

**PRESENTATION**

**NORDEN** 

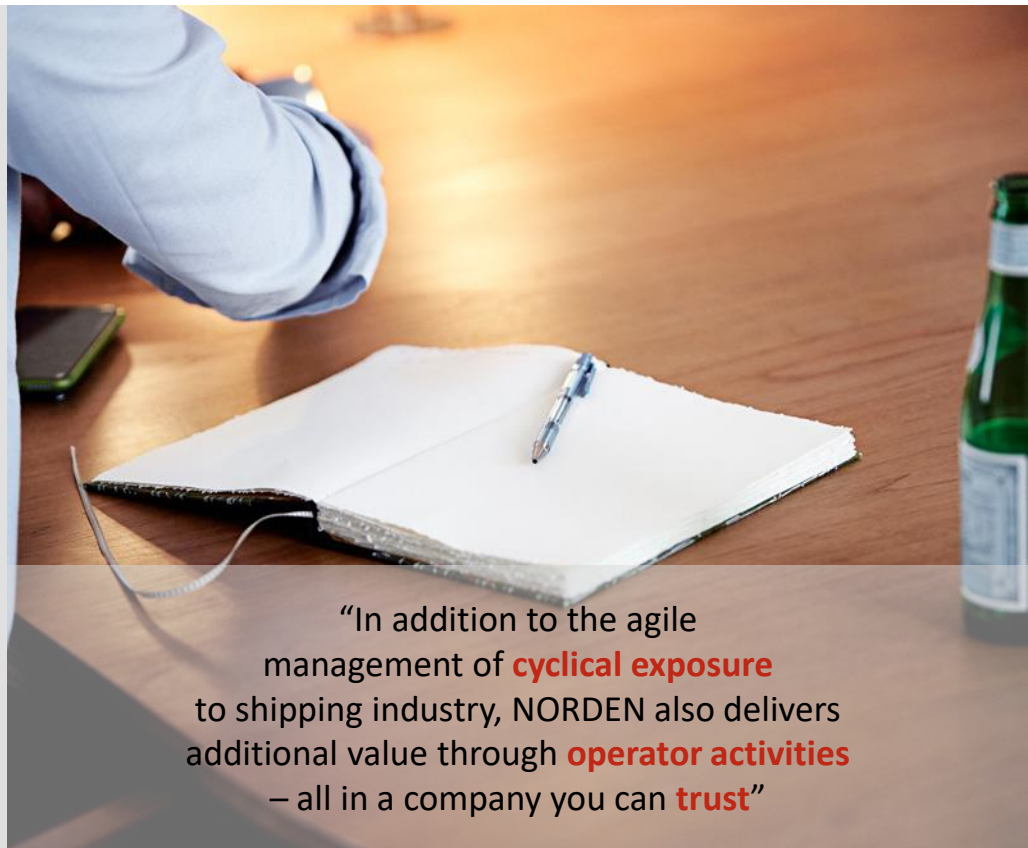
**Q3 results**

Copenhagen, Denmark  
6 November 2019

*NORDEN Singapore  
office entrance*

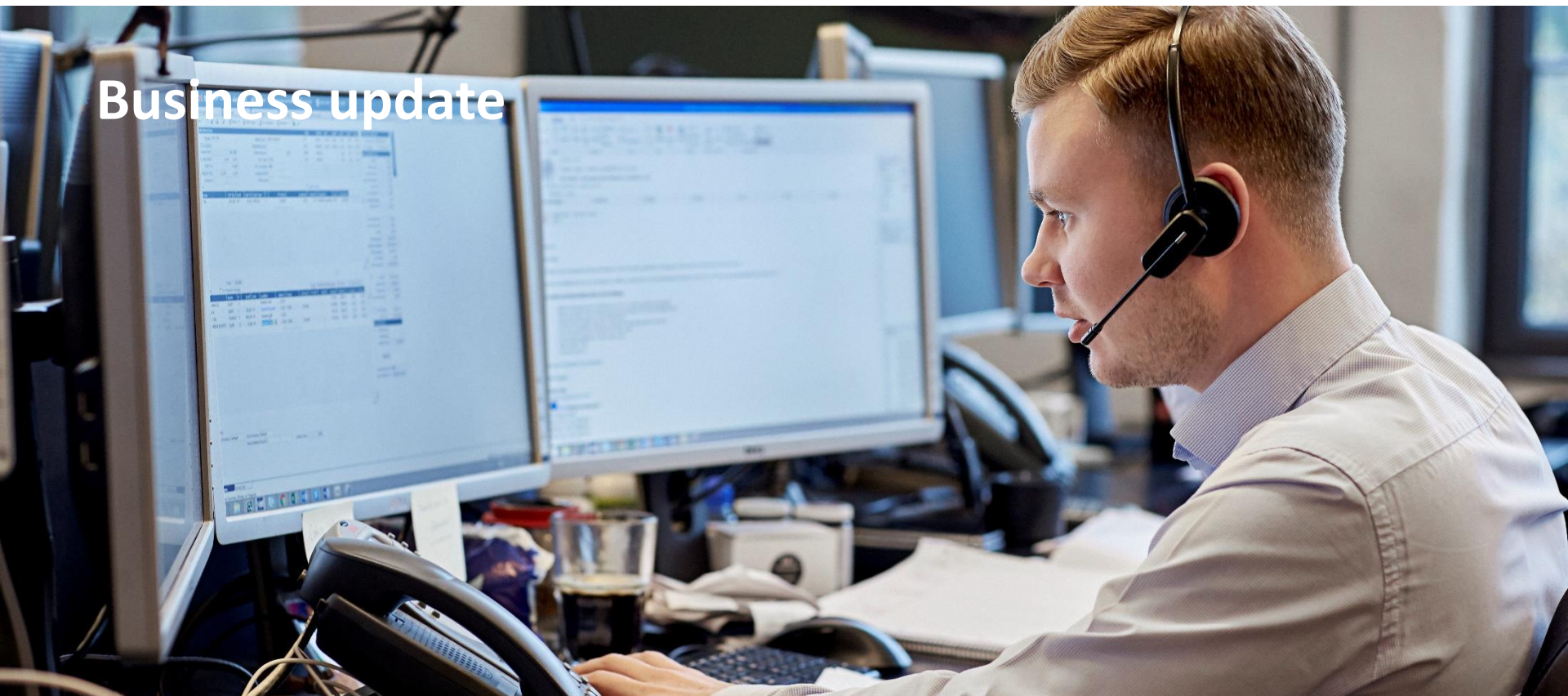
# AGENDA

- Business update
- Dry Operator
  - Q3 2019 update
- Dry Owner
  - Q3 2019 update
  - Market outlook
- Tankers
  - Q3 2019 update
  - Market outlook
- Final words



“In addition to the agile management of **cyclical exposure** to shipping industry, NORDEN also delivers additional value through **operator activities** – all in a company you can **trust**”

# Business update



## SEASONALLY WEAK TANKER MARKET – DRY OPERATOR WELL POSITIONED FOR Q4

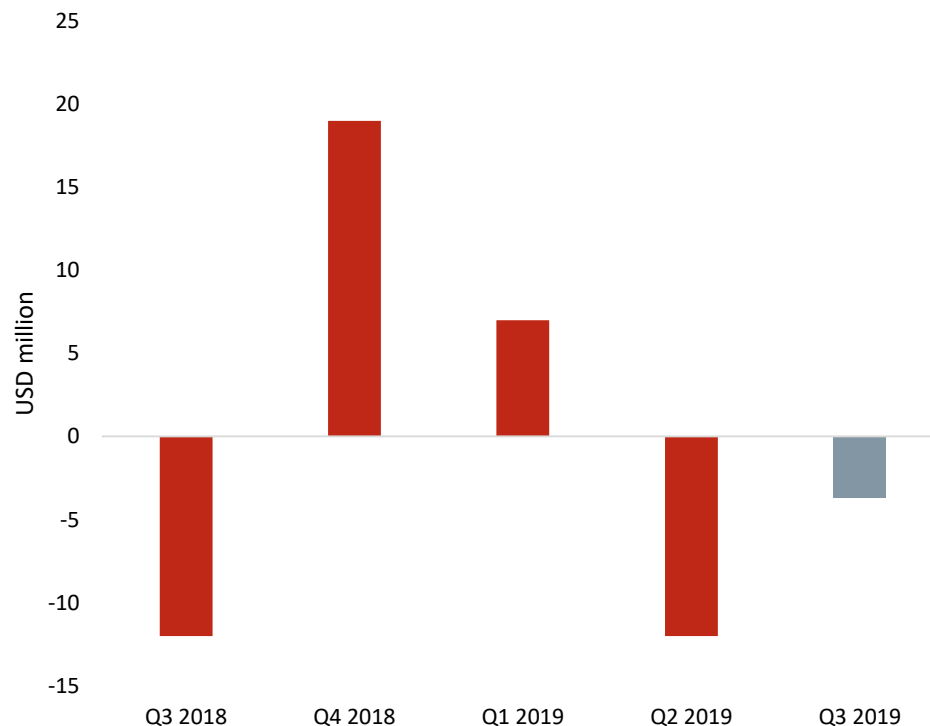
### Financial highlights

- Q3 2019 Adjusted Result USD -4 million
  - Dry Operator USD 3 million
  - Dry Owner USD 2 million
  - Tankers USD -8 million
- On October 24 NORDEN adjusted guidance to USD 10 to 45 million (down from USD 25 to USD 60 million).
- Share buy-back programme of USD 10 million

### Business highlights Q3 2019

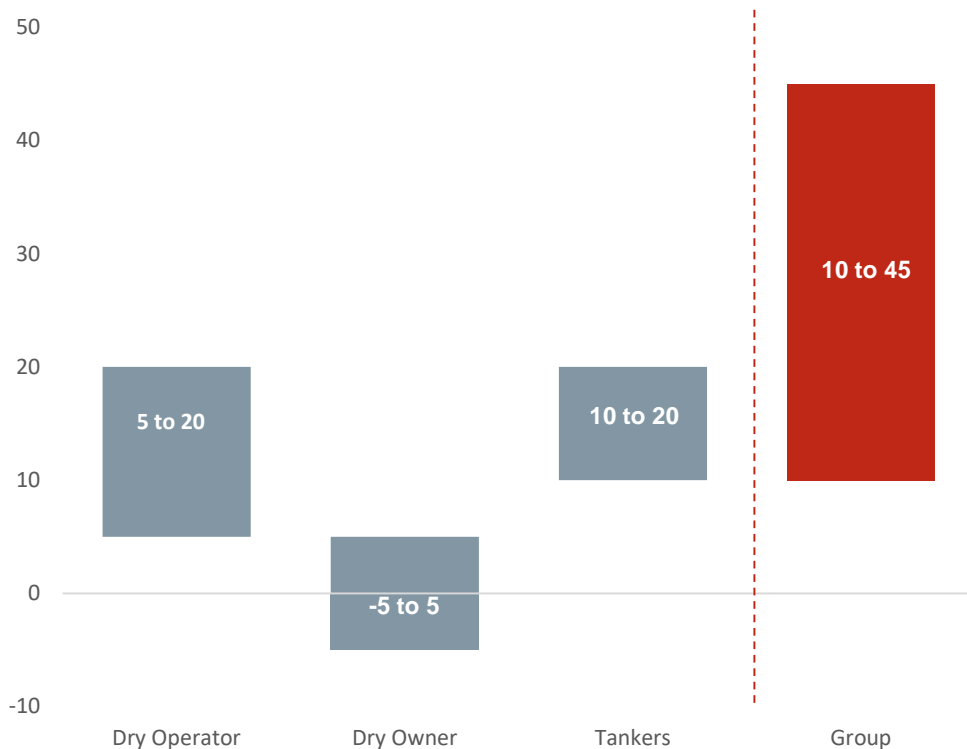
- Scrubber installations on track, 20 scrubbers ready to generate cash from January 1<sup>st</sup>, 2020
- Increased value of TC portfolio
- Strong result in both Dry Operator and Tankers expected for Q4

### Quarterly results



# POSITIVE RESULT EXPECTED FOR FULL YEAR 2019

## Guidance – Adjusted result



\* Include effect of IFRS 16

## Guidance

**On October 24, NORDEN revised the guidance for the full year of 2019**

**Dry Operator adjusted to 5 to 20 million**  
(previously 0 to 10 million)

- Strong result in the final quarter expected

**Dry Owner maintained at -5 to 5 million**

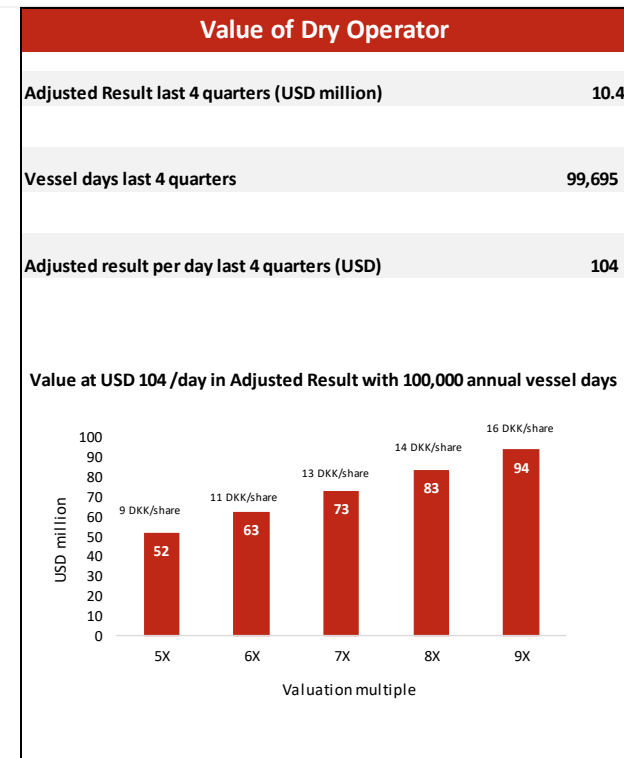
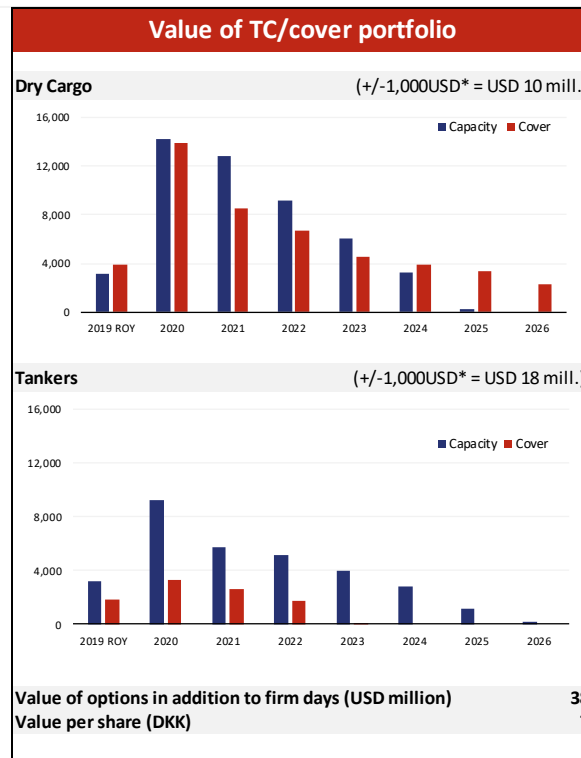
- High coverage reduces the impact of market rates during the rest of the year

**Tankers adjusted to USD 10 to 20 million**  
(previously USD 30 to 45 million).

- Down revised expectations from an estimation error related to IFRS 16. Maintains expectations of a strong final quarter

# SIGNIFICANT VALUE BEYOND ASSET VALUES

Owned Assets NAV	
Dry Cargo Vessels (ex CP)	321
Tanker Vessels (ex CP)	461
Cash and Securities	191
Interest Bearing Debt**	-330
Newbuilding installments	-40
Net Working Capital	128
Property and Equipment	49
<b>Owned Assets NAV</b>	<b>781</b>
Number of Outstanding Shares (million)	40
<b>Owned Assets NAV per share (USD)</b>	<b>20</b>
<b>Owned Assets NAV per share (DKK)***</b>	<b>134</b>



\*Given a change in the next 5 years forward rate

\*\*Excluding operational lease liabilities (IFRS16), Includes NORDEN's share of debt in Joint Ventures

\*\*\* DKK/USD exchange rate of 6.8

# Dry Operator



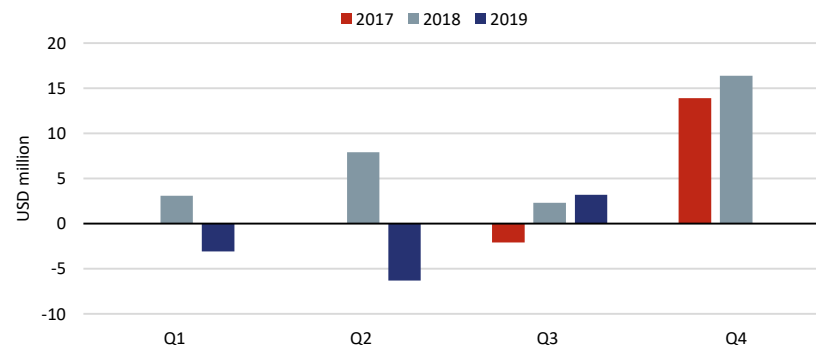
# WELL POSITIONED FOR THE Q4 2019

- Adjusted Result of USD 3 million in Q3
- Well positioned for the final quarter of 2019
- Expectations of a positive full year result
- Highest quarterly activity so far - continuously investing in growth and capabilities

## Dry Operator key figures

USD million	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Last 4 quarters
Contribution margin	12	27	11	8	19	<b>64</b>
Overhead and admin	-9	-10	-10	-9	-9	<b>-38</b>
Adjusted result	2	17	-3	-6	3	<b>10</b>
Vessel days	23,833	22,658	25,088	25,709	26,185	<b>99,640</b>
Adj. result per vessel day	96	732	-124	-245	122	<b>103</b>

## Dry Operator adjusted result by quarter





# Dry Owner



# BALANCED PORTFOLIO WITH SIGNIFICANT OPTIONALITY

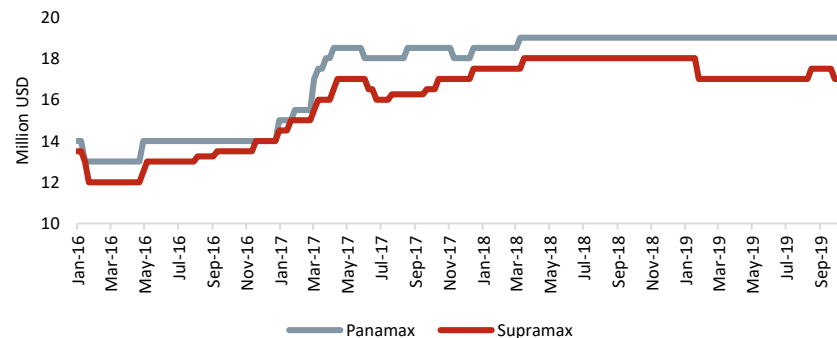
- Q3 2019 Adjusted Result of USD 2 million
- Scrubber installations well under way - CAPEX program coming to an end
- Sale of one Supramax during the quarter
- Balanced portfolio with significant optionality
  - More than 36,000 optional days from Q4 2019 onwards and 34 purchase options on vessels

## Dry Owner key figures

USD million	Q3 18*	Q4 18*	Q1 19	Q2 19	Q3 19	Last 4 quarters
Contribution margin	10.9	11.0	23.9	21.1	26.7	82.7
Overhead and admin	-2.2	-2.5	-3.0	-2.3	-2.7	-10.5
Adjusted Result	4.0	5.3	0.4	-2.4	1.6	4.9
Vessel days	4,647	4,876	4,963	4,254	3,935	18,028

\*Financial figures prior to 2019 are not restated to reflect IFRS 16

## 5-year secondhand asset values



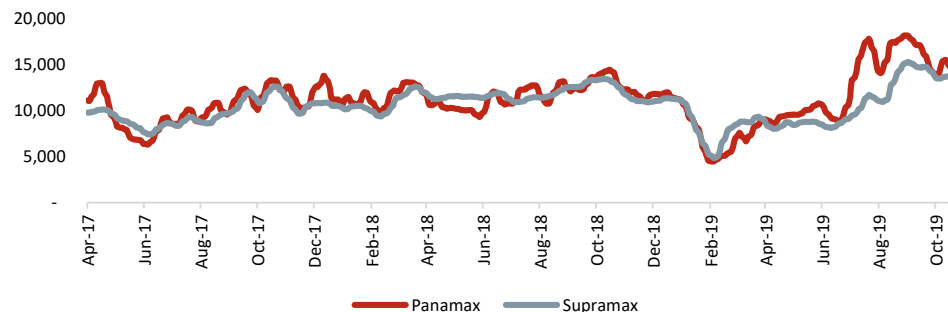
Source: Clarksons

# RATES REBOUNDED IN Q3

## Key developments

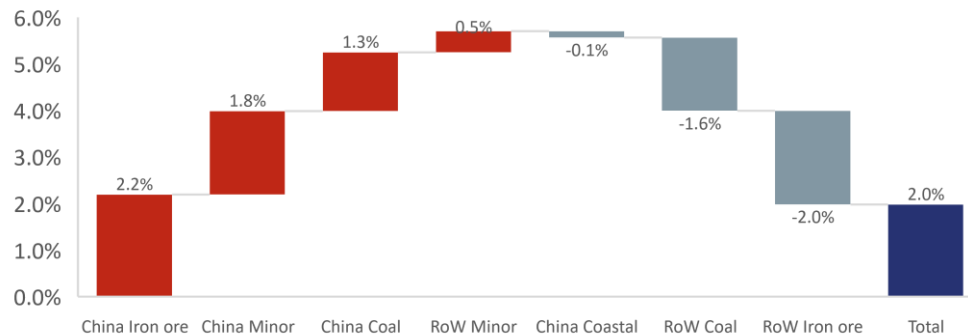
- After a weak first half of 2019, rates rebounded during the 3<sup>rd</sup> quarter
  - Panamax average earnings up 29 % compared to Q3 2018
  - Supramax average earnings up 6 % compared to Q3 2018
- Strong Chinese imports outweighed the overall weak developments elsewhere
  - Especially growth in imports of coal and minor bulk
- The strong rates was partially an effect of reduced supply from IMO 2020 related dockings

## Panamax and Supramax rates



Source: Baltic Exchange

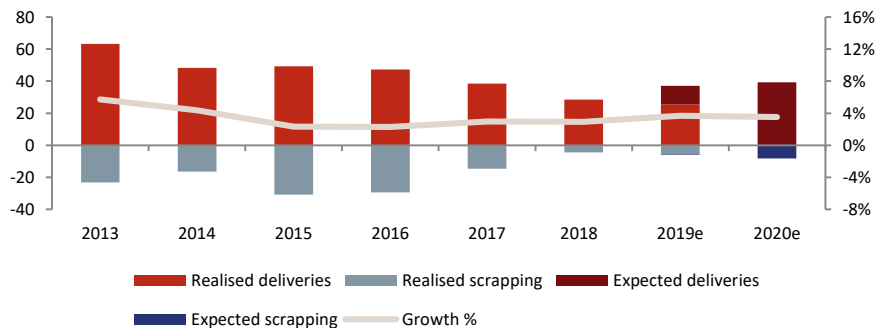
## Demand growth Q3 2019 (Tonne-miles)



# IMO 2020 IMPACTS AVAILABLE TONNAGE

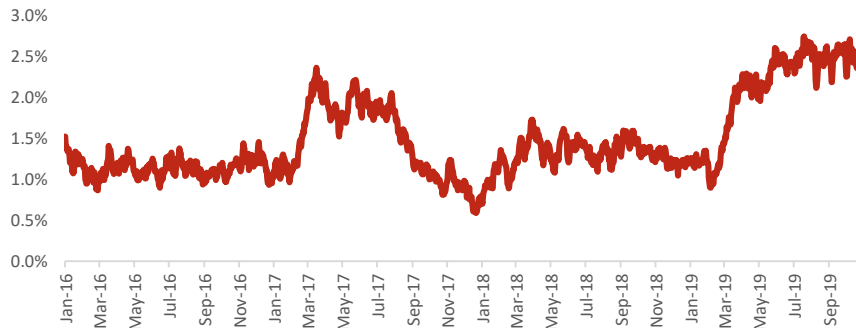
- Continued weakening of the global economy and high coal stock in China and India
- Reduced fleet supply from scrubber and ballast water treatment system installations
- NORDEN expects asset values and rates to be supported in the near term
- Greater uncertainty going into 2020 as higher bunker costs from IMO 2020 may weigh on demand

## Supply



Source: Clarkson and NORDEN

## Dry docking (% of fleet)



Source: TRACS

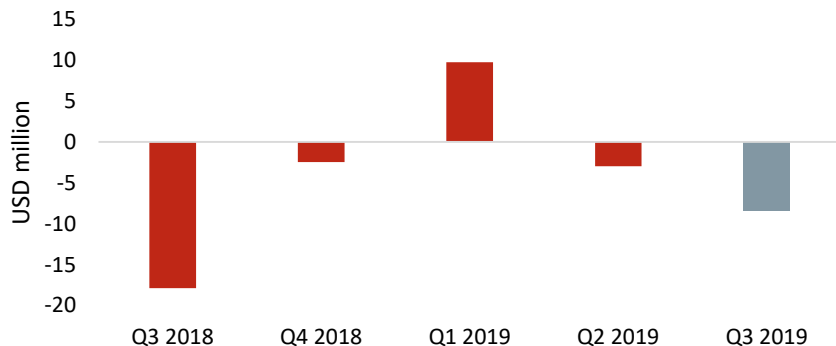
# Tankers



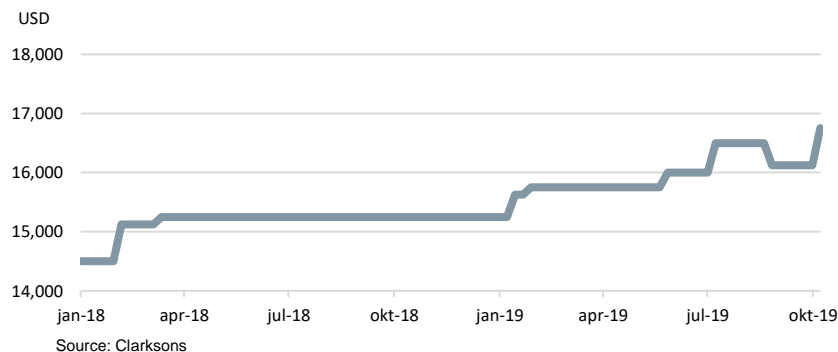
## SEASONALLY WEAK MARKET IN Q3

- Q3 2019 Adjusted Result of USD -8 million due to seasonally weak tanker market
- Forward rates and asset values continue to increase
- 6 scrubbers installed and MR's are back trading in strong tanker market – only 2 installations remaining on MR's
- Significant open position in Q4 2019 and 2020
  - 3,421 and 14,381 open days in Q4 2019 and 2020 respectively

### Quarterly adjusted result



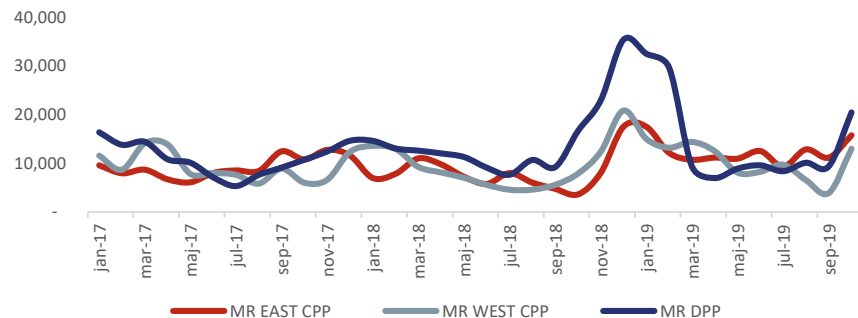
### MR 3-year TC rate



# MR RATES STARTING TO IMPROVE

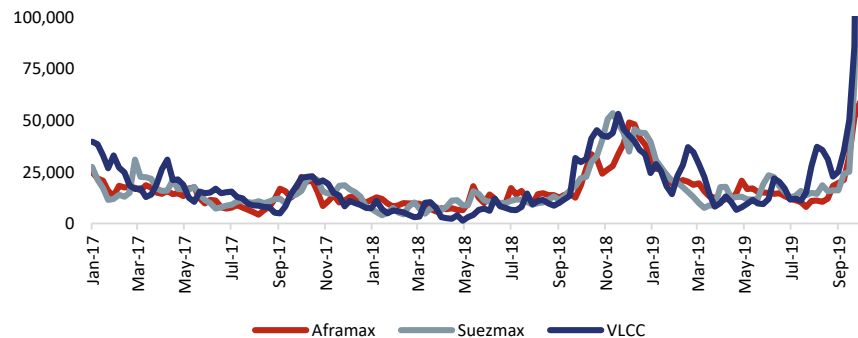
- Product tanker rates at weak levels throughout Q3
  - Higher than usual refinery turnarounds and continued stock draws
- During October, the tanker market rebounded
  - High number of vessels not active due to scrubber installations, floating storage and sanctions
  - Significant switching from clean to dirty in the LR segments
  - Larger vessel sizes have been the main beneficiary, more upside for MR

Product rates (USD/day)



Source: ACM

Crude market rates (USD/day)

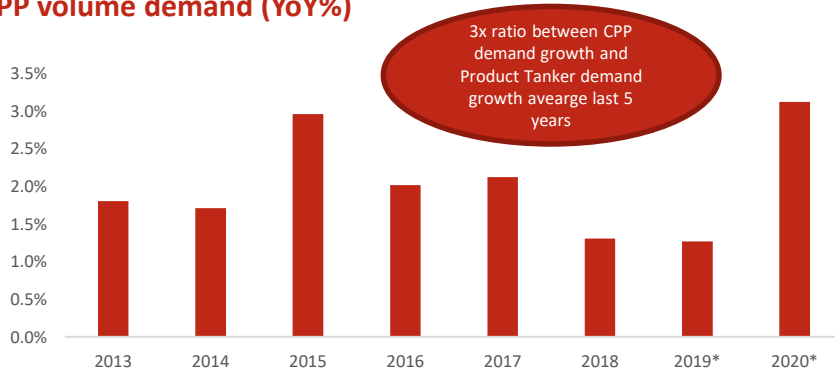


Source: Clarksons

# STRONG TANKER MARKET EXPECTED WELL INTO 2020

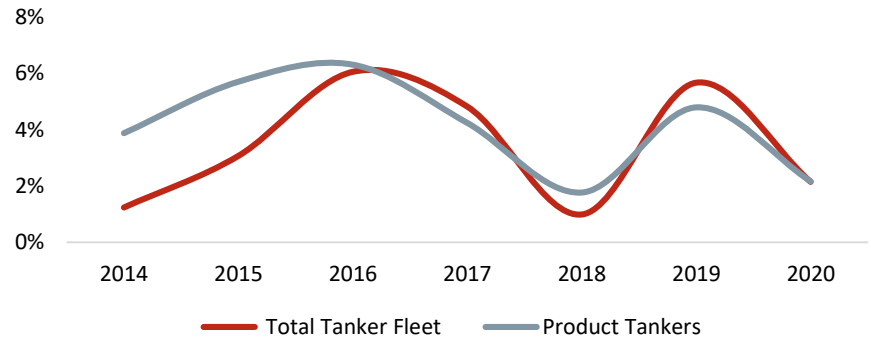
- NORDEN expects the market to remain strong well into 2020
  - From around the end of October refineries are expected to increase runs to produce the necessary IMO 2020 compliant fuel
  - Product stocks are running low
  - New refinery capacity in Asia coming online
- Decelerating fleet growth and large part of fleet continuing to be held up in repair yards

CPP volume demand (YoY%)



Source: Energy Aspects

Tanker fleet growth (YoY%)



Source: Clarksons and NORDEN



# Final words



# SO MUCH MORE THAN JUST OWNED VESSELS

- True value of NORDEN is more than the market value of owned vessels
- The tanker market has strengthened with a positive outlook well into 2020
- Strong Q4 result expected in Dry Operator and tankers
- Increased value of the time-chartered portfolio
- Large CAPEX programme coming to an end
- 20 scrubbers ready to generate cash flow from January 1<sup>st</sup>, 2020



## FORWARD LOOKING STATEMENTS

This presentation contains certain forward-looking statements reflecting the management's present judgment of future events and financial results.

Statements relating to the remainder of 2019 and subsequent years are subject to uncertainty, and NORDEN's actual results may therefore differ from the projections.

Factors that may cause such variance include, but are not limited to, changes in macro-economic and political conditions, particularly in the Company's principal markets; changes to the Company's rate assumptions and operating costs; volatility in rates and tonnage prices; regulatory changes; any disruptions to traffic and operations as a result of external events, etc.

# THANK YOU FOR YOUR ATTENTION

Dampskibsselskabet NORDEN A/S

52, Strandvejen  
DK-2900 Hellerup  
Denmark

Phone: +45 3315 0451  
www.ds-norden.com



dampskibsselskabetnorden



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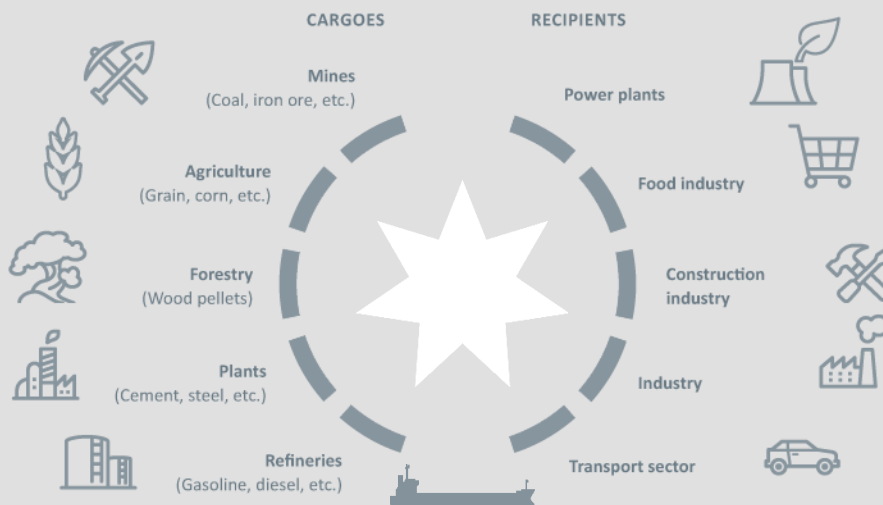
# Back-up slides

# ENABLING SMARTER GLOBAL TRADE

## Characteristics

- Active in Dry Cargo and Product Tankers
  - Cyclical exposure to market developments (~100 vessels)
  - Large scale independent operator activities (~300 vessels)
- Agile portfolio management
- Strong track record of maintaining financial strength through the cycles
- Transparency and clear corporate governance
- Established in 1871
- Listed on Nasdaq Copenhagen, market cap of USD ~600 mill.
- 299 employees at the office and 792 employees at sea
- 10 Offices across the globe

## Connecting the world



# NORDEN'S 3 BUSINESS UNITS

## Dry Operator

Global transport solutions to dry cargo customers



Generate a margin by:

- Logistical and operatorial optimisation, matching cargoes and vessels
- Taking short-term market positions

## Dry Owner

Cyclical market exposure to dry cargo market



Generate superior long-term returns by:

- Timing and negotiating transactions of owned and long-term charter contracts

## Product Tankers

Transport services and cyclical market exposure in product tanker market



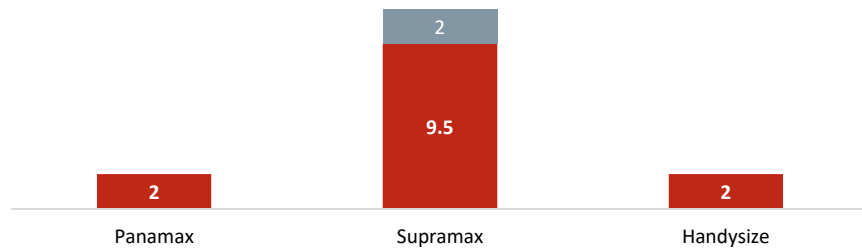
Generate superior long-term returns by:

- Maximising earnings through positioning and voyage optimisation
- Timing and transactions of own vessels and long-term charter contracts

# DRY OWNER PORTFOLIO

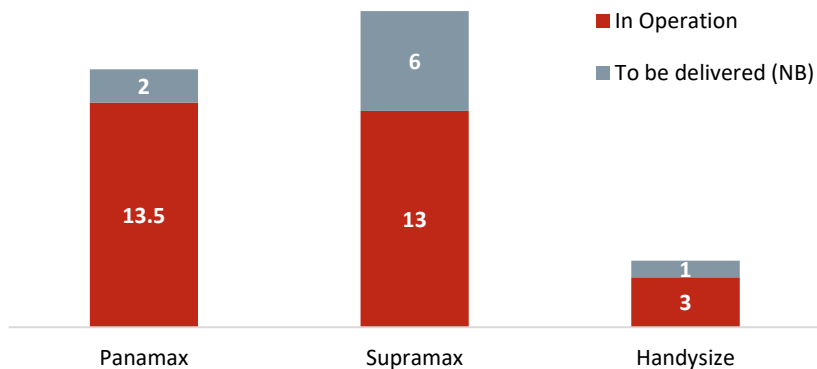
## Owned Fleet

■ Owned Vessels ■ Owned NB



Owned fleet average age

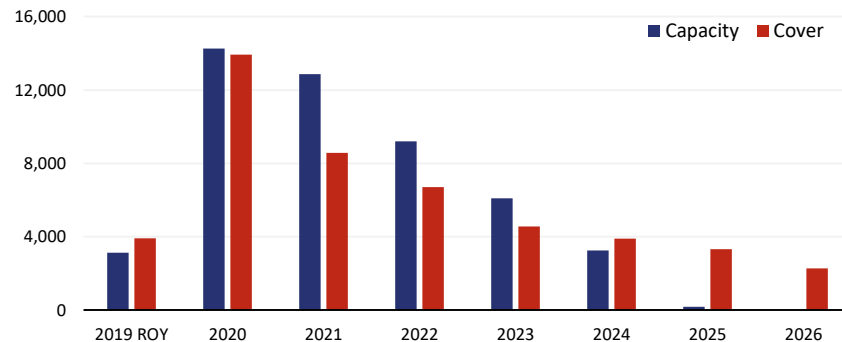
	Panamax	Supramax	Handysize
<b>Norden</b>	8.8	2.7	6.8
<b>World</b>	9.8	9.7	10.8



## Dry Owner at a glance

- Primarily Supramax and Panamax vessels
- Large portfolio of long-term charters from Japan with significant optionality incl. purchase options
- Cover portfolio based on cargo contracts with major commodity owners

## TC-in and cover position (vessel days)





# TANKERS PORTFOLIO

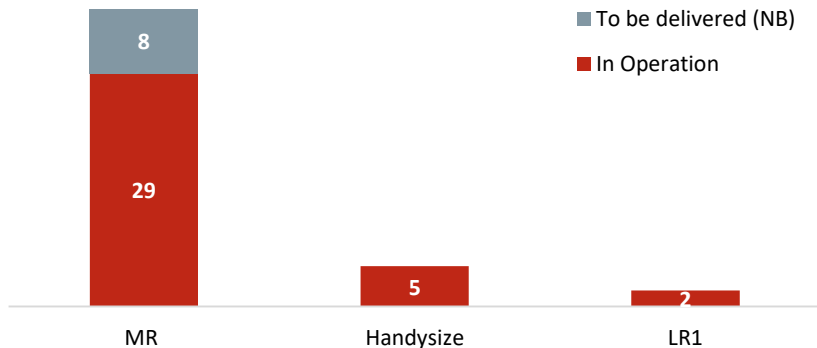
## Owned Fleet



Owned fleet average age

Norden	7.8	10.0
World	10.0	13.0

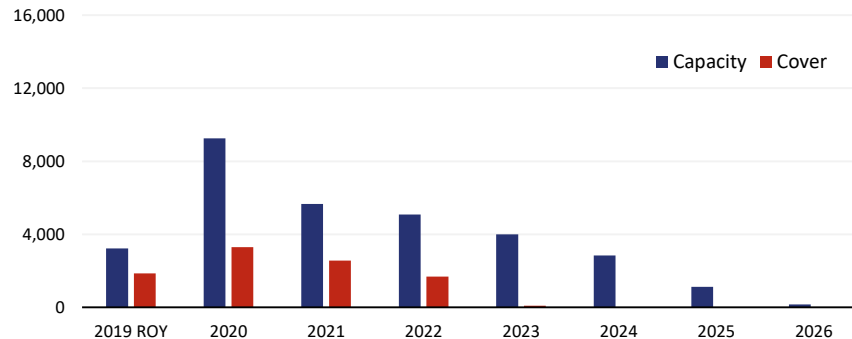
## Time chartered fleet



## Tankers at a glance

- MR and Handysize vessels
- Primarily own technical management
- Portfolio of 36 chartered in vessels
- All short-term chartering-out conducted via Norient Product Pool (NPP) of which NORDEN owns 100%
- Long track record of earnings beating the market benchmarks and peers

## TC-in and cover position (vessel days)

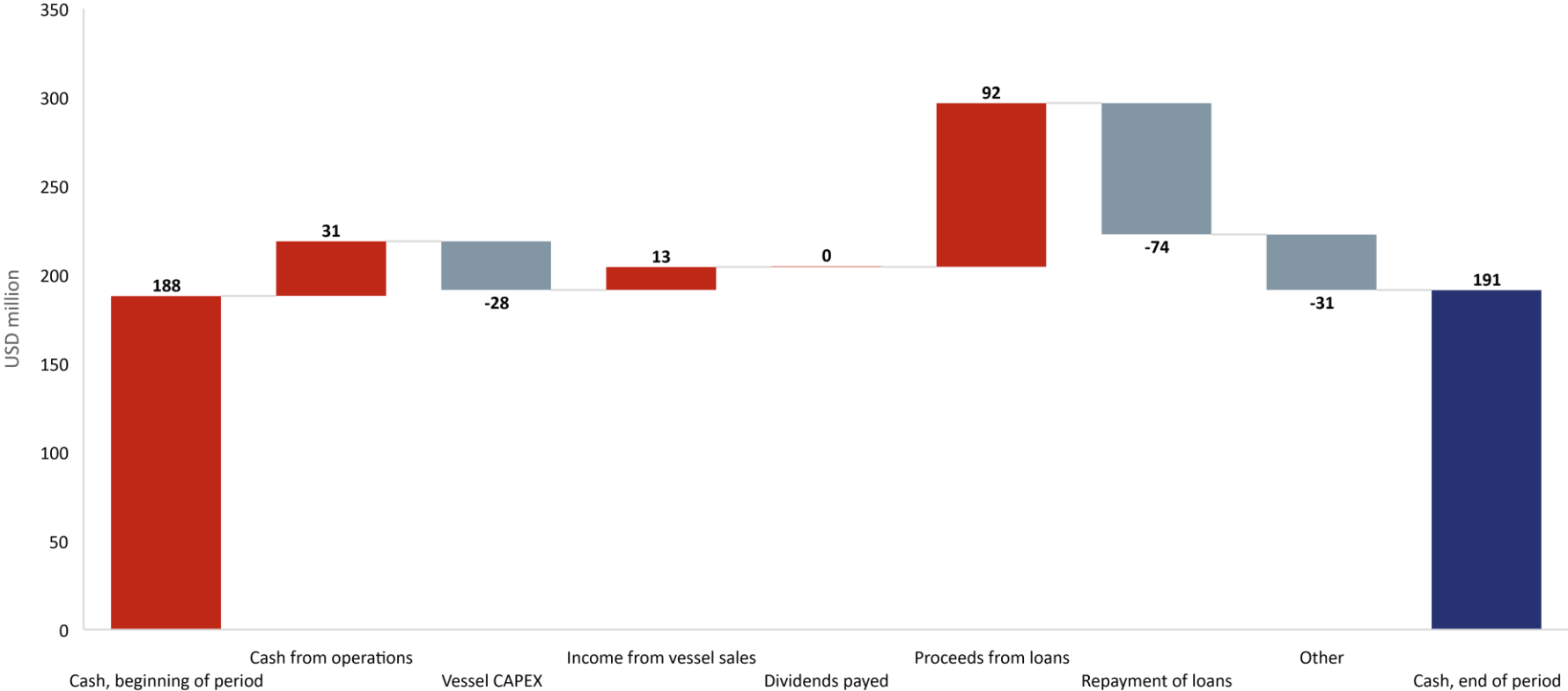


# Q3 2019 INCOME STATEMENT

USD million	Q3 2019				
	Dry Operator	Dry Owner	Tankers	Eliminations	Total
Revenue - services rendered, external	538.5	7.7	103.6	0.0	649.8
Revenue, services rendered, internal	32.1	39.5	0.0	-71.6	0.0
Revenue - sublease financial income	0.0	0.4	0.1	0.0	0.5
Voyage costs	-223.6	-0.1	-36.5	1.6	-258.6
<b>T/C equivalent revenue</b>	<b>347.0</b>	<b>47.5</b>	<b>67.2</b>	<b>-70.0</b>	<b>391.7</b>
Other operating income	0.2	-0.1	3.2	0.0	3.3
Charter hire and OPEX element	-328.6	-15.4	-38.3	70.0	-312.3
Operating costs owned vessels	0.0	-5.3	-13.1	0.0	-18.4
<b>Contribution margin</b>	<b>18.6</b>	<b>26.7</b>	<b>19.0</b>	<b>0.0</b>	<b>64.3</b>
Overhead and administration costs	-9.3	-2.7	-6.9	0.0	-18.9
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>9.3</b>	<b>24.0</b>	<b>12.1</b>	<b>0.0</b>	<b>45.4</b>
Profit/loss from sale of vessels, etc.	0.0	4.1	0.0	0.0	4.1
Depreciation, amortisation and impairment losses	-4.5	-15.5	-17.0	0.0	-37.0
Share of profit/loss of joint ventures	0.0	-0.9	0.0	0.0	-0.9
<b>Profit/loss from operations (EBIT)</b>	<b>4.8</b>	<b>11.7</b>	<b>-4.9</b>	<b>0.0</b>	<b>11.6</b>
Financial income	0.1	0.0	0.0	0.0	0.1
Financial expenses	-0.3	-5.7	-3.3	0.0	-9.3
<b>Profit/loss before tax</b>	<b>4.6</b>	<b>6.0</b>	<b>-8.2</b>	<b>0.0</b>	<b>2.4</b>
Tax	-1.4	-0.3	-0.2	0.0	-1.9
<b>Profit/loss for the period</b>	<b>3.2</b>	<b>5.7</b>	<b>-8.4</b>	<b>0.0</b>	<b>0.5</b>
Adjusted for:					
Profit/loss from sale of vessels, etc.	0.0	-4.1	0.0	0.0	-4.1
<b>Adjusted Result for the period*</b>	<b>3.2</b>	<b>1.6</b>	<b>-8.4</b>	<b>0.0</b>	<b>-3.6</b>

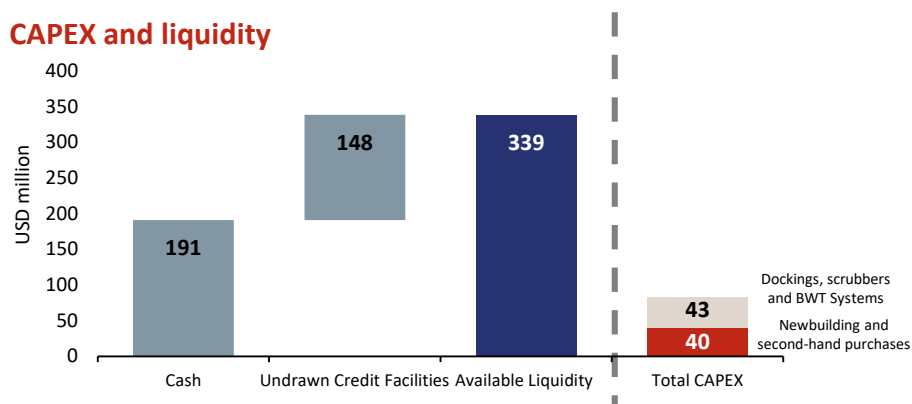
\* Adjusted Result for the period was computed as "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc." including vessels in joint ventures.

# CASH FLOWS DURING THE THIRD QUARTER

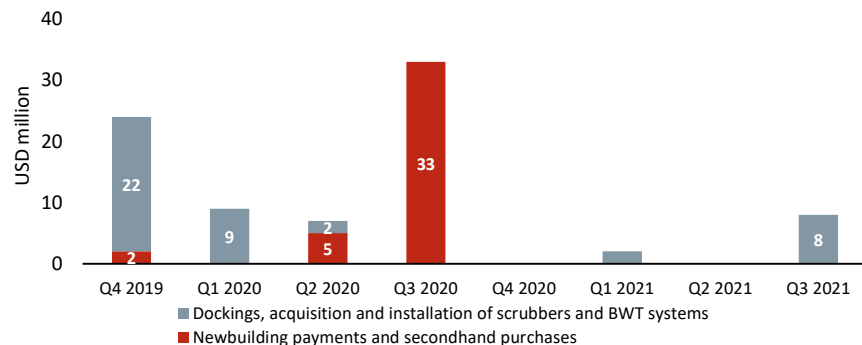


# STRONG BALANCE AND LIQUIDITY POSITION

## CAPEX and liquidity



## Newbuilding installments, BWT and scrubber CAPEX



## ASSETS (USD MILLION)

### Current assets

Cash and cash equivalents	191
Other current assets	371

### Non-current assets

Vessels (incl. newbuildings)	783
Other non-current assets	354

<b>Total assets</b>	<b>1,699</b>
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## EQUITY AND LIABILITIES (USD MILLION)

<b>Equity</b>	<b>819</b>
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### Current liabilities

Current loans	45
Other current liabilities	318

### Non-current liabilities

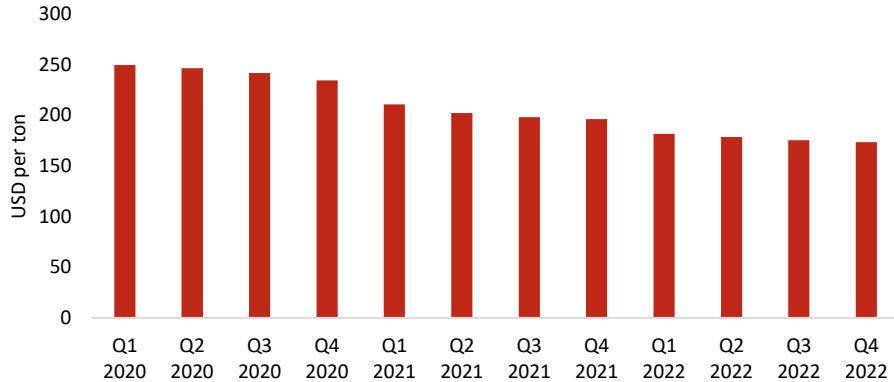
Non-current loans	271
Other non-current liabilities	215

<b>Total equity and liabilities</b>	<b>1,699</b>
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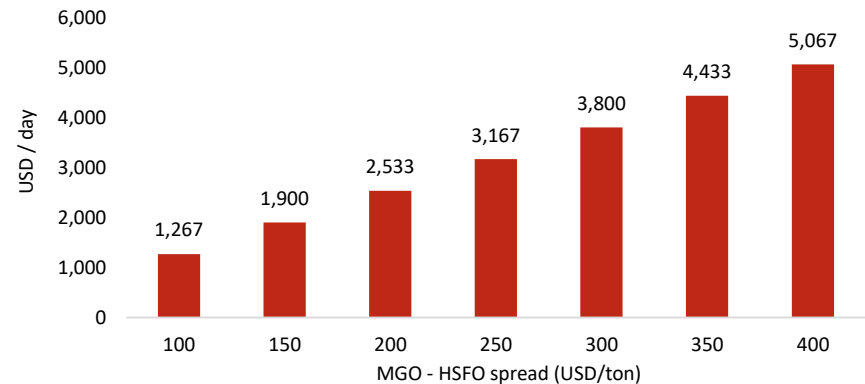
# SCRUBBER ECONOMICS REMAIN ATTRACTIVE

- Scrubbers expected to yield significant cost savings from 2020
  - Daily TCE earnings of approximately USD 2,500
  - 5-year return of more than 25 %
  - Payback period of less than 2.5 years

**Rotterdam VLSFO – HSFO forward spread\***



**Supramax average TCE from scrubber\***



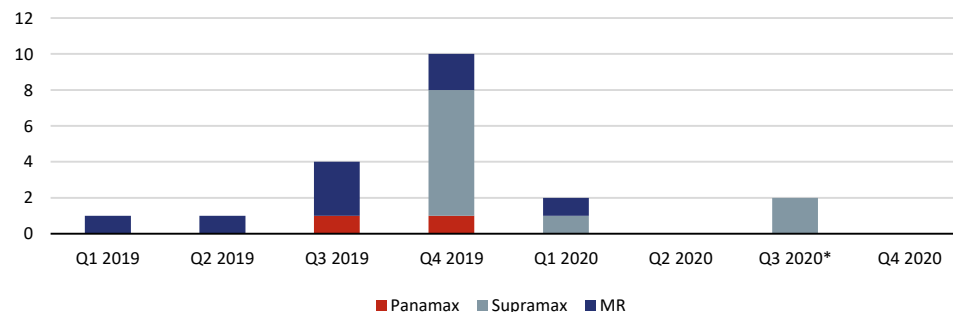
\*VLSFO price estimated from a USD 50-100 per ton discount to ICE Gasoil futures  
Source: Thomson Reuters

\* Average consumption of 24 / 3 tonnes per day with 50 % sailing intensity and 50 % port calls

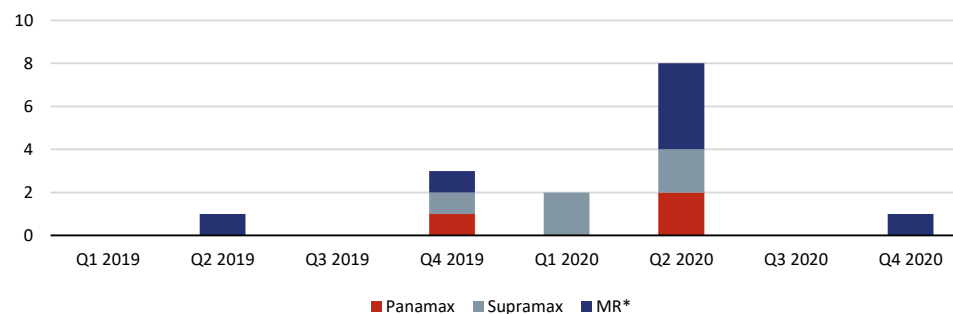
# SCRUBBER INSTALLATION SCHEDULE

- 36 scrubbers secured
  - A mix of Panamax, Supramax and MR
- 20 scrubber installation on own vessels
  - Capex of approximately USD 44 million
  - Majority installed by end 2019
- 16 firm scrubbers on long term time charters
  - Owners provide scrubber installation
  - Scrubber payment through increased hire
  - No upfront payment

### Owned vessel scrubber installation schedule



### Time-chartered in vessels scrubber installation schedule



\*1 additional MR with delivery June 2021

CUSTODIANS OF SMARTER GLOBAL TRADE

# DRY OWNER POSITIONING

	Q4 2019	2020	2021	Q4 2019	2020	2021
<b>Own vessels</b>		Ship days				
Panamax	184	732	730			
Supramax	782	3,359	3,833			
Handysize	184	732	730			
<b>Total</b>	<b>1,150</b>	<b>4,823</b>	<b>5,293</b>			
<b>Chartered vessels</b>				<b>Cash costs for T/C capacity (USD per day)</b>		
Panamax	1,370	5,674	4,983	13,036	12,857	12,883
Supramax	1,230	6,430	6,205	12,092	12,044	12,215
Handysize	522	2,164	1,680	9,458	9,517	9,518
<b>Total</b>	<b>3,122</b>	<b>14,268</b>	<b>12,868</b>	<b>12,066</b>	<b>11,984</b>	<b>12,122</b>
<b>Total capacity</b>	<b>4,272</b>	<b>19,091</b>	<b>18,161</b>			
<b>Coverage</b>				<b>Revenue from coverage (USD per day)</b>		
Panamax	1,438	5,539	3,143	12,890	12,592	13,041
Supramax	2,044	6,763	3,732	11,945	11,928	11,818
Handysize	653	2,484	2,304	11,183	11,260	11,335
<b>Total</b>	<b>4,135</b>	<b>14,786</b>	<b>9,179</b>	<b>12,153</b>	<b>12,065</b>	<b>12,116</b>
<b>Coverage in %</b>						
<b>Total</b>	<b>97%</b>	<b>77%</b>	<b>51%</b>			

\* Including cash running costs of owned vessels. Costs are excluding O/A.

Cash costs and revenue of the Dry Owner capacity and coverage are excluding accounting effects from IFRS 16 standards.

# TANKER POSITIONING

	Q4 2019	2020	2021	Q4 2019	2020	2021
<b>Own vessels</b>		<b>Ship days</b>				
MR	1,321	5,490	5,475			
Handysize	736	2,928	2,920			
<b>Total</b>	<b>2,057</b>	<b>8,418</b>	<b>8,395</b>			
<b>Chartered vessels</b>				<b>Cash costs for T/C capacity (USD per day)</b>		
LR1	184	277	0	18,600	18,600	0
MR	2,619	7,824	5,521	13,980	14,524	15,225
Handysize	414	1,161	146	12,846	12,925	13,232
<b>Total</b>	<b>3,217</b>	<b>9,262</b>	<b>5,667</b>	<b>14,098</b>	<b>14,445</b>	<b>15,174</b>
<b>Total capacity</b>	<b>5,274</b>	<b>17,680</b>	<b>14,062</b>			
<b>Coverage</b>				<b>Revenue from coverage (USD per day)</b>		
LR1	184	277	0	18,520	18,520	0
MR	1,368	2,934	2,555	15,602	17,031	17,302
Handysize	301	88	0	13,223	13,993	0
<b>Total</b>	<b>1,853</b>	<b>3,299</b>	<b>2,555</b>	<b>15,505</b>	<b>17,075</b>	<b>17,302</b>
<b>Coverage in %</b>						
<b>Total</b>	<b>35%</b>	<b>19%</b>	<b>18%</b>			

\* Including cash running costs of owned vessels. Costs are excluding O/A. Cash costs and revenue of the Tanker capacity and coverage are excluding accounting effects from IFRS 16 standards



# SUPPLEMENTARY SLIDES

## Scheduled Off-hire days on own vessels

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Total
Panamax	32	0	0	0	0	0	0		32
Supramax	192	32	0	0	0	0	20		244
MR	21	32	21	0	0	0	0		74
Handysize Tank	0	0	0	0	0	0	0		10

# THE SHARE (DNORD)

## Master data

Shareholder capital	DKK 42,200,000
Number of shares and denomination	42,200,000 shares of DKK 1
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	NASDAQ Copenhagen
Ticker symbol	DNORD
ISIN code	DK0060083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

## Composition of shareholders

- 15.835 registered shareholders owning 91.8%
- Approx. 25.7% international ownership

