

# PRESENTATION OF **Q2 2021 RESULTS**

Copenhagen, Denmark, 18 August 2021



# AGENDA FOR TODAY

01. Group Results

02. Business unit performance & Market outlook

- Asset Management
- Dry Operator
- Tanker Operator

04. Guidance for 2021

05. Final words and Q&A



# 01. HIGHLIGHTS Q2 AND H1 2021



# 01. HIGHLIGHTS Q2 AND H1 2021

## BUSINESS UPDATE

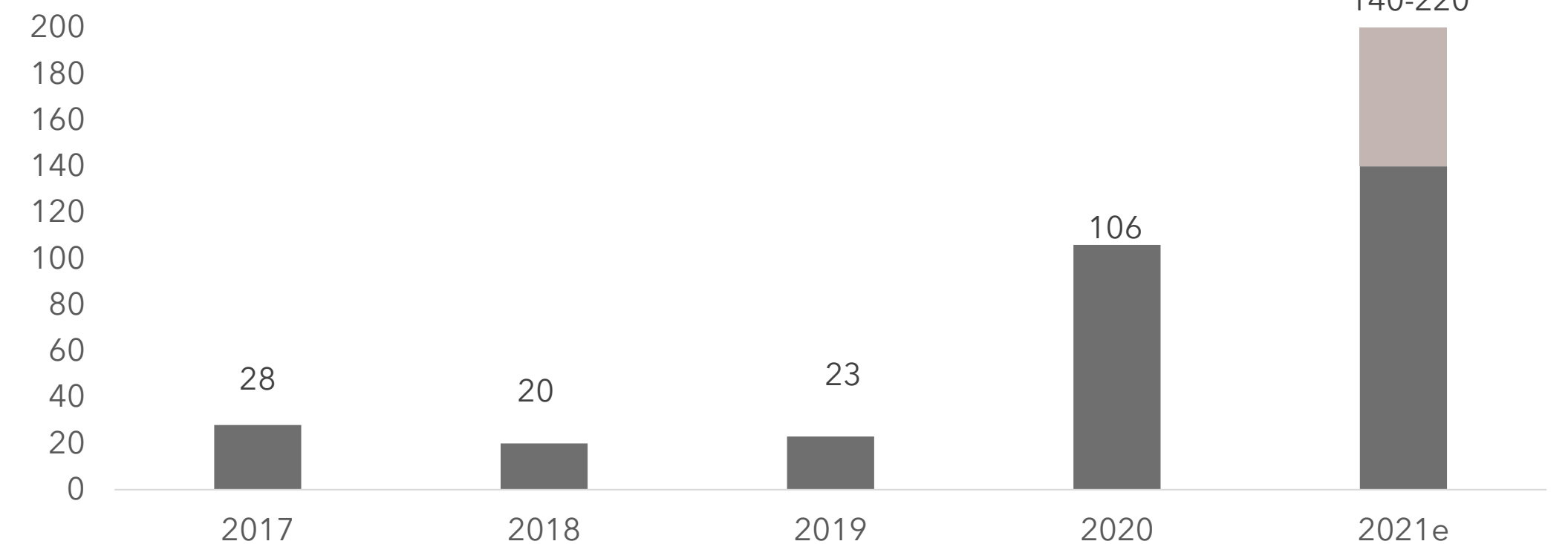
### On track to deliver best result in 11 years

- Adjusted Result Q2 2021: USD 32 million (Q2 2020: USD 29 million)
- Best quarterly result since Q2 2015 - Even stronger results expected for H2
- Capitalising on increased market exposure in strong dry cargo market
- Value of NORDEN's owned and leased fleet increased by USD 258 million
- Increasing FY2021 expectation for Adjusted Result to USD 140-220 million

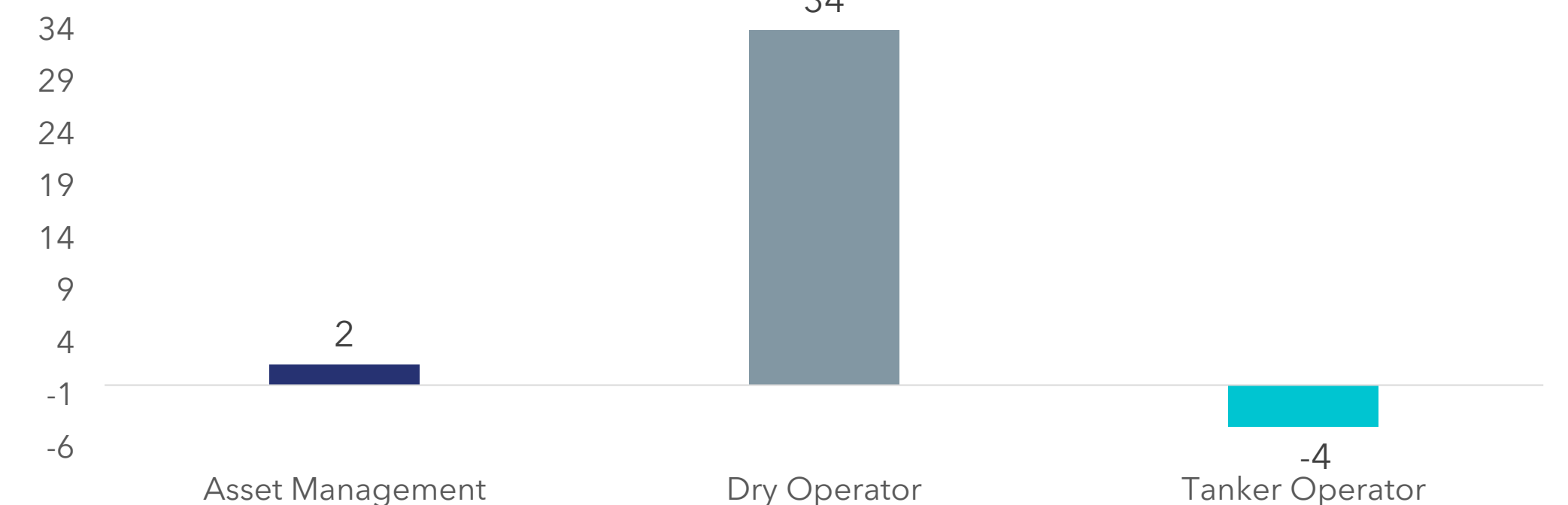
### Business highlights

- **Asset Management:** Q2 2021 USD 2 million
  - Portfolio value continues to increase based on strong dry cargo market
  - Taking in profits along the way, selling dry cargo vessels (USD 29 million for H2)
  - Entering attractive time charter cover, benefitting 2022 results
  - Extensive optionality on leased vessels becoming increasingly valuable
- **Dry Operator:** Q2 2021 USD 34 million
  - Built and capitalised on all-time long position during Q2
  - Utilising arbitrage opportunities, optimising operations (geographies/vessels)
  - Very well positioned to further capitalise on strong dry cargo market in H2
- **Tanker Operator:** Q2 2021 USD -4 million
  - Adding length and optionality to position for medium-term market improvements
  - Effectively mitigating short-term exposure

Adjusted Group Result last 5 years



Adjusted Result split per business unit (Q2 2021)



# 02. BUSINESS UNIT PERFORMANCE AND MARKET OUTLOOK

## 02. ASSET MANAGEMENT

# DRY CARGO PORTFOLIO VALUE CONTINUES TO INCREASE

### Adjusted Result Q2 2021: USD 2 million

- Significant asset value increase in line with dry cargo market improvements
- Market value of portfolio up USD 258 million - purely market driven
- Extension optionality becoming increasingly attractive
- Taking in profits along the way: USD 29 million in sales gain in H2 2021
- Entered into attractive time charter cover, benefitting results from 2022
- Increased market exposure towards dry cargo:
  - 77 dry cargo vessels; 39 tanker vessels

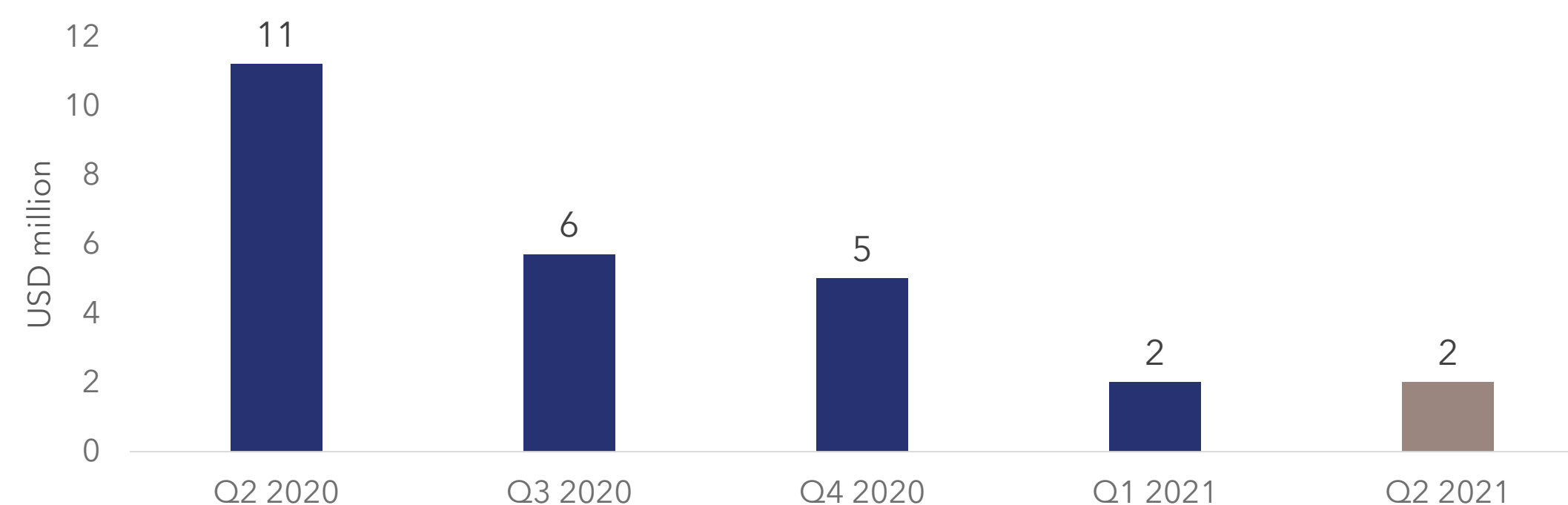
### Asset Management key figures

USD million	2021 Q2	2020 Q2	Last 4 quarters
Contribution margin	54.3	59.6	215.6
O/A costs	-3.2	-5.0	-16.7
EBIT	8.5	17.2	13.4
Adjusted Result for the period	2.1	11.2	14.9

### Asset Management values

USD million	Dry Cargo	Tankers	Total Q2 2021	Total Q1 2021
Market value of owned vessels and newbuildings (charter free)	710	333	1,043	891
Estimated market value of T/C and cover portfolio (incl. estimated value of optionality)	184	55	239	133
<b>Total Asset Management portfolio value</b>	<b>894</b>	<b>388</b>	<b>1,282</b>	<b>1,024</b>
Market value of owned vessels vs. carrying amounts	127	-71	56	-53

### Asset Management Adjusted Result past 5 quarters

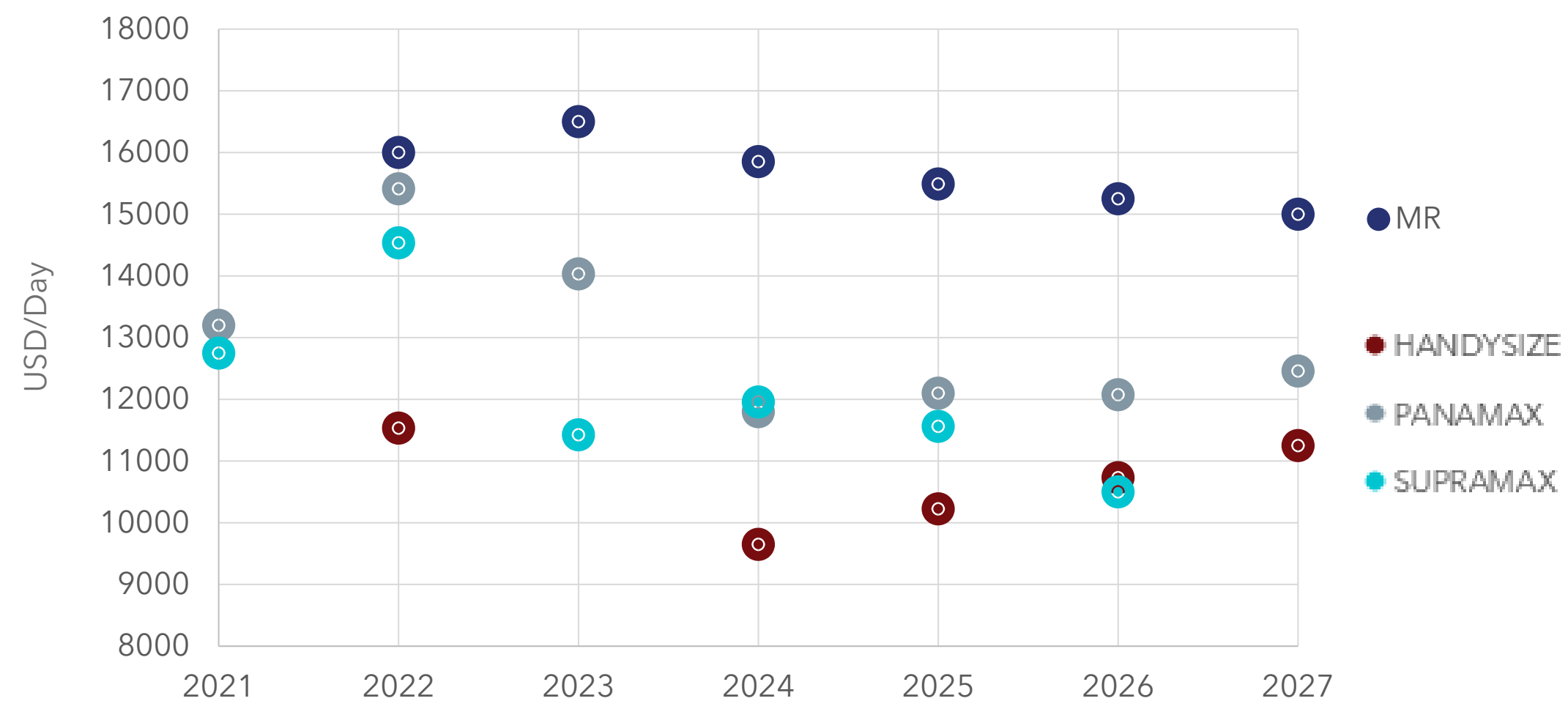


# 02. ASSET MANAGEMENT

## EXTENSIVE OPTIONALITY IN PORTFOLIO

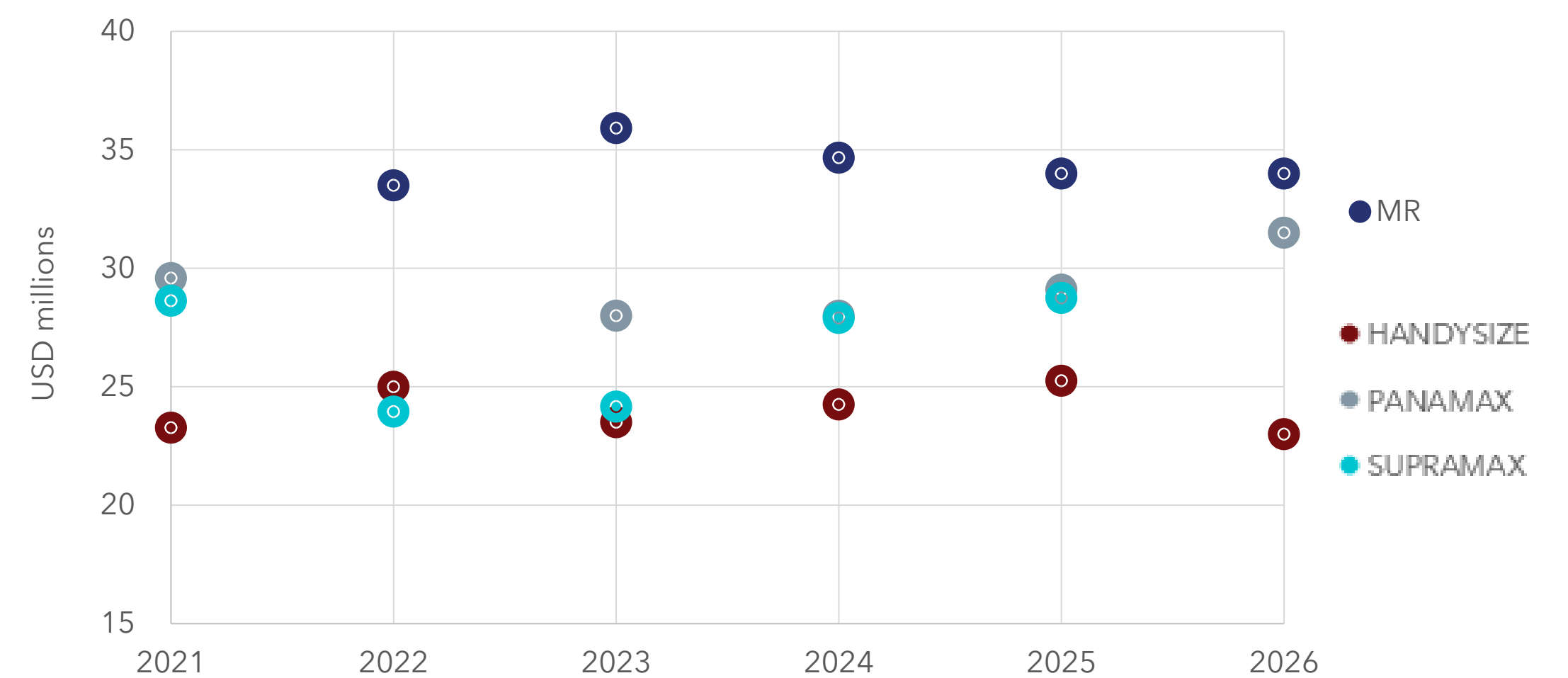
- 65,713 period option days in total, corresponding to ~180 full-year extension options
- 69 purchase options in total (49 in dry cargo, 20 in tankers)
- By mid-2023: 23 period extension options on dry cargo vessels and 2 on tanker vessels

Extension Options  
(Average price per vessel type per year)



No. of options per year	2021	2022	2023	2024	2025	2026	2027
	2	18	14	13	12	10	5

Purchase Options  
(Average price per vessel type per year)



No. of options per year	2021	2022	2023	2024	2025	2026
	23	5	14	13	10	4

Average age at declaration	2021	2022	2023	2024	2025	2026
	6	4	4	4	4	4

# 02. ASSET MANAGEMENT

## DRY AND TANKER MARKET IN Q2 2021

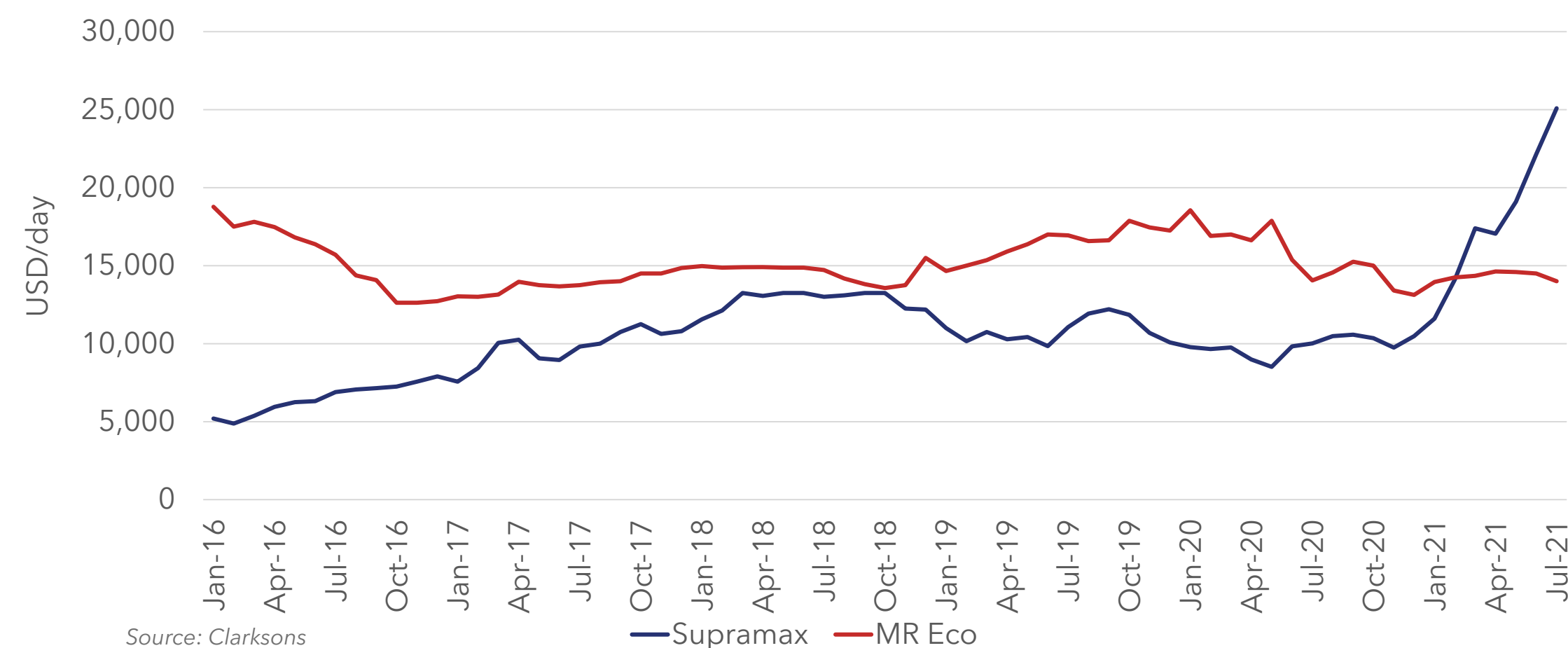
### Exceptionally strong dry cargo market

- Asset prices and period rates continued to soar in Q2
- Spot market increased by 60% for Supramax and 71% for Panamax
- Vessels in short supply, boosting spot rates in the short-term
- 1-year T/C Supramax increased from USD 21,000 to USD 28,625/day
- Price of a 5-year old Supramax increased by 29% to USDm 27.3

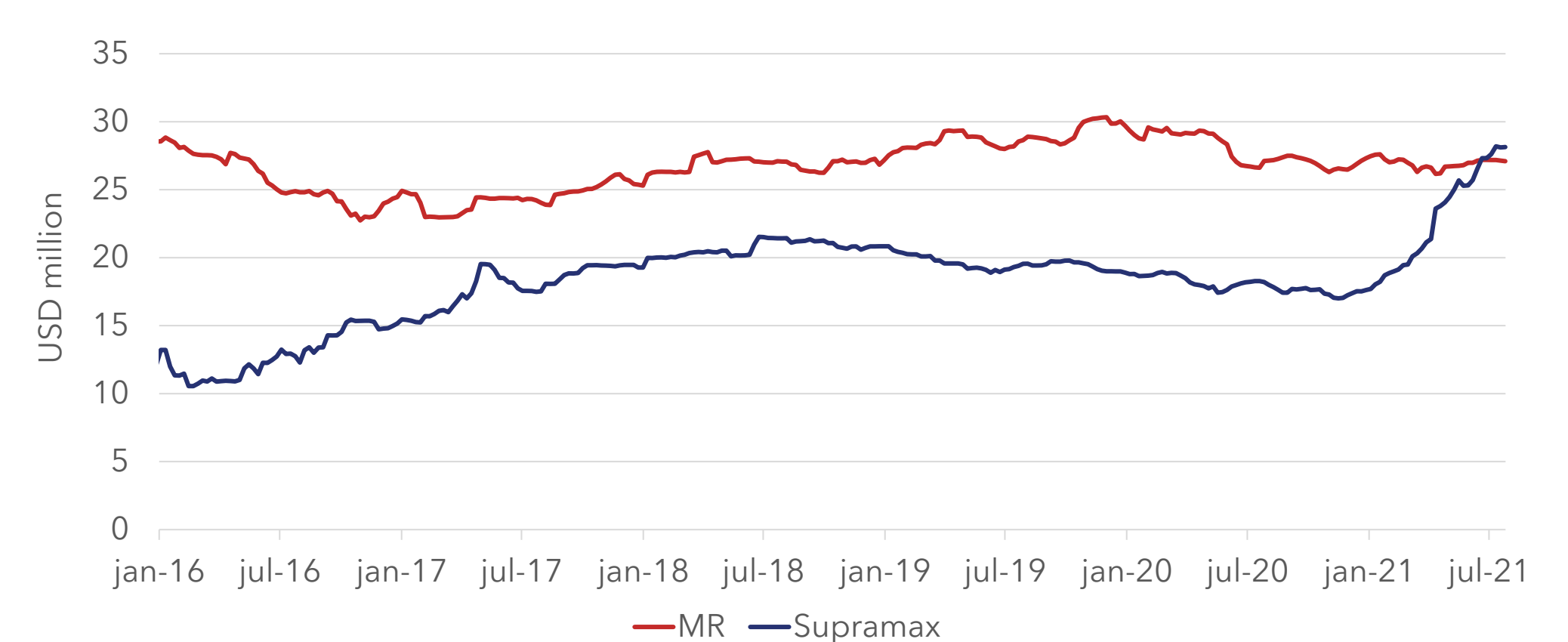
### Challenged, yet stabilising, tanker market

- Continued limited demand and high oil inventories
- Crude carriers continue to negatively impact margins available
- Stable tanker period and asset rates despite challenged market
- 1-year T/C eco MR rate increased by USD 1,500 to USD 14,625 / day
- Price of a 5-year old MR increased by 2% to USDm 27.2

1-year T/C rate (dry cargo & eco product tanker)



5-year secondhand asset values (dry cargo & product tanker)





# 02. ASSET MANAGEMENT

## MARKET OUTLOOK IN DRY CARGO

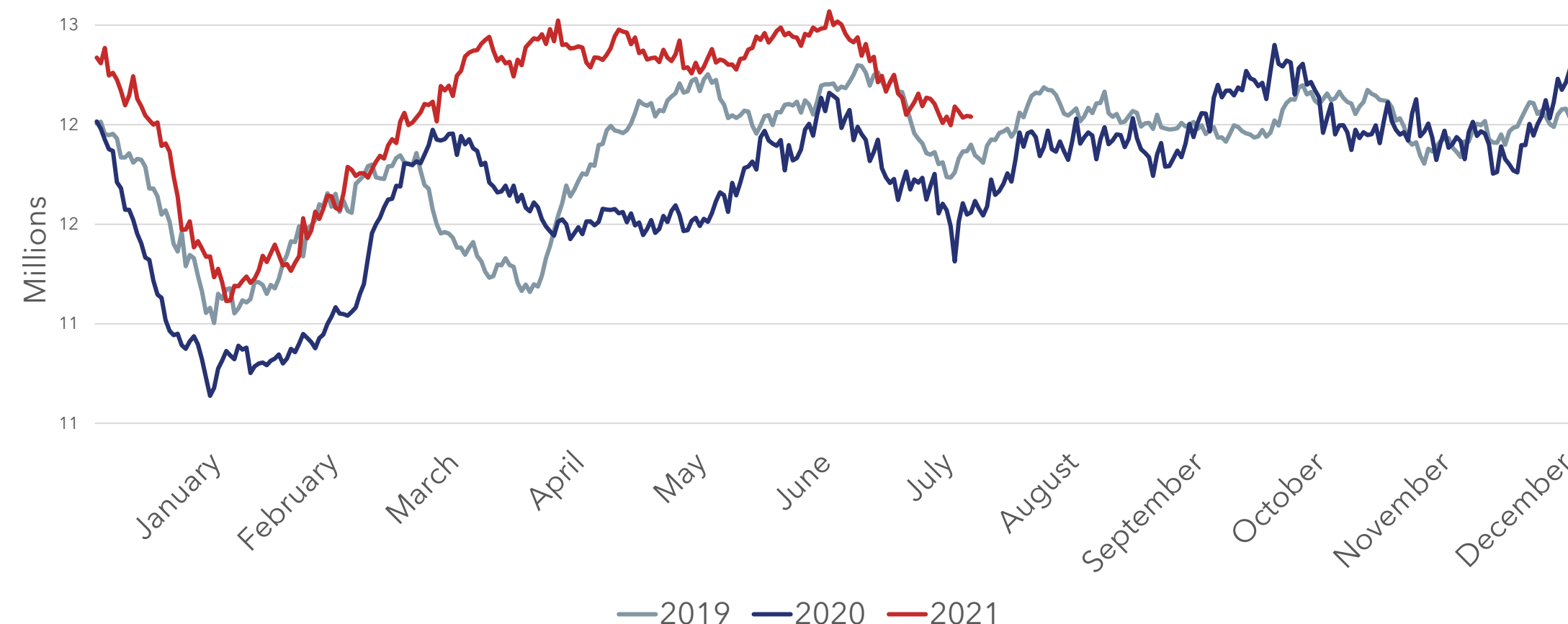
### Strong dry cargo market to continue

- Dry cargo market rates to remain strong for some time
- Global market demand expected to increase, offsetting any slowdown in Chinese import levels
- Bottlenecks, idle time and market inefficiencies not expected to unwind in the short-term

### Continued slowdown in supply growth

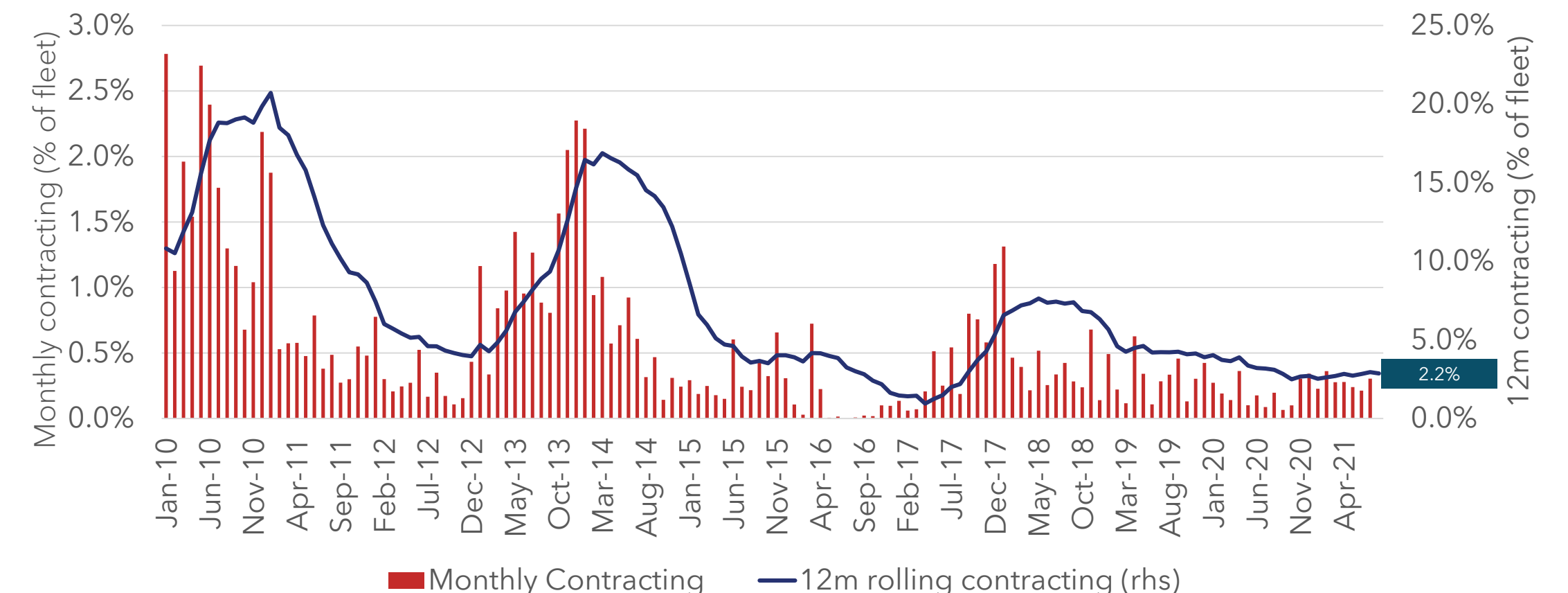
- Low order book continues to support period rates and secondhand prices
- Marginal increase in dry cargo ordering, but less than deliveries
- Containership newbuilding filling up shipyard pipeline
- Rising steel prices supports high asset prices

Global volumes transported (30-day moving average)



Source: TRACS

Dry Cargo Y/Y Fleet Growth - Monthly contracting



Source: Clarksons

# 02. ASSET MANAGEMENT

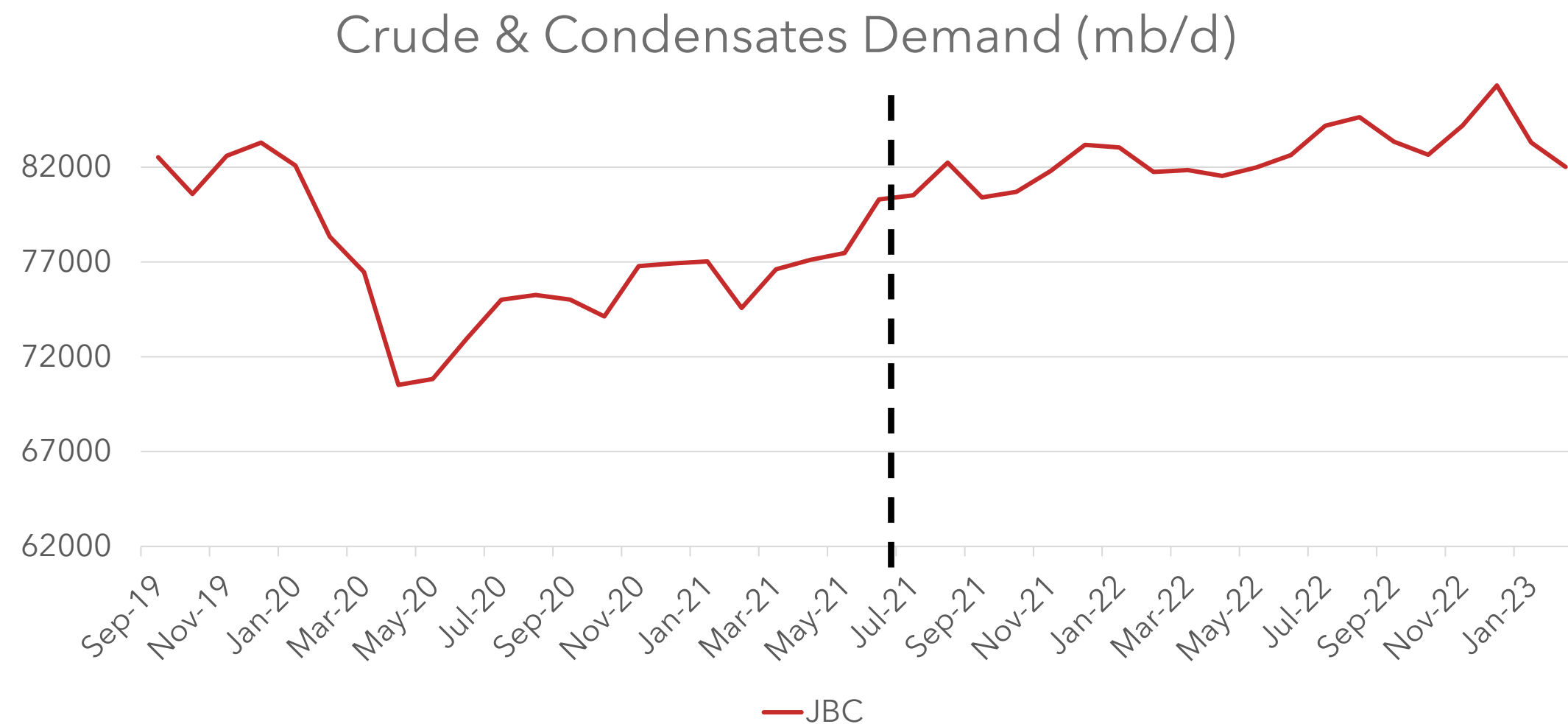
## MARKET OUTLOOK IN TANKER

### Spot market rates bottoming out

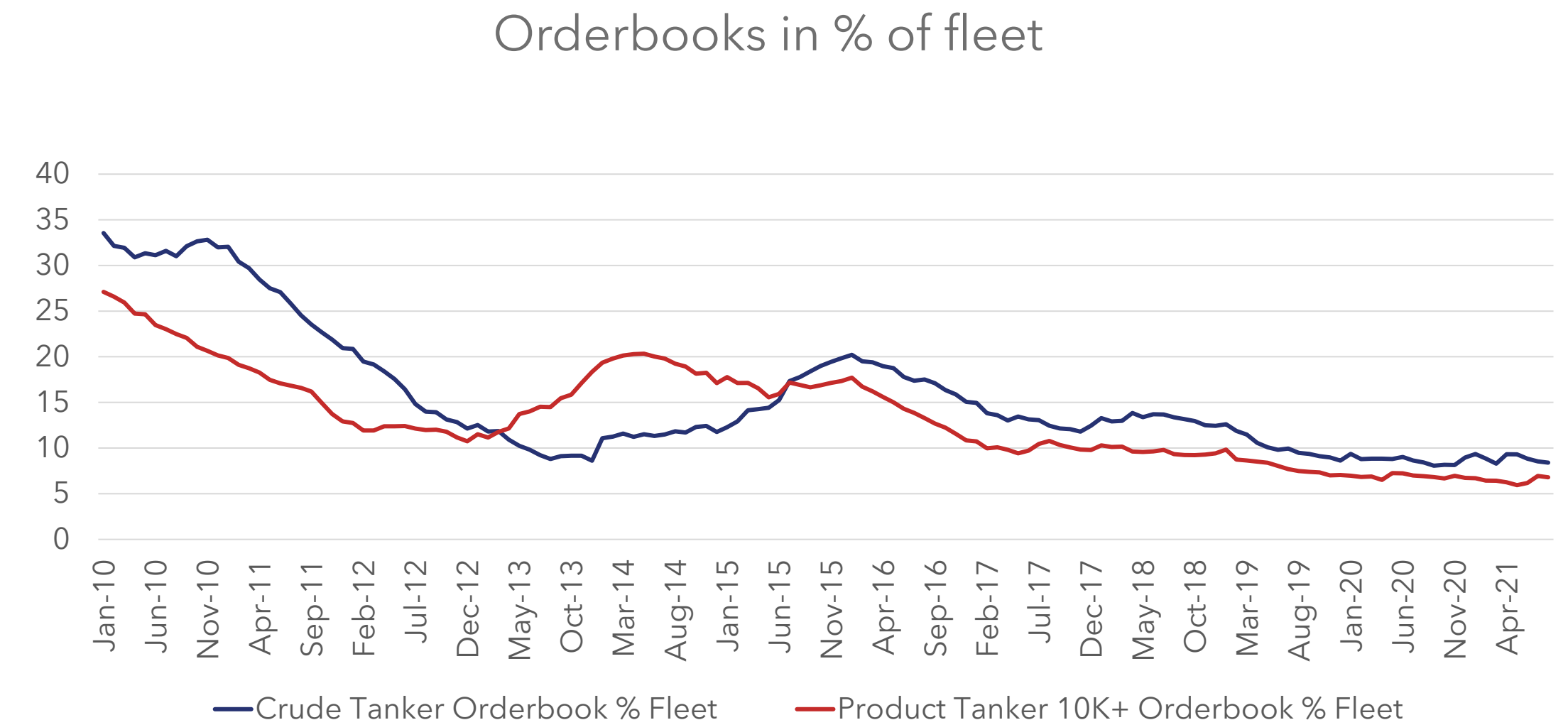
- Gradual, yet slow, improvement still expected during H2 2021
- No large upside until expected oil production rebound in 2022
- Low oil inventories can provide boost to demand

### Orderbooks remain low

- Low orderbooks to provide supporting effect on asset prices
- New ordering activity continues to be limited by container vessels taking up yard slots, compounded by rising steel prices



Source: JBC



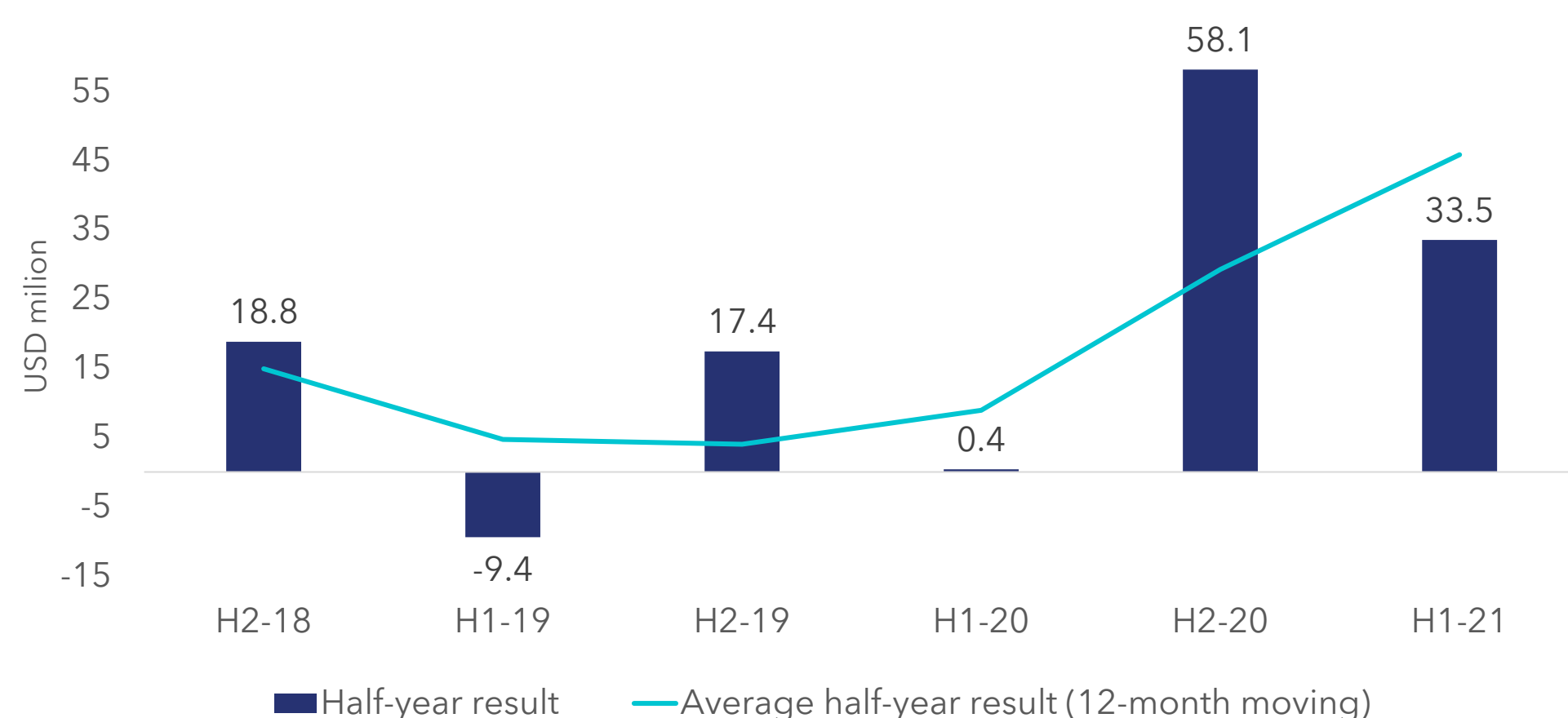
Source: NORDEN

# 02. DRY OPERATOR CAPITALISING ON LONG POSITION

## Adjusted Result Q2 2021: USD 34 million

- Starting to capitalise on extensive long position in soaring dry cargo market
- Record-high activity with 343 vessels operated on average
- Continuously utilising extensive arbitrage opportunities and optimising operations across geographies and vessel types
- Expecting even stronger performance in H2

Half-yearly Adjusted Result with 12-month moving average



Dry Operator key figures

USD million	2021 Q2	2020 Q2	Last 4 quarters
Contribution margin	70.1	10.2	200.3
O/A costs	-15.3	-8.9	-59.6
EBIT	35.7	-3.0	96.8
Adjusted Result	33.7	-4.0	91.6
Vessel days	31,217	24,806	117,906
Adj. Result per vessel day (USD/day)	1,080	-161	777

# 02. TANKER OPERATOR

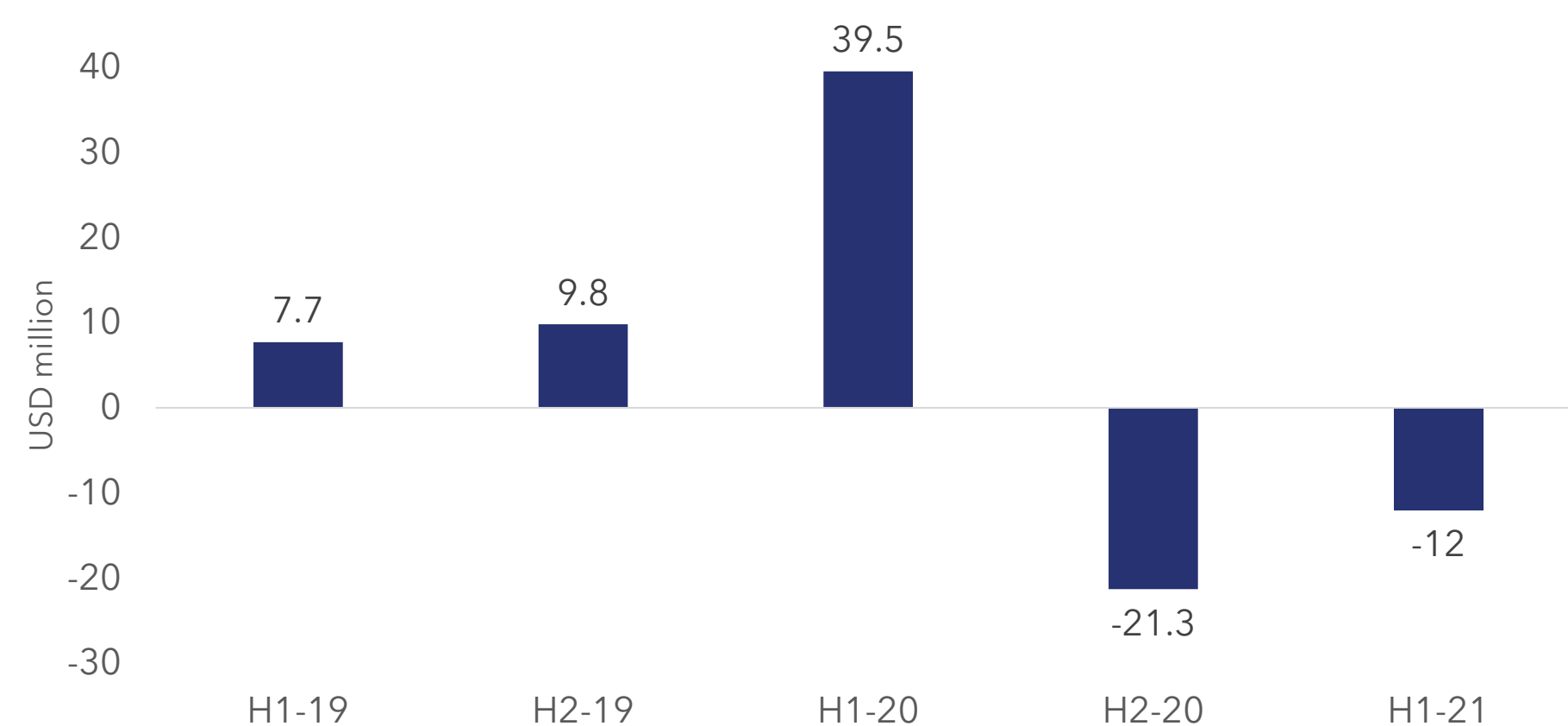
## ADDING OPTIONALITY FOR MEDIUM-TERM IMPROVEMENTS

### Adjusted Result Q2 2021 USD -4 million

- Continues to manage short-term exposure on operated fleet
- Using forward freight agreements, time charter-out contracts and cargo contracts
- Optimistic in medium-term outlook, adding length to position by taking in vessels on charter at low rates with attractive optionality

- Third party pool management activity growing
- International Seaways adding 10 new vessels (merging with Diamond S)
- USD 6 million generated in pool management fees during Q2 (booked as Other Operating Income)
- Average fleet size of 119 vessels incl. pool vessels

Half-yearly Adjusted Result



Tanker Operator key figures

USD million	2021 Q2	2020 Q2	Last 4 Quarters
Contribution margin	4.9	36.5	7.2
O/A costs	-5.4	-6.6	-15.6
EBIT	-4.1	22.3	-31.8
Adjusted Result	-4.0	21.8	-32.9
Vessel days	10,795	10,796	45,957
Adj. Result per vessel day (USD/day)	-371	2,019	-716

# 03.

## 2021 GUIDANCE AND FINAL WORDS

# 03. 2021 GUIDANCE

NORDEN increases its expectations for the 2021 Adjusted Result: USD 140 to 220 million  
- expecting significantly improved second half year, based on strong performance in Dry Operator

Dividend policy: Paying out minimum 50% of the annual Adjusted Result.



## Asset Management

- Expects lower Adjusted Result in 2021
- Coverage rates on the tanker fleet
- Strong Dry Cargo market will only benefit earnings from 2022 onwards, as current contracts are gradually renewed with higher paying cover contracts
- Value of NORDEN's portfolio of owned and leased vessels expected to be significantly higher compared to the end of 2020



## Dry Operator

- Expects Adjusted Result significantly better than record 2020 result
- Expecting very strong H2 performance
- Capitalising on position built up in H1



## Tanker Operator

- Expects Adjusted Result much weaker than 2020
- Mitigating short-term exposure cannot fully offset historically weak tanker spot market, expected to lead to a loss for the year

# 03. FINAL WORDS

## SUBSTANTIAL VALUE BEYOND ASSET VALUES



### Asset Management

Active management of cyclical market exposure within dry cargo and product tanker segments

#### NAV-based valuation

Per 30/06/2021

	USDm
Market value of own vessels	1,043
Market value of T/C & Cover portfolio	239
Cash & equivalents	297
Interest bearing debt	-567
N/B instalments	-108
Other net assets (book values)	175
<b>Total NAV</b>	<b>1,079</b>
<b>NAV per share, DKK</b>	<b>179</b>



### Dry Operator

Providing efficient global transport solutions to customers and active management of short-term market exposure in the dry cargo market

#### Earnings based valuation

	USDm
Adjusted net result last 12 months	91.6
Annualised since mid 2017	35.4



### Tanker Operator

Providing efficient global transport solutions to and active management of short-term market exposure in the product tanker market

#### Earnings based valuation

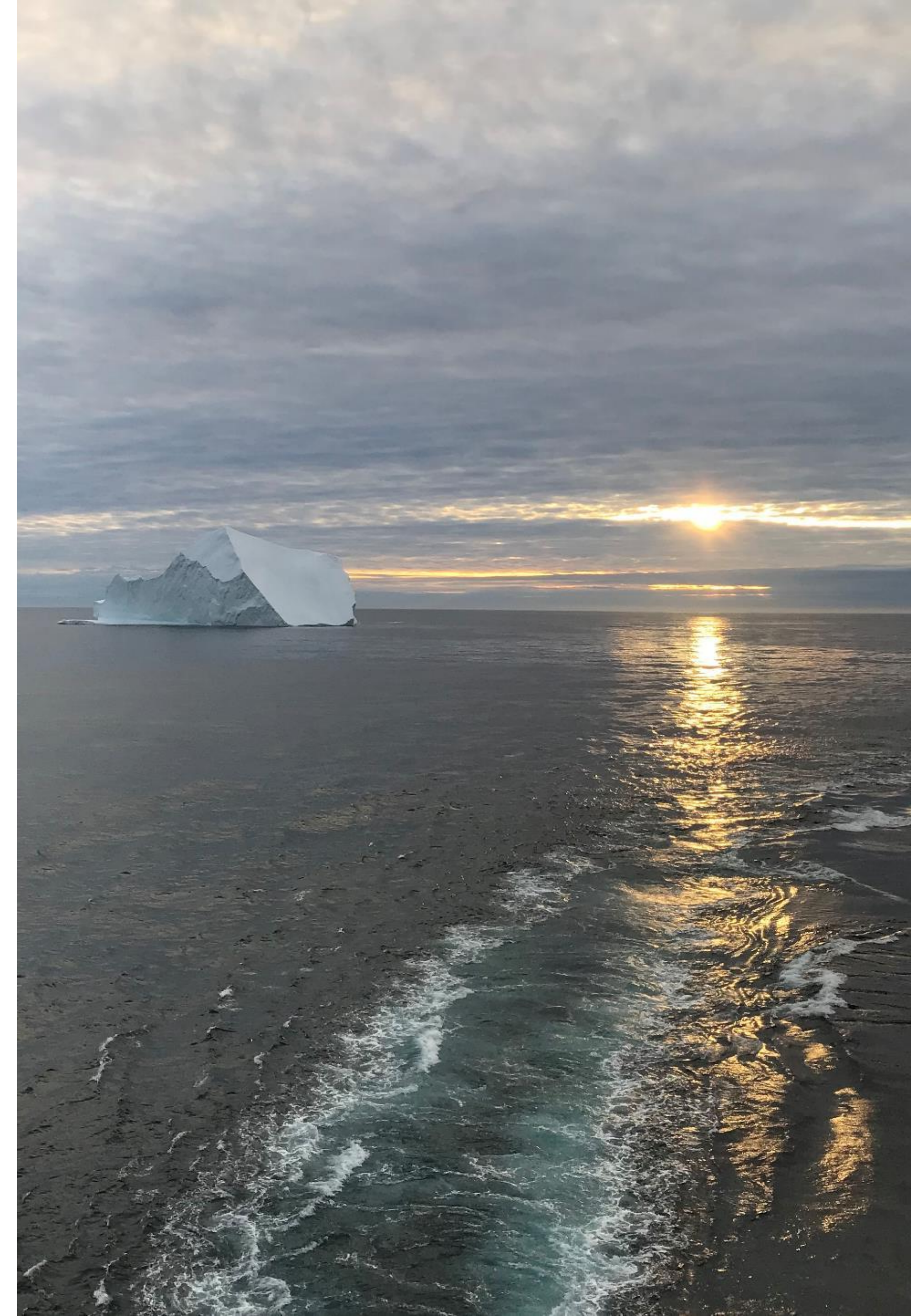
	USDm
Adjusted net result last 12 months	-32,9
Annualised since 2019	9.6

NAV per share based on USD/DKK rate and share count as of latest balance sheet date, excluding treasury shares held by NORDEN.

## 03. FINAL WORDS

# ON TRACK FOR BEST RESULT IN 11 YEARS

- Best quarterly result since Q2 2015
- On track to deliver best result in 11 years, despite all-time low tanker market
- Expecting significantly higher earnings in H2
- Guidance increased to USD 140-220 million (raised 3 times since Q1)
- Value of fleet increased significantly by USD 258 million = +25% since Q1
- Positioned our business to capitalise on an exceptionally strong market
- Converting market value to profit through vessel sales (USD 29 million in H2) and long-term coverage benefitting earnings from 2022
- Potential of NORDEN risk/reward profile showing in volatile markets
  - Asset light business model and extensive optionality on books





## 03. FINAL WORDS – DISCLAIMER

# 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 2021 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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