NORDIC SHIPHOLDING

Interim Report Q3 2016

22 November 2016
CVR-no. 76 35 17 16

Summary

Chairman Knud Pontoppidan comments:

"The weakening in the market that started in Q2 2016 continued through Q3 and impacted the result of the Group. Although the long-term time charter rate on the Group's LR1 vessel supported the weak spot market earnings for the handy-size vessels, this further weakening of the market has necessitated a downward revision of the forecast for 2016. For 2016, the Group's profit is now expected to break even before any impairment recognition. The present global uncertainties dictate a cautious outlook for the rest of 2016 and 2017, and as a result, it has been concluded to recognize an impairment loss of USD 5.1 million."

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

For the 9 months ended 30 September 2016 ("9M 2016"), the Group incurred a loss after tax of USD 3.7 million (which includes a one-off impairment loss of USD 5.1 million for the handysize vessels), compared to a profit after tax of USD 12.2 million in the same period last year (which included a one-off gain of USD 5.8 million for the reversal of impairment loss on the handysize vessels). Excluding the impairment loss of USD 5.1 million, the Group generated a profit after tax of USD 1.4 million for the 9 months under review.

The weaker performance was primarily due to the lower TCE income from the vessels deployed in the various handysize pools as the average daily TCE rate earned by the vessels in the respective pools was below the forecasted daily rate. Time charter earnings from the LR1 vessel (Nordic Anne) tracked the forecasted daily rate. In Q3 2016, the Group incurred a loss before tax of USD 6.2 million (profit before tax of USD 8.6 million in Q3 2015).

TCE earnings dropped by 17.3% to USD 22.0 million (USD 26.6 million) in 9M 2016 due to lower TCE earnings for the five handysize vessels deployed in the various pools.

However, EBITDA decreased by a wider margin to USD 9.2 million (USD 14.0 million) due to the reduction in TCE earnings coupled with slightly higher vessel operating cost for the nine months ended 30 September 2016.

Expenses relating to the operation of vessels in 9M 2016 increased marginally to USD 11.4 million (USD 11.1 million). This was mainly due to higher expenditure on equipment and repairs of vessels as well as crewing expenses.

After taking into account depreciation, interest expense and other non-operating items, the loss after tax in 9M 2016 was USD 3.7 million (profit after tax of USD 12.2 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 9M 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 3.8 million for 9M 2016.

Cash flow generated from operations was USD 6.0 million (USD 14.8 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 0.8 million) in dry-docking and made a repayment of USD 6.5 million (USD 12.1 million) on the term loan facility. Cash balance as at 30 September 2016 stood at USD 6.0 million (USD 6.4 million).

Consolidated financial highlights

Amounts in USD thousand	YTD 30 Sep 2016	YTD 30 Sep 2015	FY 2015
Time charter equivalent revenue (TCE revenue)	22,025	26,643	35,067
EBITDA	9,170	14,004	18,238
Operating result (EBIT)	(1,242)	14,883	17,323
Net finance expenses	(2,455)	(2,644)	(3,719)
Result after tax	(3,697)	12,239	13,610
Equity ratio (%)	32.9%	31.4%	32.2%
Earnings per share US cents	(0.91)	3.01	3.35
Market price per share DKK, period end	0.92	1.19	1.17
Market price per share USD, period end	0.14	0.18	0.17
Exchange rate USD/DKK, period end	6.63	6.68	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
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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 remained commercially managed by 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 9M 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 September 2016
The comparison figures for the same period in 2015 are stated in parenthesis.

For the 9 months ended 30 September 2016 ("9M 2016"), the Group incurred a loss after tax of USD 3.7 million (which includes a one-off impairment loss of USD 5.1 million for the handysize vessels), compared to a profit after tax of USD 12.2 million in the same period last year (which included a one-off gain of USD 5.8 million for the reversal of impairment loss on the handysize vessels). Excluding the impairment loss of USD 5.1 million, the Group generated a profit after tax of USD 1.4 million for the 9 months under review.

The weaker performance was primarily due to the lower TCE income from the vessels deployed in the various handysize pools as the average daily TCE rate earned by the vessels in the respective pools was below the forecasted daily rate. Time charter earnings from the LR1 vessel (Nordic Anne) tracked the forecasted daily rate. In Q3 2016, the Group incurred a loss before tax of USD 6.2 million (profit before tax of USD 8.6 million in Q3 2015).

The gross revenue earned in 9M 2016 was USD 28.0 million (USD 35.7 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 by 17.3% to USD 22.0 million (USD 26.6 million) in 9M 2016 due to lower TCE earnings for the five handysize vessels deployed in the various pools.

However, EBITDA decreased by a wider margin to USD 9.2 million (USD 14.0 million) due to the reduction in TCE earnings coupled with slightly higher vessel operating cost for the nine months ended 30 September 2016.

Expenses relating to the operation of vessels in 9M 2016 increased marginally to USD 11.4 million (USD 11.1 million). This was mainly due to higher expenditure on equipment and repairs of vessels as well as crewing expenses.

In 9M 2016, the Group recognised an impairment loss of USD 5.1 million on the handysize vessels (for the same period last year, the Group reversed partially the impairment loss recognized in 2012 for the handysize vessels of USD 5.8 million).

Depreciation amounted to USD 5.4 million (USD 4.9 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 2.5 million (USD 2.6 million) in 9M 2016. The decrease was due to a write-off in financial assets of USD 0.2 million in Q2 2015, partially offset by higher interest expenses in 9M 2016 due to the higher 3M-USD LIBOR.

After taking into account depreciation, interest expense and other non-operating items, the loss after tax in 9M 2016 was USD 3.7 million (profit after tax of USD 12.2 million).

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

Total assets amounted to USD 122.9 million (USD 136.3 million).

Vessels and docking stood at USD 110.4 million (USD 121.4 million). The reduction was due to depreciation expenses and impairment loss on the vessels deployed in Hafnia Handy Pool offset with the capitalisation of dry-docking cost for Nordic Pia.

Receivables reached USD 5.7 million (USD 7.2 million) as at 30 September 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 September 2016, net working capital[2] increased by USD 0.6 million from USD 3.2 million to USD 3.8 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 6.0 million (USD 6.4 million), a slight reduction of USD 0.4 million from 30 September 2015.

Non-current liabilities fell to USD 73.5 million (USD 83.1 million) due to loan repayment. Current liabilities at USD 8.9 million (USD 10.4 million) comprised the current portion of term loan of USD 6.3 million (USD 4.8 million) arising from regular instalments from October 2016 to September 2017, and other current liabilities of USD 2.6 million (USD 5.7 million).

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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.

Between 30 September 2015 and 30 September 2016, equity decreased from USD 42.8 million to USD 40.5 million as a result of the cumulative loss during the period. The equity ratio improved from 31.4% to 32.9% 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 9M 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 3.8 million for 9M 2016.

Cash flow for the period 1 January – 30 September 2016
The comparison figures for the same period in 2015 are stated in parenthesis.

Cash flow generated from operations was USD 6.0 million (USD 14.8 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 0.8 million) in dry-docking and made a repayment of USD 6.5 million (USD 12.1 million) on the term loan facility. Cash balance as at 30 September 2016 stood at USD 6.0 million (USD 6.4 million).

Outlook for 2016

In view of the poorer Q3 2016 performance and the weaker outlook for Q4 2016, the Board has decided to further revise downwards the full year forecast for 2016 previously indicated in the Half-year Q2 2016 Report. Using the respective commercial managers' forecasts, the Group projects the TCE revenue from the five product tankers in the pools and the time charter income for Nordic Anne to be in the range of USD 26.0 million – USD 28.0 million, a reduction from USD 29.0 million – USD 31.0 million forecasted in the Half-year Q2 2016 report. The EBITDA (earnings before interest, tax, depreciation and amortization) is expected to be between USD 9.0 million – USD 11.0 million revised downwards from USD 12.0 million – USD 14.0 million. The Group is expected to make a loss between USD -7 million to USD -4 million for the full year 2016. Apart from the impairment loss of USD 5.1 million recognised in Q3 2016, this outlook for 2016 does not take into account any further write-downs of vessels' carrying amount nor any reversal of impairment loss.

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 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 September 2016 and of its financial performance and cash flows for the period 1 January – 30 September 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 September 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, 22 November 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	Q3 2016	Q3 2015	YTD 30 Sep 2016	YTD 30 Sep 2015	FY 2015
Total revenue	**7,219**	**12,352**	**27,983**	**35,687**	**46,777**
Voyage related expenses	(1,608)	(2,551)	(5,958)	(9,044)	(11,710)
TCE revenue	**5,611**	**9,801**	**22,025**	**26,643**	**35,067**
Expenses related to the operation of vessels	(3,731)	(4,141)	(11,361)	(11,135)	(14,768)
Staff costs	(66)	(66)	(197)	(150)	(215)
Other external costs	(393)	(350)	(1,297)	(1,354)	(1,846)
EBITDA	**1,421**	**5,244**	**9,170**	**14,004**	**18,238**
Depreciation	(1,787)	(1,642)	(5,362)	(4,899)	(6,693)
Impairment loss	(5,050)	-	(5,050)	-	-
Reversal of impairment loss	-	5,778	-	5,778	5,778
Operating result (EBIT)	**(5,416)**	**9,380**	**(1,242)**	**14,883**	**17,323**
Financial expenses	(763)	(810)	(2,455)	(2,644)	(3,719)
Result before tax	**(6,179)**	**8,570**	**(3,697)**	**12,239**	**13,604**
Tax on result	-	-	-	-	6
Result after tax	**(6,179)**	**8,570**	**(3,697)**	**12,239**	**13,610**
Other comprehensive income	-	-	-	-	-
Comprehensive income	**(6,179)**	**8,570**	**(3,697)**	**12,239**	**13,610**
Distribution of result					
Parent Company	(6,179)	8,570	(3,697)	12,239	13,610
Non-controlling interest	-	-	-	-	-
	(6,179)	**8,570**	**(3,697)**	**12,239**	**13,610**
Distribution of comprehensive income					
Parent Company	(6,179)	8,570	(3,697)	12,239	13,610
Non-controlling interest	-	-	-	-	-
	(6,179)	**8,570**	**(3,697)**	**12,239**	**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	(1.52)	2.11	(0.91)	3.01	3.35
Diluted earnings per share, US cents	(1.52)	2.11	(0.91)	3.01	3.35

Statement of financial position (condensed)

Amounts in USD thousand	**30 Sep 2016**	**30 Sep 2015**	**31 Dec 2015**
Non-current assets			
Vessels and docking	110,355	121,395	120,652
Other financial assets	8	-	121
Total non-current assets	**110,363**	**121,395**	**120,773**
Current assets			
Bunkers and lubricant stocks	801	1,307	1,340
Receivables	5,693	7,175	8,190
Cash & cash equivalents	6,039	6,379	6,634
Total current assets	12,533	14,861	16,164
Total assets	**122,896**	**136,256**	**136,937**
Equity and liabilities			
Equity			
Equity, Parent Company	40,464	42,790	44,161
Equity, non-controlling interest	-	-	-
Total equity	**40,464**	**42,790**	**44,161**
Liabilities			
Non-current liabilities			
Finance loans, etc.	73,517	83,050	77,230
Total non-current liabilities	**73,517**	**83,050**	**77,230**
Current liabilities			
Finance loans, etc.	6,268	4,758	9,169
Other current liabilities	2,647	5,658	6,377
Total current liabilities	**8,915**	**10,416**	**15,546**
Total liabilities	**82,432**	**93,466**	**92,776**
Equity and liabilities	**122,896**	**136,256**	**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	-	(3,697)	(3,697)	-	(3,697)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 September 2016	**7,437**	**33,027**	**40,464**	**-**	**40,464**

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	-	12,239	12,239	-	12,239
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 September 2015	**7,437**	**35,353**	**42,790**	**-**	**42,790**

Statement of cash flow (condensed)

Amounts in USD thousand	YTD 30 Sep 2016	YTD 30 Sep 2015	Year 2015
Operating result (EBIT)	(1,242)	14,883	17,323
Adjustments for:			
Depreciation of vessels	5,362	4,899	6,693
Impairment of vessels	5,050	-	-
Reversal of impairment loss	-	(5,778)	(5,778)
Non-cash financial expenses	-	-	(29)
Operating profit before working capital changes	9,170	14,004	18,209
Changes in working capital	(718)	3,188	2,886
Net financial expenses paid	(2,457)	(2,419)	(3,446)
Paid taxes	-	(8)	-
Cash flows from operating activities	**5,995**	14,765	17,649
Investments in tangible assets	(115)	(824)	(1,875)
Net cash from investing activities	**(115)**	(824)	(1,875)
Repayment of finance loans	(6,475)	(12,051)	(13,629)
Net cash from financing activities	**(6,475)**	(12,051)	(13,629)
Cash flows for the period	(595)	1,890	2,145
Cash and cash equivalents at beginning of period	6,634	4,489	4,489
Cash and cash equivalents at end of period	**6,039**	6,379	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 two cash generating units – the LR1 vessel deployed on a 3-year time charter and the handysize vessels deployed in Hafnia Handy Pool and in the UPT Handy Pool - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

Impairment loss of USD 5.1 million was recognised for the handysize vessels in 9M 2016.

In 9M 2015, the Group reversed partially the impairment loss recognized in 2012 for the vessels deployed in the Handytankers Pool of USD 5.8 million as independent broker valuations for these vessels were materially higher than the carrying amount of the vessels after the impairment 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 9M 2016. The carrying amount of vessels as at 30 September 2016 amounted to USD 110.4 million (30 September 2015: USD 121.4 million; 31 December 2015: USD 120.7 million).

3. Finance loans

As at 30 September 2016, the Group had outstanding finance loans of USD 79.8 million (30 September 2015: USD 87.8 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.