ANNUAL REPORT
2020

CVR NUMBER 67758919

Trust powered by intelligence NORDEN

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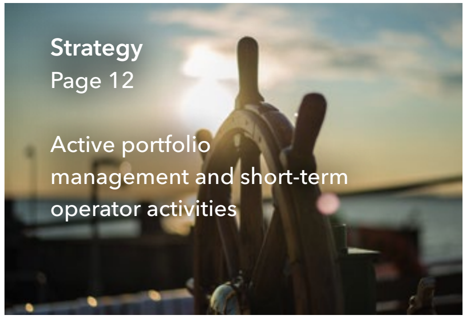
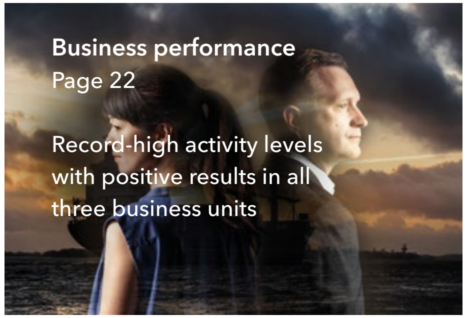
FINANCIAL STATEMENTS

Annual Report 2020
Visit norden.com and get an overview of the financial results for 2020

2020 in 5 mins
CEO Jan Rindbo presents NORDEN's Annual Report 2020 in a short film





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IN BRIEF

NORDEN AT A GLANCE

Enabling smarter global trade

NORDEN is at the heart of global trade, providing industry-leading operator and asset trading activities

Global tramp shipping

Shipping commodities around the world on voyages without fixed routes

3 trading-oriented business units

Asset Management

Vessel trading & cyclical market exposure

Dry Operator

Tanker Operator

Short-term trading activities

150-YEAR HERITAGE

Founded in 1871, NORDEN has one of the longest track records within global shipping, celebrating its 150-year anniversary in 2021

2 primary markets

Dry cargo
– Agricultural and industrial commodities

Soybeans
Grain
Alumina
Coal
Wood pellets

Product tankers
– Refined and soft oil products

Diesel
Gasoline
Jet fuel
Naphtha
Gas oil
Soft oil

Values

Flexibility

Reliability

Empathy

Ambition

TRUST POWERED BY INTELLIGENCE

By understanding early on that our equity is our people, we have learned to synergise, optimise and leverage the many forms of intelligence that ultimately define us. Intelligence enables us to act with the autonomy, agility and speed needed to make the right decisions for our customers, employees, shareholders and the environment.

Employees

371
Onshore employees

35
Employee nationalities

11
Global offices

Business operations

~145
million tonnes cargo transported

~420
Average operated vessels
91% chartered / 9% owned

Listed on NASDAQ Nordic OMX

~13,600
Shareholders

~735 million
Market cap (USD)

Climate and environment targets

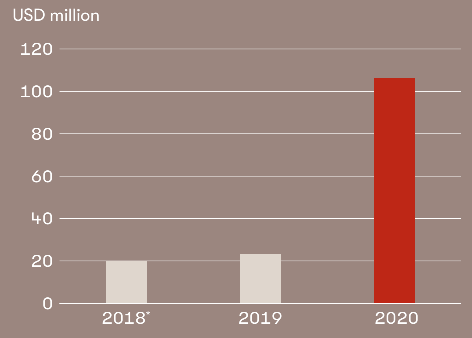
Vessel emissions aligned to Paris agreement targets set forth by Sea Cargo Charter

100%
Carbon neutral by 2050

FINANCIAL HIGHLIGHTS 2020

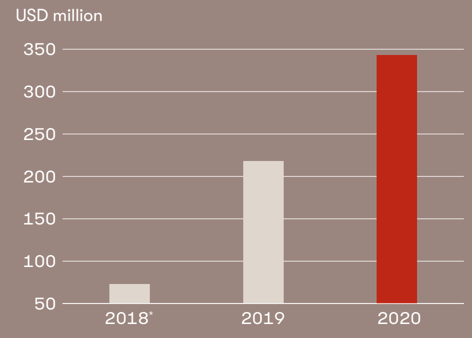
Adjusted Result

USD 106 million



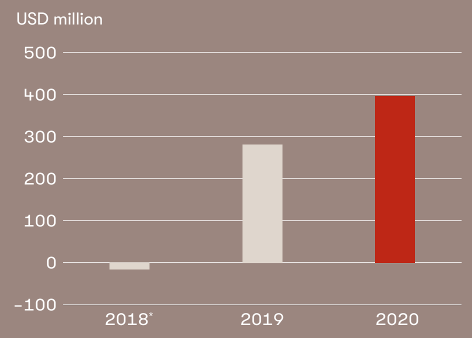
EBITDA

USD 343 million



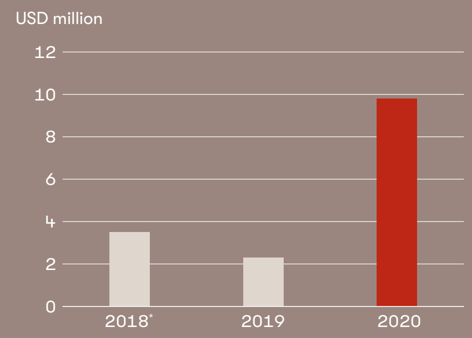
Cash flow from operations

USD 396 million



ROE

9.8%



* Figures for 2018 are not restated to reflect IFRS 16

BUSINESS UNITS

Adjusted Result

Asset Management

USD 29 million

(2019: USD -3 million)

Dry Operator

USD 59 million

(2019: USD 8 million)

Tanker Operator

USD 18 million

(2019: USD 18 million)

LETTER FROM THE CHAIRMAN AND THE CEO

Best Adjusted Result in 10 years, totalling USD 106 million, despite challenging market conditions. The Board proposes a dividend of DKK 9 per share for 2020.

2020 has been a year marked by volatility and uncertainty as COVID-19 completely altered the dynamics that typically govern world trade. When COVID-19 lockdowns spread throughout the world, we witnessed a rapid collapse in dry cargo rates, which was followed by a recovery later in the year as trade volumes began to grow again based on widespread global fiscal stimulus. In the tanker market, rates counterintuitively soared to very high levels despite the biggest decline in oil demand for many years. Rate improvements were supported by increased demand for floating storage, which proved temporary, and rates fell to historically low levels at the end of the year. NORDEN proactively managed its position through this turmoil and added cheap dry cargo capacity through both timecharters and owned vessels and reduced tanker exposure through coverage and vessel sales. This led NORDEN to generate an Adjusted Result of USD 106 million for the financial year 2020. This is the best group result since 2010 and the fourth consecutive year with black figures – with the Company's return on equity increasing to 9.8%.

Resilient and agile business model

While 2020 was a very challenging year in many respects, the volatility and shifting market developments also provided an early testing ground for the transformation of our business model and strategy over the last couple of years. Adaptability and resilience is built into our asset-light approach, and we believe that our results in 2020 are proof of the strength of our trading-oriented business model which enables NORDEN to thrive amid volatility.

During the COVID-19 related turmoil, NORDEN experienced record-high activity levels with the operated fleet averaging 420 vessels in 2020. We reinforced our position as an attractive counterparty for customers and tonnage providers, who preferred NORDEN as a financially stable and commercially reliable partner during uncertain times. Throughout the year, NORDEN had all systems and people in place to ensure uninterrupted business activity, and our fleet remained fully operational, while onshore employees have worked remotely. However, it did present a challenge to change crews onboard our owned vessels as well as conducting physical inspections of vessels for sale and purchase transactions during the peak of COVID-19. During this highly unusual year, we would like to thank all seafarers on board NORDEN's vessels, as well as our onshore staff for their dedication and contribution under these very difficult working conditions.

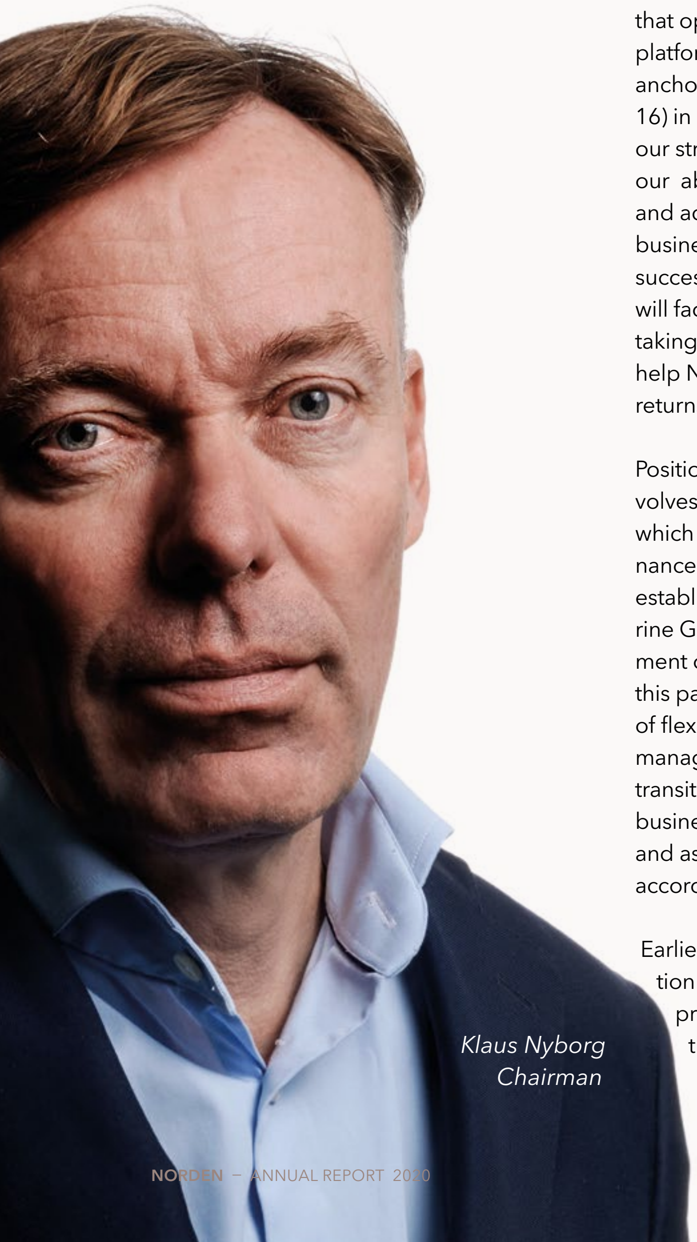
2020 is also the first year that we report financial results on our three new business units, Asset Management, Dry Operator and Tanker Operator. In this light, we are naturally pleased that all three business units generated positive results. Asset Management has truly moved NORDEN towards a more trading-oriented platform, which enables NORDEN to make use of ongoing opportunities to balance its investments in dry cargo and tanker vessels depending on the attractiveness of conditions and outlook.

Dry Operator grew its business to a record-high activity level and proved its agility and resilience by delivering an outstanding result in a very challenging market. Tanker Operator reaped the benefits of a tanker rate spike during spring, and has since then reduced its exposure and ensured a large degree of forward coverage to mitigate the effects of a weak market. Tanker Operator also grew its commercial management activities by entering into a strategic partnership with Diamond S Shipping including an agreement to commercially manage 28 product tankers as part of the fully-owned Norient Product Pool (NPP). With this added activity, NPP is now one of the largest operators of medium range product tankers in the world.

Progressing on strategic foundation

Throughout the year, we progressed on our strategic intention of moving NORDEN towards a more trading-oriented business

Jan Rindbo
CEO



Klaus Nyborg
Chairman

that operates from an agile and asset-light platform. We have already come a long way in anchoring our strategic focus areas (see page 16) in NORDEN, and in 2020, we continued our strategic journey by further strengthening our ability to integrate data, risk management and advanced analytics as part of our daily business. A new Group risk framework was successfully implemented during 2020, which will facilitate measured and effective risk taking and capital allocation, which in turn will help NORDEN generate higher risk adjusted returns to its shareholders.

Positioning NORDEN for the future also involves making tough organisational decisions, which had an effect on our Technical and Finance functions during 2020. In Q3, NORDEN established a joint venture with Synergy Marine Group to handle the technical management of our owned tanker vessels. We believe this partnership will deliver a greater degree of flexibility and scale benefits in technical management, which is crucial as NORDEN transitions towards a more trading-oriented business with a relatively smaller owned fleet and as the size of the fleet will fluctuate in accordance with our market outlook.

Earlier in the year, parts of our Finance function were reorganised and relocated to Cyprus and Singapore in order to centralise the teams and harvest scale benefits. Following these changes, NORDEN had to part ways with 55 employees from our Finance and Technical departments during 2020. These difficult organisational decisions were by no means taken lightly as our Technical and Finance teams in Copenhagen have been an integrated part of NORDEN for many years.

Committing to industry-wide CO_2 reduction targets

During 2020, NORDEN also furthered its commitment of creating a more sustainable shipping industry by becoming a founding signatory of the Sea Cargo Charter. The charter commits members to transparent reporting of emissions to reach the overall goal of reducing shipping emissions. From 2021 onwards, we will therefore report on our energy efficiency relative to the Paris agreement trajectory as set forth by the Sea Cargo Charter, which aims to reduce yearly CO_2 emissions per transport work. In NORDEN, we are aiming for 100% carbon neutrality in 2050. While we still have a long way to go in the shipping industry on decarbonisation, committing ourselves to track our alignment to the Paris agreement targets is a big step forward in our view.

During the first months of 2021, NORDEN furthermore became Corporate Partner of the Maersk Mc-Kinney Moller Center for Zero Carbon Shipping, which aims to decarbonise the maritime industry. As strategic partner, NORDEN will contribute directly to the work of the centre on projects related to the development and implementation of future fuels and zero carbon technologies.

Returning capital to shareholders

Based on a strong balance sheet and low CAPEX requirement from our asset-light strategy, the Board of Directors proposes a dividend of DKK 9 per share, representing 53.1% of the Adjusted Result for the year in line with our dividend policy. This comes on top of USD 30 million returned in share buy-back programmes during 2020 and early 2021.

Looking ahead, we believe that 2021 will be a year of gradual recovery in global trade and oil demand. We still expect challenges ahead, and not least in the tanker market which has started the year on a very weak note. On this basis, we expect an Adjusted Result for 2021 in the range of USD 20 to 60 million. However, in terms of portfolio values, NORDEN has had a strong start to the year based on recently added exposure in Dry Cargo. We will continue to make use of our agile framework to adapt to market developments and pursue attractive opportunities when they arise. On top of this, we are continuing the strategic journey of enabling our three business units to be best in class in their markets, positioning NORDEN to be the first choice among clients.

Klaus Nyborg
Chairman of the Board of Directors

Jan Rindbo
CEO

KEY FIGURES AND FINANCIAL RATIOS

Amounts in USD million	2020	2019	2018	2017	2016
Income statement					
Revenue	2,597.8	2,583.9	2,451.4	1,808.6	1,251.2
Contribution margin	435.6	295.0	132.3	116.8	76.1
EBITDA	342.5	217.5	72.5	68.1	30.6
Profit/(loss) from sale of vessels etc.	-18.2	-3.6	8.8	0.9	-45.5
Depreciation, amortisation and impairment losses	-201.9	-156.9	-44.3	-42.2	-49.6
EBIT	119.4	56.8	39.4	23.3	-64.5
Financial items, net	-26.7	-32.7	-6.9	-0.9	-12.2
Profit/loss for the year	86.0	19.2	28.8	24.6	-45.6
Adjusted Result for the year [1]	105.7	22.8	20.0	28.4	-34.6
Statement of financial position					
Total assets	1,824.8	1,742.4	1,464.4	1,326.5	1,301.0
Equity	902.5	859.0	826.8	834.4	801.4
Liabilities	922.3	883.4	637.6	492.1	499.6
Invested capital	1,246.3	1,283.5	970.2	836.7	753.8
Net interest-bearing debts/assets	-343.8	-424.5	-143.4	-2.3	47.6
Cash and securities	331.6	209.3	188.6	219.4	263.9
Cash flows					
From operating activities	396.0	280.5	-15.8	6.3	-79.7
From investing activities	-45.1	-90.9	-78.4	-0.2	102.1
– hereof investments in property, plant and equipment	-27.1	-102.7	-202.7	-75.4	-36.8
From financing activities	-228.2	-211.2	95.4	3.0	-85.3
Environmental and social figures					
EEOI (gCO_2/tonnes-mile) [2]	8.8	8.7	8.6	8.8	9.0
LTIF (million working hours) [3]	0.6	1.5	0.3	1.6	0.9

	2020	2019	2018	2017	2016
Share-related key figures and financial ratios:					
No. of shares of DKK 1 each (including treasury shares)	40,700,000	42,200,000	42,200,000	42,200,000	42,200,000
No. of shares of DKK 1 each (excluding treasury shares)	37,805,533	39,311,533	39,923,933	40,467,615	40,467,615
Number of treasury shares	2,894,467	2,888,467	2,276,067	1,732,385	1,732,385
Earnings per share (EPS), DKK	14	3	4	4	-8
Diluted earnings per share (diluted EPS), DKK	14	3	4	4	-8
Dividend per share, DKK	9.0	2.5	2.0	0.0	0.0
Book value per share, DKK	145	146	135	128	140
Share price at year-end, per share DKK 1	109.6	106.7	92.4	116.5	110.5
Other key figures and financial ratios:					
EBITDA ratio	13.2%	8.4%	3.0%	3.8%	2.4%
ROIC	9.4%	5.0%	4.4%	2.9%	-8.4%
ROE	9.8%	2.3%	3.5%	3.0%	-5.5%
Payout ratio (excluding treasury shares) [4]	65.3%	76.6%	41.7%	0.0%	0.0%
Equity ratio	49.5%	49.3%	56.5%	62.9%	61.6%
Price/book value	0.8	0.7	0.7	0.9	0.8
Total no. of ship days	153,195	138,327	122,852	93,738	79,060
USD rate at year-end	605.76	667.59	651.94	620.77	705.28
Average USD rate	653.43	667.03	631.74	659.53	673.27

Key figures for 2016-2018 are not restated to reflect IFRS 16.

The ratios were computed in accordance with "Recommendations and Financial Ratios" issued by the Danish Association of Financial Analysts. However, "Profit and loss from the sale of vessels, etc." is not included in EBITDA. Please see definitions in the section "Definitions of key figures and financial ratios". The figures are adjusted for the Company's holding of treasury shares.

1) Adjusted Result for the year is computed as "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc." including adjustment for sale of vessels in joint ventures.

2) The Energy Efficiency Operational Indicator (EEOI) is a measurement of efficiency and is defined as the amount of CO2 emitted per tonne of cargo transported 1 mile.

3) Lost Time Injury Frequency (LTIF) is the frequency a seafarer is unable to work for more than 24 hours per 1 million working hours due to work-related injury

4) The payout ratio was computed based on proposed dividends for the year, including extraordinary dividends paid during the year.

OUTLOOK FOR 2021

Following a very strong performance in 2020, a weak tanker market outlook leads to lower earnings expectations for 2021 and an expected annual Adjusted Result in the range of USD 20-60 million.

Asset Management

The Asset Management business unit expects lower earnings in 2021. High coverage on the tanker fleet means the business unit is well protected against the very weak tanker spot market, but coverage rates are still lower than last year. High coverage on the dry cargo fleet means earnings in the business unit will not be affected by recent rate increases. However, the value of the portfolio is expected to increase in line with the expected improvements in asset values and forward period rates in dry cargo and – later in the year – in tankers.

Dry Operator

Dry Operator expects an Adjusted Result below the record result for 2020, but higher than the historical averages realised since mid-2017. The expectations are based on continued growth in activity levels compared to the average for 2020. The distribution of earnings per quarter is expected to continue to be subject to significant volatility with earnings primarily being generated in Q2 and Q4.

Tanker Operator

Tanker Operator expects an Adjusted Result which is much weaker than that of 2020. While the business unit has taken on a lot of coverage, the historically weak tanker spot market in the beginning of 2021 is expected to lead to weak results, which will only partially be recouped later in the year when the market is expected to recover.

Events after the reporting date

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

Financial calendar for 2021

4 March	Annual report 2020
25 March	Annual general meeting
6 May	Interim report – first quarter 2021
18 August	Interim report – second quarter and first half-year 2021
4 November	Interim report – third quarter 2021

Forward-looking statements

This annual report contains certain forward-looking statements reflecting Management's present judgement of future events and financial results. Statements relating to 2021 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from projections. Factors that may cause NORDEN's realised results to differ from the projections in this annual report include, but are not limited to: Changes to macroeconomic and political conditions – particularly in the Group's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risks; any disruptions to traffic and operations as a result of external events, etc.

STRATEGY

MAJOR TRENDS AFFECTING SHIPPING

Decarbonisation

- Climate change is of increasing importance to stakeholders
- Decreased global use of oil and coal
- Reluctance to order newbuildings with current carbon-based technology

Shorter shipping cycles

- Increased uncertainty and volatility
- Opportunities for trading and earning margins in a volatile market
- Ample ship yard capacity may shorten duration of market upturns

A changing China story

- Chinese economy becoming less commodity intensive over time
- Iron ore imports face headwinds from maturing Chinese steel demand and increased steel recycling

Digitalisation

- Shipping industry still highly analogue
- Opportunities to use growing data volume for decision-making and process optimisation

Several macroeconomic and global trends are affecting the dynamics of the shipping industry. The future of shipping points to a more volatile and complex market scenario, which calls for a more agile and resilient business model.

This is why NORDEN's business is based on an asset-light trading strategy, only owning a small percentage of its operating fleet. Rather than passive ownership of vessels, NORDEN can actively capitalise on asset trading opportunities, with access to considerable optionality (extension and purchase options).

With its agile capabilities, NORDEN's busines unit structure (outlined on next page) and commercial focus is designed to not only stay resilient towards, but also embrace, market volatility – allowing each business unit to continuously shift position and exposure.

TRADING-ORIENTED BUSINESS MODEL

NORDEN

Asset Management

Asset trading and active management of cyclical market exposure within dry cargo and product tanker segments

Medium-to-long-term market focus (>2 years)

Dry Operator

Global transport solutions and active management of short-term market exposure in the dry cargo market

Short-term market focus (<2 years)

Tanker Operator

Global transport solutions and active management of short-term market exposure in the product tanker market

Short-term market focus (<2 years)

Asset-light

- Short-term trading-oriented operator activities
- Asset trading oriented shipowner activities
- Less capital intensive
- Risk management as core part of business

Agile

- Resilient business based on active management of shipping portfolio
- Responding to changing customer demands
- Capitalising on market volatility
- Leveraging data and strategic partnerships

Generating higher returns to shareholders

BUSINESS UNIT VALUE DRIVERS

	Market exposure	Regional exposure	Options	Employment arbitrage	Clip deals	Vessel selection	Vessel operation	Minimising ballast	Technical management	Pool management
	Taking a view on market direction and managing exposure	Taking a view on regional rate developments	Securing and realising value of optionality (period and purchase options)	Choosing between cargoes, T/C-out and FFAs to fix income	Securing margin on a single voyage performed on a third party vessel with a minimum of market risk	Evaluating earnings capacity of owned and chartered tonnage	Speed setting, cargo handling and port operations	Optimising the matching of COAs and market cargoes with available vessels	Safe, reliable and cost-efficient technical management of owned fleet	Generating fees as commercial manager
Asset Management	✸		✸			✸			✸	
Dry Operator	✸	✸	✸	✸	✸	✸	✸	✸		
Tanker Operator	✸	✸	✸	✸		✸	✸	✸		✸

STRATEGY:
TRADING TO THE NEXT LEVEL - CURRENT FOCUS AREAS

Clients – access and liquidity

- Nurture relations to become first choice for clients
- Drive volume growth in two operator business units
- Offer low-carbon transportation options as part of our commitment to the UN Sustainable Development goals (SDG)

Data as an asset

- Build strong data platforms giving users easy access to relevant and reliable information
- Enable process automation and scale efficiency
- Use data to drive continuous improvements

Advanced analytics

- Harvest the power of data to improve decision-making
- Develop predictive trading tools
- Develop decision support applications for efficient voyage execution

New risk management capabilities

- Professionalise risk management framework covering Group and business units
- Support trading mentality and delegation of decision-making through reliable risk monitoring
- Improve capital efficiency through disciplined risk capital allocation process

Leading transformation

- The transformation of NORDEN requires a strengthened focus on change leadership
- Use technology to be more relevant and proactive towards customers - while still prioritising personal connectivity in a digitised world

HIGHLIGHTS 2020

- Achieved 11% activity growth
- New focus on soft oil (vegetable oil) segment
- Partnership with Diamond S Shipping to commercially manage 28 MR product tankers
- New Handysize team in Singapore allowing Dry Operator to better service clients in the Pacific Ocean

- Implemented new master data setup for counterparties
- Implemented new automatic forecasting tool for earnings and cash flows
- Together with a partner developing data-based pricing tool for better voyage estimation

- Established Advanced Analytics team
- Implemented sophisticated route guidance and speed setting set-up based on data for vessel performance, bunker prices and market data
- Implemented first algorithmic FFA trading models

- Implemented new Group risk framework and own developed risk system
- Completed implementation of new bunker hedge framework
- Implemented new disciplined process for capital allocation

- Outsourced technical management of Tanker vessels to third party
- Moved certain Finance functions to Cyprus and Singapore

EQUITY STORY

As a long-term investment, the NORDEN share is based on the Company's asset-light and agile business model, enabling transparent value creation and a cutting-edge approach to volatile markets based on leading operator and asset trading and risk management activities.

Combined with considerable optionality on leased vessels, the NORDEN share represents much more than net asset value.

The long-term resilience and value is reflected in the outperformance on total shareholder returns over a long-term period – providing attractive shareholder returns based on low capital needs.

Leading market position in dry cargo and tankers

With diversified income and market exposure

Trading-oriented and agile business

Asset-light business model with agility to capitalise on market volatility and access to considerable vessel optionality

Preferred choice for clients

Staying close to clients across 11 offices on 6 continents, understanding their specific needs

Leveraging data as an asset

Enabling competitive advantage through enhanced operational foundation

Outperforming peers on total shareholder returns

Paying out minimum 50% of Adjusted Result in shareholder dividends

SHAREHOLDER INFORMATION

Master data

Share capital	DKK 40.7 million
Total number of shares	40,700,000 of DKK 1
Treasury shares (NORDEN)	2,894,467
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq OMX Copenhagen
Ticker symbol	DNORD
ISIN code	DK0060083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

Shareholder return

NORDEN's share price increased during 2020 from DKK 106.7 to DKK 109.6. When including a dividend of DKK 2.5 per share, the total shareholder return measured in USD was 5.1% in 2020. When looking at total shareholder returns in the period since 2015, the NORDEN share performed above the peer group of dry cargo and product tanker companies. During 2020, the NORDEN share considerably increased the margin relative to peers, during a year that has been characterised by market uncertainty. This signifies NORDEN as a relevant long-term investment due to its asset-light and agile business model.

Substantial increase in trading volume

On average, 174,508 shares were traded on a daily basis on Nasdaq Copenhagen in 2020, which is an increase of 50.3% compared to 2019. The average daily trading value on Nasdaq OMX Copenhagen was DKK 16.1 million against DKK 11.2 million in 2019.

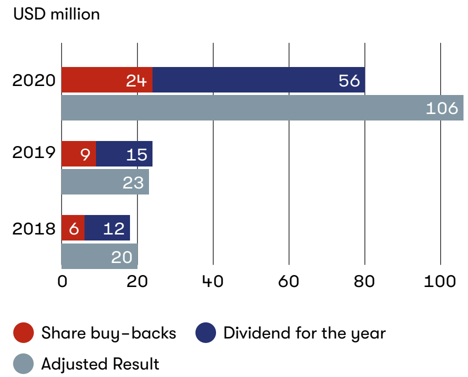
Share buy-backs and dividends

As a consequence of its strong performance and asset-light strategy, NORDEN continues to return capital to shareholders in the form of both dividends and share buy-backs. In 2020, a total of 1,506,000 shares were acquired in share buy-backs at a total purchase price of USD 24 million. As a result, NORDEN had 2,894,467 treasury shares at the end of 2020.

The Board of Directors recommends for approval by the general meeting that a dividend of DKK 9 per share is paid to the shareholders.

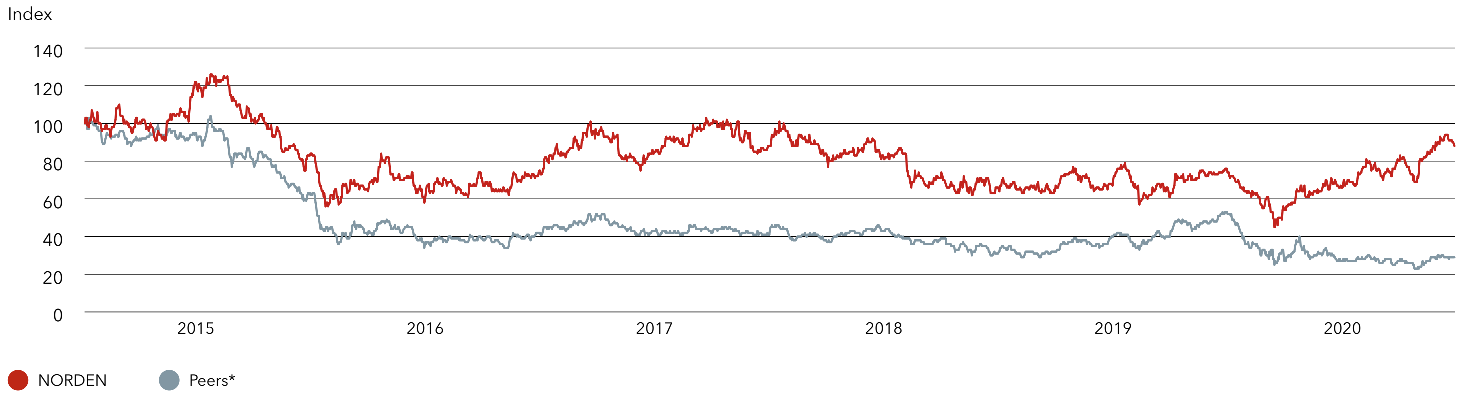
When combining share buy-backs and dividends, NORDEN has returned approximately USD 133 million to shareholders since 2018, when including the dividend recommended by the Board of Directors for 2020.

Shareholder returns 2018-2020



The dividend amounts outlined exclude treasury shares held by NORDEN.

Total shareholder return* over 6 years (1/1 2015 = 100)



*The total return measured as the total value of dividend payments and share price increases expressed in USD.

The total return of the peer group is calculated based on 10 dry cargo companies (Safe Bulkers, Diana Shipping, Golden Ocean, Pacific Basin, Scorpio Bulkers, Navios Maritime Holdings, Eagle Bulk, Star Bulk, Genco, and Dry Ships) – each weighted by their market capitalisation – and 8 product tanker companies (Concordia, D'Amico, Teekey Tankers, Scorpio Tankers, Ardmore Shipping, Torm, Navios Maritime Acquisition, and Diamond S Shipping) – each weighted by their market capitalisation – the average return of which is weighted on a 60/40 basis in favour of dry cargo companies from 2015-17, whereas the weighting is on a 50/50 basis from 2018 onwards.

SHAREHOLDER INFORMATION

Currently, the Board of Directors has a 1-year authority to acquire treasury shares at market price up to a nominal value not exceeding 10% of the share capital and a 5-year authority to increase the share capital by a nominal value of 10%. The latter is effective until April 2021.

Investor relations

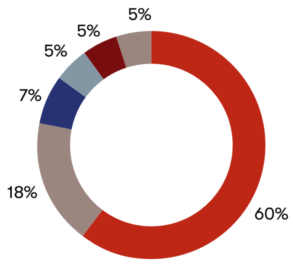
During 2020, NORDEN has had ongoing dialogue with analysts and investors, and following the COVID-19 outbreak, a number of dialogues and presentations have been held online. The share was monitored by 7 analysts at year-end 2020.

Disclosure regarding change of control

The Danish Financial Statements Act requires listed companies to disclose information in relation to change-of-control provisions. In the event of a change of control in the Company, bank agreements can be subject to renegotiations. No other important agreements are in place with business partners, which could be terminated in case of a change of control.

Share price development 2020

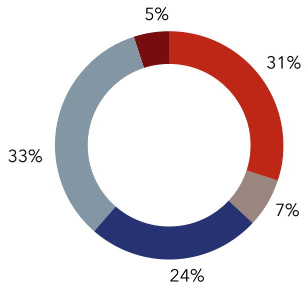
Shareholder nationality



- Denmark
- USA
- Luxembourg
- Ireland
- United Kingdom
- Other

* International ownership share counted 632 registered share-holders, in aggregate owning 39% of the share capital

Composition of shareholders



- A/S Motortramp, Stensved, Denmark
- NORDEN (treasury shares)
- Other top 20 shareholders
- Other registered
- Non-registered

* Of the total share capital at 31 December

RISK MANAGEMENT

In volatile markets, active and smart management of freight and asset price risks is a core part of the value creation in NORDEN.

Active risk management plays a key role in NORDEN's goal to generate attractive risk-adjusted returns in fluctuating markets. It is NORDEN's policy to only assume material risks within the commercial aspects of its trading and shipping operations, i.e. freight and asset values. Other risk factors are mitigated to the extent possible.

Our market presence, combined with strong relationships with customers and tonnage providers all over the world, gives access to market liquidity and insight that most of our competitors do not have.

This access to market liquidity and insight, combined with in-house research and sophisticated trading models, is used to create further margins by taking calculated risk where we take positions in the market by booking vessels and cargoes.

Continued strengthening of Risk Management

NORDEN's risk management capabilities have been significantly strengthened in recent years with the establishment of both a Risk Committee under the Board of Directors and a separate Risk Management team.

The purpose of the Risk Committee is to assist the Board of Directors in its oversight of the Group's overall risk-taking tolerance and management of market, credit, and liquidity risks.

The Risk Management team consists of 9 people with backgrounds within mathematics, physics, finance and shipping. The responsibility of the Risk Management team is to identify, quantify, monitor and report risk use and limits to the Board of Directors, the Risk Committee, Executive Management, Business Unit leaders and Profit Center leaders.

To make sure that the Risk Management team is an integrated part of daily business, it is situated directly on the trading floor with the chartering teams, enabling the team to manage their mandate, challenge their positions, provide regular and ad hoc analysis and advise on risk optimisation and reduction.

New Group market risk framework implemented to support trading focus

Following the implementation in 2018 of a new market risk framework for Dry Operator, the focus has been to establish similar market risk frameworks for the Group and the two other business units. The new Group market risk framework was successfully implemented during 2020 and includes a formalisation of the connection between market risk capital and market risk limits.

New Group bunker risk framework provides protection from volatile bunker markets

The new bunker risk management framework, which was implemented in the second half of 2019, has provided strong protection against the extraordinarily volatile bunker prices during 2020 due to new IMO regulations, OPEC production increases and severe demand destruction due to the COVID-19 pandemic.

Continued focus on credit risk

A new credit risk framework will be implemented during 2021. As for the market risk framework, the credit risk framework will include a formal connection between credit risk capital and credit risk limits, ensuring that the freight traders take all variables into consideration when entering new business with the ultimate target to provide the best risk-adjusted return.

Keeping up with growing sanctions compliance requirements

As the use of sanctions is continuously increasing, combined with these sanctions becoming more complex, the Group has during 2020 increased its focus on sanctions compliance by adding a dedicated Sanctions Compliance Officer as part of Risk Management. The aim of this increased focus is to automate sanctions screening of counterparties and vessels even further, to ensure sanctions compliance and not least a continued sanctions compliance awareness by all employees in the Group.

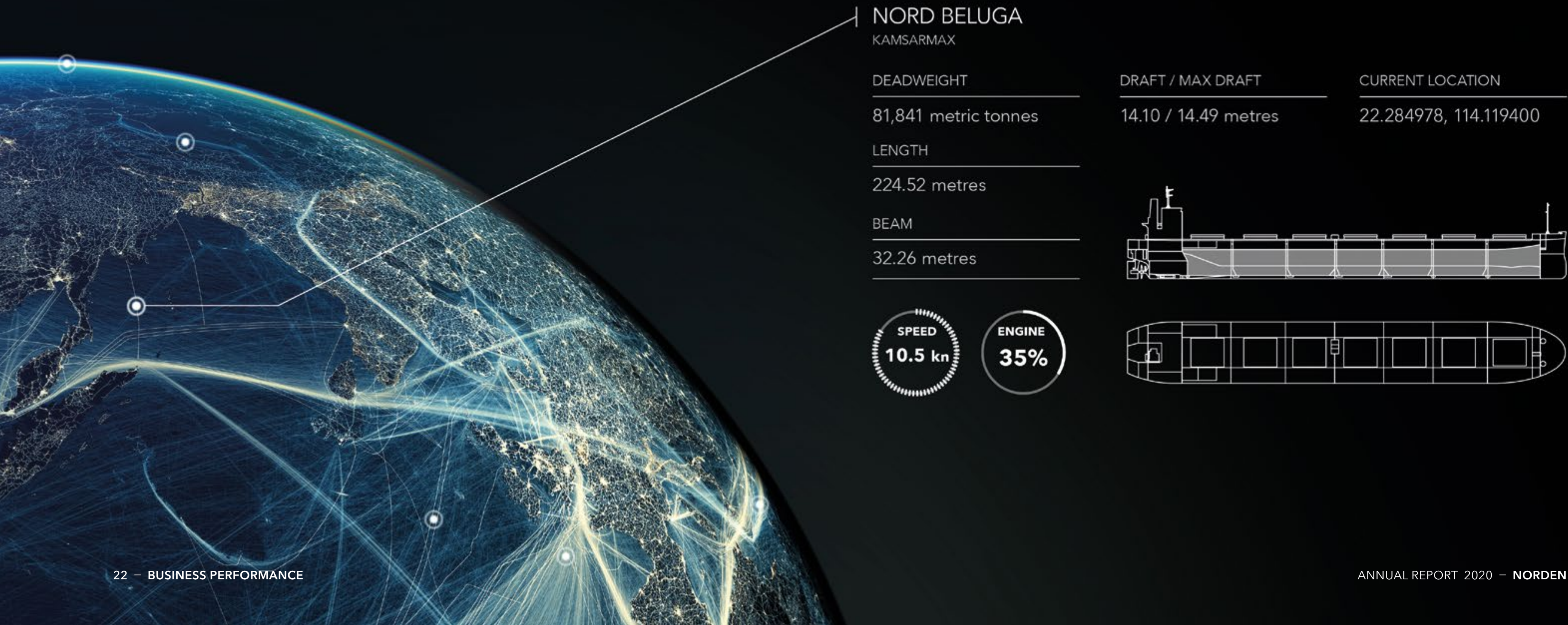
An updated sanctions compliance programme will be launched during the first half of 2021.

MATERIAL COMMERCIAL RISKS

Below is a review of the material commercial risks. For a review of the financial risks, refer to note 4.1 "Financial risk management" on page 92.

	Risk	NORDEN mitigation
Risks actively taken		
Freight rate risks	Chartering vessels in and out, and booking cargoes carry risks as the Group assumes financial liability in expectation of generating earnings which are dependent on the freight market.	NORDEN actively manages its freight exposure to optimise its risk-adjusted return using charter contracts, cargo contracts and freight derivatives. Actions are guided by extensive market research and controlled through specific limits set per business unit.
Vessel value risks	Changes in vessel values have a significant impact on the value of the Group, both directly on the value of the owned fleet and indirectly through the value of purchase options.	NORDEN is actively engaged in buying and selling vessels in order to optimise the risk-adjusted return on owned vessels both by benefiting from market changes and improving the earnings potential of its own vessel portfolio. Actions are guided by extensive market research and insight into vessel performance characteristics. Risks are controlled through specific limits and maintenance of a prudent capital structure.
Other risk factors		
Bunker price risk	The Group's largest variable cost is fuel in the form of bunkers. When entering cargo contracts at a fixed price, earnings from such contracts are very dependent on changes in the bunker price. Furthermore, in connection with charter in and out agreements, the Group has a bunker price risk in relation to the quantity of bunkers onboard and the quantity the vessel must be redelivered with. For vessels where a scrubber has been installed, the Group is subject to a risk related to the spread between high sulfur and low sulfur fuel.	The Group uses bunker swaps to hedge bunker risk. However, the price spread risk in relation to scrubbers is only partly hedged, mainly by T/C contracts but also by using bunker swaps.
Counterparty risks (Credit risk and sanctions risk)	The Group engages with a significant number of counterparties covering cargo and charter out clients, and various suppliers including tonnage providers, bunker suppliers, shipyards, etc. This involves the risk that the counterparty does not perform or becomes subject to sanctions.	NORDEN reduces its counterparty risks through systematic assessment and monitoring of their creditworthiness and sanctions risk. For this purpose, own analyses are applied based on input from external credit rating agencies, dedicated sanctions compliance software, regional and national sanctions databases and publicly available information. Each analysis results in an internal rating, which is subsequently used in NORDEN's determination of the allowed scope of the commitment.
Vessel related accidents (Oil spill and total loss)	When operating vessels, there is a risk of accidents which can be costly both in direct financial terms and for the environment. The most material risk events in this respect are oil spills and total loss (lost value of owned vessels, purchase options and charter parties).	The Group seeks to minimise accidents by operating a well-maintained fleet and by investing in crew education and good safety procedures. Financial risks are controlled by taking out insurances with recognised international insurance companies.
Piracy	In various places around the world, especially West Africa, the crew and vessel are at risk of pirate attacks aiming at theft and/or kidnapping.	NORDEN mitigates piracy risk through crew education, good safety practices and various protective installations on owned vessels. Furthermore, NORDEN has in place a company security function that assesses security risks on an on-going basis in conjunction with risk intelligence providers and military organisations.
IT & cyber security	NORDEN's operations are very dependent on stable IT systems. This implies a risk related to unavailability of systems and data either due to technical malfunctions or external interferences such as hacking.	NORDEN mitigates its cyber security risks through strong procedures for back-ups, security upgrades etc. and ongoing awareness campaigns for employees. In addition, NORDEN has established a technical emergency capacity with an IT environment distributed on 2 locations with mirrored critical systems. In addition, the Group has established an IT Disaster Recovery Plan involving the entire organisation and supporting the IT Department in setting up emergency operations as soon as possible after a disaster or cyber security incident.

BUSINESS PERFORMANCE



GROUP FINANCIAL REVIEW

- Adjusted Result of USD 106 million
- Return on equity of 9.8%
- Cash flow from operations of USD 396 million

Financial highlights 2020

The Group delivered a strong financial performance with an Adjusted Result of USD 106 million in 2020 in line with the updated expectations announced in November 2020. This corresponds to a return on equity of 9.8%. The net result for 2020 including the effect of vessel sales was USD 86 million (USD 19 million). In Q4, the Group realised an Adjusted Result of USD 21 million. All three business units were profitable in 2020, however, Dry Operator in particular delivered an outstanding result.

Benefitting from improvements in the dry cargo market and a high degree of cover in a declining tanker market, Asset Management delivered an Adjusted Result of USD 29 million (USD -3 million).

Dry Operator generated an Adjusted Result for the year of USD 59 million (USD 8 million). After a challenging period in the beginning of 2020, Dry Operator had positioned itself well for the anticipated upturn in the second half of the year and delivered its best result since the business unit was established in 2017.

After a strong first half-year, tanker spot rates decreased significantly in the second half-year. Navigating these volatile market conditions, Tanker Operator generated an Adjusted Result of USD 18 million for the year similar to the Adjusted Result in 2019 (USD 18 million).

Financial position 2020

NORDEN maintains its strong financial position in 2020 with an equity ratio of 49.5% (49.3%).

NORDEN's total assets increased to USD 1,825 million in 2020 (USD 1,742 million), and Group equity increased to USD 903 million (USD 859 million). The increase in equity can mainly be explained by the retained earnings less ordinary dividend payments of USD 16 million and share buy-backs of USD 24 million.

Positive cash flows

Cash flow from operating activities was USD 396 million in 2020 compared to USD 281 million in 2019. The increase is mainly driven by a positive change in EBITDA and improvement in net working capital, which added USD 37 million in 2020.

Cash flow from investing activities was USD –45 million, mainly due to investments in dry cargo vessels, which were only partially offset by proceeds from sale of tanker vessels. Cash flow from financing activities was USD –228 million, mainly due to repayment of loans and instalments on lease liabilities. NORDEN paid out ordinary dividends of USD 16 million and used USD 24 million to buy back shares.

Total cash and cash equivalents increased by USD 123 million to USD 332 million (USD 209 million) which compares to total bank debt of USD 320 million.

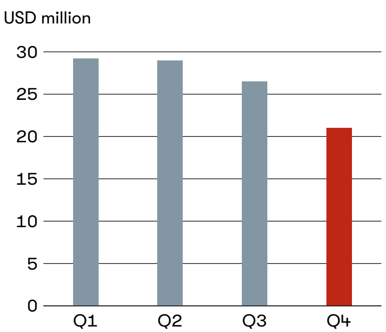
As of 31 December 2020, NORDEN had undrawn credit facilities of USD 120 million.

Impairment assessment

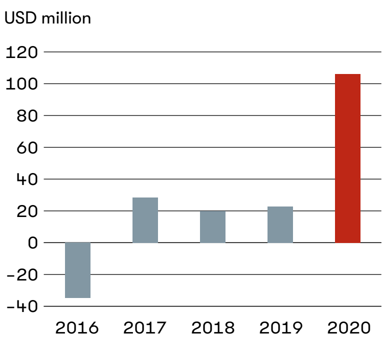
NORDEN has at year-end 2020 performed an impairment test for the CGUs Dry Cargo and Tankers, and based on this, Management has assessed that the long-term values of the fleet in the two CGUs support the carrying amounts of the Group's vessels and right-of-use assets, etc.

Accordingly, Management assessed that there is no need for impairment or reversal of previously recognised impairments. The assessment is obviously subject to uncertainty. For a more detailed description, refer to note 3.1 "Tangible assets" in the Consolidated Financial Statements.

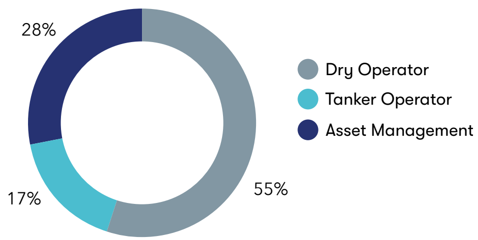
Adjusted Group Result by quarter 2020



Adjusted Group Result last 5 years



Adjusted Group Result per business unit



ASSET MANAGEMENT

Asset Management manages NORDEN's long-term exposure consisting of owned vessels, long-term chartered vessels as well as long-term coverage contracts.

Highlights 2020

Results

29
Adjusted Result USD million

918
Market value of vessel portfolio USD million

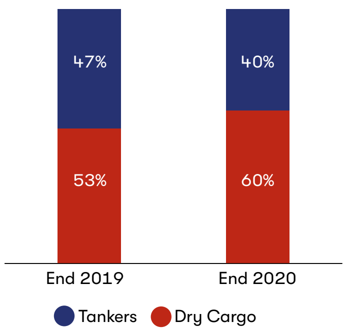
Fleet overview

44
Owned vessels

67
Leased vessels

66
Purchase options

Relative fleet composition



ASSET MANAGEMENT

- Adjusted Result FY2020: USD 29 million
- Moving exposure from tankers to dry cargo

2020 results and activity

The full-year Adjusted Result for Asset Management amounted to USD 29 million (USD -3 million).

In anticipation of a strong tanker market and relatively weak dry cargo market in 2020, Asset Management entered the year with substantial exposure towards tankers rather than dry cargo. This portfolio decision created good results, especially in the first half of 2020, with strong tanker rates and a weak dry cargo market.

During 2020, Asset Management adjusted its portfolio exposure away from tankers and back towards dry cargo. The tanker markets were very strong in Q2 2020, but were believed to be short-lived as much of this strength was driven by building up massive inventories. As liquidity slowly returned to the asset markets in the second half-year, NORDEN reduced its exposure by selling 4 second-hand vessels and further accelerated the portfolio shift by increasing the exposure to the Dry Cargo segment.

During the year, NORDEN utilised the low asset prices and period rates to add a total of 21 vessels, consisting of 9 owned and 12 leased vessels. These transactions are part of Asset Management's active portfolio management, which is reflective of the business unit's asset trading approach and should not be interpreted as an intention to build up large untradable positions in dry cargo assets. To this point, 2 newbuildings and 1 active vessel have already been resold on agreements, by which they are leased back on time charter (T/C) contracts with attractive optionality.

Current fleet and value

The total value of the Asset Management portfolio is driven by both asset valuations as well as the development in mark-to-market value of the portfolio of leased vessels. At year-end, NORDEN owned a total of 44 vessels incl. newbuildings, of which 23 are in the Dry Cargo segment and 21 are in the Tanker segment. Based on the average of 2 independent broker valuations, the market value of NORDEN's owned vessels and newbuilding orders at year-end, including joint ventures and assets held for sale, was estimated at USD 834 million with 56% in Dry Cargo and 44% in Tankers. This is a decline of 3% compared to the end of 2019 for vessels owned throughout the year.

In addition to owned vessels, Asset Management controls an extensive fleet of leased vessels with an estimated positive market value of USD 84 million including options. A large part of the leased fleet has been covered through FFAs or T/C-out contracts to the two operators or external charterers. A detailed overview can be found on NORDEN's website.

Key figures and financial ratios

USD million	2019 Total	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 Total
Revenue	384.6	106.7	98.5	106.3	103.9	415.4
Contribution margin	180.7	57.6	59.6	58.3	54.1	229.6
Overhead and administration costs	-21.8	-5.1	-5.0	-6.2	-4.9	-21.2
EBITDA	158.9	52.5	54.6	52.1	49.2	208.4
EBIT	24.6	12.0	17.2	13.1	-6.6	35.7
Adjusted Result for the period	-2.7	7.1	11.2	5.7	5.0	29.0

Asset Management TCE, USD per day

Dry Cargo	Days	TCE
Handysize	2,001	11,166
Supramax	9,614	11,047
Panamax	6,803	13,163
Tankers		
Handysize	3,182	13,743
MR	10,418	16,106
LR1	605	19,064

Asset Management fleet

	Dry Cargo	Tankers	**Total**
Active fleet			
Owned vessels [1]	16	21	37
Leased vessels [1) 2)]	38	15	53
Total active fleet	**54**	**36**	**90**
For delivery			
Owned vessels[1]	7	-	7
Leased vessels[1) 2)]	6	8	14
Total for delivery	**13**	**8**	**21**
Purchase options	45	21	66[3]
Period option days	43,160	14,914	58,074

1) Incl. J/Vs and sold vessels for future delivery
2) Minimum lease period in excess of 2 years
3) Purchase options include options on leased vessels for delivery
NORDEN has made sale-leaseback contracts on 3 of the owned vessels above. In the financial statements, these vessels are still considered to be owned vessels, but in the above table, they are included as leased vessels

ASSET MANAGEMENT

A vast majority of the leased tonnage comes with significant optionality through both period and purchase options, providing NORDEN with substantial upside in rising markets. In total, Asset Management holds 58,000 optional days, supplemented by purchase options on 66 vessels.

The market value of the leased dry cargo fleet has increased as forward rates have improved on the back of a strengthened outlook for the segment. The value of the Tanker portfolio has decreased in the second half of the year due to deteriorating forward rates.

Technical management and operations

In line with the strategy to separate the business into vessel owning and operator activities, NORDEN has transferred its vessel owning activities (including all owned vessels and other related assets and liabilities) to a newly established subsidiary, NORDEN Asset Management A/S, with effect from January 2020.

Furthermore, in order to facilitate the increasing focus on trading of assets and being a more agile owner, the Company established a joint venture with Synergy Marine Group, taking over the responsibility of the technical management of NORDEN's owned tanker fleet. The new structure is expected to result in significant cost savings, which, in combination with expected savings from the centralising of certain finance functions earlier in the year, will amount to USD 7-8 million on an annual basis.

Crew changes became a challenge during 2020, and as a result, our seafarers experienced long periods at sea and difficult working conditions. We would like to thank all seafarers on board NORDEN's vessels, as well as our onshore employees for their extraordinary efforts in this unprecedented situation.

Update on scrubbers

NORDEN has a total of 20 exhaust gas cleaning systems (scrubbers) installed on its owned vessels and 18 on leased vessels. The profitability of the scrubber installments has been highly volatile with an oil price spread between high sulphur fuel oil (HSFO) and very low sulphur fuel oil (VLSFO) of more than USD 250 per tonne in the early parts of 2020, which then fell to below USD 60 dollars per tonne later during the year as the COVID-19 pandemic negatively impacted oil demand.

Looking ahead, market projections indicate a strong recovery in the oil price spread in the coming years. Although the profitability of the scrubbers is lower than expected, NORDEN remains convinced that the investment will yield an attractive return overall.

Asset Management values

USD million	Dry Cargo	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	464	370	834
Estimated market value of T/C and cover portfolio (incl. optionality)	44	40	84
Total Asset Management portfolio value	508	410	918
Market value of owned vessels vs. carrying amounts	-31	-79	-110

CAPEX

USD million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Total
Newbuilding payments and second-hand purchases	27	5	9	5	65	32	-	143
Other CAPEX*	-	4	-	4	4	6	2	20

Future payments to NORDEN from sold vessels: USD 80 million.

* Other CAPEX includes ordinary dockings, acquisition and installation of scrubbers and ballast water treatment systems

Asset Management fleet development 2020

	Dry Cargo	Tankers*	Total
Fleet, beginning 2020	**53**	**46**	**99**
Purchase of secondhand tonnage	3	-	3
Contracted newbuildings	6	-	6
New leases	10	2	12
Expired leases	-4	-1	-5
Sale of owned vessels	-1	-3	-4
Fleet, year-end 2020	**67**	**44**	**111**

* Beginning of year fleet adjusted to only include tanker vessels that are part of the Asset Management business unit

ASSET MANAGEMENT

Tanker market 2020 - asset prices and forward rates

During the strong market in the first half of the year, period rates spiked but subsequently declined significantly as the spot market deteriorated. Asset values have also declined during the second half of 2020 by 5% in dry cargo (Supramax) and 11% in tankers (MR).

The global COVID-19 pandemic and consequent country-wide lockdowns led to unprecedented demand erosion of oil products. Paradoxically, this had a positive effect on the market rates as continued high crude oil output caused a collapse in the spot crude oil price and a scramble for tankers to store oil.

The product tanker market cooled down significantly moving into the second half of the year as both OPEC+ and non-OPEC countries decided to reduce oil production.

Operational challenges and COVID-19 related lockdowns had an adverse effect on the liquidity in the tanker asset markets during Q2. Physical inspections, crew changes and many ships stuck with cargo onboard were significant challenges for conducting asset transactions, and liquidity decreased fast during this period. The conditions improved after summer when liquidity returned to more normal levels.

Tanker market outlook

NORDEN expects asset values and period rates to remain subdued during the first half of 2021, and only gradually recovering during second half of the year, in line with global easing of COVID-19 lockdown measures and return of international travel. Further, the product tanker market will be held back by a crude tanker market suffering under the greatly reduced production of crude oil.

As global vaccine programs start to have a material impact on oil demand during the second half of the year, the rebound in oil demand is expected to positively impact tanker spot rates and ultimately also period rates and asset values.

Dry cargo market 2020 - asset prices and forward rates

Following gradual decreases in dry cargo asset values since mid-2018, both asset values and forward rates faced another downturn in the beginning of 2020.

During early 2020, the overall dry cargo trade was impacted hard, and spot rates dropped markedly. Market conditions were much healthier in the second half of 2020, although the improvements were mainly seen in period rates, whereas asset values only began to show improvements towards year-end.

The improvements in the market may indicate that the industry overall believes the negative effects from COVID-19 to be somewhat temporary, with expectations of stimulus-led commodity consumption ultimately compensating for the short-term drop in economic growth.

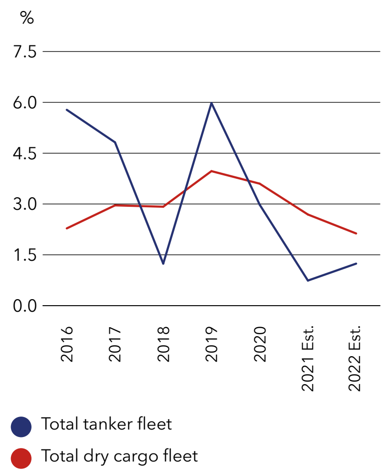
Asset values (10-year old) Supramax and MR

Source: Clarksons

1-year T/C rates Supramax and MR

Source: Clarksons

Global fleet growth, net



Source: Clarksons

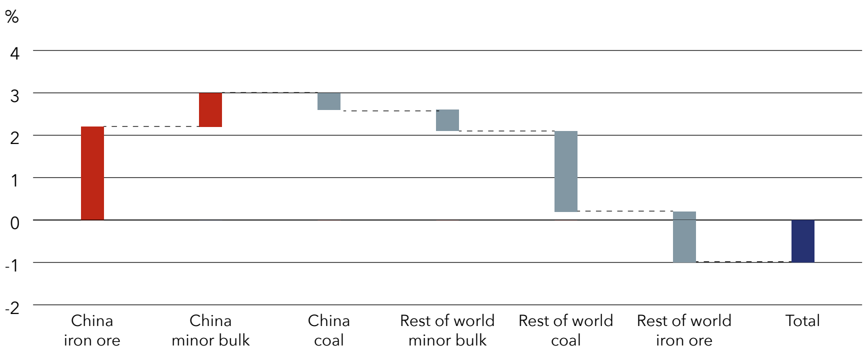
ASSET MANAGEMENT

Dry cargo market outlook
The improvement in dry cargo markets in the second half of 2020 is expected to continue as we move towards 2021 and 2022, leading to both higher period rates as well as asset prices.

As during 2020, the development of the dry cargo market will continue to depend on the developments of COVID-19 as the degree of country-wide lockdowns will continue to influence commodity demand. It is expected that the global economic activity will recover during 2021 and 2022, driving a rebound in demand for dry cargo vessels, and this will also support spot markets. While the improvements in 2020 were very much driven by China, it is expected that the rest of the world will become a key driver of improved market activity in 2021 and 2022.

Vessel ordering has been very limited in recent years, and in 2020, merely 13.5 million deadweight tonnes were ordered, which corresponds to 1.5% of the current global fleet. As the average vessel age of the world fleet is still fairly young, supply growth in 2021 and 2022 is expected to remain at low levels of 2-2.5% per year.

Dry cargo demand growth in 2020



Source: NORDEN AIS system TRACS

DRY OPERATOR

Dry Operator provides global transport solutions and active management of NORDEN's short-term market exposure in the dry cargo market.

Highlights 2020

Results

59
Adj. Result USD million

559
Adj. Result per vessel day, USD

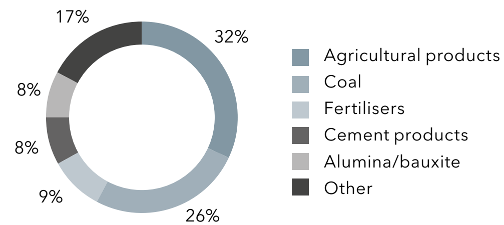
Activity

294
Average no. of total vessels operated

100 Panamax
120 Supramax
74 Handysize

104,662
Total vessel days

Main commodities



DRY OPERATOR

- Adjusted Result FY2020: USD 59 million
- Outstanding result based on proactive management of position
- Volatile 2020 was the ultimate test of Dry Operator's business model

Results and activity 2020

The full-year Adjusted Result for Dry Operator amounted to USD 59 million (USD 8 million), which equals a great return for the asset-light business unit. NORDEN experienced record-high activity levels measured in the amount of vessel days during 2020, operating with an average fleet size of 294 vessels throughout the year. Total operated days were 104,662 with an average contribution margin of USD 1,315. The average Adjusted Result per vessel day amounted to USD 559.

Throughout the first half of 2020, rates in the dry cargo market collapsed, creating very weak spot markets. Dry Operator had deliberately reduced its fleet ahead of the IMO 2020 transition at the end of 2019 and was therefore not as exposed to the initial reduction in market rates. To further bolster its resilience during this period, the business unit incorporated a higher degree of upfront cargo contracts relative to tonnage, allowing the unit to subsequently take in vessels on the low spot and period rates in the wake of the COVID-19 outbreak. As part of this, Dry Operator managed to capture value from good arbitrage and short-term activity in the market. During a very challenging first half of 2020, Dry Operator proved its resilience and ability to navigate in a declining market, delivering a break-even result for the first half-year.

Moving into the second half of 2020, Dry Operator increased its operating fleet size, allowing the unit to engage in more activity as the market slowly recovered. Dry Operator had utilised the lower rates in Q2 to proactively charter in short-term vessels on backhaul voyages that could create opportunities in the following quarter. As the dry cargo market gradually recovered in Q3, Dry Operator had regionally positioned these vessels to make use of the short-term opportunities created by the gradual recovery, allowing NORDEN to make substantial margins on the return voyages.

During the remainder of 2020, the business unit continued to ensure favourable market positions as demand gradually improved. The Q4 result was slightly lower than the result for Q3 and was achieved by taking only a limited amount of market risk during the period. Activity levels measured in vessel days rose by 32% from Q1 to Q4, increasing the business unit's market share in the dry cargo segment.

Key figures and financial ratios

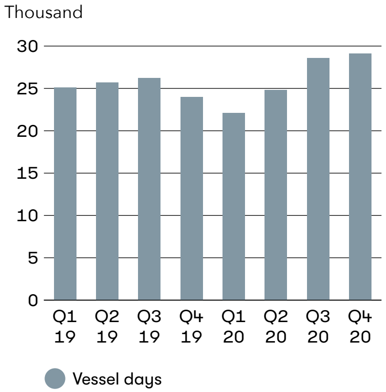
USD million	2019 Total	2020 Q1	Q2	Q3	Q4	2020 Total
Revenue	2,065.6	435.8	437.7	539.7	601.6	2,014.8
Contribution margin	66.9	21.6	10.2	53.9	51.9	137.6
Overhead and administration costs	-38.6	-10.3	-8.9	-16.0	-17.5	-52.7
EBITDA	28.3	11.3	1.3	37.9	34.4	84.9
EBIT	13.1	6.7	-3.0	31.8	28.0	63.5
Adjusted Result for the period	8.0	4.4	-4.0	30.8	27.3	58.5
Vessel days	100,997	22,133	24,806	28,604	29,119	104,662
Adj. Result per vessel day (USD/day)	79.2	198.8	-161.3	1,076.8	937.5	558.9

Developments in Dry Operator

Throughout the year, Dry Operator's extensive market access and presence enabled the unit to identify and match the best cargo and vessel contracts on the global market. When combined with the unit's positioning capabilities, this has generated a very strong result for 2020. In line with this, Dry Operator benefitted from an increasing number of customers (shipowners and cargo customers), who sought a financially stable and commercially reliable partner during very volatile and unpredictable markets. NORDEN has managed to keep hold of these customers even after the initial transactions, seeing this as a testament to the way we conduct our business, nurture client relations as well as our ability to stay financially sound and have access to liquidity during times of global crisis.

Dry Operator's ability to anticipate and capitalise on market shifts is reinforced by

Dry Operator activity levels

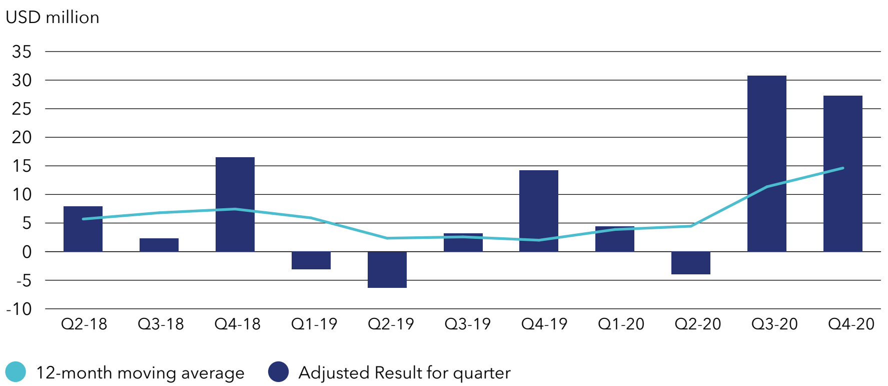


DRY OPERATOR

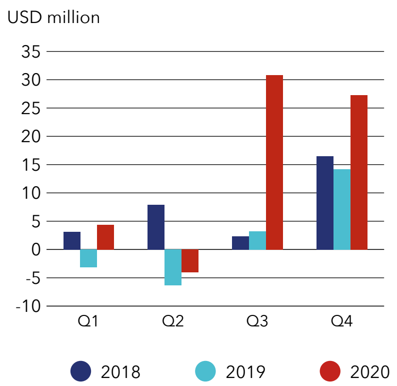
the agile business model established by Dry Operator and which is continuously evolved with new strategic capabilities. A key example is having the liquidity to take in short-term vessels on backhaul voyages, even though this presents an upfront cost that will only be recovered in the following quarter. The strengthened business platform also allows for continuous adjustment of the unit's relative position towards either cargo or tonnage contracts, depending on the market outlook. In addition, the enhanced risk management framework allows Dry Operator to make better market decisions and precisely assess the risk taken on each voyage as well as on a portfolio level. On top of this, the business unit's predictive analytics helped spot opportunities for short-term upsides during the year. These favourable attributes allowed Dry Operator to not only stay resilient during volatile markets, but have also enabled the business unit to find and utilise market opportunities amid the volatility. The bunker risk framework introduced last year continues to protect the value of bunker inventories onboard the operated fleet in times of oil price volatility.

Dry Operator also continues to strengthen its client-driven focus by expanding its range of integrated solutions, for example with logistics optimisation services, which helps attract new customers and adds to the record-high activity levels. A key characteristic for the business unit is the underlying trading mentality, allowing separate teams to focus exclusively on their individual portfolio and levels of risk taken within the risk framework. Further, a new Handysize team was established in Singapore in the second half of 2020, allowing Dry Operator to provide better Handysize services for clients operating in the Pacific Ocean. Already being a major player within the Panamax and Supramax vessel types, NORDEN aims to be among the top three players within Handysize in the Pacific. Finally, NORDEN moved its office from Mumbai to Dubai expanding its activity in the entire region.

Quarterly Adjusted Result and 12-month moving average



Dry Operator Adjusted Result by quarter



Seasonality in results

The Dry Operator business is subject to seasonality, partly from the normal rate seasonality that exists in dry cargo as well as the regional positioning of NORDEN's vessel types Handysize, Supramax and Panamax. Together with coal, the key commodity for these vessel types is grain, and the seasonal trading patterns are highly driven by the harvest seasons in the North and South Atlantic. Especially during the first half of the year, NORDEN positions vessels to the relevant geographic regions, often done with low-paying cargoes or even in ballast. In subsequent quarters, the vessels will then execute fronthaul voyages with grain at high-paying rates. This is often reflected in the relatively higher results achieved during the second half of the year. Therefore, the results of a given quarter should not be evaluated by itself but rather viewed in the context of long-term average developments.

DRY OPERATOR

Market development in 2020

The year started with an Atlantic trading market generally performing better than the Pacific, and any signs of margins ahead of the South American grain season quickly evaporated as the negative effects of the COVID-19-related demand weakness started to impact global markets. At the beginning of Q2, the dry cargo spot market continued to be very weak with average Supramax and Panamax rates being close to OPEX costs, driven by the macro-economic weaknesses and global lockdown hampering commodity demand, and leading to port closures in both export and import regions. In the last few weeks of the second quarter, both forward rates and spot rates started to improve, mainly driven by strong Capesize demand following increasing Chinese imports of iron ore and coal.

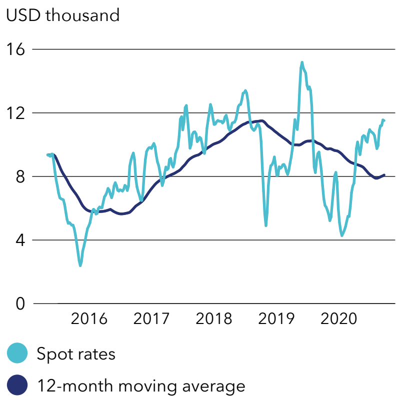
In the second half of 2020, the dry cargo spot market continued to improve with about 70% of the dry cargo growth placed in China. The Chinese economy continued to drive imports supported by infrastructure stimulus packages and high demand for grain and soy beans. This demand created opportunities for regional positioning of the fleet towards favourable Pacific voyages.

On the export market side, Brazil showed an uptake in iron ore shipments, and the coal trade gradually increased towards the end of the year. Some uncertainty evolved on the back of an ongoing trade dispute between China and Australia. While these disruptions posed some initial disruption, the volatility creates opportunities for new voyages for a company like NORDEN as China will import from a broader range of countries, whereas Australia is forced to export coal and grains to other nations. While the dry cargo market continued to improve, there was also uncertainty as to the ongoing impact of the COVID-19 pandemic towards year-end.

Looking towards 2021

We believe in the seasonal effects driving the dry bulk market going forward, and the cyclical effects still being present. The underlying market demand is substantial and continues to move in the right direction with the Chinese economy continuing to be driven by strong stimulus packages, infrastructure-building and agricultural demand. In the event of the COVID-19 pandemic gradually losing its stronghold at the end of the first half of 2021, Dry Operator is expecting an improved second half of 2021. While there will be challenges in 2021, Dry Operator is able to adjust its market risk continuously and capitalise on short-term market opportunities that arise in the wake of the ongoing market volatility.

Supramax spot rates



Source: Clarksons

TANKER OPERATOR

Established in early 2020, Tanker Operator provides global transport solutions and active management of NORDEN's short-term market exposure in the product tanker market.

Highlights 2020

Results

18
Adj. Result USD million

408
Adj. Result per vessel day, USD

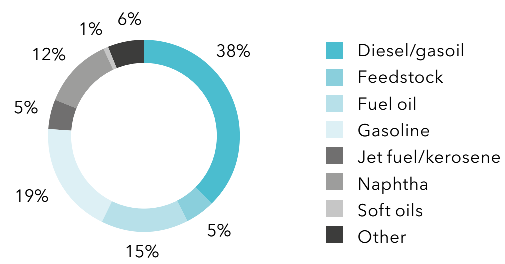
Activity

117
Average no. of total vessels operated

69 MR
48 Handysize

44,668
Total vessels days

Main commodities



TANKER OPERATOR

- Adjusted Result FY2020: USD 18 million
- A polarised year with market rates initially surging, only to then plummet
- Mitigated worst effects through active management of positions

Results and activity 2020

The full-year Adjusted Result for Tanker Operator amounted to USD 18 million (USD 18 million) and is the result of a total of 44,668 vessel days handled by the business unit during the year, with an average Adjusted Result per vessel day of USD 408.

The business unit operated with an average contribution margin of USD 1,531 per vessel day based on an average fleet size of 117 vessels. The Tanker Operator fleet was on average 53 vessels, while the remaining 64 vessels were in commercial management as part of the NORDEN-owned Norient Product Pool.

2020 is the first year of reporting for Tanker Operator, being established as a separate business unit to provide efficient global transport solutions and active management of NORDEN's short-term market exposure in the product tanker market. The year was characterised by extreme volatility with very high spot rates during the first half of the year, which then plummeted to very weak levels in the second half of the year.

Key figures and financial ratios

USD million	2019 Total	2020 Q1	Q2	Q3	Q4	2020 Total
Revenue	433.0	142.8	147.9	93.1	89.5	473.3
Contribution margin	47.4	31.6	36.5	-1.5	1.8	68.4
Overhead and administration costs	-17.1	-6.2	-6.6	-1.4	-5.0	-19.2
EBITDA	30.3	25.4	29.9	-2.9	-3.2	49.2
EBIT	19.1	18.3	22.3	-9.7	-10.7	20.2
Adjusted Result for the period	17.5	17.7	21.8	-10.0	-11.3	18.2
Vessel days	35,223	9,543	10,796	11,972	12,357	44,668
Adj. Result per vessel day (USD/day)	496.8	1,854.8	2,019.3	-835.3	-914.5	407.5

In the months leading up to 2020, Tanker Operator had built up a significant position of time-chartered tonnage with good optionality in anticipation of a strong Q1 market. The business unit benefitted from this during the beginning of 2020 with strong spot rates and was able to actively manage its position in a strong market.

In anticipation of the weak second half of the year, Tanker Operator had already started reducing its market exposure and continued this during the rest of 2020 by redelivering expired vessels at the end of their contracts as well as renewing expired period vessels at lower daily rates. In addition, cover was taken through both forward freight agreements and chartering out vessels to third parties to reduce near-term exposure.

Developments in Tanker Operator

During 2020, Tanker Operator continued to anchor initiatives relating to NORDEN's strategic focus areas (see page 16) in order to focus exclusively on the operator function and fully cultivate a trading mentality in the business unit.

In the middle of the year, Tanker Operator entered into a partnership with Diamond S Shipping to commercially manage their product tanker vessels as part of the Norient Product Pool (NPP). Diamond S initially contributed 28 MR product tankers, increasing overall pool activity in NPP. This addition to the pool made it one of the largest product tanker operators in the world, generating income of USD 11 million from commercial management in 2020.

The strategic partnership with Diamond S Shipping is a key example of the development in Tanker Operator, leveraging the product pool business to bring in larger partners. This gives NORDEN a substantial presence in the spot market and even more flexibility to optimise the regional exposure of the fleet as well as managing its own share of vessels in the pool if the business unit needs to reduce market exposure.

During 2020, Tanker Operator increased its focus on soft oils as a way of diversifying its range of transported products and market exposure going forward. The critical mass in the NPP fleet built up via various partnerships has broadened Tanker Operator's range of IMO classified vessel types, opening up for transporting a broader product mix. With more IMO 2 classified vessels added to the pool, Tanker Operator is able to transport soft oils and intends to focus more on this market going forward.

Market development and outlook

At the beginning of 2020, market rates were high, driven by expectations for elevated transportation demand of clean petroleum products related to the IMO 2020 transition.

TANKER OPERATOR

Product tanker spot rates were generally strong throughout Q1, despite weakened oil demand due to the outbreak of the COVID-19 pandemic. With the decision by oil-producing nations to increase crude supply significantly, crude tanker rates quickly spiked and added renewed support to the smaller product tankers.

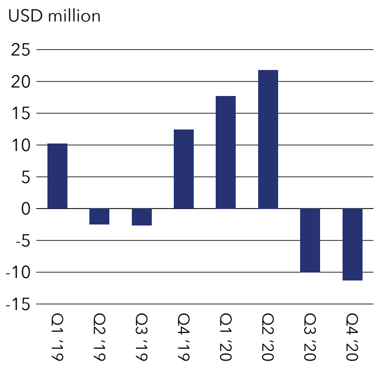
This oversupply of oil created a high demand for floating storage and elevated discharge waiting times, both of which reduced the available global fleet. By late April, product tanker rates rose to historically high levels combined with high volatility. While the oil-producing nations agreed to cut supplies, oil stocks continued to rise both on shore and on vessels. However, spot rates quickly dropped towards the end of Q2 as the release of floating storage and reality of weak underlying oil demand took effect.

Moving into the second half of 2020, spot rates continued to be very weak and impacted by significant reductions in global oil demand. In addition, the worldwide oil inventories built up during the first half of 2020 were still high, and this pressured the spot market rates for Handysize and MR, which fell below break-even levels. Global fuel usage continued to be low, especially in commercial and transport-oriented industries as the COVID-19 pandemic continued to hamper global transport at year-end.

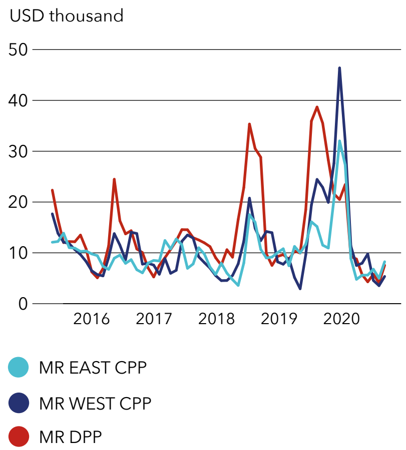
Market outlook for 2021

With the ongoing weakened demand caused by the COVID-19 pandemic, any market improvement will be contingent on the gradual recovery of the world economy and relaxing of lockdown measures, which would help spur on market demand and activity levels. China is a key driver of market demand and helped keep the market from

Adjusted Result by quarter



MR T/C spot rates



Source: ACM Braemar

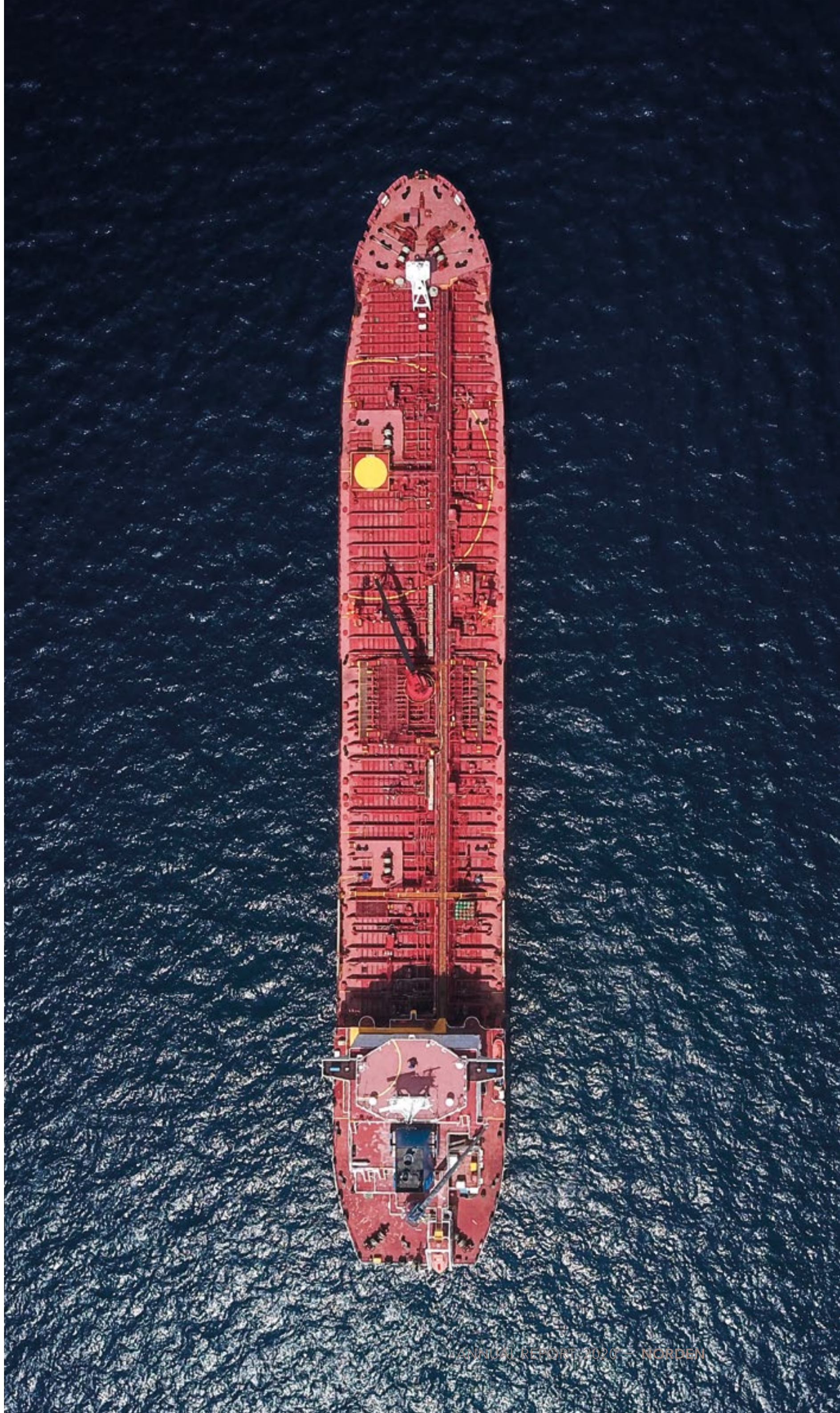
Seasonality in results

Q1 is usually the strongest quarter of the year for Tanker Operator, with Q4 being the second-best quarter. During the Q4-Q1 season, more tanker operators typically move into dirty petroleum products, reducing the number of vessels transporting clean petroleum products and thereby improving the market rates for Tanker Operator vessels from November until February. In line with this, during Q3, oil refineries switch over from summer gasoline to winter heating demand. Further, seasonal weather delays pose a role throughout the year. The normal seasonal development did not take place in 2020 as this year Q2 was the strongest quarter, and Q4 was the worst quarter for Tanker Operator, following the uncertainty and lowered demand stemming from COVID-19.

TANKER OPERATOR

collapsing further during 2020. In addition, the US market is an important driver of oil consumption, and any improvement in the US economy will also help improve market rates moving into 2021.

With uncertainty on both the seasonal developments and the ongoing effects of COVID-19 as vaccines are distributed throughout 2021, the global recovery in demand is expected to be slow and gradual. Therefore, a tough first half of 2021 is expected, with tanker rates continuing to remain at low levels, anticipating an improved second half of the year.



GOVERNANCE

CORPORATE GOVERNANCE

Ensuring responsible, long-term governance of the Group aligned with shareholder interests

NORDEN's governance principles and structure are set out to ensure alignment with long-term shareholder interests to enable prudent management of the Group in accordance with relevant national and international regulations, applicable corporate governance recommendations as well as within the risk framework specified by the Board of Directors.

Furthermore, the ongoing management of NORDEN is based on the underlying company values of flexibility, reliability, empathy and ambition as well as the Group's guiding purpose of enabling smarter global trade.

Governance structure

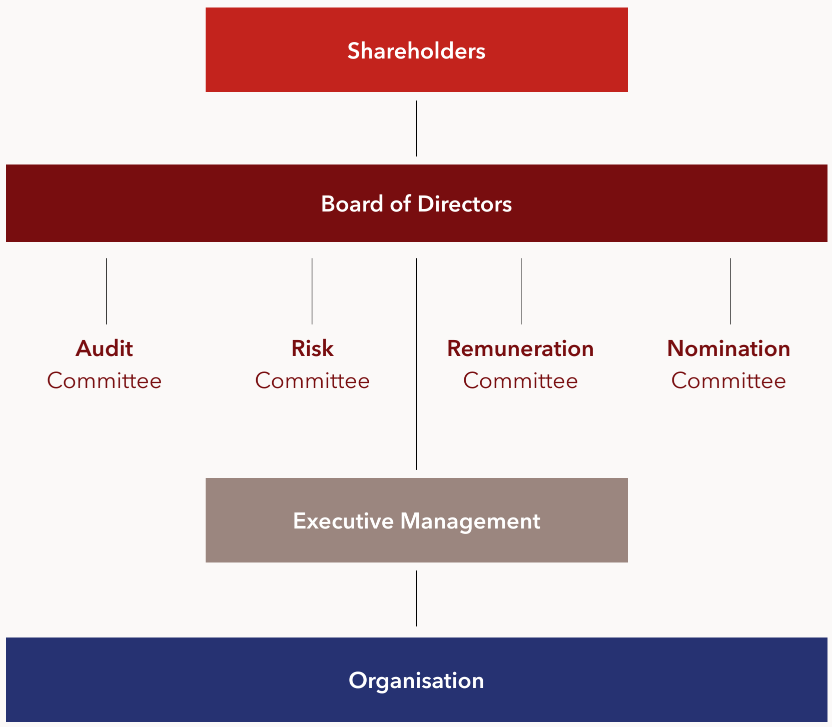
NORDEN has a two-tier governance structure consisting of a Board of Directors and an Executive Management. No individuals are part of both management bodies. The shareholders have the ultimate authority over the Company and can exercise their rights by passing resolutions at general meetings. Resolutions are adopted by simple majority of votes, unless otherwise provided by legislation or by NORDEN's articles of association.

The Board of Directors is made up of 9 members of which 6 are elected for a term of 1 year by the shareholders, while 3 members are elected for a term of 3 years by the employees. The Board of Directors determines and approves strategies, policies, overall goals and budgets for the Group. In addition, it sets out the risk management framework and supervises the work, procedures, etc. carried out by the day-to-day management. The Board of Directors appoints the Executive Management and sets out its responsibilities and remuneration. To avoid conflicts of interest, there are no transactions between closely related parties within the Board, and the Board does not operate with commission payments.

The Executive Management comprises of the CEO and CFO, who are responsible for the day-to-day management, organisation and development of NORDEN, for managing assets, liabilities, equity, accounting and reporting, and it also prepares and implements the strategy. The ongoing contact between the Board of Directors and the Executive Management is primarily handled by the Chairman and the CEO. The Executive Management participates in board meetings and is supplemented by other managers in the strategy meetings and when relevant.

The Articles of Association can be found on the Company's website. Generally, resolutions to amend the Articles of Association require a quorum of at least two-thirds of the voting share capital represented at a general

Governance structure



meeting and a majority of at least two-thirds of the votes cast as well as of the voting share capital represented at such general meeting. In addition, certain resolutions on changes of the shareholders' dividend or voting rights or the transferability of shares, as set out in the Danish Companies Act, require a special supermajority of at least 9/10 of the votes and of the capital represented.

Board work

The Board of Directors sets out an annual work schedule to ensure that all relevant issues are discussed during the year. As part of the annual schedule, a board meeting and strategy seminars are held to ensure focus on both short and long-term targets for the Group. In 2020, the Board of Directors held 11 board meetings of which 4 were teleconferences in connection with financial reporting. The attendance rate was 99%.

Board committees

As part of the Board of Directors' work and structure, 4 subcommittees have been established to ensure dedicated focus on recurring topics deemed of high importance for the governance of the Company. See overview of committees on page 40.

Board qualifications and evaluation

For the Board of Directors to be able to perform its managerial and strategic tasks and at the same time act as a sounding board to the Executive Management, the following skills are deemed particularly relevant:

- Insight into shipping (specifically dry cargo and tankers)
- General management
- Strategic development
- Risk management
- Commodity trade
- Investment, finance and accounting
- International experience.

In 2020, the Board of Directors and the Executive Management assisted by external consultants conducted a self-assessment of the composition, qualifications and dynamics of the Board of Directors. The assessment concluded that the Board of Directors possesses relevant skills and has good working relationships and dynamics. A similar assessment is planned for 2021.

Board composition and remuneration

At the annual general meeting in June 2020, all board members were re-elected as members of the Board of Directors.

In August 2020, two employee-elected board members, Susanne Fauerskov and Lars Enkegaard Biilmann, were transferred to the new joint venture between NORDEN and Synergy and therefore resigned from the Board of Directors. As the remaining alternates were also transferred to the joint venture, Jesper Svenstrup will be the only employee-elected board member until the next ordinary election for employee representatives takes place in March 2021.

The Board of Directors has a target figure for the share of the underrepresented gender on the Board of Directors and has formulated a policy to increase the share of the underrepresented gender in the Board of Directors. The target for the share of shareholder-elected women on the Board of Directors was to have minimum 2 out of 6 shareholder-elected female board members by 2020, and the target has been met. Further details on the diversity levels in NORDEN can be found in the People chapter of the Sustainability section within this report.

Board remuneration amounts to a total of USD 0.8 million. Specific board remuneration can be found in the Remuneration Report 2020 available for 10 years at norden.com/investor/governance/remuneration. The Board of Directors proposes unchanged board fee remuneration in 2021 and furthermore proposes that internationally-based Board members are eligible to receive a fixed travel allowance, when travelling to Board meetings and/or Committee meetings in Denmark.

Executive Management remuneration

The remuneration of the Executive Management follows the principles set out in the Company's Remuneration policy, and the specific remuneration components granted

Our Remuneration Report 2020 is available at:

norden.com/investor/governance/remuneration

BOARD COMMITTEES

The 4 subcommittees have been established to ensure dedicated focus on recurring topics deemed of high importance for the governance of the Company.

Audit Committee
The Audit Committee consists of:

- Karsten Knudsen (committee chairman)
- Klaus Nyborg
- Helle Østergaard Kristiansen

The committee supervises financial reporting, transactions with closely related parties, auditing, etc. The terms of reference are published on NORDEN's website, where a statement of control and risk management in connection with financial reporting can also be found (in accordance with section 107b of the Danish Financial Statements Act). During the year, the committee held 5 meetings with 100% attendance.

Risk Committee
The Risk Committee consists of:

- Tom Intrator (committee chairman)
- Karsten Knudsen
- Stephen John Kunzer

The purpose of the committee is to assist the Board of Directors in its oversight of the Group's overall risk-taking tolerance and management of market, credit and liquidity risks. The committee's terms of reference are available on NORDEN's website. During the year, the committee held 5 meetings with 100% attendance.

Remuneration Committee
The Remuneration Committee consists of:

- Klaus Nyborg (committee chairman)
- Karsten Knudsen
- Tom Intrator
- Stephen John Kunzer

The committee is responsible for supervising the implementation of the Group's remuneration policy, which specifies the remuneration of the Board of Directors and Executive management. The Remuneration policy as well as the committee's terms of reference are available on NORDEN's website. In 2020, the committee held 2 meetings with 100% attendance.

Nomination Committee
The Nomination Committee consists of:

- Klaus Nyborg (committee chairman)
- Johanne Riegels Østergård

The committee is responsible for describing the qualifications required in the Board of Directors and the Executive Management. The committee is also in charge of an annual assessment of the competences, knowledge and experience present in the 2 management bodies. The committee's terms of reference are available on NORDEN's website. In 2020, the committee held 2 meetings with 100% attendance.

for each of the two members of the Executive Management are set out in the separate Remuneration Report 2020.

Adherence to Danish corporate governance recommendations

The Board of Directors has discussed the general recommendations for companies in Denmark as provided by the Danish Committee on Corporate Governance and has reviewed its adherence to each recommendation following a 'comply or explain' approach.

NORDEN follows all recommendations except for recommendation 3.4.2 as the Nomination Committee has 1 independent and 1 non-independent member, while all other committees in line with recommendations have a majority of independent members. A systematic review of NORDEN's adherence to each of the Danish Corporate Governance recommendations can be found in the Company's Statutory Statement for Corporate Governance at norden.com/investor/governance/corporate-governance (in accordance with section 107b of the Danish Financial Statements Act).

2021

The Board of Directors has planned 14 meetings, 4 of which are teleconferences in connection with the annual and interim reports. At the annual general meeting on 25 March 2021, all board members elected by the shareholders will stand for re-election.

BOARD OF DIRECTORS

	Klaus Nyborg	Johanne Riegels Østergård	Karsten Knudsen	Tom Intrator
Position	Chairman Managing Director	Vice Chairman Managing Director	Board Member Managing Director	Board Member Managing Director
Other directorships	A/S United Shipping & Trading Company (CB), Bawat A/S (CB), Moscord Pte. Ltd. (CB), Bunker Holding A/S (VCB), Uni-Tankers A/S (VCB), DFDS A/S (VCB), X-Press Feeders Ltd. (BM), Norchem A/S (BM), Maritime Investment Fund I and II K/S (Chairman of investment committee), Karen og Poul F. Hansens Familiefond (BM) and Return ApS (MD)	Plus Animation Film IvS (CB), A/S Motortramp (BM), D/S Orients Fond (BM), Ejendomsselskabet Amaliegade 49 A/S (BM, Lomax A/S (BM) and Lion Danmark I ApS (BM)	Vækst-Invest Nordjylland A/S (CB), Polaris IV Invest Fonden (CB), Nordsøenheden (VCB), A/S Motortramp (BM), D/S Orients Fond (BM), Obel-LFI Ejendomme A/S (BM), Velliv Pension & Livsforsikring A/S (BM), Saga I-VII GP ApS (MD), Saga VII-USD PD AIV K/S (MD), Saga VII-EUR K/S (MD), Saga VII-USD K/S (MD), Saga VIII-EUR K/S (MD) and Saga VIII-USD K/S (MD)	Macsteel Holdings (BM), Argus Media (BM) and Marquard & Bahls (BM)
Relevant skills	Experience with management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management	General management, financial and business insight as well as detailed knowledge of NORDEN's values and history	General management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks	Experience as an executive in one on the world's largest trading houses, international background, and extensive knowledge of energy, shipping and metals. Experience within management, strategy, investment, customer relations and service, financial issues and risk management
Board member since	2012 (Chairman since 2015)	2016 (Vice Chairman since 2017)	2008	2017
Term expires	2021	2021	2021	2021
Attendance 2020*	100%	100%	91%	100%
Committees and attendance 2020	Audit Committee (100%), Remuneration Committee (100%), Nomination Committee (100%)	Nomination Committee (100%)	Audit Committee (100%), Risk Committee (100%), Remuneration Committee (100%)	Risk Committee (100%), Remuneration Committee (100%)
Independent/Not independent**	Independent	Not independent	Not independent	Independent
Born in	1963	1971	1953	1959
Gender	Male	Female	Male	Male
Nationality	Danish	Danish	Danish	Swiss
No. of shares	1,700	499	2,000	3,600

Directorships do not include positions within the NORDEN Group.
CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director.

* Calculated as percentage of required attendance

** In addition to the shares held personally by Johanne Riegels Østergård and Karsten Knudsen or through their related parties, both are associated with A/S Motortramp, which holds 12,379,237 shares in NORDEN. Employee-elected board members are not independent by virtue of their employment.

	Helle Østergaard Kristiansen	Stephen John Kunzer	Jesper Svenstrup
Position	Board member CEO of Danske Commodities	Board member Former CEO in Eastern Pacific Shipping	Board member Head of Supramax South Atlantic
Other directorships	Stauning Whiskey A/S (BM) and Systematic A/S (BM)	Braemar Shipping Services Plc. (BM)	Elected by the employees
Relevant skills	Experience as CEO and CFO in an international energy trading house, extensive knowledge of energy, risk management, optimising processes and digitalisation. Competences within digitalisation, international financing and risk management	Experience within management of one of the world's largest private family ship owners. Competences within international shipping especially within the tanker segment and experience in operating a large diverse fleet	
Board member since	2018	2018	2018
Term expires	2021	2021	2021
Attendance 2020*	100%	100%	100%
Committees and attendance 2020	Audit Committee (100%)	Risk Committee (100%), Remuneration Committee (100)%	
Independent/Not independent**	Independent	Independent	Independent
Born in	1978	1966	1975
Gender	Female	Male	Male
Nationality	Danish	British	Danish
No. of shares	800	0	470

SENIOR MANAGEMENT

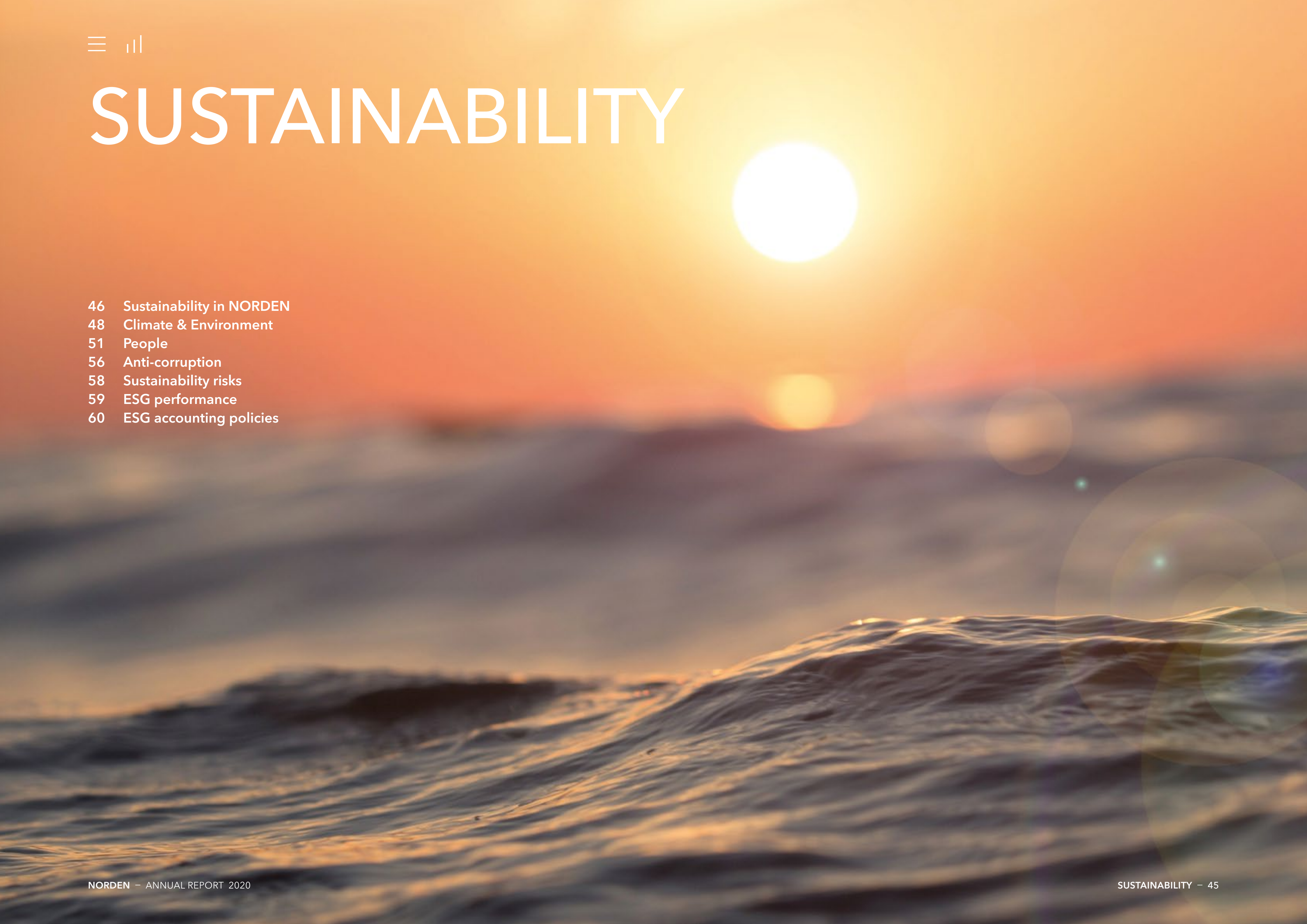
	 Jan Rindbo	 Martin Badsted
Position	CEO	CFO
Education	Trained in shipping and has completed executive training programmes at INSEAD	Holds an M.Sc. in International Business
Other directorships	Danish Shipping (BM), D/S Orients Fond (BM) and BIMCO (BM)	
Employed in	2015	2005
Born in	1974	1973
No. of shares	37,837	4,223

Remuneration for the Executive Management can be found in the Remuneration Report 2020 available for 10 years on NORDEN's website.

https://norden.com/investor/governance/remuneration

	 Christian Vinther Christensen	 Henrik Lykkegaard Madsen	 Heidi Nykjær Persson	 Karina Sundbæk	 Søren Huscher
Position	Head of Dry Operator	Head of Asset Management	Head of People, Communications and Sustainability	Head of Group Finance	Head of Tanker Operator
Education	Trained in shipping and has completed executive training programmes at Duke CE	Trained in shipping, holds a graduate diploma in Marketing Economics and has completed executive training programmes at INSEAD and IMD	Trained in shipping, holds a BA in Shipping and Transportation from Shanghai University and an MA in Consulting and Coaching Change from INSEAD	Holds an M.Sc. in Economics and Auditing from CBS	Trained in shipping and has completed executive training programme at INSEAD
Other directorships					
Employed in	2017	2010	2018	2017	2000
Born in	1970	1962	1968	1974	1962

Directorships do not include positions within the NORDEN Group.
BM: Board Member.



SUSTAINABILITY

SUSTAINABILITY
IN NORDEN

Shipping is the bedrock of global trade, accounting for 90% of the world's transported goods. With growing climate challenges witnessed across the world, it is ever more important to develop efficient, reliable and smart solutions for the transport of global commodities.

Strategy and focus areas

Launched in 2019, NORDEN's Sustainability Strategy is part of NORDEN's overall business strategy and part of the Company's purpose of enabling smarter global trade. NORDEN recognises the following 3 areas as its operational foundation; Climate & Environment, People and Anti-Corruption. The 3 areas direct NORDEN's efforts, ongoing improvements and overall aims within sustainability and are furthermore used to map each of the United Nations Sustainable Development Goals (SDGs) of particular relevance to NORDEN's business activities. Based on internal materiality assessments, NORDEN has selected a specific focus area to emphasise and improve upon within each of the three overall areas:

- Decarbonisation (Climate & Environment)
- Diversity, well-being and engagement (People)
- Bribery and facilitation payments (Anti-corruption)

NORDEN'S SUSTAINABILITY FOCUS AREAS

Climate & Environment

Focus area
Decarbonisation

Decarbonisation and energy efficiency are part of NORDEN's agenda to curb emissions gradually, while working towards carbon neutrality in 2050. It is NORDEN's responsibility to manage its vessels in the most energy efficient way possible.

Read more in the section Climate & Environment on page 48

Targets

Carbon neutral by 2050

Yearly improvements in CO_2 emissions per transport work for each vessel size, aligned to Paris agreement targets

People

Focus area
Diversity, well-being and engagement

NORDEN acknowledges the value and strength of diversity and is accelerating its efforts in this area in 2021. Further, physical and mental wellbeing of employees will be a dedicated focus area for NORDEN in 2021.

NORDEN aims to be an attractive employer that offers a safe, healthy, inclusive and engaging working environment in which all employees have equal opportunities to realise their potential.

Read more in the section People on page 51

Target

Female share of employees

38%

in 2021 (2020:36%)

Anti-corruption

Focus area
Bribery and facilitation payments

Corruption hinders the development of fair market structures, distorts competition and threatens development of societies. NORDEN has zero tolerance towards bribery, and our policy is to refuse facilitation payments.

Read more in the section Anti-corruption on page 56

Target

Zero tolerance towards bribery and refusal of facilitation payments

NORDEN has been a UN Global Compact signatory since 2009, embracing a focus on how to act responsibly as a business. As part of this, NORDEN reports annually to the UN Global Compact, and this annual report functions as our Communication on Progress for the financial year 2020. CEO of NORDEN, Jan Rindbo, comments: "We remain committed in our support of the UN Global Compact and its principles in the areas of human rights, labour, environment and anti-corruption".

Likewise, this report also represents our statutory statement on social responsibility, underrepresented genders and diversity in accordance with sections 99a & b and 107d of the Danish Financial Statements Act.

In 2021, the Company will revisit and confirm NORDEN's Sustainability strategy for 2021-2023.

Governance

NORDEN’s Executive Body for Sustainability, chaired by NORDEN’s CEO, is ultimately responsible for NORDEN’s sustainability efforts. The Executive Body for Sustainability consists of members of Senior Management, including responsible heads of NORDEN’s three business units. The Executive Body is responsible for mandating NORDEN’s Sustainability Strategy, focus areas, ambition level and policies.

Furthermore, NORDEN seeks to engage in dialogue with our stakeholders to identify the most important issues within the three overall sustainability areas. NORDEN’s key stakeholder groups are our customers, suppliers, employees, shareholders, financiers, industry associations, partner organisations and regulators.

CLIMATE & ENVIRONMENT

NORDEN has made decarbonisation a key focus area and continuously seeks to reduce emissions by improving the energy efficiency of its vessels and testing alternative fuel solutions, promoting low-carbon transportation options.

NORDEN advocates for ambitious industry targets on emission levels and increased regulatory standards through sector-wide bodies, including Danish Shipping and IMO. Further, NORDEN is intent on increasingly contributing with low-carbon transportation options, collaborating with recognised shipping and environmental partners as well as supporting the development of new alternative fuel solutions.

NORDEN's climate and environment goals are aligned with the United Nations International Maritime Organisation's (IMO) carbon reduction strategy as well as the climate ambition defined by the Danish government's climate partnership with the Danish maritime sector of achieving carbon neutrality in 2050. Following this, NORDEN has for several years worked to optimise its operational emissions, which requires ongoing improvements in the energy efficiency of vessels. However, the shipping sector ambitions call for an industry-wide, collaborative approach. In addition, alternative solutions are needed to generate the leaps in energy efficiency that the sector is targeting.

Transparent and comparative reporting

To reach the targets set, the shipping sector also needs to be aligned in how it tracks ongoing improvements across different vessel sizes and segments. For this reason, NORDEN has become a founding signatory of the Sea Cargo Charter in 2020, which commits company members to disclose transparent and comparative reporting of shipping emissions.

Until 2020, NORDEN has reported on the Energy Efficiency Operation Indicator (EEOI), a measure of fuel efficiency expressed in relative emissions to cargo transported. However, reporting on the total EEOI score by aggregating all vessel types can obscure underlying developments as the EEOI score is easily affected by changes in vessel types within the portfolio. For instance, while smaller vessels can be a strategically sound choice when chartering in NORDEN's portfolio of vessels, they are less energy-efficient per tonne-mile compared to larger vessels. As NORDEN's portfolio of vessel types changes continuously in line with the Company's agile business model, it can therefore render the gradual developments in overall EEOI score less informative.

To create a more informative outline of the relative energy efficiency developments, NORDEN will from 2021 onwards benchmark its relative performance in EEOI relative to the Sea Cargo Charter and its Paris agreement-aligned targets.

This addition to the reporting framework commits NORDEN to consistently improve its relative energy efficiency, by benchmarking vessel emissions relative to the annual targets relating to each vessel type as outlined by Sea Cargo Charter. To ensure this is embedded in NORDEN's business activities, the Company is integrating these energy efficiency benchmarks as part of the operational decisions made by its chartering teams across business units.

Performance in 2020

NORDEN's overall relative CO_2 emissions, EEOI, remained stable with a marginal increase of 1% from 8.7 g CO_2/tonne-mile in 2019 to 8.8 g CO_2/tonne-mile in 2020. The EEOI result was positively affected by less idle time and slightly lower speeds in the dry cargo vessel types, while a large increase in activity in the Handysize vessel type had a negative effect on the overall EEOI. The latter is due to the fact that while emitting less overall CO_2, Handysize vessels are a less efficient vessel type, since they are the smallest in size. Nonetheless, NORDEN's combined fleet is more efficient than the average world fleet, when comparing on relative emissions per transport work.

While NORDEN has worked to reduce its operational emissions for several years, the developments in emissions reduction still has a way to go to meet the IMO target of 40% reduction in 2030. Over the last few years, NORDEN's relative emission reductions measured by EEOI have shown a very flat development, and at the end of 2020 amounted to 22% of the 2030 IMO target (see table on page 49 for EEOI across vessel types relative to 2030 target).

This is why NORDEN's Fuel Efficiency & Decarbonisation team works with investigating new low-carbon fuel options, while the Industrial Bulk team seeks to optimise logistics associated with its vessel and port operations. On top of this, NORDEN is committed to incorporating several decarbonisation initiatives intended to positively affect emission levels in 2021 onwards.

Sulphur IMO 2020

As the global SOx emissions regulations, IMO 2020, came into force on 1 January 2020, SOx emissions subsequently de-

72%

reduction in SOx emissions (compared to 2019) creased significantly during 2020. NORDEN complied with the new regulations by using low sulphur fuels and installing exhaust gas scrubbers on a large part of the owned fleet – in total on 20 vessels. Although NORDEN's activity level in terms of transport work increased by 4%, SOx emissions were reduced from 54,000 tonnes in 2019 to 16,130 tonnes in 2020, equalling a reduction of 72%.

New partnerships in 2020

In addition to the Sea Cargo Charter membership, NORDEN signed an agreement with Dutch biofuel company, GoodFuels, in early 2020 with the purpose of accelerating the journey towards offering low-carbon transportation to our customers. In 2020, NORDEN kicked off the third successful test voyage on biofuel and is aiming to be one of the first companies to offer this fuel type to customers.

During the second half of 2020, NORDEN and Spanish engineering company Bound4Blue initiated a feasibility study to examine the possibility of installing wind sail technology on one of NORDEN's vessels. The overall objective is to install a number of sails on a NORDEN owned vessel to determine the fuel savings and thus CO_2 reductions created by the sails during normal operation.

During the first months of 2021, NORDEN finalised the agreement to become Corporate Partner of the new Maersk Mc-Kinney Moller Center for Zero Carbon Shipping. Based in Copenhagen, the center is an independent, not-for-profit research and development centre launched with support from the A.P. Moller Foundation, with a mission to decarbonise the maritime industry.

As a corporate partner, NORDEN will contribute directly to the work of the center on projects related to the development and implementation of future fuels and zero carbon technologies.

Improvement since 2008 relative to IMO 2030 targets[1)]

EEOI [g CO_2 / ton-mile]	2020	2019
Handysize	39%	34%
Panamax	15%	26%
Supramax	16%	17%
Tankers	20%	14%
NORDEN total[2)]	22%	22%

1) IMO's EEOI reduction target is set at 40% reduction relative to 2008 levels. Setting this 2030 target as 100%, the percentages outlined in the table show NORDEN's relative progression towards reaching the 2030 IMO target since 2008 across each vessel type and in total

2) Total EEOI reflects weighted average across vessel types

NORDEN participates in several partnerships with a view to reducing CO_2 emissions through e.g. alternative fuel types and fuel savings.

Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping

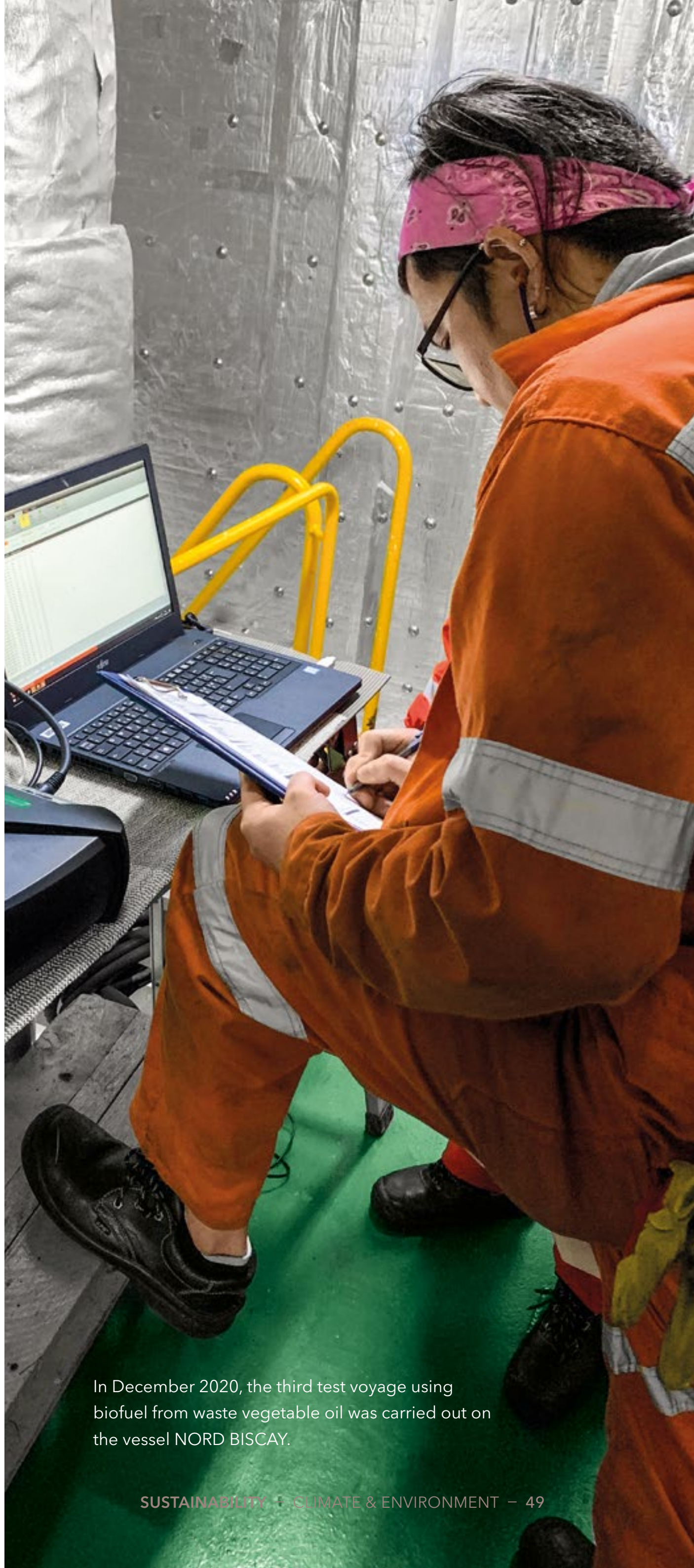
SEA CARGO CHARTER

KVASIR TECHNOLOGIES

bound4blue

GoodFuels

CDP DRIVING SUSTAINABLE ECONOMIES



In December 2020, the third test voyage using biofuel from waste vegetable oil was carried out on the vessel NORD BISCAY.

CLIMATE AND ENVIRONMENT PERFORMANCE SUMMARY

	Climate	Environment
NORDEN's ambition	• Transport work emission reduction of 40% by 2030 compared to 2008 • Carbon neutral in 2050 aligned with Danish Shipping and the Danish government's climate partnership • Consistently improve relative energy efficiency by benchmarking vessel emissions relative to the Paris Agreement-aligned targets outlined by Sea Cargo Charter	• 0 oil spills into water • Ensure continuous sulphur emission compliance
Performance 2020	*Energy Efficiency Operational Indicator (EEOI)* • 8.80 g CO_2 / tonne-mile, a slight increase from 8.70 in 2019 *Initiatives* • Founding signatory of Sea Cargo Charter committing members to transparent reporting of carbon emissions • Agreement signed with GoodFuels to accelerate the offering of low carbon transportation to our customers • Feasibility study initiated with Bound4Blue on the possibilities of installing wind sail technology on one of NORDEN's vessels	*Emissions* • SOx: 15,430 tonnes, a decrease of 72% from 2019 • NOx: 133,760 tonnes, an increase of 4% from 2019
Looking ahead	• Corporate Partner of Maersk Mc-Kinney Moller Center for Zero Carbon Shipping during first months of 2021 • Further investigate and focus on increased fuel efficiency, low-carbon shipping options and logistical optimisation at ports	
Relevant policies	• Sea Cargo Charter Clause: The clause requiring a duly completed fuel emission report after completion of a voyage must be included in all charter parties entered by NORDEN • Safety & Environmental Protection Policy: NORDEN aims to eliminate possible dangers which may result in personal injury, professional illness, accidents, damage to property and damage to the environment • Climate Policy for Danish Shipping from November 2019 describes expectations for the shipping industry, including a zero-carbon industry in 2050 and the first carbon neutral vessels by 2030 • IMO's Greenhouse Gas Reduction Strategy and NORDEN's climate goal in alignment with the Paris Agreement of reducing transport work CO_2 emissions	• Safety & Environmental Protection Policy • NORDEN's Plastic Policy sets out principles for how we work with waste reduction through various initiatives, phasing out products that cause unnecessary plastic waste and other waste.

PEOPLE

With a common purpose of enabling smarter global trade, NORDEN's employees continue to position the Company for growth. NORDEN recognises the ongoing importance of mobilising human potential in the search for continued results and innovation.

By understanding early on that people are our most important resource, NORDEN has learned to synergise, optimise and leverage the skills of its employees. The four core values of flexibility, reliability, empathy and ambition guide employees to always do the right thing – even when no one is looking.

Employee wellbeing

During 2020, the global organisation has been challenged with working remotely during extended periods during the year due to recommendations and lockdowns relating to COVID-19. Leaders and teams have been supported on the topics of 'Remote Management' and 'Wellbeing Management' to help employees navigate through the pandemic in a healthy manner. In spite of the difficult circumstances, both NORDEN's financial results and quarterly engagement surveys confirm the ongoing strong performance and wellbeing of our employees.

During 2021, NORDEN is dedicated to increasing its focus on employee wellbeing, introducing a new health and wellness initiative, prioritising physical and mental health as a natural part of working in NORDEN. This initiative aims to build resilience, ensure wellbeing as well as connect all employees as a globally connected team going forward.

Diversity

NORDEN operates with a broad definition of employee diversity, including gender, ethnicity, race, socio-economic status, level of education, age, political and religious beliefs, sexual orientation and other attributes. NORDEN has in recent years improved its overall diversity by bringing in employees with other backgrounds than the traditional shipping profile, and the Company believes that a diversity of people and competences increases employee satisfaction, opens up for different viewpoints and ways of thinking about traditional issues as well as mitigates ingrained conceptions and old habits. By assembling teams consisting of a variety of ages, levels of experience and education, nationalities, languages and genders, NORDEN can bring all employees' unique contributions into its operational foundation.

To support the continued focus on diversity, NORDEN has developed a new Diversity and Inclusion policy, which supports the aforementioned principles and helps ensure that NORDEN will continue to be a sustainable, trusted and inclusive organisation. NORDEN has also integrated the diversity agenda in the Company's new recruitment strategy to ensure NORDEN attracts diverse and commercial candidates going forward. As part of ensuring more women in shipping, all business units in NORDEN have received targets in relation to levelling the current gender ratio.

On a similar note, during 2020, CEO Jan Rindbo became an Advisory Board member of Women In Shipping (WIS), which is a professional network with the aim of strengthening women in shipping and achieving more diversity and equality in the industry. NORDEN representatives participate in the WIS initiatives to ensure the continued diversity focus in NORDEN.

In 2021, NORDEN will implement its Diversity and Inclusion Policy as well as a list of initiatives to support our goal of becoming a more diverse NORDEN. In 2021, the scope will include, yet not be limited to, an emphasis on gender, which will be incorporated into a global recruitment policy, strategy and plan that will compliment NORDEN's goals, including areas such as equal opportunity, work-life enablement and gender pay equality.

As is the case for NORDEN efforts on mitigating sexual harassment, the various diversity initiatives will be followed up with bi-annual organisational reviews, e.g. focused on managers' handling and prevention of sexism/harassment, and further include diversity indexes and targets outlining diversity across gender, age and nationality. Furthermore, results from quarterly engagement surveys will be actively applied to optimise the conditions for all employee groups.

Female share of employees on shore in 2020

36%

Diversity in management

Diversity is an equally important factor in terms of managerial positions in NORDEN. In NORDEN, the managerial levels range from the Board of Directors, Senior Management to Heads of departments.

The members of NORDEN's Board of Directors cover a wide range of competences and experience within international shipping, finance, investment, strategy, digitalisation and risk management experiences from both Danish and international business. This combination is considered desirable as it ensures broadness in the members' approach to the tasks and contributes to ensuring qualified governance of NORDEN's strategic direction.

In the Board of Directors, shareholder-elected women represented 33% (2 out of 6) of the board members in 2020, reaching NORDEN's own target and the target set out by the Danish Business Authority. NORDEN's target figures concerning gender diversity in our Board of Directors for the next 3 years is to maintain the share of female board members at a minimum of 33%, exclusive of employee representatives. The share of women in managerial positions was 31% in 2020, up from 25% in 2019. NORDEN aims to increase this share over the next 3 years.

Talent attraction and education

NORDEN continues to ensure that employee competencies support our long-term strategy. As part of this, NORDEN increasingly focuses on incorporating entry-level programmes for shipping graduates as well as analytical graduates and recruits new talents with other backgrounds than shipping - e.g. business, mathematics and data science as well as traditional backgrounds for the at-sea functions. The analytical support from Advanced Analytics & Digital Solutions, Risk Management and Market Research continues to prove the need for a broad range of employee competencies throughout the organisation.

To keep recruiting new talent to NORDEN as well as build talent for the shipping industry, we maintain an even stronger focus on our strategic partnerships with relevant universities globally - mainly Singapore Management University, Shanghai Maritime University, Nanyang Technological University and Copenhagen Business School. In connection with the establishment of the Abidjan office, NORDEN has partnered up with a local university, Academie Regionale Des Sciences et Techniques De La Mer (ARSTM), and has taken on two Port Captain trainees in 2020, which is a vital step in developing local competences. NORDEN supports the education of the future shipping profiles through scholarships, internships, advisory board participation and guest lectures to ensure industry relevant alignment to the academics. For postgraduates, NORDEN offers entry-level career opportunities for Commercial Shipping Graduates, developing into highly skilled operators and charterers.

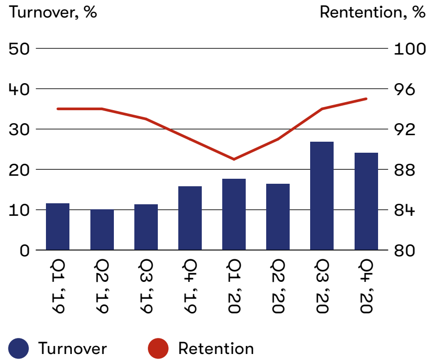
Retention and turnover

Growth in activity and needed skill sets requires a focus on attracting, retaining and developing skilled employees. In 2020, the retention rate for employees at the NORDEN offices was 95%. The high retention rate, which is considered satisfactory, secures continuity and preserves knowledge and skills in the organisation. The focus on talent retention is also reflected in ongoing engagement surveys, which assess whether employees feel empowered, have access to the information needed and understand their contribution to the overall goals of NORDEN. In 2020, NORDEN conducted

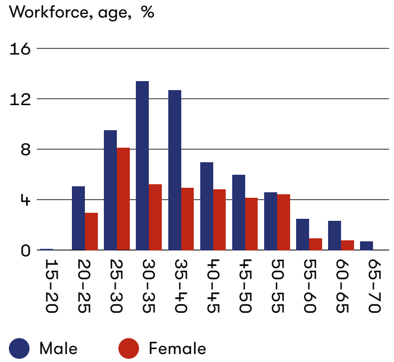
Gender diversity

	2020	2019	2018
Female share on shore (%)	36	33	35
Female share in Board of Directors (%)	33	33	33
Female share in Senior Management (%)	29	29	25
Female share in department heads (%)	25	20	25
Female share in managerial positions (%)	31	25	22
Share of male employees who are managers (%)	18	21	27
Share of female employees who are managers (%)	14	13	14

Turnover and rentention on shore



Workforce demographics on shore



2 employee engagement surveys, which showed that the level of engagement and motivation is very high among the NORDEN employees. Employee turnover was higher in 2020, following restructurings as a consequence of NORDEN's transformation efforts. This number is expected to be lower in 2021.

Safety on board

Operating at sea involves safety and security risks that must always be managed carefully to safeguard the vessels, cargo and crew on board NORDEN's vessels as well as the environment we operate in. A safe working environment for employees therefore comes before anything else. It is a priority that all employees return home from work safely, and NORDEN operates by the principle that no injury or environmental incident is acceptable. NORDEN has outsourced the technical management of its owned vessels, but we still set high standards for safety onboard and ensure that external managers meet these standards. In 2020, there was a decrease in injuries, where crew members were unable to work the next day, primarily concerning injuries to fingers, knees and back injuries.

Human rights

Assessing human rights impacts is an important and complex task for a global company such as NORDEN, which has business relationships all over the world. Implementing the necessary policies, due diligence processes and grievance mechanisms, in line with the requirements set by the UN Guiding Principles for Business and Human Rights, is a continuous process in NORDEN.

All employees are subject to NORDEN's Employee Code of Conduct, which frames the conduct expected in the Company, covering anti-corruption, environment, safety, social conditions and compliance matters.

Further, the Company has initiated a human rights impact assessment in 2020, which is planned to be finalised during 2021.

During 2020, NORDEN has also enabled internal discussions and guidance on how to mitigate sexism and sexual harassment in the workplace, in the wake of the increased focus on this theme among companies in general. As a general rule, NORDEN does not tolerate any cases of harassment (gender, race, age, religion, sexual orientation or other) and finds it crucial that employees view NORDEN as a safe and inclusive workplace.

In line with this focus, NORDEN conducted a survey on sexual harassment in 2020 focusing on the last 24 months, measuring potential sexual harassment incidents in the workplace and external company related events (client meetings, dinners, courses, etc). NORDEN found areas for improvement in terms of clearer guidance and procedures for reporting harassment, ensuring people know who to reach out to and how to follow up on cases of experienced harassment. As follow-up to the survey, all managers in NORDEN have participated in a workshop to discuss the findings and themes in the survey, and to further enable the managers to facilitate local dialogues in their respective units.

In 2020, NORDEN also updated parts of its Code of Conduct and Whistleblower schemes to ensure they reflect and support the Company's needs – as well as to ensure that all employees know how to apply them in order to feel safe and fully supported. Furthermore, NORDEN has implemented improved conditions for maternity and paternity leave.

PEOPLE
PERFORMANCE SUMMARY

	People
NORDEN's ambition	• Leverage the solid foundation to move on to next phase of NORDEN's sustainability strategy and integrate sustainability in the business • Become first choice for talents in our industry • Ensure NORDEN's ambition is visible and clear to all of NORDEN's stakeholders
Performance 2020	*Diversity* • 35 nationalities • 31% women in managerial positions on shore, 29% women in Senior Management on shore, 33% women in the Board of Directors • CEO Jan Rindbo became Advisory Board member of Women in Shipping (WIS). NORDEN also participates to ensure diversity in NORDEN • Diversity agenda integrated in new recruitment strategy to ensure attraction of diverse and commercial candidates. All business units have KPI´s to change the current gender ratio • Drawing up Diversity and Inclusion Policy to ensure that NORDEN will continue to be a sustainable, trusted and inclusive organisation *Engagement and turnover* • 2 engagement surveys conducted in 2020 with high scores in Engagement and Motivation • 24% turnover (voluntary and involuntary leavers) on shore • 95% retention (voluntary leavers) on shore *Education* • Shipping Programmes at Copenhagen Business School and Technical University Programmes • 21 cadets • 5 interns as part of their education at Copenhagen Business School and 5 Commercial Shipping Graduates
Looking ahead	• Implementation of Diversity and Inclusion Policy • Continue the efforts to build a diverse and gender-balanced organisation with equal opportunities • Enhance access to training and acquiring skills as well as expanding opportunities across NORDEN • Focus on the health and well-being of our employees through our 'Sustainable Employee' initiative • Aiming to establish a diversity advisory board
Relevant policies	• Employee Code of Conduct: The code describes the ethical, social and environmental behaviour which every employee, regardless of position, should adhere to when working at NORDEN. • Diversity and Inclusion Policy: NORDEN believes in equal opportunities for everyone and fair treatment. The policy sets forth initiatives to increase the share of women in a primarily male industry and builds on clear requirements for diversity in recruitment and employee development as stated in NORDEN's Diversity Policy.

PEOPLE
PERFORMANCE SUMMARY - CONTINUED

	Safety	Human rights
NORDEN's ambition	• Zero fatalities • Lost Time Injury Frequency below 0.8	• Ensure that NORDEN conducts business with respect for human rights as a process of continuous improvement • Danish Shipping working group in human rights risks in shipping
Performance 2020	• Lost Time Injury Frequency rate decreased from 1.5 per million working hours in 2019 to 0.6 in 2020 • Number of fatalities in 2020 remained 0 as in 2019	• Implementation of improved conditions for maternity and paternity leave • Completion of sexual harassment survey in 2020 focusing on the last 24 months, measuring workplace and external company-related events (client meetings, dinners, courses, etc). All managers have participated in a workshop to discuss various findings and themes in the survey and to enable them to facilitate local processes in their respective departments • Update of Code of Conduct and Whistleblower schemes to ensure they support our needs and that all employees know how to use them if necessary • Started updating human rights impact assessment • Special focus on anti-harassment measures in the organisation
Looking ahead	• Continued high focus on safety and close monitoring of Lost Time Injury Frequency rate with external vessel managers	• Finalise human rights impact and risk assessment of NORDEN • Continue to promote a safe working environment for everybody without any kind of harassment
Relevant policies	• Safety & Environmental Protection Policy: All employees in every function execute their work under safe and healthy conditions and with proper concern for protecting the environment. NORDEN aims to eliminate possible dangers which may result in personal injury, professional illness, accidents, damage to property and damage to the environment.	• Human Rights Policy: NORDEN's framework for human rights is operationalised by the UN Guiding Principles on Business and Human Rights. NORDEN expects all business relationships directly linked to NORDEN to respect the human rights. • Employee Code of Conduct: The code describes the ethical, social and environmental behaviour which every employee, regardless of position, should adhere to when working at NORDEN. It is in accordance with NORDEN's values, which are ambition, empathy, flexibility and reliability. • Supplier Code of Conduct: The provisions set forth in this code, part of NORDEN's General Terms and Conditions, provide the minimum expectations to suppliers. These minimum expectations are based on the general principles contained in the UN Global Compact and other relevant international principles and are in line with NORDEN's values and principles on ethical and responsible business conduct. • NORDEN is committed to respecting the internationally recognised human rights expressed in the UN Guiding Principles on Business and Human Rights (UNGPs).

ANTI-CORRUPTION

NORDEN seeks to enable smarter global trade. Corruption impedes access to global markets and constitutes barriers for economic and social development around the world.

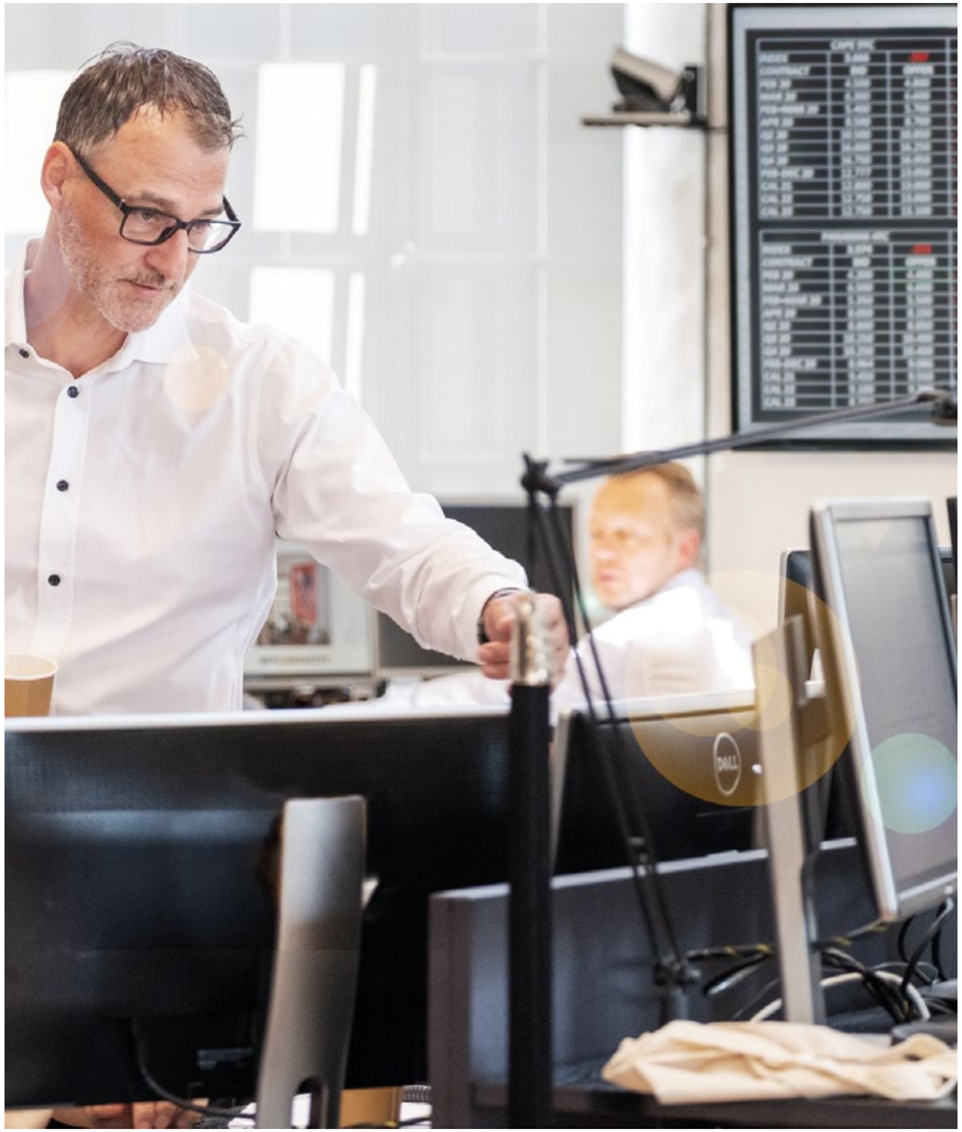
For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risks. In 2020, NORDEN had 11,479 calls across 126 countries, some of them in regions where concepts of integrity and good business conduct vary. In this context, making the right choice is important and complex.

NORDEN has an anti-corruption compliance programme in place, including an anti-corruption policy applicable to all employees and Management. Further, to reduce risk while ensuring NORDEN's compliance with legal requirements and stakeholders' expectations, due diligence is used for risk awareness in relation to business partners. All NORDEN's third-party contacts are screened daily on several potential risk factor issues, including sanctions lists, global law enforcement lists, vessel information as well as environment and human rights issues. Due diligence, monitoring, controls and training are key tools in implementing the anti-corruption policy as well as frequent reporting from external managers on demands placed by e.g. local authorities.

NORDEN has taken several initiatives to fight corruption, aiming at a maritime industry free of corruption while contributing to enabling global trade and providing a safe working environment on board our vessels. NORDEN has zero-tolerance towards bribery and our policy involves refusal of facilitation payments. The wording in the policy is chosen to acknowledge that we typically meet examples of extortion rather than facilitation payments. Facilitation payment is seen as a small payment in money or in kind to facilitate a smooth call, and very often, a demand for facilitation can be waived. Extortion is when officials, using threats, refuse to perform their duties or abuse their position of authority, resulting in improper fines and delays to our vessels. We see extortion as a threat to the security on board our vessels, and we will place more focus on this in our continued fight against corruption.

Employee anti-corruption and ethics training

In 2020, we have worked on developing a new anti-corruption training platform to complement our ambition to fight corruption. The new platform was ready in December 2020, and all land-based employees will finalise mandatory training in Q1 2021. In addition, all new employees will receive



face to face onboarding and training in topics such as anti-corruption, bribery and facilitation payments, gift and entertainment, conflict of interests, commissions, fraud, third-party procedures and whistleblower scheme.

NORDEN's expectation is that every eligible person completes the training. We follow the completion rate closely and take contact to the employee directly if the test has not been completed in time.

Our external technical managers carry out anti-corruption training for seafarers on NORDEN's owned vessels to ensure alignment with NORDEN's Anti-Corruption Policy. As a general rule, NORDEN's external managers are members of MACN (Maritime Anti-Corruption Network), working towards a maritime industry free of corruption.

Whistleblower scheme

NORDEN is committed to providing an environment where the high NORDEN standards and best practices are encouraged and safeguarded. In support of this, NORDEN has since 2011 had a whistleblower scheme accessible to NORDEN employees, including the Executive Management and Board of Directors, auditors, lawyers, external consultants, suppliers, customers and other business partners and stakeholders. Employees in NORDEN have access to raise workplace and operational concerns directly with their manager or with the People function. They can also use NORDEN's whistleblower scheme to report, which makes it possible to report anonymously. The whistleblower reports are directed to the Chairman and Vice Chairman of the Board of Directors as well as Head of People, Communications and Sustainability. In 2020, no substantiated whistleblower reports were received.

Tax

As a company with global reach, NORDEN operates in multiple jurisdictions with different tax rules and regulations. With our Anti-Corruption Compliance Programme and other programmes in sustainability, NORDEN wants to operate a business of integrity and adopted our tax policy in 2019. NORDEN will meet the tax requirements in every country of operation and do not use structures meant for aggressive tax planning or tax avoidance.

NORDEN's partnerships

TRACE CERTIFIED

impaact Responsible Supply Chain Management

MACN Maritime Anti-Corruption Network

ANTI-CORRUPTION PERFORMANCE SUMMARY

	Anti-corruption
NORDEN's ambition	• Zero tolerance to bribery and no to facilitation payments • Screening all commercial counterparts contacts for sanctions and environmental and human rights risks
Performance 2020	• 0 substantiated whistleblower reports received • No to facilitation payments policy implemented • Employee training: Due to transition to a new anti-corruption training and test platform, there has been no training and testing of employees in 2020 • Implemented updated anti-corruption policy programme • In collaboration with MACN, conducted lecture at World Maritime University Malmö • Tax policy implemented • TRACE certification renewed
Looking ahead	• Training of all land-based employees on new anti-corruption training platform • Continue work with Maritime Anti-Corruption Network • Continued integration of anti-corruption compliance into operations, decision-making and business relationships
Relevant policies	• Anti-Corruption Policy: The policy aims to ensure compliance with key anti-corruption legislation, protect NORDEN's reputation and guide employees in what is expected when working for NORDEN. The programme applies to all employees, Management and the Board of Directors • Employee Code of Conduct: The code describes the ethical, social and environmental behaviour which every employee, regardless of position, should adhere to when working at NORDEN. • Counterparty screening policy: All NORDEN's third-party contacts are screened daily on a number of potential factor issues, including sanctions lists, global law enforcement lists, vessel information and environmental and human rights issues.

SUSTAINABILITY RISKS

NORDEN's value chain is global and complex. It comprises dry and tanker shipping, ports and yards etc. This is a description of material sustainability risks inherent in NORDEN's value chain.

Value chain	Risk	Mitigation measure
Port operations	NORDEN could be facilitating the occurrence of significant negative impacts related to the transported cargo or the actors that produce or purchase the cargo. During port calls, NORDEN receives provisions, spare parts and bunker fuel from suppliers, if needed. There is a risk that NORDEN engages with suppliers who fail to live up to NORDEN's standards. Ship agents typically arrange for all support activities in connection with loading and discharge operations, including coordination with local authorities on NORDEN's behalf. This makes the Group vulnerable to sub-standard performance of agents when they represent NORDEN, and there is a risk of engaging with counterparties who have other standards than NORDEN	NORDEN's Anti-Corruption Compliance Programme and daily screening of NORDEN third-party commercial counterparts on various potential risk factor issues, including sanctions lists, global law enforcement lists, etc.
Shipping	Vessels are high-risk workplaces, and severe injuries can happen if instructions are not followed at all times. Seaborne transport involves safety and potentially also security risks. A risk assessment determines which mitigation measures to utilise prior to passage in high-risk areas. Discharges from vessels, such as oil, waste, ballast water and emissions could risk not being managed in line with local and global standards, potentially impacting ecosystems negatively and posing a risk to human health. External charterer could potentially not adhere to NORDEN standards when operating NORDEN's vessels. In the long term, climate change will influence NORDEN's operations. Increased water levels result in a higher transported mass as well as new routes, but climate change also causes increased frequency of hurricanes, flooded ports and delays. Production costs may also increase, thereby changing the demand for shipping of certain products.	Anti-corruption & Ethics training, Safety & Environmental Protection Policy, Human Rights policy. Long-term climate change risk guidance to the Board of Directors and Senior Management, as well as agenda item on Board strategy meetings Climate targets aligned with IMO, Paris agreement and Danish Government.
Shipping (continued)	A vessel that has responded to a call of distress and rescued a group of individuals can encounter challenges with health and safety during boarding of the rescue mission as well as onboard caused by limited capacity. Situations including people in distress at sea are responded to in accordance with SOLAS and IMO guidelines.	Safety & Environmental Protection Policy and Best Management Practices to Deter Piracy v5 standard, including how to use antipiracy equipment.
NORDEN's supply chain	The levels of anti-corruption, environment and health and safety management systems are below NORDEN's standards.	Under IMPA ACT, NORDEN initiates the screening of 5 tier-1 suppliers per year.
Sale, redelivery of chartered tonnage and recycling	Vessels are redelivered or sold to other shipowners for further trade before recycling becomes relevant. In the sale or redelivery of chartered vessels, shipowners may choose to dispose of the vessel in an unsustainable way shortly after sale.	Responsible Recycling Policy.
Second-hand tonnage	Vessels bought by NORDEN from other shipowners could fail to live up to NORDEN's quality standards on vessel performance and environmental footprint.	Quality pre-assessment of the vessels for acquisition.
Chartering	Compliance with NORDEN's integrity standards may not be safeguarded in commercial contracts and activities, including scenarios where NORDEN may engage with business partners who fail to live up to NORDEN's standards when taking on NORDEN's business around the world.	Anti-corruption & Ethics Training, Safety & Environmental Protection Policy.
Newbuildings	Safety and adequate labour rights adherence at the yards and potential negative impacts on the environment from yard activities.	Risk assessment and inspections of yards.

ESG PERFORMANCE

	2020	2019	2018
ENVIRONMENTAL PERFORMANCE			
Energy efficiency			
EEOI (gCO_2/tonnes-mile)	8.8	8.7	8.6
Energy consumption			
Heavy fuel oils (1,000 tonnes)	106	1,134	1,083
Distillate fuel oils (1,000 tonnes)	157	156	142
Very low sulphur residuals (1,000 tonnes)	1,098	17	-
Electricity (MWh)	1,230	1,233	1,276
Total energy consumption (TJ)	56,765	52,988	49,611
Transport work (million tonnes cargo x mile)			
Total owned and operated vessels	487,887	469,897	445,758
CO_2 emissions (1.000 tonnes)			
Direct CO_2 emissions (Scope 1 GHG protocol)	4,294	4,088	3,829
Indirect CO_2 emissions (Scope 2 GHG protocol)	0.2	0.2	0.4
Other indirect CO2 emissions (Scope 3 GHG protocol)	1.4	3.6	3.0
Total CO_2 emissions*	4,296	4,092	3,832
Other emissions (1,000 tonnes)			
SOx emissions	15	54	50
NOx emissions	134	129	120
Spills			
Spills > 1 barrel	0	0	0

	2020	2019	2018
SOCIAL PERFORMANCE			
Employees (on shore)			
Employees (average FTE)	391	395	361
Nationalities represented (of total workforce)	35	32	30
Women in managerial positions (%)	31	26	22
Gender split			
- gender with the lowest representation ♀ (%)	36	35	35
Safety (at sea)			
Fatalities	0	0	0
Lost time injury frequency (million working hours)	0.6	1.5	0.3
GOVERNANCE PERFORMANCE			
Shareholder-elected board members			
Gender with the lowest representation ♀ (%)	33	33	33
Attendance (%)	99	97	94

ESG ACCOUNTING POLICIES

Boundary setting

The sustainability report boundary includes assets and employees in the parent company and in subsidiaries as well as assets in joint ventures (JVs). Assets in JVs include vessels owned by NORDEN together with partners in the company NORD SUMMIT Pte. Ltd. Common to the vessels in JVs is that they are operated by NORDEN, but all material decisions regarding the commercial, operational and technical management of the vessels are made in agreement with the partners.

The reporting boundary

- Owned vessels
- Operated vessels
- Employees on shore
- Employees at sea
- NORDEN's site offices

Data quality and data collection

Collecting information and data on NORDEN's sustainability and ESG performance, the reporting principles of balance, clarity, accuracy, reliability, timeliness and comparability are applied. Data include comparable data from the past 3 years; 5 if part of key figures. Significant variations in data are explained in the relevant section of the sustainability report.

The ESG report includes performance data from the sustainability report supplemented by additional indicators and accounting policies.

Changes to reported ESG data compared with 2019

Following the outsourcing of technical management of the Company's dry cargo and tanker fleet, NORDEN solely reports on fatalities and LTIF in regard to seafarers.

Environmental performance

NORDEN is liable for consumption, emissions and other environmental elements. For owned assets which are leased out, NORDEN is not liable for consumption, emissions and other environmental elements – the lessee is.

Energy consumption

Transport work (1,000,000 tonnes cargo x mile): Transport work of owned and operated vessels as well as vessels chartered and operated. Transport work expresses the mass of cargo transported over distance, both as registered in the Integrated Maritime Operations System IMOS, NORDEN's commercial maritime chartering, operations and financial solution. Cargo transported over distance, compared with the amount of CO_2 emitted, provides a picture of fleet efficiency - see EEOI.

Heavy fuel oil and distillate fuel oil and very low sulphur residuals (1,000 tonnes): Bunker fuel consumed directly by owned and operated vessels, including all the fuels, gas oils and residuals used on board for activities such as steam, generating electricity, marine boilers, heating, main and auxiliary engines. In Norient Product Pool, consumed fuel accounted for includes the vessels controlled by NORDEN. Total daily consumption reported by vessels into IMOS validated with bunker acquisitions and deviations is regularly controlled.

Electricity (MWh): Electricity and heat consumed indirectly in operational activities for onshore offices. Based on annual consumption in Brazil, China, Denmark, Dubai, Cyprus, Ivory Coast and Singapore offices. Excludes Australia, Canada, Chile and USA offices as utilities are included in the rent.

Total energy consumption (TJ): calculated adding up tonnes fuel and electricity use, using heating value 40.2MJ/kg for heavy fuel oil, 42.7MJ/kg for distillate fuel oil, 41.7MJ/kg for very low sulphur residuals and 0.0036 MWh for electricity.

Energy Efficiency Operational Indicator (gCO_2 /cargo-mile): The Energy Efficiency Operational Indicator (EEOI) is a measurement of efficiency and is defined as the amount of CO_2 emitted per tonne of cargo transported 1 mile based on fuel consumption and transport work.

CO_2 emissions (1,000 tonnes): Compatible with the Greenhouse Gas (GHG) Protocol

- Scope 1: Direct emissions from NORDEN's own consumption of fuel from owned company cars and energy from owned and chartered vessels
    - o Chartered and owned vessels: Based on fuel consumption for the year
    - o Owned company cars: per 31 December 2020 based on conversion Key2Green conversion factor 2.65 kg CO2/L
- Scope 2: Indirect emissions from purchased electricity and district heating.
- Scope 3: Indirect emissions from third party activities. Measures CO_2 emissions from air travel and leased company cars.
    - o Air travel: Route < km 1,000 = CO_2 0.18 per km and routes > km 1,000 = CO_2 0,11 per km
    - o Leased cars: per 31 December 2020 based on conversion Key2Green conversion factor 2.65 kg CO_2/L

NOx and SOx emissions (1,000 tonnes)

- NOx: Nitrogen oxide emissions from combustion of fuels from owned and operated vessels. NO_2 emissions from the energy produced by main engine x Tier I NOx limit (i.e. 17 g/kWh)
- SOx: Sulphur oxide emissions mainly stem from the burning of the sulphur

compound in the fuel from owned and operated vessels. SO_2 emissions are calculated from the fuel quantity consumed during the year multiplied by the average sulphur content in the bunker fuel purchased by Bunkers Department.

Spills (> 1 barrel): Includes incidents of oil spills larger than 1 barrel (159 litres) into the sea from owned and/or operated vessels. Any oil spills are registered in NORDEN's fleet and vessel performance system K-Fleet/C-experience.

Social performance

Scope and boundaries

Scope for full-time workforce FTEs on shore includes permanent and time-limited employees (fix-term, student job and temporary) in NORDEN's offices, except for indicators Retention and Turnover where scope includes average FTE on shore of permanent employees and excludes fix-term, student job and temporary.

Employees

Employees on shore (FTE): Average full-time equivalent number of employees on shore as defined in NORDEN's HR system (Fairsail).

Scope for employees, women in managerial positions, gender split: Average FTE calculation includes permanent and time-limited employees (fix-term, student job and temporary).

Nationalities represented (of total workforce): Number of nationalities in total workforce on shore (based on NORDEN's HR system Fairsail).

Women in managerial positions on shore (%): Average FTE number of women in managerial positions on shore out of the total pool of average FTE onshore managers. Managers are defined as a person with responsibility for a team of at least 1 other employee, subject to NORDEN's employee development programme (excluding students, interns, etc.) as defined in NORDEN's HR system (Fairsail).

Gender split on shore, gender with the lowest representation ♀ (%): The percentage of the average number of women FTE on shore out of a total average number of FTEs on shore during the year based on NORDEN's HR Management System Fairsail.

Health and safety

Lost Time Injury Frequency at sea (injuries per million working hours): Calculated based on the number of work-related accidents registered in NORDEN's technical management system, which causes a seafarer to be unable to work for more than 24 hours (based on exposure hours), in accordance with OCIMF's 'Marine Injury Reporting Guidelines', per one million exposure hours. Scope for LTIF includes FTEs on owned vessels in external management.

Governance

Shareholder-elected board members: Gender with the lowest representation ♀ (%): Percentage of shareholder-elected women in the Board of Directors out of total number of shareholder-elected Board members at year-end.

Attendance (%): Attendance rate at Board meetings (including phone and strategy meetings) attended by shareholder-elected board members throughout the year. Scope is excluding employee-elected board members. Scope for 2018 excludes phone and strategy meetings.

SIGNATURES

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Dampskibs-selskabet NORDEN A/S for the financial year 1 January – 31 December 2020.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements stated in the Danish Financial Statements Act. The Financial Statements of the Parent Company are prepared in accordance with the Danish Financial Statements Act. The Management's Review is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the financial position at 31 December 2020 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial year 2020.

In our opinion, the Management's Review provides a fair review of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty, which the Group and the Parent Company are facing.

In our opinion, the ESG performance data on page 59 is presented in accordance with the stated accounting policies on page 60-61 and provides a fair and balanced view of the Group's sustainability performance and social responsibility for the financial year 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting on 25 March 2021.

Copenhagen, 4 March 2021

Executive Management

Jan Rindbo
CEO

Martin Badsted
CFO

Board of Directors

Klaus Nyborg
Chairman

Johanne Riegels Østergård
Vice Chairman

Karsten Knudsen

Thomas Intrator

Stephen John Kunzer

Helle Østergaard Kristiansen

Jesper Svenstrup
(employee-elected)

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dampskibsselskabet NORDEN A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements, and the Parent Company Financial Statements, of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2020 comprise Income Statement, Balance Sheet, Statement of Changes in Equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and Statement of Comprehensive Income and Statement of Cash Flows for the Group.

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 Dampskibsselskabet NORDEN A/S for the financial year 1998. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 23 years including the financial year 2020.

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 2020. 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of vessels, right-of-use assets and prepayments on vessels and new-buildings The carrying amount of the vessels, right-of-use assets and prepayments on vessels and newbuildings is significant. Management monitors continuously the carrying value of the above-mentioned assets, managed on a portfolio basis. The assessment is based on the cash-generating units (CGUs); Dry Cargo and Tankers. Management performs an impairment test if any indication of impairment or reversal of previous impairments exists. The indications assessed by Management comprise, among others vessel values, newbuilding prices and future development in freight and time charter rates. If indications exist, the carrying value of the mentioned assets may be subject to material impairment or reversal of previous recognised impairments. As of 31 December 2020, Management assessed that indication of impairment exists for the CGU's Dry Cargo and Tankers. Consequently, impairment tests were performed, resulting in no need for impairment or reversal of previous recognised impairments. When impairment tests are performed, Management assesses the recoverable amount of the mentioned assets based on the net selling price and value-in-use calculation. We focused on this area because the carrying amount is significant and because Management is required to exercise considerable judgement because of the inherent complexity and subjectivity in estimating the recoverable amount. Refer to note 3.1 and note 4.7 in the Consolidated Financial Statements and note 3.1 and note 4.7 in the Parent Company Financial Statements.	We discussed with Management and evaluated the methodology by which Management monitors indicators of impairment of vessels, right-of-use assets and prepayments on vessels and newbuildings, including identification of CGUs. For the CGU's Dry Cargo and Tankers, indicators of impairment exist. Thus, we obtained Management's assessment of the recoverable amount of the mentioned assets. We evaluated Management's assessment of the net selling price based on the obtained broker valuations. Regarding Management's assessment of value-in-use, we: • Assessed the methodology used by Management to calculate the future cash flows from the assets assigned to the CGU. • Evaluated relevant controls including applicable information systems and Management's review of controls. • Assessed Management's underlying key assumptions including expected short- and long-term rates applied, daily running costs, WACC, useful lives, scrap values and relevant macroeconomic assumptions. • On a sample basis checked committed cash in- and outflows in the value-in-use calculation. • Assessed the sensitivity calculations performed by Management. We assessed the appropriateness of Management's presentation of these matters in the Financial Statements.

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 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 the preparation of parent company financial statements that give a true and fair view in accordance with 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.

Hellerup, 4 March 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2020	2019
Revenue	2.1	**2,597.8**	**2,583.9**
Other operating income	2.1	8.7	16.3
Vessel operating costs	2.1/2.2	-2,170.9	-2,305.2
Contribution margin		**435.6**	**295.0**
Overhead and administration costs	2.2	-93.1	-77.5
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)		**342.5**	**217.5**
Income/ (loss) from sale of vessels etc.	3.1	-18.2	-3.6
Depreciation, amortisation and impairment losses	2.4	-201.9	-156.9
Income/ (loss) from investments in joint ventures	3.2	-3.0	-0.2
Profit from operations (EBIT)		**119.4**	**56.8**
Financial income	2.5	3.5	5.1
Financial expenses	2.5	-30.2	-37.8
Profit before tax		**92.7**	**24.1**
Tax for the year	2.6	-6.7	-4.9
Profit for the year		**86.0**	**19.2**
Attributable to:			
Owners of Dampskibsselskabet NORDEN A/S		**86.0**	**19.2**
Earnings per share (EPS)	4.5		
Earnings per share (USD)		2.22	0.48
Earnings per share, diluted (USD)		2.22	0.48

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2020	2019
Profit for the year		**86.0**	**19.2**
Items which will be reclassified to the income statement:			
Fair value adjustment for the year, securities		-	-0.3
Fair value adjustment for the year, cash flow hedges	4.2	-4.8	33.7
Other comprehensive income, total		**-4.8**	**33.4**
Total comprehensive income for the year, after tax		**81.2**	**52.6**
Attributable to:			
Owners of Dampskibsselskabet NORDEN A/S		**81.2**	**52.6**

BALANCE SHEET AT 31 DECEMBER

Amount in USD million	Note	2020	2019
Vessels	3.1	767.4	803.4
Right-of-use assets	4.7	298.7	271.0
Property and equipment	3.1	48.6	49.0
Prepayments on vessels and newbuildings	3.1	15.5	16.1
Total Tangible assets		**1,130.2**	**1,139.5**
Investments in joint ventures	3.2	11.5	11.9
Receivables from subleasing	4.8	13.0	19.2
Total Financial assets		**24.5**	**31.1**
Total Non-current assets		**1,154.7**	**1,170.6**
Inventories	1.3	65.8	80.5
Receivables from subleasing	4.8	13.7	11.3
Freight receivables	3.3	144.5	164.0
Receivables from joint ventures		9.5	5.8
Tax receivables		-	0.9
Other receivables		17.7	31.6
Prepayments		70.2	68.4
Cash and cash equivalents		331.6	209.3
		653.0	**571.8**
Vessels held for sale	3.4	17.1	-
Total Current assets		**670.1**	**571.8**
TOTAL ASSETS		**1,824.8**	**1,742.4**

Amount in USD million	Note	2020	2019
Share capital	4.4	6.5	6.7
Reserve for hedges	4.2	4.1	8.9
Retained earnings		891.9	843.4
Total Equity		**902.5**	**859.0**
Loans	4.6	282.4	268.4
Lease liabilities	4.7	213.3	198.7
Total Non-current liabilities		**495.7**	**467.1**
Loans	4.6	37.6	34.9
Lease liabilities	4.7	142.1	131.8
Trade payables		131.2	117.6
Tax payables		1.4	-
Other payables		56.8	58.5
Deferred income		57.5	73.5
		426.6	**416.3**
Liabilities relating to vessels held for sale	3.4	-	-
Total Current liabilities		**426.6**	**416.3**
Total Liabilities		**922.3**	**883.4**
TOTAL EQUITY AND LIABILITIES		**1,824.8**	**1,742.4**

STATEMENT OF CASH FLOWS
1 JANUARY – 31 DECEMBER

Amount in USD million	Note	2020	2019
Profit for the year		86.0	19.2
Reversal of items from the income statement	5.2	259.7	206.7
Change in working capital	5.2	37.3	50.5
Instalments on sublease receivables	4.8	17.4	11.7
Income tax, paid		-4.4	-7.6
Cash flows from operating activities		**396.0**	**280.5**
Investments in vessels, vessels held for sale and other tangible assets	3.1/3.4	-27.1	-102.7
Prepayments on newbuildings	3.1	-71.9	-43.2
Investments in joint ventures		-	-1.0
Proceeds from sale of vessels and newbuildings		52.0	98.3
Sale of securities		-	4.9
Change in cash and cash equivalents with rate agreements of more than 3 months, etc.		1.9	-47.2
Cash flows from investing activities		**-45.1**	**-90.9**
Dividend paid to shareholders		-14.6	-12.0
Acquisition of treasury shares	4.4	-24.0	-9.4
Proceeds from loans	4.6	132.0	219.1
Repayment of loans	4.6	-117.1	-245.9
Instalments on lease liabilities	4.7	-175.3	-124.8
Financial payments, received		1.0	1.5
Financial payments, paid		-30.2	-39.7
Cash flows from financing activities		**-228.2**	**-211.2**
Cash flow from operating, investing and financing activities		**122.7**	**-21.6**
Liquidity at 1 January		92.9	115.2
Exchange rate adjustments		1.5	-0.7
Change in liquidity for the year		122.7	-21.6
Liquidity at 31 December		**217.1**	**92.9**
Cash and cash equivalents with rate agreements of more than 3 months, etc.		114.5	116.4
Cash and cash equivalents 31 December		**331.6**	**209.3**

Amount in USD million	Note	2020	2019
Which can be explained as follows			
Demand deposits and cash balance		120.5	28.3
Money market investment		188.8	163.6
Other cash and cash equivalents		22.3	17.4
Cash and cash equivalents 31 December		**331.6**	**209.3**

In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Skandinaviska Enskilda Banken (SEB) in the form of cash. At 31 December, cash held in margin accounts placed as security amounted to USD 13 million (USD 8 million).

§ Accounting policies

Consolidated statement of cash flows

The statement of cash flows shows the Group's cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents at the beginning and end of the year.

Positive amounts indicate inflows, whereas negative amounts indicate outflows.

Cash flows from operating activities

Cash flows from operating activities are stated as the profit/loss for the year adjusted for non-cash operating items such as depreciation, profit/loss from the sale of vessels, etc., changes in working capital plus or minus corporation tax paid or received. Working capital includes current assets less current liabilities, excluding the items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from the acquisition and sale of non-current assets.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of loan, instalments on lease liabilities as well as payments to and from shareholders and interests received and paid.

Liquidity

Liquidity comprises marketable securities with a term of less than 3 months and cash not subject to significant limits to its availability.

Cash and cash equivalents

Cash and cash equivalents are measured in the balance sheet at nominal value and mainly consist of demand deposits, cash balance and money market investments.

STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER

		Shareholders of NORDEN			
Amount in USD million	Note	Share capital	Reserve for hedges	Retained earnings	Total
Equity at 1 January 2020		**6.7**	**8.9**	**843.4**	**859.0**
Total comprehensive income for the year		-	-4.8	86.0	81.2
Capital reduction		-0.2	-	0.2	-
Acquisition of treasury shares	4.4	-	-	-24.0	-24.0
Dividends paid	4.4	-	-	-15.8	-15.8
Dividends related to treasury shares		-	-	1.2	1.2
Share-based payment	2.3	-	-	0.9	0.9
Changes in equity		**-0.2**	**-4.8**	**48.5**	**43.5**
Equity at 31 December 2020		**6.5**	**4.1**	**891.9**	**902.5**

		Shareholders of NORDEN			
Amount in USD million	Note	Share capital	Reserve for hedges	Retained earnings	Total
Equity at 1 January 2019		**6.7**	**-24.5**	**844.6**	**826.8**
Total comprehensive income for the year		-	33.4	19.2	52.6
Acquisition of treasury shares	4.4	-	-	-9.4	-9.4
Dividends paid	4.4	-	-	-12.8	-12.8
Dividends related to treasury shares		-	-	0.8	0.8
Share-based payment	2.3	-	-	1.0	1.0
Changes in equity		**-**	**33.4**	**-1.2**	**32.2**
Equity at 31 December 2019		**6.7**	**8.9**	**843.4**	**859.0**

See note 4.4 "Share capital and dividends" for a specification of reserves available for distribution as dividends and note 4.2 "Derivatives" for a specification of distribution of reserves on cash flow hedging.

NOTES TO THE FINANCIAL STATEMENTS – CONTENTS

SECTION 1
SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

SECTION 2
INCOME STATEMENT

SECTION 3
INVESTED CAPITAL AND WORKING CAPITAL

SECTION 4
CAPITAL STRUCTURE AND RISKS

SECTION 5
OTHER NOTES

NOTES TO THE FINANCIAL STATEMENTS

Section 1 Significant accounting policies and significant accounting estimates and judgements

1.1 Basis of preparation

This note provides a list of accounting policies adopted in the preparation of the consolidated financial statements and the financial statements of the Parent Company to the extent they have not been disclosed in the respective notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Dampskibsselskabet NORDEN A/S with its subsidiaries is one of Denmark's oldest internationally operating shipping companies. NORDEN operates in Dry Cargo and Tankers worldwide.

Dampskibsselskabet NORDEN A/S is a public limited company incorporated in Denmark and is listed on Nasdaq Copenhagen.

Prinicpal accounting policies

The annual report for the period 1 January – 31 December 2020 with comparative figures comprises the consolidated financial statements of Dampskibsselskabet NORDEN A/S (the Parent Company) and its subsidiaries (the Group) and the financial statements of the Parent Company.

The consolidated financial statements of the Group have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements from the Danish Financial Statements Act.

The financial statements of the Parent Company, Dampskibsselskabet NORDEN A/S, have been prepared in accordance with the Danish Financial Statements Act applying to enterprises of reporting class D.

Measurement basis

The consolidated financial statements and the financial statements of the Parent Company have been prepared based on the historical cost principle, with the exception of the following assets and liabilities:

- Derivative financial instruments, which are measured at fair value
- Non-current assets and groups of assets held for sale are measured at the lower of carrying amount before the changed classification and fair value less selling costs

USD is the functional currency of all enterprises in the Group as well as the Parent Company. In the annual report, the presentation currency is USD, and amounts are presented in million USD with one decimal rounded, except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation – continued

Applying materiality
The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

1.2 Basis of consolidation

Consolidation principles
The consolidated financial statements comprise the Parent Company, Dampskibsselskabet NORDEN A/S and subsidiaries. An investment is classified as a subsidiary when below conditions are met:

- Dampskibsselskabet NORDEN A/S has control over the company
- Dampskibsselskabet NORDEN A/S is exposed to variability in return on the investment
- The control over the Company can be used to affect the return on the investment

At consolidation, intra-group income and expenses, shareholdings, dividends and accounts as well as unrealised intra-group gains and losses on transactions between the consolidated enterprises are eliminated.

The financial statements used in the consolidation are prepared in accordance with the Group's accounting policies. The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and the subsidiaries by aggregating items of a uniform nature.

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition using the purchase method. Enterprises divested or wound up are included in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions or companies wound up.

1.3 General accounting policies

Inventories
Inventories primarily comprise of bunker and lubrication oil kept on board vessels. Inventories are measured at the lower of either cost according to FIFO method or net realisable value.

Prepayments
Prepayments include costs incurred regarding the succeeding financial year such as prepaid hire, interest and insurance premiums.

Deferred income
Deferred income arises from prepayments for voyages and time-charter income. Part of deferred income comprises prepaid time-charter income comprising a lease element as well as a service element.

Foreign currency translation
A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Transactions in foreign currencies during the year are translated at the exchange rates at the transaction date. Gains and losses arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as "Financial income" or "Financial expenses".

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the reporting date are translated at the exchange rates at the reporting date. Differences between the exchange rates at the transaction date and the exchange rate at the reporting date are recognised in the income statement as "Financial income" or "Financial expenses".

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date, when fair value in a foreign currency are translated using the exchange rate at the date, when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

In determining the spot exchange rate used on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payment or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

NOTES TO THE FINANCIAL STATEMENTS

1.3 General accounting policies - continued

Financial ratios

Financial ratios are calculated in accordance with the "Recommendations and Financial Ratios" issued by the "Danish Association of Financial Analysts", unless specifically stated. However, "Profit/loss from sale of vessels, etc." is not included in EBITDA. The figures are adjusted for the Group's holding of treasury shares. Definitions of key figures and financial ratios are shown on page 133.

Non-IFRS financial measures

In the Annual Report, the Group discloses certain financial measures of the Group's financial performance, financial position and cash flows that reflect adjustments to the most directly comparable measures calculated and presented in accordance with IFRS. These non-IFRS financial measures may not be defined and calculated by other companies in the same manner and may thus not be comparable.

The non-IFRS financial measures disclosed in the annual report are:

- Adjusted Results for the year – Profit/loss for the year excluding profit/loss from sale of vessels
- Contribution Margin – The contribution margin is defined as Revenue less Vessel operating costs plus Other operating income, net. Using the terminology in the segment reporting in note 2.1 "Segment information", Contribution margin is defined as T/C equivalent revenue less Charter hire for vessels and Other vessel operating costs plus Other operating income.

1.4 Significant accounting estimates and judgements

The preparation of the consolidated financial statements of the Group and the financial statements of the Parent Company requires Management to make estimates and judgements. These are the basis for recognition and measurement of the Group's and Parent Company's income, expenses, assets and liabilities.

The applied estimates are based on historical data and other factors that Management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events that affects the current as well as future periods.

Below are the accounting estimates and judgements, which Management deems to be significant to the preparation of the financial statements:

- Impairment test (note 3.1 "Tangible assets") (Estimate and judgement)
- Non-lease component for leases under IFRS 16 Leases (note 4.7 "Leases - lessee") (Estimate)

The accounting policies are described in each of the specific notes to the financial statements, which also include additional description of the most significant accounting estimates and judgements.

1.5 Changes in accounting policies and disclosures

The Group has adopted standards and interpretations effective as of 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Adoption of new or amended IFRSs

NORDEN has implemented the following amendments and interpretations to existing standards:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Defining of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16: Covid-19 Related Rent Concessions

None of these amendments or interpretations have had any effect on the accounting policies applied by the Group.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New and amended financial reporting standards are either irrelevant or insignificant to NORDEN.

NOTES TO THE FINANCIAL STATEMENTS

Section 2
Income statement

2.1 Segment information

§ Accounting policies

The segment information is provided on the NORDEN Group's 3 business segments: Asset Management, Dry Operator and Tanker Operator. The information is based on the Group's organisation, business management and management control, including internal financial reporting to NORDEN's operative management.

NORDEN's operative management function comprises the Executive Management and the Board of Directors in union. The Executive Management is responsible for the day-to-day management. The Board of Directors approves strategy, action plans, targets and budgets and limits for financial and market risks, and it supervises the Executive Management. The Executive Management's and Board of Directors' functions and responsibilities are described in further detail in the section "Corporate governance" in the Management Commentary. The operative management function assesses performance and carries out allocation of resources on the basis of the Adjusted Result for the year.

The Asset Management segment handles owned vessels and charters in long-term vessel capacity and charters out its capacity of owned and long-term chartered tonnage to Dry Operator and Tanker Operator at market rates and to third parties.

The Dry Operator segment offers transport of bulk commodities such as grain, coal, iron ore and sugar. In addition, Dry Operator handles NORDEN's short-term dry cargo activities, i.e. optimising the actual cargo liftings and voyage execution. The Tanker Operator segment offers transport of fuel oil or refined oil products. The vessel capacity comprises vessels chartered on short-term basis either from third parties or from Asset Management at market rates.

NORDEN's segments generate revenue consisting of freight and T/C income from owned and chartered vessels and commercial management income. Information is not provided by geographical segment as the global market is a unit, and the activities of the individual vessels are not limited to specific parts of the world. Nor does the internal financial reporting for the operative management provide such information. It is therefore not possible to provide geographical segment information on revenue from external customers or non-current assets.

Presentation of the segment income statement items and their order is consistent with NORDEN's consolidated income statement, except for voyage costs, which are not included in the item "Vessel operating costs" but presented as a separate item, and the segment income statement therefore comprises the subtotal "T/C equivalent revenue". The Group has chosen to disclose profit/loss from sales of vessels, even though this item is not included in the Adjusted Result for the year.

NOTES TO THE FINANCIAL STATEMENTS

2.1 Segment information – continued

The methods of allocating income statement items to segments are consistent. The allocation between Asset Management, Dry Operator and Tanker Operator is as follows:

- Items included in the segment profit are allocated to the extent that the items are directly or indirectly attributable to the segments.
- Items allocated by indirect calculation, the allocation keys are defined on the basis of each segment's drawing on key resources.

Inter-segment transactions comprise charter hire from Dry Operator and Tanker Operator to Asset Management.

Revenue

Revenue comprises the present value of services rendered, net of discounts, and revenue obtained from subleasing. Services rendered comprise freight income and time charter income. Revenue is recognised in the income statement for the financial year as earned.

All freight income and voyage costs are recognised as the freight services are rendered (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). This applies to all spot transports and transports under Contracts of Affreightment (COAs). Costs directly attributable to relocating the vessel to the load port under the contract are capitalised to the extent that they are recoverable.

Demurrage is recognised if the claim is considered probable.

Other operating income

Management income, mainly income in connection with administration of pool arrangements, is recognised upon receipt of the services in accordance with the management agreements concluded.

Gain/loss on subleases, the derecognised right-of-use asset, is recognised in the income statement as other operating income/expenses.

Vessel operating costs

Vessel operating costs comprise the expenses, excluding depreciation, incurred to generate the revenue for the year. Vessel operating costs therefore include charter hire for chartered vessels, bunker oil consumption, other voyage costs such as commissions and port charges, repair and maintenance costs, insurance costs, crew wages and other operating expenses. Costs directly attributable to transportation of the vessel to the loading port are capitalised and amortised over the course of the transportation period. Vessel operating costs other than these capitalised costs are recognised upon receipt of services in accordance with the charter parties concluded.

Overhead and administration costs

Other external costs comprise costs of properties, travel, office expenses, external assistance, etc.

! Accounting estimates

In recognition of freight income and voyage costs, including net income from pool arrangements, Management decides on closing dates, voyages, etc.

In connection with the recognition of the non-lease component of lease contracts that meets the criteria of recognition of a right-of-use asset and lease liability in accordance with IFRS 16 "Leases", see note 4.7 "Leases – lessee".

New business unit structure

Per 1 January 2020, NORDEN has transitioned to a new business unit structure to bring more agility and focus to ensure realisation of higher risk-adjusted returns through a stronger focus on short-term trading-oriented operator activities and active exposure management. The new business unit structure is represented by Asset Management, Dry Operator and Tanker Operator. The Asset Management business unit is a combination of the previous business unit "Dry Owner" and a part of the previous "Tanker" business unit. Thus, the previous segment "Tankers" is split into a new "Tanker Operator" business unit with focus on short-term trading and a "Tanker Owner" part including owned and long-term leased vessels, which is now part of the new Asset Management unit. The segment "Dry Operator" is not impacted by the changes. The change of the segments has had no impact on the revenue nor the result but only affects the presentation of the segment information.

The new Tanker Operator business unit and Tanker Owner activity is the split of the previous Tanker Total with addition of Elimination of internal trades.

2.1 Segment information – continued

The comparative information for the Tanker split and Asset Management segment information of 2019 is adjusted and provided below:

	Former Tanker business unit			New Asset Management business unit		
Amount in USD million	Tanker Total	Elimination of internal trade	New Tanker Operator business unit	Tanker Owner Activity	Former Dry Owner	New Asset Management Total
2019						
T/C equivalent revenue	296.1	-158.7	271.1	183.7	186.3	370.0
Contribution margin	132.7	-	47.4	85.3	95.4	180.7
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	104.6	-	30.3	74.3	84.6	158.9
Profit/loss from operations (EBIT)	20.9	-	19.1	1.8	22.8	24.6
Profit/loss before tax	8.2	-	18.2	-10.0	4.8	-5.2
Profit/loss for the period	7.1	-	17.5	-10.4	4.1	-6.3
Adjusted profit/loss for the period	13.1	-	17.5	-4.4	1.7	-2.7

NOTES TO THE FINANCIAL STATEMENTS

2.1 Segment information – continued

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Elimi-nations	Total
2020					
Revenue – services rendered, external	108.0	2,014.8	473.3	-	2,596.1
Revenue – services rendered, internal	305.7	-	-	-305.7	-
Revenue – sublease financial income	1.7	-	-	-	1.7
Voyage costs*	-2.9	-925.3	-166.6	4.7	-1,090.1
T/C equivalent revenue	**412.5**	**1,089.5**	**306.7**	**-301.0**	**1,507.7**
Other operating income/(expenses)	-1.2	-1.0	10.9	-	8.7
Charter hire and OPEX element*	-106.2	-950.9	-249.2	301.0	-1,005.3
Operating costs*	-75.5	-	-	-	-75.5
Contribution margin	**229.6**	**137.6**	**68.4**	**-**	**435.6**
Overhead and administration costs	-21.2	-52.7	-19.2	-	-93.1
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**208.4**	**84.9**	**49.2**	**-**	**342.5**
(Loss) from sale of vessels, etc.	-18.2	-	-	-	-18.2
Depreciation, amortisation and impairment losses	-151.5	-21.4	-29.0	-	-201.9
Share of (loss) of joint ventures	-3.0	-	-	-	-3.0
Profit/loss from operations (EBIT)	**35.7**	**63.5**	**20.2**	**-**	**119.4**
Financial income	1.0	2.3	0.2	-	3.5
Financial expenses	-26.1	-2.8	-1.3	-	-30.2
Profit/loss before tax	**10.6**	**63.0**	**19.1**	**-**	**92.7**
Tax for the year	-1.3	-4.5	-0.9	-	-6.7
Profit/loss for the year	**9.3**	**58.5**	**18.2**	**-**	**86.0**
Adjusted for:					
(Loss) from sale of vessels, etc.	18.2	-	-	-	18.2
(Loss) from sale of vessels, etc. in joint venture	1.5	-	-	-	1.5
Adjusted Results for the year	**29.0**	**58.5**	**18.2**	**-**	**105.7**

* Included in the item "Vessel operating costs" in the income statement.

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Elimi-nations	Total
2019					
Revenue – services rendered, external	83.3	2,065.6	433.0	-	2,581.9
Revenue – services rendered, internal	299.3	-	-	-299.3	-
Revenue – sublease financial income	2.0	-	-	-	2.0
Voyage costs*	-14.6	-892.8	-161.9	1.6	-1,067.7
T/C equivalent revenue	**370.0**	**1,172.8**	**271.1**	**-297.7**	**1,516.2**
Other operating income	1.4	0.4	14.5	-	16.3
Charter hire and OPEX element*	-114.4	-1,106.3	-238.2	297.7	-1,161.2
Operating costs*	-76.3	-	-	-	-76.3
Contribution margin	**180.7**	**66.9**	**47.4**	**-**	**295.0**
Overhead and administration costs	-21.8	-38.6	-17.1	-	-77.5
Profit/loss before depreciation, amortisation and impairment losses etc. (EBITDA)	**158.9**	**28.3**	**30.3**	**-**	**217.5**
(Loss) from sale of vessels, etc.	-3.6	-	-	-	-3.6
Depreciation, amortisation and impairment losses	-130.5	-15.2	-11.2	-	-156.9
Share of (loss) of joint ventures	-0.2	-	-	-	-0.2
Profit/loss from operations (EBIT)	**24.6**	**13.1**	**19.1**	**-**	**56.8**
Financial income	3.4	1.6	0.1	-	5.1
Financial expenses	-33.2	-3.6	-1.0	-	-37.8
Profit/loss before tax	**-5.2**	**11.1**	**18.2**	**-**	**24.1**
Tax for the year	-1.1	-3.1	-0.7	-	-4.9
Profit/loss for the year	**-6.3**	**8.0**	**17.5**	**-**	**19.2**
Adjusted for:					
(Loss) from sale of vessels, etc.	3.6	-	-	-	3.6
Adjusted Results for the year	**-2.7**	**8.0**	**17.5**	**-**	**22.8**

* Included in the item "Vessel operating costs" in the income statement

Financial comments

The amounts of revenue stated in the above tables for both current financial year and the comparable financial year include the agreed time charter rates earned during the lease. The lease and service components are recognised as revenue under the same pattern of transfer to the customers. Separate disclosure of the lease components and the service income components have not been provided as it is impracticable to establish this disclosure.

NORDEN has no single customer with whom the external revenue exceeds 10% of total revenue.
All deferred revenue as of 31 December 2019 has been recognised as revenue in 2020.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Expenses by nature

Amount in USD million	2020	2019
Vessel operating costs	2,170.9	2,305.2
Overhead and administration costs	93.1	77.5
Total	**2,264.0**	**2,382.7**
These costs can be split by nature:		
Voyage costs excluding bunker oil	532.2	493.7
Bunker oil	557.9	574.0
Expenses related to the service component of right-of-use assets	165.9	122.2
Expenses related to short-term leases	839.4	1,039.0
Operating costs owned vessels excluding seafarers	37.7	37.7
Other external costs	20.0	23.9
Staff costs, cf. note 2.3	110.9	92.2
Total	**2,264.0**	**2,382.7**

2.3 Staff costs and remuneration

Amount in USD million	2020	2019
Onshore employees – the amount is included in "Overhead and administration costs":		
Wages and salaries	67.8	48.2
Pensions – defined contribution plans	3.0	3.0
Other social security costs	1.4	1.4
Share-based payment, cf. note 5.3	0.9	1.0
	73.1	**53.6**
Seafarers – the amount is included in "Vessel operating costs":		
Wages and salaries	35.7	36.0
Pensions – defined contribution plans	0.4	1.0
Other social security costs	1.7	1.6
	37.8	**38.6**
Total	**110.9**	**92.2**
Average number of employees:		
Onshore employees	391	395
Seafarers	838	715
Total	**1,229**	**1,110**

Staff costs and average number of employees exclude employees on T/C vessels but include employees and staff costs related to these paid by external technical managers.

2.3 Staff costs and remuneration – continued

	2020			2019		
Amount in USD million	Parent Company Board of Directors	Parent Company Executive Management	Total	Parent Company Board of Directors	Parent Company Executive Management	Total
Wages and salaries	0.8	4.2	5.0	0.8	2.3	3.1
Other social security costs	-	-	-	-	-	-
Share-based payment	-	0.3	0.3	-	0.3	0.3
Total	**0.8**	**4.5**	**5.3**	**0.8**	**2.6**	**3.4**

Financial comments

The Danish Financial Statements Act requires listed companies to disclose information in relation to change-of-control provisions. Within 4 weeks after a change of the control of the Company, the CEO and CFO may terminate their employment, and they will be entitled to 12 months remuneration.

Refer to "Remuneration report 2020" published on NORDEN's website.
Refer to note 5.3 "Share-based payment" for further information.

2.4 Depreciation

	2020	2019
Vessels, cf. note 3.1	47.7	44.6
Right-of-use assets, cf. note 4.7	153.3	111.5
Property and equipment, cf. note 3.1	0.9	0.8
Total	**201.9**	**156.9**

2.5 Financial income and expenses

Amount in USD million	2020	2019
Interest income	1.0	1.5
Fair value adjustment, cross currency swaps	0.5	-
Exchange rate adjustments	2.0	3.6
Total financial income	**3.5**	**5.1**
Interest costs	10.4	17.1
Fair value adjustment, cross currency swaps	-	1.1
Interest expenses on lease liabilities	19.8	19.6
Total financial expenses	**30.2**	**37.8**

NOTES TO THE FINANCIAL STATEMENTS

2.6 Taxation

Accounting policies

The Group's current tax consists of tax payable according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income and other activities.

Other activities comprise letting of the Group's domicile and commercial management income. Shipping activities in Denmark are taxed on the basis of the net tonnage (vessels), which the Danish group entities in question have at their disposal.

Based on the planned use of vessels and recovery of reversed depreciation, respectively, the Danish tonnage tax regime does not result in a liability, hence, it does not result in any deferred tax in the balance sheet. The liability is merely a contingent liability. Other activities of the Group and the Parent Company are not subject to deferred tax either.

Accounting estimates

Based on the Group's business plans, the Danish group entities have entered the Danish tonnage tax regime for a binding 10-year period from 2011. By the end of 2020, It has been decided to continue under the Danish tonnage tax regime for an additional binding 10-year period, commencing as of 1 January 2021.

Contingent tax, disclosed under this note, may become a current tax if the tonnage tax regime is dissolved, if the Danish group entities' in question net investments in vessels decrease significantly or if the Danish group entities in question are liquidated. The Group's business plans therefore constitute an important basis for this estimate.

In addition, the tax rules are complicated when a company has activities that are partly covered by the tonnage tax regime and partly by corporate taxation. In calculation of the taxable income, estimates are made which in a later assessment by the Danish tax authorities may result in corrections to previous estimates of recognised tax assets and liabilities in the balance sheet.

Amount in USD million	2020	2019
Tax on the profit/loss for the year	7.6	6.0
Adjustment of tax regarding previous years	-0.9	-1.1
Total	**6.7**	**4.9**
Tax on profit/loss for the year is broken down as follows:		
Profit/loss before tax	92.7	24.1
of which results from Danish tonnage activity	-81.2	-15.4
Profit/loss from non-tonnage activity	**11.5**	**8.7**
Calculated tax of this, 22.0% (22.0%)	2.5	1.9
Tax effect from:		
- Tonnage tax	6.7	4.0
- Higher/lower tax rate in subsidiaries	-6.3	-3.5
- Adjustments of tax regarding previous years	-0.9	-1.1
- Non-tax deductible interests ect.	4.7	3.6
Total	**6.7**	**4.9**
Contingent tax under the tonnage tax scheme	16.3	16.3
Contingent tax is calculated equalling the tax rate for 2020 and going forward.	22%	22%

NOTES TO THE FINANCIAL STATEMENTS

Section 3
Invested Capital and Working Capital

3.1 Tangible assets

§ Accounting policies

Tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use. Borrowing costs concerning either specific or general borrowing directly related to assets with an extended construction period are included in cost over the period of construction.

Depreciation is based on the straight-line method over the estimated useful lives of the assets:

	Years
Buildings	50
Vessels	25
Fixtures, fittings and equipment	3-10

Land is not depreciated.

Estimated useful lives and residual values are reassessed annually.

Vessels

Dry docking costs are recognised in the carrying amount of vessels when incurred and depreciated over the period until the next dry docking.

The scrap value of vessels is determined based on the market price per lightweight tonne for scrapping of the vessel.

The depreciation period for secondhand vessels is determined on the basis of the condition and age of the vessels at the time of acquisition, but the depreciation period does not exceed 25 years from delivery from the shipyard.

Prepayments on newbuildings are recognised in assets as vessels under construction as payments are made. At the delivery of the vessel, it is reclassified to the item "Vessels".

Profit/loss from sale of vessels is stated as the difference between the sales price less selling costs and the carrying amount of the vessel in question at the time of delivery. Furthermore, impairment of assets held for sale and any gains and losses upon repayment of related loans are included.

Impairment test

Management monitors continuously, on a portfolio basis, the carrying value of tangible non-current assets in order to determine, whether there are any indications of impairment in excess of the amount provided for by normal depreciations and whether previous impairments should be reversed.

3.1 Tangible assets – continued

An impairment test is conducted if there is an indication that the carrying amount of an asset or a cash-generating unit exceeds the expected future cash flows from the asset. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is determined as the higher of the net selling price and the value-in-use. If a recoverable amount for the individual assets cannot be determined, the smallest group of assets for which it is possible to determine the recoverable amount (cash-generating unit) is analysed for impairment.

Management's assessment of indication of impairment on owned vessels, leased vessels recognised in the balance sheet as right-of-use assets and prepayments on newbuildings is based on the cash-generating units (CGUs) in which vessels, etc. are included; Dry Cargo and Tankers.

Assessment of indication of impairment is made concurrently on a portfolio basis.

Reversal of previous impairments is only recognised if there has been a change in the assumptions used to determine the recoverable amount since the last impairment test was carried out.

! Accounting judgements

Significant accounting judgement includes the definition of CGUs. Among other things, the judgement effects on which basis an impairment test is performed. The CGUs are determined as Dry Cargo and Tankers. When determining the CGUs, the respective dry cargo and tanker vessels part of the segment and department Asset Management have been included in the respective CGU; Dry Cargo or Tankers. Management has considered the degree of interdependency between Asset Management and Dry Operator/Tanker Operator in respect of taking decisions related to the vessel capacity and has concluded that the interdependency is of such extent that the cash inflows are not largely independent from each other and that, consequently, the three operating segments form two CGUs. When determining that the CGU is not at a lower level than the total Dry Cargo and Tanker fleets, respectively, Management has attached importance to the fact that both fleets are managed on a portfolio level.

Furthermore, assessing whether any indication of impairment exists is depending on complex and subjective judgements by Management. Only if any indication of impairment, or reversal of previously recognised impairment, exists, an impairment test is performed within a CGU.

The indications assessed by Management comprise, among other things, financial performance, vessel values, newbuilding prices and development in freight and time charter rates.

When considering vessel values, Management obtains two independent broker valuations of all vessels and newbuildings, which are indicative. Management uses these broker valuations to, among other things, determine the net selling price, which is also part of the recoverable amount in an impairment test. In this regard, Management assesses the broker´s independency, objectivity, qualifications and experience and whether the valuations are appropriate for the purpose, e.g. based on sufficient market data.

Assessment of development in newbuilding prices is based on market data such as known transactions, prices of potential newbuildings and analysis reports from brokers.

Management's assessment of future freight and time charter rates is especially highly judgemental. Short-term rates are based on publicly available market data of FFAs covering a future period of one to two years. Mid- and long-term rates are based on Management's judgements.

Management considers all these indicators when assessing whether an impairment test has to be performed.

! Accounting estimates

If indications exist, Management assesses through an impairment test the recoverability of the carrying amount of tangible assets and other related assets related to the relevant CGU (see above under Accounting policies).

Recoverable amount is determined based on a calculation of the higher of the net selling price and the value-in-use.

Regarding assessment of the net selling price, reference is made to the description in respect of broker valuations mentioned above under Accounting judgements.

The net settling price of right-of-use assets is determined based on estimated time charter rates for leases of similar vessels over the remaining lease term.

The principal risk when determining the value-in-use is in relation to Management's assessment of the timing and value of future cash flows including Management's estimates of long-term freight and T/C rates as well as determination of a discount rate (WACC).

Finally, other significant accounting estimates when determining the carrying value of tangible assets include i.a. useful lives and scrap values.

In addition, the short- and long-term economic consequences of COVID-19 are still unknown and could cause a shift in freight rates and other significant assumptions impacting the impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Dry Cargo

As a consequence of positive results for 2020 in the CGU and a positive outlook for the Dry Cargo market, Management assesses that it was appropriate to perform an impairment test at the end of 2020 in order to assess potential reversal of previously recognised impairment.

Based on the average of two independent broker valuations, the net selling price of the Group's Dry Cargo fleet was USD 26 million below the carrying amounts at 31 December 2020.

NORDEN also conducted a calculation of value-in-use (VIU) of the Dry Cargo fleet. The CGU, Dry Cargo, is assessed on a portfolio basis, meaning that it is defined as NORDEN's Dry Cargo fleet including chartered vessels and agreed coverage (revenue) in the form of COAs and vessels chartered out. A discount rate (WACC) of 7.25% has been applied.

The VIU calculation showed that the long-term values of the Dry Cargo fleet support the carrying amounts. Accordingly, there is no need for impairment, or reversal of previously recognised impairments, of the Group's Dry Cargo vessels, right-of-use assets and newbuildings.

Due to the large number of open vessel days in the CGU, Dry Cargo, the VIU calculation is particularly sensitive to even minor fluctuations in among others freight rates and WACC. As an example of these sensitivities, a reduction of the assumed freight rates of USD 1,000 will affect the VIU negatively by approximately USD 75 million. An increase in WACC of 1 percentage point will similarly affect the VIU negatively by approximately USD 40 million.

Tankers

As a consequence of the negative development in freight rates during the second half of 2020 and the general decline in vessel prices, Management assesses that there were indications of impairment and therefore deemed it necessary to carry out an impairment test at the end of 2020.

Based on the average of two independent broker valuations, the net selling price of the Group's Tanker fleet was USD 80 million below the carrying amounts at 31 December 2020.

NORDEN also conducted a calculation of value-in-use (VIU) of the Tanker fleet, where the long-term values were assessed. The CGU, Tankers, is assessed on a portfolio basis, meaning that it is defined as NORDEN's Tanker fleet including chartered vessels and agreed coverage (revenue) in the form of COAs and vessels chartered out. A WACC of 7.25% was used for the calculation.

The VIU calculation showed that the long-term values of the Tanker fleet support the carrying amounts. Accordingly, Management assessed that there is no need for impairment, or reversal of previously recognised impairments, of the Group's Tanker vessels and right-of-use assets.

Due to the large number of open vessel days in the CGU, Tankers, the VIU calculation is particularly sensitive to even minor fluctuations in freight rates and WACC. As an example of these sensitivities, a reduction of the assumed freight rates of USD 1,000 will affect the VIU negatively by approximately USD 85 million. An increase in WACC of 1 percentage point will similarly affect the VIU negatively by approximately USD 35 million.

3.1 Tangible assets – continued

	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2020				
Cost at 1 January	1,123.8	54.6	16.1	1,194.5
Additions for the year	26.6	0.5	71.9	99.0
Disposals for the year	-3.2	-0.2	-	-3.4
Transferred during the year	72.4	-	-72.4	-
Transferred during the year to assets held for sale	-139.9	-	-	-139.9
Transferred during the year to other items	-	-	-0.1	-0.1
Cost at 31 December	1,079.7	54.9	15.5	1,150.1
Depreciation at 1 January	-244.7	-5.6	-	-250.3
Depreciation for the year	-47.7	-0.9	-	-48.6
Depreciations related to derecognised assets	3.2	0.2	-	3.4
Transferred during the year to assets held for sale	39.4	-	-	39.4
Depreciation at 31 December	-249.8	-6.3	-	-256.1
Impairment losses at 1 January	-75.7	-	-	-75.7
Transferred during the year to tangible assets held for sale	13.2	-	-	13.2
Impairment losses at 31 December	-62.5	-	-	-62.5
Carrying amount at 31 December	**767.4**	**48.6**	**15.5**	**831.5**

	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2019				
Cost at 1 January	1,207.3	54.5	29.1	1,290.9
Additions for the year	102.4	0.3	43.2	145.9
Disposals for the year	-4.8	-0.2	-	-5.0
Transferred during the year	55.9	-	-55.9	-
Transferred during the year to assets held for sale	-237.0	-	-	-237.0
Transferred during the year to other items	-	-	-0.3	-0.3
Cost at 31 December	1,123.8	54.6	16.1	1,194.5
Depreciation at 1 January	-284.9	-5.0	-	-289.9
Depreciation for the year	-44.6	-0.8	-	-45.4
Depreciations related to derecognised assets	4.8	0.2	-	5.0
Transferred during the year to assets held for sale	80.0	-	-	80.0
Depreciation at 31 December	-244.7	-5.6	-	-250.3
Impairment losses at 1 January	-126.8	-	-4.2	-131.0
Transferred during the year	-4.2	-	4.2	-
Transferred during the year to tangible assets held for sale	55.3	-	-	55.3
Impairment losses at 31 December	-75.7	-	-	-75.7
Carrying amount at 31 December	**803.4**	**49.0**	**16.1**	**868.5**

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Capital commitments

The Group has entered into agreements for future delivery of vessels. The remaining contract amount is payable as follows:

Amount in USD million	2020	2019
Within 1 year	45.0	38.4
Between 2 and 3 years	95.3	-
More than 3 years	-	-
Total	**140.3**	**38.4**

3.2 Investments in joint ventures

NORDEN engages in jointly controlled arrangements which include joint ventures and joint operations. In joint ventures, the parties do not have direct share in assets and liabilities, etc., but solely a share in the net profit or loss and equity. On the other hand, joint operations provide the parties with direct rights to the assets and direct obligations for the liabilities. Each joint operator recognises its part of assets, liabilities, income and costs.

Accounting policies

In the Group's income statement, the Group's share of the joint ventures' profit/loss after tax is included in the item "Share of profit/loss of joint ventures".

Enterprises, which are contractually operated jointly with one or more other enterprises and which are thus jointly controlled, are recognised in the consolidated financial statements according to the equity method.

In the Group's statement of financial position, the Group's share of the net asset value of joint ventures is thus included in the item "Investments in joint ventures", calculated on the basis of the Group's accounting policies and after deduction or addition of the Group's share of any unrealised intra-group gains or losses.

Joint ventures with negative net asset values are valued at USD 0 million. If the Group has a legal or constructive obligation to cover the enterprises' negative balance, such obligation is recognised by writing down any receivable from the joint venture or under provisions.

Accounting judgements

Assessment of control in shared ownership

The classification of activities and enterprises which are in part jointly owned with other companies and thus how these activities and enterprises are treated in the consolidated financial statements is to a certain extent based on judgements of formal and actual conditions.

In the assessment of joint control, an analysis has been made as to which decisions require unanimity and whether these relate to relevant activities, which are activities that significantly affect the return of the arrangement. It is assessed that joint control by default exists when business plans and budgets must be adopted unanimously.

Investments comprise:		2020	2019	2020	2019
	Ownership	Shares of result of joint ventures		Carrying amount	
Nord Summit Pte. Ltd., Singapore*	50%	-0.5	-	11.4	11.9
Polar Navigation Pte. Ltd., Singapore	50%	-2.6	-0.2	-	-
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	-	-	-	-
NORDEN SYNERGY Ship Management A/S, Denmark**	50%	0.1	-	0.1	-
Total		**-3.0**	**-0.2**	**11.5**	**11.9**

* Loss from sale of vessels USD 1.5 million have been realised in 2020.

** In 2020, NORDEN established the joint venture NORDEN SYNERGY Ship Management A/S with an external party, which is related to technical management services of NORDENs owned vessels.

	2020	2019
Key figures (100%)		
Revenue and other income	40.3	24.4
Costs	-41.7	-24.8
Impairment	-4.6	-
Total results	**-6.0**	**-0.4**
Share of results of NORDEN	**-3.0**	**-0.2**
Non-current assets	57.9	86.3
Current assets	16.1	9.3
- hereof cash and cash equivalents	6.4	4.3
Non-current liabilities, debt	-45.0	-60.0
Current liabilities	-17.7	-18.4
Total carrying amount	**11.3**	**17.2**
Share of carrying amount of NORDEN	5.7	8.6
Transferred to other payables due to negative equity	5.8	3.3
Recognised carrying amount of NORDEN	**11.5**	**11.9**

Financial comments

No significant restrictions apply to distributions from joint ventures.

3.3 Freight receivables

Accounting policies
Receivables are measured at amortised cost less allowances for impairment losses. Impairment losses for trade receivables are determined as the expected loss over the life of the receivables.

Accounting estimates
Allowances of trade receivables is determined using the lifetime expected credit loss which include factors such as internal rating, historical information about payment patterns, collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

It is estimated that the allowances made are sufficient to cover bad debt.

Amount in USD million	2020	2019
Receivables from invoiced voyages	99.6	123.0
Receivables from voyages commenced at the balance sheet date	46.9	45.6
Freight receivables	146.5	168.6
Allowances regarding demurrage, claims, etc.	-2.0	-4.6
Freight receivables, net	144.5	164.0
Carrying amount	**144.5**	**164.0**

Freight receivables are predominately denominated in USD as other currencies account for less than 1% in both 2020 and 2019.

Set out below is the movement in the allowance:	2020	2019
As at 1 January	-4.6	-4.3
Applied allowances during the year	2.4	-
Allowances reversed	1.9	1.1
Allowances made during the year	-1.7	-1.4
As at 31 December	**-2.0**	**-4.6**

Financial comments
Regarding freight receivables, the Group usually has the opportunity to use the cargo as security.
Refer to note 4.1 "Financial risk management" and note 4.3 "Fair value hierarchy" for further information.

3.4 Vessels held for sale and related liabilities

Accounting policies
Vessels held for sale comprise of vessels for which a binding sales agreement has been entered into and the vessel will be transferred to the buyer within 12 months of the reporting date.

Vessels and prepayments on vessels held for sale are measured at the lower of carrying amount before classification as held for sale and fair value less selling costs and are recognised under current assets.

Depreciation is not provided for vessels held for sale.

Assets and directly related liabilities in relation to vessels held for sale are recognised in separate items in the balance sheet.

Gains and losses are included in the income statement in the item "Profit/loss from sale of vessels, etc.". Gains are recognised on delivery and losses, when they are classified as "held for sale".

Vessels held for sale

Amount in USD million	2020	2019
Carrying amount at 1 January	-	-
Additions for the year from vessels	75.0	101.7
Disposals for the year	-57.9	-101.7
Carrying amount at 31 December	**17.1**	**-**
Liabilities relating to vessels held for sale		
Prepayments received on sold vessels and newbuildings	-	-
As at 31 December	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

3.5 Joint operations

NORDEN engages in jointly controlled arrangements which include joint ventures and joint operations. In joint ventures, the parties do not have direct share in assets and liabilities, etc., but solely a share in the net profit or loss and equity. On the other hand, joint operations provide the parties with direct rights to the assets and direct obligations for the liabilities. Each joint operator recognises its part of assets, liabilities, income and costs.

NORDEN's shipping activities are to some extent conducted through pool arrangements. In pools, revenue and related costs are recognised according to criteria corresponding to the pool agreements.
For vessels operating in pools, the pool's profit is allocated to the pool participants on the basis of an agreed principle. The agreed principle may differ from pool to pool. Generally, the pool profit is allocated to the participants according to the number of days the vessels have been at the pool's disposal, but weighted for the capacity and characteristics of the individual vessels.

NORDEN operates a few pools. As pool operator, NORDEN receives management income to cover its costs in this respect. Management income is calculated as a fixed percentage of charter/freight income for each individual agreement, however, with a minimum amount. The management income is recognised in the income statement in the item "Other operating income" as the underlying charter/freight agreement is recognised.

Joint operations comprise the following pools:

- Norient – Handy Pool
- Norient – MR Pool
- Norient – NIP Pool
- Norient – AEV Pool
- Norient – N51 Pool
- Norient – H15 Pool
- Norient – S01 Pool

§ Accounting policies

Pool arrangements are considered joint operations. Accordingly for vessels operating in pools, the proportionate share of income and costs is presented as gross amounts in the income statement. For example, the share of revenue in pools is recognised in "Revenue", while the proportionate share of costs in pools, such as direct voyage costs (e.g. bunker oil, commissions and port charges) and charter hire for chartered pool tonnage, is recognised in "Vessel operating costs". Similarly, NORDEN's share of assets and liabilities in pools is recognised, and NORDEN's share of other liabilities, etc. is included in the notes to the financial statements.

! Accounting judgements

Assessment of control in shared ownership - pool arrangements

The classification of activities and enterprises which are in part jointly owned with other companies and thus how these activities and enterprises are treated in the consolidated financial statements is to a certain extent based on judgements of formal and actual conditions.

In connection with the assessment of control, an analysis of the operator role in NORDEN's agreements on pool arrangements has been made. The operator is responsible for the daily management of activities carried out within a jointly established framework. Since the operators are not exposed to, and are not entitled to, a return apart from the participating share and the fact that they can be replaced upon agreement, the operators are considered to be agents as defined in IFRS 10.

In the assessment of joint control, an analysis has been made as to which decisions require unanimity and whether these relate to relevant activities, which are activities that significantly affect the return of the pool arrangement. It is assessed that joint control by default exists when business plans and budgets must be adopted unanimously.

For NORDEN's pool arrangements, unanimity is required on decisions relating to relevant activities. It has also been established that the pool partners have rights and obligations directly and unlimited with regard to the assets and liabilities of the arrangements, and as the pool arrangements have not been structured into separate legal units, these are treated and classified as joint operations.

Liabilities

The following is an overview of NORDEN's total liabilities and coverage in respect of jointly controlled operations in the event that other pool partners are unable to meet their obligations.

	2020	2019
Share of unrecognised liabilities for which the partners are jointly and severally liable	11.1	11.0

NOTES TO THE FINANCIAL STATEMENTS

Section 4
Capital Structure and risks

4.1 Financial risk management

The Group is exposed to a variety of risks from its operations in shipping markets

The Board of Directors is advised by the Risk Committee in matters related to the Management of these risks, where the Risk Committee is responsible to ensure development and implementation of robust risk frameworks that appropriately identifies and measures risks.

Based on advice from the Risk Committee, the Board of Directors reviews and agrees on policies for managing each of the risks, which are described below.

For further information, see section Risk Management page 20 and 21 in Management Review.

Credit risks

The Group is exposed to credit risk related to trade receivables from its counterparties and agreed future COAs, its prepayments to shipyards and ship owners, its cash deposits with financial institutions and potential initial margins and intraday volatility market values in relation to derivative instruments.

Credit risk is reduced by systematic credit assessment of counterparties and regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on external credit rating agencies and publicly available information. Each analysis results in an internal rating, which is subsequently used for determining the allowed scope of the commitment. The internal ratings are based both on a financial and a non-financial assessment of the counterparty profile, where each category ranges between A to D, with A being the highest achievable score.

Customer credit risk exposure

The total Group credit exposure was USD 912 million (USD 844 million) at the end of 2020 with USD 759 million (USD 664 million) in Dry Cargo and USD 153 million (USD 180 million) in Tankers.

While concentration risk is mitigated by distributing exposure between many counterparties, it is still a few counterparties that account for a large part of the exposure. In Dry Cargo, the exposure involves 252 (201) counterparties, where the 5 largest counterparties accounted for 43% (50%) of the covered revenue in the segment. In Tankers, the exposure involves 58 (50) counterparties, where the 5 largest accounted for 71% (84%) of the covered revenue in the segment. It is assessed that the main part of the counterparties referred to above are solid, and the Group keeps updated on the performance and activities of these companies on a regular basis.

Credit risks related to trade receivables differ somewhat for timecharters and voyage charters. For timecharters, revenues are in general paid in advance for next 2 to 4 weeks, while for voyage charters, substantially, all revenue is paid before discharge in Dry Cargo and within 2-5 days after discharge in Tankers.

Due to the nature of the counterparties as described above, and the systematic and regular monitoring of their credit worthiness, the customer credit risk is determined to be limited.

Prepayments

The Group has credit risk related to prepayments to shipyards. To mitigate this risk, the Group generally obtains a guarantee from a financial institution.

The Group has a credit risk towards shipowners who have received prepaid hire. At the end of 2020, the total prepaid hire amounted to USD 9 million (USD 13 million). It is assessed that the credit risk is limited as the counterparties continue to have a financial self-interest in maintaining the charter party, just as

NOTES TO THE FINANCIAL STATEMENTS

4.1 Financial risk management – continued

the counterparties' banks as a general rule have confirmed that they will respect the agreements.

Cash deposits
The Group liquidity is strictly placed with financial institutions that are either classified as a systemic important financial institution (SIFI) or that has a Moody's rating of at least A-.

Derivatives
NORDEN uses derivatives instruments to hedge freight risk, bunker risk and currency risk. The credit risk related to these instruments is deemed to be small, since cleared and OTC contracts are subject to daily margin payments, with only difference that OTC contracts have a threshold before daily margin payments are made.

At year end a total positive market value of USD 42.2 million (2019: USD 18.9 million) and a total negativ market value of USD 34.1 million (2019: USD 7.8 million) have been cleared through NORDENs margin account with Skandinaviska Enskild Banken (SEB).

Freigth rate risks

Purchasing and chartering vessels, and cargo contracts, imply a risk as the Group assumes financial liability in expectation of generating earnings which are dependent on the freight market.

The Group uses FFAs to hedge cashflow risk to the extent Management finds it attractive cf. note 4.2 "Derivatives".

Bunker price risks

A large part of the variable revenues and expenses are related to bunker prices, which impacts the Group result. The Group uses bunker swaps to hedge the bunker price risk to the extent possible cf. note 4.2 "Derivatives".

Note that for vessels that are scrubber-fitted, the Group has a bunker price risk towards the spread between high sulphur fuel oil and a combination of very low sulphur fuel oil and gas oil, respectively. As the available hedging tools are not very liquid, only parts of this risk is hedged.

Interest rate risks

Most of the Group's loan obligations are paying interest on the basis of 1, 3, or 6 months USD libor. Most of the Group's considerable cash balance is placed on short term bank deposits thus netting out the loan's libor exposure. The Group's net interest rate exposure does not have a significant effect on the results of the Group.

Currency risks

The Group's functional currency is USD. Since administrative expenses and dividends are paid in other currencies – mainly DKK – there is a currency risk in this connection. The Group hedges expected administrative expenses payable in DKK for a period of 6-24 months. In connection with newbuilding payments, typically in JPY, CNY or KRW, there may also be a currency risk. This is hedged by forward contracts in connection with newbuilding orders. At the end of 2020, all newbuilding payments were, however, in USD. The strike price in some of the Group's purchase options is determined in JPY, and it is the Group's policy only to hedge these if the option is exercised and only upon exercise.

In connection with the conclusion of a COA in GBP, cross currency swaps were simultaneously entered into to fix expected freight income in USD.

Liquidity risks

The Group maintains sufficient liquidity to handle short-term fluctuations in cashflows while at the same time complying with bank covenants.

Financial contracts, including but not limited to bunker swaps and FFAs, are mainly traded cleared. The contracts can also be traded OTC, but in this case always with an ISDA in place. This implies a liquidity risk as changes in market value of the financial contracts must be backed by collateral on a daily basis.

The Group actively monitors and manages this risk using Cashflow at Risk to ensure sufficient available liquidity to handle severe stress of current market conditions.

The terms to maturity of financial assets and liabilities are disclosed by category and class distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractuel agreements. Interest payments on floating-rate instruments are determined based on

Overview of financial risks

Amount in USD	Nominal value		
Credit	2020	2019	Comments on NORDEN's policy
Freight receivables	155 million	164 million	The credit rating of counterparties is assessed on an ongoing basis. The Group reduces its credit risks through systematic credit assessment of counterparties and through regular monitoring of their creditworthiness.
Bank deposits	332 million	209 million	The Group's liquidity is strictly placed with financial institutions with a Moody's rating of at least A3 or classified as systemic important financial institutions (SIFI).
Prepayments on vessels and newbuildings	16 million	16 million	As a main rule, newbuilding contracts with shipyards are entered into with repayment guarantees issued by banks with good credit ratings.
FFAs	Sold net 99 million	Sold net 116 million	To limit credit risk, the Group's FFAs are for the main parts entered through established clearing houses as these have daily margin settlement.
Bunker swaps	Bought net 105 million	Bought net 102 million	The Group's bunker swaps are in general traded cleared, but in some cases bunker swaps are traded OTC with financial institutions and with major, recognised business partners with good credit ratings. In the case of OTC trades the Group always includes an ISDA agreement ensuring continuous collateral above a specific threshold.

4.1 Financial risk management – continued

Overview of financial risks

Amount in USD	Nominal value			
Market	2020	2019	Sensitivity	Comments on NORDEN's policy
Freight rate risks (FFAs)	Sold net 99 million	Sold net 116 million	A 10% drop in freight rates at year-end would positively impact equity by USD 10 million (positive impact of USD 11 million).	The Group uses FFAs to hedge the cash flow risk related to highly probable freight expenses and revenues.
Bunker price risks	Bought net 105 million	Bought net 102 million	A 10% drop in bunker prices at year-end would negatively impact equity by USD 11 million (negatively impact of USD 10 million).	The Group uses bunker swaps to hedge the cash flow risk related to expenses of highly probable bunker purchases and revenues from the bunker price component of expected, highly probable, cargoes.
Currency risks	51 million	43 million	A 10% increase in the DKK and GBP exchange rates at year-end would have the following impact: • DKK; net results positively by USD 1 million (USD 0 million) and equity USD 1 million (USD 0 million), and • GBP; net results positively by USD 0 million (USD 0 million) and equity by USD 4 million (USD 5 million).	The Group's functional currency is USD. The Group uses FX contracts to hedge future administrative expenses in DKK, as well as planned dividend payments as these are made in DKK. The Group has also entered an FX contract to hedge expected freight income from a COA that was concluded in GBP. Any exposures to other currencies than DKK currencies and GBP is insignificant.
Interest rate risks	-	-	Based on the Group's liquidity and debt at year-end, a 1% increase in interest rates would, all other things being equal, impact earnings before tax by USD 0 million (negatively USD 1 million) and equity by USD 0 million (negatively USD 1 million).	Most of the Group's loan obligations are paying interest on the basis of 1, 3, and 6 months USD libor. Most of the Group's considerable cash balance is placed on short-term bank deposits thus netting out the loan's libor exposure.

Liquidity risks (continued)

a 0-coupon interest structure adjusted with the Group's interest margin. All cash flows are undiscounted.

Capital management risks

The Group's formal external capital requirement is limited to the contributed capital of the Parent Company and the subsidiaries, which is significantly lower than the Group's equity.

The Group's equity ratio was 49.5% (49.3%) at the end of 2020. This significant equity ratio should be considered relative to the Group's future payment obligations in the form of operating lease liabilities (T/C contracts) and payments for newbuildings not recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Financial risk management – continued

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

Amount in USD million	Maturities				
	Within 1 year	Between 1-3 years	More than 3 years	Total	Carrying amount
2020					
Derivative financial instruments					
Derivative financial instruments with a positive market value	-	-	-	-	-
Derivative financial instruments with a negative market value	-1.6	-	-	-1.6	-1.6
Cash flow hedging with a positive market value	1.4	0.8	-	2.2	2.2
Cash flow hedging with a negative market value	-3.0	-2.3	-0.4	-5.7	-5.7
Receivables measured at amortised cost					
Receivables from subleasing	14.8	13.4	-	28.2	26.7
Cash and cash equivalents	331.6	-	-	331.6	331.6
Freight receivables	144.5	-	-	144.5	144.5
Receivables from joint ventures	9.5	-	-	9.5	9.5
Other receivables	15.5	-	-	15.5	15.5
Total	**515.9**	**13.4**	**-**	**529.3**	**527.8**
Non-derivative financial liabilities					
Loans	-42.8	-84.4	-217.9	-345.1	-320.0
Lease liabilities	-158.8	-175.0	-49.2	-383.0	-355.4
Trade and other payables	-180.7	-	-	-180.7	-180.7
Total	**-382.3**	**-259.4**	**-267.1**	**-908.8**	**-856.1**

Amount in USD million	Maturities				
	Within 1 year	Between 1-3 years	More than 3 years	Total	Carrying amount
2019					
Derivative financial instruments					
Derivative financial instruments with a positive market value	4.8	-	-	4.8	4.8
Derivative financial instruments with a negative market value	-4.4	-	-	-4.4	-4.4
Cash flow hedging with a positive market value	4.2	1.2	1.1	6.5	6.5
Cash flow hedging with a negative market value	-8.3	-0.1	-	-8.4	-8.4
Receivables measured at amortised cost					
Receivables from subleasing	12.7	20.4	-	33.1	30.5
Cash and cash equivalents	209.3	-	-	209.3	209.3
Freight receivables	164.0	-	-	164.0	164.0
Receivables from joint ventures	5.8	-	-	5.8	5.8
Other receivables	20.3	-	-	20.3	20.3
Total	**412.1**	**20.4**	**-**	**432.5**	**429.9**
Non-derivative financial liabilities					
Loans	-42.6	-82.7	-214.3	-339.6	-303.3
Lease liabilities	-146.5	-197.9	-9.9	-354.3	-330.5
Trade and other payables	-163.4	-	-	-163.4	-163.4
Total	**-352.5**	**-280.6**	**-224.2**	**-857.3**	**-797.2**

Financial comments

On the reporting date, floating-rate loans have an interest rate of 3-6 months' LIBOR plus a margin of up to 1.7%.
Refer to note 4.3 "Fair value hierarchy" for further information.

4.2 Derivatives

Accounting policies

The Group uses derivative financial instruments to hedge its bunker price risks, freight risk, and currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets (other receivables) when the fair value is positive and as financial liabilities (other payables) when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement in the same item as any changes in the carrying amount of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as hedges of expected future transactions (cash flow hedge) are recognised in other comprehensive income and presented under "Reserve for cash flow hedges" (equity). A break down of the movement into each type of cash flow hedge is presented below. Where the expected future transactions results in the acquisition of non-financial assets, any amounts deferred under equity are transferred from equity to the cost of the asset. Where expected future transaction results in income or expense, amount deferred under equity are transferred from equity to the income statement in the same item as the hedged transaction.

Changes in derivative financial instruments used for economic trading is recognised in the income statement in a separate item under other operating income.

Amount in USD million	2020	2019
Fair value of cash flow hedges		
Fair value at 1 January	8.9	-24.8
Fair value adjustment at year-end, net	-4.8	33.7
Fair value at 31 December	**4.1**	**8.9**
The fair value of cash flow hedges at 31 December can be specified as follows:		
Bunker hedging	10.3	-2.6
- of which have been transferred to the income statement due to Inefficiency	-1.1	-
FFA hedging	-5.2	10.7
Foreign currency risk hedging	0.1	0.8
Fair value at 31 December	**4.1**	**8.9**

Bunker hedging

The Group hedges cash flow risk from bunker prices to the extent possible. The risk strategy is built on portofilio hedging where Risk Management, which manages the bunker risk, is given a mandate in terms of Value at Risk.

Bunker swaps are used to hedge expected bunker revenues and planned bunker expenses.

The bunker swaps are designated as hedges of the forward bunker prices.

Hedging of revenues
Bunker swaps are sold to hedge revenue related to the bunker price component of expected, highly probabl, cargoes up to a limit given by the bunkers onboard and the redelivery commitment related to time-chartered out vessels. The expected bunker sales arise from expected, highly probable, cargoes as the Group has basis analysis of the freight market strucutre has concluded that bunkers is a separate and identifiable component of cargo freight prices.

Hedging of expenses
Bunker swaps are purchased to hedge expenses related to planned, highly probable, bunker purchases. The planned bunker purchases are related to existing cargoes, where owners must cover the bunker expenses required to carry the cargo from its load to discharge port, and the redelivery commitment related to time-chartered in vessels, as charterers must redeliver the vessel with a bunker volume specified in the charterparty to owners.

NOTES TO THE FINANCIAL STATEMENTS

4.2 Derivatives – continued

Bunker swaps are contracts that are priced against published Platts prices for the respective bunker product in given bunkering hub.

The Group has basis analysis of the bunker market structure concluded that Rotterdam and Singapore prices are separate and identifiable components of bunker prices in other ports. The Group, therefore, uses bunker swaps with price reference in Rotterdam to hedge bunker prices West of Suez, and in Singapore to hedge bunker prices East of Suez.

The Group has implemented a rollover strategy, where it can enter bunker swaps that do not perfectly match the hedged risk immediately, but with the intention to replace this by a bunker swap of more similar properties over time. Due to this rollover strategy, the Group by definition applies a 1:1 hedge ratio and accepts minor hedge inefficiencies from timespreads and productspreads.

The total hedge inefficiency in 2020 is USD 4.7 million (2019: USD 0.0 million).

The bunker hedging activities comprise the following contracts:

2020					**Fair value mUSD**	
Settlement volume	2021	2022	2023	2024+	Positive	Negative
Purchased Mts	656,764	51,364	42,200	4,200	28.2	-6.2
Average USD / Mts	*350.7*	*381.7*	*310.8*	*361.8*		
Sold Mts	372,600	25,500	36,000	-	1.6	-13.3
Average USD / Mts	*363.9*	*411.6*	*386.3*			
					29.8	**-19.5**

2019					**Fair value mUSD**	
Settlement volume	2020	2021	2022	2023+	Positive	Negative
Purchased Mts	297,623	18,292	11,364	8,400	2.0	-8.2
Average USD / Mts	*546.1*	*505.5*	*488.6*	*355.0*		
Sold Mts	139,407	-	-	-	3.8	-0.2
Average USD / Mts	*563.6*	-	-			
					5.8	**-8.4**

	2020	2019
Movements in the hedging reserve:		
Beginning of year	-2.6	-26.9
Fair value adjustment for the year	-20.5	28.1
Transferred to revenue	-19.3	-
Transferred to operating costs	51.6	-3.8
End of year	**9.2**	**-2.6**

Financial comments

Freight hedging

The Group uses FFAs to hedge cash flow risk from freight prices to the extent Management finds it attractive. The risk is managed by the Business Unit Leaders, based on Value at Risk limits defined by Management.

The FFAs are designated as hedges of the forward freight rate.

Hedging of revenue
FFAs are sold to hedge freight revenue of expected, highly probable, cargoes that will be booked.

Hedging of expenses
FFAs are purchased to hedge freight expenses related to expected, highly probable, vessels to be time-chartered in.

FFA contracts are priced against published Baltic spot indices for the respective vessel types (Handysize, Supramax, Panamax). Actual earnings on spot voyages within the respective vessel type show strong correlation to the relevant Baltic spot indices, and FFA contracts are therefore considered to be effective hedges against highly probable freight revenue when applying a 1:1 hedging ratio.

The movement in price difference between the Baltic Dry indices and the actual freight rates and difference in actual number of days may cause ineffectiveness.

4.2 Derivatives – continued

The FFA hedging activities comprise the following contracts:

2020					**Fair value mUSD**	
Settlement volume	2021	2022	2023	2024+	Positive	Negative
Purchased days	8,190	2,160	1,260	240	10.8	-0.2
Average USD / day	*9,026*	*9,414*	*8,948*	*8,638*		
Sold days	20,888	300	300	-	0.7	-15.5
Average USD / day	*9,264*	9,040	9,040	-		
					11.5	**-15.7**

2019					**Fair value mUSD**	
Settlement volume	2020	2021	2022	2023+	Positive	Negative
Purchased days	18,326	1,316	176	1,235	15.9	-1.9
Average USD / day	*9,996*	*9,378*	*10,476*	*10,476*		
Sold days	6,281	896	596	2,195	2.1	-5.4
Average USD / day	*9,314*	9,592	9,924	9,768		
					18.0	**-7.3**

	2020	2019
Movements in the hedging reserve:		
Beginning of year	10.7	1.5
Fair value adjustment for the year	19.2	12.5
Realised contracts, transferred to operating costs	14.0	3.4
Realised contracts, transferred to revenue	-49.1	-6.7
End of year	**-5.2**	**10.7**

Foreign currency risk hedging

In 2016, NORDEN agreed to transport wood pellets from the USA to the UK with one monthly cargo during 2019-2034. Part of the payments for the transport during 2020-2025 was denominated in GBP. The currency exposure arising from these payments has been swapped to USD at two of NORDEN's partnership banks at an average GBP/USD rate of 1.37.

2020					**Fair value mUSD**	
Settlement principal	2021	2022	2023	2024+	Positive	Negative
GBP	mUSD 8.7	mUSD 8.7	mUSD 8.7	mUSD 9.5	0.1	-

2019					**Fair value mUSD**	
Settlement principal	2020	2021	2022	2023+	Positive	Negative
GBP	mUSD 8.0	mUSD 8.7	mUSD 8.7	mUSD 18.2	0.8	-

Derivatives – not hedge accounting

The Group has entered into hedging transactions, where hedge accounting is not used and where assets and liabilities are recognised with the following amounts:

	2020			2019		
	Positive	Negative	Net	Positive	Negative	Net
Freight Forward Agreements	3.1	-3.6	-0.5	1.3	-1.4	-0.1
Forward exchange contracts	-	-1.6	-1.6	4.8	-4.4	0.4

NOTES TO THE FINANCIAL STATEMENTS

4.3 Fair value hierarchy

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: - In the principal market for the asset or liability or – in the absence of a principal market must be accessible by the Group. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In measuring the fair value of unlisted derivative financial instruments and other financial instruments for which there is no active market, fair value is determined using generally accepted valuation techniques.

- Market-based parameters such as market-based yield curves and forward exchange prices are used for the valuation.
- For bunker contracts the price is based on observable stock markets, e.g. Rotterdam and Singapore.
- The value of FFAs is assessed on the basis of daily recorded prices from the Baltic Exchange.
- For non-current liabilities and other interest rate based financial instruments, the fair value is based on a discounted value of future cash flows. The 0-coupon rate with the addition of the Group's interest margin is used as discount factor.

The fair value of receivables and debt with a maturity of less than 1 year is assumed to approximate their face values less any estimated credit adjustments.

The fair value of bank debt is calculated as the present value of expected future repayments and interest payments. As discount rate at the calculation of present value, a 0-coupon interest with similar maturities adjusted with the Group's interest margin has been used.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as following accounting hierarchy:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which lowest level input is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurment is unobservable

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Amount in USD million		Fair value measurement using		
2020	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Receivables from subleasing [1]	26.7	-	26.7	-
Freight receivables [2]	144.5	-	-	-
Other receivables [2]	15.5	-	-	-
Receivables from joint ventures [2]	9.5	-	-	-
Cash and cash equivalents [2]	331.6	-	-	-
Total financial assets at amortised costs	**527.8**	**-**	**26.7**	**-**
Derivatives	2.2	-	2.2	-
Total financial assets at fair value through other comprehensive income	**2.2**	**-**	**2.2**	**-**
Derivatives	-	-	-	-
Total financial assets at fair value through the income statement	**-**	**-**	**-**	**-**
Loans	-320.0	-	-320.0	-
Lease liabilities	-355.4	-	-	-
Trade payables [2]	-131.2	-	-	-
Other debt [2]	-49.5	-	-	-
Total debt at amortised cost	**-856.1**	**-**	**-320.0**	**-**
Derivatives	-5.7	-	-5.7	-
Total financial liabilities at fair value through other comprehensive income	**-5.7**	**-**	**-5.7**	**-**
Derivatives	-1.6	-	-1.6	-
Total financial liabilities at fair value through the income statement	**-1.6**	**-**	**-1.6**	**-**

NOTES TO THE FINANCIAL STATEMENTS

4.3 Fair value hierarchy – continued

Amount in USD million		Fair value measurement using		
2019	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Receivables from subleasing [1]	30.5	-	30.5	-
Freight receivables [2]	164.0	-	-	-
Other receivables [2]	20.3	-	-	-
Receivables from joint ventures [2]	5.8	-	-	-
Cash and cash equivalents [2]	209.3	-	-	-
Total financial assets at amortised costs	**429.9**	**-**	**30.5**	**-**
Derivative financial instruments	6.5	-	6.5	-
Total financial assets at fair value through other comprehensive income	**6.5**	**-**	**6.5**	**-**
Derivative financial instruments	4.8	-	4.8	-
Total financial assets at fair value through the income statement	**4.8**	**-**	**4.8**	**-**
Interest-bearing liabilities	-303.3	-	-307.3	-
Lease liabilities	-330.5	-	-	-
Trade payables [2]	-117.6	-	-	-
Other debt [2]	-45.7	-	-	-
Total debt at amortised cost	**-797.1**	**-**	**-307.3**	**-**
Derivative financial instruments	-8.4	-	-8.4	-
Total financial liabilities at fair value through other comprehensive income	**-8.4**	**-**	**-8.4**	**-**
Derivative financial instruments	-4.4	-	-4.4	-
Total financial liabilities at fair value through the income statement	**-4.4**	**-**	**-4.4**	**-**

[1] The carrying amount is approximately equal to the fair value.
[2] Due to the short term nature, the carrying amount is assumed to approximate the fair value.

Financial comments

Derivative financial instruments: Fair value of NORDEN's forward exchange contracts and other derivative financial instruments (commodity instruments) are considered for fair value measurement at level 2 as the fair value can be determined directly on the basis of the published exchange rates and forward interest rates and prices at the reporting date.

Other financial instruments: Fair value of NORDEN's other financial instruments is considered for fair value measurement at level 2 as the fair value can be determined on the basis of observable inputs.

4.4 Share capital and dividends

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption by the shareholders in general meeting. Dividend proposed by Management in respect of the year is stated under equity.

Treasury shares

The acquisition and sale of treasury shares and dividends thereon are taken directly to retained earnings under equity.

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
Amount in USD million	2020	2019	2020	2019	2020	2019
1 January	2,888,467	2,276,067	2,888	2,276	6.84	5.39
Acquisition	1,506,000	612,400	1,506	612	3.70	1.45
Capital reduction	-1,500,000	-	-1,500	-	-3.43	-
31 December	**2,894,467**	**2,888,467**	**2,894**	**2,888**	**7.11**	**6.84**

NOTES TO THE FINANCIAL STATEMENTS

4.4 Share capital and dividends - continued

Financial comments

The Company is authorised by the general meeting to acquire a maximum of 4,070,000 treasury shares, equal to 10% of the share capital. Treasury shares are acquired for the purpose of hedging in connection with share-based payment, see note 5.3 "Share-based payment" and in connection with share buy back programmes..

At 1 January 2020, the Group had a total of 39,311,533 outstandings shares of DKK1 each. and at 31 December 2020, a total of 37,805,533 outstanding shares of DKK 1 each.

NORDEN initiated two share buy-back programmes in 2020. The first programme was executed from 19 August 2020 to the end of October 2020 and the second program runs from 4 November 2020 up to and including no later than 28 February 2021. The share-buy back programme is initiated pursuant to the authorisation granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of the acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group. A maximum of 4,070,000 shares can be acquired.

Since the 2020 share buy-back programmes were initiated up until year end 2020, the total number of acquired shares is 1,185,100 at a total amount of DKK 121,747,208. Acquired shares in 2020 related to share buy-back programme 2019 amounts to 320,900 at a total amount of DKK 31,145,385.

In 2020 shares were acquired at an average price of DKK 101.52 per share with prices ranging from DKK 89.85 to DKK 117.87. The total cost of DKK 152.892.593 was deducted from retained earnings.

In relation to the share buy back programme, NORDEN implemented a capital reduction of nom. DKK 1,500,000 during the year. The share capital at the end of 2020 was thus nom. DKK 40,700,000 compared to 42,200,000 in the beginning of the year.

Dividends

	2020	2019
Proposed dividend per share, DKK	9.0	2.5
The amount available for distribution as dividends comprises (USD million)	527.9	520.0

Dividends paid in 2020 amount to USD 15.8 million equal to DKK 2.5 per share. The proposed dividend for 2020 will be considered on the annual general meeting on 4 March 2021.

4.5 Earnings per share (EPS)

Amount in USD million	2020	2019
The basis for calculating earnings per share and diluted earnings per share is set out below:		
Profit for the year (mUSD)	**86.0**	**19.2**
Weighted average number of ordinary shares	41,540,164	42,200,000
Weighted average number of treasury shares	2,759,735	2,554,610
Weighted average number of shares	**38,780,429**	**39,645,390**
Dilutive effect of outstanding options and restricted performance shares	125,800	41,878
Weighted average number of shares including dilutive effect of options and restricted performance shares	38,906,229	39,687,268
Earnings per share, EPS (USD)	2.22	0.48
Earnings per shares, Diluted, EPS-D (USD)	2.22	0.48

4.6 Loans

Accounting policies

Loans comprise of amounts borrowed from banks and a credit institution.

Loans are recognised at the time the liabilities are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, such loans are recognised at amortised cost, equivalent to the capitalised value applying the effective rate of interest at the inception of the loan, to the effect that the difference between the proceeds and the nominal value is recognised as interest expense in the income statement over the term of the loan. Commission paid to set up a credit facility is recognised as transaction costs to the extent that it is probable that the facility will be partially utilised. To the extent that it is not probable that the facility will be partially or fully utilised, commission is amortised over the term of the credit facility.

4.6 Loans - continued

Amount in USD million	2020	2019
Interest-bearing liabilities include bank debt, which includes the following items:		
Current portion of non-current debt within 1 year	37.6	34.9
Non-current liabilities between 1 and 5 years	211.9	141.2
Non-current liabilities over 5 years	70.5	127.2
Total	**320.0**	**303.3**
Interest-bearing liabilities comprise the carrying amount:		
Fixed-rate loans	22.2	22.2
Floating-rate loans	300.4	284.4
Borrowing costs	-2.6	-3.3
Total	**320.0**	**303.3**
Movements in interest-bearing liabilities:		
Interest-bearing liabilities at 1 January	303.3	332.0
New loans	132.0	219.1
Instalments	-117.1	-245.9
Other adjustments	1.8	-1.9
Interest-bearing liabilities at 31 December	**320.0**	**303.3**

Financial comments

The Group's loan agreements generally include a clause on the lender's option to terminate agreement in the event the majority control of the Group is changed. Mortgages and security provided in relation to liabilities are disclosed in note 3.1 "Tangible assets".

Refer to note 4.3 "Fair value hierarchy" for fair value hierarchy.

Amount in USD million	2020	2019
Mortgages and securities		
Security for loans	320.0	303.3
– number of vessels pledged	31	30
– number of buildings pledged	2	2
– carrying amount	750.7	726.2
– mortgaged amount	588.3	605.3
Amount insured on vessels	813.0	906.0

Some of the mortgages have been registered with an amount to secure future drawings under a revolving credit facility of USD 100 million of which 0 million have been drawn.

4.7 Leases – lessee

This note provides information for leases where the Group is the lessee.

The nature of the Group's leasing activities

The majority of the Group's lease contracts are time charter contracts on vessels, and lease of office spaces for representation offices around the world, office equipment and a limit number of company cars.

The time charter leases have originally been entered with a lease period of up to 8 years. Some leases include an option to be extended for 1 additional year at a time for up to 3 years. Leases may also include purchase options, typically exercisable as from the end of the third year to the expiry of the period of extension.

§ Accounting policies

At inception of a new contract, NORDEN assesses whether a contract is a lease or contains a lease. This involves exercise of judgement whether:

- the contract depends on the use of a specific asset,
- NORDEN obtains substantially all the economic benefits from the use of the assets, and
- NORDEN has the right to direct the use of the asset.

Right-of-use assets

NORDEN recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation, impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made before the commencement date. Unless NORDEN is reasonbly certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straightline basis over the shorter of its estimated useful life and the lease term.

Impairment of right-of-use assets

Similar to owned assets, right-of-use assets are subject to testing for impairment if there is an indicator of impairment. Refer to note 3.1 "Tangible assets" for further information.

Lease liabilities

At the commencement date of a lease, NORDEN recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease term comprises the non-cancellable period with addition of periods covered by options, if NORDEN is reasonably certain to exercise such extention options. This assessment is made on inception of the lease. The lease payments include fixed payments and variable payments depending on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by NORDEN. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant period rate of interest on the remaining balance of the liabilities for each period.

In calculating the present value of lease payments, NORDEN uses the incremental borrowing rate at the lease commencement date. The incremental borrowing rate applied is in the range of 4-6%, depending on the maturity of the lease contracts. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

NORDEN applies the lease recognition exemptions related to the short-term leases (lease term 12 months or less) and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised in the income statement as an expense on a straight-line basis over lease term.

Cash flows

In the statement of cash flows, cash payments for the principal portion of the lease liabilities and related cash payments for the interest portion are classified within the financing activities. For short-term leases or leases of low-value assets, the lease payments are classified within the operating activities.

! Accounting estimates

NORDEN has elected to separate lease and non-lease components for leases of time charter contracts on vessels. For these contracts, the estimated non-lease component (daily running costs) is excluded from the right-of-use assets. Assessing the consideration attributable to the non-lease component includes a significant accounting judgement, where Management uses market data from an independent service provider. The market data consists of benchmarking reports and allows NORDEN to benchmark vessels operating costs against a global sample. The measurement of the non-lease component takes several factors into consideration such as operating costs, aging of the vessels, vessel types, etc.

In this regard, Management assesses the service provider's independency, objectivity and qualifications and whether the market data is appropriate for the purpose, e.g. based in sufficient market data.

4.7 Leases – lessee – continued

Amount in USD million	2020	2019
Amounts recognised in the balance sheet		
Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the period:		
Right-of-use assets		
Cost at 1 January	382.5	302.8
Additions	155.1	77.4
Remeasurements	28.2	9.1
Disposals	-38.5	-6.8
Cost at 31 December	**527.3**	**382.5**
Depreciation at 1 January	-111.5	-
Depreciation	-153.3	-111.5
Disposals	36.2	-
Depreciation at 31 December	**-228.6**	**-111.5**
Carrying amount at 31 December	**298.7**	**271.0**
Lease liabilities		
Lease liabilities at 1 January	330.5	360.8
Additions	169.5	87.1
Remeasurements	32.9	7.4
Instalments	-175.3	-124.8
Disposals	-2.2	-
Lease liabilities at 31 December	**355.4**	**330.5**
Non-current	213.3	198.7
Current	142.1	131.8
Total	**355.4**	**330.5**

Amount in USD million	2020	2019
Amounts recognised in the income statement		
Expenses related to the service component of right-of-use assets (included in vessel operating costs)	165.9	122.2
Expenses related to short-term leases (included in vessel operating costs)	839.4	1,039.0
Depreciation of right-of-use assets (included in depreciation, amortisation and impairment losses)	153.3	111.5
Interest expenses of lease liabilities (included in financial expenses)	19.8	19.6
Amounts recognised in the statement of cash flows		
Instalment on lease liabilities	175.3	124.8
Interest, lease liabilities	19.8	19.6

Lease commitments and options (excluding the non-service component)

Balance sheet

At year-end, the Group has entered lease agreements with future commencement date, which will affect the balance sheet as follow, when the time-chartered vessels will be delivered, and the Group obtains control of the asset. The minimum lease payments excluding the non-lease components amount to:

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	100.9	-	-	100.9
Between 1 to 5 years	35.5	-	-	35.5
More than 5 years	-	-	-	-
Total	**136.4**	**-**	**-**	**136.4**
2019				
Within 1 year	140.6	3.5	-	144.1
Between 1 to 5 years	24.4	-	-	24.4
More than 5 years	-	-	-	-
Total	**165.0**	**3.5**	**-**	**168.5**

NOTES TO THE FINANCIAL STATEMENTS

4.7 Leases – lessee – continued

Some leases include an option to be extended for 1 additional year at a time for up to 3 years. The exercise of the option is based on an individual assessment. If all available extension options as of year-end, where excised when possible, the right-of-use asset and corresponding lease liability would increase with the following amounts in each future year (undiscounted and excluding non-lease component).

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	35.6	1.4	2.8	39.8
Between 1 to 5 years	318.3	-	-	318.3
More than 5 years	159.0	-	-	159.0
Total	**512.9**	**1.4**	**2.8**	**517.1**

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2019				
Within 1 year	24.2	6.2	-	30.4
Between 1 to 5 years	272.1	-	-	272.1
More than 5 years	85.7	-	-	85.7
Total	**382.0**	**6.2**	**-**	**388.2**

Leases may also include purchase options, typically exercisable as from the end of the third year to the expiry of the period of the extension. Exercise of a purchase option on an individual vessel is based on an individual assessment. On a few leases, the payment is linked to a freight index. For information on the Group's charter contracts with purchase option, see "Asset Management" in the Management's Review.

Income statement

At year-end, the Group has entered leases agreements of vessels, which will have the following future effect in the income statement related to the non-lease component (daily runing costs):

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	109.0	10.8	5.8	125.6
Between 1 to 5 years	245.4	2.1	-	247.5
More than 5 years	9.4	-	-	9.4
Total	**363.8**	**12.9**	**5.8**	**382.5**

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2019				
Within 1 year	100.2	13.9	25.4	139.5
Between 1 to 5 years	237.0	1.1	4.8	242.9
More than 5 years	11.0	-	-	11.0
Total	**348.2**	**15.0**	**30.2**	**393.4**

NOTES TO THE FINANCIAL STATEMENTS

4.8 Leases – lessor and COAs

This note provides information on leases where the Group is the lessor.

§ Accounting policies

Subleases

NORDEN enters into arrangements to sublease an underlying asset to a third party, while NORDEN retains the primary obligation under the original lease. In such arrangements, NORDEN acts as both the lessee and lessor of the same underlying asset.

If a leased vessel is subleased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sublease, the right-of-use asset is derecognised, and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset is recognised in the income statement as other operating income/expenses.

During the term of the sublease, NORDEN recognises both finance income on the sublease (as revenue) and interest expense on the head lease (as financial expenses).

Cash flows

Cash payments received on sublease receivables are classified within the operating activities.

Amount in USD million	2020	2019
Amounts recognised in the income statement		
Revenue from sublease financial income (included in revenue)	1.7	2.0
Gain on derecognised right-of-use assets (included in other operating income)	0.5	0.6
Amounts recognised in the statement of cash flows		
Instalment on sublease receivables	17.4	11.7
Amounts recognised in the balance sheet		
Set out below are the carrying amounts of receivables from subleasing recognised and the movements during the period:		
Receivables from subleasing		
Receivables from subleases at 1 January	30.5	35.3
Additions for the period	13.6	6.9
Payments received	-17.4	-11.7
Receivables from subleases	**26.7**	**30.5**

Below is the maturity analysis for sublease receivables based on contractual undiscounted payments:

Amount in USD million	2020	2019
Within 1 year	14.8	12.7
Between 1 to 5 years	13.4	20.4
More than 5 years	-	-
Total	**28.2**	**33.1**

COAs and operating lease income

§ Accounting policies

The Group leases out vessel under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights.

Agreements to charter out vessels on time charters, where all significant risks and rewards of ownership have been transferred to the lessee are recognised as a receivable in the balance sheet. The receivable is measured in the same way as the lease liability in cases, where the Group is the lessee.

Other agreements to charter out vessels are considered operating leases in accordance to IFRS 16 Leases, where NORDEN is presented as the lessee. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

! Accounting judgements

Management's assessment of whether leases on vessels should be classified as financial or operational leasing is based on an overall evaluation of each lease.

NOTES TO THE FINANCIAL STATEMENTS

4.8 Leases – lessor and COAs – continued

At 31 December, the Group had entered into COAs with customers amounting to

Amount in USD million	2020	2019
Within 1 year	228.6	173.9
Between 1 to 2 years	74.1	74.2
Between 2 and 3 years	55.1	56.9
Between 3 and 4 years	51.3	44.0
Between 4 and 5 years	46.7	41.9
Later than 5 years	93.5	130.9
Total	**549.3**	**521.8**

The Group has operating lease income as lessor amounting to:

Amount in USD million	2020	2019
Within 1 year	153.4	134.1
Between 1 to 2 years	76.7	81.0
Between 2 and 3 years	21.4	56.7
Between 3 and 4 years	0.5	12.3
Between 4 and 5 years	-	-
Later than 5 years	-	-
Total	**252.0**	**284.1**

The above amounts regarding operation lease income comprise the agreed time charter rates. The lease and service components will be recognised as revenue under the same pattern of transfer to the customer. Separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establish this disclosure.

The above includes the Group's expected share of COAs and lease income.

Separate disclosure of owned vessels cf. note 3.1 "Tangible assets" and right-of-use assets cf. note 4.7 "Leases – lessee", leased out under operating leases, is not provided as entering time-charter out contracts is an integral part of the business and no vessels are designtaed as time-charter out vessels.

Section 5
Other notes

5.1 Fees to auditor appointed at the general meeting

Amount in USD million	2020	2019
"Overhead and administration costs" include the following fees to PricewaterhouseCoopers:		
Statutory audit	0.7	0.6
Other assurance services	0.1	-
Tax consultancy	0.2	0.2
Other services	0.1	0.2
Total	**1.1**	**1.0**

The fee for nonaudit services performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is USD 0.4 million (USD 0.4 million) and comprises accounting and tax advisory services.

5.2 Cash flow specifications

Amount in USD million	2020	2019
Reversal of items from the income statement		
Depreciation, amortisation and impairment losses	201.9	156.9
Financial items, net	26.7	32.7
Profit/loss from sale of vessels, etc.	18.2	3.6
Share of profit/loss of joint ventures	3.0	0.2
Other reversed non-cash operating items	9.9	13.3
Total	**259.7**	**206.7**
Change in working capital		
Inventories	14.7	6.7
Freight and other receivables, etc.	27.9	6.4
Trade and other payables, etc.	-1.0	0.4
Fair value adjustments of cash flow hedging instruments taken to equity	-4.8	33.4
Exchange rate adjustment of working capital	0.5	3.6
Total	**37.3**	**50.5**

NORDEN has since 2019 engaged in supply chain finance with some suppliers, which is included in net working capital. The supply chain finance program has not changed significant characteristic of the debt, and therefore the classification as trade payable is maintained.

NOTES TO THE FINANCIAL STATEMENTS

5.3 Share-based payment

§ Accounting policies

The value of services rendered by employees as consideration for share-based incentive payments is measured at the fair value of the granted options and restricted shares, respectively. For both, this fair value is recognised in the income statement over the vesting period. A corresponding increase is recognised in equity.

The fair value of the options is determined using the Black-Scholes valuation model, taking into account the terms of the grant and the actual number of vested options. The fair value of restricted shares is determined using the share price at the grant date adjusted for expected dividend per share, which is based on historical dividends. On recognition, the number of options and restricted shares expected to vest are estimated. The estimate is adjusted over the vesting period to the actual number of vested options and restricted shares.

Restricted shares

In 2020, the Board of Directors has granted restricted shares comprising a total of 87,698 shares to a number of employees.

The restricted shares are granted free of charge and remain restricted during a vesting period of 3 years. Transfer of the restricted shares is subject to the continued employment with the Group in the 3 years vesting period. It applies that upon vesting the employee will receive one share of nominally DKK 1 for each vested restricted share. Special terms apply in case of death and illness. Other than being employed by NORDEN at the time of granting of the restricted shares no conditions are attached to the grant. Where a recipient resigns during the vesting period, non-vested restricted shares will lapse.

The share price at the grant date was DKK 91.64 (DKK 89.05). Expected dividend per share at the grant date was DKK 2.50 (DKK 2.00).

Movement in the number of outstanding restricted shares is as follows:

	2020	2019
Outstanding at 1 January	130,490	54,064
Granted during the period	87,698	82,452
Lapsed during the period	-8,344	-6,026
Outstanding at 31 December	**209,844**	**130,490**

NOTES TO THE FINANCIAL STATEMENTS

5.3 Share-based payment – continued

Outstanding restricted shares is composed as follows:

		Number of restricted shares				
Granted	Vesting period	Originally granted in total	Executive Manage-ment	Other executives	Others	Total
13 June 2018	13 June 2018 - 13 June 2021	54,909	18,446	17,669	12,309	48,424
30 Jan. 2019	30 Jan. 2019 - 31 Jan. 2022	82,452	23,317	30,976	20,574	74,867
6 Feb. 2020	6 Feb. 2020 - 6. Feb. 2023	87,698	23,779	31,945	30,829	86,553

The fair value of restricted shares granted in 2020 is USD 1,183 thousand (USD 1,179 thousand).

The expense for the year regarding restricted shares is USD 883 thousand (USD 537 thousand).

Share options

In the years 2015-2017, the Board of Directors has granted share options comprising a total of 1,325,865 shares to a number of employess. The distribution between years and exercise periods can be seen below. It applies to all the programmes that the options entitle the holder to acquire one share per option at an exercise price.

The share options may be exercised after at least 3 years and no more than 6 years from the respective grant dates. Exercise of the share options is subject to the continued employment with the Company at the exercise date. Special terms apply in case of death and illness.

Upon exercise, the Executive Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already owns shares, this can be included in the determination of the investment amount.

The exercise price is determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date plus a fee of 10% (2015-2017), respecitively, in proportion to the market price at the date of grant.

Movement in the number of outstanding share options is as follows:

	2020	2019
	Number of options	Number of options
Outstanding at 1 January	1,355,707	1,709,773
Lapsed during the period	-27,807	-78,266
Expired during the period	-271,374	-275,800
Outstanding at 31 December	**1,056,526**	**1,355,707**

NOTES TO THE FINANCIAL STATEMENTS

5.3 Share-based payment – continued

Outstanding share options is composed as follows:

			Number of share options				
Granted	Exercise period	Exercise price at 31 December 2020, DKK	Originally granted in total	Executive Management	Other executives	Others	Total
Share options							
4 March 2015	04.03.2018 - 04.03.2021	156.99	382,515	22,480	82,077	165,159	269,716
4 May 2015	04.05.2018 - 04.05.2021	144.51	50,000	50,000	-	-	50,000
2 March 2016	02.03.2019 - 02.03.2022	103.50	435,159	78,000	99,864	152,719	330,583
9 January 2017	09.04.2020 - 09.04.2023	124.30	50,000	-	50,000	-	50,000
2 March 2017	02.03.2020 - 02.03.2023	141.89	408,191	80,000	113,349	162,878	356,227
Outstanding at 31 December		**133.02**	**1,325,865**	**230,480**	**345,290**	**480,756**	**1,056,526**

Financial comments

The division into employee categories is based on the title of the employee at the grant date. Resigned employees are included in the category "Others".

The expense for the year regarding share options

The expense for the year is USD 58 thousand (USD 420 thousand)

NOTES TO THE FINANCIAL STATEMENTS

5.4 Unrecognised contingent assets and liabilities

§ Accounting policies

Contingent assets are recognised, when it is virtually certain that the claim will have a positive outcome for the Group. A contingent liability is recognised, if it is likely that the claim will have a negative outcome and when the amount is estimable. Rulings in connection with such matters may in future accounting periods produce realised gains or losses, which may differ considerably from the recognised amounts or information.

! Accounting estimates

Management assesses provisions and contingencies on an ongoing basis, as well as the likely outcome of pending or potential legal proceedings, etc. The assessments are made on the basis of legal opinions of the signed agreements, which in considerable claims also include assessments obtained from external advisors including external legal advisers, among others.

Contingent liabilities

Claims have been made against the Group, primarily concerning discharge responsibility and broker fees, etc. The Group and its legal advisors consider the claims unjustified, and it is Management's opinion that the claims will not have any material impact on the Group's financial position, results of operations and cash flows.

The Group has provided financial support for its liabilities regards to the joint ventures Polar Navigation Ltd. and NORD SUMMIT Pte. Ltd.

5.5 Related party disclosures

§ Accounting policies

Related parties include the Board of Directors and the Executive Management as well as their close relatives. Related parties also include companies in which the above persons have significant interests as well as companies and foundations which have direct or indirect significant influence through shareholdings.

In addition, related parties include joint ventures, refer to note 3.2 "Investments in joint ventures"

Amount in USD million	2020	2019
Income statement		
Sale of goods and services, joint ventures	19.4	34.9
Purchases of goods and services, joint ventures	26.3	16.2
Assets		
Receivables, joint ventures	9.5	5.8

The Group has no related parties controlling NORDEN.

Accounts with joint ventures are related to operations, unsecured and with usual interest rates.

Remuneration and share-based payment of the Board of Directors and the Executive Management are disclosed in note 2.3 "Staff costs and remuneration" and note 5.3 "Share-based payment".
Guarantees to joint ventures are mentioned in note 3.2 "Investments in joint ventures".

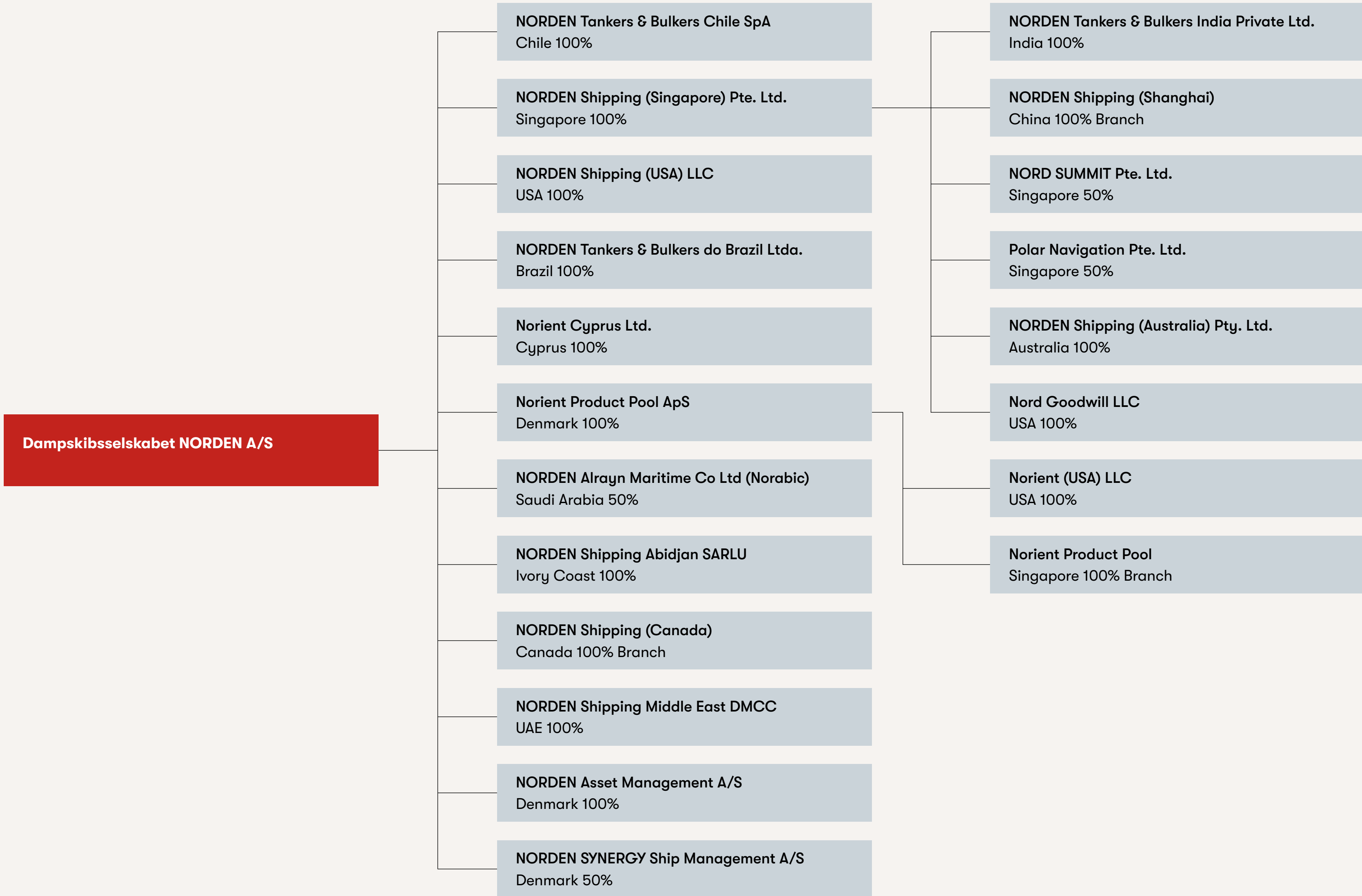
No other transactions took place during the year with the Board of Directors, the Executive Management, major shareholders or other related parties.

5.6 Events after the reporting date

Refer to page 11 in the Management's Review.

NOTES TO THE FINANCIAL STATEMENTS

5.7 Group structure



PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2020	2019
Revenue		**2,399.0**	**2,432.2**
Other operating income		8.5	3.7
Vessel operating costs		-2,064.7	-2,151.1
Other external costs		-21.0	-25.9
Staff costs	2.1	-53.6	-64.5
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)		**268.2**	**194.4**
Income/ (Loss) from sale of vessels, etc.		-0.1	-4.0
Depreciation, amortisation and impairment losses	2.2	-186.4	-149.6
Profit from operations (EBIT)		**81.7**	**40.8**
Income from investments in subsidiaries	3.2	31.4	18.5
Income from investments in joint ventures	3.3	0.1	-
Financial income	2.3	3.4	4.9
Financial expenses	2.3	-25.1	-40.7
Profit before tax		**91.5**	**23.5**
Tax for the year	2.4	-5.5	-4.3
Profit for the year	**4.4**	**86.0**	**19.2**

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

Amount in USD million	Note	Share capital	Reserve for hedges	Reserve under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020		**6.7**	**8.9**	**332.3**	**495.3**	**15.8**	**859.0**
Profit for the year		-	-	31.7	54.3	-	86.0
Capital reduction		-0.2	-	-	0.2	-	-
Fair value adjustments taken to equity, hedging instruments		-	-4.8	-	-	-	-4.8
Acquisition of own shares	4.3	-	-	-	-24.0	-	-24.0
Dividends paid		-	-	-	-	-14.6	-14.6
Dividends related to treasury shares		-	-	-	1.2	-1.2	-
Proposed dividend	4.4	-	-	-	-56.2	56.2	-
Proposed dividend on treasury shares	4.4	-	-	-	-4.3	4.3	-
Share-based payment	5.2	-	-	-	0.9	-	0.9
Changes in equity		**-0.2**	**-4.8**	**31.7**	**-27.9**	**44.7**	**43.5**
Equity at 31 December 2020		**6.5**	**4.1**	**364.0**	**467.4**	**60.5**	**902.5**

Amount in USD million	Note	Share capital	Reserve for hedges	Reserve under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019		**6.7**	**-24.5**	**420.0**	**411.8**	**12.8**	**826.8**
Profit for the year		-	-	-87.7	106.9	-	19.2
Fair value adjustments taken to equity, hedging instruments		-	33.4	-	-	-	33.4
Acquisition of treasury shares	4.3	-	-	-	-9.4	-	-9.4
Dividends paid		-	-	-	-	-12.0	-12.0
Dividends related to treasury shares		-	-	-	0.8	-0.8	-
Proposed dividend	4.4	-	-	-	-14.7	14.7	-
Proposed dividend on treasury shares	4.4	-	-	-	-1.1	1.1	-
Share-based payment	5.2	-	-	-	1.0	-	1.0
Changes in equity		**-**	**33.4**	**-87.7**	**83.5**	**3.0**	**32.2**
Equity at 31 December 2019		**6.7**	**8.9**	**332.3**	**495.3**	**15.8**	**859.0**

BALANCE SHEET AT 31 DECEMBER

ASSETS

Amount in USD million	Note	2020	2019
Vessels	3.1	-	592.2
Right-of-use assets	4.7	434.3	284.3
Property and equipment	3.1	48.0	48.5
Prepayments on vessels and newbuildings	3.1	13.5	16.1
Total tangible assets		**495.8**	**941.1**
Investments in subsidiaries	3.2	803.8	356.4
Investments in joint ventures	3.3	0.1	-
Receivables from subleasing	4.8	22.5	12.9
Total financial assets		**826.4**	**369.3**
Total non-current assets		**1,322.2**	**1,310.4**
Inventories		60.8	78.0
Receivables from subleasing	4.8	16.6	7.9
Freight receivables		130.0	156.0
Receivables from subsidiaries		6.2	8.3
Receivables from joint ventures		2.5	1.6
Company tax		-	0.6
Other receivables		16.0	30.0
Prepayments		65.1	64.1
Cash and cash equivalents		308.3	187.1
Total Current assets		**605.5**	**533.6**
TOTAL ASSETS		**1,927.7**	**1,844.0**

EQUITY AND LIABILITIES

Amount in USD million		2020	2019
Share capital	4.3	6.5	6.7
Reserve for hedges		4.1	8.9
Reserve for net revaluation according to the equity method		364.0	332.3
Retained earnings		467.4	495.3
Proposed dividend	4.4	60.5	15.8
Total Equity		**902.5**	**859.0**
Loans	4.5	24.1	268.4
Lease liabilities	4.7	294.8	195.3
Total Non-current liabilities		**318.9**	**463.7**
Loans	4.5	4.6	34.9
Lease liabilities	4.7	201.9	132.6
Trade payables		120.7	111.3
Debt to subsidiaries		287.8	129.4
Current tax liabilities		0.9	-
Other payables		38.5	41.6
Deferred income		51.9	71.5
Total Current liabilities		**706.3**	**521.3**
Total Liabilities		**1,025.2**	**985.0**
TOTAL EQUITY AND LIABILITIES		**1,927.7**	**1,844.0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 1
SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Section 2
INCOME STATEMENT

Section 3
INVESTED CAPITAL AND WORKING CAPITAL

Section 4
CAPITAL STRUCTURE AND RISKS

Section 5
OTHER NOTES

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 1
Significant accounting policies and significant accounting estimates and judgements

Significant accounting policies and significant accounting estimates and judgements

1.1 Summary of significant accounting policies

NORDEN prepares the Parent Company financial statements for Dampskibsselskabet NORDEN A/S in accordance with the Danish Financial Statements Act applying to enterprises of reporting class D.

NORDEN has implemented the changes in accounting policies as mentioned in note 1 "Significant accounting policies and significant accounting estimates and judgements" of the consolidated financial statements. Other changes has had no impact in the Parent Company.

Income statement and balance sheet

Income/loss from investments in subsidiaries and joint ventures

In the Parent Company's income statement, the proportional share of earnings is recognised under the items "Income/(loss) from investments in subsidiaries" and "Income/(loss) from investments in joint ventures".

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are recognised and measured according to the equity method.

In the balance sheet under the items "Investments in subsidiaries" and "Investments in joint ventures", the proportional ownership share of the companies' net asset value is recognised.

The total net revaluation of investments in subsidiaries and joint ventures is transferred through the distribution of profits to "Reserve for net revaluation according to equity method" under equity. The reserve is reduced by dividend payments to the Parent Company and is adjusted with other changes in equity in subsidiaries and joint ventures.

Subsidiaries and joint ventures with negative net asset value are recognised at USD 0 million, and a provision to cover the negative balance is recognised if such a present obligation for this purpose exists.

Other accounting policies

With reference to the provisions of the Danish Financial Statements Act, the Company has refrained from both preparing a cash flow statement and presenting segment information in the Parent Company financial statements. For this information, see the consolidated financial statements for Dampskibsselskabet NORDEN A/S. Refer to section 1.1 "Basis of preparation" in the consolidated financial statements for other accounting policies.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

SECTION 2
Income Statement

2.1 Staff costs and remuneration

Amount in USD million	2020	2019
Wages and salaries	50.0	58.5
Pensions – defined contribution plans	2.3	3.3
Other social security costs	0.4	1.7
Share-based payment	0.9	1.0
Total	**53.6**	**64.5**
Average number of employees	473	766

Staff costs and average number of employees exclude employees on T/C vessels.

For remuneration of the Executive Management and the Board of Directors, refer to note 2.3 “Staff costs and remuneration” to the consolidated financial statements.

Refer to note 5.3 “Share-based payment” to the consolidated financial statements.

2.2 Depreciation

Amount in USD million	2020	2019
Vessels, cf. note 3.1	-	31.4
Right-of-use assets, cf. note 4.7	185.7	117.6
Property and equipment, cf. note 3.1	0.7	0.6
Total	**186.4**	**149.6**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

2.3 Financial income and expenses

Amount in USD million	2020	2019
Interest income	0.8	1.2
Fair value adjustment, cross currency swaps	0.5	-
Exchange rate adjustment	2.1	3.7
Total financial income	**3.4**	**4.9**
Interest costs	2.5	20.7
Fair value adjustment, cross currency swaps	-	1.1
Interest expenses on lease liabilities	22.6	18.9
Total financial expenses	**25.1**	**40.7**

2.4 Taxation

Amount in USD million	2020	2019
Tax on the results for the year	6.4	5.4
Adjustment of tax regarding previous years	-0.9	-1.1
Total	**5.5**	**4.3**

Latest, the Company entered the Danish tonnage tax regime for a binding 10-year period from 2011. By the end of 2020, the Company has decided to continue under the Danish tonnage tax regime for an additional binding 10-year period, commencing as of 1 January 2021.

The Danish Group companies are jointly and severally liable for the tax on the Group's jointly taxed income in Denmark.

	2020	2019
Contingent tax under the tonnage tax scheme	-	16.3
Contingent tax is calculated equalling the tax rate for the year and going forward.	-	22%

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 3
Invested Capital and Working Capital

3.1 Tangible assets

Amount in USD million	Vessels	Property and equipment	Prepayments on vessels and new buildings	Total
2020				
Cost at 1 January	781.3	53.0	16.1	850.4
Transferred to subsidiary, cf. note 5.5	-781.3	-	-16.1	-797.4
Additions for the year	-	0.2	13.5	13.7
Cost at 31 December	-	53.2	13.5	66.7
Depreciation at 1 January	-153.1	-4.5	-	-157.6
Transferred to subsidiary, cf. note 5.5	153.1	-	-	153.1
Depreciation for the year	-	-0.7	-	-0.7
Depreciation at 31 December	-	-5.2	-	-5.2
Impairment losses at 1 January	-36.0	-	-	-36.0
Transferred to subsidiary, cf. note 5.5	36.0	-	-	36.0
Impairment losses at 31 December	-	-	-	-
Carrying amount at 31 December	**-**	**48.0**	**13.5**	**61.5**

Amount insured on vessels USD 0 million (USD 702 million).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Amount in USD million	Vessels	Property and equipment	Prepayments on vessels and new buildings	Total
2019				
Cost at 1 January	720.9	52.9	29.1	802.9
Additions for the year	91.6	0.1	43.2	134.9
Disposals for the year	-87.1	-	-	-87.1
Transferred during the year	55.9	-	-55.9	-
Transferred during the year to other items	-	-	-0.3	-0.3
Cost at 31 December	781.3	53.0	16.1	850.4
Depreciation at 1 January	-167.0	-3.9	-	-170.9
Depreciation for the year	-31.4	-0.6	-	-32.0
Reversed depreciation on vessels disposed of	45.3	-	-	45.3
Depreciation at 31 December	-153.1	-4.5	-	-157.6
Impairment losses at 1 January	-31.8	-	-4.2	-36.0
Transferred during the year	-4.2	-	4.2	-
Impairment losses at 31 December	-36.0	-	-	-36.0
Carrying amount at 31 December	**592.2**	**48.5**	**16.1**	**656.8**

Capital commitments

The Company has entered into agreements for future delivery of newbuildings and declared purchase options, etc. The remaining contract amount is payable as follows:

Amount in USD million	2020	2019
Within 1 year	45.0	38.4
Between 2 and 3 years	95.3	-
After 3 years	-	-
Total	**140.3**	**38.4**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.2 Investments in subsidiaries

Amount in USD million	2020	2019
Cost at 1 January	23.9	23.8
Additions for the year*	416.0	0.1
Cost at 31 December	439.9	23.9
Value adjustments at 1 January	332.5	420.2
Share of result for the year	31.9	19.0
Purchase of treasury shares	-	1.3
Depreciation for the year internal profit/loss	-0.5	-0.5
Dividends received	-	-107.5
Value adjustments at 31 December	363.9	332.5
Carrying amount at 31 December	**803.8**	**356.4**

* In 2020, the Company has established a new subsidiary "NORDEN Asset Management A/S". For further information, see Group Management Review page 24 and note 5.5 "Transfer of activities to new subsidiary".

To see the overview of the subsidiaries, refer to note 5.7 "Group structure" to the consolidated financial statements.

No significant restrictions apply to distributions from subsidiaries.

3.3 Investments in joint ventures

Amount in USD million	2020	2019
Cost at 1 January	0.2	0.2
Additions for the year*	-	-
Divestments during the year	-0.2	-
Cost at 31 December	-	0.2
Value adjustments at 1 January	-0.2	-0.2
Share of result for the year	0.1	-
Divestments during the year	0.2	-
Value adjustments at 31 December	0.1	-0.2
Carrying amount at 31 December	**0.1**	**-**

Investments in joint ventures comprise:	Ownership	Ownership
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	50%
NORDEN SYNERGY Ship Management A/S	50%	-
Key figures (100%) for joint ventures are:		
Revenue and other income	16.8	0.2
Costs	-16.6	-0.2
Total results	**0.2**	**-**
Share of results of NORDEN	**0.1**	**-**
Non-current assets	-	-
Current assets	9.1	4.0
Non-current liabilities, debt	-	-
Current liabilities	-8.9	-4.0
Total carrying amount	**0.2**	**-**
Carrying amount of norden	**0.1**	**-**

* In 2020, NORDEN established the joint venture NORDEN SYNERGY Ship Management A/S with an external part, which is related to technical management services of NORDENs owned vessels.

No significant restrictions apply to distributions from joint ventures.

Section 4
Capital structure and risks

4.1 Financial risk management

Refer to note 4.1 "Financial risk management" to the consolidated financial statements.

4.2 Derivatives

Refer to note 4.2 "Derivatives" to the consolidated financial statements.

4.3 Share capital

The share capital consists of 40,700,000 shares of a nominal value of DKK 1 each. No shares are subject to any special rights or restrictions.

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
Amount in USD million	2020	2019	2020	2019	2020	2019
1 January	2,888,467	2,276,067	2,888	2,276	6.84	5.39
Acquisition	1,506,000	612,400	1,506	612	3.70	1.45
Capital reduction	-1,500,000	-	-1,500	-	-3.43	-
31 December	**2,894,467**	**2,888,467**	**2,894**	**2,888**	**7.11**	**6.84**

The Company is authorised by the general meeting to acquire a maximum of 4,070,000 treasury shares, equal to 10% of the share capital. Treasury shares are i.a. acquired for the purpose of hedging liabilities in connection with sharebased payment, refer to note 5.3 "Share-based payments" to the consolidated financial statements and for share buy-back programmes.

At 1 January 2020, the Group had a total of 39,311,533 outstanding shares of DKK 1 each, and at 31 December 2020, a total of 37,805,533 outstanding shares of DKK 1 each.

NORDEN initiated two share buy-back programmes in 2020. The first programme was executed from 19 August 2020 to the end of October 2020 and the second program runs from 4 November 2020 up to and including no later than 28 February 2021. The share buy-back programme is initiated pursuant to the autorisattion granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group. A maximum of 4,070,000 shares can be acquired.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.3 Share capital - continued

Since the 2020 share buy-back programmes were initiated up until year end 2020, the total number of acquired shares is 1,185,100 at a total amount of DKK 121,747,208. Acquired shares in 2020 related to share buy-back programme 2019 amounts to 320,900 at a total amount of DKK 31,145,385.

In 2020 shares were acquired at an average price of DKK 101.52 per share with prices ranging from DKK 89.85 to DKK 117.87. The total cost of DKK 152.892.593 was deducted from retained earnings.

In relation to the share buy back programme, NORDEN implemented a capital reduction of nom. DKK 1,500,000 during the year. The share capital at the end of 2020 was thus nom. DKK 40,700,000 compared to 42,200,000 in the beginning of the year.

4.4 Proposal for the distribution of profit

Amount in USD million	2020	2019
Reserve for net revaluation according to the equity method	31.7	-87.7
Proposed dividends	60.5	15.8
Retained earnings	-6.2	91.1
Total	**86.0**	**19.2**
Proposed dividend per share, DKK	9.0	2.5

4.5 Loans

Amount in USD million	2020	2019
Repayment within 1 year	4.6	34.9
Repayment between 1 to 5 years	16.4	141.2
Repayment over 5 years	7.7	127.2
Total	**28.7**	**303.3**

4.5 Loans - continued

Mortgages and security

Amount in USD million	2020	2019
As securities for loans	28.7	303.3
- number of vessels pledged	-	21
- number of buildings pledged	2	2
- carrying amount	47.4	540.3
- mortgaged amount	15.7	565.6

The subsidiaries guarantees debt in the Parent Company amounting to USD 18 million (2019: USD 98 million) at the reporting date.

4.6 Provisions

Amount in USD million	2020	2019
As at 1 January	-	20.7
Change in accounting policy	-	-18.5
As at 1 January adjusted	-	2.2
Provisions made during the year	-	-
Applied provision during the year	-	-2.2
As at 31 December	**-**	**-**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.7 Leases - lessee

This note provides information for leases where the Company is a lessee.

Amounts recognised in the balance sheet

Set out below are the carrying amounts of right-of-use assets, receivables from subleasing and lease liabilities recognised and the movements during the period:

Amount in USD million	2020	2019
Right-of-use assets		
Cost at 1 January	401.9	306.4
Additions	306.9	96.2
Remeasurements	31.1	6.1
Disposals	-38.5	-6.8
Cost at 31 December	**701.4**	**401.9**
Depreciation at 1 January	-117.6	-
Depreciation	-185.7	-117.6
Disposal	36.2	-
Depreciation at 31 December	**-267.1**	**-117.6**
Carrying amount at 31 December	**434.3**	**284.3**
Lease liabilities		
Lease liabilities at 1 January	327.9	342.8
Additions	340.6	105.7
Remeasurements	35.8	4.4
Instalments	-205.4	-125.0
Disposal	-2.2	-
Lease liabilities at 31 December	**496.7**	**327.9**
Non-current	294.8	195.3
Current	201.9	132.6
Total	**496.7**	**327.9**

Amounts recognised in the income statement

Amount in USD million	2020	2019
Expenses related to the service component of right-of-use assets (included in vessel operating costs)	200.0	125.4
Expenses relating to short-term leases (including in vessel operating costs)	819.6	980.3
Depreciation of right-of-use assets (including in depreciation, amortisation and impairment losses)	185.7	117.6
Interest expenses of lease liabilities (included in financial expenses)	22.6	18.9

Lease commitments and options (excluding the non-service component)

Balance sheet

At year end, the Company has entered lease agreements with future commencement date, which will affect the balance sheet as follow, when the time-chartered vessels will be deliveried, and the Company obtains control of the asset. The minimum lease payments excluding the non-lease components amounts to:

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	100.8	-	-	100.8
Between 1 and 5 years	35.5	-	-	35.5
More than 5 years	-	-	-	-
Total	**136.3**	**-**	**-**	**136.3**

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2019				
Within 1 year	140.6	3.5	-	144.1
Between 1 and 5 years	24.4	-	-	24.4
More than 5 years	-	-	-	-
Total	**165.0**	**3.5**	**-**	**168.5**

4.7 Leases – lessee - continued

Some leases include an option to be extended for 1 additional year at a time for up to 3 years. The exercise of the options is based on an individual assessment. If all available extension options year end where excised when possible, the right-of-use asset and corresponding lease liability would increase with the following amounts in each future year (undiscounted and excluding non-lease component).

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	31.2	1.4	2.8	35.4
Between 1 and 5 years	281.4	-	-	281.4
More than 5 years	156.4	-	-	156.4
Total	**469.0**	**1.4**	**2.8**	**473.2**

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2019				
Within 1 year	24.2	6.2	-	30.4
Between 1 and 5 years	232.5	-	-	232.5
More than 5 years	80.8	-	-	80.8
Total	**337.5**	**6.2**	**-**	**343.7**

Leases may also include purchase options, typically exercisable as from the end of the third year to the expiry of the period of the extension. Exercise of an purchase option on an individual vessel is based on an individual assessment. On a few leases, the payment is linked to a freight index. For information on the Group's charter contracts with purchase option, see the section "Asset Management" in the Management's Review.

Income statement

At year end, the Company has entered lease agreements of vessels, which will have the following impact in the income statement related to the service-component (daily running costs):

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2020				
Within 1 year	170.3	10.8	5.8	186.9
Between 1 and 5 years	321.7	2.1	-	323.8
More than 5 years	9.4	-	-	9.4
Total	**501.4**	**12.9**	**5.8**	**520.1**

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2019				
Within 1 year	104.5	13.9	25.4	143.8
Between 1 and 5 years	238.4	1.1	4.8	244.3
More than 5 years	11.0	-	-	11.0
Total	**353.9**	**15.0**	**30.2**	**399.1**

4.8 Leases – lessor and COAs

This note provides information for leases where the Company is a lessor.

Amounts recognised in the balance sheet

Set out below are the carrying amounts of receivables from subleasing recognised and the movements during the period:

Amount in USD million	2020	2019
Receivables from subleasing		
Receivables from subleases at 1 January	20.8	22.4
Additions for the period	32.3	6.9
Remeasurements	4.6	-
Payments received	-18.6	-8.5
Receivables from subleases at 31 December	**39.1**	**20.8**
Non-current	22.5	12.9
Current	16.6	7.9
Total	**39.1**	**20.8**
Amounts recognised in the income statement		
Revenue from sublease financial income (included in revenue)	2.1	1.3
Gain/loss on derecognised right-of-use assets (included in other operating income)	3.8	0.6

Below the maturity analysis for sublease receivables based on contractual undiscounted payments:

Amount in USD million	2020	2019
Within 1 year	18.1	8.8
Between 1 and 5 years	23.4	13.8
More than 5 years	-	-
Total	**41.5**	**22.6**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.8 Leases – lessor and COAs – continued

COAs and operating lease income

At year end, the Company had entered into COAs with customers amounting to:

Amount in USD million	2020	2019
Within 1 year	228.6	165.6
Between 1 to 2 years	74.1	73.4
Between 2 and 3 years	55.1	56.9
Between 3 and 4 years	51.3	44.0
Between 4 and 5 years	46.7	41.9
Later than 5 years	93.5	130.9
Total	**549.3**	**512.7**

The Company has operating lease income amounting to:

Amount in USD million	2020	2019
Within 1 year	136.9	117.2
Between 1 to 2 years	63.9	64.4
Between 2 and 3 years	20.2	43.7
Between 3 and 4 years	0.5	9.8
Between 4 and 5 years	-	-
Later than 5 years	-	-
Total	**221.5**	**235.1**

The above amounts regarding operation lease income comprise the agreed time charter rates. The lease and service components will be recognised as revenue under the same pattern of transfer to the customer. Separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establish this disclosure.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 5
Other notes

5.1 Fees to auditor appointed at the general meeting

Amount in USD million	2020	2019
"Other external costs" include the following fees to PricewaterhouseCoopers:		
Statutory audit	0.6	0.5
Other assurance services	0.1	-
Tax consultancy	0.2	0.2
Other services	0.1	0.2
Total	**1.0**	**0.9**

The fee for non-audit service performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is USD 0.4 million (2019: USD 0.4 million) and comprise tax advisory services and advisory services.

5.2 Share-based payment

Refer to note 5.3 "Share-based payment" to the consolidated financial statements.

5.3 Unrecognised contingent liabilities

The Company guarantees the subsidiaries' lease liabilities towards external counterparties and the subsidiar-ies' newbuilding liabilities. The Groups total lease liabilities and new building commitments are disclosed in note 4.7 "Leases Lessee" and note 3.1. "Tangibles assets" respectively.

The Company has issued guarantees for loans etc. raised by subsidiaries of USD 291 million.

The Company has provided financial support to NORDEN Shipping (Singapore) Ltd. to enable the company to meet its liabilities regards to POLAR Navigation Ltd and NORD SUMMIT Pte. Ltd.

Other contingencies are disclosed in the Group's note 5.4 "Unrecognised contingent assets and liabilities".

5.4 Related party disclosures

Refer to note 5.5 "Related party disclosures" to the conslidated financial statements.

5.5 Transfer of activities to new subsidiary

With effect of 1 January 2020, the Company established a new subsidiary "NORDEN Asset Management A/S". In connection to the establishment, the Company has transferred all owned vessels along with related other assets and liabilities at carrying amount as follow:

Amount in USD million	2020
Vessels	592.2
Prepayments on vessels and newbuildings	16.1
Receivables	38.0
Cash at bank and in hand	60.5
Total assets	**706.8**
Loans	271.0
Other payables	19.8
Total liabilities	**290.8**
Equity (net contribution)	**416.0**

Comparative figures have not been adjusted.

OTHER

DEFINITIONS OF KEY FIGURES AND FINANCIAL RATIOS

Key figures and financial ratios are computed in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts. However, NORDEN deviates from the recommendation in the calculation of EBITDA as the Group does not recognise gains and losses from sale of vessels in EBITDA. This item is included in the operating profit (EBIT).

The ratios listed in the key figures and financial ratios section are calculated as follows:

Adjusted Result for the year	=	Profit/loss for the year adjusted for profit/loss from sale of vessels etc. including adjustment for sale of vessels in joint ventures
Book value per DKK 1 share	=	$\frac{\text{Year-end equity}}{\text{Number of shares at year-end, excluding treasury shares}}$
Contribution margin	=	Revenue plus Other operating income less Vessel operating costs
Dividend yield	=	$\frac{\text{Dividend per share x 100}}{\text{Share price}}$
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDA ratio	=	$\frac{\text{EBITDA x 100}}{\text{Net revenue}}$
Equity ratio	=	$\frac{\text{Equity at year-end x 100}}{\text{Total assets}}$
Invested capital	=	Equity + net interest-bearing debt at year-end
Net interest-bearing debt	=	Interest-bearing debt less cash and securities at year-end
Net profit or loss per DKK 1 share	=	$\frac{\text{Profit/loss for the year}}{\text{Number of shares at year-end, excluding treasury shares}}$
Payout ratio	=	$\frac{\text{Dividend, excluding treasury shares x 100}}{\text{Profit/loss for the year}}$
Price/book value	=	$\frac{\text{Share price at year-end per DKK 1 share}}{\text{Book value per DKK 1 share}}$
Profit margin (EBIT margin)	=	$\frac{\text{Profit/loss from operations x 100}}{\text{Net revenue}}$
Return on assets	=	$\frac{\text{Profit/loss from operations x 100}}{\text{Total assets at year-end}}$
Return on equity in % (ROE)	=	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit/loss from operations x 100}}{\text{Average invested capital}}$
Share price at year-end per DKK 1 share	=	The last-quoted average price on Nasdaq Copenhagen for all trade in the company share at the reporting date
Total shareholder return	=	The total return of a share to an investor based on share price performance and dividends. Dividends are assumed to have been reinvested in the share. Return is based on USD.
USD exchange rate at year-end	=	The USD exchange rate quoted by the National Bank of Denmark at year-end

SHIPPING TERMS AND ABBREVIATIONS

B

Baltic Dry Index (BDI) Index of the dry cargo rate development on selected routes for Handysize, Supramax, Panamax and Capesize.

Bunker Fuel used by the vessels.

Bunker hedging Forward agreement to purchase or sell bunker oil at a predetermined price.

C

Cargo contract See COA.

Charter party Overall term for contracts in shipping, including COAs (see COA).

COA (Contract of Affreightment/cargo contract) Agreement to transport cargo for a predetermined period – 3 months, 5 years, 10 years, etc. – and at a predetermined price per tonne.

Commercial management Agreement to operate a vessel on the account and risk of the shipowner.

Contract of Affreightment See COA.

Coverage Securing employment of a vessel for a longer period of time (see spot market).

D

Dwt. Deadweight tonne. A measure of a vessel's cargo carrying capacity.

E

EEOI (Energy Efficiency Operational Indicator) Measurement of efficiency defined as the amount of CO_2 emitted per tonne of cargo transported 1 mile.

F

FFA (Forward Freight Agreement) Forward agreement to purchase or sell the transport of cargo for a particular type of vessel and route at a predetermined price.

Forward rate Market expectations for future rate levels.

H

Handysize Bulk carrier of 28,000-39,000 dwt. capacity or product tanker of 36,000-40,000 dwt. capacity.

I

IMO International Maritime Organisation – shipping organisation under the UN.

IMOS Shipping system which supports chartering, operations and accounting related functions for NORDEN and Norient Product Pool's fleet of dry cargo and product tanker vessels.

M

MACN Maritime Anti-Corruption Network.

MR (medium range) Product tanker of 46,000-52,000 dwt. capacity.

O

Operator activities Combination of cargoes and available vessels in the market.

P

Panamax Bulk carrier of 75,000-93,000 dwt. capacity – largest vessel type to pass the Panama Canal.

Pool Group of vessels with different owners but commercially operated together.

Port State Control The countries' technical inspection of foreign vessels calling at their ports.

Purchase option A right, but not an obligation, to purchase a vessel at an agreed price.

S

Ship days Total number of days with available vessel capacity.

SIRE (Ship Inspection Report Programme) The oil companies' inspection of the safety and operational standard of the product tankers.

Spot market Day-to-day market for cargo contracts.

Supramax Bulk carrier of 50,000-64,000 dwt. capacity.

T

T/C (time charter) Lease of a vessel whereby the vessel is hired out for a short or long period.

T/C equivalent (time charter equivalent) Freight revenues less bunker consumption and port charges.

Technical management Agreement to manage a vessel's technical operations and crew at the account and risk of the shipowner.

Tonne-mile A measure of demand for capacity. Calculated as the freight amount times the transport distance in nautical miles.

Tramp shipping Voyages without fixed routes – NORDEN's business area.

V

Vetting Collective term for the many kinds of inspections of product tankers – including SIRE inspections – which the oil companies carry out themselves or demand to have carried out.

COMPANY INFORMATION

Company information

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Municipality of domicile: Gentofte

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Email: direktion@norden.com

Board of Directors

Klaus Nyborg, Chairman
Johanne Riegels Østergård, Vice Chairman
Karsten Knudsen
Tom Intrator
Helle Østergaard Kristiansen
Stephen John Kunzer
Jesper Svenstrup (employee representative)

Executive Management

Jan Rindbo, CEO
Martin Badsted, CFO

Auditor

PricewaterhouseCoopers
Statsaut. Revisionspartnerselskab
44, Strandvejen
DK-2900 Hellerup
Denmark

Annual General Meeting

The annual general meeting will take place on Thursday 25 March 2021 at 3.00 p.m. and will be held as a completely electronic general meeting without the possibility of physical attendance.

Since 1871, NORDEN has built a reputation for providing stability in an industry defined by volatility. We leverage the intelligence we have gathered, acquired and developed to deliver solutions that are tailored to the realities of the marketplace – delivering results our customers and investors can rely on.

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NORDEN Trust powered by intelligence

Design and production: Noted