NORDIC SHIPHOLDING

NORDIC SHIPHOLDING A/S
ANNUAL REPORT **2019**

CVR-no.: 76351716

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DK-1256 Copenhagen, Denmark
Website: www.nordicshipholding.com
Registered office: Copenhagen

Date of adoption of Annual Report 2019 by the General Assembly: 4 June 2020

Name of the chairman: Louise Celia Korpela **Signature of the chairman:**

Contents

2019 in brief

- The Group, with its five vessels, continued to be a tonnage provider in the product tanker segment in 2019. Upon the completion of their respective second special surveys in August 2019, Nordic Agnetha joined Nordic Pia and Nordic Hanne in the Hafnia Handy Pool whilst Nordic Anne, a LR1 tanker, resumed her earning days in the Hafnia LR Pool (formerly known as Straits Tankers Pool). Nordic Amy commenced her second special survey in September 2019 and joined the rest of the handysize vessels in the Hafnia Handy Pool in October 2019.

- Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of Nordic Shipholding A/S, has successfully delivered the M/T Nordic Ruth to her new owners in July 2019. Arising from the sale, a further impairment loss of USD 0.2 million was recognised in 2019. Net proceeds from the sale were used to reduce the bank loan with the lenders.

- Revenue earned by the vessels reached USD 36.1 million, which resulted in a Time Charter Equivalent ("TCE") revenue of USD 22.5 million and an EBITDA of USD 6.8 million.

- The Group started 2019 on a positive note as the average daily TCE rate in Q1 2019 was approximately 23% higher than the average daily TCE rate in Q4 2018. The daily TCE rate started to soften from May 2019 before improving from October 2019.

- After accounting for depreciation, impairment loss and financial income and expenses, the Group incurred a loss of USD 3.9 million. Equity totalled USD 7.9 million and equity ratio reached 8.1%.

- The cash sweep mechanism under the loan agreement was not activated in 2019. As part of the loan restructuring concluded in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020.

- The covenants waivers arising from the loan restructuring concluded in Q4 2018 among management, the major shareholder and the lenders will expire by end-September 2020. At the year-end, as all parties are still in the process to achieve a longer-term agreement, the bank loans and loans from the majority shareholder is reclassified to 'current liabilities'.

- The actual financial performance for 2019 was in line with the revised expectations of the Board, as indicated in the Q3 2019 Interim Report.

- Performance in the tanker market started positively for the first 2 months of 2020 as rates have improved significantly since October 2019. However, for the rest of the year, the Group's performance will be impaired by the negative impact on the world economy arising from the unprecedented drop in oil price and even more so by the COVID-19 situation. As the implications of these events are still unfolding, the Group for the time being, is unable to provide a forecast for 2020. A forecast will be provided when there is more certainty.

Group Key Figures 2015-2019

Amounts in USD thousand	2019	2018	2017	2016	2015
Income statement					
Revenue	36,119	32,787	32,841	35,693	46,777
Time charter equivalent revenue (TCE revenue)	22,498	19,173	23,232	27,703	35,067
EBITDA	6,840	2,036	6,651	10,753	18,238
Operating result (EBIT)	1,312	(17,801)	(180)	(1,392)	17,323
Net financials	(5,208)	(5,971)	(3,384)	(3,386)	(3,719)
Result after tax	(3,906)	(23,772)	(3,564)	(4,778)	13,610
Comprehensive income	(3,906)	(23,772)	(3,564)	(4,778)	13,610
Balance sheet and cashflow data					
Invested capital	75,265	80,313	107,612	112,972	123,926
Net working capital (NWC)	6,191	5,509	4,687	4,358	3,190
Equity	7,902	11,808	35,819	39,383	44,161
Balance sheet total	98,053	103,887	114,400	120,451	136,937
Investments in plant and equipment	6,220	974	1,168	115	1,875
Net interest bearing debt	67,363	68,505	71,793	73,589	79,765
Cash flow from operating activities	3,204	(2,738)	3,005	6,169	17,649
Cash flow for the year	(3,071)	5,288	(1,653)	(1,671)	2,145
Financial Ratios					
EBITDA margin (%)	18.9%	6.2%	20.3%	30.1%	39.0%
Net result margin (%)	-10.8%	-72.5%	-10.9%	-13.4%	29.1%
Equity ratio (%)*	8.1%	11.4%	31.3%	32.7%	32.2%
Return on invested capital (%)	1.7%	-22.2%	-0.2%	-1.2%	14.0%
Return on equity (%)	-49.4%	-201.3%	-10.0%	-12.1%	30.8%
Financial gearing	8.52	5.80	2.00	1.87	1.81
Net working capital/revenue	16.2%	15.5%	13.8%	10.6%	9.9%
Key figures per share					
(Loss)/earnings per share USD	(0.01)	(0.06)	(0.01)	(0.01)	0.03
Market price per share DKK, year end	0.54	0.37	0.54	0.76	1.17
Market price per share USD, year end	0.08	0.06	0.09	0.11	0.17
Exchange rate USD/DKK, year end	6.66	6.51	6.21	7.07	6.87
Average number of full time employees	1	1	1	1	1
Number of shares, year end	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403

* Excluding non-controlling interest.

Management's Review

The Group with its five vessels, continues to be a tonnage provider in the product tanker segment. Upon the completion of their respective second special surveys in August 2019, Nordic Agnetha joined Nordic Pia and Nordic Hanne in the Hafnia Handy Pool whilst Nordic Anne, a LR1 tanker, resumed her earning days in the Hafnia LR Pool. Nordic Amy commenced her second special survey in September 2019 and joined the rest of the handysize vessels in the Hafnia Handy Pool in October 2019. The technical management of the vessels are handled by Columbia Shipmanagement and Thome Ship Management.

The Group started 2019 on a positive note as the average daily TCE rate in Q1 2019 was approximately 23% higher than the average daily TCE rate in Q4 2018. The daily TCE rate started to soften from May 2019 before improving from October 2019. As a result, despite the loss of earnings from Nordic Ruth (as she was sold in July 2019) and the loss of earnings arising from the dry-docking of Nordic Anne, Nordic Agnetha and Nordic Amy, the TCE revenue earned by the vessels in 2019 were 17% higher than the TCE revenue in 2018.

Gross revenue earned by the vessels reached USD 36.1 million (USD 32.8 million), which resulted in a TCE revenue of USD 22.5 million (USD 19.2 million) and an EBITDA of USD 6.8 million (USD 2.0 million).

EBITDA increased significantly to USD 6.8 million (USD 2.0 million) as a result of improved TCE earnings in 2019 and lower vessel operating expenses of USD 13.9 million (USD 15.0 million) mainly due to the sale of Nordic Ruth in July 2019. Other external costs reduced by USD 0.4 million to USD 1.6 million (USD 2.0 million) due mainly to the reduction in management fees charged by the corporate manager of the Group and other corporate expenses.

As a result from the loan restructuring in Q4 2018, a loan modification gain of USD 0.8 million was recognised in 2019 (loan modification loss of USD 1.5 million). Excluding the loan modification gain/(loss), the net finance expenses stood at USD 6.0 million (USD 4.5 million) in 2019. The higher finance expenses in 2019 is due to the higher interest margin imposed by the lenders post loan restructuring in Q4 2018, the higher applicable 3M-USD LIBOR imposed on the bank loans and the interest on loans from the majority shareholder.

Including the one-off impairment loss of USD 0.2 million arising from the sale of Nordic Ruth (impairment loss of USD 13.2 million on the six vessels), the Group incurred a loss after tax of USD 3.9 million in 2019 compared to a loss after tax of USD 23.8 million in 2018.

Equity decreased to USD 7.9 million (USD 11.8 million) as a result of the cumulative loss during the financial year. The equity ratio decreased to 8.1% (11.4%).

The loan restructuring concluded in Q4 2018 and the loan covenant waivers as well as the postponement of the loan instalments during the period will expire by end-September 2020. As a result, the loans mature in full on 31 December 2020. At the year-end, as all parties are still in the process to achieve a longer-term agreement, the bank loans and loans from the majority shareholder is reclassified to 'current liabilities'.

The cash sweep mechanism under the loan agreement was not activated in 2019. As part of the loan restructuring concluded in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020.

Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of Nordic Shipholding A/S, has successfully delivered the M/T Nordic Ruth to her new owners in July 2019. Net proceeds from the sale were used to reduce the bank loan with the lenders.

The Board of Directors and management remain thankful to our more than 4,000 shareholders that continued to support the Company throughout 2019.

Read about our diversity in management in the Statutory Corporate Governance Statement section on page 11.

Knud Pontoppidan	Philip Clausius
Chairman of the Board of Directors	Chief Executive Officer

Outlook for 2020

The actual financial performance for 2019 was in line with the revised expectations of the Board, as indicated in the Q3 2019 Interim Report. With the substantial improvement in the tanker market from October 2019 till end of February 2020, the Group is expecting a cash sweep of approximately USD 3.3 million at the end of Q1 2020.

The worldwide spread of the COVID-19, now a pandemic, has not had a significant impact on the Group and its earnings to date. It is, however, expected that during the next 6 months and maybe more – depending on the further spread of the COVID-19 – a number of shipping related services will be affected which again will affect the normal operation of vessels. Such impacts may include, limited ability or a total stop of crew changes, due to airlines closing down services and various entry restrictions imposed by local governments, vetting inspectors and service engineers will or may not be allowed to travel, lack of supplies and spare parts, a two week quarantine when a vessel arrives at a port, delays/closing of straits and canals, etc.

The unprecedented drop in oil-price was the result of OPEC's inability to agree on production cuts in early March 2020. Under normal circumstances, this would have been considered positive for the tanker industry in general, i.e. for both crude and product tankers. The first sign of increased activity has already taken place, and the rate level for crude tankers have taken a steep surge since early March, with a correlated increase in activity for all segments resulting in very healthy market conditions. The final result of the entailing price war between the US and Russia is impossible to predict, and so is the impact on the tanker industry. Our commercial managers are budgeting in accordance with the general expectations as a result of the lower oil price, which together with a very low order book, calls for a continuation of the relatively strong market conditions experienced so far in 2020. However, if the world experiences the full impact of the COVID-19 resulting in the world economy turning into a deep recession, the general positive expectations may not be realized.

Whereas some of these impacts - if experienced one by one - could have a positive impact; potentially, the sum of these will have an overall negative effect and if the world economy turns into a deep recession, there will be a devastating impact on the market conditions for tankers. Should this be the outcome, it will potentially impact vessel valuations and expected earnings negatively and increase the risk of losses on trade receivables.

As the implications of these events are still unfolding, the Group for the time being, is unable to provide a forecast for 2020. A forecast will be provided when there is more certainty.

Reference is made to Note 0 - Going Concern Assumption for further information on the uncertainties associated with the Group's ability to continue as a going concern due to the need to secure long-term financing for the Group.

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, counterparty risks, 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.

In a normal scenario, the Company's realized result may differ from the guidance caused by the factors as mentioned above, and in a normal scenario, these deviations typically will be at a manageable level.

Financial Review 2019

Financial highlights of the Group in 2019 (2018 figures in brackets)
Including the one-off impairment loss of USD 0.2 million arising from the sale of Nordic Ruth, the Group incurred a loss after tax of USD 3.9 million in 2019 compared to a loss after tax of USD 23.8 million in 2018 (including an impairment loss of USD 13.2 million).

Revenue generated in 2019 was USD 36.1 million (USD 32.8 million), resulted in a TCE revenue of USD 22.5 million (USD 19.2 million). EBITDA (earnings before depreciation, impairment, amortisation, interest and tax) amounted to USD 6.8 million (USD 2.0 million) and after accounting for depreciation and impairment, the Group made a net operating profit of USD 1.3 million (operating loss of USD 17.8 million).

- *Revenue*
  Revenue generated by the vessels in 2019 totalled USD 36.1 million (USD 32.8 million). Apart from the improved gross freight rates, the higher gross revenue in 2019 was also due to the change of pool agreement for 2 vessels. Under the previous agreement, they were accounted for as time charters instead of joint operations. This increase was partially offset by the loss of earnings from Nordic Ruth following her sale in July 2019.

  After deduction of voyage expenses, the Group earned TCE revenue of USD 22.5 million (USD 19.2 million). Despite the loss of earnings from Nordic Ruth and the loss of earnings arising from the dry-docking of Nordic Anne, Nordic Agnetha and Nordic Amy, due to the strengthening of the product tanker market in 2019 as compared to 2018, the TCE revenue in 2019 is 17% higher than the TCE revenue in 2018.

- *Voyage expenses*
  As a result of the change in pool agreements for 2 vessels, in line with the revenue allocated to the vessels, voyage expenses are similarly grossed up as compared to the previous agreement. The higher voyage expenses due to the change was offset by a general decline in voyage expenses in 2019. As a result, the voyage expenses in 2019 of USD 13.6 million is comparable to the voyages expenses in 2018 (USD 13.6 million).

- *Operating Costs*
  Expenses related to the operation of the vessels reduced to USD 13.9 million (USD 15.0 million) mainly due to the sale of Nordic Ruth in July 2019.

  Staff costs amounted to USD 0.3 million (USD 0.3 million) while other external costs reduced to USD 1.6 million (USD 2.0 million) due mainly to the reduction in management fees charged by the corporate manager of the Group and other corporate expenses.

- *Depreciation and write-downs*
  A total depreciation of USD 5.3 million (USD 6.6 million) was charged on the Group's vessels and the decline in depreciation in 2019 was due to reclassification of Nordic Ruth to asset held-for-sale in 4Q 2018. In 2019, impairment losses of USD 0.2 million arising from the sale of Nordic Ruth was recognised whilst impairment losses totalling USD 13.2 million was recognised for the six vessels in 2018. Refer to Note 7 for further disclosure.

- *Financial income and expenses*
  As a result from the loan restructuring in Q4 2018, a loan modification gain of USD 0.8 million was recognised in 2019 (loan modification loss of USD 1.5 million). Excluding the loan modification gain/(loss), the net finance expenses stood at USD 6.0 million (USD 4.5 million) in 2019. The higher finance expenses in 2019 is due to the higher interest margin imposed by the lenders post loan restructuring in Q4 2018, the higher applicable 3M-USD LIBOR imposed on the bank loans and the interest on loans from the majority shareholder.

- *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 11 in the financial statements.

- *Assets*
  At 31 December 2019, the Group's balance sheet totalled USD 98.1 million (USD 103.9 million) comprising mainly of vessels, receivables and cash.

  Vessels and docking increased to USD 79.5 million (USD 78.6 million) in 2019 mainly due to capitalisation of dry-docking of USD 6.2 million, offset by depreciation on the vessels of USD 5.3 million.

  The carrying value of the vessels in aggregate is about USD 11.0 million higher than the market value of the fleet based on valuations by independent brokers. The carrying value of the vessels was supported by a value in use calculation.

  Receivables amounted to USD 10.6 million as at 31 December 2019 (USD 9.1 million). The increase was primarily due to the allocation of receivables to the vessels who changed pool in 2019 and higher receivables allocated to the vessels by the various pools.

  As at 31 December 2019, the Group's cash balance was USD 5.5 million (USD 8.6 million). The reduced cash balance at the end of 2019 was mainly due to investment in dry-dockings for Nordic Anne, Nordic Agnetha and Nordic Amy.

- *Equity*
  The change in equity was due to the net loss after tax of USD 3.9 million (USD 23.8 million) incurred in 2019.

- *Liabilities*
  Total liabilities amounted to USD 90.2 million (USD 92.1 million). The Group's interest-bearing bank loans, including accrued interest and accrued loan modification loss, amounted to USD 72.9 million (USD 77.1 million), which is due within the next 12 months from 31 December 2019 (USD NIL amount due). The decrease in the Group's interest-bearing bank loans was due mainly to the loan prepayment following the sale of Nordic Ruth.

  Loans from majority shareholder increased by USD 1.1 million to USD 10.4 million (USD 9.3 million) due to the interest accrued on the interest-bearing USD 9.0 million loans (USD 9.0 million) extended to the Group by the majority shareholder in 2018 and the finance charge accrued on the USD 3.85 million Banker's Guarantee provided by the majority shareholder as additional security to the lenders in Q1 2018.

Trade payables amounted to USD 6.8 million as at 31 December 2019 (USD 5.7 million). The increase was primarily due to the allocation of payables to the vessels who changed pool in 2019 and higher payables allocated to the vessels by the various pools.

- *Cash flows*

  Cash flow from operations amounted to USD 3.2 million (USD -2.7 million) mainly from the distributions earned by the vessels.

  Cash flow from investing activities amounted to USD -0.9 million (USD -1.0 million) due to the dry-docking for Nordic Anne, Nordic Agnetha and Nordic Amy (dry-docking for Nordic Ruth), offset with the net sale proceeds from the sale of Nordic Ruth.

  Cash flow from financing activities amounted to USD -5.3 million (USD 9.0 million) as the net proceeds from the sale of Nordic Ruth was applied towards the prepayment of bank loans (shareholder's loans provided by the majority shareholder of the Group).

  Cash flows for the year thus amounted to USD -3.1 million (USD 5.3 million), bringing the cash balance at year end to USD 5.5 million (USD 8.6 million).

Financial highlights of the Company (Parent) in 2019 (2018 figures in brackets)

The Company incurred a loss after tax of USD 3.9 million in 2019 (USD 33.2 million). The Company recognised an impairment loss of USD 2.3 million (USD 31.7 million) on its investment in subsidiaries. As a result, the Company's equity dropped to USD 7.9 million (USD 11.8 million). At 31 December 2019, the Company's total assets amounted to USD 15.9 million (USD 18.5 million). The Company's total liabilities amounted to USD 8.0 million (USD 6.7 million) mainly due to the interest capitalised on the shareholder's loan extended by the majority shareholder of the Company.

Vision & Strategy

Given the maturity of the Company's debt facilities at the end of 2020, the Board is currently very focused on consummating a strategic transaction. The objective in that regard is to remove financial uncertainty and create a platform for sustainable growth. Given the COVID-19 pandemic, the success of such strategic transaction is subject to material execution risk.

Statutory Corporate Governance Statement

This statutory corporate governance statement covers the financial period 1 January to 31 December 2019.

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 the Recommendations for Corporate Governance as made public by Nasdaq Copenhagen. Refer to 'Corporate Governance' section on the Company's website at: http://www.nordicshipholding.com/corporate-governances

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 a majority of 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.

The Company's Chief Executive Officer ('CEO') is also a member of the Board of Directors. Due to the nature of the Company's operations as well as the Company's slim organisation, the Board of Directors has found it beneficial that the Company's CEO is part of the Board of Directors. The CEO does not participate in board deliberations or decisions regarding the executive management.

Report on the Gender Distribution in Management, cf. Section 99b of the Danish Financial Statements Act
The current Board of Directors consists of 6 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 succeeded in including 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 an 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 CEO. 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

Besides the CEO, who is engaged through the Corporate Manager, the Company has only one employee, hence, the Company's Board of Directors has not found it necessary to establish a whistle-blower policy.

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

In 2020, we recognised that the global COVID-19 pandemic would pose significant risk to the business (refer to Outlook on page 5).

The Group has also 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 flows
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 interest payments. The Group's liquidity and cash flow will be affected due to the negative impact on the world economy arising from the unprecedented drop in oil price and even more so by the COVID-19 situation.

As part of the loan restructuring concluded in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020.

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. As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the current loans such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020.

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 (excluding the bank balance held in dry-docking reserve bank accounts) 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 72.9 million as at 31 December 2019 (2018: USD 77.1 million). In addition, the Group has shareholder loans (with fixed interest) totalling USD 10.4 million as at 31 December 2019 (2018: USD 9.3 million). Both the bank loans and the shareholder loans are 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 have matured 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, 0% (2018: 0%) 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 two 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 other pools 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)

The Group is a tonnage provider in the product tanker segment. As of the date of this annual report, Nordic Shipholding does not have a 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. Hence, in relation to the CSR reporting requirements under §99a of the Danish Financial Statements Act, it is the Company's assessment that the responsibility to manage and mitigate CSR-risks resides with the external management providers, as they are legally responsible for the activities as well as people involved in operating the vessels. Yet, the Company acknowledges that it may suffer reputational damage if one or several of its vessels are involved in environmental accidents, fatalities at sea, and if crew members from the Group's vessels are directly or indirectly involved in human rights violations or attempts at bribery and corruption. This risk is mitigated by outsourcing vessels to reputable business partners, who are known to conform with environmental legislation, as well as internationally proclaimed human rights and anti-corruptive practices. Lastly, the Company only employs one administrative employee (excluding the Directors of the Company), who is employed according to Danish employment standards. For these reasons, no significant risks have been identified and consequently, no CSR policy has been developed. Depending on the future developments of the Company, a CSR policy will be developed accordingly.

Shareholders Information

Share data at 31 December 2019

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

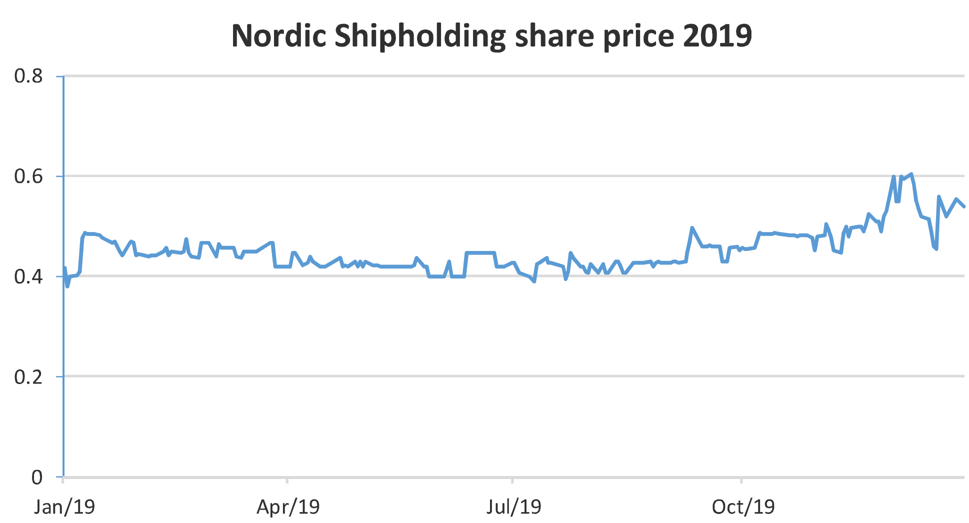
Restriction on voting rights: No

Restricted negotiability: No

For further corporate information please see www.nordicshipholding.com

Movements in the Company's share price at 31 December 2019

The closing price at year-end 2019 was DKK 0.54, an increase of 46% compared with year-end 2018 (DKK 0.37).



Shareholder structure

At 31 December 2019, Nordic Shipholding had 4,070 registered shareholders.

On 31 December 2019, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland – 11.03%

Treasury shares

At year-end 2019, 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 2019, and Nordic Shipholding does not expect to distribute any dividend for the financial year 2020. 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 2020

Annual Report 2019	24 March 2020
General Assembly	23 April 2020
Interim report - Q1 2020	27 May 2020
H1 interim report 2020	29 August 2020
Interim report - Q3 2020	25 November 2020

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-Mærsk A/S.

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

Other management duties, etc.:
Soransk Samfunds Boligfond, Advisory Board of CBS Maritime
CEO of K. Pontoppidan ApS.

Knud Pontoppidan is considered independent.

Attendance at Board meetings held in 2019: 6/6

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 (formerly known as Ariel Asset Daebu Yuhanhoesa), Asia Sapphire Pte. Ltd., Asia Pragati Capfin Private Limited, China Equity Investments Designated 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 (formerly known as PAG Asia Loan Management II (USD) Limited), PAG China Equity Investment Management Limited, PAG China Investment Limited, PAG China Limited (formerly known as PAG Hedge Limited), PAG Consulting Australia Pty Ltd, PAG Holdings Limited (formerly known as Pacific Alliance Group Holdings Limited), PAG IPR Holdings Limited, PAG Japan Limited (formerly known as Pacific Alliance Japan Limited), PAG Real Estate (HK) Limited (formerly known as Pacific Alliance Real Estate Limited), PAG Real Estate Limited, PAG Real Estate GP Limited (formerly known as PAG Real Estate Value GP Limited), PAG Real Estate Value LLC, PAG

Secretaries Limited, PAG Special Situations LLC, PAG Special Situations Management II Limited (formerly known as PAG 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 (formerly known as PAG Credit Guarantee Limited), PAG Enhanced Credit Management Limited (formerly known as PAG Credit Guarantee Management Limited), PAG Enhanced Credit Investment 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 Capital Limited (formerly known as PAG Growth Advisors Limited), PAG Asia Loan LLC, Pacific Alliance Investment Management Limited, PAG-P Management Limited (formerly known as PAG-PK 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, 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 (formerly known as PAG Reg Cap Limited), PAG BRS Advisors Limited (formerly known as PAG Reg Cap Advisors Limited), PAG BRS GP Limited (formerly known as PAG Reg Cap Management Limited), PAG Investment Solutions Advisors Limited, PAG Asia Loan GP III Limited, PA-LF3 Secretaries Limited, PAG Opportunistic Strategies Advisors Limited, PAG Real Estate GP II Limited, PAL III GP Limited, Maritime Asia Diamond Pte. Ltd., MFE Formwork Technology Sdn. Bhd., PAG Real Estate Partners (Luxembourg) II GP S.àr.l., PAG Enhanced Credit GP II Limited, PAG Enhanced Credit II Feeder GP Limited, PAG Asia Opportunity S Class GP Limited, PAG Special Situations GP III Limited, PAG Special Situations III Feeder GP Limited, PAG Asia Capital GP III Limited, PAG Asia Opportunity S Class Feeder I GP Limited, PAG Asia Opportunity S Class Feeder II GP Limited, PREP II Cayman GP Limited, PAGAC Music Holding GP III Limited, PAGAC Music Holding GP II-A Limited, PAGAC III GP Limited, PECF GP II Limited, PAGGC I Acme Holding GP Limited, Autumn Investment GP Limited, PAGAC Galileo Investment Holding GP Limited, PAGAC Galileo Holding GP I Limited, PAGGC 1 Autobots Holding GP Limited, PAG PI Feeder GP Limited, PAIM III GP Limited, PAG-MAG AR Investment GP Limited (formerly known as PAG - GRE AR Investment GP Limited), PAG Loan GP IV Limited, PAG Loan IV Feeder GP Limited, PAG BRS GP II Limited, PAG BRS II Feeder GP Limited, Polymer Holdings Limited, PAG BRS II Feeder Ltd., PAG Asia Opportunity CB Feeder GP Limited, PAG-B Pooled GP Limited, PAG S Class Public Pooled GP Limited, PAG Asia Opportunity B GP Limited, PAG-B Feeder GP Limited, PAGQS Global Macro GP Limited and PAGQS Global Macro Feeder GP Limited.

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

Attendance at Board meetings held in 2019: 6/6

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.
UGRO Capital Limited

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

Attendance at Board meetings held in 2019: 6/6

Esben Søfren Poulsson
Member of the Board.
Born 1948. Elected to the Board of Directors on 20 April 2018.

Background:
Chairman in Enesel Pte. Ltd.

Education:
Diploma in Business Administration from British Columbia Institute of Technology, Vancouver, Canada.

Other management duties, etc.:
Cambiaso Risso Asia Pte. Ltd., Member of the Board of Directors of X-Press Feeders Ltd./Sea Consortium Pte. Ltd., Bashfire Resources Pty. Ltd., Cap San Artemissio Pte. Ltd., Cap San Maleas Pte. Ltd., Cap San Sounio Pte. Ltd., Cap San Tainaro Pte. Ltd., Evergreen Asset Grop Co. Pte. Ltd., Hamburg Sud Asset Group Co Pte. Ltd., Intermediate Holdco 1 Pte. Ltd., Thalassa Avra Pte. Ltd., Thalassa Axia Pte. Ltd., Thalassa Doxa Pte. Ltd., Thalassa Elpida Pte. Ltd., Thalassa Hellas Pte. Ltd., Thalassa Mana Pte. Ltd., Thalassa Niki Pte. Ltd., Thalassa Patris Pte. Ltd., Thalassa Pistis Pte. Ltd., Thalassa Tyhi Pte. Lltd., Maritime and Port Authority of Singapore (MPA) and EPIC Gas Ltd., Singapore. Chairman of the International Chamber of Shipping, London. On the Advisory panel of the Singapore Maritime Foundation.

Esben Søfren Poulsson is considered independent.

Attendance at Board meetings held in 2019: 5/6

Jens V. Mathiasen
Member of the Board.
Born 1971. Elected to the Board of Directors on 20 April 2018.

Background:
Partner and attorney Gorrissen Federspiel.

Education:
LL.M (cand. jur) from the University of Copenhagen, LL.M. University of Southhampton.

Other management duties, etc.:
Member of the Board of Directors of Orskov Yard A/S, Ann Birgitte & Niels Ørskov Christensen familiefond and North Sea operators Claims Conference (NSOCC). IRON fonden alternate

Jens V. Mathiasen is not considered independent as the Company engages his law firm for legal matters.

Attendance at Board meetings held in 2019: 6/6

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., Wellard Limited, The Standard Club Ltd, The Standard Club Asia Ltd and Bengal Tiger Line Pte. Ltd.

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

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

Attendance at Board meetings held in 2019: 6/6

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 2019

Board Member	**Shares owned**
Knud Pontoppidan	102,052
Jon Robert Lewis	-
Kanak Kapur	-
Jens V. Mathiasen	-
Esben Søfren Poulsson	108,295
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 2019.

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 2019 and of their financial performance and their cash flows for the financial year 1 January – 31 December 2019.

Furthermore, in our opinion the management review (page 1 – 23) 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, 24 March 2020

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

Kanak Kapur

Jens V. Mathiasen

Esben Søfren Poulsson

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 2019 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 2019 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 2019 comprise statement of comprehensive income, statement of financial position, statement of changes in equity, cash flows 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 eight years including the financial year 2019.

Material uncertainty related to going concern

The Group's credit facilities, apart from the majority shareholder loans, mature on 31 December 2020. It is Managements assessment that the Group will secure the necessary financing before the current loans mature. With reference to Note 0 of the Consolidated Financial Statements and Parent Company Financial Statements we draw attention to the matters set forth in Note 0, indicating that a material uncertainty exists that may cast significant doubt on the Group's, and consequently the Parent Company's ability to continue as a going concern.

Our opinions are not modified in respect of this matter.

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 2019. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

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.	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.
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.	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.
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 and subjectivity in estimating future cash flows. Reference is made to note 1, 7 and 13	We performed testing for the cash generating units, where the need for impairment reviews was identified by management, by benchmarking and checking the reasonableness of future cash flows and evaluating broker reports. 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's 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, 24 March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Gert Fisker Tomczyk State Authorised Public Accountant mne9777	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**	**2019**	**2018**	**2019**	**2018**
3	Total revenue	-	-	36,119	32,787
	Voyage related expenses	-	-	(13,621)	(13,614)
	Time charter equivalent revenue (TCE revenue)	**-**	**-**	**22,498**	**19,173**
4	Other income	132	14	132	224
	Expenses related to the operation of vessels	-	-	(13,886)	(15,021)
5	Staff costs	(291)	(326)	(291)	(326)
6	Other external costs	(915)	(1,217)	(1,613)	(2,014)
	Earnings before depreciation (EBITDA)	**(1,074)**	**(1,529)**	**6,840**	**2,036**
7	Depreciation	-	-	(5,316)	(6,620)
7	Write-down on vessels	-	-	-	(13,217)
7	Write-down on asset held-for-sale	-	-	(212)	-
	Operating result (EBIT)	**(1,074)**	**(1,529)**	**1,312**	**(17,801)**
8	Write-down on investments	(2,314)	(31,707)	-	-
9	Financial income	1	-	883	32
10	Financial expenses	(519)	(9)	(6,091)	(6,003)
	Result before tax	**(3,906)**	**(33,245)**	**(3,896)**	**(23,772)**
11	Tax on result	-	-	(10)	-
	Result after tax	**(3,906)**	**(33,245)**	**(3,906)**	**(23,772)**
	Total comprehensive income	**(3,906)**	**(33,245)**	**(3,906)**	**(23,772)**
12	Earnings per share (EPS) (USD)			(0.01)	(0.06)
12	Diluted earnings per share (USD)			(0.01)	(0.06)

Statement of financial position

		Company		Group	
Note	**Amounts in USD thousand**	**2019**	**2018**	**2019**	**2018**
	Non-current assets				
13	Vessels and docking	-	-	79,511	78,607
	Tangible assets	**-**	**-**	**79,511**	**78,607**
14	Investment in subsidiaries	15,743	18,057	-	-
	Financial assets	**15,743**	**18,057**	**-**	**-**
	Total non-current assets	**15,743**	**18,057**	**79,511**	**78,607**
	Current assets				
	Bunkers	-	-	2,372	2,055
15	Trade receivables	-	-	9,017	6,726
16	Other receivables	103	112	1,626	2,412
	Total receivables	**103**	**112**	**13,015**	**11,193**
18	Cash & cash equivalents	66	348	5,527	8,598
17	Asset held-for-sale	-	-	-	5,489
	Total current assets	**169**	**460**	**18,542**	**25,280**
	Total assets	**15,912**	**18,517**	**98,053**	**103,887**
	Equity				
23	Share capital	7,437	7,437	7,437	7,437
	Retained earnings	465	4,371	465	4,371
	Equity, parent company	**7,902**	**11,808**	**7,902**	**11,808**
	Equity, non-controlling interests	-	-	-	-
	Total equity	**7,902**	**11,808**	**7,902**	**11,808**
	Liabilities				
19	Finance loans, etc.	-	-	-	71,276
20	Loans from majority shareholder	-	6,007	-	9,133
	Non-current liabilities	**-**	**6,007**	**-**	**80,409**
19	Finance loans, etc.	-	-	72,890	5,827
20	Loans from majority shareholder	6,509	-	10,391	122
21	Trade payables	128	346	6,824	5,684
22	Payables to subsidiaries	1,336	319	-	-
	Corporation tax	37	37	46	37
	Total current liabilities	**8,010**	**702**	**90,151**	**11,670**
	Total liabilities	**8,010**	**6,709**	**90,151**	**92,079**
	Liabilities and equity	**15,912**	**18,517**	**98,053**	**103,887**

For information about treasury shares and share capital, please refer to Note 23.

Statement of changes in equity - Company

Amounts in USD thousand	Share capital	Retained earnings	Total equity
Shareholders' equity at 1 January 2019	**7,437**	**4,371**	**11,808**
Result for the year	-	(3,906)	(3,906)
Total comprehensive income	-	(3,906)	(3,906)
Shareholders' equity at 31 December 2019	**7,437**	**465**	**7,902**
Shareholders' equity at 1 January 2018	**7,437**	**37,616**	**45,053**
Result for the year	-	(33,245)	(33,245)
Total comprehensive income	-	(33,245)	(33,245)
Shareholders' equity at 31 December 2018	**7,437**	**4,371**	**11,808**

Statement of changes in equity - Group

Amounts in USD thousand	Share capital	Retained earnings	Equity parent company	Equity group
Shareholders' equity at 1 January 2019	**7,437**	**4,371**	**11,808**	**11,808**
Result for the year	-	(3,906)	(3,906)	(3,906)
Total comprehensive income	-	(3,906)	(3,906)	(3,906)
Shareholders' equity at 31 December 2019	**7,437**	**465**	**7,902**	**7,902**
Shareholders' equity at 1 January 2018	**7,437**	**28,382**	**35,819**	**35,819**
Impact due to IFRS 15	**-**	(239)	(239)	(239)
Adjusted shareholders' equity at 1 January 2018	**7,437**	28,143	35,580	35,580
Result for the year	**-**	(23,772)	(23,772)	(23,772)
Total comprehensive income	**-**	(23,772)	(23,772)	(23,772)
Shareholders' equity at 31 December 2018	**7,437**	**4,371**	**11,808**	**11,808**

Statement of cash flows
1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2019**	**2018**	**2019**	**2018**
	Operating result (EBIT)	**(1,074)**	**(1,529)**	**1,312**	**(17,801)**
7	Depreciation and write-downs	-	-	5,528	19,837
	Non-cash financial (expenses)/income	(16)	(2)	40	(8)
	Changes in inventories	-	-	(317)	(740)
	Changes in receivables	9	31	(1,505)	(2,197)
	Changes in liabilities	(218)	269	1,140	1,877
	Paid financial expenses	-	-	(2,994)	(3,706)
	Cash flow from operating activities	**(1,299)**	**(1,231)**	**3,204**	**(2,738)**
	Investment in subsidiary	-	(6,000)	-	-
	Net proceeds from sale of asset held-for-sale	-	-	5,277	-
13	Investments in tangible assets	-	-	(6,220)	(974)
	Cash flow from investment activities	-	**(6,000)**	**(943)**	**(974)**
	Receivables from subsidiaries	-	1,195	-	-
	Payables to subsidiaries	1,017	319	-	-
20	Loans from majority shareholder	-	6,000	-	9,000
	Repayment of finance loans	-	-	(5,332)	-
	Cash flow from financing activities	**1,017**	**7,514**	**(5,332)**	**9,000**
	Cash flows for the year	**(282)**	**283**	**(3,071)**	**5,288**
	Cash as of 1 January	**348**	**65**	**8,598**	**3,310**
	Cash at the end of the year	**66**	**348**	**5,527**	**8,598**

Statement of cash flows
1 January - 31 December (cont'd)

Reconciliation of liabilities arising from financing activities:

	Company		
Amounts in USD thousand	**Payables to subsidiaries**	**Receivables from subsidiaries**	**Loans from majority shareholder**
1 January 2019	319	-	6,007
Proceeds from borrowings	1,017	-	-
Principal and interest payments	-	-	-
Non-cash change:			
Interest expense	-	-	502
31 December 2019	1,336	-	6,509
1 January 2018	-	1,195	-
Proceeds from borrowings	319	-	6,000
Principal and interest payments	-	(1,195)	-
Non-cash change:			
Interest expense	-	-	7
31 December 2018	319	-	6,007

	Group	
Amounts in USD thousand	**Finance loans**	**Loans from majority shareholder**
1 January 2019	77,103	9,255
Proceeds from borrowings	-	-
Principal payments	(5,332)	-
Interest payments	(2,994)	-
Non-cash changes:		
Interest expense	4,845	1,136
Modification gain	(760)	-
Amortisation of prepaid loan fees	28	-
31 December 2019	72,890	10,391
1 January 2018	75,103	-
Proceeds from borrowings	-	9,000
Interest payments	(3,706)	-
Non-cash changes:		
Interest expense	4,209	255
Modification loss	1,468	-
Amortisation of prepaid loan fees	29	-
31 December 2018	77,103	9,255

List of Notes

0. Going concern assumption

As stated in Company Announcement 9/2018, the Company entered into an agreement with its lenders in 4th quarter 2018, which included various waivers of terms and conditions that allowed the Company up to September 2020 to finalize the implementation of its various strategies. The maturity date of December 2020 as stipulated in the original loan agreement remained unchanged as noted in the Annual Report for 2018. Hence, the Group's loan portfolio is reclassified to current loans.

Since 4th quarter 2018, management has continuously worked with various initiatives to secure the long-term financing of the Group. Together with the majority shareholder of the Company, merger discussions with a potential entity have commenced since late 2019. The proposed merger entails potentially issuance of new NSH A/S shares for cash and assets in combination with certain concessions to be undertaken by the respective stakeholders of the Company. Whilst the respective parties have not reached any agreement, negotiation is in advanced stage. Based on the on-going discussions, the Board is of the opinion that all parties are working positively with a view to reach an agreement in the foreseeable future. As in all negotiations, there is no guarantee that a final agreement will be reached.

In the event the merger discussion fails, it is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020 to secure an orderly sale of the vessels.

Although Management expect that the necessary financing will be obtained and hence has prepared the financial statements for 2019 on a going concern basis, the above also indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

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 five vessels within two cash generating units – (1) one LR1 vessel deployed in Hafnia LR Pool, (2) four 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 flows or related assumptions change permanently, it may be necessary to reduce the carrying amount of vessels for the cash generating units.

In 2019, an impairment of USD 0.2 million was recognised arising from the sale of Nordic Ruth whilst in 2018, impairment of USD 13.2 million was recognised for the vessels (including Nordic Ruth). The carrying amount of vessels at 31 December 2019 amounted to USD 79.5 million (2018: USD 78.6 million).

Please refer to Note 7 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 2019 amounted to USD 79.5 million (2018: USD 78.6 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 2018.

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 2019 such as IFRS 16, *Leases*, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2019, and management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

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.

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 recognition
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 (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related costs are recognised in the income statement according to the entered charter parties from the vessel's load date to the delivery of the cargo (discharge). The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the next discharge (load to discharge).

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.

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

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 show 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, and modification gain or loss. 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. When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

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 interest 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 allocated 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 income statement.

If an impairment subsequently is reversed 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 and other receivables. The Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Asset held-for-sale
Non-current asset is classified as asset held-for-sale and is carried at the lower of carrying amount and fair value less costs to sell if (i) its carrying amount is recovered principally through a sale transaction rather than through continuing use and (ii) the sale is highly probable. The sale is considered highly probable due to the commitment shown by the management on its plan to sell, an active programme is in place to sell the asset, the asset is actively marketed at a reasonable price, significant changes to plan are unlikely and the sale is expected to be completed within one year.

The asset is not depreciated while it is classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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 using the effective interest method. Accordingly, 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.

Loans from majority shareholder
Loans from majority shareholder 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. Loans from majority shareholder are initially measured at fair value less any transaction costs. Loans from majority shareholder are subsequently measured at amortised cost using the effective interest method. Accordingly, 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.

Cash flow statement

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

Cash flow from operating activities is 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 flow from investing activities includes payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of vessels and docking.

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

Cash flow from financing activities comprises 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 are recognised in the income statement.

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

3. Revenue

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Revenue	-	-	36,119	32,787
Total revenue	**-**	**-**	**36,119**	**32,787**

4. Other income

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Other income	132	14	132	224
Total other income	**132**	**14**	**132**	**224**

Included within the other income recognised by the Group, USD 0.1 million relates to Goods and Services Tax refund from the tax authorities in 2019 (USD 0.2 million relates to the Loss of Hire compensation received in 2018).

5. Staff costs

	Company and Group		
Amounts in USD thousand	**2019**	**2018**	**2017**
Staff costs			
Wages and salaries	(291)	(326)	(282)
Total staff costs	**(291)**	**(326)**	**(282)**
Of which:			
Board of Directors:			
Remuneration to the Board of Directors	(94)	(110)	(81)
Average number of full-time employees^	1	1	1

^ The average number excludes the CEO of the Company.

Nordic Shipholding A/S 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 24 for related party transactions for the fees paid to Transport Capital Pte. Ltd., the corporate manager for the Group, during the financial year.

6. Auditor fee

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Statutory audit of annual accounts	(92)	(168)	(169)	(268)
Tax advices	(10)	(12)	(31)	(52)
Other assistance	(7)	(12)	(7)	(12)
Total fees	**(109)**	**(192)**	**(207)**	**(332)**

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

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group consists of assistance with XBRL reporting, and other general financial reporting and tax consultancy services.

7. Depreciation and write-downs on vessels

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Depreciation - vessels	-	-	(5,316)	(6,620)
Write down - vessels	-	-	-	(13,217)
Write down - asset held-for-sale	-	-	(212)	-
Total	-	-	**(5,528)**	**(19,837)**

The Group recognised an impairment loss on asset held-for-sale of USD 0.2 million in 2019 related to the sale of Nordic Ruth in July 2019.

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. With reference to Note 26, Events after the reporting date, the impairment test is based on the knowledge that was available at 31 December 2019.

Impairment assessment of tangible assets - Vessels and dry-docking

The discussion below excludes Nordic Ruth, a handysize vessel, as she was reclassified as an asset-held for sale in Q4 2018 and subsequently, she was sold in July 2019.

The management assessed the performance of the vessels based on their employment and vessel type. The remaining four handysize vessels (Nordic Pia, Nordic Hanne, Nordic Agnetha and Nordic Amy) are employed in Hafnia Handy Pool. Nordic Anne, an LR1 tanker was redelivered under the 3-year time charter in October 2017, and at the same time re-entered the Hafnia LR Pool. Hence, for impairment assessment, the Group evaluates the carrying amount of vessels within two cash generating units ('CGU') – (1) one LR1 vessel deployed in Hafnia LR Pool ('CGU one') and (2) four vessels deployed in Hafnia Handy Pool ('CGU two') respectively - 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 (Fair Market Value, 'FMV') or calculated net present value ('value in use') for each CGU. The estimated sale price is based on valuations from accredited independent shipbrokers and is considered a level 2 on the fair value hierarchy. For impairment assessment in 2019, the recoverable amount of both CGUs was based on value in use (level 3 on the fair value hierarchy).

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 8.2% (2018: 7.8%). Daily TCE is assumed by considering the daily TCE forecasted by the pool managers for the next four quarters ('budget period') and the long-term average ('LTA') TCE rates for period beyond the budget period. 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.

As the substantial improvement in the tanker market from October 2019 is expected to continue during most parts of 2020, based on the same assumptions used in the impairment test from H1 2018, there is no impairment loss recognised in 2019 (2018: impairment loss of USD 13.2 million). For both CGU one and CGU two, the LTA TCE rate used for the impairment test is an adjusted 5-year historical TCE rate, with annual inflation set at 2%.

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 2.5 million (2018: USD 2.6 million) for the LR1 tanker and USD 7.9 million (2018: USD 3.9 million) for the four handysize vessels. If the daily long-term TCE rate decreases by 5.0%, there would be an impairment of USD 1.6 million (2018: USD 0.9 million) for the LR1 tanker and an impairment of USD 5.7 million (2018: USD 2.1 million) for the four handysize vessels.

- A fluctuation of 1 percentage point on the WACC would change the value in use by USD 1.4 million (2018: USD 1.5 million) for the LR1 tanker and USD 3.2 million (2018: USD 1.5 million) for the four handysize vessels. If the WACC increases by 1 percentage point, there would be an impairment of USD 0.4 million (2018: USD Nil) for the LR1 tanker and an impairment of USD 1.1 million (2018: USD Nil) for the four handysize vessels.

- A fluctuation of 5.0% on the operating expenses would change the value in use by USD 1.2 million (2018: USD 1.3 million) for the LR1 tanker and USD 4.4 million (2018: USD 2.4 million) for the four handysize vessels. If the operating expenses increases by 5.0%, there would be an impairment of USD 0.3 million (2018: USD Nil) for the LR1 tanker and an impairment of USD 2.3 million (2018: USD 0.6 million) for the four handysize vessels.

8. Write-down on investments

	Company	
Amounts in USD thousand	**2019**	**2018**
Write-down on investments in subsidiaries	(2,314)	(31,707)
Total write-down on investments in subsidiaries	(2,314)	(31,707)

9. Financial income

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Interest income on bank balances	1	-	123	32
Modification gain on finance loans	-	-	760	-
Total financial income	**1**	**-**	**883**	**32**

The modification gain on finance loans of USD 0.8 million arose from the release to the income statement upon the payment of scheduled loan interest and loan prepayment in 2019.

10. Financial expenses

Amounts in USD thousand	Company 2019	Company 2018	Group 2019	Group 2018
Financial expenses to bank	-	-	(54)	(53)
Interest on finance loans	-	-	(4,845)	(4,209)
Modification loss on finance loans	-	-	-	(1,468)
Interest on loans from majority shareholder	(502)	(7)	(746)	(10)
Finance charge on banker's guarantee provided by majority shareholder to lenders	-	-	(390)	(245)
Fair value adjustment from valuation of interest rate caps	-	-	-	(3)
Expenses from exchange rate adjustments	(17)	(2)	(56)	(15)
Total financial expenses	**(519)**	**(9)**	**(6,091)**	**(6,003)**
Total net financial income and expenses	**(518)**	**(9)**	**(5,208)**	**(5,971)**

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised in Q4 2018 due to the modification of certain terms under the bank loans. Including the modification loss of USD 0.1 million released to the income statement upon the payment of scheduled loan interest in Q4 2018, the net modification loss recognised in Q4 2018 was USD 1.5 million.

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders. The related finance charge calculated on this Banker's Guarantee is USD 0.4 million (2018: USD 0.2 million).

11. Tax for the year

Amounts in USD thousand	Company 2019	Company 2018	Group 2019	Group 2018
Current tax expense	-	-	(10)	-
Tax for the year recognised in the income statement	-	-	(10)	-
Result before tax	(3,906)	(33,245)	(3,896)	(23,772)
- of which subject to tonnage taxation or other schemes	-	-	2,304	22,234
Adjusted result before tax	**(3,906)**	**(33,245)**	**(1,592)**	**(1,538)**
Calculated tax at 22.0% (2018: 22.0%)	**(859)**	**(7,314)**	**(350)**	**(338)**
Write-down on investments not subject to tax	509	6,976	-	-
Tax assets not recognised	350	338	350	338
Adjustment of tax for previous years	-	-	-	-
	859	7,314	350	338

No deferred tax has been recognised in other comprehensive income.

No deferred tax assets or liabilities are recognised as at 31 December 2019 (2018: USD Nil). Tax value of unrecognised tax losses amounted to USD 0.4 million (2018: USD 0.3 million).

There are no unrecognised tax liabilities associated with investments in foreign subsidiaries in 2019 and 2018.

12. Earnings per share

Amounts in USD thousand	Group 2019	2018
Earnings per share (EPS)		
Loss for the Company's shareholders	(3,906)	(23,772)
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)	(0.06)

No dividends is proposed for 2019 (2018: USD Nil).

13. Vessels and docking

	Group	
Amounts in USD thousand	**2019 Vessels and Docking**	**2018 Vessels and Docking**
Cost at 1 January	172,340	193,018
Disposals during the year	(2,414)	(878)
Additions during the year	6,220	974
Reclassified to asset held-for-sale	-	(20,774)
Cost at 31 December	**176,146**	**172,340**
Depreciation and write-down at 1 January	(93,733)	(90,059)
Depreciation during the year	(5,316)	(6,620)
Disposals during the year	2,414	878
Write-downs of vessels	-	(13,217)
Reclassified to asset held-for-sale	-	15,285
Depreciation and write-down at 31 December	**(96,635)**	**(93,733)**
Book value at 31 December	**79,511**	**78,607**
Geographical split of tangible assets:		
Singapore	79,511	78,607
	79,511	**78,607**

The carrying amount of vessels pledged as security for finance loans in the Group is USD 79.5 million as at 31 December 2019 (2018: USD 84.1 million including the carrying amount of the asset held-for-sale as disclosed in Note 17).

14. Investment in subsidiaries

Amounts in USD thousand	Company 2019	Company 2018
Cost at 1 January	49,764	43,764
Additions during the year	-	6,000
Cost at 31 December	**49,764**	**49,764**
Write-down at 1 January	(31,707)	-
Write-down during the year	(2,314)	(31,707)
Write-down at 31 December	(34,021)	(31,707)
Carrying amount before offset	**15,743**	**18,057**
Offset against intercompany receivables	-	-
Carrying amount at 31 December	**15,743**	**18,057**

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million to the Company. The Company drew down this shareholder loan of USD 6.0 million and injected equity of USD 6.0 million in Nordic Shipholding Singapore Pte. Ltd. ('NSHS') as this wholly-owned subsidiary manages the cash payments and cash receipts for the Group. NSHS issued 6,000 new shares to NSH A/S in exchange for this equity injection of USD 6.0 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

15. Trade receivables

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Receivables from freight	-	-	5,617	5,676
Working capital with pools	-	-	3,400	1,050
Total trade receivables	**-**	**-**	**9,017**	**6,726**

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

Historically, the Group has only minor losses on trade receivables and the implementation of IFRS 9 has no material effect on the provision matrix for trade receivables.

16. Other receivables

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Pre-payments and deposits	83	98	290	852
Other receivables	20	14	1,336	1,560
Total other receivables	**103**	**112**	**1,626**	**2,412**

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

17. Asset held-for-sale

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Asset held-for-sale	-	-	-	5,489
Total asset held-for-sale	**-**	**-**	**-**	**5,489**

Management decided to sell the Nordic Ruth, a handysize vessel, in Q4 2018. Hence, Nordic Ruth has been reclassified as an asset-held for sale. Nordic Ruth was subsequently sold on 19 July 2019 and the net proceeds from the sale of Nordic Ruth was applied towards the prepayment of bank loans.

The carrying amount corresponds to the fair value of the held-for-sale asset.

18. Financial risks and financial instruments

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

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
Trade receivables	-	-	9,017	6,726
Other receivables	103	112	1,626	2,412
Cash and cash equivalents	66	348	5,527	8,598
Financial assets measured at amortised cost	**169**	**460**	**16,170**	**17,736**
Finance loans	-	-	72,890	77,103
Loans from majority shareholder	6,509	6,007	10,391	9,255
Trade payables	128	346	6,824	5,684
Financial liabilities measured at amortised cost	**6,637**	**6,353**	**90,105**	**92,042**

Methods and assumptions in determining fair value

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.

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 2019 and 2018. 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 (2018: 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. 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. Both interest rate caps have matured on 31 December 2018. As at the year-end, 100% of the Group's debt is unhedged (2018: 100% of the Group's debt is unhedged) and 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 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 0.7 million (2018: 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 2019 and 2018.

Date of revaluation/maturity – Group and Company

The Group's and Company's fixed-rate interest-bearing loans from the majority shareholder do not expose them to interest rate risks. The Group's and Company's floating-rate 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			
31.12.2019	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	66	-	-	66
Loans from majority shareholder, fixed rate^	(6,509)	-	-	(6,509)
Total	**(6,443)**	**-**	**-**	**(6,443)**
31.12.2018				
Cash and cash equivalents	348	-	-	348
Loans from majority shareholder, fixed rate^	-	(6,007)	-	(6,007)
Total	**348**	**(6,007)**	**-**	**(5,659)**

^ excludes interest and finance charge on banker's guarantee

Amounts in USD thousand	Group			
31.12.2019	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	5,527	-	-	5,527
Finance loans, floating rate^^	(73,497)	-	-	(73,497)
Loans from majority shareholder, fixed rate^	(9,509)	-	-	(9,509)
Total	**(77,479)**	**-**	**-**	**(77,479)**
31.12.2018				
Cash and cash equivalents	8,598	-	-	8,598
Finance loans, floating rate^^	(5,100)	(70,531)	-	(75,631)
Loans from majority shareholder, fixed rate^	-	(9,007)	-	(9,007)
Total	**3,498**	**(79,538)**	**-**	**(76,040)**

^ excludes interest and finance charge on banker's guarantee
^^ 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	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	66	348	5,527	8,598
Total	**66**	**348**	**5,527**	**8,598**

Included in the cash and cash equivalents held by the Group at the end of 2018, USD 4.0 million is earmarked for the scheduled dry-docking of 3 vessels in 2019, Nordic Anne, Nordic Agnetha and Nordic Amy ('dry-docking reserve bank accounts').

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million (excluding the bank balance held in dry-docking reserve bank accounts) will be used to pay down the long-term facility ('cash sweep'). Prior to the loan restructuring concluded with the lending banks in Q4 2018, the cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 5.0 million was used to offset the scheduled amortisation of the loan principal from January 2018 to September 2018. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020.

Maturities of liabilities

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

Amounts in USD thousand			Company		
2019	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Loans from majority shareholder	(6,509)	(7,055)	-	-	(7,055)
Trade payables	(128)	(128)	-	-	(128)
Total	**(6,637)**	**(7,183)**	-	-	**(7,183)**
2018					
Non-derivative financial liabilities					
Loans from majority shareholder	(6,007)	-	(7,055)	-	(7,055)
Trade payables	(346)	(346)	-	-	(346)
Total	**(6,353)**	**(346)**	(7,055)	-	**(7,401)**

Amounts in USD thousand			Group		
2019	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Finance loans, floating	(72,158)	(76,306)	-	-	(76,306)
Loans from majority shareholder	(9,509)	(10,545)	-	-	(10,545)
Trade payables	(6,824)	(6,824)	-	-	(6,824)
Interest payable on finance loans	(24)	(24)	-	-	(24)
Interest payable on loans from shareholder	(247)	(247)	-	-	(247)
Finance charge on banker's guarantee provided by shareholder	(635)	(635)	-	-	(635)
Total	**(89,397)**	**(94,581)**	-	-	**(94,581)**
2018					
Non-derivative financial liabilities					
Finance loans, floating	(75,578)	(8,321)	(77,403)	-	(85,724)
Loans from majority shareholder	(9,007)	(122)	(11,450)	-	(11,572)
Trade payables	(5,685)	(5,685)	-	-	(5,685)
Interest payable on finance loans	(57)	(57)	-	-	(57)
Interest payable on loans from shareholder	(3)	(3)	-	-	(3)
provided by shareholder	(245)	(122)	(123)	-	(245)
Total	**(90,575)**	**(14,310)**	**(88,976)**	-	**(103,286)**

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

Breach of loan agreements

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till end of September 2020.

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**		
2019	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Other receivables	103	-	-	103
Total	**103**	**-**	**-**	**103**
2018				
Non-derivative financial assets				
Other receivables	112	-	-	112
Total	**112**	**-**	**-**	**112**

Amounts in USD thousand		**Group**		
2019	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Trade receivables	9,017	-	-	9,017
Other receivables	1,626	-	-	1,626
Total	**10,643**	**-**	**-**	**10,643**
2018				
Non-derivative financial assets				
Trade receivables	6,726	-	-	6,726
Other receivables	2,412	-	-	2,412
Total	**9,138**	**-**	**-**	**9,138**

There is no provision of doubtful debts in 2019 and 2018.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment or obtain new borrowings.

The Company is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

19. Finance loans

Amounts in USD thousands	Group 2019	2018
Finance loans		
Payables to lenders are recognised in the balance sheet as follows:		
Non-current liabilities	-	71,276
Current liabilities	72,890	5,827
	72,890	**77,103**

At 31 December, the Group had the following loans:

Currency	Fixed/ floating	2019	2018
Finance loans (USD)	floating	72,158	75,578
Accrued modification loss		708	1,468
Calculated interest not yet due on finance loans		24	57
		72,890	**77,103**
Due within one year		72,890	5,827
Due between 1-2 years		-	71,276
Due between 2-3 years		-	-
Due between 3-4 years		-	-
Due between 4-5 years		-	-
Due after 5 years		-	-
		72,890	**77,103**

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 (excluding the bank balance held in dry-docking reserve bank accounts) will be used to pay down the long-term facility (‘cash sweep’). Prior to the loan restructuring concluded with the lending banks in Q4 2018, the cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 5.0 million was used to offset the scheduled amortisation of the loan principal from January 2018 to September 2018. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020. In addition, the financial covenants under the original loans such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020. In exchange, the interest margin is increased by 1% to 4%, of which 2.5% point of the total interest margin is capitalised quarterly.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. After accounting for the modification gain of USD 0.8 million (2018: modification loss of USD 0.1 million) released to the income statement upon the payment of scheduled loan interest from Q4 2018, the unamortised portion of the modification loss is USD 0.7 million (2018: USD 1.5 million).

Nordic Ruth was sold in July 2019 and the net proceeds from the sale was applied entirely to prepay the loan facility. The fair value of the Group’s finance loans in USD with floating interest corresponds to the carrying amount.

20. Loans from majority shareholder

Amounts in USD thousands		Company 2019	Company 2018	Group 2019	Group 2018
Loans from majority shareholder					
Payables to the major shareholder are recognised in the balance sheet as follows:					
Non-current liabilities		-	6,007	-	9,133
Current liabilities		6,509	-	10,391	122
		6,509	**6,007**	**10,391**	**9,255**

At 31 December, the Company and the Group had the following loans:

Currency	Fixed/ floating	2019	2018	2019	2018
Loans from shareholder (USD)	Fixed	6,509	6,007	9,509	9,007
Calculated interest on loans from shareholder		-	-	247	3
Calculated finance charge on banker's guarantee provided by shareholder		-	-	635	245
		6,509	**6,007**	**10,391**	**9,255**
Due within one year		6,509	-	10,391	122
Due between 1-2 years		-	6,007	-	9,133
Due between 2-3 years		-	-	-	-
Due between 3-4 years		-	-	-	-
Due between 4-5 years		-	-	-	-
Due after 5 years		-	-	-	-
		6,509	**6,007**	**10,391**	**9,255**

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker’s Guarantee was provided by the majority shareholder of the Group as additional security to the lenders and the related finance charge accrued on this Banker’s Guarantee is USD 0.6 million (2018: USD 0.2 million).

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million and USD 3.0 million to the Company and NSHS (a wholly-owned subsidiary of the Company), respectively. Both shareholder loans are due in December 2020. The interest on the USD 6.0 million shareholder loan extended to the Company is capitalised quarterly and is due in December 2020 while the interest on the USD 3.0 million shareholder loan extended to NSHS is due in December 2020.

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

21. Trade payables

Amounts in USD thousand	Company 2019	Company 2018	Group 2019	Group 2018
Suppliers of goods and services	128	346	6,824	5,684
Total trade payables	**128**	**346**	**6,824**	**5,684**

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

22. Payables to subsidiaries

Amounts in USD thousand	Company 2019	2018
Payables to subsidiaries	1,336	319
Total payables to subsidiaries	**1,336**	**319**

23. Treasury and share capital

	Company and Group	
Number of shares	**2019**	**2018**
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 2019

The share capital as at 31 December 2019 consisted of 406,158,403 shares of DKK 0.1 (2018: 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	2019	2018	2017	2016	2015
Share capital at 1 January	7,437	7,437	7,437	7,437	7,437
Capital reduction	-	-	-	-	-
Capital increase	-	-	-	-	-
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	406,158,403
Issue of new shares	-	-	-	-	-
Shares at 31 December	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**

24. Related party transactions

	Company		Group	
Amounts in USD thousand	**2019**	**2018**	**2019**	**2018**
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	505	503	505	805
Gorrissen Federspiel, a law firm, is considered a related party of the Group and the Company from April 2018.				
The Group has engaged in the following transaction with Gorrissen Federspiel as follows:				
• Legal assistance fees paid to Gorrissen Federspiel in 2019 (2018: from April 2018 to December 2018)	37	20	37	20
Majority shareholder of the Company provided a USD 3.85 million banker's guarantee to the lending banks as additional security for the loan facility.				
Calculated finance charge on banker's guarantee	-	-	390	245
Majority shareholder of the Company provided shareholder loans of USD 6.0 million to the Company and USD 9.0 million to the Group.				
Interest on loans from majority shareholder	502	7	746	10

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

	Company	
Number of shares held by the following Board Member	**2019**	**2018**
Knud Pontoppidan	102,052	102,052
Jon Robert Lewis	-	-
Kanak Kapur	-	-
Jens V. Mathiasen (appointed on 20 April 2018)	-	-
Esben Søfren Poulsson (appointed on 20 April 2018)	108,295	108,295
Philip Clausius	-	-

On 31 December 2019, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland – 11.03%

Guarantees provided to subsidiaries can be found in Note 25.

Apart from the related parties transactions mentioned above, remuneration of the Board of Directors (Note 5), and financial expenses (Note 10), 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.

25. Contingent liabilities and contractual obligations

Amounts in USD thousand	Company and Group 2019	2018
The Company has provided guarantee to the lending banks for the finance loans extended to wholly-owned vessel-owning subsidiaries^	72,890	77,103

^ 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.

26. Events after the reporting date

The worldwide spread of the COVID-19, now a pandemic, has not had a significant impact on the Company and its earnings to date. It is, however, expected that during the next 6 months and maybe more – depending on the further spread of the COVID-19 – a number of shipping related services will be affected which again will affect the normal operation of vessels. Such impacts may include, limited ability or a total stop of crew changes, due to airlines closing down services and various entry restrictions imposed by local governments, vetting inspectors and service engineers will or may not be allowed to travel, lack of supplies and spare parts, a two week quarantine when a vessel arrives at a port, delays/closing of straits and canals, etc.

The unprecedented drop in oil-price was the result of OPEC's inability to agree on production cuts in early March 2020. Under normal circumstances, this would have been considered positive for the tanker industry in general, i.e. for both crude and product tankers. The first sign of increased activity has already taken place, and the rate level for crude tankers have taken a steep surge since early March, with a correlated increase in activity for all segments resulting in very healthy market conditions. The final result of the entailing price war between the US and Russia is impossible to predict, and so is the impact on the tanker industry. Our commercial managers are budgeting in accordance with the general expectations as a result of the lower oil price, which together with a very low order book, calls for a continuation of the relatively strong market conditions experienced so far in 2020. However, if the world experiences the full impact of the COVID-19 resulting in the world economy turning into a deep recession, the general positive expectations may not be realized.

Whereas some of these impacts - if experienced one by one - could have a positive impact; potentially, the sum of these will have an overall negative effect and if the world economy turns into a deep recession, there will be a devastating impact on the market conditions for tankers. Should this be the outcome, it will potentially impact vessel valuations and expected earnings negatively and increase the risk of losses on trade receivables. It is Management's assessment that none of the events above could have been foreseen at the reporting date. As a result, the events are considered to be non-adjusting events after the reporting date and have not had any impact on the impairment tests etc.

No other significant events have occurred between the reporting date and the publication of this Annual Report that have not already been included and adequately disclosed in the Annual Report and that materially affect the assessment of the Company's and Group's results of operations or financial position.

Definitions and calculation formulas

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". 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 (%)	$\frac{\text{Average net working capital} * 100}{\text{Revenue}}$