



NORDIC SHIPHOLDING

Interim Report H1 2015

26 August 2015

CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 June 2014 are stated in parenthesis.

The Group generated a profit before tax of USD 3.7 million in H1 2015 as compared to a loss before tax of USD 3.4 million for the same period last year. The turnaround performance in H1 2015 was due to higher average TCE rates from the vessels deployed in Handytankers Pool, higher TCE income earned by the LR1 vessel (Nordic Anne) and lower vessel operating expenses.

Compared to H1 2014, gross revenue earned in H1 2015 was lower by 2.0% as the H1 2015 revenue comprised time-charter income (i.e. net of voyage expenses) from the LR1 vessel (Nordic Anne) whilst the H1 2014 gross revenue represented freight income from the LR1 vessel.

TCE earnings rose 32.0% to USD 16.8 million (USD 12.8 million) in H1 2015 due to higher TCE earnings for the vessels in the Handytankers Pool arising primarily from higher gross freight rates and reduced bunker expenses. The TCE income from the 3-year time-charter locked in for Nordic Anne in H1 2015 was higher than the LR1 pool earnings in H1 2014.

Expenses relating to the operation of vessels in H1 2015 decreased 25.3% to USD 7.0 million (USD 9.4 million). The significant cost savings in H1 2015 was attributed to the change of technical managers in 2014 and one-off cost incurred in 2014 (USD 1.5 million) relating to the change of technical managers.

EBITDA rose considerably to USD 8.8 million (USD 1.3 million) as a result of higher TCE earnings in H1 2015 and one-off costs incurred in H1 2014 arising from (i) the change of technical managers amounting to USD 1.5 million and (ii) higher professional fees in beginning of 2014 due to the restructuring in December 2013.

After taking into account depreciation, interest expense and other non-operating items, the result after tax in H1 2015 reached USD 3.7 million as compared to a loss of USD 3.4 million in H1 2014.

Based on the continued uncertain shipping environment and broker valuations obtained, management has assessed not to write-back any portion of the impairment that was written-down in 2012.

Under the loan agreement, on a quarterly basis, cash in excess of USD 6.0 million will be used to pay down the loan facility. During H1 2015, this cash sweep mechanism was activated on 31 March 2015 and 30 June 2015, and a total of USD 4.5 million excess cash was used to pay down the loan. This is in addition to the regular loan amortisation totalling USD 2.0 million.

Cash flow generated from operations was USD 8.9 million (USD 2.7 million) mainly arising 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 0.7 million in dry-docking and made a repayment of USD 6.5 million on the term loan facility. Cash balance as at 30 June 2015 stood at USD 6.1 million (USD 4.4 million).

Consolidated financial highlights

<i>Amounts in USD thousand</i>	YTD 30 Jun 2015	YTD 30 Jun 2014	FY 2014
Time charter equivalent revenue (TCE revenue)	16,842	12,763	27,089
EBITDA	8,760	1,309	6,818
Operating result (EBIT)	5,503	(1,706)	5,815
Net finance expenses	(1,834)	(1,719)	(3,400)
Result after tax	3,669	(3,433)	2,348
Equity ratio (%)	25.8%	18.5%	22.4%
Earnings per share US cents	0.90	(0.85)	0.58
Market price per share DKK, period end	1.05	1.39	0.84
Market price per share USD, period end	0.16	0.26	0.14
Exchange rate USD/DKK, period end	6.69	5.45	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

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 Verner 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 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 H1 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 – 30 June 2015

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

The Group generated a profit before tax of USD 3.7 million in H1 2015 as compared to a loss before tax of USD 3.4 million for the same period last year. The turnaround performance in H1 2015 was due to higher average TCE rates from the vessels deployed in Handytankers Pool, higher TCE income earned by the LR1 vessel (Nordic Anne) and lower vessel operating expenses.

Compared to H1 2014, gross revenue earned in H1 2015 was lower by 2.0% as the H1 2015 revenue comprised time-charter income (i.e. net of voyage expenses) from the LR1 vessel (Nordic Anne) whilst the H1 2014 gross revenue represented freight income from the LR1 vessel.

TCE earnings rose 32.0% to USD 16.8 million (USD 12.8 million) in H1 2015 due to higher TCE earnings for the vessels in the Handytankers Pool arising primarily from higher gross freight rates and reduced bunker expenses. The TCE income from the 3-year time-charter locked in for Nordic Anne in H1 2015 was higher than the LR1 pool earnings in H1 2014.

Expenses relating to the operation of vessels in H1 2015 decreased 25.3% to USD 7.0 million (USD 9.4 million). The significant cost savings in H1 2015 was attributed to the change of technical managers in 2014 and one-off cost incurred in 2014 (USD 1.5 million) relating to the change of technical managers.

EBITDA rose considerably to USD 8.8 million (USD 1.3 million) as a result of higher TCE earnings in H1 2015 and one-off costs incurred in H1 2014 arising from (i) the change of technical managers amounting to USD 1.5 million and (ii) higher professional fees in beginning of 2014 due to the restructuring in December 2013.

After taking into account depreciation, interest expense and other non-operating items, the result after tax in H1 2015 reached USD 3.7 million as compared to a loss of USD 3.4 million in H1 2014.

Based on the continued uncertain shipping environment and broker valuations obtained, management has assessed not to write-back any portion of the impairment that was written-down in 2012.

Depreciation amounted to USD 3.3 million (USD 3.0 million). The increase was due partially to periodic dry-docking.

Excluding the write-off in financial assets of USD 0.2 million in H1 2015 (USD NIL), net finance expenses were slightly lower at USD 1.6 million (USD 1.7 million) as the Group repaid the working capital loan in full in December 2014 and made regular loan amortisation and cash sweep of USD 6.5 million on the loan facility in the first six months of 2015.

Financial position as at 30 June 2015

The comparison figures for 30 June 2014 are stated in parenthesis.

Total assets amounted to USD 132.6 million (USD 134.0 million).

Vessels and docking stood at USD 117.2 million (USD 117.7 million). The change is due to depreciation, partially offset by capitalisation of dry-docking/intermediate survey costs for 2 vessels and reversal of impairment loss in second half of 2014 previously recognised in 2012 for Nordic Anne.

Receivables reached USD 7.7 million as at 30 June 2015 (USD 8.8 million). The decrease is primarily due to the exit of Nordic Anne from the Straits Tankers Pool.

From 31 December 2014 to 30 June 2015, net working capital¹ fell by USD 1.8 million from USD 6.1 million to USD 4.3 million due to the decline in bunkers and receivables with the exit of Nordic Anne from the Straits Tankers Pool.

Cash stood at USD 6.1 million (USD 4.4 million), an improvement of USD 1.7 million from 30 June 2014.

As a consequence of the result and repayment on loans, the equity increased from USD 24.8 million to USD 34.2 million and the equity ratio improved from 18.5% to 25.8% between 30 June 2014 and 30 June 2015.

Non-current liabilities fell to USD 88.8 million (USD 97.8 million) due to loan repayment. Current liabilities at USD 9.6 million (USD 11.4 million) comprised the current portion of term loan of USD 4.5 million (USD 4.3 million) arising from regular instalments from July 2015 to June 2016 and other current liabilities of USD 5.1 million (USD 7.1 million). The decline in other current liabilities was due primarily to (i) the exit of Nordic Anne from the Straits Tankers Pool and (ii) lower accruals accounted by the technical managers of the vessels.

Under the loan agreement, on a quarterly basis, cash in excess of USD 6.0 million will be used to pay down the loan facility. During H1 2015, this cash sweep mechanism was activated on 31 March 2015 and 30 June 2015, and a total of USD 4.5 million excess cash was used to pay down the loan. This is in addition to the regular loan amortisation totalling USD 2.0 million.

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.

Cash flow for the period 1 January – 30 June 2015

Cash flow generated from operations was USD 8.9 million (USD 2.7 million) mainly arising 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 0.7 million in dry-docking and made a repayment of USD 6.5 million on the term loan facility. Cash balance as at 30 June 2015 stood at USD 6.1 million (USD 4.4 million).

Events occurring after the end of the financial period

No significant event has occurred after 30 June 2015.

Outlook for 2015

As a result of the improved performance in H1 2015 and combined with a slightly higher forecasted TCE by the Handytankers Pool manager for H2 2015, the forecasted financials indicated in the 2014 Annual Report have been revised upwards. For 2015, 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 31.0 million – USD 34.0 million, an increase from USD 29.0 million – USD 32.0 million.

After accounting for operating expenditure, the Group expects the EBITDA (earnings before interest, tax, depreciation and amortisation) to be in the range of USD 15.0 million – USD 18.0 million. Previously, the forecasted EBITDA was in the range of USD 13.0 million – USD 16.0 million. Result before tax is expected to be between USD 5.0 million – USD 8.0 million, revised upwards from USD 3.0 million – USD 6.0 million. The Group does not expect any write-downs of vessels' value unless significant weakness in the product tanker sector sets in.

In terms of cash flow, the Group's cash flows is expected to be between USD 9.0 million – USD 12.0 million in 2015 (previously forecasted to be between USD 5.0 million – USD 8.0 million), after repaying the regular loan amortisation of USD 4.0 million. Under the loan agreement with the lending banks, cash in excess of USD 6.0 million will be used to pay down the long-term facility. In H1 2015, a total of USD 4.5 million of excess cash was used to pay down the loan. In view of the upward revision in the overall performance for 2015, an excess cash of between USD 2.5 million to USD 5.5 million is forecasted to be used to further pay down the loan in H2 2015. This is in addition to the regular loan amortisation.

The Board is continually seeking suitable investment opportunities 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 – 30 June 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 30 June 2015 and of its financial performance and cash flows for the period 1 January – 30 June 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 – 30 June 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, 26 August 2015

Executive Management

Philip Clausius, CEO

Board of Directors

Knud Pontoppidan
Chairman

Jon Robert Lewis
Deputy Chairman

Kristian Verner Mørch

Kanak Kapur

Philip Clausius

Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	Q2 2015	Q2 2014	YTD 30 Jun 2015	YTD 30 Jun 2014	FY 2014
Total revenue	10,509	10,364	23,335	23,808	50,104
Voyage related expenses	(2,847)	(4,949)	(6,493)	(11,045)	(23,015)
TCE revenue	7,662	5,415	16,842	12,763	27,089
Other income	-	-	-	3	132
Expenses related to the operation of vessels	(3,583)	(4,628)	(6,994)	(9,359)	(17,124)
Staff costs	(75)	(24)	(84)	(52)	(97)
Other external costs	(434)	(675)	(1,004)	(2,046)	(3,182)
EBITDA	3,570	88	8,760	1,309	6,818
Depreciation	(1,595)	(1,553)	(3,257)	(3,015)	(6,197)
Reversal of impairment loss	-	-	-	-	5,194
Operating result (EBIT)	1,975	(1,465)	5,503	(1,706)	5,815
Financial income	-	3	-	11	26
Financial expenses	(990)	(875)	(1,834)	(1,730)	(3,426)
Result before tax	985	(2,337)	3,669	(3,425)	2,415
Tax on result	-	(8)	-	(8)	(67)
Result after tax	985	(2,345)	3,669	(3,433)	2,348
Other comprehensive income	-	-	-	-	-
Comprehensive income	985	(2,345)	3,669	(3,433)	2,348
Distribution of result					
Parent Company	985	(2,345)	3,669	(3,433)	2,348
Non-controlling interest	-	-	-	-	-
	985	(2,345)	3,669	(3,433)	2,348
Distribution of comprehensive income					
Parent Company	985	(2,345)	3,669	(3,433)	2,348
Non-controlling interest	-	-	-	-	-
	985	(2,345)	3,669	(3,433)	2,348
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	0.24	(0.58)	0.90	(0.85)	0.58
Diluted earnings per share, US cents	0.24	(0.58)	0.90	(0.85)	0.58

Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	30 Jun 2015	30 Jun 2014	31 Dec 2014
Non-current assets			
Vessels and docking	117,163	117,655	119,692
Other financial assets	-	185	185
Total non-current assets	117,163	117,840	119,877
Current assets			
Bunkers and lubricant stocks	1,626	2,913	2,385
Receivables	7,712	8,757	9,754
Cash & cash equivalents	6,129	4,448	4,489
Total current assets	15,467	16,118	16,628
Total assets	132,630	133,958	136,505
Equity and liabilities			
Equity			
Equity, Parent Company	34,220	24,770	30,551
Equity, non-controlling interest	-	-	-
Total equity	34,220	24,770	30,551
Liabilities			
Non-current liabilities			
Finance loans, etc.	88,825	97,814	95,829
Total non-current liabilities	88,825	97,814	95,829
Current liabilities			
Finance loans, etc.	4,508	4,309	4,018
Other current liabilities	5,077	7,065	6,107
Total current liabilities	9,585	11,374	10,125
Total liabilities	98,410	109,188	105,954
Equity and liabilities	132,630	133,958	136,505

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 2015	7,437	23,114	30,551	-	30,551
Result for the period	-	3,669	3,669	-	3,669
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2015	7,437	26,783	34,220	-	34,220

<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
Transfer from restricted reserves to retained earnings	-	58,266	(58,266)	-	-	-
Result for the period	-	(3,433)	-	(3,433)	-	(3,433)
Other comprehensive income for the period	-	-	-	-	-	-
Equity as at 30 June 2014	7,437	17,333	-	24,770	-	24,770

Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	YTD 30 Jun 2015	YTD 30 Jun 2014	Year 2014
Operating result (EBIT)	5,503	(1,706)	5,815
Adjustments for:			
Depreciation of vessels	3,257	3,015	6,197
Reversal of impairment loss	-	-	(5,194)
Non-cash financial expenses	-	-	28
Operating profit before working capital changes	8,760	1,309	6,846
Changes in working capital	1,770	3,226	2,335
Net financial expenses paid	(1,635)	(1,800)	(3,494)
Paid taxes	(8)	(8)	(64)
Cash flows from operating activities	8,887	2,727	5,623
Investments in tangible assets	(728)	(1,970)	(2,525)
Net cash from investing activities	(728)	(1,970)	(2,525)
Repayment of finance loans	(6,519)	(1,700)	(4,000)
Net cash from financing activities	(6,519)	(1,700)	(4,000)
Cash flows for the period	1,640	(943)	(902)
Cash and cash equivalents at beginning of period	4,489	5,391	5,391
Cash and cash equivalents at end of period	6,129	4,448	4,489

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 H1 2015.

Based on the continued uncertain shipping environment and broker valuations obtained, management has assessed not to write-back any portion of the impairment that was written-down in 2012.

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 2015. The carrying amount of vessels as at 30 June 2015 amounted to USD 117.2 million (30 June 2014: USD 117.7 million; 31 December 2014: USD 119.7 million).

3. Finance loans

As at 30 June 2015, the Group had outstanding finance loans of USD 93.3 million (30 June 2014: USD 102.1 million; 31 December 2014: USD 99.8 million). The reduction in finance loans between 30 June 2014 and 31 December 2014 was due to the repayment on working capital loan whilst the reduction in finance loans between 31 December 2014 and 30 June 2015 was due to regular loan amortisation and cash sweep on term loan.