NORDIC SHIPHOLDING

Interim Report H1 2016

30 August 2016
CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 June 2015 are stated in parenthesis.

Chairman Knud Pontoppidan comments:

"Despite the weakening market in Q2 2016, equity increased by USD 2.5 million in H1 2016 and the Group repaid USD 5.2 million on finance loans. Like other product tanker owners, the Group also experienced a drop in earnings during Q2 2016. The weaker market is expected to continue during the rest of 2016 and has caused the downward revision of the forecast for 2016. During Q2 2016, the Group successfully completed the change of commercial manager for the five handysize tankers."

For the 6 months ended 30 June 2016, the Group generated a profit after tax of USD 2.5 million, compared to USD 3.7 million in the same period last year. The weaker performance was due to the lower TCE income from the vessels deployed in the various handysize pools coupled with higher operating expenses. The profit before tax for Q2 2016 was USD 1.0 million, unchanged from the same period last year.

In H1 2016, the average daily TCE rate earned by the vessels in the various pools was below the forecasted daily rate, whilst the LR1 vessel (Nordic Anne) tracked the forecasted daily rate.

TCE earnings dropped marginally by 2.5% to USD 16.4 million (USD 16.8 million) in H1 2016 due to lower TCE earnings for the vessels in the various pools.

However, EBITDA decreased by a wider margin to USD 7.7 million (USD 8.8 million) due to the slight reduction in TCE earnings coupled with higher vessel operating cost in H1 2016.

Expenses relating to the operation of vessels in H1 2016 increased to USD 7.6 million (USD 7.0 million). This was mainly due to higher expenditure on spares and repairs of vessels as well as crewing expenses.

The Group did not make any impairment nor reversal of impairment during the first half of the year.

After taking into account depreciation, interest expense and other non-operating items, the result after tax in H1 2016 reached USD 2.5 million (USD 3.7 million).

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 2016, this cash sweep mechanism was activated on 31 March 2016 and a total of USD 2.7 million excess cash was used to pay down the loan. This is in addition to the regular loan amortisation totalling USD 2.5 million for H1 2016.

Cash flow generated from operations was USD 5.1 million (USD 8.9 million) mainly arising from the distributions earned by the various pools and time charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan.

The Group invested USD 0.1 million (USD 0.7 million) in dry-docking and made a repayment of USD 5.2 million (USD 6.5 million) on the term loan facility. Cash balance as at 30 June 2016 stood at USD 6.4 million (USD 6.1 million).

Consolidated financial highlights

Amounts in USD thousand	**YTD 30 Jun 2016**	**YTD 30 Jun 2015**	**FY 2015**
Time charter equivalent revenue (TCE revenue)	16,414	16,842	35,067
EBITDA	7,749	8,760	18,238
Operating result (EBIT)	4,174	5,503	17,323
Net finance expenses	(1,692)	(1,834)	(3,719)
Result after tax	2,482	3,669	13,610
Equity ratio (%)	35.8%	25.8%	32.2%
Earnings per share US cents	0.61	0.90	3.35
Market price per share DKK, period end	0.92	1.05	1.17
Market price per share USD, period end	0.14	0.16	0.17
Exchange rate USD/DKK, period end	6.70	6.69	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 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 handysize tankers were successfully and without any loss of time transferred to the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne). The accounting treatment in one of the pools have resulted in an overall reduction in revenue as well as current assets and liabilities, as the accounting is made on a "net-basis", i.e. time charter equivalent ('TCE') for income and "net" for assets and liabilities. The LR1 tanker (Nordic Anne) is on a 3-year time charter expiring in November 2017.

In H1 2016, the average daily TCE rate earned by the vessels in the respective pools was below the forecasted daily rate, whilst the LR1 vessel (Nordic Anne) tracked the forecasted daily rate.

Financial results for the period 1 January – 30 June 2016
The comparison figures for the same period in 2015 are stated in parenthesis.

For the 6 months ended 30 June 2016, the Group generated a profit after tax of USD 2.5 million, compared to USD 3.7 million in the same period last year. The weaker performance was due to the lower TCE income from the vessels deployed in the various handysize pools coupled with higher operating expenses. The profit before tax for Q2 2016 was USD 1.0 million, unchanged from the same period last year.

The gross revenue earned in H1 2016 was USD 20.8 million (USD 23.3 million). The decrease was primarily due to the accounting treatment of revenue for one of the new pools whereby the revenue earned by the vessels employed in that pool is recognised as time charter income (which is income net of voyage expenses).

TCE earnings dropped marginally by 2.5% to USD 16.4 million (USD 16.8 million) in H1 2016 due to lower TCE earnings for the vessels in the various pools.

However, EBITDA decreased by a wider margin to USD 7.7 million (USD 8.8 million) due to the slight reduction in TCE earnings coupled with higher vessel operating cost in H1 2016.

Expenses relating to the operation of vessels in H1 2016 increased to USD 7.6 million (USD 7.0 million). This was mainly due to higher expenditure on spares and repairs of vessels as well as crewing expenses.

The Group did not make any impairment nor reversal of impairment during the first half of the year.

Depreciation amounted to USD 3.6 million (USD 3.3 million). The increase was mainly due to additional depreciation arising from the reversal in Q3 2015 of impairment loss previously recognised in 2012 for the five handysize vessels.

Finance expenses totalled USD 1.7 million (USD 1.8 million) in H1 2016. The decrease was due to a write-off in financial assets of USD 0.2 million in H1 2015, partially offset by higher interest expenses in H1 2016 due to the higher 3M-USD LIBOR.

After taking into account depreciation, interest expense and other non-operating items, the result after tax in H1 2016 reached USD 2.5 million (USD 3.7 million).

Financial position as at 30 June 2016
The comparison figures for 30 June 2015 are stated in parenthesis.

Total assets amounted to USD 130.2 million (USD 132.6 million).

Vessels and docking stood at USD 117.2 million (USD 117.2 million). The capitalisation of dry-docking/intermediate survey for 2 vessels and reversal of impairment loss previously recognised in 2012 for the five handysize vessels was offset by depreciation expenses.

Receivables reached USD 5.7 million (USD 7.7 million) as at 30 June 2016. The decrease in receivables was primarily due to a change in the accounting treatment in the recognition of receivables for one of the pools[1].

From 31 December 2015 to 30 June 2016, net working capital[2] increased by USD 0.9 million from USD 3.2 million to USD 4.1 million. This increase is due to the reduction in the current liabilities with the change in the accounting treatment in the recognition of working capital items for one of the pools[1].

Cash stood at USD 6.4 million (USD 6.1 million), up USD 0.3 million from 30 June 2015.

Non-current liabilities fell to USD 75.2 million (USD 88.8 million) due to loan repayment. Current liabilities at USD 8.3 million (USD 9.6 million) comprised the current portion of term loan of USD 5.8 million (USD 4.5 million) arising from regular instalments from July 2016 to June 2017, and other current liabilities of USD 2.5 million (USD 5.1 million).

Between 30 June 2015 and 30 June 2016, equity increased from USD 34.2 million to USD 46.6 million as a result of cumulative earnings and repayment on loans. Correspondingly, the equity ratio improved from 25.8% to 35.8% during this period.

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 2016, this cash sweep mechanism was activated on 31 March 2016 and a total of USD 2.7 million excess cash was used to pay down the loan. This is in addition to the regular loan amortisation totalling USD 2.5 million for H1 2016.

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[1] Pools are generally regarded as joint operations where the Group's share of items in the income statement and balance sheet in the respective pools is accounted for by recognising a proportionate share based on participation in the pool. However, for one of the pools, the contractual arrangement was to treat the vessels employed in the pool as time charters instead of joint operations.

[2] 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 2016
The comparison figures for the same period in 2015 are stated in parenthesis.

Cash flow generated from operations was USD 5.1 million (USD 8.9 million) mainly arising from the distributions earned by the various pools and time charter income received for Nordic Anne, offset by payment of periodic interest expenses on the term loan. The Group invested USD 0.1 million (USD 0.7 million) in dry-docking and made a repayment of USD 5.2 million (USD 6.5 million) on the term loan facility. Cash balance as at 30 June 2016 stood at USD 6.4 million (USD 6.1 million).

Outlook for 2016

In view of the weaker outlook for the remaining months of 2016, the Board has revised downwards the forecast for 2016 previously indicated in the 2015 Annual Report. Based on the respective commercial managers' updated forecasts, the Group expects the TCE revenue from the 5 product tankers in the pools and the time charter income from Nordic Anne to be in the region of USD 29.0 million – USD 31.0 million, a reduction from USD 33.0 million – USD 36.0 million. The EBITDA (earnings before interest, tax, depreciation and amortisation) is expected to be in the range of USD 12.0 million – USD 14.0 million, a reduction from USD 17.0 million – USD 20.0 million. The result before tax is expected to be between USD 2.0 million – USD 4.0 million, decreased from USD 7.0 million – USD 9.0 million. This outlook for 2016 does not take into account any reversal of impairment loss nor any write-downs of vessels' carrying amount as such are not expected.

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 June 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 30 June 2016 and of its financial performance and cash flows for the period 1 January – 30 June 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 – 30 June 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, 30 August 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)

Amounts in USD thousand	**Q2 2016**	**Q2 2015**	**YTD 30 Jun 2016**	**YTD 30 Jun 2015**	**FY 2015**
Total revenue	**10,120**	**10,509**	**20,764**	**23,335**	**46,777**
Voyage related expenses	(2,246)	(2,847)	(4,350)	(6,493)	(11,710)
TCE revenue	**7,874**	**7,662**	**16,414**	**16,842**	**35,067**
Expenses related to the operation of vessels	(3,782)	(3,583)	(7,630)	(6,994)	(14,768)
Staff costs	(67)	(75)	(131)	(84)	(215)
Other external costs	(455)	(434)	(904)	(1,004)	(1,846)
EBITDA	**3,570**	**3,570**	**7,749**	**8,760**	**18,238**
Depreciation	(1,785)	(1,595)	(3,575)	(3,257)	(6,693)
Reversal of impairment loss	-	-	-	-	5,778
Operating result (EBIT)	**1,785**	**1,975**	**4,174**	**5,503**	**17,323**
Financial expenses	(791)	(990)	(1,692)	(1,834)	(3,719)
Result before tax	**994**	**985**	**2,482**	**3,669**	**13,604**
Tax on result	-	-	-	-	6
Result after tax	**994**	**985**	**2,482**	**3,669**	**13,610**
Other comprehensive income	-	-	-	-	-
Comprehensive income	**994**	**985**	**2,482**	**3,669**	**13,610**
Distribution of result					
Parent Company	994	985	2,482	3,669	13,610
Non-controlling interest	-	-	-	-	-
	994	**985**	**2,482**	**3,669**	**13,610**
Distribution of comprehensive income					
Parent Company	994	985	2,482	3,669	13,610
Non-controlling interest	-	-	-	-	-
	994	**985**	**2,482**	**3,669**	**13,610**
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	0.24	0.61	0.90	3.35
Diluted earnings per share, US cents	0.24	0.24	0.61	0.90	3.35

Statement of financial position (condensed)

Amounts in USD thousand	**30 Jun 2016**	**30 Jun 2015**	**31 Dec 2015**
Non-current assets			
Vessels and docking	117,193	117,163	120,652
Other financial assets	10	-	121
Total non-current assets	**117,203**	**117,163**	**120,773**
Current assets			
Bunkers and lubricant stocks	809	1,626	1,340
Receivables	5,734	7,712	8,190
Cash & cash equivalents	6,413	6,129	6,634
Total current assets	12,956	15,467	16,164
Total assets	**130,159**	**132,630**	**136,937**
Equity and liabilities			
Equity			
Equity, Parent Company	46,643	34,220	44,161
Equity, non-controlling interest	-	-	-
Total equity	**46,643**	**34,220**	**44,161**
Liabilities			
Non-current liabilities			
Finance loans, etc.	75,180	88,825	77,230
Total non-current liabilities	**75,180**	**88,825**	**77,230**
Current liabilities			
Finance loans, etc.	5,848	4,508	9,169
Other current liabilities	2,488	5,077	6,377
Total current liabilities	**8,336**	**9,585**	**15,546**
Total liabilities	**83,516**	**98,410**	**92,776**
Equity and liabilities	**130,159**	**132,630**	**136,937**

Statement of changes in equity (condensed)

Amounts in USD thousand	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**
Result for the period	-	2,482	2,482	-	2,482
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 June 2016	**7,437**	**39,206**	**46,643**	**-**	**46,643**

Amounts in USD thousand	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**

Statement of cash flow (condensed)

Amounts in USD thousand	YTD 30 Jun 2016	YTD 30 Jun 2015	Year 2015
Operating result (EBIT)	4,174	5,503	17,323
Adjustments for:			
Depreciation of vessels	3,575	3,257	6,693
Reversal of impairment loss	-	-	(5,778)
Non-cash financial expenses	-	-	(29)
Operating profit before working capital changes	7,749	8,760	18,209
Changes in working capital	(926)	1,770	2,886
Net financial expenses paid	(1,704)	(1,635)	(3,446)
Paid taxes	-	(8)	-
Cash flows from operating activities	**5,119**	8,887	17,649
Investments in tangible assets	(115)	(728)	(1,875)
Net cash from investing activities	**(115)**	(728)	(1,875)
Repayment of finance loans	(5,225)	(6,519)	(13,629)
Net cash from financing activities	**(5,225)**	(6,519)	(13,629)
Cash flows for the period	(221)	1,640	2,145
Cash and cash equivalents at beginning of period	6,634	4,489	4,489
Cash and cash equivalents at end of period	**6,413**	6,129	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, tangible assets are tested if there are indications of impairment. The Group evaluates the carrying amount of vessels within three cash generating units – vessel deployed on a 3-year time charter, vessels deployed in Hafnia Handy Pool and vessels deployed in UPT Handy 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 2016. We have assessed that there is no further reversal of the impairment loss that was recognised in 2012 for the vessels deployed in the various pools.

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 2016. The carrying amount of vessels as at 30 June 2016 amounted to USD 117.2 million (30 June 2015: USD 117.2 million; 31 December 2015: USD 120.7 million).

3. Finance loans

As at 30 June 2016, the Group had outstanding finance loans of USD 81.0 million (30 June 2015: USD 93.3 million; 31 December 2015: USD 86.4 million). The reduction in finance loans between the periods was due to the partial repayment on term loan.