Interim Report
First quarter of 2019

INTERIM REPORT

First quarter of 2019

Results

Adjusted Result* for Q1 2019:
USD 7 million (Q1 2018: USD 9 million)

- Dry Operator: USD -3 million (USD 3 million)
- Dry Owner: USD 0 million (USD 5 million)
- Tankers: USD 10 million (USD 0 million)

Loss from sale of vessels: USD 12 million

Adjusted Result excluding effect of IFRS 16:
USD 10 million

Markets

- Dry Cargo: Steep decline in rates due to dam disaster and other disruptive incidents in iron ore market, continued trade tensions and weaker Chinese imports
- Tankers: Strong winter market

Performance

- Dry Operator: Loss in the first quarter of 2019 bringing the Adjusted Result to USD 24 million over last 4 quarters
- Dry Owner: High coverage enabling break-even result in very weak market
- Tankers: Performance 6% above 1-year T/C benchmark. Extra average daily earnings of USD 715

Values

Vessel values

- Dry Cargo: -7%
- Tankers: +1%

Significant increase in value of T/C portfolio due to rising forward rates in Tankers.

Guidance

Expectations for the Adjusted Result for the year are maintained at USD 25 to 60 million.

* "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc.

STRONG WINTER MARKET IN TANKERS – COLLAPSING DRY CARGO MARKET

"NORDEN generated a positive result in a quarter characterised by a strong winter market in tankers and a dry cargo market on the brink of collapse. NORDEN had anticipated a weak dry cargo market, but not even swift and agile response in Dry Operator could offset rates being halved within a three-week period. Dry Owner, however, was well protected against the weak market due to high coverage and generated a break-even result, while the Tanker business was well positioned towards a very strong winter market and delivered a good result."

CEO Jan Rindbo

A telephone conference will be held today at 3:30 p.m. (CET), where CEO Jan Rindbo and CFO Martin Badsted will comment on the interim report. It is requested that all participants have joined the meeting by latest 3:25 p.m. (CET) – international participants please dial in on +44 (0) 207 192 8000 or +1 631 510 7495, Danish participants please dial in on +45 3272 8042. The telephone conference will be shown live at www.ds-norden.com, where the accompanying presentation will also be available. For further information: CEO Jan Rindbo, tel. +45 3315 0451.

NORDEN

USD million	2019 Q1	2018** Q1	2018** Q1-Q4
INCOME STATEMENT			
Revenue	653.5	591.2	2,451.4
Contribution margin	71.9	31.8	132.3
EBITDA	52.4	17.1	72.5
Profit/loss from the sale of vessels, etc.	-12.3	9.2	8.7
EBIT	5.9	18.4	39.3
Profit/loss for the period	-5.3	18.0	28.8
Adjusted Result for the period*	7.0	8.8	20.0
	2019 31/3	**2018 31/3**	**2018 31/12**
STATEMENT OF FINANCIAL POSITION			
Total assets	1,751.2	1,310.8	1,464.4
Equity	851.8	849.6	826.8
Liabilities	899.4	461.2	637.6
Invested capital	994.6	891.4	970.2
Net interest-bearing assets	-142.8	-41.8	-143.4
Cash and securities	186.8	203.1	188.6
	2019 Q1	**2018 Q1**	**2018 Q1-Q4**
CASH FLOWS			
From operating activities	62.7	-25.3	-24.7
From investing activities	-5.6	-19.5	-78.4
– hereof investments in property, equipment and vessels	-37.4	-65.1	-181.4
From financing activities	-28.1	22.5	104.3

USD million	2019 Q1	2018** Q1	2018** Q1-Q4
SHARE RELATED KEY FIGURES AND FINANCIAL RATIOS:			
Number of shares of DKK 1 each (including treasury shares)	42,200,000	42,200,000	42,200,000
Number of shares of DKK 1 each (excluding treasury shares)	39,659,033	40,467,615	39,923,933
Number of treasury shares	2,540,967	1,732,385	2,276,067
Earnings per share (EPS) (DKK)	-0.13 (-0.9)	0.44 (3.0)	0.7 (4)
Diluted earnings per share (diluted EPS) (DKK)	-0.13 (-0.9)	0.44 (3.0)	0.7 (4)
Book value per share (excluding treasury shares) (DKK) 1)	21.5 (143)	21.0 (126)	20.7 (135)
Share price at end of period (DKK)	90.5	108.3	92.4
Price/book value (DKK) 1)	0.24	0.86	0.70
OTHER KEY FIGURES AND FINANCIAL RATIOS:			
EBITDA-RATIO 2)	8.0%	2.9%	3.0%
ROIC	2.5%	2.8%	4.4%
ROE	-2.5%	2.8%	3.5%
Equity ratio	48.6%	64.8%	56.5%
Total no. of ship days for NORDEN	29,604	28,804	122,852
USD/DKK rate at end of the period	664.46	601.01	651.94
Average USD/DKK rate	657.17	605.90	631.74

1) Converted at the USD/DKK rate at end of period.

2) The ratios were computed in accordance with" Recommendations and Financial Ratios 2018" 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" in the Annual Report for 2018. The figures are adjusted for the Company´s holding of treasury shares.

* Adjusted Result for the period is computed as "Profit/loss for the period" adjusted for "Profit/loss from the sale of vessels, etc." including adjustment for sale of vessels in Joint Ventures.

** Financial figures for 2018 are not restated to reflect IFRS 16.

THE GROUP

Comments on the development of NORDEN in the first quarter of 2019

- Adjusted Result: USD 7 million
- Cash from operations: USD 63 million
- Sale of 5 vessels with a recorded loss of USD 12 million in the first quarter

Results
In a healthy winter product tanker market and a weak dry cargo market, NORDEN realised an Adjusted Result for the first quarter of 2019 of USD 7 million (Q1 2018: USD 9 million). The result is impacted negatively by the implementation of the new IFRS 16 regulation. Excluding this effect, the Adjusted Result was 10 million.

Overhead and administration costs increased by USD 5 million, mainly due to the full consolidation of the Norient Product Pool management company, which was acquired by year-end 2018. The cost increase is offset by a similar increase in management fees recorded under Other operating income.

Net financial items mainly declined as a result of interest expenses on lease liabilities due to IFRS 16.

Cash flow from operating activities amounted to USD 63 million in the quarter due to a reduction in working capital and reclassification of certain lease payments due to IFRS 16.

Sale of vessels
In line with the NORDEN strategy of becoming an increasingly asset light business, NORDEN sold 5 vessels consisting of 4 dry cargo and 1 product tanker vessel at a total price of USD 50 million. The full-year effect of the sales is expected to be a loss of USD 9 million, of which a loss of USD 12 million is recorded in Q1 2019, and an expected gain of USD 3 million will be recorded in Q2 2019 when the vessels are delivered to the new owner. After the quarter, NORDEN sold an additional dry cargo vessel with delivery during Q2 2019.

Financial position
At the end of the quarter, NORDEN's available liquidity amounted to USD 263 million with USD 187 million in cash and securities supplemented by USD 76 million in undrawn credit facilities.

NORDEN's net commitments, calculated as total bank debt, T/C commitments and outstanding payments on newbuildings less cash and future earnings from coverage, were reduced by USD 190 million during the quarter to USD 486 million. The decrease is the result of vessel sales, increased coverage and cash from operations. NORDEN estimates that acquisition and installation of the Ballast Water Treatment Systems and the scrubber programmes will incur CAPEX of USD 79 million during 2019 and 2020.

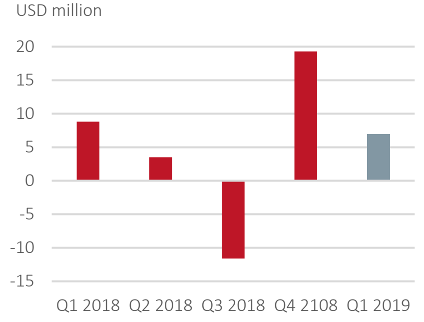
New lease accounting IFRS 16 Leases
NORDEN has applied IFRS 16 as of 1 January 2019 retrospectively without restating comparative figures. The new accounting policies are set out in note 1 *"Basis of preparation and changes to NORDEN's accounting policies",* and for a detailed overview of the effect on IFRS 16 on both the current result and balance sheet, see note 17 *"Transition to IFRS 16 Leases"*.

The effect of the new accounting standard at the end of Q1 2019 has been an increase of USD 309 million in total assets of which USD 275 million consists of right-of-use assets. The new regulation has had no impact on equity, but the equity ratio has declined to 49% as of 31 March 2019 compared to 57% at year-end 2018 due to the recognition of lease liabilities.

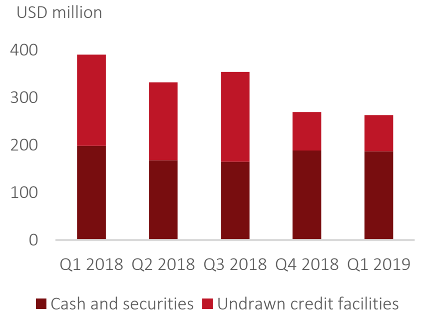
Impairment assessment
NORDEN has carried out a routine assessment of indicators of impairment. Management has concluded that no impairment test had to be performed for the cash generating units Dry Cargo and Tankers. It is Management's assessment that at the end of the first quarter of 2019 there is no need for impairment of vessels, right-of-use assets and newbuilding's or reversal of previous impairment.

As required by the implementation rules in IFRS 16, the previously recognised provision for onerous contracts has been offset against the right-of-use assets recognised in the balance sheet.

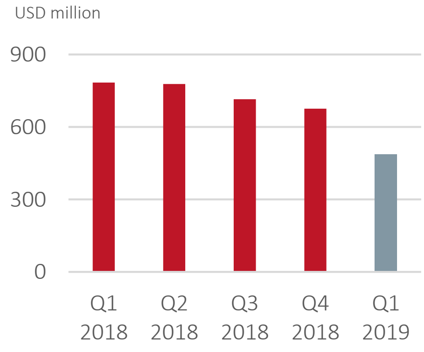
Adjusted Result for the period



Available liquidity



Net commitment



NORDEN

THE GROUP

Selected segment figures Q1 2019

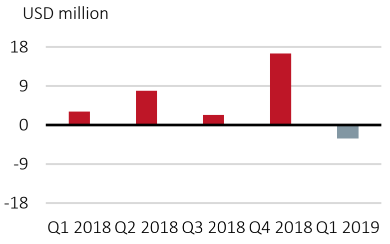
USD million	Dry Operator	Dry Owner	Tankers	Total
Contribution margin	10.9	23.9	37.1	71.9
Profit before depreciation, amortisation and impairment losses etc. (EBITDA)	0.9	20.9	30.6	52.4
Profit/loss from operations (EBIT)	-1.5	1.4	6.0	5.9
Profit/loss for the period	-3.1	-4.7	2.5	-5.3
Adjusted Result for the period	**-3.1**	**0.4**	**9.7**	**7.0**

Fleet values

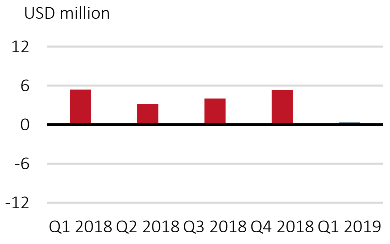
USD million	Dry Owner	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	390	462	852
Broker estimated value of certain charter parties attached to owned vessels	8	0	8
Carrying amount / costs	380	533	913
Market value vs. book value	**18**	**-72**	**-54**
Theoretical value of purchase and extension options	25	19	44

Adjusted Result for the period

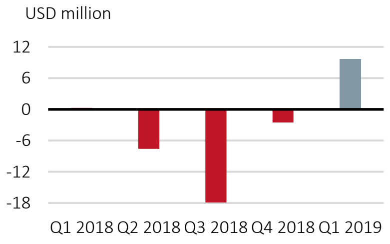
Dry Operator



Dry Owner



Tankers



For further information on the segments see note 2.

Adjusted Result for the period

USD 7 million

Change in value of owned vessels and newbuildings – Dry Cargo

-7%

Change in value of owned vessels and newbuildings - Tankers

1%

DRY OPERATOR

Weathering the storm

- Market collapse during the quarter
- Adjusted result for the period: USD -3 million
- Adjusted Result per vessel day last 4 quarters: USD 244

Results for the first quarter of 2019
During the quarter, the Dry Cargo market declined at speeds rarely seen, and despite a swift response from Dry Operator, the Adjusted Result ended at USD -3 million for the period (Q1 2018: USD 3 million) corresponding to a contribution margin of USD 11 million (Q1 2018: USD 13 million).

Over the last 4 quarters, Dry Operator has generated an Adjusted Result of USD 24 million which is considered a highly attractive risk-adjusted result given the low capital requirements of this business unit. In total, 96,769 vessel days have been handled by the operator in the last 4 quarters with an average contribution margin per vessel day of USD 691. The Adjusted Result per vessel day in the same period was USD 244.

Activity in the first quarter
In the first quarter, a total of 25,088 vessels days, the equivalent of an average size of 279 vessels, were operated by Dry Operator. This is an increase of 3% compared to the same quarter last year and in line with the growth strategy.

Trade tensions and the Vale dam disaster resulted in a market crash, which almost halved the average Panamax earnings over a three-week period. Despite an anticipated weak market in the first quarter of 2019, the pace of the decline in rates and collapse in market activity resulted in a negative Adjusted Result for the first quarter.

NORDEN expands into Africa
As part of NORDEN's gradual expansion of Dry Operator activities, NORDEN has opened an office in Abidjan, Ivory Coast. West Africa is a rapidly developing region with growing opportunities within dry cargo. The office will generate new business and increase the operational performance in the region. The office is NORDEN's 10th overseas office, and NORDEN now has offices on all 6 relevant continents.

Well positioned for the second quarter
Dry Operator continues to grow its operated fleet and take advantage of market volatility. Further resources are added to Research and Risk management to support the frontline decisions.

"Adjusted Result latest 4 quarters: USD 24 million"

Average number of vessels operated in the first quarter

279

Dry Operator historical performance (USD million)

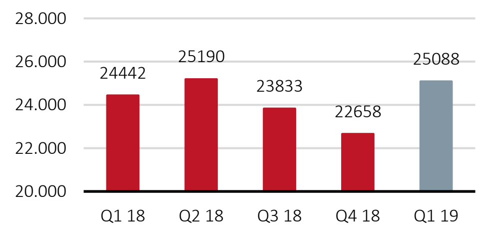
USD per vessel day	Q3 17 - Q2 18	Q4 17 - Q3 18	Q1 18 - Q4 18	Q2 18 - Q1 19
Contribution margin	595	679	717	691
Adj. Result	237	281	310	244
Adjusted Result (USD millions)	23	27	30	24

Dry Operator key figures (USD million)

USD million	2018 Q1	2019 Q1	Last 4 Quarters
Contribution margin	12.9	10.9	66.9
O/A costs	-8.8	-10.0	-37.2
EBIT	4.0	-1.5	26.8
Adjusted Result	3.1	-3.1	23.6
Vessel days	24,442	25,088	96,769
CM per vessel day (USD/day)	528	434	691
Adj. Result per vessel day (USD/day)	127	-124	244

Contribution margin (CM) is defined as "Revenue" less "Vessel operating costs" plus "Other operating income, net"

Dry Operator vessel days



DRY OWNER

High coverage in a depressed market

- USD 0 million in Adjusted Result in the first quarter
- Sale of vessels
- High coverage and significant optionality

Results for the first quarter of 2019
Entering the year with all vessel days in the first quarter covered, Dry Owner was protected against the challenging rate environment that marked the beginning of 2019 and realised an Adjusted Result of USD 0 million (Q1 2018: USD 5 million).

The result corresponds to an EBIT of USD 1 million (Q1 2018: USD 14 million), including USD -5 million related to the sale of 4 vessels during the quarter.

Dry cargo market
Supramax and Panamax rates started 2019 with a steep decline as continued trade tensions and weaker Chinese demand resulted in an oversupply of available tonnage. Despite improvements towards the end of the quarter, average Baltic earnings for Panamax and Supramax vessels were 39 % and 26 %, respectively, lower compared to the same period last year.

Going forward, reduced Brazilian iron ore output – as a result of the tragic Vale dam collapse end-January – in combination with expectations of slowing Chinese growth is weighing down on demand for dry cargo vessels. Although Capesize vessels have borne the brunt of the declining iron ore production, medium sized vessels, which NORDEN operates, were also affected. NORDEN expects both Panamax and Supramax rates to improve from current levels but remain at levels lower than in the second half of 2018.

Dry Owner fleet and activity
With asset prices remaining at attractive levels although with limited upside, Dry Owner sold 2 Panamax, 1 Supramax and 1 Handysize vessels during the quarter with delivery to their new owners in the second quarter. The sales are in line with the NORDEN strategy of becoming increasingly asset light in the Dry Owner business unit with the goal of achieving a tradable position in the form of 0-15 vessels depending on the point in dry cargo market cycles. After the delivery of the 4 sold vessels, NORDEN will own a total of 14.5 dry cargo vessels.

Significant optionality
In addition to the owned vessels, Dry Owner maintains an extensive long-term T/C portfolio with significant optionality from 2020 and onwards. In total, Dry Owner has 35,141 optional days from 2019 to 2026 supplemented by 34 purchase options on vessels.

Covered against market uncertainty
Throughout 2018, Dry Owner utilised the market cycle spikes to secure both long-term and short-term coverage. For the second quarter of 2019, 91% of the Dry Owner vessel days are covered at an average daily rate of USD 12,500, and a continued depressed dry cargo market will therefore only have limited impact on second quarter earnings.

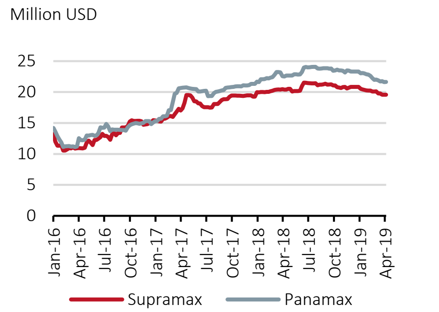
For the remainder of 2019, total coverage stands at 11,080 days, corresponding to 84% of Dry Owner capacity.

Value of Dry Owner vessels
Based on the average of 3 independent broker valuations, the market value of NORDEN's owned dry cargo vessels and newbuilding orders was estimated at USD 390 million at the end of the first quarter. This is a decrease of 7% compared to the end of 2018 for the vessels owned throughout the year.

Market value of dry cargo vessels (USD)

390 million

Asset values 5-year old



Source: Baltic Exchange

Dry Owner TCE

	Days	USD/day
Panamax	1,935	12,506
Supramax	2,167	9,897
Handysize	861	8,925

Dry Owner key figures (USD million)

USD million	2018 Q1	2019 Q1
Contribution margin	7.7	23.9
O/A costs	-2.2	-3.0
EBIT	14.2	1.4
Adjusted Result	5.4	0.4

Contribution margin (CM) is defined as "Revenue" less "Vessel operating costs" plus "Other operating income, net"

NORDEN

DRY OWNER

Capacity and coverage

At 31 March 2019

	2019 Q2	2019 Q3	2019 Q4	ROY 2019	2020	2021	Q2	Q3	Q4	2019	2020	2021
Own vessels	Ship days											
Panamax	135	180	183	506	726	697						
Supramax	846	665	795	2,327	3,488	3,974						
Handysize	332	273	273	886	1,089	1,069						
Total	**1,313**	**1,118**	**1,252**	**3,718**	**5,303**	**5,740**						
Chartered vessels							Cash costs for T/C capacity (USD per day)					
Panamax	1,555	1,644	1,439	4,638	6,405	5,480	13,113	13,125	13,305	13,177	13,115	13,224
Supramax	1,158	1,356	1,288	3,802	6,536	6,205	11,933	11,958	11,737	11,876	11,664	11,796
Handysize	358	284	368	1,010	1,320	836	12,344	12,233	10,708	11,717	10,821	10,430
Total	**3,071**	**3,284**	**3,095**	**9,450**	**14,261**	**12,521**	**12,578**	**12,566**	**12,344**	**12,497**	**12,238**	**12,330**
Total capacity	**4,384**	**4,402**	**4,347**	**13,169**	**19,564**	**18,261**						
Coverage							Revenue from coverage (USD per day)					
Panamax	1,646	1,424	1,304	4,374	4,067	2,749	13,235	13,706	13,053	13,334	12,966	13,096
Supramax	1,864	1,809	1,579	5,253	4,917	2,542	12,007	12,103	12,281	12,123	11,754	11,214
Handysize	482	485	485	1,453	1,849	1,671	11,464	11,474	11,474	11,471	10,350	10,489
Total	**3,992**	**3,719**	**3,368**	**11,080**	**10,833**	**6,961**	**12,448**	**12,635**	**12,464**	**12,516**	**11,969**	**11,783**
Coverage in %												
Panamax	97%	78%	80%	85%	57%	45%						
Supramax	93%	90%	76%	86%	49%	25%						
Handysize	70%	87%	76%	77%	77%	88%						
Total	**91%**	**84%**	**77%**	**84%**	**55%**	**38%**						

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

Coverage for rest of 2019

84%

A considerable part of NORDEN's exposure consists of vessel days from long-term chartered capacity which should be included when the Company's capital structure is evaluated. The full annual details of the portfolio as well as a "ready to use" calculator to estimate the value of the portfolio based on expectations for the long-term rates in dry cargo markets can be found on NORDEN's website www.ds-norden.com.

TANKERS

Strong winter market

- Adjusted Result for the period: USD 10 million
- Market set to strengthen towards the end of 2019
- Significant exposure to expected market improvements

Results for the first quarter of 2019
In the first quarter of 2019, NORDEN's Tanker business generated an Adjusted Result of USD 10 million (Q1 2018: USD 0 million), corresponding to an EBIT of USD 6 million (Q1 2018: USD 0 million).

The Company's Handysize tankers generated daily earnings of an average of USD 17,131, while daily earnings in the MR fleet amounted to USD 15,994. Compared to the average 1-year T/C rate during the last 12 months, the NORDEN result was 6% higher, corresponding to USD 715 per vessel day.

Other operating income and Overhead and administration costs both increased by USD 3 million compared to the same quarter last year due to the acquisition of the 2 management companies in Norient Product Pool, which brought NORDEN ownership to 100%.

Rates held up throughout winter
During the winter, a combination of lower dirty to clean switching in a strong crude tanker market, reduced stock draws and regional congestions limiting vessel supply created a strong product tanker market. Rates have since fallen to significantly lower levels as the increase in oil price from reductions in OPEC production and the subsequent cancellation of Iran waivers are expected to increase stock draws in the near term. This will impact the crude tanker market, leading more vessels to switch over to CPP trading, and MR rates are expected to remain at current low levels until after summer.

Effects of IMO to start in the second half of 2019
Towards the end of 2019, refineries are expected to increase production of distillates, and together with widescale distribution of IMO 2020 compliant fuel and increased off-hire from scrubber installations, this is expected to result in considerable market improvements towards the end of 2019.

Tanker fleet and activity
At the end of the first quarter 2019, NORDEN owned a total of 24 tanker vessels – 15 MR and 9 Handysize tanker vessels.

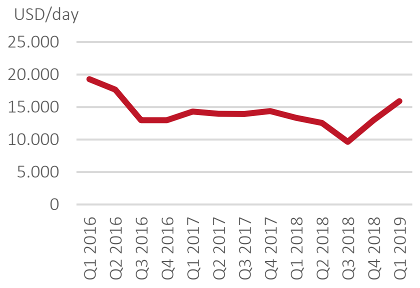
During the quarter, NORDEN used an increase in asset prices to sell 1 ageing Handysize tanker vessel with a 2-year charter-back clause.

The good winter market and increased expectations of a strong second half of 2019 have raised time-charter rates, significantly increasing the value of NORDEN's extensive time chartered-in fleet consisting of both short- and long-term time charters. In the first quarter of 2019, NORDEN has continued expanding the capacity, through short-term charters between 1 and 2 years adding total capacity of 2,412 days.

At the end of the first quarter, the total number of open days stands at 10,687 in 2019 and 14,166 days, in 2020. To this should be added 4,042 optional days at an average daily hire of USD 14,616 bringing the total number of optional days in the portfolio to 19,489 supplemented by 18 purchase options on vessels.

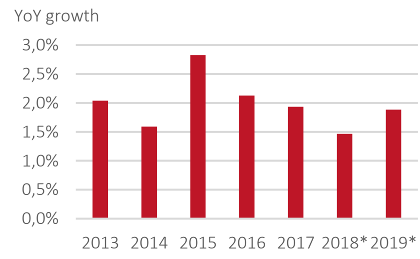
Vessel values
Based on the average of 3 independent broker valuations, the market value of NORDEN's owned Tanker vessels was estimated at USD 462 million at the end of the first quarter. This is an increase of 1% compared to the end of 2018 for the vessels owned throughout the period.

MR spot rates



Source: NORDEN spot

CPP demand



Source: Energy Aspects *Estimated

Tanker key figures (USD million)

USD million	2018 Q1	2019 Q1
Contribution margin	11.2	37.1
O/A costs	-3.7	-6.5
EBIT	0.2	6.0
Adjusted Result	0.3	9.7

Contribution margin (CM) is defined as "Revenue" less "Vessel operating costs" plus "Other operating income, net"

NORDEN

TANKERS

Capacity and coverage

At 31 March 2019

	2019			ROY						ROY		
	Q2	Q3	Q4	2019	2020	2021	Q2	Q3	Q4	2019	2020	2021
Own vessels		**Ship days**										
MR	1,331	1,407	1,437	4,174	5,756	5,796						
Handysize	741	722	732	2,194	2,904	2,859						
Total	**2,072**	**2,128**	**2,168**	**6,368**	**8,660**	**8,655**						
Chartered vessels							Cash costs for T/C capacity (USD per day)					
LR1	182	184	184	550	397	-	18,655	18,655	18,655	18,520	18,655	-
MR	2,462	2,159	1,875	6,460	4,825	4,659	14,211	14,071	14,075	14,125	13,848	14,619
Handysize	350	368	368	1,086	896	134	12,662	12,869	12,869	12,802	12,957	13,288
Total	**3,172**	**2,983**	**2,691**	**8,846**	**6,586**	**4,905**	**14,301**	**14,219**	**14,239**	**14,255**	**14,029**	**14,582**
Total capacity	**5,029**	**4,839**	**4,595**	**14,464**	**14,778**	**13,448**						
Coverage							Revenue from coverage (USD per day)					
LR1	-	-	-	-	-	-	-	-	-	-	-	-
MR	1,342	992	695	3,029	612	362	13,782	13,996	14,476	14,011	15,374	16,215
Handysize	273	273	202	748	-	-	13,369	13,369	13,369	13,369	-	-
Total	**1,615**	**1,265**	**897**	**3,777**	**612**	**362**	**13,712**	**13,861**	**14,227**	**13,884**	**15,374**	**16,215**
Coverage in %												
LR1	-	-	-	-	-	-						
MR	36%	28%	21%	26%	6%	3%						
Handysize	25%	25%	18%	23%	-	-						
Total	**32%**	**26%**	**20%**	**26%**	**4%**	**3%**						

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

Employment and rates, Tankers, Q1 2019

Vessel type	LR1	MR	Handysize	Total*
NORDEN's ship days	180	3,803	1,062	5,054
NORDEN spot TCE (USD per day, net)	17,345	15,902	18,549	16,443
NORDEN TCE (USD per day, net)	17,345	15,994	17,131	16,282
NORDEN TCE 12 months average (USD per day, net)	13,227	13,213	12,974	13,159
Benchmark 12 months average (USD per day, net)	12,646	12,759	11,383	12,445
NORDEN vs. Benchmark (12 months average)	5%	4%	14%	6%

Tanker ROY 2019 open days

10,687

Tanker coverage ROY 2019

26%

* Weighted average. NORDEN TCE is calculated as freight income less voyage costs (such as broker commission, bunkers and port costs), but before payment of pool management fee

NORDEN

THE GROUP

Outlook for 2019

Forward-looking statements

This report includes forward-looking statements reflecting management's current perception of future trends and financial performance. The statements for the rest of 2019 and the years to come naturally carry some uncertainty, and NORDEN's actual results may therefore differ from expectations. Factors that may cause the results achieved to differ from the expectations are, among other things, but not exclusively, changes in the macroeconomic and political conditions – especially in the Group's key markets – changes in NORDEN's assumptions of rate development and operating costs, volatility in rates and vessel prices, changes in legislation, possible interruptions in traffic and operations as a result of external events, etc.

NORDEN maintains expectations

NORDEN maintains the expectations for the Adjusted Result for the year at USD 25-60 million. However, the expectations for the individual business units are adjusted.

Tankers

NORDEN's performance in a strong winter market has created a stronger Q1 result than expected, and on this basis, the full-year expectations for Tankers are adjusted to USD 15 to 30 million (previously USD 5 to 20 million).

Dry Operator

The expectations for the full-year result for the Dry Operator have been lowered to a range of USD 15 to 25 million (previously USD 20 to 30 million) due to the event driven dramatic rate developments in Q1.

Dry Owner

The expectations for the full-year result for Dry Owner have been lowered to a range of USD -5 to 5 million (previously USD 0 to 10 million) as a result of the lost operational income on vessels sold in 2019.

Risk and uncertainties

The Dry Operator results are sensitive to both market conditions as well as NORDEN's ability to identify and execute business opportunities. At the end of March, Dry Owner had limited exposure to spot rates in 2019, and a change of USD 1,000 per day would only impact the full-year result by USD 2 million. Earnings expectations in Tankers primarily depend on the development in the spot market. Based on about 11,000 open vessel days in Tankers in 2019, a change of USD 1,000 per day in expected T/C equivalents would mean a change in earnings of approximately USD 11 million.

All business units are furthermore sensitive to counterparty risks as well as operational risks.

Events after the reporting date

No events have occurred after 31 March 2019, which significantly affect the interim report for the period 1 January – 31 March 2019, other than the developments disclosed in the Management Review.

"NORDEN expects an Adjusted Result for the year of USD 25 to 60 million."

Expectations for 2019

USD million	Adjusted Result for the year
Dry Operator	15 to 25
Dry Owner	-5 to 5
Tankers	15 to 30
Group	**25 to 60**

THE GROUP

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today reviewed and approved the Interim Report for the period 1 January to 31 March 2019 of Dampskibsselskabet NORDEN A/S.

The interim consolidated financial statements of Dampskibsselskabet NORDEN A/S have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The interim consolidated financial statements have not been subject to audit or review by the Independent Auditors of Dampskibsselskabet NORDEN A/S.

We consider the accounting policies applied to be appropriate and the accounting estimates made to be adequate. Furthermore, we find the overall presentation of the Interim Report to present a true and fair view.

Besides what has been disclosed in the Interim Report, no other significant changes in the Group's risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report for 2018.

In our opinion, the interim consolidated financial statements give a true and fair view of Dampskibsselskabet NORDEN A/S' consolidated assets, equity and liabilities and the financial position at 31 March 2019 as well as the result of Dampskibsselskabet NORDEN A/S' consolidated activities and cash flows for the period 1 January to 31 March 2019.

Furthermore, in our opinion the Management Review gives a fair representation of the Group's activities and financial position as well as a description of the material risks and uncertainties which the Group is facing.

Hellerup, 7 May 2019

Executive Management

Jan Rindbo
Chief Executive Officer

Martin Badsted
Chief Financial Officer

Board of Directors

Klaus Nyborg
Chairman

Johanne Riegels Østergård
Vice Chairman

Karsten Knudsen

Thomas Intrator

Stephen John Kunzer

Helle Østergaard Kristiansen

Susanne Fauerskov
(employee-elected)

Jesper Svenstrup
(employee-elected)

Lars Enkegaard Biilmann
(employee-elected)

NORDEN

Consolidated income statement

Note	USD million	2019 Q1	2018 Q1	2018 Q1-Q4
2	**Revenue**	**653.5**	**591.2**	**2,451.4**
	Other operating income	4.0	0.7	3.1
3	Vessel operating costs	-585.6	-560.1	-2,322.2
	Contribution margin	**71.9**	**31.8**	**132.3**
3, 4	Overhead and administration costs	-19.5	-14.7	-59.8
	Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**52.4**	**17.1**	**72.5**
	Profit/loss from the sale of vessels, etc.	-12.3	9.2	8.7
5	Depreciation, amortisation and impairment losses	-34.8	-10.5	-44.3
	Share of profit/loss of joint ventures	0.6	2.6	2.4
	Profit/loss from operations (EBIT)	**5.9**	**18.4**	**39.3**
	Financial income	1.7	4.1	9.0
6	Financial expenses	-10.7	-3.2	-15.9
	Profit/loss before tax	**-3.1**	**19.3**	**32.4**
	Tax	-2.2	-1.3	-3.6
	PROFIT/LOSS FOR THE PERIOD	**-5.3**	**18.0**	**28.8**
	Attributable to:			
	Shareholders of NORDEN	**-5.3**	**18.0**	**28.8**
	Earnings per share (EPS), USD	-0.13	0.44	0.71
	Diluted earnings per share, USD	-0.13	0.44	0.71
	Adjusted Result for the period	**7.0**	**8.8**	**20.1**

NORDEN

Consolidated statement of comprehensive income

Note	USD million	2019 Q1	2018 Q1	2018 Q1-Q4
	Profit/loss for the period	**-5.3**	**18.0**	**28.8**
	Other comprehensive income to be reclassified to the income statement:			
7	Fair value adjustment for the period, cash flow hedges	34.3	-2.9	-31.4
	Fair value adjustment for the period, securities	0.0	-0.1	-0.1
	Tax on fair value adjustment of securities	0.0	0.0	0.0
	Other comprehensive income, total after tax	**34.3**	**-3.0**	**-31.5**
	Total comprehensive income for the period, after tax	**29.0**	**15.0**	**-2.7**
	Attributable to:			
	Shareholders of NORDEN	29.0	15.0	-2.7

Consolidated statement of financial position

Note	USD million	2019 31/3	2018 31/3	2018 31/12
	ASSETS			
8	Vessels	777.7	717.5	795.6
9	Right-of-use assets	275.3	0.0	0.0
	Property and equipment	49.3	49.5	49.5
10	Prepayments on vessels and newbuildings	10.2	23.9	24.9
	Investments in joint ventures	12.0	11.5	11.8
11	Receivables from subleasing	25.5	0.0	0.0
	Non-current assets	**1,150.0**	**802.4**	**881.8**
	Inventories	81.6	68.4	87.2
11	Receivables from subleasing	8.0	0.0	0.0
	Freight receivables	152.6	119.6	172.6
	Receivables from joint ventures	27.6	1.8	12.4
	Other receivables	18.0	32.7	28.4
	Prepayments	80.1	71.9	93.4
	Securities	4.1	4.6	4.2
	Cash and cash equivalents	182.7	198.5	184.4
		554.7	**497.5**	**582.6**
12	Vessels held for sale	46.5	10.9	0.0
	Current assets	**601.2**	**508.4**	**582.6**
	TOTAL ASSETS	**1,751.2**	**1,310.8**	**1,464.4**

Note	USD million	2019 31/3	2018 31/3	2018 31/12
	EQUITY AND LIABILITIES			
	Share capital	6.7	6.7	6.7
	Reserves	9.8	4.0	-24.5
	Retained earnings	835.3	838.9	844.6
	Equity	**851.8**	**849.6**	**826.8**
	Loans	233.9	159.8	206.5
13	Lease liabilities	227.2	0.0	0.0
	Provisions	0.0	37.2	21.3
	Non-current liabilities	**461.1**	**197.0**	**227.8**
	Loans	95.7	85.0	125.5
13	Lease liabilities	108.7	0.0	0.0
	Provisions	3.7	25.2	25.3
	Trade payables	87.7	60.4	118.8
	Income tax payables	2.6	0.0	2.7
	Other payables	49.4	57.6	48.6
	Deferred income	90.5	34.8	88.9
		438.3	**263.0**	**409.8**
	Liabilities relating to vessels held for sale	0.0	1.2	0.0
	Current liabilities	**438.3**	**264.2**	**409.8**
	Liabilities	**899.4**	**461.2**	**637.6**
	TOTAL EQUITY AND LIABILITIES	**1,751.2**	**1,310.8**	**1,464.4**

Consolidated statement of cash flows

USD million	2019 31/3	2018 31/3	2018 31/12
Profit/loss for the period	-5.3	18.0	28.8
Reversed depreciation, amortisation and impairment losses	34.8	10.5	44.3
Reversed financial items, net	9.0	-0.9	6.9
Reversed change in provision	0.0	-12.7	-27.8
Reversed profit/loss from sale of vessels etc.	12.3	-9.2	-8.7
Reversed share of profit/loss of joint ventures	-0.6	-2.6	-2.4
Other reversed non-cash operating items	-0.7	-0.9	4.6
Change in working capital	18.6	-29.3	-64.5
Financial payments, received	2.1	4.9	9.6
Financial payments, paid	-7.4	-3.1	-15.2
Income tax paid	-0.1	0.0	-0.3
Cash flows from operating activities	**62.7**	**-25.3**	**-24.7**
Investments in vessels and vessels held for sale	-1.0	-21.3	-101.8
Investments in other tangible assets	0.0	-0.2	-0.8
Additions in prepayments on newbuildings and sold vessels	-36.5	-43.6	-101.4
Installments on sub-lease receivables	1.7	0.0	0.0
Investments in joint ventures	0.0	-1.1	-1.1
Proceeds from sale of vessels and newbuildings	0.0	0.0	7.7
Proceeds from sale of other tangible assets	0.2	52.9	88.4
Sale of securities	0.0	4.0	4.0
Change in cash and cash equivalents with rate agreements of more than 3 months	30.0	-10.2	26.6
Cash flows from investing activities	**-5.6**	**-19.5**	**-78.4**
Acquisition of treasury shares	-4.2	0.0	-5.9
Net distribution to shareholders	-4.2	0.0	-5.9
Proceeds from loans	50.0	28.0	138.7
Repayments of loans	-50.6	-5.5	-28.5
Installments on/repayment of lease payments, asset acquired under finance lease	-23.3	0.0	0.0
Loan financing	-23.9	22.5	110.2
Cash flows from financing activities	**-28.1**	**22.5**	**104.3**
Change in liquidity for the period	29.0	-22.3	1.2
Liquidity at beginning the of period	86.4	115.5	115.5
Exchange rate adjustments	-0.7	-0.8	-1.5
Change in liquidity for the period	29.0	-22.3	1.2
Liquidity at end period	**114.7**	**92.4**	**115.2**
Cash and cash equivalents with rate agreements of more than 3 months	68.0	106.1	69.2
Cash and cash equivalents at end period acc. to the statement of financial position	**182.7**	**198.5**	**184.4**

NORDEN

Consolidated statement of changes in equity

	Shareholders of NORDEN			
USD million	**Share capital**	**Reserves**	**Retained earnings**	**Total equity**
Equity at 1 January 2019	**6.7**	**-24.5**	**844.6**	**826.8**
Total comprehensive income for the period	-	34.3	-5.3	29.0
Acquisition of treasury shares	-	-	-4.2	-4.2
Share-based payment	-	-	0.2	0.2
Changes in equity	**-**	**34.3**	**-9.3**	**25.0**
Equity at 31 March 2019	**6.7**	**9.8**	**835.3**	**851.8**
Equity at 1 January 2018	**6.7**	**7.0**	**820.7**	**834.4**
Total comprehensive income for the period	-	-3.0	18.0	15.0
Share-based payment	-	-	0.2	0.2
Changes in equity	**-**	**-3.0**	**18.2**	**15.2**
Equity at 31 March 2018	**6.7**	**4.0**	**838.9**	**849.6**

Notes to the interim consolidated financial statements

1. Basis of preparation and changes to NORDEN's accounting policies

1.1 Basis of preparation
The interim consolidated financial statements for the three months ended 31 March 2019 have been prepared in accordance with IAS 34 Interim financial reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reporting of listed companies.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The accounting policies, judgements and estimates are consistent with those applied in the consolidated annual report for 2018, apart from changes described below.

1.2 New standards, Interpretations and amendments by the Group
The Group has adopted standards and interpretations effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

The impact of the adoption of IFRS 16 Leases and the new accounting policies are disclosed in note 17. The other standards did not have any impact on the accounting policies and on the interim consolidated financial statements of the Group.

IFRS 16 Leases
IFRS 16 was issued in January 2016, and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 Leases.

The standard includes two recognition exemptions for lessees – leases of low-value asset and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 Leases is substantially unchanged from the accounting under IAS 17 Leases. Lessors will continue to classify all leasing using the same classification principle as in IAS 17 and distinguish between two types of leases; operating and finance leases.

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

IFRS 16 Leases, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17 Leases.

NORDEN

Notes to the interim consolidated financial statements

1. Basis of preparation and changes to NORDEN's accounting policies (continued)

In addition to IFRS 16, NORDEN has implemented the following interpretations and amendments to existing standards:

- IFRIC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements 2015-2017 Cycle (issued In December 2017)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures

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

For a complete description of accounting policies other than the accounting policy regarding IFRS 16 above, see the notes to the consolidated financial statements for 2018, pages 57-91 in the consolidated annual report for 2018.

Standards not yet in force at the end of April 2019
IASB has issued the following standards and amendments to existing standards which are either irrelevant or insignificant to NORDEN.

Non-EU endorsed:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its associate or Joint Venture.
- IFRS 17 Insurance Contracts
- Amendment to IFRS 3, Business combinations: definition of a business
- Amendments to IAS 1 and IAS 8: defining material

Significant accounting estimates and judgements
The accounting estimates and judgements, which Management deems to be significant to the preparation of the consolidated financial statements, are; impairment test, allocation of time charter hire payments between lease and non-lease components and assessment of control in shared ownership – pool arrangements. Reference is made to note 1.1 on page 58 for a further description in the consolidated annual report for 2018.

New accounting policies with effect from 1 January 2019
Set out below are the new accounting policies of NORDEN upon adoption of IFRS 16, which have been applied from the date of initial application.

At inception, NORDEN assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, NORDEN obtains substantially all the economic benefits from the use of the asset, and whether NORDEN has the right to direct the use of the asset.

Right-of-use assets
The Group 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 and 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 reasonably 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 straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets.

Lease liabilities
At the commencement date of the 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 to extend the lease if NORDEN is reasonably certain to exercise the extension option. 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 and payments of penalties for terminating a lease if the lease term reflects NORDEN exercising the option to terminate.

In calculating the present value of lease payments, NORDEN uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. 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.

NORDEN

Notes to the interim consolidated financial statements

1. Basis of preparation and changes to NORDENs accounting policies (continued)

Short-term leases and leases of low-value assets
NORDEN applies the short-term lease recognition exemption to the short-term leases and leases for which the underlying asset is of low value such as office equipment (e.g. personal computers, printing and photocopying machines), company cars and rental of office spaces. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over lease term.

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

If a leased vessel is sub-leased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sub-lease, the right-of-use asset is derecognised, and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset, if any, 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).

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 measurement of 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 on sufficient market data. Furthermore, to ensure accuracy and validation of the market data used for the allocation of the non-lease component, NORDEN performs an analysis of the level of daily running costs and compares to internal data.

Notes to the interim consolidated financial statements

2. Segment information

USD million	Q1 2019					Q1 2018**				
	Dry Operator	Dry Owner	Tankers	Eliminations	Total	Dry Operator	Dry Owner	Tankers	Eliminations	Total
Revenue - services rendered, external	510.6	20.4	122.0	0.0	653.0	480.5	9.2	101.5	0.0	591.2
Revenue, services rendered, internal	0.0	30.9	0.0	-30.9	0.0	0.0	39.3	0.0	-39.3	0.0
Revenue - sublease financial income	0.0	0.5	0.0	0.0	0.5	-	-	-	-	-
Voyage costs	-231.6	-0.8	-40.5	0.0	-272.9	-209.0	-0.2	-41.3	0.0	-250.5
T/C equivalent revenue	**279.0**	**51.0**	**81.5**	**-30.9**	**380.6**	**271.5**	**48.3**	**60.2**	**-39.3**	**340.7**
Other operating income	0.0	0.6	3.4	0.0	4.0	0.6	0.1	0.0	0.0	0.7
Charter hire and OPEX element	-268.1	-20.8	-35.1	30.9	-293.1	-259.2	-33.9	-37.5	39.3	-291.3
Operating costs owned vessels	0.0	-6.9	-12.7	0.0	-19.6	0.0	-6.8	-11.5	0.0	-18.3
Contribution margin	**10.9**	**23.9**	**37.1**	**0.0**	**71.9**	**12.9**	**7.7**	**11.2**	**0.0**	**31.8**
Overhead and administration costs	-10.0	-3.0	-6.5	0.0	-19.5	-8.8	-2.2	-3.7	0.0	-14.7
Profit/loss before depreciation, amortisation and Impairment losses, etc. (EBITDA)	**0.9**	**20.9**	**30.6**	**0.0**	**52.4**	**4.1**	**5.5**	**7.5**	**0.0**	**17.1**
Profit/loss from sale of vessels, etc.	0.0	-5.1	-7.2	0.0	-12.3	0.0	9.2	0.0	0.0	9.2
Depreciation, amortisation and impairment losses	-2.4	-15.0	-17.4	0.0	-34.8	-0.1	-3.2	-7.2	0.0	-10.5
Share of profit/loss of joint ventures	0.0	0.6	0.0	0.0	0.6	0.0	2.7	-0.1	0.0	2.6
Profit/loss from operations (EBIT)	**-1.5**	**1.4**	**6.0**	**0.0**	**5.9**	**4.0**	**14.2**	**0.2**	**0.0**	**18.4**
Financial income	0.0	1.0	0.7	0.0	1.7	0.0	2.5	1.6	0.0	4.1
Financial expenses	-0.2	-6.8	-3.7	0.0	-10.7	0.0	-1.9	-1.3	0.0	-3.2
Profit/loss before tax	**-1.7**	**-4.4**	**3.0**	**0.0**	**-3.1**	**4.0**	**14.8**	**0.5**	**0.0**	**19.3**
Tax	-1.4	-0.3	-0.5	0.0	-2.2	-0.9	-0.2	-0.2	0.0	-1.3
Profit/loss for the period	**-3.1**	**-4.7**	**2.5**	**0.0**	**-5.3**	**3.1**	**14.6**	**0.3**	**0.0**	**18.0**
Adjusted for:										
Profit/loss from sale of vessels, etc.	0.0	5.1	7.2	0.0	12.3	0.0	-9.2	0.0	0.0	-9.2
Adjusted Result for the period*	**-3.1**	**0.4**	**9.7**	**0.0**	**7.0**	**3.1**	**5.4**	**0.3**	**0.0**	**8.8**

* Adjusted Result for the period was computed as "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc." including vessels in joint ventures.
** Financial figures for 2018 are not restated to reflect IFRS 16.

Notes to the interim consolidated financial statements

3. Expense by nature

USD million	2019 Q1	2018 Q1	2018 Q1-Q4
Vessel operating costs	585.6	560.1	2,322.2
Overhead and administrations costs	19.5	14.7	59.8
Total	**605.1**	**574.8**	**2,382.0**
These costs can be split by nature:			
Voyage costs, see note 2	272.9	250.5	1,007.1
Charter hire, see note 2	293.1	291.3	1,237.7
Operating costs owned vessels excluding seafarers	7.2	6.9	40.0
Other external costs	3.6	3.7	14.3
Staff costs incl. seafarers	28.3	22.4	82.9
Total	**605.1**	**574.8**	**2,382.0**

4. Overhead and administration costs

USD million	2019 Q1	2018 Q1	2018 Q1-Q4
Staff costs, onshore employees	15.9	11.0	45.5
Other external costs	3.6	3.7	14.3
Total	**19.5**	**14.7**	**59.8**

5. Depreciation

USD million	2019 Q1	2018 Q1	2018 Q1-Q4
Vessels	11.3	9.5	43.3
Right-of-use assets	23.4	-	-
Property and equipment	0.1	1.0	1.0
Total	**34.8**	**10.5**	**44.3**

6. Financial expenses

USD million	2019 Q1	2018 Q1	2018 Q1-Q4
Interest costs	5.8	3.2	15.9
Fair value adjustment, forward exchange contracts	0.3	0.0	0.0
Interest expense on lease liabilities	4.6	0.0	0.0
Total	**10.7**	**3.2**	**15.9**

7. Fair value adjustment - hedging Instruments

As of 31 March 2019, outstanding hedging contains:

Bunker hedging

USD million	2019 31/3	2018 31/3	2018 31/12
Movements in the hedging reserve:			
Beginning, 1 January	-26.9	7.9	7.9
Fair value adjustments	19.4	-9.2	-14.1
Realised contracts, transferred to vessel operating costs (gain)	-0.7	3.4	-20.7
End	**-8.2**	**2.1**	**-26.9**

FFA hedging

USD million	2019 31/3	2018 31/3	2018 31/12
Movements in the hedging reserve:			
Beginning, 1 January	1.5	0.9	0.9
Fair value adjustments	0.9	2.7	5.2
Realised contracts, transferred to vessel operating costs (+ = loss, - = gain)	-3.9	-0.4	-4.6
End	**-1.5**	**3.2**	**1.5**

NORDEN

Notes to the interim consolidated financial statements

8. Vessels

USD million	2019 31/3	2018 31/3	2018 31/12
Cost at 1 January	1,207.3	1,198.5	1,198.5
Additions	1.0	0.0	80.5
Disposals	0.0	0.0	-48.0
Transferred during the year	51.2	54.2	112.0
Transferred to tangible assets held for sale	-156.4	-67.5	-135.7
Cost	**1,103.1**	**1,185.2**	**1,207.3**
Depreciation at 1 January	-284.9	-323.1	-323.1
Depreciation	-11.3	-9.5	-43.3
Depreciation related to derecognised assets	0.0	0.0	40.8
Transferred to tangible assets held for sale	65.6	20.3	40.7
Depreciation	**-230.6**	**-312.3**	**-284.9**
Impairment at 1 January	-126.8	-183.7	-183.7
Reversed impairment on vessels disposed of	0.0	0.0	7.2
Reversed impairment on vessels disposed of	0.0	-0.7	-3.3
Transferred to tangible assets held for sale	32.0	29.0	53.0
Impairment	**-94.8**	**-155.4**	**-126.8**
Carrying amount	**777.7**	**717.5**	**795.6**

9. Right-of-use assets

USD million	2019 31/3	2018 31/3	2018 31/12
Cost at 1 January	289.9	-	-
Additions	8.8	-	-
Cost	**298.7**	**-**	**-**
Depreciation at 1 January	-	-	-
Depreciation	-23.4	-	-
Depreciation	**-23.4**	**-**	**-**
Carrying amount	**275.3**	**-**	**-**

10. Prepayments on vessels and newbuildings

USD million	2019 31/3	2018 31/3	2018 31/12
Cost at 1 January	29.1	41.4	41.4
Additions	36.5	43.6	100.1
Transferred to vessels	-51.2	-54.2	-112.0
Transferred to tangible assets held for sale	0.0	0.0	0.0
Transferred to other items	0.0	-0.1	-0.4
Cost	**14.4**	**30.7**	**29.1**
Impairment at 1 January	-4.2	-7.5	-7.5
Reversed impairment on vessels disposed of	0.0	0.0	0.0
Transferred to tangible assets held for sale	0.0	0.7	3.3
Impairment	**-4.2**	**-6.8**	**-4.2**
Carrying amount	**10.2**	**23.9**	**24.9**

11. Receivables from subleasing

USD million	2019 31/3	2018 31/3	2018 31/12
Receivables from sublease at 1 January	35.2	-	-
Additions for the period	0.0	-	-
Payment received	-1.7	-	-
Receivables from sublease at end of period	**33.5**	**-**	**-**

NORDEN

Notes to the interim consolidated financial statements

12. Vessels held for sale

USD million	2019 31/3	2018 31/3	2018 31/12
Cost at 1 January	0.0	15.9	15.9
Additions to tangible assets held for sale	0.0	0.0	21.3
Additions from prepayments on vessels and newbuildings	0.0	20.3	0.0
Additions from vessels	58.8	18.2	42.0
Disposals	0.0	-43.5	-79.2
Impairment for the period	-12.3	0.0	0.0
Carrying amount	**46.5**	**10.9**	**0.0**
Which can be specified as follows:			
Vessels	46.5	10.9	0.0
Newbuildings	0.0	0.0	0.0
Total	**46.5**	**10.9**	**0.0**

13. Lease liabilities

USD million	2019 31/3	2018 31/3	2018 31/12
Lease liabilities at 1 January	350.4	-	-
Additions for the period	8.8	-	-
Payment made	-23.3	-	-
Lease liabilities at end of period	**335.9**	**-**	**-**

14. Related party disclosure

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated annual report for 2018.

15. Contingent assets and liabilities

Since the end of 2018, no significant changes have occurred to contingent assets and liabilities other than those referred to in this interim report.

NORDEN

Notes to the interim consolidated financial statements

16. Overview of deliveries of owned vessels and fleet values

NORDEN's Tanker fleet at 31 March 2019

Vessel type	LR1	MR	Handysize	Total
Vessels in operation				
Owned vessels	0.0	15.0	9.0	22.0
Chartered vessels	2.0	28.0	3.0	35.0
Total active fleet	**2.0**	**43.0**	**12.0**	**57.0**
Vessels to be delivered				
Owned vessels	0.0	0.0	0.0	0.0
Chartered vessels	0.0	10.0	1.0	11.0
Total vessels to be delivered	**0.0**	**10.0**	**1.0**	**11.0**
Total gross fleet	**2.0**	**53.0**	**13.0**	**68.0**

NORDEN's Tanker fleet values at 31 March 2019 (USD million)

Vessel type	LR1	MR	Handysize	Total
Average age of owned vessels	N/A	7.3	9.6	8.2
Market value of owned vessels and newbuildings*	0	334	127	462
Broker estimated value of certain charter parties attached to owned vessels	0	0	0	0
Carrying amount/cost	0	360	174	533
Value added	**0**	**-25**	**-46**	**-72**
Value of purchase and extension options on chartered tonnage	**0**	**2**	**16**	**19**

* Charter free and including joint ventures and assets held for sale, if any.

NORDEN's Dry Owner fleet at 31 March 2019

Vessel type	Panamax	Supramax	Handysize	Total
Vessels in operation				
Owned vessels	4.0	10.5	4.0	18.5
Chartered vessels	13.5	12.0	4.0	29.5
Total active fleet	**17.5**	**22.5**	**8.0**	**48.0**
Vessels to be delivered				
Owned vessels	0.0	2.0	0.0	2.0
Chartered vessels	3.0	7.0	1.0	11.0
Total vessels to be delivered	**3.0**	**12.0**	**1.0**	**13.0**
Total gross fleet	**20.5**	**31.5**	**9.0**	**61.0**

NORDEN's Dry Owner fleet values at 31 March 2019 (USD million)

Vessel type	Panamax	Supramax	Handysize	Total
Average age of owned vessels	12.5	3.7	6.8	6.3
Market value of owned vessels and newbuildings*	49	287	53	390
Broker estimated value of certain charter parties attached to owned vessels	1	0	7	8
Carrying amount/cost	51	265	64	380
Value added	**-1**	**22**	**-3**	**18**
Value of purchase and extension options on chartered tonnage	**16**	**9**	**0**	**25**

* Charter free and including joint ventures and assets held for sale, if any.

NORDEN

Notes to the interim consolidated financial statements

16. Overview of deliveries of owned vessels and fleet values (cont.)

Overview of deliveries of owned vessels and fleet values

Name	Vessel type	Delivery quarter
Hull 10887	Supramax	Q1 2020
Hull 10895	Supramax	Q2 2020

CAPEX

USD million	2019	2020	Total
Newbuilding payments and secondhand purchases	5	38	43
Other CAPEX	67	14	79

Future payments to NORDEN from sold vessels: USD 43 million

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

17. Transition to IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

NORDEN has adopted IFRS 16 retrospectively from 1 January 2019 without restating comparative figures by determining the lease liability as of 1 January 2019 and measure the right-of-use assets at the same amount. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The majority of NORDEN's lease contracts are time charter contracts on vessels. For these contracts, the estimated non-lease component (daily running costs) will be excluded from the lease liability. These liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 were in the range of 5.75-5.94%, depending on the maturity of the lease contracts.

The Group has elected to use the exemptions not to recognise contracts with a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. NORDEN has leases of certain office equipment (e.g. personal computers, printing and photocopying machines), company cars and rental of office spaces that are considered of low value.

The Group has applied the following practical expedients on adoption of IFSR 16 Leases permitted by the standard:

- Leased contracts with a remaining term of 12 months or less as of 1 January 2019 will not be recognised as lease assets
- The carrying amount of the provision for onerous operating lease contracts will be offset against the carrying amount of the related right-of-use assets
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

As of 1 January 2019, the average term of the Group's vessel leases exceeding a remaining term of 12 months is approx. 38 months.

Notes to the interim consolidated financial statements

17. Transition to IFRS 16 Leases (continued)

The lease liability as of 1 January 2019 amounts to USD 350.4 million and can be reconciled to the operating lease commitment disclosed in the annual report 2018 note 25 as follows (in USD million):

USD million	
Total operating lease commitments	**1,305.8**
Leased assets with a remaining term of 12 months or less as of 1 January 2019	-265.1
Leased obligation regarding assets not delivered	-338.1
Daily running cost of vessel leases (non-lease component)	-312.2
Interest element	-40.0
Lease liability as of 1 January 2019	**350.4**
Hereof subleases	-34.7
Provision for onerous contracts	-42.5
Time charter prepayments	19.8
- Hereof with a remaining term of 12 months or less	-3.1
Right-of-use assets as of 1 January 2019	**289.9**

The 2019 opening balance restatement effect is disclosed below:

USD million	As reported 31 December 2018	Change	IFRS 16 1 January 2019
Vessels	795.6	-	795.6
Property	49.5	-	49.5
Prepayments	24.9	-	24.9
Right-of-use assets	-	+289.9	289.9
Total tangible assets	870.0	289.9	1,159.9
Receivables from subleasing right-of-use assets	-	+26.3	26.3
Other non-current assets	11.8	-	11.8
Total non-current assets	881.8	316.2	1,198.0
Receivables from subleasing right-of-use assets	-	+8.4	8.4
Current assets	582.6	-16.7	565.9
TOTAL ASSETS	**1,464.4**	**307.9**	**1,772.3**
Equity	826.8	-	826.8
TOTAL EQUITY	**826.8**	-	**826.8**
Lease liabilities, non-current	-	+239.6	239.6
Onerous contracts, non-current	21.3	-21.3	0.0
Other non-current liabilities	206.5	-	206.5
Total non-current liabilities	227.8	218.3	446.1
Lease liabilities, current	-	+110.8	110.8
Onerous contracts, current	21.2	-21.2	0.0
Other current liabilities	388.6	-	388.6
Total current liabilities	409.8	89.6	499.4
TOTAL LIABILITIES	**637.6**	**307.9**	**945.5**

Notes to the interim consolidated financial statements

17. Transition to IFRS 16 Leases (continued)

The income statement will be impacted by a reduction of operating costs and an increase of depreciation and interest expenses. Due to the relatively short term of the leases, the year by year net impact on profit/loss is limited. However, until the point in time where the provision for onerous leases would have been fully utilised under the current accounting policies, the impact is negative. This is due to the fact that the provisions were expected to be utilised over a shorter period than the lease term, whereas the right-of-use assets are amortised straight line over the full lease term.

Applying an unchanged lease portfolio as of 1 January 2019, profit/loss from operations (EBIT) will be increased by approx. USD 3 million, and profit/loss for the year will decrease by USD 14 million hereof USD 3 million in the first quarter of 2019.

Profit/loss effect of IFRS 16 (USD million)

	2019
Vessel operating costs	98
Profit/loss before depreciation, amortisation and impairment losses (EBITDA)	98
Depreciation	-95
Profit/loss from operations (EBIT)	3
Financial expenses	-17
Profit/loss for the year	**-14**

18. Events after the reporting date

See page 11 in the Management Review.