



**NORDIC SHIPHOLDING**

## **Interim Report Q1 2015**

27 May 2015

CVR-no. 76 35 17 16

## Summary

*The comparison figures for period ended 31 March 2014 are stated in parenthesis.*

The Group made a good result in Q1 2015, generating a profit before tax of USD 2.7 million as compared to a loss before tax of USD 1.1 million in the same quarter last year. The better performance in Q1 2015 was due to higher average rates from the vessels deployed in Handytankers Pool, higher TCE income from the 3-year time-charter locked in for the LR1 vessel (Nordic Anne) and lower vessel operating expenses.

Gross revenue earned in Q1 2015 decreased slightly by 4.6% as the Q1 2015 revenue comprised freight income from the vessels in the Handytankers Pool and time-charter income which is net of voyage expenses from the LR1 vessel (Nordic Anne), whilst the Q1 2014 gross revenue represented freight income from the 2 pools.

TCE earnings rose 24.9% to USD 9.2 million (USD 7.3 million) in Q1 2015 due to higher TCE earnings for the vessels in the Handytankers Pool arising from reduced bunker expenses and higher TCE income from the 3-year time-charter locked in for Nordic Anne.

Expenses relating to the operation of vessels in Q1 2015 decreased 27.9% to USD 3.4 million (USD 4.7 million). The significant cost savings in Q1 2015 was attributed to the change of technical managers in 2014 and one-off cost incurred in 2014 (USD 0.6 million) relating to the change of technical managers.

EBITDA increased to USD 5.2 million (USD 1.2 million) as a result of improved earnings in Q1 2015 and one-off costs incurred in Q1 2014 arising from the change of technical managers amounting to USD 0.6 million and higher professional fees due to the restructuring in December 2013.

The result after tax improved significantly in Q1 2015 to USD 2.7 million as compared to Q1 2014 (-USD 1.1 million).

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. During Q1 2015, this cash sweep mechanism was activated and USD 1.1 million was used to pay down the loan, in addition to the regular loan amortisation.

Cash flow generated from operations was USD 5.2 million (USD 1.1 million) mainly from the distributions earned by the Handytankers Pool and time-charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan. The Group invested USD 0.2 million in dry-docking and made a partial repayment of USD 2.1 million on the term loan facility. Cash balance as at 31 March 2015 was USD 7.4 million (USD 6.3 million).

## Consolidated financial highlights

<i>Amounts in USD thousand</i>	Q1 2015	Q1 2014	FY 2014
Time charter equivalent revenue (TCE revenue)	9,180	7,348	27,089
EBITDA	5,190	1,221	6,818
Operating result (EBIT)	3,528	(241)	5,815
Net finance expenses	(844)	(847)	(3,400)
Result after tax	2,684	(1,088)	2,348
Earnings per share US cents	0.66	(0.27)	0.58
Market price per share DKK, period end	1.18	1.48	0.84
Market price per share USD, period end	0.17	0.27	0.14
Exchange rate USD/DKK, period end	6.96	5.42	6.16
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](http://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. Moerch

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 37,000 dwt handy tankers remain commercially managed by Maersk in the Handytankers Pool, whilst the 73,000 dwt LR1 (Nordic Anne) is on a 3-year time-charter.

In Q1 2015, the average daily TCE rate earned by the vessels in the Handytankers Pool was better than the forecasted daily rate, whilst the TCE rate earned by the LR1 vessel (Nordic Anne) tracked the forecast.

### **Financial results for the period 1 January – 31 March 2015**

*The comparison figures for the same period in 2014 are stated in parenthesis.*

The Group made a good result in Q1 2015, generating a profit before tax of USD 2.7 million as compared to a loss before tax of USD 1.1 million in the same quarter last year. The better performance in Q1 2015 was due to higher average rates from the vessels deployed in Handytankers Pool, higher TCE income from the 3-year time-charter locked in for the LR1 vessel (Nordic Anne) and lower vessel operating expenses.

Gross revenue earned in Q1 2015 decreased slightly by 4.6% as the Q1 2015 revenue comprised freight income from the vessels in the Handytankers Pool and time-charter income which is net of voyage expenses from the LR1 vessel (Nordic Anne), whilst the Q1 2014 gross revenue represented freight income from the 2 pools.

TCE earnings rose 24.9% to USD 9.2 million (USD 7.3 million) in Q1 2015 due to higher TCE earnings for the vessels in the Handytankers Pool arising from reduced bunker expenses and higher TCE income from the 3-year time-charter locked in for Nordic Anne.

Expenses relating to the operation of vessels in Q1 2015 decreased 27.9% to USD 3.4 million (USD 4.7 million). The significant cost savings in Q1 2015 was attributed to the change of technical managers in 2014 and one-off cost incurred in 2014 (USD 0.6 million) relating to the change of technical managers.

EBITDA increased materially to USD 5.2 million (USD 1.2 million) as a result of improved earnings in Q1 2015 and one-off costs incurred in Q1 2014 arising from the change of technical managers amounting to USD 0.6 million and higher professional fees due to the restructuring in December 2013.

Depreciation amounted to USD 1.7 million (USD 1.5 million).

Net finance expenses were slightly lower at USD 0.8 million (USD 0.9 million) as the working capital loan was repaid in full in December 2014.

The result after tax improved significantly in Q1 2015 to USD 2.7 million as compared to Q1 2014 (-USD 1.1 million).

## **Financial position as at 31 March 2015**

*The comparison figures for 31 March 2014 are stated in parenthesis.*

Total assets amounted to USD 137.1 million (USD 136.3 million).

Vessels and docking stood at USD 118.2 million (USD 116.9 million). The change is due to capitalisation of dry-docking/intermediate survey costs for 5 vessels and reversal of impairment loss previously recognised in 2012 for Nordic Anne, partially offset by depreciation.

Receivables reached USD 9.7 million as at 31 March 2015 (USD 10.2 million). The decrease is primarily due to receipt of insurance proceeds in 2014 relating to the claims for Nordic Ruth.

From 31 December 2014 to 31 March 2015, net working capital<sup>1</sup> fell by USD 0.9 million from USD 6.1 million to USD 5.2 million due to the decline in bunkers held as at 31 March 2015.

Cash stood at USD 7.4 million (USD 6.3 million), an improvement of USD 1.1 million from 31 March 2014.

The Group's equity was at USD 33.2 million.

Non-current liabilities amounted to USD 93.5 million (USD 99.8 million), due to the classification of the current portion of term loan. Current liabilities at USD 10.4 million (USD 9.4 million) comprised the current portion of term loan of USD 4.3 million arising from regular instalments from April 2015 to March 2016 (finance loans of USD 4.0 million) and other current liabilities of USD 6.2 million (USD 5.4 million). The working capital facility of USD 4.0 million, included as part of finance loans in March 2014, was fully repaid by December 2014.

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. During Q1 2015, this cash sweep mechanism was activated and USD 1.1 million was used to pay down the loan, in addition to the regular loan amortisation.

## **Cash flow for the period 1 January – 31 March 2015**

Cash flow generated from operations was USD 5.2 million (USD 1.1 million) mainly from the distributions earned by the Handytankers Pool and time-charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan. The Group invested USD 0.2 million in dry-docking and made a partial repayment of USD 2.1 million on the term loan facility. Cash balance as at 31 March 2015 was USD 7.4 million (USD 6.3 million).

## **Events occurring after the end of the financial period**

During the annual general meeting of the Company on 14 April 2015, Mr. Kanak Kapur was elected as a member of the board of directors.

---

<sup>1</sup> 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 2015**

Despite the Q1 2015 result, the full year forecasted financials remain unchanged as uncertainty exist for the full year, which is also in line with the commercial managers' forecast. Barring unforeseen circumstances, the Group expects the TCE revenue from the 5 product tankers in the pool and the time-charter income from Nordic Anne to be in the region of USD 29.0 million – USD 32.0 million for 2015. The EBITDA (earnings before interest, tax, depreciation and amortisation) is expected to be in the range of USD 13.0 million – USD 16.0 million while result before tax is expected to be between USD 3.0 million – USD 6.0 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 5.0 million – USD 8.0 million after accounting for USD 4.0 million of loan amortisation in 2015. Under the loan agreement with the lending banks, cash in excess of USD 6.0 million will be used to pay down the loan facility. This cash sweep mechanism was activated in Q1 2015 and is anticipated to be also activated after Q1 2015. As mentioned in 2014 Annual Report, approximately USD 3.0 million – USD 6.0 million of excess cash is expected to be used to pay down the loan in 2015. This loan prepayment arising from the cash sweep is in addition to the regular loan amortisation.

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 – 31 March 2015.

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 2015 and of its financial performance and cash flows for the period 1 January – 31 March 2015. 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 2015, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2014 Annual Report.

Copenhagen, 27 May 2015

### Executive Management

Philip Clausius, CEO

### Board of Directors

Knud Pontoppidan  
Chairman

Jon Robert Lewis  
Deputy Chairman

Kristian V. Moerch

Kanak Kapur

Philip Clausius

## Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	<b>Q1 2015</b>	<b>Q1 2014</b>	<b>FY 2014</b>
Total revenue	<b>12,826</b>	<b>13,444</b>	<b>50,104</b>
Voyage related expenses	(3,646)	(6,096)	(23,015)
<b>TCE revenue</b>	<b>9,180</b>	<b>7,348</b>	<b>27,089</b>
Other income	-	3	132
Expenses related to the operation of vessels	(3,411)	(4,731)	(17,124)
Staff costs	(9)	(28)	(97)
Other external costs	(570)	(1,371)	(3,182)
<b>EBITDA</b>	<b>5,190</b>	<b>1,221</b>	<b>6,818</b>
Depreciation	(1,662)	(1,462)	(6,197)
Reversal of impairment loss	-	-	5,194
<b>Operating result (EBIT)</b>	<b>3,528</b>	<b>(241)</b>	<b>5,815</b>
Financial income	-	8	26
Financial expenses	(844)	(855)	(3,426)
<b>Result before tax</b>	<b>2,684</b>	<b>(1,088)</b>	<b>2,415</b>
Tax on result	-	-	(67)
<b>Result after tax</b>	<b>2,684</b>	<b>(1,088)</b>	<b>2,348</b>
<b>Other comprehensive income</b>	-	-	-
<b>Comprehensive income</b>	<b>2,684</b>	<b>(1,088)</b>	<b>2,348</b>
<b>Distribution of result</b>			
Parent Company	2,684	(1,088)	2,348
Non-controlling interest	-	-	-
	<b>2,684</b>	<b>(1,088)</b>	<b>2,348</b>
<b>Distribution of comprehensive income</b>			
Parent Company	2,684	(1,088)	2,348
Non-controlling interest	-	-	-
	<b>2,684</b>	<b>(1,088)</b>	<b>2,348</b>
Number of shares, end of period	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	0.66	(0.27)	0.58
Diluted earnings per share, US cents	0.66	(0.27)	0.58



## Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>	<b>31 Dec 2014</b>
<b>Non-current assets</b>			
Vessels and docking	118,245	116,883	119,692
Other financial assets	185	185	185
<b>Total non-current assets</b>	<b>118,430</b>	<b>117,068</b>	<b>119,877</b>
<b>Current assets</b>			
Bunkers and lubricant stocks	1,599	2,683	2,385
Receivables	9,731	10,218	9,754
Cash & cash equivalents	7,382	6,319	4,489
<b>Total current assets</b>	<b>18,712</b>	<b>19,220</b>	<b>16,628</b>
<b>Total assets</b>	<b>137,142</b>	<b>136,288</b>	<b>136,505</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity, Parent Company	33,235	27,115	30,551
Equity, non-controlling interest	-	-	-
<b>Total equity</b>	<b>33,235</b>	<b>27,115</b>	<b>30,551</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance loans, etc.	93,489	99,807	95,829
<b>Total non-current liabilities</b>	<b>93,489</b>	<b>99,807</b>	<b>95,829</b>
<b>Current liabilities</b>			
Finance loans, etc.	4,259	4,009	4,018
Other current liabilities	6,159	5,357	6,107
<b>Total current liabilities</b>	<b>10,418</b>	<b>9,366</b>	<b>10,125</b>
<b>Total liabilities</b>	<b>103,907</b>	<b>109,173</b>	<b>105,954</b>
<b>Equity and liabilities</b>	<b>137,142</b>	<b>136,288</b>	<b>136,505</b>

## Statement of changes in equity (condensed)

<i>Amounts in USD thousand</i>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Equity Parent company</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Equity as at 1 January 2015</b>	<b>7,437</b>	<b>23,114</b>	<b>30,551</b>	-	<b>30,551</b>
Transactions with shareholders	-	-	-	-	-
Result for the period	-	2,684	2,684	-	2,684
Other comprehensive income for the period	-	-	-	-	-
<b>Equity as at 31 March 2015</b>	<b>7,437</b>	<b>25,798</b>	<b>33,235</b>	-	<b>33,235</b>

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

## Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	<b>YTD 31 Mar 2015</b>	<b>YTD 31 March 2014</b>	<b>Year 2014</b>
<b>Operating result (EBIT)</b>	3,528	(241)	5,815
Adjustments for:			
Depreciation of vessels	1,662	1,462	6,197
Reversal of impairment loss	-	-	(5,194)
Non-cash financial expenses	-	-	28
<b>Operating profit before working capital changes</b>	<b>5,190</b>	<b>1,221</b>	<b>6,846</b>
Changes in working capital	862	829	2,335
Net financial expenses paid	(846)	(948)	(3,494)
Paid taxes	-	-	(64)
<b>Cash flows from operating activities</b>	<b>5,206</b>	<b>1,102</b>	<b>5,623</b>
Investments in tangible assets	(215)	(174)	(2,525)
<b>Net cash from investing activities</b>	<b>(215)</b>	<b>(174)</b>	<b>(2,525)</b>
Repayment of finance loans	(2,098)	-	(4,000)
<b>Net cash from financing activities</b>	<b>(2,098)</b>	<b>-</b>	<b>(4,000)</b>
Cash flows for the period	2,893	928	(902)
Cash and cash equivalents at beginning of period	4,489	5,391	5,391
<b>Cash and cash equivalents at end of period</b>	<b>7,382</b>	<b>6,319</b>	<b>4,489</b>

## 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 2014 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 2015. 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 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 or reversal of impairment write-down in Q1 2015.

Based on the continued uncertain shipping environment, management has assessed not to write-back any portion of the impairment that was written-down in 2012 for the vessels deployed in Handytankers Pool.

#### *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 2015. The carrying amount of vessels as at 31 March 2015 amounted to USD 118.2 million (31 March 2014: USD 116.9 million; 31 December 2014: USD 119.7 million).

### 3. Finance loans

As at 31 March 2015, the Group had outstanding finance loans of USD 97.7 million (31 March 2014: USD 103.8 million; 31 December 2014: USD 99.8 million). The reduction in finance loans between 31 March 2014 and 31 December 2014 was due to the full repayment on working capital loan whilst the reduction in finance loans between 31 December 2014 and 31 March 2015 was due to partial repayment on term loan.