NORDIC SHIPHOLDING

NORDIC SHIPHOLDING A/S
ANNUAL REPORT **2017**

CVR-no.: 76351716

Address of Nordic Shipholding A/S
Sundkrogsgade 19,
DK-2100 Copenhagen, Denmark
Website: www.nordicshipholding.com
Registered office: Copenhagen

Date of adoption of Annual Report 2017 by the General Assembly: 20 April 2018

ANDERS GRAN JENSEN
Name of conductor

Signature of conductor

Contents

2017 in brief

- The Group with its six vessels, continued to be a tonnage provider in the product tanker segment in 2017. 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). Upon the completion of the 3-year time charter in October 2017, the 73,000 dwt LR1 Nordic Anne was successfully and without any loss of time transferred to Straits Tankers Pool.

- Gross revenue earned by the 6 vessels reached USD 32.8 million, which resulted in a TCE revenue of USD 23.2 million and an EBITDA of USD 6.7 million. Equity totalled USD 35.8 million and equity ratio reached 31.3%.

- The weaker performance as compared to 2016 was primarily due to lower than forecasted daily TCE income from the vessels deployed in the various handysize pools. The TCE revenue from Nordic Anne deployed in Straits Tankers Pool from October 2017 was also lower than the TCE revenue derived from the 3-year time charter locked in for Nordic Anne previously.

- After accounting for depreciation and financial income and expenses, the Group incurred a loss of USD 3.6 million.

- The cash sweep mechanism under the loan agreement was not activated in 2017. In 2017, the Group utilised USD 3.2 million of the previously swept excess cash to partially offset the regular loan amortisation.

- The actual financial performance for 2017 was in line with revised expectations of the Board, as indicated in Q3 2017 Interim Report.

- For 2018, based on current estimates and barring unforeseen circumstances, the Group is forecasting to post a minor loss (not taking into account any reversal or write-down of impairment).

Group Key Figures 2013-2017

Amounts in USD thousand	2017	2016	2015	2014	2013
Income statement					
Revenue	32,841	35,693	46,777	50,104	60,002
Time charter equivalent revenue (TCE revenue)	23,232	27,703	35,067	27,089	25,881
EBITDA	6,651	10,753	18,238	6,818	3,601
Operating result (EBIT)	(180)	(1,392)	17,323	5,815	(2,029)
Net financials	(3,384)	(3,386)	(3,719)	(3,400)	(7,061)
Result after tax	(3,564)	(4,778)	13,610	2,348	19,435
Comprehensive income	(3,564)	(4,778)	13,610	2,348	21,555
Balance sheet and cashflow data					
Invested capital	107,612	112,972	123,926	125,909	126,726
Net working capital (NWC)	4,687	4,358	3,190	6,075	8,455
Equity	35,819	39,383	44,161	30,551	28,203
Balance sheet total	114,400	120,451	136,937	136,505	137,804
Investments in plant and equipment	1,168	115	1,875	2,525	800
Net interest bearing debt	71,793	73,589	79,765	95,358	98,523
Cash flow from operating activities	3,005	6,169	17,649	5,623	(5,806)
Cash flow for the year	(1,653)	(1,671)	2,145	(902)	(734)
Financial Ratios					
EBITDA margin (%)	20.3%	30.1%	39.0%	13.6%	6.0%
Net result margin (%)^	-10.9%	-13.4%	29.1%	4.7%	-15.2%
Equity ratio (%) **	31.3%	32.7%	32.2%	22.4%	20.5%
Return on invested capital (%)*	-0.2%	-1.2%	14.0%	4.6%	-1.6%
Return on equity (%)^*	-10.0%	-12.1%	30.8%	7.7%	-32.4%
Financial gearing	2.00	1.87	1.81	3.12	3.49
Net working capital/revenue	13.8%	10.6%	9.9%	14.5%	9.9%
Key figures per share					
(Loss)/earnings per share USD	(0.01)	(0.01)	0.03	0.01	0.37
Market price per share DKK, year end	0.54	0.76	1.17	0.84	0.72
Market price per share USD, year end	0.09	0.11	0.17	0.14	0.13
Exchange rate USD/DKK, year end	6.21	7.07	6.87	6.16	5.41
Average number of full time employees	1	1	1	-	-
Number of shares, year end	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403

^ Net result for 2013 excludes one-time gain from restructuring of USD 28,561 thousand.

Unless otherwise stated, key figures and ratios have been calculated in accordance with the standards laid down by the Danish Society of Financial Analysts in "Recommendations & Financial Ratios 2015".

* The key figures have not been calculated in accordance with the recommendations.

** Excluding non-controlling interest.

Management Review

The Company remained a tonnage provider in the product tanker segment with the objective to grow the current fleet of six vessels, which comprised five handysize tankers and one LR1. 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). Upon the completion of the 3-year time charter in October 2017, the 73,000 dwt LR1 Nordic Anne was successfully and without any loss of time transferred to Straits Tankers Pool, which was the pool manager of Nordic Anne before commencement of the 3-year time charter. The technical management of the vessels are handled by Columbia Shipmanagement and Thome Ship Management.

A weakening in the market that started in mid-2016 continued through 2017 which impacted the results of the Group. Despite the higher time charter rate earned from the 3-year time charter for the Group's LR1 vessel for the first three quarters of the financial year, the weak spot market earnings for the handysize vessels and the lower rate for the LR1 vessel in the last quarter of the financial year have resulted in a net loss after tax of USD 3.6 million (USD 4.8 million after accounting for an impairment of USD 5.1 million) for the Group. The loss of earnings arising from the dry-docking of Nordic Hanne in June 2017 also contributed to the net loss in 2017.

Gross revenue earned by the six vessels reached USD 32.8 million (USD 35.7 million), which resulted in a TCE revenue of USD 23.2 million (USD 27.7 million) and an EBITDA of USD 6.7 million (USD 10.8 million).

Weaker TCE performance combined with a lower vessel operating expenses of USD 14.7 million (USD 15.1 million) resulted in a drop in EBITDA to USD 6.7 million (USD 10.8 million).

In 2017, the Group incurred a loss after tax of USD 3.6 million compared to a loss of USD 4.8 million in 2016 (which includes an impairment of USD 5.1 million for the handysize vessels). Excluding the impairment of USD 5.1 million, the Group generated a profit after tax of USD 0.3 million for 2016.

Equity decreased to USD 35.8 million (USD 39.4 million) as a result of the cumulative loss during the financial year. The equity ratio decreased to 31.3% (32.7%).

The Group utilised USD 3.2 million (from the excess cash swept in 2015 and 2016) to partially offset the scheduled loan amortisation in 2017. In early 2018, the Company has negotiated with the lending banks to amend certain loan covenants. Please refer to Note 23, Significant events after balance sheet date, for details.

The Board continues to source for suitable investment and consolidation opportunities to grow the Company and seeks to maximise returns for shareholders. The Board of Directors and management remain thankful to our more than 4,000 shareholders that continued to support the Company throughout 2017.

Read about our diversity in management in the Statutory Corporate Governance Statement section on page 8.

Knud Pontoppidan
Chairman of the Board of Directors

Philip Clausius
Chief Executive Officer

Outlook for 2018

The full year 2017 performance was in line with the revised guidance disclosed in the Q3 2017 Interim Report. As the tanker market remains soft, for 2018, based on current estimates and barring unforeseen circumstances, the Group is forecasting a minor loss (not taking into account any reversal or write-down of impairment).

For 2018, the 5 handysize vessels will remain commercially deployed in the UPT Handy Pool and Hafnia Handy Pool respectively. The LR1 vessel continue to be deployed in the Straits Tankers Pool. The projected TCE revenue from the 6 product tankers in the respective pools are expected to be in the region of USD 24.0 million – USD 27.0 million.

After accounting for operating expenditure budgeted by the respective technical managers, the Group expects EBITDA (earnings before interest, tax, depreciation and amortisation) to be in the range of USD 7.0 million – USD 10.0 million. The result before tax is expected to be between USD -3.5 million – USD -1.5 million. This outlook for 2018 does not take into account any impairment of vessels' carrying values.

The Group is expected to meet the various covenants imposed under the loan agreements during this period.

The Board will continue to look at growth and consolidation opportunities that are accretive to the Company.

Forward-looking statements

This report contains forward-looking statements reflecting Nordic Shipholding's current beliefs concerning future events. Forward-looking statements are inherently subject to uncertainty, and Nordic Shipholding's actual results may thus differ significantly from expectations. Factors which could cause actual results to deviate from the expectations include, but are not limited to, changes in macroeconomic, regulatory and political conditions, especially on the Company's main markets, changes in currency exchange rates, freight rates, operating expenses and vessel prices as well as possible disruptions of traffic and operations resulting from outside events.

Financial Review 2017

Financial highlights of the Group in 2017 (2016 figures in brackets)
The Group reported a net loss of USD 3.6 million for 2017 (net loss of USD 4.8 million including the impairment on the handysize vessels of USD 5.1 million). The weakening in the tanker market, which started in mid-2016 and continued through 2017, impacted the result of the Group.

Gross revenue generated in 2017 is USD 32.8 million (USD 35.7 million), resulting in a TCE revenue of USD 23.2 million (USD 27.7 million). EBITDA (earnings before depreciation, impairment, amortisation, interest and tax) amounted to USD 6.7 million (USD 10.8 million) and after accounting for depreciation, the Group made a net operating loss of USD 0.2 million (USD 1.4 million).

- *Revenue*
  Gross revenue generated by the six vessels in 2017 totalled USD 32.8 million (USD 35.7 million). After deduction of voyage related costs, the Group made a TCE revenue of USD 23.2 million (USD 27.7 million). The reduction in gross revenue and TCE revenue is due to the weaker performance of the five handysize vessels in the respective pools and the lower TCE revenue from Nordic Anne deployed in Straits Tankers Pool from October 2017 as compared to the TCE revenue earned from the 3-year time charter locked in for Nordic Anne previously.

  Another reason for the lower gross revenue in 2017 was because the operations of the vessels in one of the pool arrangements entered in mid-2016 were accounted for as time charters instead of recognising as joint operations.

- *Voyage related expenses*
  Voyage related expenses for the six vessels increased to USD 9.6 million (USD 8.0 million).

- *Operating Costs*
  Expenses related to the operation of six vessels owned by the Group amounted to USD 14.7 million (USD 15.1 million).

  Staff costs amounted to USD 0.3 million (USD 0.3 million) while other external costs amounted to USD 1.6 million (USD 1.6 million). Both staff costs and other external costs are comparable to prior year.

- *Depreciation and write-downs*
  A total depreciation of USD 6.8 million (USD 7.1 million) was charged on the Group's six vessels. In 2017, no impairment (USD 5.1 million for the handysize vessels) was recognised for the six vessels. Refer to Note 6 for further disclosure.

- *Financial income and expenses*
  Financial expenses amounted to USD 3.4 million (USD 3.4 million) due mainly to interest expense on the Group's loans.

- *Tax*
  The Company's tax payment is primarily calculated according to the rules and regulations in Denmark. The Singapore Income Tax Act is applied for the Singapore-incorporated vessel-owning entities. For further information, please refer to Note 9 in the financial statements.

- *Assets*
  At 31 December 2017, the Group's balance sheet totalled USD 114.4 million (USD 120.5 million) comprising mainly of vessels, receivables and cash.

  Vessels and docking decreased to USD 103.0 million in 2017 from USD 108.6 million in 2016 mainly due to the depreciation on the vessels of USD 6.8 million which is partly offset against the capitalisation of dry-docking for Nordic Hanne of USD 1.2 million.

  Receivables amounted to USD 6.8 million as at 31 December 2017 (USD 5.9 million). The increase was primarily because of the allocation of receivables by Straits Tankers Pool for Nordic Anne. There was no allocation of receivables for Nordic Anne when she was previously deployed under the 3-year time charter.

  As at 31 December 2017, the Group's cash balance was USD 3.3 million (USD 5.0 million) after the USD 3.5 million (USD 7.7 million) repayment on the loan facility during the financial year.

- *Equity*
  The change in equity was due to the net loss after tax of USD 3.6 million (USD 4.8 million) incurred in 2017.

- *Liabilities*
  Total liabilities amounted to USD 78.6 million (USD 81.1 million). The Group's interest-bearing debt, including accrued interest, amounted to USD 75.1 million (USD 78.6 million), of which USD 2.4 million (USD 6.7 million) is due within the next 12 months from 31 December 2017. The decrease in the Group's interest-bearing debt was due mainly to the principal repayment on the loan facility of USD 3.5 million during the financial year (USD 7.7 million which included repayment of USD 2.7 million arising from the cash sweep).

- *Cash flow*
  Cash flow from operations was USD 3.0 million (USD 6.2 million) mainly from the distributions earned by the vessels.

  Cash flow from investing activities amounted to USD -1.2 million (USD -0.1 million) due to the dry-docking for Nordic Hanne.

  Cash flow from financing activities amounted to USD -3.5 million (USD -7.7 million) arising from the repayment on the loan facility.

  Cash flow for the year thus amounted to USD -1.7 million (USD -1.7 million), bringing the cash balance at year end to USD 3.3 million (USD 5.0 million).

Financial highlights of the Company (Parent) in 2017 (2016 figures in brackets)
The Company incurred a loss after tax of USD 1.4 million in 2017 (USD 0.3 million). At 31 December 2017, the Company's total assets amounted to USD 45.2 million (USD 46.6 million). The Company's equity dropped to USD 45.1 million (USD 46.4 million) due to net loss incurred in 2017.

Vision & Strategy

The Company's focus is on maximising the commercial and technical performance of its current fleet. The Board will look at growth and consolidation opportunities that are accretive to the Company. The Company believes that the experience and expertise of the Board, coupled with the financial strength of the majority shareholder will result in compelling opportunities.

Statutory Corporate Governance Statement

This statutory corporate governance statement covers the financial period 1 January to 31 December 2017.

Corporate Governance
Nordic Shipholding is committed to maintaining a high standard of corporate governance, and the Board of Directors continuously reviews the framework and principles for the overall governance of the Company.

The Company is in compliance with the majority of the recommendations given in Recommendations for Corporate Governance issued 6 May 2013 (updated November 2014) and made public by NASDAQ OMX Copenhagen. Refer to 'Corporate Governance' section on the Company's website at: http://www.nordicshipholding.com/phoenix.zhtml?c=212873&p=irol-govhighlights

Following is a brief description of the main deviations from the recommendations:

Composition of the Board of Directors
Nordic Shipholding sees no need to determine an age limit for the members of the Board of Directors as the Company strongly focuses on the competencies and relevant work experience of each Board member.

The Company's Board does not consist of majority independent directors given that the Company has a controlling shareholder. Strong representation on the Board by its controlling shareholder is deemed important for the Company in light of its business plans and present financial position.

Report on the Gender Distribution in Management, cf. Section 99b of the Danish Financial Statements Act
The current Board of Directors consists of 5 men. The Board maintains the goal to have at least one female board member by 2022. As there are gender inequalities in the shipping industry, the Group has not included a female board member during the financial year. In addition, there is only one employee in the Group, and hence there is no target on diversity at the management level.

Board Committees
The Board of Directors does not find it necessary to establish other Board Committees, including the Audit Committee, Nomination Committee and Remuneration Committee, because of its shareholder structure and the nature of the Company's activities. All Board members are equally involved in the review of financial and audit matters.

Assessment of the performance of the Board of Directors and management
The Board of Directors does not have a formalised assessment procedure upon which the performance and results of the Board of Directors and the individual Board members, including the chairman, are evaluated on a regular basis. Furthermore, there is no predefined clear criteria to evaluate the work and performance of the Chief Executive Officer. For the time being, the Company has not found it necessary to institute a formal predefined procedure given that internal reviews are being carried out on an on-going basis by the Board of Directors.

Whistle-blower
The Company has not established a whistle-blower procedure.

Internal Control

Control environment

Transport Capital Pte. Ltd. ('Transport Capital') has been appointed as the corporate manager for the Nordic Shipholding A/S Group since December 2013. Transport Capital has authorities and procedures for entering into binding agreements on behalf of the Company. Being a corporate manager, Transport Capital adheres to strict guidelines on segregation of duties, reporting procedures, manages the overall corporate functions and oversees the technical and commercial aspects of the Company.

Financial reporting process

The Board of Directors is responsible for the Group's internal control and risk management in connection with the financial reporting process, including observance of relevant statutory rules and regulations in connection with its financial reporting.

The Board of Directors receives weekly and monthly reports and is kept abreast of the developments in the industry.

Prior to publication of quarterly and annual reports, a Board meeting is held. At the meeting, the reports are discussed and an overall assessment of the risks associated with the financial reporting process is made. The financial statements are reviewed and explained relative to the budget and expectations. Moreover, any estimates and assessments used in the financial reporting are discussed and decided on.

Risk Management

The Group has identified the following risks which have the most significant effect on its financial position and business performance.

Operational risks

Freight rates
The Group is exposed to significant risks relating to the product tanker segment. Freight rates and market values of the vessels owned by the Group are the main risk elements.

The Group's revenues are exclusively generated from activities in the product tanker segment. The tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes and ship values.

Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that the vessels carry.

Pool
The vessels are placed in leading pools. Consequently, the Group is dependent on the pool's ability to attract customers and offer a product which is among the best in the market.

Bunkers
Bunker fuels constitute the major component affecting TCE earnings and increasing prices can have a material impact on the Group's results.

Financial risks

Financing and Cash flow
In the current market situation, access to cash is an important factor for the Group's development. The Group monitors its cash flow situation carefully to ensure it has adequate liquidity for its working capital requirements and principal repayments and interest payments.

Current loan agreements contain financial covenants including (i) minimum liquidity levels, (ii) minimum value (fair market value of vessels as a percentage of outstanding loan) and (iii) minimum equity ratio.

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group in excess of USD 6.0 million towards prepayment of the loan until certain covenant ratios are met.

Interest rates
The Group's interest-bearing debt with variable interest amounted to USD 75.1 million as at 31 December 2017 (2016: USD 78.6 million). This debt is comprised of loans denominated in USD.

In 2017, the Group obtained the approval from the lending banks to enter into a second interest rate cap to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. The first interest rate cap was transacted in 2015. Both interest rate caps mature on 31 December 2018. The Group is allowed to enter into new derivative transactions to hedge its interest rate exposure, subject to approval by the lending banks. As at the year-end, 72% (2016: 58%) of the Group's debt is hedged using interest rate caps. The unhedged portion of the Group's debt is vulnerable to interest rate risks. Any changes in interest rates could therefore have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Credit risk
As of year-end, the Group is reliant on three reputable pools and its pool managers to distribute the allocated earnings on a regular basis. It is the Group's policy to cooperate with recognised pool partners in order to minimise this risk. Should the pools, however, fail to honour its obligations under the pool agreement and/or delay the distribution of pool earnings, the Group could sustain significant losses which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position. Furthermore, if a pool agreement is terminated or expires, the Group might not be able to find employment for these vessels in the pool under similar conditions, which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Corporate Social Responsibility (CSR)

As at the date of this annual report, Nordic Shipholding does not have a written CSR policy due to the functional structure of the Company, where all corporate, commercial and technical management have been outsourced to external management service providers. Depending on the future developments of the Company, a CSR policy will be developed accordingly.

Shareholders Information

Share data at 31 December 2017

Listed on: NASDAQ OMX Copenhagen

Share capital: DKK 40,615,840

Nominal value: DKK 0.1

Shares issued: 406,158,403 shares

Shares trading on NASDAQ OMX Copenhagen: 406,158,403 shares
(Security ID code: DK0060083996)

Share classes: One

Votes per share: One

Bearer share: Yes

Restriction on voting rights: No

Restricted negotiability: No

For further corporate information please see www.nordicshipholding.com

Movements in the Company's share price at 31 December 2017

The closing price at year-end 2017 was DKK 0.54, a decrease of 29% compared with year-end 2016 (DKK 0.76).

Shareholder structure

At 31 December 2017, Nordic Shipholding had 4,462 registered shareholders.

On 31 December 2017, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg - reported on 19 December 2013 – 76.03%
- Nordea Denmark, Filial af Nordea Bank AB (publ), Sverige - reported on 19 December 2013 – 11.03%

Treasury shares

At year-end 2017, Nordic Shipholding held nominally DKK 2,400 treasury shares, corresponding to 24,000 shares and equivalent to 0.01% of the share capital. The acquisition hereof was part of the preparations for the IPO, and the Company has not acquired treasury shares since its listing in 2007.

Dividend policy

No dividend will be distributed for the financial year 2017, and Nordic Shipholding does not expect to distribute any dividend for the financial year 2018. Currently, the Company does not have a dividend policy.

Procedures for election of members to the Board of Directors

All the members are elected to the Board of Directors at the Annual General Meeting.

Procedures for making amendments to the articles of association

Resolutions to amend the Company's articles of association are passed at the Annual General Meeting.

Financial calendar 2018

Annual Report 2017	28 March 2018
General Assembly	20 April 2018
Interim report - Q1 2018	22 May 2018
H1 interim report 2018	22 August 2018
Interim report - Q3 2018	21 November 2018

Board of Directors and Executive Management

Board of Directors

Knud Pontoppidan
Chairman of the Board.
Born 1944. Elected to the Board of Directors on 22 April 2010.

Background:
Former Chairman and Managing Director of Danish Shipowners' Association and Executive Vice President in A.P. Møller-Maersk A/S.

Education:
LLM (cand. jur.), University of Copenhagen.

Other management duties, etc.:
Ejendomsselskabet Absalon A/S, Stiftelsen Sorø Akademi and Soransk Samfunds Boligfond, Adv. Board CBS Maritime
CEO of K. Pontoppidan ApS.

Knud Pontoppidan is considered independent.

Jon Robert Lewis
Deputy Chairman of the Board.

Born 1962. Elected to the Board of Directors on 17 December 2013.

Background:
Partner, Managing Director and Group General Counsel of PAG.

Education:
Graduate from Cornell University and the University of Michigan Law School.

Other management duties, etc.:
Member of the Board of Directors of Ariel Asset LLC (fka: Ariel Asset Daebu Yuhanhoesa), Asia Sapphire Pte. Ltd., Asia Pragati Capfin Private Limited, China Equity Investments Designed Activity Company (formerly known as: China Equity Investments Limited), DBZ (Cyprus) Limited, Indigo Star Investments Limited, Nordic Maritime S.à r.l., Pacific Alliance Group Asset Management Limited, Pacific Alliance Group Limited, Pacific Alliance Special Situations Management Limited, Pacific Alliance-FF Management Limited, Pacific Alliance-W Management Limited, PACL Secretaries Limited, PAFF Secretaries Limited, PAG Asia Capital GP I Limited, PAG Asia Capital GP II Limited, PAG Asia Loan Limited, PAG Asia Loan Management Limited, PAG Asia Loan Management II Limited, PAG China Equity Investment Management Limited, PAG China Investment Limited, PAG China Limited, PAG Consulting Australia Pty Ltd., PAG Holdings Limited, PAG IPR Holdings Limited, PAG Japan Limited, PAG Real Estate (HK) Limited, PAG Real Estate Limited, PAG Real Estate GP Limited, PAG Real Estate Value LLC, PAG Secretaries Limited, PAG Special Situations LLC, PAG Special Situations Management II Limited, PAIM GP I Limited, PAIM GP II Limited, PAIM Secretaries Limited, PAL GP I Limited, PAL GP II Limited, PA-LF Secretaries Limited, PA-LF2 Secretaries Limited, PARE

Secretaries Limited, PASS Secretaries Limited, PASS2 Secretaries Limited, PA-W Secretaries Limited, PAX Secretaries Limited, PREP Secretaries Limited, PAG Enhanced Credit LLC, PAG Enhanced Credit Management Limited, PAG-C Management Limited, PAIM II GP II Limited, PAL II GP II Limited, PREP GP II Limited, PAG Real Estate Holding Limited, PAGAC II GP II Limited, PECF GP I Limited, PAG Asia Alpha Advisors Limited, PAG Enhanced Credit Advisors Limited, PAG Special Situations Advisors Limited, PAG Asia Loan Advisors Limited, PAG China Special Situations Advisors Limited, PAG Real Estate Korea Limited, PAG Growth Advisors Limited, PAG Asia Loan LLC, Pacific Alliance Investment Management Limited, PAG-P Management Limited, PAG AR Opportunistic Strategies Limited, PAG Asia Alpha LLC, PAG Asia Alpha GP Limited, PAG Alpha Investment Management Limited, Asia Alpha Secretaries Limited, PREP GP I Limited, PREP GP II Limited, PAGAC2 Secretaries Limited, PA-ECF Secretaries Limited, PAGAC GP I Limited, PAGAC GP II Limited, PAGAC II GP I Limited, PAG CA Partners GP Limited, PAG China Special Situations LLC, PAG China Special Situations GP Limited, PAG-C AR Co-Investment GP Limited, PAG-G AR Co-Investment GP Limited, PAG Growth Capital GP I Limited, PAG BRS LLC, PAG BRS Advisors Limited, PAG BRS GP Limited, PAG Investment Solutions Advisors Limited, PAG Asia Loan GP III Limited, PA-Growth Secretaries Limited, PA-LF3 Secretaries Limited, PAG Opportunitstic Strategies Advisors Limited, PAG Real Estate GP II Limited, PAL III GP Limited and Maritime Asia Diamond Pte. Ltd.

Jon Robert Lewis is not considered independent due to his relationship with the major shareholder of the Company.

Kristian V. Mørch
Member of the Board.
Born 1967. Elected to the Board of Directors on 20 April 2012.

Background:

CEO of Odfjell SE, listed on Oslo Stock Exchange. Previously Partner & CEO of Clipper Group and before that 23 years with A.P. Møller-Maersk A/S.

Education:
Shipping education from A.P. Møller-Maersk, MBA from IMD Lausanne Switzerland, Advanced Management Program from Harvard Business School.

Other management duties, etc.:
On the Board of Odfjell Company and joint ventures, and Maersk Brokers K/S

Kristian V. Mørch is considered independent.

Kanak Kapur
Member of the Board.
Born 1970. Elected to the Board of Directors on 14 April 2015.

Background:
Partner in PAG.

Education:
MBA from NYU Stern School of Business

Other management duties, etc.:
Intero Investments Limited
Bremen Developments Limited

Asia Pragati Capfin Private Limited
Maritime Asia Diamond Pte. Ltd.

Kanak Kapur is not considered independent due to his relationship with the major shareholder of the Company.

Philip Clausius
Chief Executive Officer (CEO)
Born 1968. Elected to the Board of Directors on 17 December 2013.

Background:
Previously CEO of FSL Trust Management Pte. Ltd.

Education:
Graduate degree (Diplom-Betriebswirt) in Business Administration from the European Business School, Germany.

Other management duties, etc.:
Member of the Board of Directors of the Singapore-incorporated subsidiaries of Nordic Shipholding A/S Group, CEO and Director of Transport Capital Pte. Ltd., Director of Transport Capital Holdings Pte. Ltd. and its subsidiaries, Maritime Asia Diamond Pte. Ltd., APSE SPV1 Pte. Ltd., APSE SPV2 Pte. Ltd., APSE SPV3 Pte. Ltd., APSE SPV4 Pte. Ltd., BW Pacific Limited, Wellard Limited, The Standard Club Ltd, The Standard Club Asia Ltd and Bengal Tiger Line Pte. Ltd.

Advisory panel member of Singapore Maritime Foundation, Supervisor to the Board of Columbia Shipmanagement (Shanghai) Co., Ltd. and Columbia Crew Management (Shanghai) Co., Ltd. and Chairman of The Singapore War Risks Mutual (SWRM) Class Committee.

Philip Clausius is not considered independent as he is the CEO of the Company.

Executive Management

Philip Clausius
Born 1968. CEO since 2 January 2014.

As Philip Clausius is also a director of Nordic Shipholding, please see his profile under Board of Directors.

Board members' shares

Board members' ownership of shares in Nordic Shipholding A/S at 31 December 2017

Board Member	**Shares owned**
Knud Pontoppidan	102,052
Jon Robert Lewis	-
Kristian V. Mørch	4,400
Kanak Kapur	-
Philip Clausius	-

Management Statement

We have today considered and approved the Annual Report of Nordic Shipholding A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and Company's financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2017 and of their financial performance and their cash flows for the financial year 1 January – 31 December 2017.

Furthermore, in our opinion the management review (page 1 – 17) gives a true and fair review of the development in the Group's and the Company's operations and financial matters, the results of the Group and the Company for the year and the financial position as a whole, and describes the significant risks and uncertainties facing the Group and the Company.

We recommend that the annual report be adopted at the General Assembly.

Copenhagen, 28 March 2018

Executive Management

Philip Clausius
CEO

Board of Directors

Knud Pontoppidan
Chairman of the Board of Directors

Jon Robert Lewis
Deputy Chairman of the Board of Directors

Kristian V. Mørch

Kanak Kapur

Philip Clausius

Independent Auditor's Report

To the Shareholders of Nordic Shipholding A/S

Our Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Nordic Shipholding A/S for the financial year 1 January to 31 December 2017 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Nordic Shipholding A/S on 20 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 6 years including the financial year 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the carrying amount of non-current assets Investments in non-current assets mainly compose Vessels and dockings and are measured at cost less accumulated depreciation and impairment. The principal risk is in relation to management's assessment of future timing and amount of cash flows, which are used to project the recoverability of the carrying amount. Bearing in mind the generally long-lived nature of vessels, the most critical assumptions are management's view on the long-term outlook for freight volumes, freight rates and operational expenses. We focused on this area, because management is required to exercise considerable judgement, and because of the inherent complexity in estimating future cash flows. Reference is made to note 2, 6 and 11	In addressing the risk, we performed walk throughs of the processes and controls designed and operated by the Group relating to the assessment of the value of Vessels and the identification of impairment indications. We considered the appropriateness of management's defined cash-generating units (CGUs) within the business. We evaluated whether there were factors requiring management to change their classification. We performed testing for the cash generating units, where the need for an impairment review was identified by management, by benchmarking and checking the reasonableness of future cash flows. We challenged whether these were appropriate in light of future freight rates and volume growth, including assessment of management's macroeconomic assumptions regarding short-term and long-term freight rates. We also evaluated the discount rates and tested the mathematical accuracy of the relevant value-in-use models prepared by management, as well as the assumption for sensitivity disclosed.

Statement on Management Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 March 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mikkel Sthyr State Authorised Public Accountant mne26693	Jacob Brinch State Authorised Public Accountant mne35447

Financial Statements

Statement of comprehensive income for the period 1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2017**	**2016**	**2017**	**2016**
3	Total revenue	-	-	32,841	35,693
	Voyage related expenses	-	(2)	(9,609)	(7,990)
	Time charter equivalent revenue (TCE revenue)	**-**	**(2)**	**23,232**	**27,703**
	Other income	-	15	-	15
	Expenses related to the operation of vessels	-	-	(14,680)	(15,091)
4	Staff costs	(282)	(261)	(282)	(261)
5	Other external costs	(1,080)	(1,084)	(1,619)	(1,613)
	Earnings before depreciation (EBITDA)	**(1,362)**	**(1,332)**	**6,651**	**10,753**
6	Depreciation	-	-	(6,831)	(7,095)
6	Write-downs	-	-	-	(5,050)
	Operating result (EBIT)	**(1,362)**	**(1,332)**	**(180)**	**(1,392)**
7	Financial income	7	1,047	18	-
8	Financial expenses	-	-	(3,402)	(3,386)
	Result before tax	**(1,355)**	**(285)**	**(3,564)**	**(4,778)**
9	Tax on result	-	-	-	-
	Result after tax	**(1,355)**	**(285)**	**(3,564)**	**(4,778)**
	Total comprehensive income	**(1,355)**	**(285)**	**(3,564)**	**(4,778)**
	Distribution of result				
	Parent Company	(1,355)	(285)	(3,564)	(4,778)
	Distribution of comprehensive income				
	Parent Company	(1,355)	(285)	(3,564)	(4,778)
10	Earnings per share (EPS) (USD)			(0.01)	(0.01)
10	Diluted earnings per share (USD)			(0.01)	(0.01)

Statement of financial position

Note	Amounts in USD thousand	Company 2017	Company 2016	Group 2017	Group 2016
	Non-current assets				
11	Vessels and docking	-	-	102,959	108,622
	Tangible assets	**-**	**-**	**102,959**	**108,622**
12	Investment in subsidiaries	43,764	43,764	-	-
16	Other financial assets	-	29	-	29
	Financial assets	**43,764**	**43,793**	**-**	**29**
	Total non-current assets	**43,764**	**43,793**	**102,959**	**108,651**
	Current assets				
	Bunkers	-	-	1,315	894
13	Trade receivables	-	-	6,097	4,833
14	Receivables from subsidiaries	1,195	2,478	-	-
15	Other receivables	143	154	716	1,110
	Total receivables	**1,338**	**2,632**	**8,128**	**6,837**
16	Other financial assets	3	-	3	-
16	Cash & cash equivalents	65	149	3,310	4,963
	Total current assets	**1,406**	**2,781**	**11,441**	**11,800**
	Total assets	**45,170**	**46,574**	**114,400**	**120,451**
	Equity				
19	Share capital	7,437	7,437	7,437	7,437
	Retained earnings	37,616	38,971	28,382	31,946
	Equity, parent company	**45,053**	**46,408**	**35,819**	**39,383**
	Equity, non-controlling interests	-	-	-	-
	Total equity	**45,053**	**46,408**	**35,819**	**39,383**
	Liabilities				
16	Other financial liabilities	-	29	-	-
17	Finance loans, etc.	-	-	72,674	71,855
	Non-current liabilities	**-**	**29**	**72,674**	**71,855**
17	Finance loans, etc.	-	-	2,429	6,697
18	Trade payables	77	100	3,441	2,479
16	Other financial liabilities	3	-	-	-
	Corporation tax	37	37	37	37
	Total current liabilities	**117**	**137**	**5,907**	**9,213**
	Total liabilities	**117**	**166**	**78,581**	**81,068**
	Liabilities and equity	**45,170**	**46,574**	**114,400**	**120,451**

For information about treasury shares and share capital please refer to Note 19.

Statement of changes in equity - Company

Amounts in USD thousand	Share capital	Retained earnings	Total equity
Shareholders' equity at 1 January 2017	7,437	38,971	46,408
Result for the year	-	(1,355)	(1,355)
Total comprehensive income	-	(1,355)	(1,355)
Shareholders' equity at 31 December 2017	7,437	37,616	45,053
Shareholders' equity at 1 January 2016	7,437	39,256	46,693
Result for the year	-	(285)	(285)
Total comprehensive income	-	(285)	(285)
Shareholders' equity at 31 December 2016	7,437	38,971	46,408

Statement of changes in equity - Group

Amounts in USD thousand	Share capital	Retained earnings	Equity parent company	Equity group
Shareholders' equity at 1 January 2017	7,437	31,946	39,383	39,383
Result for the year	-	(3,564)	(3,564)	(3,564)
Total comprehensive income	-	(3,564)	(3,564)	(3,564)
Shareholders' equity at 31 December 2017	7,437	28,382	35,819	35,819
Shareholders' equity at 1 January 2016	7,437	36,724	44,161	44,161
Result for the year	-	(4,778)	(4,778)	(4,778)
Total comprehensive income	-	(4,778)	(4,778)	(4,778)
Shareholders' equity at 31 December 2016	7,437	31,946	39,383	39,383

Statement of cash flow
1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2017**	**2016**	**2017**	**2016**
	Operating result (EBIT)	**(1,362)**	**(1,332)**	**(180)**	**(1,392)**
6	Depreciation and write-downs	-	-	6,831	12,145
	Non-cash financial expenses	7	1,047	(39)	(68)
	Changes in inventories	-	-	(421)	446
	Changes in receivables	11	26	(870)	2,247
	Changes in liabilities	(23)	(8)	962	(3,861)
	Paid financial expenses	-	-	(3,278)	(3,348)
	Cash flow from operating activities	**(1,367)**	**(267)**	**3,005**	**6,169**
11	Investments in tangible assets	-	-	(1,168)	(115)
	Cash flow from investment activities	-	-	**(1,168)**	**(115)**
	Receivables from subsidiaries	1,283	334	-	-
	Repayment of finance loans	-	-	(3,490)	(7,725)
	Cash flow from financing activities	**1,283**	**334**	**(3,490)**	**(7,725)**
	Cash flow for the year	**(84)**	**67**	**(1,653)**	**(1,671)**
	Cash as of 1 January	**149**	**82**	**4,963**	**6,634**
	Cash at the end of the year	**65**	**149**	**3,310**	**4,963**

List of Notes

1. Significant accounting estimates, assumptions and uncertainties

Nordic Shipholding's annual report, which includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are described in Note 2.

In connection with the preparation of the financial statements, management applies estimates and assumptions. Such estimates and assumptions are based on the most recent information available at the time of preparing the financial statements.

The most significant estimates relate to:

- measurement of vessels, and
- depreciation periods.

The estimates and assumptions are based on premises that management find reasonable, but which are uncertain or unpredictable. It may be necessary to change previous estimates as a result of future changes in the assumptions, new information, further experience or subsequent events.

Measurement of vessels

Vessels are tested for impairment if there are indications of impairment. The Company evaluates the carrying amount of vessels within two cash generating units – (1) one LR1 vessel deployed in Straits Tankers Pool, (2) three vessels deployed in UPT Handy Pool and two vessels deployed in Hafnia Handy Pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

The impairment tests are based on value in use calculations and net realisable values assessed by leading and independent international ship brokers, which are compared to the carrying amount of the assets within each of the cash generating units.

The carrying amount of the Group's vessels may not necessarily represent their actual market value at any point in time as market prices of second-hand vessels to a certain degree fluctuate with changes in charter rates and the cost of new-buildings.

If the estimated future cash flow or related assumptions change permanently, it may be necessary to reduce the carrying amount of vessels for the cash generating units.

In 2017, no impairment was recognised for the handysize vessels (2016: USD 5.1 million) and the LR1 vessel (2016: nil). Based on the continuing uncertain shipping environment, management has assessed and concluded not to write-back any additional portion of the impairment recognised in 2012 for the six vessels. The carrying amount of vessels at 31 December 2017 amounted to USD 103.0 million (2016: USD 108.6 million).

Please refer to Note 6 for more information about the impairment tests performed.

Depreciation periods

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 annual depreciation. The carrying amount of vessels as of 31 December 2017 amounted to USD 103.0 million (2016: USD 108.6 million).

2. Accounting policies

Basis of preparation

The annual report of Nordic Shipholding A/S includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are consistent with those applied to the annual report for 2016 with the exception of the adjustments resulting from the implementation of new and revised standards and interpretation as described below.

Adoption of new and amended IFRSs

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and IFRSs endorsed by the European Union effective on or after 1 January 2017, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2017, and management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted

In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in general expected to have significant effect on current accounting regulations:

- IFRS 15: "Revenue from Contracts with Customers" New standard on revenue recognition. The standard may potentially affect revenue recognition in a number of areas depending on the industry in which the entity operates, including:
  - The timing of revenue recognition
  - Recognition of variable consideration
  - Additional disclosure requirements

  The standard will be effective for financial years beginning on or after 1 January 2018.

- IFRS 9: "Financial Instruments" - on the measurement and classification of financial assets and liabilities. The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018.

- IFRS 16: "Leases". New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. The standard will be effective for financial years beginning on or after 1 January 2019.

Management have assessed the impact of the new standards and they will not have any significant impact on the consolidated financial statements.

Consolidated financial statements
The consolidated financial statements include Nordic Shipholding (Company) and the enterprises (subsidiaries) which are controlled by the Company. Control is presumed to exist when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Entities which are by agreement managed jointly with one or more other enterprises are considered to be joint operations which are accounted for by proportionate consolidation.

Basis of consolidation
The consolidated financial statements have been prepared on the basis of the accounts of Nordic Shipholding and its subsidiaries and joint operations. The consolidated financial statements have been prepared by adding together items of a uniform nature.

The accounts used for consolidation purposes have been prepared in accordance with the Group's accounting policies. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. Subsidiaries' items are recognised in full in the consolidated financial statements.

For vessels deployed in pools, it is evaluated based on the pool agreement between the pool and the vessel company. For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. The proportionate share of the results of the entities after elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Foreign currency translation
The functional and presentation currency of the Company is USD.

On initial recognition, transactions in currencies other than the functional currency of each enterprise are translated using the exchange rate at the date of the transaction.

Receivables, payables and other monetary items in foreign currencies, which have not been settled at the balance sheet date, are translated using the rate of exchange at the balance sheet date. Any exchange differences arising between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment and the balance sheet date, respectively, are recognised in the income statement as financial income and expenses.

Vessels and docking, inventories and other non-monetary assets purchased in foreign currencies and measured using historical costs are translated using the rate of exchange at the date of the transaction. Non-monetary items that are revalued at fair value are translated using the rate of exchange at the date of the revaluation.

Upon recognition in the consolidated financial statements of enterprises with functional currencies other than USD, the income statements are translated at the average exchange rates for the respective months. Balance sheet items are translated using the exchange rates ruling at the balance sheet date. Exchange differences arising from translation of balance sheet items at the beginning of the year at the rates of exchange at the balance sheet date and from translation of income statements from average rates of exchange to the rates of exchange at the balance sheet date are recognised as other comprehensive income. Correspondingly, exchange differences arising from changes made directly in the equity of these enterprises are also recognised as other comprehensive income.

Segment information

Nordic Shipholding has only one segment: Product Tankers. The Company therefore does not disclose segment information.

Statement of comprehensive income

Revenue

Income, including revenue, is recognised in the income statement when:

- the income creating activities have been carried out on the basis of a binding agreement
- the income can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- costs relating to the transaction can be measured reliably

Pool arrangement

Nordic Shipholding generates its revenue primarily through pool arrangements. Total pool revenue is generated from each vessel participating in the pool. The pool measures revenue based on the contractual rates and the duration of each voyage, and revenue is recognised in the income statement upon delivery of service in accordance with terms and conditions of the charter parties.

For vessels deployed in pools, it is evaluated based on the pool agreement between the pool and the vessel company. For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. The proportionate share of the results of the entities after elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Time charter

The Group leases its LR1 vessel to a lessee under fixed rate time charter arrangement. This charter is classified as operating lease. Lease income is recognised in the income statement on a straight-line basis over the lease term. The time charter arrangement ended in October 2017.

Voyage related expenses
These are expenses related to Nordic Shipholding's vessels managed in a pool. Voyage related expenses consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred.

Operating expenses
Operating expenses include costs relating to the operation and maintenance of vessels, including costs relating to crew. Operating expenses are recognised as incurred.

Staff costs
Staff costs comprise directors' fees, wages and salaries and social security costs and are recognised as incurred.

Other external costs
Other external costs comprise administrative expenses.

Depreciation and write downs
Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Vessels' and 'Dockings' for the description of depreciation principles). Write downs are made when impairment tests shows that the value of fixed assets is impaired.

Financial income and expenses, net
Financial income and expenses include interest income and interest expenses, realised and unrealised exchange differences, fair value change in derivative financial instrument and write-off of investments. Interest income and expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that is used to discount expected future payments related to the financial asset or the financial liability in order for the present value of such asset or liability to match its carrying amount.

Tax
Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the financial year end.

No provision is made for taxation on qualifying shipping income derived from the operation of the Group's vessels held by Singapore-incorporated entities which is exempt from taxation under Section 13A of the Singapore Income Tax Act. The Singapore-incorporated entities are subject to tax on its non-tax exempt income such as other income at the prevailing corporate tax rate, after adjusting for allowable expenses.

Deferred tax assets are recognised to the extent that it is probable that they can be utilised against future taxable income.

Earnings per share and diluted earnings per share

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted average number of shares in the financial year.

Statement of financial position

Vessels and docking

Vessels and docking includes vessels, upgrade costs and dockings, and are measured at cost less accumulated depreciation and impairment.

The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement.

Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which Nordic Shipholding estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton.

The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Group's business plans. Moreover, the Group evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts.

Prepayments on vessels under construction are recognised as instalments paid.

The fleet of own vessels is required to undergo planned dry-dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis to the next scheduled dry-docking. The residual value is estimated at zero.

A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Impairment tests

Vessels are tested for impairment when there are indications of impairment.

If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the need for recognising an impairment and the extent hereof. If an asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. The recoverable amount is defined as the higher of the fair value of the asset or the cash generating unit less costs to sell and the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted.

The fair value of vessel is usually determined based on the estimated selling price assessed by external brokers less costs to sell. If the recoverable amount of the asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

An impairment for the cash-generating unit is first allocated to goodwill and subsequently to the assets of the unit, but no asset will be reduced to a lower value than its fair value less expected costs to sell. Impairment are recognised in the statement of comprehensive income.

If an impairment subsequently is reversed for other assets than goodwill as a result of changes in assumptions used to determine the recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash-generating unit.

Bunkers
Inventories consist of oils and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

Receivables
Receivables comprise trade receivables, loans and other receivables. Receivables are classified as loans and receivables that are financial assets, with fixed or determinable payments, that are not quoted in an active market and which are not derivative financial instruments. Receivables are initially measured at fair value and subsequently at amortised cost, which usually equals the nominal value less provisions for bad debts. Write-down is done individually using a provisions account.

Dividend
Dividend is recognised as a liability at the time of approval by the General Meeting. Dividend proposed by management in respect of the year is stated under equity.

Treasury shares
Acquisition costs and consideration for treasury shares and dividend on treasury shares are recognised directly as retained earnings in equity.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions with an expected maturity of more than one year from the balance sheet date are measured at present value.

Finance loans
Finance loans are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortised cost. This means that the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Other financial liabilities
Other financial liabilities comprise trade payables and other payables to public authorities, etc. Other financial liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

Derivative financial instruments and hedging activities
The Group holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and transferred to hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

Cash flow statement

The consolidated and Company cash flow statements are presented using the indirect method and show cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less financial expenses paid attributable to operating activities.

Cash flows from investing activities include payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of intangibles and vessels and docking.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from financing activities comprise changes in the Company's share capital and related costs as well as raising and repayment of loans, instalments on interest bearing debt, acquisition of treasury shares and payment of dividend.

Cash flows in other currencies than the functional currency are recognised in the cash flow statement using average exchange rates for the respective months, unless these deviate materially from the actual exchange rates ruling at the dates of the transactions. If so, the actual exchange rates are used.

Cash and cash equivalents comprise cash at bank and cash held by the master of the respective vessels.

Supplementary accounting policies for the Company

Investments in subsidiaries in the financial statements of the Company
Investments in subsidiaries are measured at cost. If the cost price exceeds the recoverable amount of the investment, it is written down to this lower amount. The recoverable amount is defined as the higher of the fair value of the subsidiary less costs of sale and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the enterprise in question for which the estimates of future cash flows have not been adjusted.

Dividends received from subsidiaries and associates are recognised in statement of comprehensive income.

The conversion of inter-company debt owed by its subsidiaries is measured at carrying amount.

3. Revenue

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Revenue	-	-	32,841	35,693
Total revenue	**-**	**-**	**32,841**	**35,693**

The time charter revenue generated from Nordic Anne, who was deployed on a 3-year time charter with a creditworthy customer until October 2017, accounted for approximately 16% of the Group's total revenue in 2017 (2016: 18%).

4. Staff costs

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Staff costs				
Wages and salaries	(282)	(261)	(282)	(261)
Total staff costs	**(282)**	**(261)**	**(282)**	**(261)**
Of which:				
Board of Directors:				
Remuneration to the Board of Directors	(81)	(77)	(81)	(77)
Average number of full-time employees^	1	1	1	1

^ The average number excludes the CEO of the Company.

Nordic Shipholding A/S has entered into a corporate management agreement with Transport Capital Pte. Ltd. ('Transport Capital') for the day to day management and operation of the Company. As part of the management agreement, Transport Capital provides a CEO for the Company. The CEO is not remunerated.

Refer to Note 20 for related party transactions for the fees paid to Transport Capital Pte. Ltd., the corporate manager for the Group, during the financial year.

5. Auditor fee

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Statutory audit of annual accounts	(119)	(110)	(217)	(201)
Tax advices	(39)	(60)	(41)	(79)
Other assistance	(44)	(50)	(44)	(71)
Total fees	**(202)**	**(220)**	**(302)**	**(351)**

The above is for the corporate auditor, Pricewaterhouse Coopers. The figures for 2017 and 2016 include fees for statutory audits in Singapore.

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to USD 83,000 (2016: USD 110,000) and consists of agreed upon procedures on quarterly interim reports, assistance with XBRL reporting, tax advisory concerning transfer pricing and other general financial reporting and tax consultancy services.

6. Depreciation and write-downs

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Depreciation - tangible assets	-	-	(6,831)	(7,095)
Write down - tangible assets	-	-	-	(5,050)
Total	**-**	**-**	**(6,831)**	**(12,145)**

Impairment test

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Any impairment tests are performed in accordance with IAS 36.

Impairment assessment of tangible assets - Vessels and dry-docking

The management assessed the performance of these vessels based on their employment and vessel type. The five handysize vessels (Nordic Ruth, Nordic Pia, Nordic Hanne, Nordic Agnetha and Nordic Amy) are employed under leading pools. Nordic Anne, an LR1 tanker was redelivered under the 3-year time charter in October 2017, and at the same time re-entered the Straits Tankers Pool. Hence, for impairment assessment, the Company's policy is to evaluate the carrying amount of handysize vessels as one cash-generating unit ('CGU') and Nordic Anne as another CGU to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

According to Nordic Shipholding's accounting policies regarding impairment tests, a write-down is made to the higher of an estimated sale price less cost of sale or calculated net present value ('value in use') for each CGU. The estimated sale price is based on valuations from accredited independent shipbrokers. For impairment assessment in 2016 and 2017, the recoverable amount of the respective CGUs was based on its value in use.

The value in use is calculated based on an increase in daily TCE, operating costs and residual value by 2.0% per annum, 3.0% per annum and 2.0% per annum, respectively, and a Weighted Average Cost of Capital (WACC) of 7.7% (2016: 7.7%). Daily TCE is assumed by considering the daily TCE forecasted by the pool managers and the long-term average TCE rates. Operating costs is the agreed costs between the vessel company and the respective technical managers. Residual value of each vessel is estimated as the lightweight tonnage multiplied by scrap value per ton. WACC is calculated based on a standard WACC model in which the cost of equity, cost of debt and capital structure are the key parameters. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

No impairment was recognised based on the value in use calculation in 2017 (2016: write-down on the tangible assets of USD 5.1 million). In 2016, the net book value of the tangible assets was written down based on the lower of the recoverable amount (higher of value in use and net realisable value) and net book value of the handysize vessels before impairment.

The value in use calculation is sensitive to changes in the key assumptions such as future development in freight rates, the WACC applied as discounting factor in the calculations and the development in operating expenses. All other things being equal, the sensitivities to the value in use have been assessed as follows:

- A fluctuation of 5.0% on the daily long-term TCE would change the value in use by USD 3.0 million (2016: USD 3.1 million) for the LR1 tanker and USD 10.3 million (2016: USD 11.1 million) for the five handysize vessels. If the daily long-term TCE rate decreases by 5.0%, there would be an impairment of USD 0.6 million (2016: USD 2.0 million) for the LR1 tanker and an impairment of USD 8.6 million (2016: USD 8.6 million) for the five handysize vessels.

- A fluctuation of 1 percentage point on the WACC would change the value in use by USD 2.0 million (2016: USD 1.9 million) for the LR1 tanker and USD 4.9 million (2016: USD 5.2 million) for the five handysize vessels. If the WACC increases by 1 percentage point, there would be no impairment (2016: impairment of USD 0.8 million) for the LR1 tanker and an impairment of USD 3.1 million (USD 2.6 million) for the five handysize vessels.

- A fluctuation of 5.0% on the operating expenses would change the value in use by USD 1.5 million (2016: USD 1.5 million) for the LR1 tanker and USD 5.8 million (2016: USD 6.3 million) for the five handysize vessels. If the operating expenses increases by 5.0%, there would be no impairment (2016: USD 0.4 million) for the LR1 tanker and an impairment of USD 4.0 million (2016: USD 3.8 million) for the five handysize vessels.

7. Financial income

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Interest income on intercompany loans	-	1,047	-	-
Interest income on bank balances	-	-	18	-
Gain from exchange rate adjustments	7	-	-	-
Total financial income	**7**	**1,047**	**18**	**-**

8. Financial expenses

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Financial expenses to bank	-	-	(54)	(55)
Interest on finance loans	-	-	(3,255)	(3,196)
Fair value adjustment from valuation of interest rate caps	-	-	(61)	(92)
Expenses from exchange rate adjustments	-	-	(32)	(43)
Total financial expenses	**-**	**-**	**(3,402)**	**(3,386)**
Total net financial income and expenses	**7**	**1,047**	**(3,384)**	**(3,386)**

9. Tax for the year

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Current tax expense	-	-	-	-
Tax for the year recognised in the income statement	**-**	**-**	**-**	**-**
Result before tax	(1,355)	(285)	(3,564)	(4,778)
- of which subject to tonnage taxation or other schemes	-	-	2,203	4,493
Adjusted result before tax	**(1,355)**	**(285)**	**(1,361)**	**(285)**
Calculated tax at 22.0% (2016: 22.0%)	**(298)**	**(63)**	**(299)**	**(63)**
Income not subject to tax	-	-	-	-
Tax assets not recognised	299	63	299	63
Adjustment of tax for previous years	-	-	-	-
	-	-	-	-

No current or deferred tax has been recognised in other comprehensive income.

No deferred tax assets or liabilities are recognised as at 31 December 2017 (2016: USD Nil). Value of unrecognised tax losses amounted to USD 0.3 million (2016: USD 0.4 million).

There are no unrecognised tax liabilities associated with investments in foreign subsidiaries in 2017 and 2016.

10. Earnings per share

	Group	
Amounts in USD thousand	**2017**	**2016**
Earnings per share (EPS)		
Loss for the Company's shareholders	(3,564)	(4,778)
Number of shares used in calculation of earnings per share:		
Weighted average number of outstanding shares	406,158,403	406,158,403
Number of treasury shares	(24,000)	(24,000)
Number of shares used in calculation	**406,134,403**	**406,134,403**
For continuing operations:		
Earnings per share (USD)	(0.01)	(0.01)

No dividends is proposed for 2017 (2016: NIL).

11. Vessels and docking

Amounts in USD thousand	Group 2017 Vessels and Docking	2016 Vessels and Docking
Cost at 1 January	191,889	191,774
Disposals during the year	(39)	-
Additions during the year	1,168	115
Cost at 31 December	**193,018**	**191,889**
Depreciation and write-down at 1 January	(83,267)	(71,122)
Depreciation during the year	(6,831)	(7,095)
Disposals during the year	39	-
Write down of impairment	-	(5,050)
Depreciation and write-down at 31 December	**(90,059)**	**(83,267)**
Book value at 31 December	**102,959**	**108,622**
Geographical split of tangible assets:		
Singapore	102,959	108,622
	102,959	**108,622**

The carrying amount of vessels pledged as security for finance loans in the Group is USD 103.0 million as at 31 December 2017 (2016: USD 108.6 million).

12. Investments in subsidiaries

Amounts in USD thousand	Company 2017	2016
Cost at 1 January	43,764	60
Additions during the year	-	43,704
Cost at 31 December	**43,764**	**43,764**
Write-down at 1 January and 31 December	**-**	**-**
Carrying amount before offset	**43,764**	**43,764**
Offset against intercompany receivables	-	-
Carrying amount at 31 December	**43,764**	**43,764**

In 2016, there was a conversion of the inter-company debt owed by the six vessel-owning entities to Nordic Shipholding A/S into equity. In relation to this exercise, the six vessels owning entities issued 1,000 shares each to Nordic Shipholding Singapore Pte. Ltd. which concurrently issued 6,000 shares to Nordic Shipholding A/S for a total value of USD 43.7 million.

Company summary	Primary operations	Domicile	Owner-ship %	Voting right %
Subsidiaries for Nordic Shipholding A/S				
Nordic Shipholding Singapore Pte. Ltd.	Investment holding company	Singapore	100	100
Subsidiaries for Nordic Shipholding Singapore Pte. Ltd.				
Nordic Agnetha Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Amy Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Anne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Hanne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Pia Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Ruth Pte. Ltd.	Shipowning company	Singapore	100	100

13. Trade receivables

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Receivables from freight	-	-	5,047	3,783
Working capital with pools	-	-	1,050	1,050
Total trade receivables	**-**	**-**	**6,097**	**4,833**

The carrying amount corresponds to the fair value of the receivables.

Age of trade receivables that are past due but not impaired:

Amounts in USD thousand	Group				
2017	**0 to 30 days**	**31 to 60 days**	**61-90 days**	**After 91 days**	**Total**
Trade receivables	2,974	144	127	1,802	5,047
Total	**2,974**	**144**	**127**	**1,802**	**5,047**
2016					
Trade receivables	2,015	49	55	1,664	3,783
Total	**2,015**	**49**	**55**	**1,664**	**3,783**

14. Receivables from subsidiaries

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Receivables from subsidiaries	1,195	2,478	-	-
Total receivables from subsidaries	**1,195**	**2,478**	**-**	**-**

15. Other receivables

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Pre-payments and deposits	121	141	483	566
Other receivables	22	13	233	544
Total other receivables	**143**	**154**	**716**	**1,110**

The carrying amount corresponds to the fair value of the receivables.

16. Financial risks and financial instruments

Foreign exchange, interest rate and credit risks and application of financial instruments

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Trade receivables	-	-	6,097	4,833
Receivables from subsidiaries	1,195	2,478	-	-
Other receivables	143	154	716	1,110
Cash and cash equivalents	65	149	3,310	4,963
Loans, receivables and cash	**1,403**	2,781	**10,123**	10,906
Interest rate cap, asset	3	29	3	29
Interest rate cap, liability	(3)	(29)	-	-
Derivative instruments	**-**	-	**3**	29
Finance loans	-	-	75,103	78,552
Trade payables	77	100	3,441	2,479
Financial liabilities measured at amortised cost	**77**	**100**	**78,544**	**81,031**

Fair value hierarchy for financial instruments measured at fair value in the balance sheet
Financial instruments measured at fair value are classified below in accordance with the fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods where all significant inputs are based on observable market data (level 2).
- Valuation methods where any significant inputs are not based on observable market data (level 3).

Methods and assumptions in determining fair value

Interest rate cap:
Interest rate cap is measured at fair value by applying valuation methods.

Other financial assets and liabilities:
The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents and trade payables) corresponds to fair value.

Amounts in USD thousand		Company and Group		
2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	3	-	3
Derivative asset	**-**	**3**	**-**	**3**

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	29	-	29
Derivative asset	**-**	**29**	**-**	**29**

Amounts in USD thousand		Company		
2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	3	-	3
Derivative liability	**-**	**3**	**-**	**3**

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	29	-	29
Derivative liability	**-**	**29**	**-**	**29**

There were no transfers between level 1 and level 2 during the financial year.

Policy for managing financial risks

Due to its operations, investments and financing, the Group is exposed to fluctuations in foreign exchange rates and interest rates. The Company monitors and manages the Group's financial risks centrally and coordinates the Group's liquidity management, including funding. The Group pursues a finance policy which operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors. Hence, when required, the Group uses financial instruments to hedge risks. For further information on accounting policies and methods, including recognition criteria and bases of measurement, see the section on accounting policies in Note 2.

Currency risks

The Group and the Company are mildly sensitive to exchange rate fluctuations as earnings and costs are primarily denominated in USD. No financial hedges have been made for the DKK, EUR and SGD exposure in 2017 and 2016. The Group's policy is to review the currency exposure and hedge the risk if this is significant. The sensitivity towards changes in exchange rates is approximately USD 0 million for each percentage change in USD towards DKK, EUR and SGD combined (2016: USD 0 million).

Interest rate risks

In 2017, the Group obtained the approval of the lending banks and entered into a second interest rate cap (through the Company) to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. The first interest rate cap was transacted in 2015. Both interest rate caps mature on 31 December 2018. As at the year-end, the unhedged portion of the Group's debt is vulnerable to interest rate risks. Any changes in interest rates could therefore have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position. The notional amount of the two interest rate caps entered into by the Group (through the Company) is USD 48.0 million and USD 13.3 million which amortises quarterly to USD 39.7 million and USD 10.8 million, respectively, at maturity date (31 December 2018). The strike rate of both the interest rate caps is 2.50% per annum. As at the year-end, 72% (2016: 58%) of the Group's outstanding loans is hedged using interest rate caps.

The Company entered into the interest rate caps with a third party ('original interest rate caps') and at the same time, entered into a separate interest rate cap agreement with Nordic Shipholding Singapore ('NSHS') at the same terms as the original interest rate caps. NSHS then entered into six separate interest rate cap agreements with the respective vessel-owning Singapore incorporated subsidiaries ('SIN SPCs'), with notional amounts corresponding to the prorata loan balance booked by each SIN SPCs. The aggregate notional amounts of the interest rate cap in the SIN SPCs correspond to the notional amount of the interest rate cap agreement between NSHS and the Company. At the Company level, the original interest rate caps are negated by the internal interest rate cap with NSHS. Hence, there is no hedge exposure at the Company level.

Group
Interest rate fluctuations affect the Group's finance loans. A one percentage point increase in interest rates compared with the realised interest level would have had an adverse impact of approximately USD 0.8 million (2016: USD 0.8 million) on results for the year and equity. A corresponding decrease in interest rates would have a corresponding positive impact on results for the year and equity.

Company
Interest rate fluctuations do not significantly affect the Company in 2017 and 2016.

Date of revaluation/maturity – Group and Company
The Group's and Company's interest-bearing financial assets and liabilities expose them to interest rate risks. In respect of the Group's and Company's financial assets and liabilities, the following contractual dates of reassessment and maturity, whichever is earlier, are listed below.

Amounts in USD thousand	**Company**			
31.12.2017	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	65	-	-	65
Total	**65**	**-**	**-**	**65**
31.12.2016				
Cash and cash equivalents	149	-	-	149
Total	**149**	**-**	**-**	**149**

Amounts in USD thousand	**Group**			
31.12.2017	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	3,310	-	-	3,310
Finance loans, floating^	(2,400)	(72,756)	-	(75,156)
Total	**910**	**(72,756)**	**-**	**(71,846)**
31.12.2016				
Cash and cash equivalents	4,963	-	-	4,963
Finance loans, floating^	(6,680)	(71,966)	-	(78,646)
Total	**(1,717)**	**(71,966)**	**-**	**(73,683)**

^ excludes interest

Liquidity Risks

The Group needs to comply with minimum liquidity levels from 19 December 2014. Hence, the Group needs to monitor its liquidity carefully to ensure that it has sufficient liquidity to repay its scheduled interest payments and meet expected operational expenses. The Group's and Company's cash resources consist of cash, which is placed with a leading Nordic bank with good creditworthiness.

Cash resources consist of the following:	**Company**		**Group**	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Cash and cash equivalents	65	149	3,310	4,963
Total	**65**	**149**	**3,310**	**4,963**

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 ('cash sweep'). Cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 3.2 million was used to partially offset the scheduled amortisation of the loan principal in 2017.

Maturities of liabilities

The following table shows maturity of liabilities. The cashflows are shown including interests.

Amounts in USD thousand			**Company**		
2017	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Trade payables	(77)	(77)	-	-	(77)
Total	**(77)**	**(77)**	**-**	**-**	**(77)**
2016					
Non-derivative financial liabilities					
Trade payables	(100)	(100)	-	-	(100)
Total	**(100)**	**(100)**	**-**	**-**	**(100)**

Amounts in USD thousand			**Group**		
2017	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Finance loans, floating	(75,074)	(5,878)	(78,980)	-	(84,858)
Trade payables	(3,441)	(3,441)	-	-	(3,441)
Interest payable	(29)	(29)	-	-	(29)
Total	**(78,544)**	**(9,348)**	**(78,980)**	-	**(88,328)**
2016					
Non-derivative financial liabilities					
Finance loans, floating	(78,535)	(9,461)	(78,850)	-	(88,311)
Trade payables	(2,479)	(2,479)	-	-	(2,479)
Interest payable	(17)	(17)	-	-	(17)
Total	**(81,031)**	**(11,957)**	**(78,850)**	**-**	**(90,807)**

The fair value of the finance loans (level 3) is equal to the book value.

Breach of loan agreements

The Group has not neglected or breached any loan agreement terms in the financial year.

Current loan agreements contain financial covenants including (i) minimum liquidity levels, (ii) minimum value (fair market value of vessels as a percentage of outstanding loan) and (iii) minimum equity ratio. Non-compliance with the covenants could result in accelerated repayment. To reduce this risk, certain covenants have been renegotiated after the balance sheet date as disclosed in Note 23.

Credit risks

It is the Group's policy to cooperate with recognised pool partners and only grant credit to oil majors and other first class customers in order to minimise credit risks. As such, the Group's credit risk relates to receivables from these first class customers and oil majors from pool arrangements contracted with recognised business partners in the product tanker segment. The credit risk is deemed to be minimal and consequently, receivables are not hedged. The Group's maximum credit risk associated with receivables corresponds to their carrying amounts.

Amounts in USD thousand	Company			
2017	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Receivables related companies	1,195	-	-	1,195
Other receivables	143	-	-	143
Total	**1,338**	**-**	**-**	**1,338**
2016				
Non-derivative financial assets				
Receivables related companies	2,478	-	-	2,478
Other receivables	154	-	-	154
Total	**2,632**	**-**	**-**	**2,632**

Amounts in USD thousand	Group			
2017	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Trade receivables	6,097	-	-	6,097
Other receivables	716	-	-	716
Total	**6,813**	**-**	**-**	**6,813**
2016				
Non-derivative financial assets				
Trade receivables	4,833	-	-	4,833
Other receivables	1,110	-	-	1,110
Total	**5,943**	**-**	**-**	**5,943**

There is no provision of doubtful debts in 2016 and 2017.

17. Finance loans

Amounts in USD thousands	Group 2017	Group 2016
Finance loans		
Payables to lenders are recognised in the balance sheet as follows:		
Non-current liabilities	72,674	71,855
Current liabilities	2,429	6,697
	75,103	**78,552**

At 31 December, the Group had the following loans:

Currency	Fixed/ floating	2017	2016
Finance loans (USD)	floating	75,074	78,535
Calculated interest not yet due on finance loans		29	17
		75,103	**78,552**
Due within one year		2,429	6,697
Due between 1-2 years		6,680	6,680
Due between 2-3 years		65,994	6,680
Due between 3-4 years		-	58,495
Due between 4-5 years		-	-
Due after 5 years		-	-
		75,103	**78,552**

The loan agreements include change of control clauses, whereby the finance loans fall due by a change of controlling interest in the Company, change of more than 33% of the outstanding shares or voting rights, or change of more than 25% of the outstanding shares or voting rights combined with a change in the members of the Board of Directors.

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. Cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 3.2 million was used to partially offset the scheduled amortisation of the loan principal in 2017. Scheduled loan amortisation in 2018 amounted to USD 6.7 million. Cash sweep is not expected to be activated in 2018. Based on the 2018 forecast, USD 4.3 million (from the cash sweep activated in 2015 and 2016) is expected to be used to partially offset the scheduled loan amortisation in 2018.

The fair value of the Group's finance loans in USD with floating interest corresponds to the carrying amount.

The financing agreements, signed as part of the restructuring in December 2013, stipulate minimum requirements (financial covenants) for minimum liquidity, minimum value clause and equity ratio, among other things. Further, the Company has agreed to a cash sweep mechanism whereby excess cash can be used to repay its loans.

18. Trade payables

	Company		Group	
Amounts in USD thousand	**2017**	**2016**	**2017**	**2016**
Suppliers of goods and services	77	100	3,441	2,479
Total trade payables	**77**	**100**	**3,441**	**2,479**

The carrying amount corresponds to the fair value of the liabilities.

19. Treasury and share capital

	Company and Group	
Number of shares	**2017**	**2016**
Treasury shares at 1 January	24,000	24,000
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	24,000	24,000
Amounts in DKK		
Nominal value		
Treasury shares at 1 January	2,400	2,400
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	**2,400**	**2,400**
% of share capital		
Treasury shares at 1 January	0.01%	0.01%
Effect of change in share capital	0.00%	0.00%
Treasury shares at 31 December	**0.01%**	**0.01%**

Share capital as at 31 December 2017

The share capital as at 31 December 2017 consisted of 406,158,403 shares of DKK 0.1 (2016: 406,158,403 shares of DKK 0.1). The shares have not been divided into classes, and there are no special rights attached to the shares.

Transactions on the share capital have been the following:

Amounts in USD thousand	**2017**	**2016**	**2015**	**2014**	**2013**
Share capital at 1 January	7,437	7,437	7,437	7,437	6,695
Capital reduction	-	-	-	-	(6,024)
Capital increase	-	-	-	-	6,766
Share capital at 31 December	**7,437**	**7,437**	**7,437**	**7,437**	**7,437**
Number of shares:					
Shares at 1 January	406,158,403	406,158,403	406,158,403	406,158,403	38,946,697
Issue of new shares	-	-	-	-	367,211,706
Shares at 31 December	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**

20. Related party transactions

Amounts in USD thousand	Company 2017	Company 2016	Group 2017	Group 2016
Related parties with a significant influence:				
Transport Capital Pte. Ltd. ("Transport Capital"), the Corporate Manager of the Group, is considered a related party of the Group and the Company.				
The Group has engaged in the following transaction with Transport Capital as follows:				
• Management fee paid to Transport Capital	500	502	800	804
Receivables from subsidiaries at 31 December are disclosed in the balance sheet and in the notes to the financial statements.				

Board members' ownership of shares in Nordic Shipholding A/S as at 31 December:

Number of shares held by the following Board Member	Company 2017	Company 2016
Knud Pontoppidan	102,052	102,052
Jon Robert Lewis	-	-
Kristian V. Mørch	4,400	4,400
Kanak Kapur	-	-
Philip Clausius	-	-

On 31 December 2017, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg - reported on 19 December 2013 – 76.03%
- Nordea Denmark, Filial af Nordea Bank AB (publ), Sverige - reported on 19 December 2013 – 11.03%

Guarantees provided to subsidiaries can be found in Note 21.

Apart from the related parties transactions mentioned above, remuneration of the Board of Directors (Note 4), and financial income (Note 7), there are no significant transactions with related parties.

Transactions with subsidiaries are eliminated in the consolidated accounts, in accordance with the Accounting Policies in Note 2.

21. Contingent liabilities and contractual obligations

Amounts in USD thousand	Company and Group 2017	Company and Group 2016
The Company has provided guarantee to the lending banks for the finance loans extended to wholly-owned vessel-owning subsidiaries^	75,103	78,552

^ The security provided to the lending banks includes cross-collateralised mortgages over all vessels owned by the Group, pledge over the shares in all subsidiaries, assignment of earnings and insurances in respect of all vessels owned by the Group, cross-guarantees from all subsidiaries in the Group and Nordic Shipholding A/S in each case as primary and joint liable obligors, and pledge of bank accounts operated by the Group.

Outstanding legal dispute

There is an ongoing legal dispute with a total value of about USD 1.5 million. The dispute relates to:

- The withdrawal of the five handysize vessels from the Handytankers Pool; and
- A sizeable demurrage and damages claim.

22. Operating lease

The Group has entered into a 3-year time charter fixture for Nordic Anne in December 2014 and the rental rate is fixed over the tenure of the lease. The 3-year time charter was completed in October 2017.

	Group	
Amounts in USD thousand	**2017**	**2016**
Within 1 year	-	5,795
After 1 year but within 5 years	-	-
After 5 years	-	-
	-	**5,795**

23. Significant events after the balance sheet date

The Company has negotiated and agreed with the lending banks:

- to amend certain loan covenants on the basis of (i) the majority shareholder of the Company providing a Banker's Guarantee as additional security for the loans and (ii) an increase in loan margin; and
- for the majority shareholder of the Company to provide a limited standby line of credit to the Company to ease operational and capital expenditure if need be.

Based on the above, the Group is expected to meet the various covenants imposed under the loan agreements in 2018.

Definitions and calculation formulas

Unless otherwise stated, key figures and ratios have been calculated in accordance with the standards laid down by the Danish Society of Financial Analysts in "Recommendations & Financial Ratios 2015".

Net interest-bearing debt is defined as the sum of finance loans less cash and cash equivalents. Invested capital is defined as net working capital (NWC) plus vessels and docking and intangibles and less other provisions and other non-current operating liabilities. The equity ratio is defined as equity divided by total assets. This financial ratio is not defined in the Danish Society of Financial Analysts' guidelines "Recommendations & Financial Ratios 2010". Net working capital (NWC) 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.

EBITDA margin (%) $$\frac{\text{EBITDA}}{\text{Revenue}}$$

Net result margin (%) $$\frac{\text{Result}}{\text{Revenue}}$$

Equity ratio (%) $$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$$

Return on invested capital (%) $$\frac{\text{EBIT} * 100}{\text{Year end invested capital}}$$

Return on equity (%) $$\frac{\text{Result} * 100}{\text{Year end equity}}$$

Financial gearing $$\frac{\text{Net interest-bearing debt}}{\text{Year end equity}}$$

Net working capital/revenue (%) $$\frac{\text{Average net working capital} * 100}{\text{Revenue}}$$