



NORDIC SHIPHOLDING

Interim Report Q1 2016

25 May 2016

CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 31 March 2015 are stated in parenthesis.

For the 3 months ended 31 March 2016, the Group generated a profit after tax of USD 1.5 million, compared to USD 2.7 million in the same quarter last year. The average daily TCE rate earned by the vessels in the Handytankers Pool was below the forecasted daily rate, and also lower than the rates earned during the same period in 2015, whilst the LR1 vessel (Nordic Anne) tracked the forecasted daily rate.

The softer tanker market led to a decline in gross revenue primarily from the vessels in the Handytankers Pool, and TCE earnings dropped to USD 8.5 million (USD 9.2 million) in Q1 2016.

EBITDA decreased to USD 4.2 million (USD 5.2 million) due to the reduction in TCE earnings and higher vessel operating cost in Q1 2016.

Expenses relating to the operation of vessels in Q1 2016 increased to USD 3.8 million (USD 3.4 million). The higher vessel operating cost is mainly due to increased expenditure on spares and repairs of vessels.

The Group did not make any impairment nor reversal of impairment during the quarter.

After accounting for depreciation, interest expenses and other finance expenses, the result after tax in Q1 2016 was USD 1.5 million (USD 2.7 million).

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. As in the previous four quarters, this cash sweep mechanism was activated in Q1 2016 and USD 2.7 million was used to pay down the loan, in addition to the regular loan amortisation.

For the quarter ended 31 March 2016, cash flow generated from operations was USD 3.8 million (USD 5.2 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. In Q1 2016, the Group invested USD 0.2 million (USD 0.2 million) in dry-docking and made a partial repayment of USD 4.0 million (USD 2.1 million) on the term loan facility (including the cash sweep). As at 31 March 2016, cash and cash equivalents was USD 6.3 million (USD 7.4 million).

Despite the current softer sentiments on the tankers' market, the outlook for 2016 - as based on the respective commercial managers' forecasts - remains unchanged, and as indicated in the 2015 Annual Report.

Consolidated financial highlights

<i>Amounts in USD thousand</i>	Q1 2016	Q1 2015	FY 2015
Time charter equivalent revenue (TCE revenue)	8,540	9,180	35,067
EBITDA	4,179	5,190	18,238
Operating result (EBIT)	2,389	3,528	17,323
Net finance expenses	(901)	(844)	(3,719)
Result after tax	1,488	2,684	13,610
Equity ratio (%)	34.3%	24.2%	32.2%
Earnings per share US cents	0.37	0.66	3.35
Market price per share DKK, period end	1.08	1.18	1.17
Market price per share USD, period end	0.16	0.17	0.17
Exchange rate USD/DKK, period end	6.55	6.96	6.87
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 V. Morch
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 are commercially managed by Maersk in the Handytankers Pool, whilst the 73,000 dwt LR1 (Nordic Anne) is on a 3-year time-charter.

Financial results for the period 1 January – 31 March 2016

The comparison figures for the same period in 2015 are stated in parenthesis.

For the 3 months ended 31 March 2016, the Group generated a profit after tax of USD 1.5 million, compared to USD 2.7 million in the same quarter last year. The average daily TCE rate earned by the vessels in the Handytankers Pool was below the forecasted daily rate, and also lower than the rates earned during the same period in 2015, whilst the LR1 vessel (Nordic Anne) tracked the forecasted daily rate.

The softer tanker market led to a decline in gross revenue primarily from the vessels in the Handytankers Pool, and TCE earnings dropped to USD 8.5 million (USD 9.2 million) in Q1 2016.

EBITDA decreased to USD 4.2 million (USD 5.2 million) due to the reduction in TCE earnings and higher vessel operating cost in Q1 2016.

Expenses relating to the operation of vessels in Q1 2016 increased to USD 3.8 million (USD 3.4 million). The higher vessel operating cost is mainly due to increased expenditure on spares and repairs of vessels.

The Group did not make any impairment nor reversal of impairment during the quarter.

During Q1 2016, depreciation amounted to USD 1.8 million (USD 1.7 million).

Net finance expenses were slightly higher at USD 0.9 million (USD 0.8 million) despite the reduced loan balance due to the higher 3M-USD LIBOR applicable in Q1 2016.

After accounting for depreciation, interest expenses and other finance expenses, the result after tax in Q1 2016 was USD 1.5 million (USD 2.7 million).

Financial position as at 31 March 2016

The comparison figures for 31 March 2015 are stated in parenthesis.

Total assets amounted to USD 133.2 million (USD 137.1 million).

Vessels and docking stood at USD 119.0 million (USD 118.2 million). The change is due to capitalisation of dry-docking/intermediate survey for 3 vessels and reversal of impairment loss previously recognised in 2012 for the 5 vessels deployed in the Handytankers Pool. The increase is partially offset by depreciation.

Receivables balance was USD 6.6 million as at 31 March 2016 (USD 9.7 million). The decrease is due to the reduction in receivables allocated to the vessels by Handytankers Pool.

From 31 December 2015 to 31 March 2016, net working capital¹ fell by USD 0.6 million from USD 3.2 million to USD 2.6 million.

Cash and cash equivalents stood at USD 6.3 million (USD 7.4 million), a reduction of USD 1.1 million from 31 March 2015.

As a consequence of the cumulative earnings and repayment on loans, the equity increased from USD 33.2 million to USD 45.6 million and the equity ratio improved from 24.2% to 34.3% between 31 March 2015 and 31 March 2016.

Non-current liabilities fell to USD 73.8 million (USD 93.5 million), due to the repayment of the term loan. Current liabilities at USD 13.8 million (USD 10.4 million) comprised the current portion of term loan of USD 8.4 million (USD 4.3 million) arising from regular instalments from April 2016 to March 2017 and expected cash sweep, and other current liabilities of USD 5.3 million (USD 6.1 million).

Under the loan agreement, cash in excess of USD 6.0 million will be used to pay down the loan facility. As in the previous four quarters, this cash sweep mechanism was activated in Q1 2016 and USD 2.7 million was used to pay down the loan, in addition to the regular loan amortisation.

Cash flow for the period 1 January – 31 March 2016

The comparison figures for the same period in 2015 are stated in parenthesis.

For the quarter ended 31 March 2016, cash flow generated from operations was USD 3.8 million (USD 5.2 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. In Q1 2016, the Group invested USD 0.2 million (USD 0.2 million) in dry-docking and made a partial repayment of USD 4.0 million (USD 2.1 million) on the term loan facility (including the cash sweep). As at 31 March 2016, cash and cash equivalents was USD 6.3 million (USD 7.4 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.

Events occurring after the end of the financial period

The Board has decided to withdraw the 5 vessels from the Handytankers Pool. The Board believes that pool earnings can be optimized by being a member of a smaller and more focused pool as the Company will have a greater influence on the way the pool is operated. The first vessel is expected to be redelivered to the Group on/around 25 May 2016 with the remaining 4 vessels to be redelivered to the Group within the 90 days' redelivery window.

3 of the vessels will enter the UPT Handy Pool and 2 vessels will be employed in the Hafnia Handy Pool.

There is no other significant event which has occurred after 31 March 2016.

Outlook for 2016

Despite the current softer sentiments on the tankers' market, the outlook for 2016 - as based on the respective commercial managers' forecasts - remains unchanged, and as indicated in the 2015 Annual Report. For 2016, 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 33.0 million – USD 36.0 million. The EBITDA (earnings before interest, tax and depreciation) is expected to be in the range of USD 17.0 million – USD 20.0 million while result before tax is expected to be between USD 7.0 million – USD 9.0 million. This outlook for 2016 does not take into account any further reversal of impairment loss nor any write-downs of vessels' carrying value.

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 2016.

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 2016 and of its financial performance and cash flows for the period 1 January – 31 March 2016. 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 2016, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2015 Annual Report.

Copenhagen, 25 May 2016

Executive Management

Philip Clausius, CEO

Board of Directors

Knud Pontoppidan
Chairman

Jon Robert Lewis
Deputy Chairman

Kristian V. Morch

Kanak Kapur

Philip Clausius

Consolidated statement of comprehensive income (condensed)

<i>Amounts in USD thousand</i>	Q1 2016	Q1 2015	FY 2015
Total revenue	10,644	12,826	46,777
Voyage related expenses	(2,104)	(3,646)	(11,710)
TCE revenue	8,540	9,180	35,067
Expenses related to the operation of vessels	(3,848)	(3,411)	(14,768)
Staff costs	(64)	(9)	(215)
Other external costs	(449)	(570)	(1,846)
EBITDA	4,179	5,190	18,238
Depreciation	(1,790)	(1,662)	(6,693)
Reversal of impairment loss	-	-	5,778
Operating result (EBIT)	2,389	3,528	17,323
Financial expenses	(901)	(844)	(3,719)
Result before tax	1,488	2,684	13,604
Tax on result	-	-	6
Result after tax	1,488	2,684	13,610
Other comprehensive income	-	-	-
Comprehensive income	1,488	2,684	13,610
Distribution of result			
Parent Company	1,488	2,684	13,610
Non-controlling interest	-	-	-
	1,488	2,684	13,610
Distribution of comprehensive income			
Parent Company	1,488	2,684	13,610
Non-controlling interest	-	-	-
	1,488	2,684	13,610
Number of shares, end of period	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	0.37	0.66	3.35
Diluted earnings per share, US cents	0.37	0.66	3.35

Statement of financial position (condensed)

<i>Amounts in USD thousand</i>	31 Mar 2016	31 Mar 2015	31 Dec 2015
Non-current assets			
Vessels and docking	119,028	118,245	120,652
Other financial assets	39	185	121
Total non-current assets	119,067	118,430	120,773
Current assets			
Bunkers and lubricant stocks	1,248	1,599	1,340
Receivables	6,637	9,731	8,190
Cash & cash equivalents	6,290	7,382	6,634
Total current assets	14,175	18,712	16,164
Total assets	133,242	137,142	136,937
Equity and liabilities			
Equity			
Equity, Parent Company	45,649	33,235	44,161
Equity, non-controlling interest	-	-	-
Total equity	45,649	33,235	44,161
Liabilities			
Non-current liabilities			
Finance loans, etc.	73,842	93,489	77,230
Total non-current liabilities	73,842	93,489	77,230
Current liabilities			
Finance loans, etc.	8,428	4,259	9,169
Other current liabilities	5,323	6,159	6,377
Total current liabilities	13,751	10,418	15,546
Total liabilities	87,593	103,907	92,776
Equity and liabilities	133,242	137,142	136,937

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 2016	7,437	36,724	44,161	-	44,161
Transactions with shareholders	-	-	-	-	-
Result for the period	-	1,488	1,488	-	1,488
Other comprehensive income for the period	-	-	-	-	-
Equity as at 31 March 2016	7,437	38,212	45,649	-	45,649

<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
Transactions with shareholders	-	-	-	-	-
Result for the period	-	2,684	2,684	-	2,684
Other comprehensive income for the period	-	-	-	-	-
Equity as at 31 March 2015	7,437	25,798	33,235	-	33,235

Statement of cash flow (condensed)

<i>Amounts in USD thousand</i>	YTD 31 Mar 2016	YTD 31 March 2015	Year 2015
Operating result (EBIT)	2,389	3,528	17,323
Adjustments for:			
Depreciation of vessels	1,790	1,662	6,693
Reversal of impairment loss	-	-	(5,778)
Non-cash financial expenses	-	-	(29)
Operating profit before working capital changes	4,179	5,190	18,209
Changes in working capital	565	862	2,886
Net financial expenses paid	(947)	(846)	(3,446)
Paid taxes	-	-	-
Cash flows from operating activities	3,797	5,206	17,649
Investments in tangible assets	(166)	(215)	(1,875)
Net cash from investing activities	(166)	(215)	(1,875)
Repayment of finance loans	(3,975)	(2,098)	(13,629)
Net cash from financing activities	(3,975)	(2,098)	(13,629)
Cash flows for the period	(344)	2,893	2,145
Cash and cash equivalents at beginning of period	6,634	4,489	4,489
Cash and cash equivalents at end of period	6,290	7,382	6,634

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 2015 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 2016. 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.

In Q1 2016, there was no impairment loss recognised or reversal of impairment write-down. We have assessed that there is no further reversal of the impairment loss that was recognised 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 2016. The carrying amount of vessels as at 31 March 2016 amounted to USD 119.0 million (31 March 2015: USD 118.2 million; 31 December 2015: USD 120.7 million).

3. Finance loans

As at 31 March 2016, the Group had outstanding finance loans of USD 82.3 million (31 March 2015: USD 97.7 million; 31 December 2015: USD 86.4 million). The reduction in finance loans between the periods was due to partial repayment on term loan.