	5,391
Total current assets	16,118	14,715	19,493
Total assets	**133,958**	**134,676**	**137,804**
Equity and liabilities			
Equity			
Equity, Parent Company	24,770	(42,001)	28,203
Equity, non-controlling interest	-	-	-
Total equity	**24,770**	**(42,001)**	**28,203**
Liabilities			
Non-current liabilities			
Finance loans, etc.	97,814	-	99,801
Total non-current liabilities	**97,814**	**-**	**99,801**
Current liabilities			
Finance loans, etc.	4,309	170,126	4,113
Other current liabilities	7,065	6,551	5,687
Total current liabilities	**11,374**	**176,677**	**9,800**
Total liabilities	**109,188**	**176,677**	**109,601**
Equity and liabilities	**133,958**	**134,676**	**137,804**

Statement of changes in equity (condensed)

Amounts in USD thousand	**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	-	(3,433)	-	(3,433)	-	(3,433)
Other comprehensive income for the period	-	-	-	-	-	-
Equity as at 30 June 2014	**7,437**	**(40,933)**	**58,266**	**24,770**	**-**	**24,770**

Amounts in USD thousand	**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	-	(4,997)	-	(4,997)	-	(4,997)
Other comprehensive income for the period	-	-	386	386	-	386
Share-based payment	-	39	-	39	-	39
Equity as at 30 June 2013	**6,695**	**(105,228)**	**56,532**	**(42,001)**	**-**	**(42,001)**

Statement of cash flow (condensed)

Amounts in USD thousand	**YTD 30 Jun 2014**	**YTD 30 Jun 2013**	**Year 2013**
Operating result (EBIT)	(1,706)	(1,433)	(2,029)
Adjustments for:			
Depreciation of vessels	3,015	3,180	5,630
Share-based payment	-	39	79
Operating profit before working capital changes	1,309	1,786	3,680
Changes in working capital	3,226	(156)	(3,126)
Net financial expenses paid	(1,800)	(3,563)	(6,332)
Paid taxes	(8)	(10)	(28)
Cash flows from operating activities	**2,727**	(1,943)	(5,806)
Investments in tangible assets	(1,970)	-	(800)
Net cash from investing activities	**(1,970)**	-	(800)
Financing raised	-	(76)	3,872
Capital increase	-	-	2,000
Repayment of finance loans	(1,700)	-	-
Net cash from financing activities	**(1,700)**	(76)	5,872
Cash flows for the period	(943)	(2,019)	(734)
Cash and cash equivalents at beginning of period	5,391	6,125	6,125
Cash and cash equivalents at end of period	**4,448**	4,106	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 and reduction in operating expenditure. If the freight rates do not increase as expected or operating expenditure do not decrease as expected, 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.

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 H1 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 H1 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 H1 2014. The carrying amount of vessels as at 30 June 2014 amounted to USD 117.7 million (30 June 2013: USD 119.8 million; 31 December 2013: USD 118.2 million).

4. Finance loans

As at 30 June 2014, the Group had outstanding finance loans of USD 102.1 million (30 June 2013: USD 170.1 million; 31 December 2013: USD 103.8 million). The reduction in finance loans between 31 December 2013 and 30 June 2013 was due to the conversion of debt to equity, which was part of the restructuring completed on 19 December 2013 whilst the reduction in finance loans between 30 June 2014 and 31 December 2013 was due to repayment on working capital loan.