

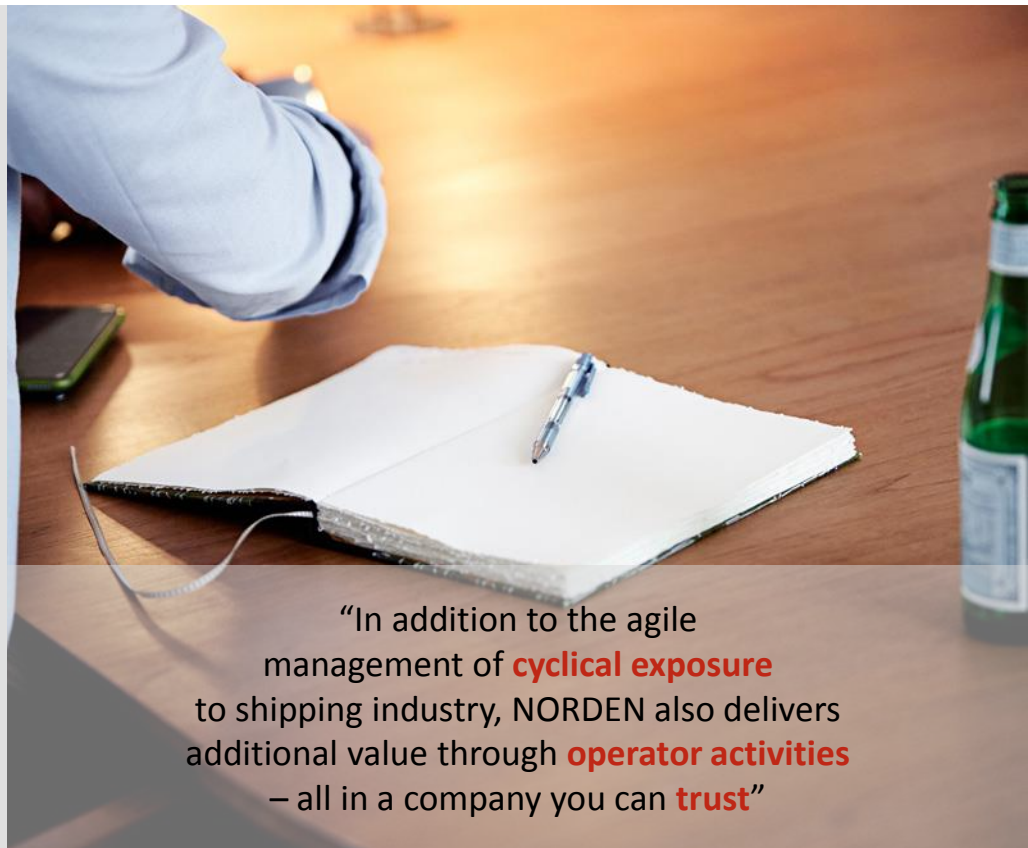
# ANNUAL REPORT 2018

DIGITALISATION IS AN EVER MORE INTEGRATED PART OF NORDEN

Copenhagen, Denmark  
5 Marts 2019

# AGENDA

- Business update
- Dry Operator
  - 2018 update
- Dry Owner
  - 2018 update
  - Market outlook
- Tankers
  - 2018 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



# POSITIVE ANNUAL RESULT - STRONG FINISH IN 2018

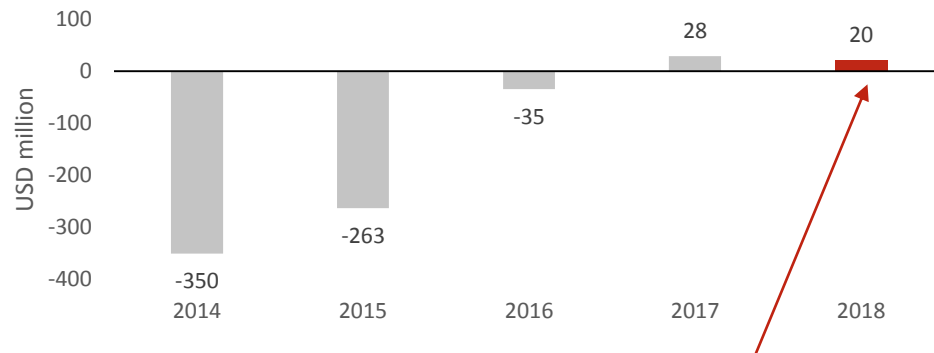
## Financial highlights

- Full year Adjusted Result USD 20 million
  - Dry Operator USD 30 million by capturing value in volatile markets
  - Dry Owner USD 18 million by benefitting from a healthy market and good coverage
  - Tankers USD -28 million in historically poor markets
- Q4 2018 Adjusted result USD 19 million
- Propose dividend of DKK 2 per share

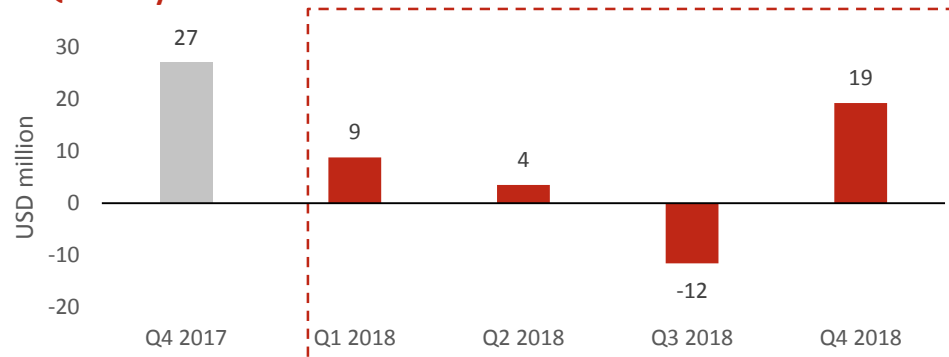
## Business highlights 2018

- Secured installation of 26 scrubbers
- Introduced highly advanced Fuel Efficiency module
- Strengthened Board of Directors with 2 new members
- Implemented sophisticated “Value-at-risk” system

## Annual results

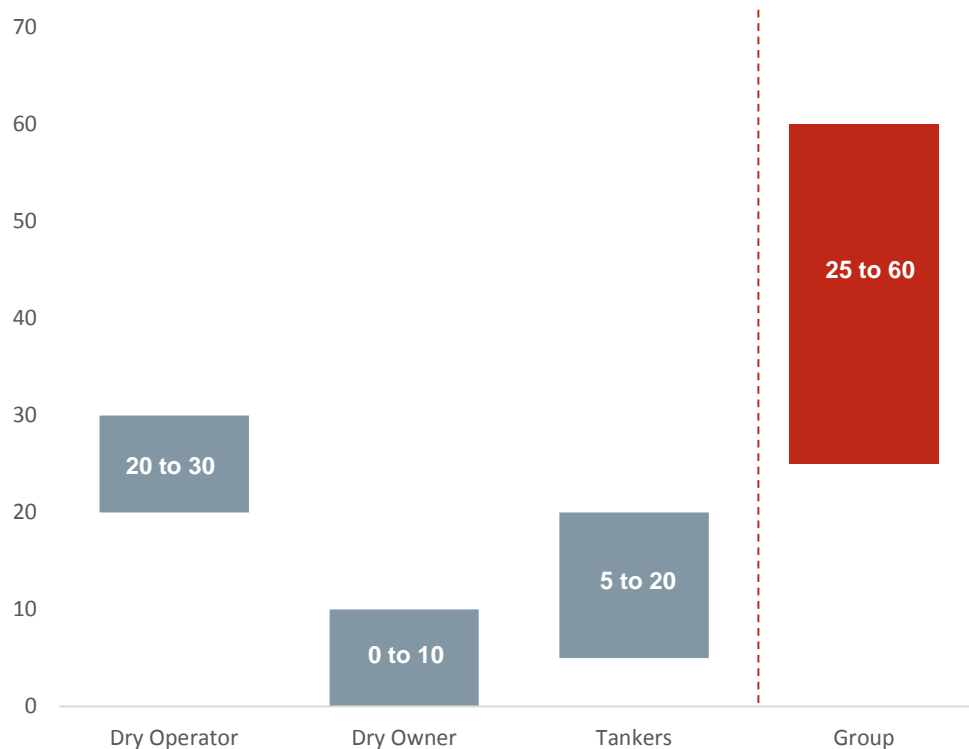


## Quarterly results



# ADJUSTED RESULT FOR 2019: USD 25 TO 60 MILLION

## Guidance – Adjusted result



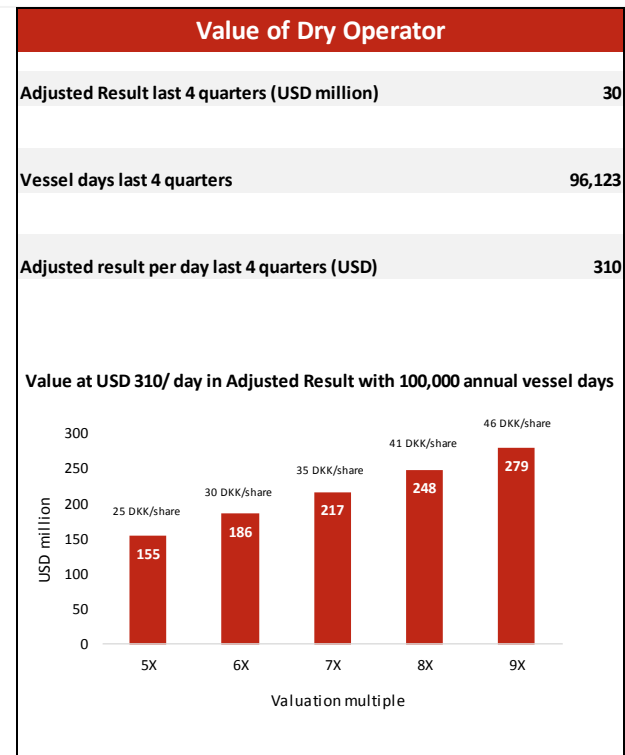
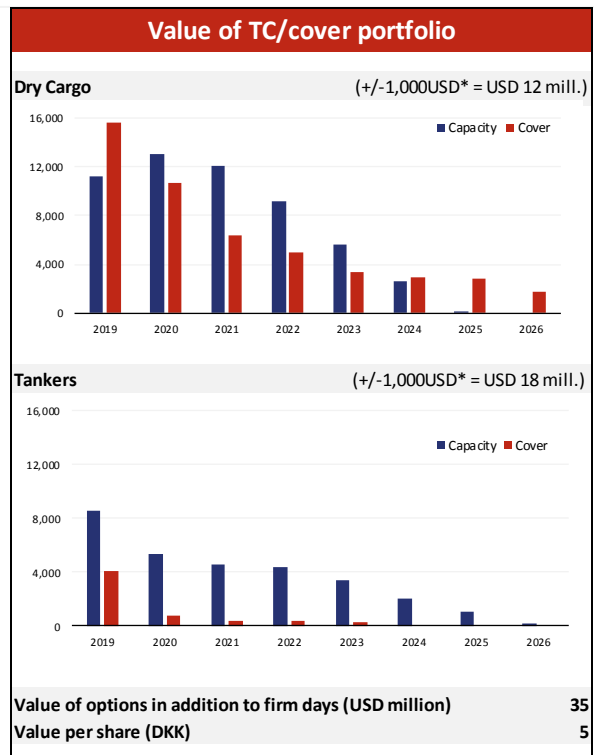
\* Include effect of IFRS 16

## Guidance

- Based on improved market conditions in tanker market and performance in line with 2018 in Dry Operator and Dry Owner
- In Dry Operator the platform continues to be improved with advanced analytics, decision support systems and capabilities of the organization
- Dry Owner has covered 89% of the capacity, so market developments during the year have limited impact on results
- With only 24% of the capacity covered in Tankers, the result will be highly dependent on the market development, which are expected to improve compared to 2018

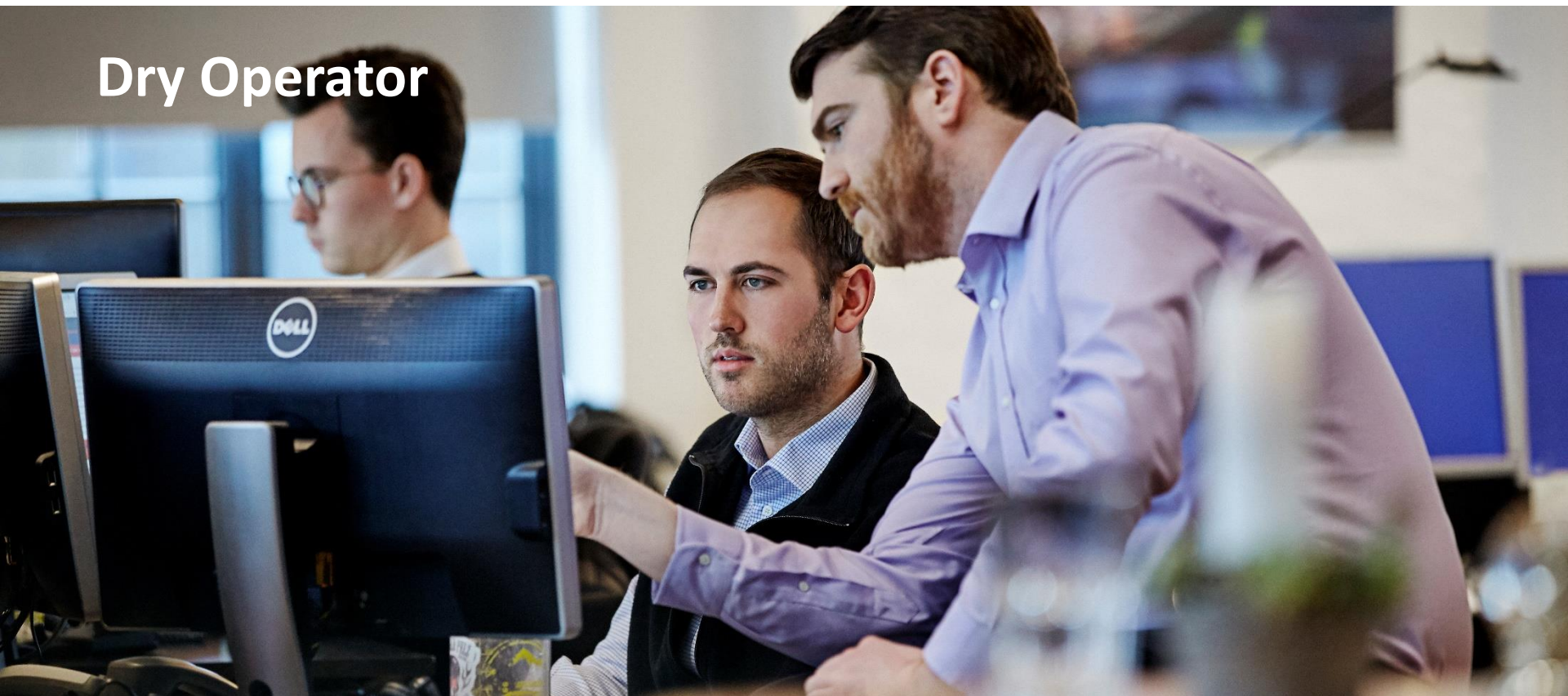
# SIGNIFICANT VALUE BEYOND ASSET VALUES

Owned Assets NAV	
Dry Cargo Vessels (ex CP)	415
Tanker Vessels (ex CP)	447
Cash and Securities	189
Interest Bearing Debt**	-363
Newbuilding installments and S&P	-77
Net Working Capital	135
Property and Equipment	49
<b>Owned Assets NAV</b>	<b>795</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>130</b>



\*Given a change in the next 5 years forward rate  
 \*\*Includes NORDEN's share of debt in Joint Ventures  
 \*\*\* DKK/USD exchange rate of 6.5

# Dry Operator



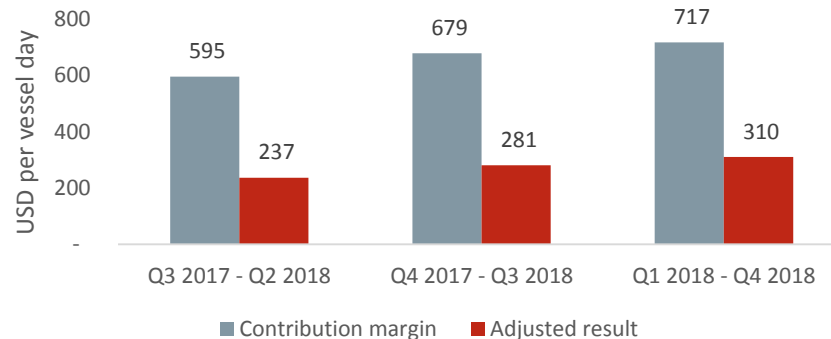
# CAPTURING VALUE IN VOLATILE MARKETS

- Delivered strong financial result and continued to fine-tune platform for future profitable growth
- Strong result in Q4 despite lower than anticipated market rates – proves the strength and potential of the Dry Operator business unit
- Target for Dry Operator is to create an Adjusted Result of USD 40 to 60 million per year from 2021 onwards

## Dry Operator key figures

USD million	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	2018
Contribution margin	24	13	18	12	27	<b>69</b>
Overhead and admin	-10	-9	-9	-9	-10	<b>-36</b>
Adjusted result	14	3	8	3	17	<b>30</b>
Vessel days	23,487	24,442	25,190	23,833	22,685	<b>96,123</b>
CM per vessel day	1,009	530	699	483	1,191	<b>717</b>
Adj. result per vessel day	592	124	310	92	732	<b>310</b>

## Average Contribution Margin





# Dry Owner



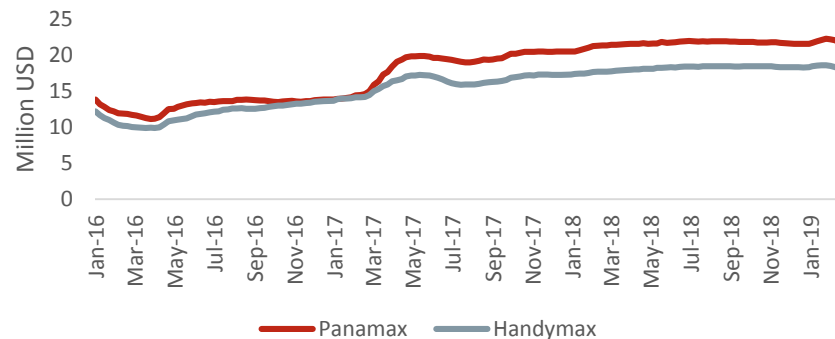
## REDUCED EXPOSURE TO DRY CARGO MARKETS

- 2018 Adjusted Result of USD 18 million - benefitting from a healthy market and good coverage
- Utilized the market to reduce forward exposure significantly for the next couple of years
- Focused on increasing the optionality of the portfolio further to secure significant value generating potential
  - 35,000 optional days from 2019-2026 and 35 purchase options
- Broker estimated fleet value of USD 415 million – on par with 2017

### Dry Owner key figures

USD million	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	2018
Contribution margin	17.2	7.7	11.6	10.9	11.0	41.2
Overhead and admin	-2.4	-2.2	-2.1	-2.2	-2.4	-8.9
Adjusted Result	11.7	5.4	3.2	4.0	5.3	17.9
Vessel days	4,853	4,855	4,709	4,647	4,876	19,087

### Baltic 5-year secondhand asset values



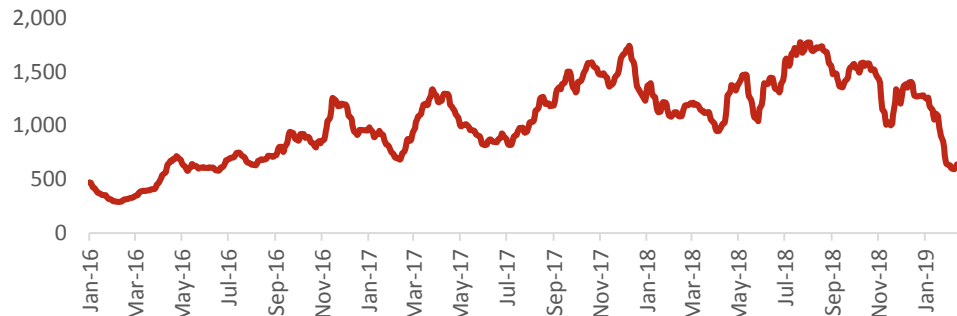
Source: Baltic Exchange

# HEALTHY DRY CARGO MARKET DURING 2018

## Key developments

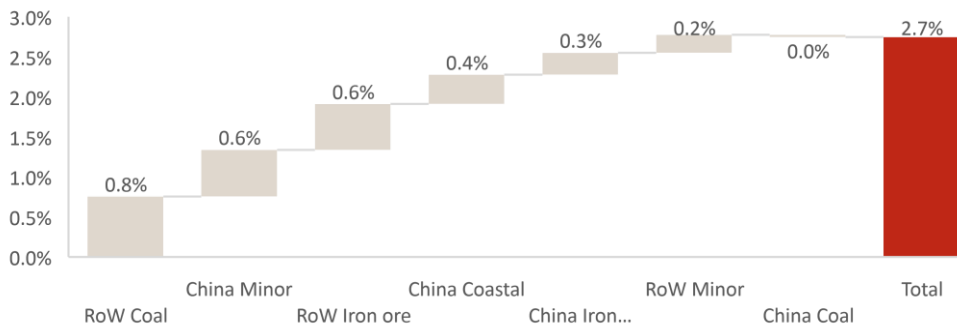
- Baltic Dry Index improved by 4% compared to 2017
- Despite overall less seasonality in rates in 2018, the market still offered considerable volatility with significant regional differences
- Demand for dry cargo transports grew 2.7% in tonne-miles influenced by shorter average distance due to lower growth in iron ore and soybeans transport
- Global dry cargo fleet grew by 3.4%
  - Deliveries slowed down to 3.8%
  - Scrapping significantly reduced to 0.5%

## Baltic Dry Index



Source: Baltic Exchange

## Demand growth 2018

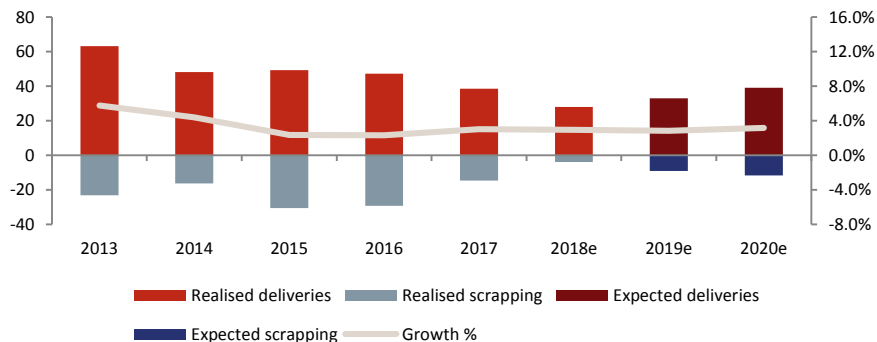


Source: TRACS

# SLOWER GROWTH EXPECTED IN 2019

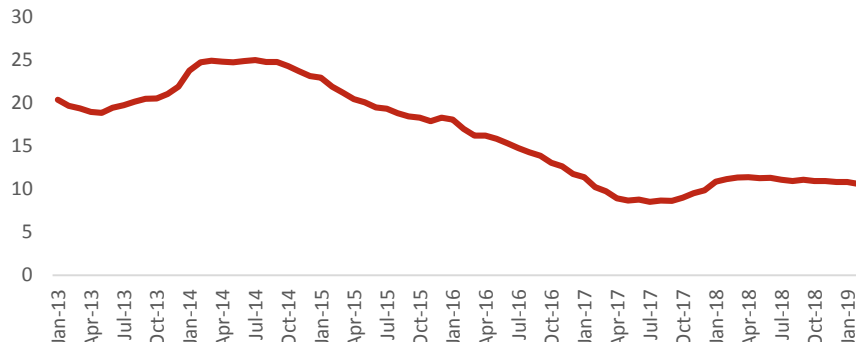
- Uncertainties in demand outlook - primarily centered around China, where general activity levels are slowing down
- Supply growth of 2-3% in 2019
  - Deliveries expected to be 3-4% of current fleet
  - Scrapping expected to increase in the coming years due to both installation of BWTS and new higher fuel costs as a result of the IMO 2020 regulation

## Supply



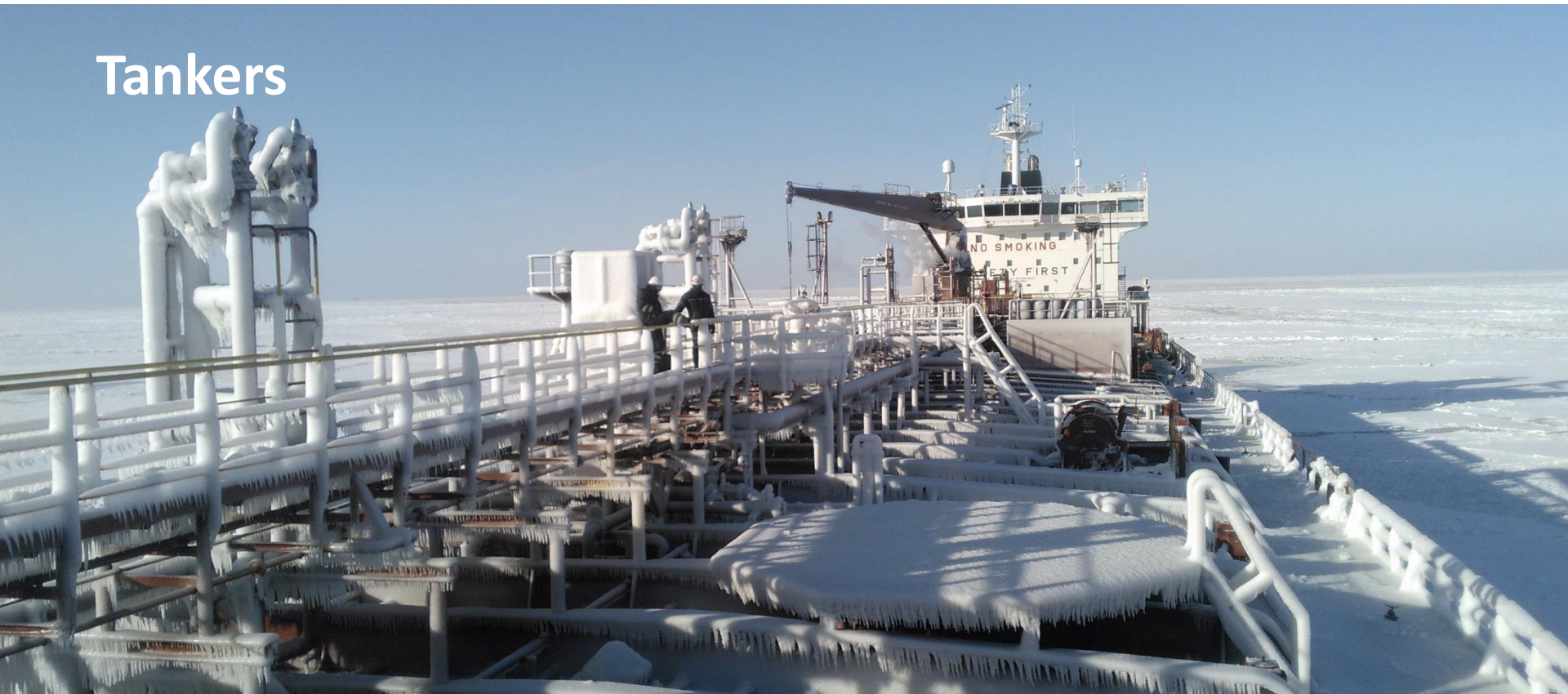
Source: Clarkson and NORDEN

## Orderbook (% of fleet)



Source: Clarkson

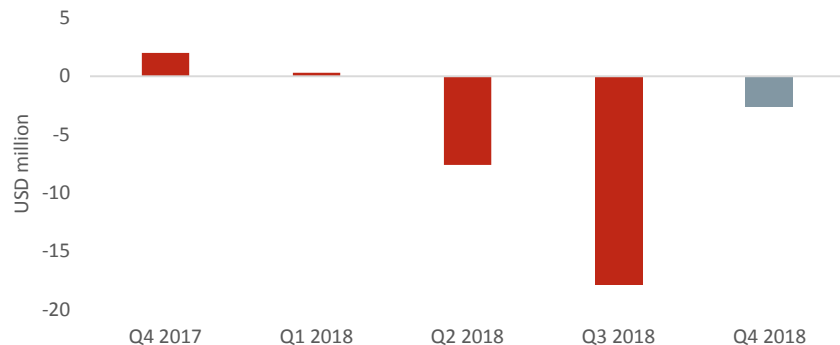
# Tankers



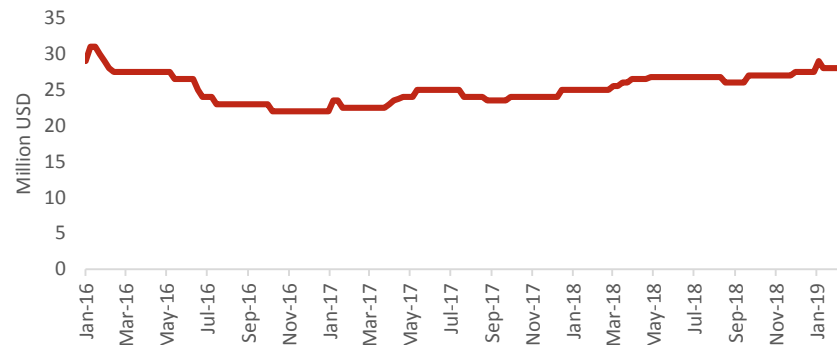
# INCREASED EXPOSURE

- 2018 Adjusted Result of USD -28 million in a historically poor market in the first 3 quarters of 2018
- Continued expansion of tanker exposure
  - Purchase of 4 secondhand MR vessels
  - Selling 1 aging Handysize tanker
  - Increase in both short- and long-term activity
- Acquisition of 100% ownership of Norient Product Pool ApS

## Quarterly adjusted result



## MR 5-year secondhand asset values

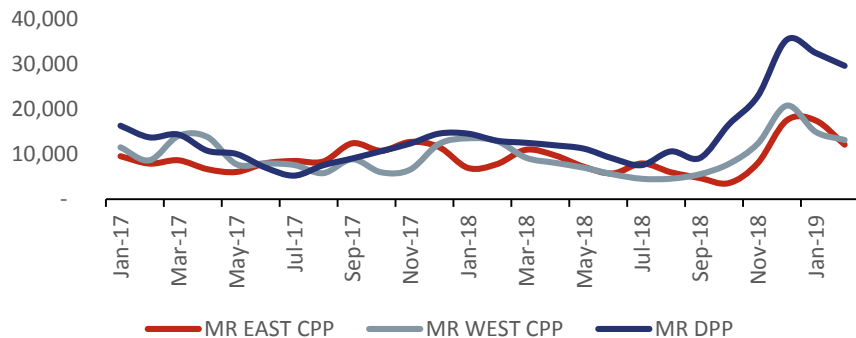


Source: Clarksons

# 2018 WAS A VERY CHALLENGING YEAR

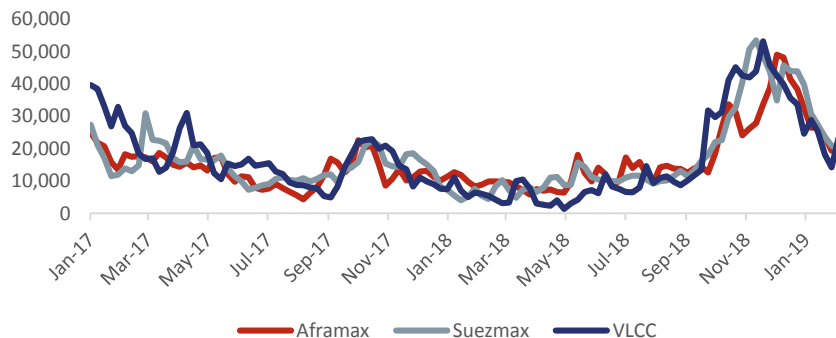
- Rates were at levels significantly lower than the last 5 years – however strong rebound in Q4
- Global oil demand grew at healthy pace, but demand met by draws from inventories
- Overall tanker fleet grew by 1.4%
  - Deliveries continued at fairly high levels
  - Increase in scrapping of especially VLCCs

Product rates (USD/day)



Source: ACM

Crude market rates (USD/day)

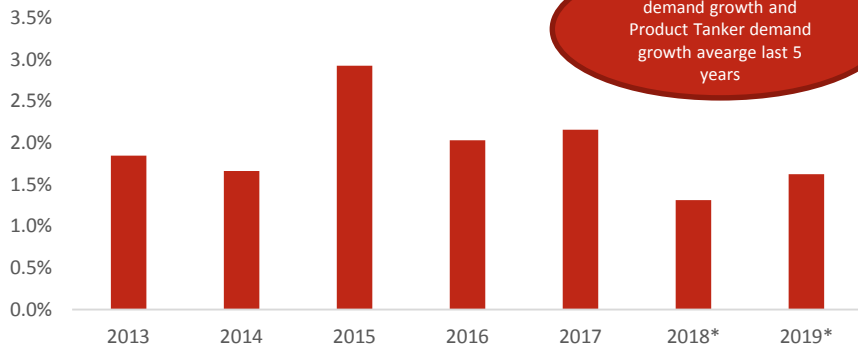


Source: Clarksons

# STRONGER MARKET EXPECTED IN 2019 THAN 2018

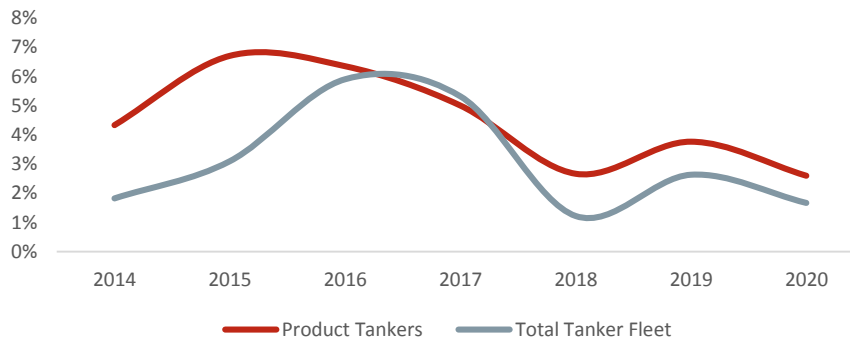
- Tanker markets are at a much healthier starting point in 2019 than in 2018
  - Inventory levels have declined
  - Pace of deliveries from the yards has slowed down
- But renewed pressure on rates in Q2 when the usual seasonal support in Q1 is over
- In H2 2019 IMO 2020 will start to affect tanker markets both from operational factors and actual increase in demand for oil transport

## CPP demand (YoY%)



Source: Energy Aspects

## Tanker fleet growth (YoY%)



Source: SSY and NORDEN



# Final words



# PROVEN TRACK RECORD OF DRY OPERATOR

- True value of NORDEN is more than the market value of owned vessels
- Increasing asset light business and less dependent on long term market cycles
- Dry Operator generated the highest quarterly result despite a disappointing Dry Cargo market
- Reduced exposure to Dry Cargo market
- Significant open position in Tankers and expectations of improving markets



## 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

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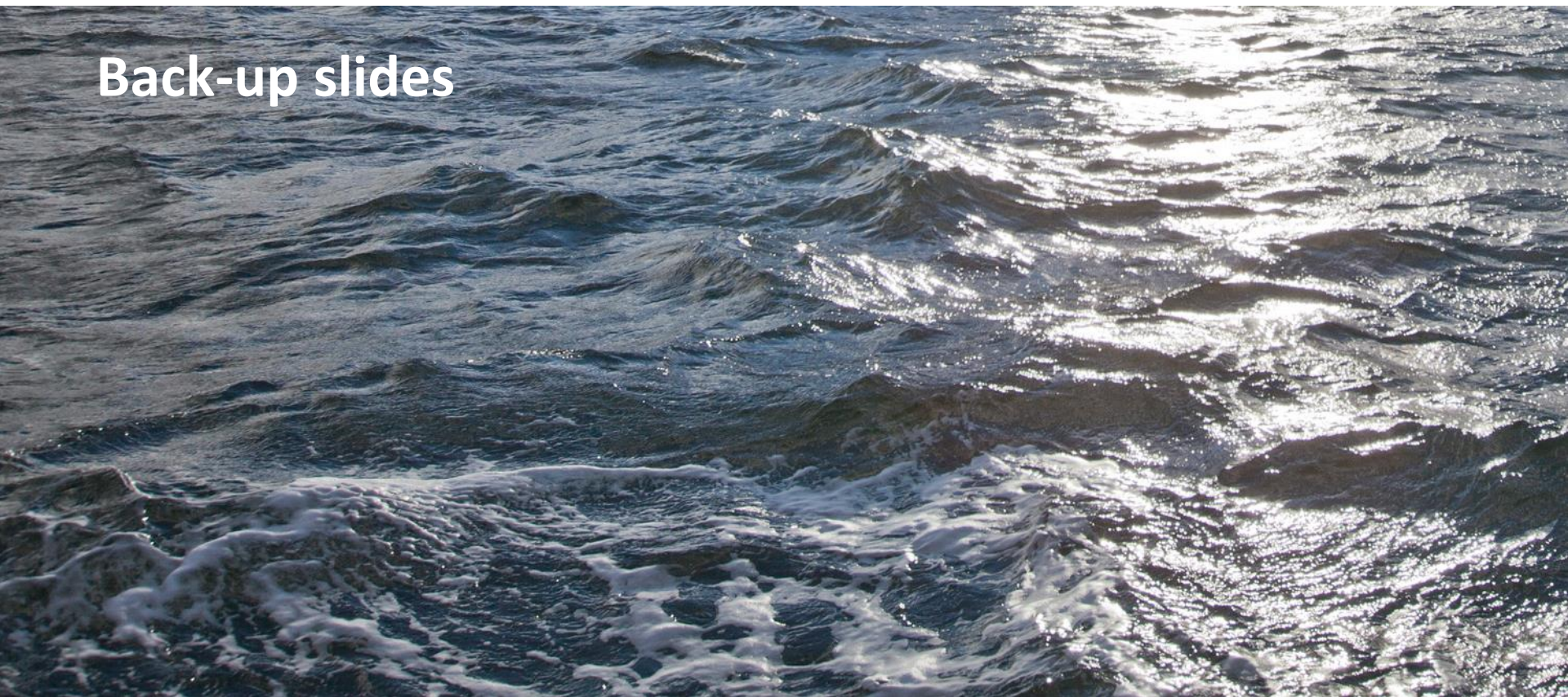


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# Back-up slides

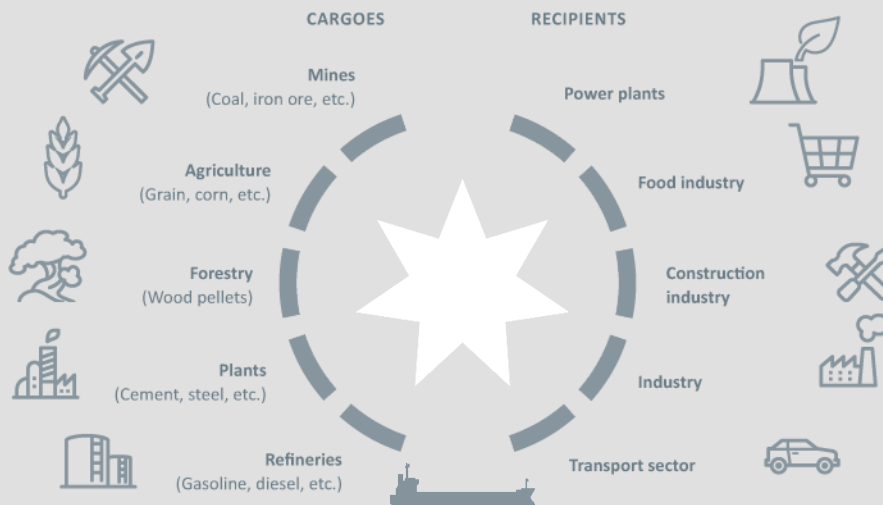


# ENABLING SMARTER GLOBAL TRADE

## 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

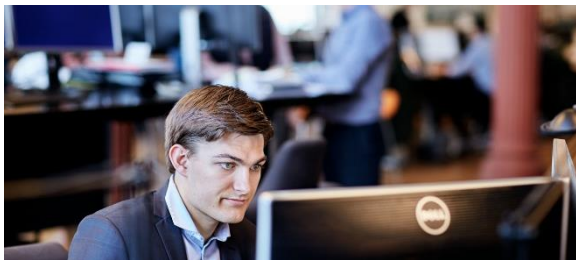
## Connecting the world



# 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

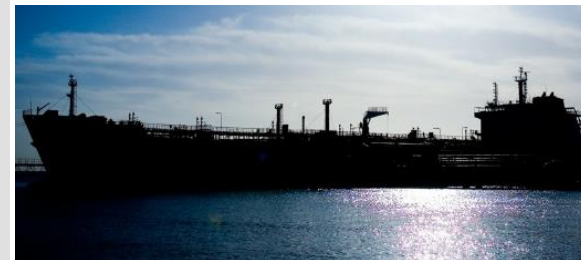


Generate superior long-term returns by:

- 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

# EFFECT OF IFRS 16

- IFRS will have material impact on NORDEN's capital structure
  - Off-balance operational leases of 1 year and over will be included in the balance sheet
  - Total equity will remain unchanged
- Estimated effect of USD -14 on the 2019 on the net result from IFRS 16
  - Income statement will be impacted by a reduction of operating costs and an increase of depreciation and interest expense
  - The TC hire net of the daily running cost element will be transferred to depreciation and interest expenses

## Estimated IFRS 16 effect on profit / loss

USD million	2019
Vessel Operating Costs	-98
EBITDA	98
Depreciation, amortization and impairment loss	-95
EBIT	3
Financial expenses	-17
<b>Profit/loss for the year</b>	<b>-14</b>

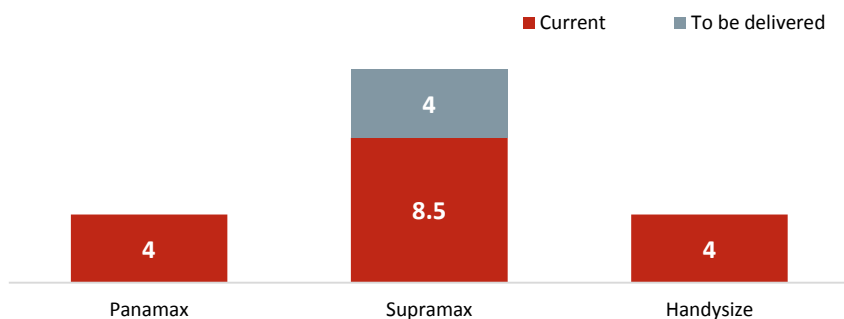
## Estimated IFRS 16 effect on balance sheet

USD million	As reported 31 December 2018	Change	IFRS 16 1 January 2019
Total non-current assets	882	+318	1,199
Total current assets	583	-10	573
<b>Total Assets</b>	<b>1,464</b>	<b>+308</b>	<b>1,772</b>
<b>Total Equity</b>	<b>827</b>	<b>-</b>	<b>827</b>
Total non-current liabilities	228	+218	446
Total current liabilities	410	+90	499
<b>Total Liabilities</b>	<b>638</b>	<b>+308</b>	<b>945</b>

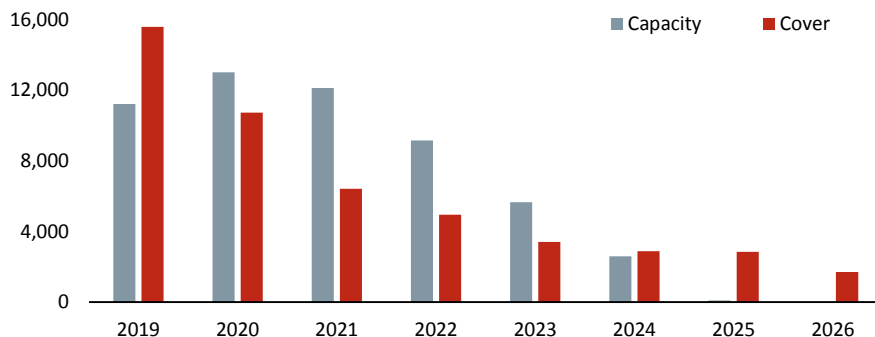


# DRY OWNER PORTFOLIO

## Owned Fleet



## Long term TC-in and cover portfolio (vessel days)



## Charateristics

- Portfolio primarily consists of 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

## Dry Owners fleet values at 31 December 2018

Average age of owned vessels	12	4	7	7
Market value of owned vessels and newbuildings* (charter free)	58	302	56	415
Broker estimated value of certain charter parties attached to owned vessels	6	0	7	13
Carrying amount / costs	57	264	65	386
<b>Market value vs. book value</b>	<b>6</b>	<b>37</b>	<b>-1</b>	<b>42</b>
<b>Value of purchase and extension options on chartered tonnage</b>	<b>7</b>	<b>11</b>	<b>0</b>	<b>18</b>

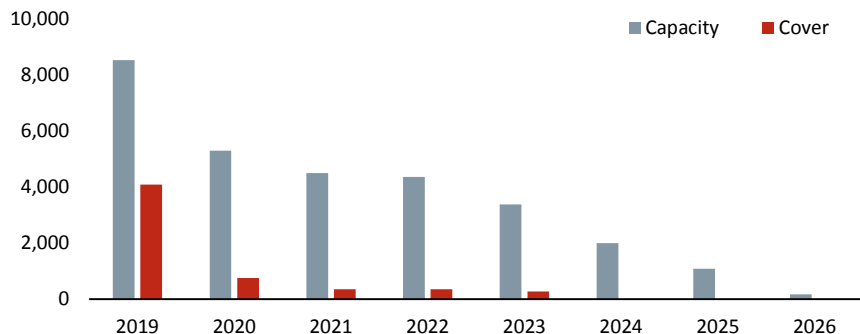
\* Active vessels and newbuildings including joint ventures and assets held for sale, if any

# TANKERS PORTFOLIO

## Owned Fleet



## Long term TC-in and cover portfolio (vessel days)



## Charateristics

- MR and Handysize vessels
- Primarily own technical management
- Portfolio of 41 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

## Tanker fleet values at 31 December 2018

Average age of owned vessels	0	7	9	8
Market value of owned vessels and newbuildings*	0	320	127	447
Broker estimated value of certain charter parties**	0	0	0	0
Carrying amount / cost	0	363	184	547
<b>Market value vs. book value</b>	<b>0</b>	<b>-43</b>	<b>-57</b>	<b>-100</b>
<b>Value of purchase and extension options on chartered tonnage</b>	<b>0</b>	<b>3</b>	<b>14</b>	<b>17</b>

\* Active vessels and newbuildings including joint ventures and assets held for sale, if any. Charter free

\*\* Attached to owned vessels

# CAPITAL STRUCTURE – 54% EQUITY SHARE

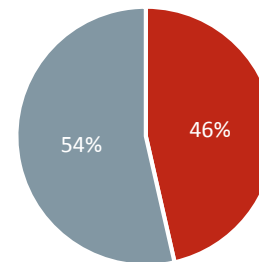
## Capital structure

- Cash in low-risk deposit accounts and securities
- Outstanding yard payments and second-hand purchases
  - 2019: USD 39 million
  - 2020: USD 38 million
- Outstanding docking, BWT and scrubber CAPEX
  - 2019: USD 75 million
  - 2020: USD 2 million

## Net committed cash (ultimo)

USDm	End 2018	End 2017	End 2016
Adjusted net interest bearing assets*	-176	-59	12
Payments for newbuilding less proceeds from vessel sales**	-73	-149	-163
T/C obligations **	-1,250	-1,226	-1,142
Revenue from coverage**	823	676	672
<b>Net commitments</b>	<b>-676</b>	<b>-758</b>	<b>-620</b>

Net commitments  
USD 676 mill.



Market value of equity  
USD 586 mill.

# NORDEN SCRUBBER OVERVIEW

NORDEN has secured 26 scrubbers with installation during 2019 and 2020

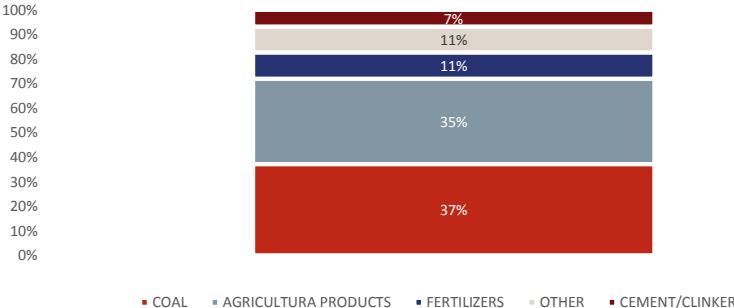
- The estimated costs amount to USD 40 million owned vessels
- USD 13 million in increased TC hire
- Including options and unfinished deals the amount of scrubbers may increase to 35

- We continue to believe that scrubbers provide an attractive investment

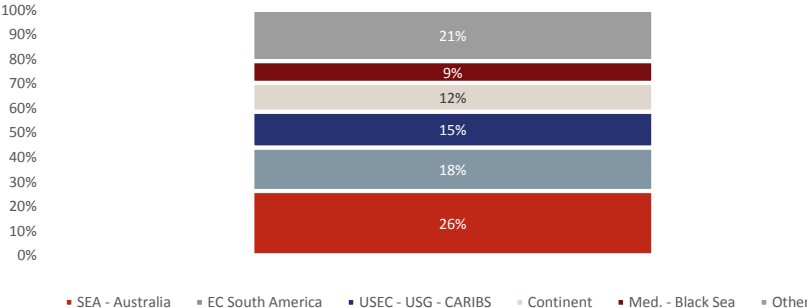
Estimated time of installation		Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
<b>Panamax</b>	KAMSARMAX 82K I (5y TC)					X			
	KAMSARMAX 82K II (5y TC)					X			
<b>Supramax</b>	Nord Summit			X					
	Nord Manatee				X				
	NORD COPPER			X					
	NORD COLUMBIA			X					
	NORD COLORADO			X					
	NORD BISCAY			X					
	NORD BARENTS			X					
	NORD BALTIC			X					
	OSHIMA62_18355								X
	OSHIMA62_17186							X	
	ULTRAMAX 63k I (5y TC)					X			
	ULTRAMAX 63k II (5y TC)						X		
	ULTRAMAX 64k I (5y TC)				X				
	ULTRAMAX 64k II (5y TC)					X			
<b>MR</b>	NORD SWIFT		X						
	NORD SUSTAINABLE		X						
	NORD SUPREME		X						
	NORD SUPERIOR		X						
	NORD PEARL		X						
	NORD INTEGRITY		X						
	NORD STINGRAY	X							
	NORD SKATE	X							
	MR 50k (5y TC)					X			
	MR 50k (5y TC)			X					

# NORDEN TRANSPORT 2018

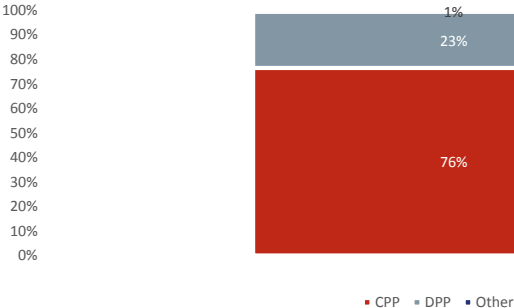
## Dry Cargo - commodity



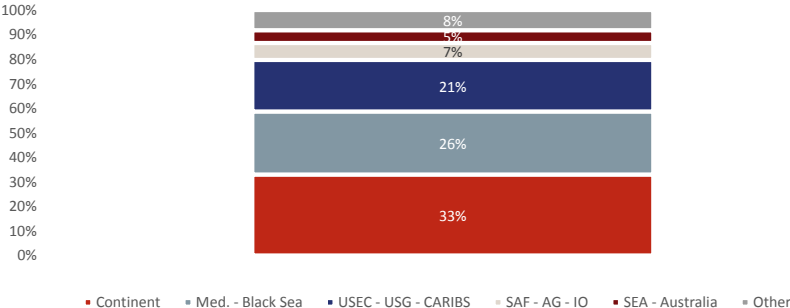
## Dry Cargo – load country



## Tanker - commodity



## Tanker – load country



# DRY OWNER POSITIONING

	2019	2020	2021	2019	2020	2021
<b>Owned vessels</b>						
	Ship days					
Panamax	1,360	1,452	1,421			
Supramax	3,517	4,085	4,493			
Handysize	1,443	1,452	1,431			
<b>Total</b>	<b>6,320</b>	<b>6,989</b>	<b>7,345</b>			
<b>Chartered vessels</b>						
				Cash costs for T/C core capacity (USD per day)		
Panamax	5,941	6,405	5,480	13,111	13,115	13,224
Supramax	4,057	5,653	6,169	11,905	11,625	11,795
Handysize	1,232	954	471	12,115	11,319	11,125
<b>Total</b>	<b>11,230</b>	<b>13,012</b>	<b>12,120</b>	<b>12,566</b>	<b>12,336</b>	<b>12,415</b>
<b>Total capacity</b>	<b>17,550</b>	<b>20,001</b>	<b>19,465</b>			
<b>Coverage</b>				Revenue from coverage (USD per day)		
Panamax	6,341	3,958	2,208	13,360	13,464	13,231
Supramax	7,334	4,917	2,542	12,062	11,754	11,214
Handysize	1,923	1,849	1,671	11,472	10,350	10,489
<b>Total</b>	<b>15,598</b>	<b>10,724</b>	<b>6,421</b>	<b>12,517</b>	<b>12,143</b>	<b>11,719</b>
<b>Coverage in %</b>						
Panamax	87%	50%	32%			
Supramax	97%	50%	24%			
Handysize	72%	77%	88%			
<b>Total</b>	<b>89%</b>	<b>54%</b>	<b>33%</b>			
<b>Accounting effect of provision (USD million)</b>	<b>11</b>	<b>17</b>	<b>7</b>			

## TANKER POSITIONING

	2019	2020	2021	2019	2020	2021
<b>Owned vessels</b>	Ship days					
MR	5,219	5,391	5,430			
Handysize	3,229	3,267	3,221			
<b>Total</b>	<b>8,449</b>	<b>8,658</b>	<b>8,651</b>			
<b>Chartered vessels</b>				Costs for T/C capacity (USD per day)		
LR1	726	397	0	18,655	18,655	0
MR	6,710	4,284	4,501	14,201	14,852	15,000
Handysize	1,089	620	0	12,729	12,727	0
<b>Total</b>	<b>8,525</b>	<b>5,301</b>	<b>4,501</b>	<b>14,392</b>	<b>14,888</b>	<b>15,000</b>
<b>Total capacity</b>	<b>16,974</b>	<b>13,959</b>	<b>13,152</b>			
<b>Coverage</b>				Revenue from coverage (USD per day)		
LR1	0	0	0	-	-	-
MR	2,618	363	362	14,297	16,196	16,196
Handysize	1,471	392	0	13,366	14,640	-
<b>Total</b>	<b>4,088</b>	<b>755</b>	<b>362</b>	<b>13,962</b>	<b>15,388</b>	<b>16,196</b>
<b>Coverage in %</b>						
LR1	0%	0%	-			
MR	22%	4%	4%			
Handysize	34%	10%	0%			
<b>Total</b>	<b>24%</b>	<b>5%</b>	<b>3%</b>			

# 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

