



Unaudited Condensed Consolidated Financial Statements for the three months and six months ended June 30, 2022

Himalaya Shipping Ltd. and subsidiaries

Unaudited Condensed Consolidated Statement of Operations

(In millions of US\$ except per share data)	3 months to June 30, 2022	3 months to June 30, 2021	6 months to June 30, 2022	March 17, 2021 - June 30, 2021
Operating expenses				
General and administrative expenses	(0.6)	(0.2)	(1.0)	(0.2)
Total operating expenses	(0.6)	(0.2)	(1.0)	(0.2)
Operating profit (loss)	(0.6)	(0.2)	(1.0)	(0.2)
Financial expenses, net				
Other financial expense	-	-	-	-
Total financial expenses, net	-	-	-	-
Net income (loss) before income taxes	(0.6)	(0.2)	(1.0)	(0.2)
Income tax	-	-	-	-
Net income (loss)	(0.6)	(0.2)	(1.0)	(0.2)
Per share information:				
Basic earnings (loss) per share	(0.02)	(0.06)	(0.03)	(0.06)
Diluted earnings (loss) per share	(0.02)	(0.06)	(0.03)	(0.06)
Consolidated Statements of Comprehensive Income				
Net income (loss)	(0.6)	(0.2)	(1.0)	(0.2)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	(0.6)	(0.2)	(1.0)	(0.2)

See accompanying notes that are an integral part of these Condensed Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries
Unaudited Condensed Consolidated Balance Sheet

(In millions of US\$)	June 30, 2022	December 31, 2021 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	4.1	11.3
Other current assets	0.3	-
Total current assets	4.4	11.3
Long term assets		
Newbuildings	118.7	83.5
Other long-term assets	-	0.4
Total long-term assets	118.7	83.9
Total assets	123.1	95.2
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	0.4	0.8
Accrued expenses	0.2	-
Total current liabilities	0.6	0.8
Long term liabilities		
Long-term debt	28.7	-
Other long-term liabilities	2.7	2.5
Total long-term liabilities	31.4	2.5
Commitments and contingencies		
Equity		
Common shares of par value US\$1.0 per share: authorized 140,010,000 shares (2021: 140,010,000) Issued and outstanding 32,152,857 (2021: 32,152,857)	32.2	32.2
Additional paid-in capital	60.9	60.7
Accumulated other comprehensive income (loss)	-	-
Retained earnings (deficit)	(2.0)	(1.0)
Total shareholders' equity	91.1	91.9
Total liabilities and shareholders' equity	123.1	95.2

See accompanying notes that are an integral part of these Condensed Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows

(In millions of US\$)	3 months to June 30, 2022	3 months to June 30, 2021	6 months to June 30, 2022	March 17, 2021 - June 30, 2021
Net income (loss)	(0.6)	(0.2)	(1.0)	(0.2)
Share based compensation	0.1	-	0.2	-
Increase (decrease) in accounts payable	(0.1)	0.2	(0.4)	0.2
Change in other current items related to operating activities	0.1	-	(0.2)	-
Change in other long-term items related to operating activities	-	-	0.2	-
Net cash used in operating activities	(0.5)	-	(1.2)	-
Investing activities				
Additions to newbuildings	(0.8)	-	(1.2)	-
Net cash used in investing activities	(0.8)	-	(1.2)	-
Financing activities				
Proceeds, net of deferred loan costs, from issuance of long-term debt	(1.8)	-	(4.8)	-
Net proceeds from issuance of common stocks	-	1.4	-	1.4
Net cash provided by (used in) financing activities	(1.8)	1.4	(4.8)	1.4
Net increase (decrease) in cash and cash equivalents and restricted cash	(3.1)	1.4	(7.2)	1.4
Cash and cash equivalents and restricted cash at beginning of period	7.2	-	11.3	-
Cash and cash equivalents and restricted cash at end of period	4.1	1.4	4.1	1.4
Supplemental disclosure of cash flow information				
Non-cash settlement of debt	-	(13.6)	-	(13.6)
Non-cash share issuance	-	13.6	-	13.6
Non-cash payment in respect of newbuildings	(13.6)	(13.6)	(34.0)	(13.6)
Issuance of debt as non-cash settlement for newbuild delivery instalment	13.6	13.6	34.0	13.6
Interest paid	(0.3)	-	(0.6)	-
Income taxes paid	-	-	-	-

See accompanying notes that are an integral part of these Condensed Consolidated Financial Statement

Himalaya Shipping Ltd. and subsidiaries

Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity

	Number of shares	Share capital	Additional paid-in capital	Other compre- hensive income	Retained earnings (deficit)	Total equity
<i>(In millions of US\$, except number of shares)</i>						
Incorporation March 17, 2021	10 000	-	-	-	-	-
Issue of common shares June 15, 2021	15 000 000	15.0	-	-	-	15.0
Total comprehensive loss for the period	-	-	-	-	(0.2)	(0.2)
Consolidated balance as of June 30, 2021	15 010 000	15.0	-	-	(0.2)	14.8
Issue of common shares July 12, 2021	10 000 000	10.0	20.0	-	-	30.0
Issue of common shares October 11, 2021	7 142 857	7.2	42.8	-	-	50.0
Equity issuance costs	-	-	(2.1)	-	-	(2.1)
Total comprehensive loss for the period	-	-	-	-	(0.8)	(0.8)
Consolidated balance as of December 31, 2021	32 152 857	32.2	60.7	-	(1.0)	91.9
Share based payment	-	-	0.2	-	-	0.2
Total comprehensive loss for the period	-	-	-	-	(1.0)	(1.0)
Consolidated balance as of June 30, 2022	32 152 857	32.2	60.9	-	(2.0)	91.1

See accompanying notes that are an integral part of these Condensed Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries
Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Himalaya Shipping Ltd. (together with its subsidiaries, the “Company” or the “Group” or “Himalaya Shipping”) is a limited liability company incorporated in Bermuda on March 17, 2021. The Company’s shares are traded on the Euronext Expand list under the ticker “HSHIP”. As of June 30, 2022, the Company had placed orders for twelve dual fueled Newcastlemax dry bulk vessels at New Times Shipyard in China. The twelve vessels are expected to be delivered between March 2023 and September 2024. The Group has twelve wholly owned ship owning subsidiaries incorporated in Liberia.

Basis of presentation

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The condensed consolidated financial statements include the assets and liabilities of the parent company and wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2021, except for recently issued accounting standards as described in note 3.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting standards that became effective January 1, 2022, did not have a material impact on the condensed consolidated financial statements and related disclosures.

4. INCOME TAXES

Bermuda

Himalaya Shipping Ltd. is incorporated in Bermuda. Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. Himalaya Shipping Ltd. has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

5. SEGMENT INFORMATION

Our chief operating decision maker, or the CODM, being our Board of Directors, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment.

6. EARNINGS PER SHARE

The computation of basic EPS is based on the weighted average number of outstanding shares during the period. Diluted EPS excludes the potential effect of conversion of 620,000 of share options outstanding issued to key management resources and directors since they were anti-dilutive.

(In US\$, except share numbers)	3 months to June 30, 2022	3 months to June 30, 2021	6 months to June 30, 2022	March 17, 2021 - June 30, 2021
Basic earnings (loss) per share	(0.02)	(0.06)	(0.03)	(0.06)
Diluted earnings (loss) per share	(0.02)	(0.06)	(0.03)	(0.06)
Issued ordinary shares at the end of the period	32 152 857	15 010 000	32 152 857	15 010 000
Weighted average number of shares outstanding - basic	32 152 857	3 234 176	32 152 857	3 044 286
Weighted average number of shares outstanding - diluted	32 152 857	3 234 176	32 152 857	3 044 286

7. INTEREST EXPENSE

(In millions of US\$)	3 months to June 30, 2022	3 months to June 30, 2021	6 months to June 30, 2022	March 17, 2021 - June 30, 2021
Interest expense, gross	(0.3)	-	(0.4)	-
Capitalized interest, newbuildings	0.3	-	0.4	-
Total	-	-	-	-

8. NEWBUILDINGS

(In millions of US\$)	Newbuildings	Total
Cost as of incorporation March 17, 2021	-	-
Capital expenditures	82.1	82.1
Other costs including newbuilding supervision	1.4	1.4
Cost as of December 31, 2021	83.5	83.5
Capital expenditures	34.0	34.0
Other costs including newbuilding supervision	0.8	0.8
Capitalized interest	0.4	0.4
Cost as of June 30, 2022	118.7	118.7
Accumulated depreciation as of December 31, 2021	-	-
Depreciation	-	-
Accumulated depreciation as of June 30, 2022	-	-
Balance as of December 31, 2021	83.5	83.5
Balance as of June 30, 2022	118.7	118.7

9. LONG TERM DEBT

(In millions of US\$)	June 30, 2022	December 31, 2020 (audited)
<i>Other long term debt</i>		
Vessel financing ("Mount Norefjell")	6.8	-
Vessel financing ("Mount Ita")	6.8	-
Vessel financing ("Mount Etna")	6.8	-
Vessel financing ("Mount Blanc")	6.8	-
Vessel financing ("Mount Matterhorn")	6.8	-
Long-term debt, gross	34.0	-
Less current portion long term debt	-	-
Less deferred loan costs	(5.3)	-
Total long-term debt	28.7	-

Sale leaseback financing

In February 2022, the Company entered into sale leaseback arrangements with AVIC for the first four newbuildings to be delivered from New Times Shipyard. Pursuant to the lease financing, Himalaya Shipping shall receive financing for the third and fourth pre-delivery instalments. In addition, upon delivery of the relevant vessels from New Times Shipyard, the vessels will be sold to SPVs owned and designated by AVIC. The vessels will be chartered back on seven year bareboat charters which include purchase options during the respective charter periods.

In April 2022, the Company entered into sale leaseback arrangements with CCBFL for newbuildings 5-12 to be delivered from New Times Shipyard. Pursuant to the lease financing, Himalaya Shipping shall receive financing for the third and fourth pre-delivery instalments. In addition, upon delivery of the relevant vessels from New Times Shipyard, the vessels will be sold to SPVs owned and designated by CCBFL. The vessels will be chartered back on seven year bareboat charters which include purchase options during the respective charter periods.

Both sale leaseback transactions will be accounted for as financing arrangements.

10. RELATED PARTY TRANSACTIONS

In May 2021, Magni Partners (Bermuda) Ltd. ("Magni") paid a total of US\$13,583,400 in instalments on the Company's behalf to New Times Shipyard. The loan from Magni was on June 15 settled through issuance of 13,583,400 shares at par value US\$1.

In October 2021, the Company signed an agreement with 2020 Bulkera Management AS to purchase certain management services (this agreement replaces the agreement signed in June 2021). 2020 Bulkera Management AS is considered a related party at the time of the transaction. As of June 30, 2022, 2020 Bulkera Management AS is not considered a related party.

Corporate support agreement

The Company's incorporator and initial, sole shareholder, Magni Partners (Bermuda) Ltd. ("Magni") has been the key initiator of the Himalaya project and has provided corporate and financial assistance throughout the process, including extensive assistance in connection with the financing of the instalments to date and the Private Placements. The Company has entered into a corporate support agreement with Magni whereby Magni shall be compensated for its services for the Group since the inception of the Company and for its key role in identifying and pursuing business opportunities for the Group (the "Corporate Support Agreement"). As Magni indirectly held a controlling interest at the time the Corporate Support Agreement was entered into, the Company has treated the Corporate Support Agreement as a related party agreement. Pursuant to the Corporate Support Agreement, Magni shall continue to support the Company's business development through assisting with the pre- and post financing of the Company's newbuilding program, in finding employment for the vessels, in recruiting suitable individuals to the Company's organisation and with general high-level administrative support. The parties have agreed a compensation in the amount of US\$2,696,000 which shall be paid by the Company in four equal tranches. The tranches shall be split equally on each of the deliveries of the vessels under the 1-4 Building Contracts from New Times, so that US\$674,000 shall be payable on each such delivery. Such amount equals the address commission to be received on the first 4 vessels, which was agreed with the yard before the project opened to external investors. This arrangement was described in the offering documents for the private placements completed by the Company in 2021. The net effect of these transactions is that the Company will receive US\$8.1 million in address commission, pay US\$2.7 million in support fee to Magni, and be left with a net reduction in contractual purchase price for the Vessels of US\$5.4 million. Together with certain upward adjustment to purchase prices, demanded by New Times prior to the first public offering, this created the basis for the average pricing of US\$71.3 million per vessel to external investors in the July offering.

As of June 30, 2022, the Company have recorded US\$2.7 million as other long-term liabilities for services provided since inception of the Company. The fee has been allocated to services provided in relation to the newbuilding contracts, the private placements, the sale and leaseback arrangements, the stock exchange listings and other administration support.

In March 2022, the Company entered into a USD 15 million revolving credit facility agreement with Magni Partners (Bermuda) Ltd. ("Magni"). The facility is an unsecured revolving credit facility, interest-bearing with an interest rate of LIBOR for the applicable interest periods under the facility, plus a margin of 8% p.a. The Magni Facility shall be available to the Company until 31 December 2023. No amount has been drawn as of June 30, 2022.

11. FINANCIAL ASSETS AND LIABILITIES

Foreign currency risk

The majority of our transactions, assets and liabilities are denominated in United States dollars. However, we incur expenditure in currencies other than United States dollars, mainly in Norwegian Kroner. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect on the value of our cash flows. We are then exposed to currency fluctuations and we may enter into foreign currency swaps to mitigate such risk exposures.

Fair values

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying value and estimated fair value of our cash and financial instruments are as follows:

Financial instruments included in the consolidated financial statements within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

<u>(In millions of US\$)</u>	<u>Hierarchy</u>	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2020 (audited)</u>
<i>Assets</i>			
Cash and cash equivalents	1	4.1	11.3
<i>Liabilities</i>			
Long-term debt*	2	28.7	-

*Fair value of long-term debt is estimated at US\$34 million as of June 30, 2022, as the number in the table are presented net of deferred loan costs.

There have been no transfers between different levels in the fair value hierarchy during the periods presented.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that all of the amounts are carried with DNB. However, we believe this risk is remote, as DNB is an established financial institution.

12. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, the Company had twelve vessels under construction. The outstanding commitments for the twelve newbuildings is as follows:

(In millions of US\$)	
2022	54.5
2023	349.7
2024	309.7
TOTAL	713.9

To the best of our knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have significant effects on our financial position or profitability and no such proceedings are pending or known to be contemplated.

13. SHARE BASED PAYMENT COMPENSATION

In September 2021, the Board of Directors established a long-term incentive plan and 800,000 of the Company's authorized but unissued share capital was allocated for this purpose. In December 2021 and March 2022, the Board approved a grant of 500,000 and 120,000 share options, respectively, to key management resources and directors. The share options will have a five-year term and will vest over a three year period. The exercise price is US\$8.0 and will be reduced by any dividends and cash distributions paid. The total estimated cost is approximately US\$1.1 million and will be expensed over the requisite service period. US\$0.1 million and US\$0.2 million have been expensed in the three months and six months ended June 30, 2022, respectively.

14. SUBSEQUENT EVENTS

Instalments on newbuildings

In August 2022, the Company drew on the sale leaseback financing to pay the fourth instalments on the first to newbuildings to be delivered.