NORDIC SHIPHOLDING

Interim Report Q3 2014

26 November 2014
CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 September 2013 are stated in parenthesis.

For the 9 months ended 30 September 2014, the Group made a loss before tax of USD 4.6 million compared to a larger loss of USD 6.3 million in the same period last year. The smaller loss was due mainly to lower interest expenses of USD 2.6 million (USD 5.4 million).

TCE earnings rose marginally by 1.0% to USD 18.9 million (USD 18.7 million) in the first 3 quarters of 2014. The TCE earnings were positively impacted by more earning days. The higher number of earning days in 2014 relates to Nordic Ruth's long off-hire period in 2013 (6 months), counter-balanced by higher number of dry dockings in 2014, however, the TCE earnings were partially impacted by lower freight rates in the first 9 months compared to 2013.

Expenses relating to the operation of vessels in the first 3 quarters of 2014 increased 3.4% to USD 13.6 million (USD 13.1 million), of which USD 1.8 million (USD nil) was a one-off cost relating to the change of technical managers.

EBITDA fell 32.3% to USD 2.6 million (USD 3.8 million) as a result of one-off costs relating to the change of technical managers amounting to USD 1.8 million (USD nil) and higher professional fees incurred of which USD 0.3 million (USD nil) was related to the listing-prospectus following the restructuring in December 2013.

Cash flow generated from operations was USD 3.3 million (USD -2.2 million) mainly from the distributions earned by the respective pools, proceeds received from insurance claims for Nordic Ruth, offset by payment of periodic interest expenses on the working capital facility and term loan. The Group invested USD 2.4 million in dry-dockings and made a partial repayment of USD 1.8 million on the working capital loan facility. Cash balance as at 30 September 2014 was USD 4.6 million (USD 3.1 million).

Consolidated financial highlights

Amounts in USD thousand	**Q3 2014**	**Q3 2013**	**YTD 30 Sep 2014**	**YTD 30 Sep 2013**	**FY 2013**
Time charter equivalent revenue (TCE revenue)	6,096	6,854	18,859	18,678	25,881
EBITDA	1,286	2,087	2,595	3,834	3,601
Operating result (EBIT)	(285)	497	(1,991)	(936)	(2,029)
Gain on restructuring	-	-	-	-	28,561
Net finance expenses	(848)	(1,824)	(2,567)	(5,387)	(7,061)
Result after tax	(1,167)	(1,343)	(4,600)	(6,340)	19,435
Earnings per share US cents	(0.29)	(3.45)	(1.13)	(16.30)	37.39
Market price per share DKK, period end	1.09	0.73	1.09	0.73	0.72
Market price per share USD, period end	0.19	0.13	0.19	0.13	0.13
Exchange rate USD/DKK, period end	5.89	5.50	5.89	5.50	5.41
Number of shares, period end	406,158,403	38,946,697	406,158,403	38,946,697	406,158,403
Average number of shares	406,158,403	38,946,697	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
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 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 the first 5 months of 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 change in the technical managers on all six vessels was completed by May 2014 and the final costs, including the expected reduction in TCE earnings arising from this change, were lower than budgeted.

The handy tanker spot market rates for the first 9 months were lower than anticipated. Hence, the average TCE rates earned by the vessels in the Handytankers pool were lower than the forecasted daily rate of USD 14,000. For the same period, the LR1 spot market also performed lower than anticipated and hence below the forecasted daily TCE rate of USD 15,200. However, during October and November both the handy tanker and the LR1 spot markets have experienced material improvement in the rates.

Financial results for the period 1 January – 30 September 2014
The comparison figures for the same period in 2013 are stated in parenthesis.

For the 9 months ended 30 September 2014, the Group made a loss before tax of USD 4.6 million compared to a larger loss of USD 6.3 million in the same period last year. The smaller loss was due mainly to lower interest expenses of USD 2.6 million (USD 5.4 million).

TCE earnings rose marginally by 1.0% to USD 18.9 million (USD 18.7 million) in the first 3 quarters of 2014. The TCE earnings were positively impacted by more earning days. The higher number of earning days in 2014 relates to Nordic Ruth's long off-hire period in 2013 (6 months), counter-balanced by higher number of dry dockings in 2014, however, the TCE earnings were partially impacted by lower freight rates in the first 9 months compared to 2013.

Expenses relating to the operation of vessels in the first 3 quarters of 2014 increased 3.4% to USD 13.6 million (USD 13.1 million), of which USD 1.8 million (USD nil) was a one-off cost relating to the change of technical managers.

EBITDA fell 32.3% to USD 2.6 million (USD 3.8 million) as a result of one-off costs relating to the change of technical managers amounting to USD 1.8 million (USD nil) and higher professional fees incurred, of which USD 0.3 million (USD nil) was related to the listing-prospectus following the restructuring in December 2013.

Depreciation amounted to USD 4.6 million (USD 4.8 million).

Net finance expenses were lower at USD 2.6 million (USD 5.4 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 September 2014
The comparison figures for 30 September 2013 are stated in parenthesis.

Total assets amounted to USD 132.3 million (USD 135.5 million). The small decrease is primarily due to depreciation of the six vessels.

Vessels and docking stood at USD 116.0 million (USD 119.0 million). The change is due to depreciation partially offset by capitalisation of dry-docking/intermediate survey costs for 4 vessels.

Receivables reached USD 8.7 million as at 30 September 2014 (USD 10.3 million). The decrease is primarily due to receipt of insurance proceeds relating to the claims for Nordic Ruth.

From 31 December 2013 to 30 September 2014, net working capital[1] improved by USD 3.5 million, of which USD 1.2 million was due to the receipt of insurance proceeds for Nordic Ruth.

Cash stood at USD 4.6 million (USD 3.1 million).

The Group's equity was USD 23.6 million, a turnaround from USD -43.1 million as at 30 September 2013. This was due to the restructuring completed on 19 December 2013.

Non-current liabilities amounted to USD 96.8 million (USD nil), being the long-term portion of the term loan re-financed with the lenders at restructuring. Current liabilities at USD 11.8 million (USD 178.6 million) comprised the working capital facility of USD 2.2 million, current portion of term loan of USD 3.0 million due to normal instalments in 2015 (finance loans of USD 170.2 million) and other current liabilities of USD 6.6 million (USD 8.4 million).

Cash flow generated from operations was USD 3.3 million (USD -2.2 million) mainly from the distributions earned by the respective pools, proceeds received from insurance claims for Nordic Ruth, offset by payment of periodic interest expenses on the working capital facility and term loan. The Group invested USD 2.4 million in dry-dockings and made a partial repayment of USD 1.8 million on the working capital loan facility.

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 Q3 2014, the remaining 2 claims has been finalised, of which one has been settled in July 2014 while the last claim has been settled in October 2014.

---

[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.

Events occurring after the end of the financial period
The management has agreed main terms of a minimum 3-year time-charter fixture for Nordic Anne on a profitable basis. The time-charter is expected to commence in early 2015.

One of the Board directors, Mr Anil Kumar Gorthy, has resigned from the Board with effect from 25 November 2014. PAG, the entity that manages the Company's main shareholder, Nordic Maritime S.à.r.l, has informed the Board that it will nominate a new candidate to replace Mr Gorthy by the next Annual General Meeting in 2015.

Outlook for 2014
Although Q3 2014 was disappointing, the market has improved significantly in October and November for both the handy tanker and LR1 spot markets. The pool operators now expects the average daily TCE rates for 2014 to be in line with Nordic Shipholding's originally budgeted TCE rates. The average daily TCE rates for 2014 is therefore expected to be USD 14,000 for handy tankers and USD 15,200 for LR1. Despite the disappointing result for Q3 2014, the Board now expects revenue for 2014 as originally budgeted, but due to increased one-off costs the outlook published in the Interim Report H1 2014, is maintained.

For 2014, 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. Barring further unforeseen circumstances, the result before tax is expected to be USD -5.0 million – USD -2.0 million. The Group does not expect any write-downs of vessels' carrying value unless significant weakness in the product tanker sector sets in.

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

The Board continues to source for suitable investment opportunities to grow the Company and seeks to maximise returns for shareholders.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 30 September 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 September 2014 and of its financial performance and cash flows for the period 1 January – 30 September 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 September 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, 26 November 2014

Executive Management
Philip Clausius, CEO

Board of Directors

Knud Pontoppidan Chairman	Jon Robert Lewis Deputy Chairman
Kristian V. Morch	Philip Clausius

Consolidated statement of comprehensive income (condensed)

Amounts in USD thousand	Q3 2014	Q3 2013	YTD 30 Sep 2014	YTD 30 Sep 2013	FY 2013
TCE revenue	**6,096**	**6,854**	**18,859**	**18,678**	**25,881**
Other income	-	10	3	468	-
Expenses related to the operation of vessels	(4,225)	(3,911)	(13,584)	(13,136)	(18,711)
Staff costs	(23)	(69)	(75)	(204)	(287)
Other external costs	(562)	(797)	(2,608)	(1,972)	(3,282)
EBITDA	**1,286**	**2,087**	**2,595**	**3,834**	**3,601**
Depreciation	(1,571)	(1,590)	(4,586)	(4,770)	(5,630)
Operating result (EBIT)	**(285)**	**497**	**(1,991)**	**(936)**	**(2,029)**
Gain from restructuring	-	-	-	-	28,561
Financial income	-	-	11	-	-
Financial expenses	(848)	(1,824)	(2,578)	(5,387)	(7,061)
Result before tax	**(1,133)**	**(1,327)**	**(4,558)**	**(6,323)**	**19,471**
Tax on result	(34)	(16)	(42)	(17)	(36)
Result after tax	**(1,167)**	**(1,343)**	**(4,600)**	**(6,340)**	**19,435**
Other comprehensive income	-	192	-	578	2,120
Comprehensive income	**(1,167)**	**(1,151)**	**(4,600)**	**(5,762)**	**21,555**
Distribution of result					
Parent Company	(1,167)	(1,343)	(4,600)	(6,340)	19,435
Non-controlling interest	-	-	-	-	-
	(1,167)	**(1,343)**	**(4,600)**	**(6,340)**	**19,435**
Distribution of comprehensive income					
Parent Company	(1,167)	(1,151)	(4,600)	(5,762)	21,555
Non-controlling interest	-	-	-	-	-
	(1,167)	**(1,151)**	**(4,600)**	**(5,762)**	**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	(0.29)	(3.45)	(1.13)	(16.30)	37.39
Diluted earnings per share, US cents	(0.29)	(3.45)	(1.13)	(16.30)	37.39

Statement of financial position (condensed)

Amounts in USD thousand	**30 Sep 2014**	**30 Sep 2013**	**31 Dec 2013**
Non-current assets			
Vessels and docking	115,965	119,030	118,170
Other financial assets	185	141	141
Total non-current assets	**116,150**	**119,171**	**118,311**
Current assets			
Bunkers and lubricant stocks	2,838	2,909	2,664
Receivables	8,727	10,292	11,438
Cash & cash equivalents	4,554	3,090	5,391
Total current assets	16,119	16,291	19,493
Total assets	**132,269**	**135,462**	**137,804**
Equity and liabilities			
Equity			
Equity, Parent Company	23,603	(43,132)	28,203
Equity, non-controlling interest	-	-	-
Total equity	**23,603**	**(43,132)**	**28,203**
Liabilities			
Non-current liabilities			
Finance loans, etc.	96,822	-	99,801
Total non-current liabilities	**96,822**	**-**	**99,801**
Current liabilities			
Finance loans, etc.	5,229	170,160	4,113
Other current liabilities	6,615	8,434	5,687
Total current liabilities	**11,844**	**178,594**	**9,800**
Total liabilities	**108,666**	**178,594**	**109,601**
Equity and liabilities	**132,269**	**135,462**	**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	-	(4,600)	-	(4,600)	-	(4,600)
Other comprehensive income for the period	-	-	-	-	-	-
Equity as at 30 September 2014	**7,437**	**(42,100)**	**58,266**	**23,603**	**-**	**23,603**

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	-	(6,340)	-	(6,340)	-	(6,340)
Other comprehensive income for the period	-	-	578	578	-	578
Share-based payment	-	59	-	59	-	59
Equity as at 30 September 2013	**6,695**	**(106,551)**	**56,724**	**(43,132)**	**-**	**(43,132)**

Statement of cash flow (condensed)

Amounts in USD thousand	YTD 30 Sep 2014	YTD 30 Sep 2013	Year 2013
Operating result (EBIT)	(1,991)	(936)	(2,029)
Adjustments for:			
Depreciation of vessels	4,586	4,770	5,630
Share-based payment	-	59	79
Operating profit before working capital changes	2,595	3,893	3,680
Changes in working capital	3,442	(1,601)	(3,126)
Net financial expenses paid	(2,649)	(4,500)	(6,332)
Paid taxes	(64)	(27)	(28)
Cash flows from operating activities	**3,324**	(2,235)	(5,806)
Investments in tangible assets	(2,381)	(800)	(800)
Net cash from investing activities	**(2,381)**	(800)	(800)
Financing raised	-	-	3,872
Capital increase	-	-	2,000
Repayment of finance loans	(1,780)	-	-
Net cash from financing activities	**(1,780)**	-	5,872
Cash flows for the period	(837)	(3,035)	(734)
Cash and cash equivalents at beginning of period	5,391	6,125	6,125
Cash and cash equivalents at end of period	**4,554**	3,090	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.

Due to the latest development, the Board does not foresee any breach of covenants.

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 IAS/IFRSs
Nordic Shipholding has implemented the new financial reporting standards or interpretations which were effective from 1 January 2014. The changes have no impact on Nordic Shipholding's results or equity in the interim report and disclosure in the notes.

New financial reporting standards (IFRS) and interpretations (IFRIC)
In 2014 IASB has issued the following financial reporting standards, which have not been adopted by the EU, that are expected to be relevant for Nordic Shipholding:

- IFRS 9 Financial instruments, which includes adjustments to previous classification and measurement of financial instruments, the new expected credit loss model, as well as a simplified hedge accounting model.
- IFRS 15 Revenue from contracts with customers, which is a new comprehensive framework and guidance for recognition of revenue. Revenue is recognised as control is transferred to the buyer.

Nordic Shipholding expects to implement the new standards when they become mandatory, and does not anticipate significant changes to recognition and measurement due to these standards.

For a further description of new standards and interpretations relevant for 2014, see the 2013 Annual Report for Nordic Shipholding A/S.

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 Q3 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 the 9 months ended 30 September 2014. The carrying amount of vessels as at 30 September 2014 amounted to USD 116.0 million (30 September 2013: USD 119.0 million; 31 December 2013: USD 118.2 million).

4. Finance loans

As at 30 September 2014, the Group had outstanding finance loans of USD 102.1 million (30 September 2013: USD 170.2 million; 31 December 2013: USD 103.8 million). The reduction in finance loans between 30 September 2013 and 31 December 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 31 December 2013 and 30 September 2014 was due to repayment on working capital loan.