

Interim Report First quarter of 2020

First quarter of 2020



Results

Adjusted Result* for Q1 2020:
USD 29 million (Q1 2019: USD 7 million)

- Asset Management: USD 7 million (USD 0 million)
- Dry Operator: USD 4 million (USD -3 million)
- Tanker Operator: USD 18 million (USD 10 million)

Loss from sale of vessels: USD 2 million

EBIT Q1 2020:
USD 37 million (USD 6 million)



Markets

- Weaker underlying fundamentals due to COVID-19 lockdowns
- Dry Cargo: Very weak spot market with Supramax and Panamax rates 16-18% lower than Q1 2019
- Tankers: Strong spot market despite weak oil demand. Rates spiking due to floating storage demand



Performance

- Asset Management: Benefitting from high coverage in Dry Cargo and increased exposure to tanker market. Scrubber values lower due to tightening fuel spreads
- Dry Operator: Good performance in a declining market
- Tanker Operator: Very positive start to the year due to good positioning in a strong market



Values

NORDEN owned vessel values

- Dry Cargo: -7%
- Tankers: -2%

Downward pressure on Dry Cargo asset values and T/C rates. Improvements in tanker spot rates have not translated into higher asset values due to increased market uncertainty.



Guidance

NORDEN expects an Adjusted Result for 2020 in the range of USD 30 to 80 million, which is up from the previously announced guidance range of USD 30 to 70 million. This is based on expectations of strong tanker spot rates and another good result from Tanker Operator in the second quarter but a challenging market in the second half-year.

There is a high degree of uncertainty attached to our outlook due to the unprecedented nature of COVID-19 and lack of visibility with respect to reopening of economies.

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

STRONG START TO THE YEAR

“Despite the challenging environment, NORDEN realised an Adjusted Result of USD 29 million – the best first quarter result since 2015. The Dry Operator unit showed the strength of its business model, delivering a solid performance in a weak market. The newly formed Tanker Operator unit had a very positive start to the year due to good positioning in a strong market. All in all, all three business units delivered a profit for the quarter, and NORDEN raises its guidance for 2020 to USD 30-80 million.”

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) 207 769 6470 or +1 718 354 1229, Danish participants please dial in on +45 7026 5045. Passcode is 5256489#. The accompanying presentation will be available on NORDEN's website. For further information: CEO Jan Rindbo, tel. +45 3315 0451.

Key figures and ratios for NORDEN

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
INCOME STATEMENT			
Revenue	614.6	653.5	2,583.9
Contribution margin	110.8	71.9	295.0
EBITDA	89.2	52.4	217.5
Profit/loss from the sale of vessels, etc.	0.0	-12.3	-3.6
Profit/loss from the sale of vessels in JV	-1.5	0.0	0.0
Depreciation, amortisation and impairment losses	-47.8	-34.8	-156.9
EBIT	37.0	5.9	56.8
Financial items, net	-7.2	-9.0	-32.7
Profit/loss for the period	27.7	-5.3	19.2
Adjusted Result for the period ¹⁾	29.2	7.0	22.8
STATEMENT OF FINANCIAL POSITION			
Total assets	1,893.3	1,751.2	1,742.4
Equity	908.8	851.8	859.0
Liabilities	984.5	899.4	883.4
Invested capital	1,398.3	994.6	1,283.5
Net interest-bearing debt	-489.5	-142.8	-424.5
Cash and securities	238.6	186.8	209.3
CASH FLOWS			
From operating activities	35.0	69.7	280.5
From investing activities	-61.8	-7.3	-90.9
– hereof investments in property, equipment and vessels	0.5	-1.0	-102.7
From financing activities	-6.0	-33.4	-211.2
ENVIRONMENTAL AND SOCIAL FIGURES			
EEOI ⁵⁾ (gCO ₂ /tonnes-mile)	8.9	8.4	8.7
LTIF ⁶⁾ (million working hours)	1.8	1.1	1.5

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
SHARE RELATED KEY FIGURES			
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)	38,990,633	39,659,033	39,311,533
Number of treasury shares	3,209,367	2,540,967	2,888,467
Earnings per share (EPS) (DKK)	0.7 (5)	-0.13 (-0.9)	0.5 (3)
Diluted earnings per share (diluted EPS) (DKK)	0.7 (5)	-0.13 (-0.9)	0.5 (3)
Book value per share (excluding treasury shares) (DKK) ²⁾	23.3 (159)	21.5 (143)	21.9 (146)
Share price at end of period (DKK)	77.5	90.5	106.7
Price/book value (DKK) ²⁾	0.5	0.2	0.7
OTHER KEY FIGURES AND FINANCIAL RATIOS			
EBITDA ratio ³⁾	14.5%	8.0%	8.4%
ROIC ⁴⁾	11.0%	2.5%	5.0%
ROE ⁴⁾	12.5%	-2.5%	2.3%
Equity ratio	48.0%	48.6%	49.3%
USD/DKK rate at end of the period	681.58	664.46	667.59
Average USD/DKK rate	677.73	657.17	667.03

1) 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.

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

3) 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" in the Annual Report for 2019. The figures are adjusted for the Company's holding of treasury shares.

4) Figures are annualised

5) 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.

6) Lost Time Injury Frequency (LTIF) is the frequency a seafarer is unable to work for more than 24 hours per 1 million working hours.

Financial comments for the first quarter of 2020

- Adjusted Result Q1: USD 29 million
- Best first quarter since 2015
- 2020 guidance is increased to USD 30-80 million

Results

In a first quarter characterised by weak spot rates in dry cargo and strong spot rates in tankers, NORDEN realised an Adjusted Result of USD 29 million (Q1 2019: USD 7 million). This makes it the best first quarter since 2015. Despite large shocks from COVID-19, IMO 2020 transition and oil price war, all three business units made a profit in the quarter, showing the strength of the new business unit structure.

The first quarter result corresponds to an EBIT of USD 37 million (Q1 2019: USD 6 million), which is negatively impacted by USD 2 million in loss from sale of vessels.

Net financial expenses amounted to USD 7 million (Q1 2019: USD 9 million) in the first quarter, mainly impacted by interest related to lease liabilities.

Cash flows from operating activities amounted to USD 35 million (Q1 2019: USD 70 million) driven mainly by operating earnings.

Equity has increased from USD 859 million to USD 909 million, which mainly relates to the profit for the period and a significant positive fair value adjustment on cash flow

hedges, due to NORDEN’s significant portfolio of freight and bunker hedge contracts which are an integrated part of the business model and used to protect position values in times of stress. The equity ratio as of 31 March 2020 was 48%.

Financial position

NORDEN maintains a strong liquidity position. At the end of the first quarter, NORDEN had available liquidity of USD 333 million, which consists of USD 239 million in cash supplemented by USD 95 million in undrawn credit facilities.

As a consequence of the Company’s large CAPEX programme coming to an end, the expected CAPEX is down to USD 47 million for 2020.

COVID-19

First quarter of 2020 has been impacted by the COVID-19 pandemic. Global demand for oil and dry cargo commodities have been negatively impacted. Dry cargo spot rates have fallen while tanker spot rates have been supported by demand for floating storage. Due to the extraordinary nature of the situation, the market outlook is more uncertain than usual.

Operationally, NORDEN has had all systems in place to ensure uninterrupted business while onshore employees have worked

remotely. It remains a challenge to change crew on board our owned vessels.

AGM and dividend

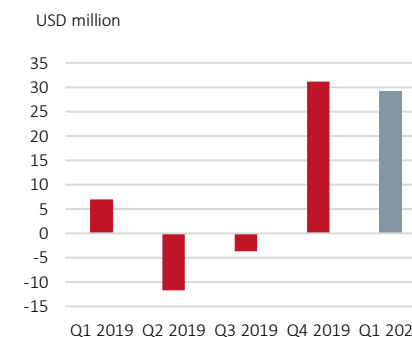
As a result of the lockdown ordered by the Danish authorities, the AGM scheduled for March is postponed until further notice. It is still NORDEN’s intention to complete the AGM as soon as possible and pay the dividend related to the financial year 2019 when it has been approved by the AGM.

EEOI

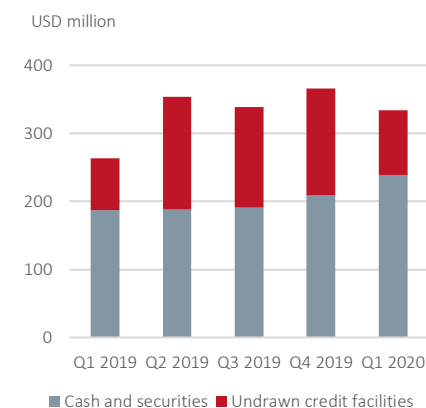
EEOI measures carbon efficiency; the lower the number, the higher the efficiency. The EEOI measure is easily affected by variations in fleet composition, fuel type and speed. Even though smaller vessels might be the right mode of transport, they are less energy-efficient compared to larger vessels.

NORDEN’s fleet composition changes continuously. In the first quarter of 2020, NORDEN’s EEOI increased slightly due to a reduction in Panamax activity – our fleet’s largest and thereby most efficient vessel. We expect EEOI to increase further in the second quarter as low oil price is expected to drive vessel speed up.

Adjusted Result for the period



Available liquidity



However, NORDEN is still performing better than industry average, and we are actively involved in identifying new technological solutions as this is the only means to significantly increase efficiency and reach our goal of 40% relative reduction in 2030 compared to 2008 and ultimately become carbon neutral by 2050.

LTIF

LTIF is an indication of the level of safety on board. The higher the rate, the higher the number of accidents where a crew member was unable to return to work for 24 hours. Operating at sea involves safety and security risks that must always be managed carefully to safeguard the crew, vessel, cargo and environment. A safe working environment for employees comes before anything else.

NORDEN operates by the principle that no injury or environmental incident is acceptable, and all employees must return home from work safely. However, if accidents occur, we analyse all incidents closely for future accident prevention. In the first quarter of 2020, the increase in injuries where crew members were unable to work the next day resulted in a rate above the annual rate for 2019. Currently, we are in the process of rolling out a “Safety Delta” campaign to address safety on board, and we expect that LTIF will decrease going forward.

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 2020, there is no need for impairment of vessels, right-of-use assets and newbuilding’s or reversal of previous impairment.

Selected segment figures Q1 2020

USD million	Asset Management	Dry Operator	Tanker Operator	Total
Contribution margin	57.6	21.6	31.6	110.8
Profit before depreciation, amortisation and impairment losses etc. (EBITDA)	52.5	11.3	25.4	89.2
Profit/loss from operations (EBIT)	12.0	6.7	18.3	37.0
Profit/loss for the period	5.6	4.4	17.7	27.7
Profit/loss from the sale of vessels	-1.5	0.0	0.0	-1.5
Adjusted Result for the period	7.1	4.4	17.7	29.2

New business unit structure

As of 1 January 2020, NORDEN has transitioned to a new business unit structure, which is represented by Asset Management, Dry Operator and Tanker Operator. The new business unit structure is expected to facilitate higher risk adjusted returns through a stronger focus on short-term trading-oriented activities and active exposure management.

The Asset management business unit is focused on active management of cyclical market exposure within dry cargo and product tanker vessel types. Asset Management charters out its fleet mainly to the Dry Operator and Tanker Operator business units on 1-year charters at market terms, but also to external customers on longer contracts.

Tanker Operator was established as a separate business unit from the beginning of 2020 to provide efficient global transport solutions and active management of short-term market exposure in the product tanker market.

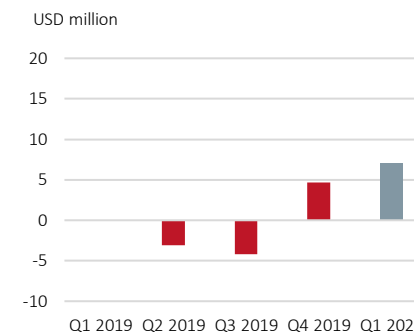
The Dry Operator business unit provides efficient global transport solutions and active management of short-term market exposure in the dry cargo market.

See description in note 1.2 “Changes in accounting policies and disclosures”.

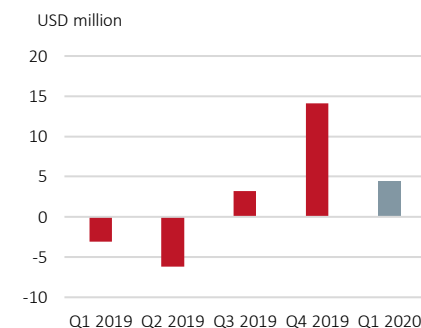
For further information on the segments see note 2.

Adjusted Result for the period

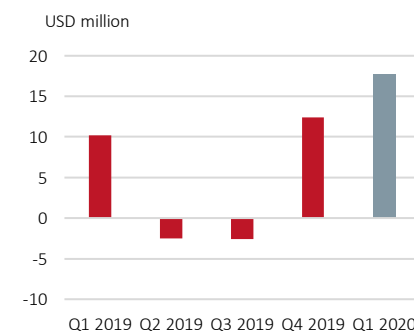
Asset Management



Dry Operator



Tanker Operator



Asset Management

Portfolio actions paying off

- Adjusted Result Q1: USD 7 million
- Dry Cargo portfolio well protected against declining rates
- Benefitting from shift towards Tanker exposure

Results for the first quarter of 2020

Asset Management delivered an Adjusted Result of USD 7 million (USD 0 million) corresponding to an EBIT of USD 12 million. The business unit is now benefitting from the many actions taken during the last 2 years where exposure has been increased significantly in Tankers and lowered in Dry Cargo.

Activity during the quarter

During the first quarter of 2020, Asset Management reduced exposure in Dry Cargo by selling 1 Supramax vessel and chartering out 2 scrubber-fitted Panamax vessels for 3 years. The charters will commence once the vessels are delivered

Asset Management fleet values

USD million	Dry cargo	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	298	494	792
Broker estimated value of certain charter parties attached to owned vessels	13	5	18
Carrying amount / costs	327	548	875
Market value vs. book value	-16	-50	-66
Theoretical value of purchase and extension options	18	51	69

during the second quarter of 2020 and comes with significant scrubber premium to the contracted rate. Additionally, NORDEN has entered into agreements to lease 1 MR tanker for 5 years as well as 1 Handysize bulker for 5 years, with a design optimised for servicing NORDEN's extensive biomass cargo contracts. Both vessels are scheduled to be delivered during 2021 and come with significant optionality attached.

Asset management fleet

At the end of the quarter, the Asset Management fleet counted 89 vessels, of which 36 were owned and 53 were leased. Split by vessel type, the Asset Management fleet consisted of 41 product tanker vessels and 48 dry cargo vessels.

The current portfolio of leased vessels comes with significant optionality through 63 purchase options and a total of 56,144 optional days.

NORDEN has reassessed the provision to onerous time-charter contracts in Polar Navigation Pte Ltd (50%-owned). As a consequence, a provision of USD 2.3 million has been recognised in Q1 2020. See specification in note 5 "Share of profit/loss of joint ventures".

Asset Management fleet value

Based on the average of 3 independent broker valuations, the market value of NORDEN's owned fleet including newbuilding orders was estimated at USD 792 million at the end of the first quarter. This is a decrease of 4% compared to the end of the fourth quarter for the vessels owned throughout the period. Split into Dry Cargo and Tankers, the change in value stands at -7 % and -2 %, respectively.

Asset Management key figures (USD million)

USD million	2020 Q1	2019 Q1	Last 4 Quarters
Contribution margin	57.6	46.2	192.1
O/A costs	-5.1	-5.5	-21.4
EBIT	12.0	-2.8	39.4
Adjusted Result	7.1	-0.1	4.5

Asset Management fleet

	Dry Cargo	Tankers	Total
Active fleet			
Owned vessels*	12	24	36
Leased vessels*	36	17	53
Total active	48	41	89
For delivery			
Owned vessels*	2	0	2
Leased vessels*	7	10	17
Total for delivery	9	10	19
Purchase options	39	24	63
Period option days	37,994	18,150	56,144

* incl. J/Vs

Active Asset Management fleet

89

Asset Management

Portfolio actions paying off

Update on scrubbers

At the end of the first quarter, 16 out of 20 exhaust gas cleaning systems have been installed on the owned fleet, and the Company has taken delivery of 6 out of 15 scrubber-fitted newbuildings on long-term leases. NORDEN has benefitted from a wide spread between VLSFO and HSFO during the first months of the year. However, the collapse in demand following COVID-19 has resulted in this spread narrowing to around USD 100 per tonne, reducing the economic benefit of the systems. A total of 10 scrubber-fitted vessels are chartered out to third parties at a significant premium to the standard charter rate, mitigating the impact of the lower fuel spread. NORDEN expects the fuel spread to widen again once oil prices start to recover, and the return on the scrubber investment is still expected to be satisfactory.

Dry cargo asset and period market

Both asset and time charter markets declined during the first quarter of 2020. The COVID-19 outbreak negatively impacted spot rates and eventually also forward rates as the severity of the outbreak and its economic consequences became clearer at the end of Q1.

The price of a 5-year-old Supramax fell by 9%, and the 1-year T/C market dropped by USD 500 to USD 9,500 per day over the period.

Liquidity in the asset markets has been very low due to both market uncertainty and transactional challenges. Due to the extent of shutdowns and travel restrictions, it has been very challenging to arrange necessary physical inspections and crew changes for conducting asset transactions.

Looking ahead, it is expected that both time charter rates and asset values will recover, but depending on the developments of the outbreak and economic fallout, there might not be any meaningful recovery before 2021. The key driver of rate improvements is an expected rebound in consumption of commodities fuelled by new infrastructure spending by governments.

Tanker asset and period market

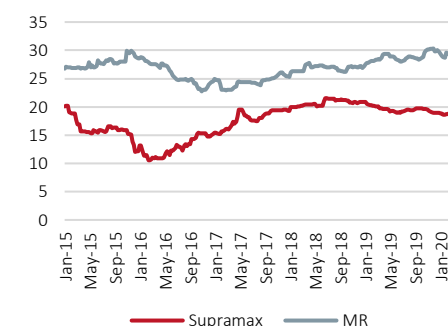
Despite the significant demand destruction resulting from the outbreak of COVID-19, tanker period rates and asset prices have remained stable on the back of significant restocking and storage demand. During the quarter, the price of a 5-year-old MR was unchanged, and the 1-year T/C market remained at USD 16,000 per day.

For the second quarter of the year, NORDEN expects the tanker asset prices and period rates to be held up by excessive floating storage derived from a lack of onshore storage facilities. Once the oil supply overhang is removed either through supply shutdowns or demand increases, a cycle of global oil and product destocking is expected to commence, causing declines in product tanker rates and asset values.

Asset Management TCE, USD per day

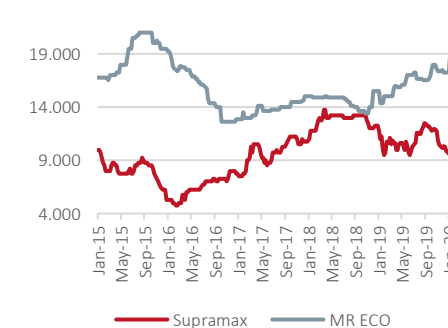
Tankers	Days	TCE
Handysize	910	13,464
MR	2,556	15,960
LR1	178	18,609
Tankers total	3,644	15,466
Dry Cargo		
Handysize	516	10,298
Supramax	2,155	10,895
Panamax	1,650	13,599
Dry Cargo total	4,322	11,856

Asset values 5-year old (USD million)



Source: Baltic Exchange

1-year T/C rate (USD/day)



Source: Clarksons

Dry Operator

Good Q1 result - testament to a resilient business model

- Adjusted Result Q1: USD 4 million
- Good result in a weak market
- Adjusted Result last 4 quarters: USD 16 million

Strong result in a weak market

In a first quarter characterised by very weak spot rates, Dry Operator showed the strength of its business model and managed to generate an Adjusted Result for the quarter of USD 4 million (Q1 2019: USD -3 million) corresponding to an EBIT of USD 7 million (Q1 2019: USD -2 million). With relatively low capital requirements, the result corresponds to an attractive risk adjusted return.

Dry Operator successfully navigated a difficult first quarter by being well positioned in a declining market. Despite operational challenges and disruptions related to COVID-19, Dry Operator was able to capture value from good arbitrage and short-term activity. In addition, during these uncertain times, clients are giving preference to NORDEN which is being considered a safe and strong counterpart

The new bunker risk framework introduced last year worked well to protect the value of bunker inventories onboard the operated fleet during a time of extreme oil price volatility. Dry Operator had deliberately reduced its fleet ahead of the IMO 2020 transition at the end of Q4 2019. The fleet has gradually been rebuilt, but still ended at a lower level compared to Q1 last year. On average, Dry Operator managed a total of 22,133 vessels days in Q1, corresponding to an average fleet size of 243 vessels.

In the last 4 quarters, Dry Operator has generated a contribution margin of USD 78 million corresponding to an Adjusted Result of USD 16 million. The result is the outcome of a total of 98,013 vessel days handled by Dry Operator in this period with an average Adjusted Result per vessel day of USD 158.

Very weak spot market

The dry cargo spot market was very weak in the period and was on average 16-18% lower than the year before for Supramax and Panamax vessels. With average Supramax rates of USD 10,000 per day, the Atlantic market generally held up better than the Pacific where average Supramax rates were only about half of that.

Early signs of improvement in late February ahead of the South American grain season quickly evaporated as the negative impact of COVID-19-related demand weakness started to impact the market balance negatively.

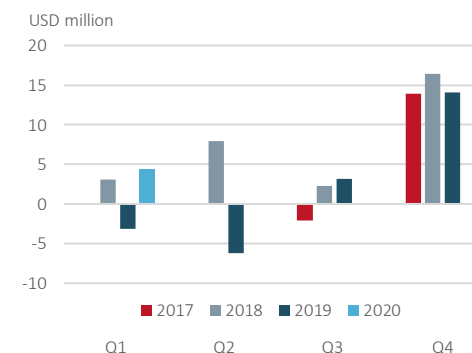
At the beginning of Q2, rates are still hovering at levels close to OPEX as the macro-economic weakness driven by the global lockdown is hampering commodity demand and leading to port closures in both export and import regions.

As the Chinese economy gradually gathers steam and various fiscal stimulus packages around the world take effect, rates are expected to improve during the second half-year of 2020. However, a rebound is expected to be rather modest as the COVID-19 lockdowns are only gradually lifted and key commodity inventories remain elevated. A weak market with subdued volatility is therefore expected for the rest of 2020 with an activity level and trading opportunities on par with 2019, which is lower than previously anticipated.

Dry Operator key figures (USD million)

USD million	2020 Q1	2019 Q1	Last 4 Quarters
Contribution margin	21.6	10.9	77.6
O/A costs	-10.3	-10.0	-38.9
EBIT	6.7	-1.5	21.3
Adjusted Result	4.4	-3.1	15.5
Vessel days	22,133	25,088	98,013
Adj. Result per vessel day (USD/day)	199	-124	158

Dry Operator Adjusted Result by quarter



Average number of vessels operated in the first quarter

243

Tanker Operator

Great start as a business unit

- Adjusted Result Q1: USD 18 million
- Adjusted Result last 4 quarters: USD 25 million
- Very strong spot rates and high volatility

Solid Q1 result

Tanker Operator was established as a separate business unit from the beginning of 2020, to provide efficient global transport solutions and active management of short-term market exposure in the product tanker market. The business unit had a good start in Q1. In a strong spot market, Tanker Operator generated an Adjusted Result of USD 18 million (Q1 2019: USD 10 million), corresponding to an EBIT of USD 18 million (Q1 2019: USD 10 million).

The result is generated by a combination of strong spot rates and active management of the position. In anticipation of a strong market, Tanker Operator had built up a significant position of time-chartered tonnage with good optionality.

The Company's Handysize tankers benefitted from a strong dirty tanker market and generated average daily earnings of USD 18,937 per day, which is on par with earnings in the MR fleet which amounted to USD 19,697 per day.

The business unit operated 9,543 vessel days, corresponding to an average fleet size of 105 vessels in Q1. The Tanker Operator fleet was on average 53 vessels, while the remaining 52 vessels were in commercial management. Tanker Operator generated USD 3 million related to management fees booked under Other Operating Income.

In the last four quarters, Tanker Operator has generated a contribution margin of USD 64 million corresponding to an Adjusted Result of USD 25 million. The result is the outcome of a total of 36,442 vessel days handled by the business unit in the period with an average Adjusted Result per vessel day of USD 686.

Well positioned in a volatile H1 market

Product tanker spot rates were generally strong throughout Q1. 2019 ended with high rates driven by expectations for elevated CPP transportation demand related to the IMO 2020 transition. The high rates continued during the first part of January, but the IMO 2020 related effects were generally disappointing, and spot rates started to ease. However, with the decision by Saudi Arabia to lower crude prices and increase crude supply significantly, crude tanker rates

quickly spiked and added renewed support to the smaller product tankers. In general, the market has been driven by high demand for floating storage and elevated discharge waiting times, both of which reduce the global available fleet.

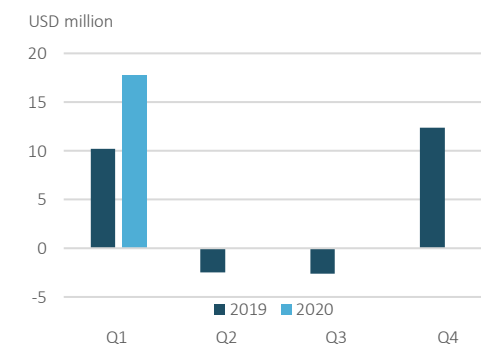
By late April, product tanker rates are spiking to historically high levels under high volatility, driven by rising demand for floating storage as oil demand is experiencing extreme declines due to the COVID-19 lockdown. While the OPEC+ agreed supply cuts of around 10 million barrels per day are expected to reduce the overhang of crude oil, it is not enough to fully offset the demand decline, and stocks are continuing to rise both on shore and on ships.

Spot rates are expected to remain supported by storage demand through Q2, where Tanker Operator is well positioned to exploit a strong market. However, uncertainty is high as spot rates are very volatile and often cannot be obtained because vessels are tied up waiting to discharge. And with weak underlying demand fundamentals, the market is expected to decline later in the second half-year as a combination of crude supply declines and demand growth reduces storage demand.

Tanker key figures (USD million)

USD million	2020 Q1	2019 Q1	Last 4 Quarters
Contribution margin	31.6	14.8	64.2
O/A costs	-6.2	-4.0	-19.3
EBIT	18.3	10.2	27.2
Adjusted Result	17.7	10.2	25.0
Vessel days	9,543	8,324	36,442
Adj. Result per vessel day (USD/day)	1,855	1,225	686

Tanker Operator Adjusted Result by quarter



(Results not available before 2019 as it is a new business unit)

Tanker Operator TCE, USD per day

	Days	TCE
Handysize	1,248	18,937
MR	3,588	19,697
Total	4,836	19,501

Average number of vessels operated in the first quarter

105

Outlook for 2020

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 2020 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 raises guidance

NORDEN increases expectations to the full-year Adjusted Result to USD 30-80 million (from previously USD 30-70 million). This is in the anticipation of a strong tanker market lasting through Q2.

Asset Management

Asset Management still expects significant improvement in earnings for 2020 compared to 2019. It is, however, expected to be lower than previously estimated due to lower earnings from scrubber vessels and lower dry cargo forward rates.

The expectations exclude any potential impairments of vessels or right of use assets.

Dry Operator

Dry Operator expects an Adjusted Result above that for 2019. The expectations are based on a net margin per vessel day in line with the average over the last 10 quarters and an activity level similar to or slightly below 2019. The distribution of earnings per quarter is expected to continue to be subject to significant volatility.

Tanker Operator

Tanker Operator expects an Adjusted Result which is higher than in 2019. The expectations are based on a strong spot market through Q2 and an activity level similar to 2019. With around 8,700 open days remaining for the year, the net margin for Tanker Operator is subject to a much higher degree of market exposure than the Dry Operator margin. Tanker spot rates are very volatile which leads to significant uncertainty in the earnings estimate for the business unit.

Risk and uncertainties

COVID-19 and the related global lockdown has had a significant and negative impact on global growth and demand for both oil and dry cargo commodities. The above expectations are subject to substantial uncertainty related to the pace of lifting of lockdowns and a return to normal commercial activity levels.

All business units are furthermore sensitive to counterparty risks as well as operational risks. These risks have increased as a consequence of COVID-19 and the macro-economic slowdown.

Events after the reporting date

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

“NORDEN raises its guidance to an Adjusted Result for 2020 of USD 30-80 million.”

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 2020 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 2019.

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 2020 as well as the result of Dampskibsselskabet

NORDEN A/S' consolidated activities and cash flows for the period 1 January to 31 March 2020.

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, 5 May 2020

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)

Consolidated income statement

Note	USD million	2020 Q1	2019 Q1	2019 Q1-Q4
2	Revenue	614.6	653.5	2,583.9
	Other operating income	6.3	4.0	16.3
3	Vessel operating costs	-510.1	-585.6	-2,305.2
	Contribution margin	110.8	71.9	295.0
3	Overhead and administration costs	-21.6	-19.5	-77.5
	Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	89.2	52.4	217.5
	Profit/loss from the sale of vessels, etc.	0.0	-12.3	-3.6
4	Depreciation, amortisation and impairment losses	-47.8	-34.8	-156.9
5	Share of profit/loss of joint ventures	-4.4	0.6	-0.2
	Profit/loss from operations (EBIT)	37.0	5.9	56.8
6	Financial income	0.9	1.7	5.1
6	Financial expenses	-8.1	-10.7	-37.8
	Profit/loss before tax	29.8	-3.1	24.1
	Tax	-2.1	-2.2	-4.9
	PROFIT/LOSS FOR THE PERIOD	27.7	-5.3	19.2
	Attributable to:			
	Shareholders of NORDEN	27.7	-5.3	19.2
	Earnings per share (EPS), USD	0.71	-0.13	0.48
	Diluted earnings per share, USD	0.71	-0.13	0.48

Consolidated statement of comprehensive income

Note	USD million	2020 Q1	2019 Q1	2019 Q1-Q4
	Profit/loss for the period	27.7	-5.3	19.2
	Other comprehensive income to be reclassified to the income statement:			
7	Fair value adjustment for the period, cash flow hedges	26.8	34.3	33.7
	Fair value adjustment for the period, securities	0.0	0.0	-0.3
	Exchange differences on translation of foreign subsidiary	-0.2	0.0	0.0
	Tax on fair value adjustment of securities	0.0	0.0	0.0
	Other comprehensive income, total after tax	26.2	34.3	33.4
	Total comprehensive income for the period, after tax	54.3	29.0	52.6
	Attributable to:			
	Shareholders of NORDEN	54.3	29.0	52.6

Consolidated statement of financial position

Note	USD million	2020 31/3	2019 31/03	2019 31/12
ASSETS				
8	Vessels	791.0	777.7	803.4
9	Right-of-use assets	323.1	275.3	271.0
	Property and equipment	48.8	49.5	49.0
10	Prepayments on vessels and newbuildings	16.3	10.2	16.1
	Investments in joint ventures	10.5	12.0	11.9
	Receivables from subleasing	13.4	25.5	19.2
	Non-current assets	1,203.1	1,150.0	1,170.6
	Inventories	101.5	81.6	80.5
	Receivables from subleasing	13.7	8.0	11.3
	Freight receivables	170.3	152.6	164.0
	Receivables from joint ventures	9.6	27.6	5.8
	Tax receivables	0.0	0.0	0.9
	Other receivables	81.8	18.0	31.6
	Prepayments	74.7	80.1	68.4
	Securities	0.0	4.1	0.0
	Cash and cash equivalents	238.6	182.7	209.3
		690.2	554.7	571.8
11	Vessels held for sale	0.0	46.5	0.0
	Current assets	690.2	601.2	571.8
	TOTAL ASSETS	1,893.3	1,751.2	1,742.4

Note	USD million	2020 31/3	2019 31/03	2019 31/12
EQUITY AND LIABILITIES				
	Share capital	6.7	6.7	6.7
	Reserves	35.5	9.8	8.9
	Retained earnings	866.6	835.3	843.4
	Equity	908.8	851.8	859.0
	Loans	254.1	233.9	268.4
9	Lease liabilities	225.2	227.2	198.7
	Non-current liabilities	479.3	461.1	467.1
	Loans	97.0	95.7	34.9
9	Lease liabilities	151.8	108.7	131.8
	Provisions	0.0	3.7	0.0
	Trade payables	137.2	87.7	117.6
	Tax payables	0.9	2.6	0.0
	Other payables	52.1	49.4	58.5
	Deferred income	66.2	90.5	73.5
		505.2	438.3	416.3
	Liabilities relating to vessels held for sale	0.0	0.0	0.0
	Current liabilities	505.2	438.3	416.3
	Liabilities	984.5	899.4	883.4
	TOTAL EQUITY AND LIABILITIES	1,893.3	1,751.2	1,742.4

Consolidated statement of cash flows

USD million	Note	2020 Q1	2019 Q1	2019 Q1-Q4
Profit/loss for the period		27.7	-5.3	19.2
Reversal of items from the income statement		57.6	54.8	206.7
Change in working capital		-53.1	18.6	50.5
Instalments on sublease receivables		4.0	1.7	11.7
Income tax, paid		-1.2	-0.1	-7.6
Cash flows from operating activities		35.0	69.7	280.5
Investments in vessels and vessels held for sale and other tangible assets	8	0.5	-1.0	-102.7
Additions in prepayments on newbuildings	10	0.0	-36.5	-43.2
Investments in joint ventures		0.0	0.0	-1.0
Proceeds from sale of vessels and newbuildings		-0.2	0.2	98.3
Sale of securities		0.0	0.0	4.9
Change in cash and cash equivalents with rate agreements of more than 3 months, etc.		-62.1	30.0	-47.2
Cash flows from investing activities		-61.8	-7.3	-90.9
Dividend paid to shareholders		0.0	0.0	-12.0
Acquisition of treasury shares		-4.8	-4.2	-9.4
Proceeds from loans		62.0	50.0	219.1
Repayments of loans		-14.2	-50.6	-245.9
Instalments on lease liabilities	9	-41.3	-23.3	-124.8
Interest, received		0.4	2.1	1.5
Interest, paid		-8.1	-7.4	-39.7
Cash flows from financing activities		-6.0	-33.4	-211.2
Cash flow from operating, investing and financing activities		-32.8	29.0	-21.6
Liquidity at beginning of the period		92.9	86.4	115.2
Exchange rate adjustments		0.0	-0.7	-0.7
Change in liquidity for the period		-32.8	29.0	-21.6
Liquidity at end period		60.1	114.7	92.9
Cash and cash equivalents with rate agreements of more than 3 months, etc.		178.5	68.0	116.4
Cash and cash equivalents at end period		238.6	182.7	209.3

USD million	Note	2020 Q1	2019 Q1	2019 Q1-Q4
<i>Which can be explained as follows</i>				
Demand deposits and cash balance		84.6	74.2	28.3
Money market investment		139.3	100.3	163.6
Other cash and cash equivalents		14.7	8.2	17.4
Cash and cash equivalents at end period		238.6	182.7	209.3

Consolidated statement of changes in equity

USD million	Shareholders of NORDEN			
	Share capital	Reserves	Retained earnings	Total equity
Equity at 1 January 2020	6.7	8.9	843.4	859.0
Total comprehensive income for the period	0.0	26.6	27.7	54.3
Acquisition of treasury shares	0.0	0.0	-4.8	-4.8
Share-based payment	0.0	0.0	0.3	0.3
Changes in equity	0.0	26.6	23.2	49.8
Equity at 31 March 2020	6.7	35.5	866.6	908.8
Equity at 1 January 2019	6.7	-24.5	844.6	826.8
Total comprehensive income for the period	0.0	34.3	-5.3	29.0
Acquisition of treasury shares	0.0	0.0	-4.2	-4.2
Share-based payment	0.0	0.0	0.2	0.2
Changes in equity	0.0	34.3	-9.3	25.0
Equity at 31 March 2019	6.7	9.8	835.3	851.8

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 2020 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 2019.

The accounting policies, judgements and estimates are consistent with those applied in the consolidated annual report for 2019, apart from changes described below.

1.2 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 other standard, interpretation 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: Definition of Materiality

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

For a complete description of accounting policies, see the notes to the consolidated financial statements for 2019, pages 79-120 in the consolidated annual report for 2019.

Standards not yet in force at the end of April 2020

IASB has issued the following standards and amendments to existing standards which are either irrelevant or insignificant to NORDEN.

Non-EU endorsed:

- Amendments to IAS 1: Classification of current and non-current financial liabilities.

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 and non-lease component for leases under IFRS 16 Leases. Reference is made to note 1.4 "Significant accounting estimates and judgements" on page 79 for a further description in the consolidated annual report for 2019.

Changes in accounting policies
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 affect the presentation of the segment information in note 2 “Segment information”.

For further information on the new business unit structure, refer to the Annual Report 2019 page 13 and 14. Comparative information for the Tankers split and Asset Management segment Information of 2019 is provided below:

2019	Former Tanker business unit			New Asset Management business unit		
	Tanker Total	Elimination of internal trade	New Tanker Operator business unit	Tanker Owner Activity	Former Dry Owner	New Asset Management Total
T/C equivalent revenue	296.1	-158.7	271.1	183.7	186.3	370.0
Contribution margin	132.7	0	47.4	85.3	95.4	180.7
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	104.6	0	30.3	74.3	84.6	158.9
Profit/loss from operations (EBIT)	20.9	0	19.1	1.8	22.8	24.6
Profit/loss before tax	8.2	0	18.2	-10	4.8	-5.2
Profit/loss for the period	7.1	0	17.5	-10.4	4.1	-6.3
Adjusted profit/loss for the period	13.1	0	17.5	-4.4	1.7	-2.7

Notes to the interim consolidated financial statements

Comparative information for the new segments of Q1-Q4 2019 is provided below:

USD million	Q1 2019					Q2 2019				
	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total
Revenue - services rendered, external	29.1	510.6	113.3	0.0	653.0	19.1	508.4	96.6	0.0	624.1
Revenue - services rendered, internal	71.6	0.0	0.0	-71.6	0.0	75.5	6.5	0.0	-82.0	0.0
Revenue - sublease financial income	0.5	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.5
Voyage costs	-2.0	-231.6	-39.3	0.0	-272.9	-2.1	-233.2	-37.2	0.0	-272.5
T/C equivalent revenue	99.2	279.0	74.0	-71.6	380.6	93.0	281.7	59.4	-82.0	352.1
Other operating income	0.7	0.0	3.3	0.0	4.0	0.6	0.0	3.3	0.0	3.9
Charter hire and OPEX element	-34.1	-268.1	-62.5	71.6	-293.1	-30.3	-274.2	-60.9	82.0	-283.4
Operating costs owned vessels	-19.6	0.0	0.0	0.0	-19.6	-19.6	0.0	0.0	0.0	-19.6
Contribution margin	46.2	10.9	14.8	0.0	71.9	43.7	7.5	1.8	0.0	53.0
Overhead and administration costs	-5.5	-10.0	-4.0	0.0	-19.5	-4.7	-8.8	-4.2	0.0	-17.7
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	40.7	0.9	10.8	0.0	52.4	39.0	-1.3	-2.4	0.0	35.3
Profit/loss from sale of vessels, etc.	-12.3	0.0	0.0	0.0	-12.3	3.4	0.0	0.0	0.0	3.4
Depreciation, amortisation and impairment losses	-31.8	-2.4	-0.6	0.0	-34.8	-34.1	-3.5	-0.1	0.0	-37.7
Share of profit/loss of joint ventures	0.6	0.0	0.0	0.0	0.6	0.1	0.0	0.0	0.0	0.1
Profit/loss from operations (EBIT)	-2.8	-1.5	10.2	0.0	5.9	8.4	-4.8	-2.5	0.0	1.1
Financial income	1.7	1.0	0.0	0.0	1.7	1.3	0.3	0.0	0.0	1.6
Financial expenses	-10.5	-0.2	0.0	0.0	-10.7	-9.2	-0.2	0.0	0.0	-9.4
Profit/loss before tax	-11.6	-1.7	10.2	0.0	-3.1	0.5	-4.7	-2.5	0.0	-6.7
Tax	-0.8	-1.4	0.0	0.0	-2.2	-0.2	-1.5	0.0	0.0	-1.7
Profit/loss for the period	-12.4	-3.1	10.2	0.0	-5.3	0.3	-6.2	-2.5	0.0	-8.4
Adjusted for:										
Profit/loss from sale of vessels, etc.	12.3	0.0	0.0	0.0	12.3	-3.4	0.0	0.0	0.0	-3.4
Profit/loss from sale of vessels, etc in joint venture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Result for the period*	-0.1	-3.1	10.2	0.0	7.0	-3.1	-6.2	-2.5	0.0	-11.8

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

Notes to the interim consolidated financial statements

USD million	Q3 2019					Q4 2019				
	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total
Revenue - services rendered, external	15.9	538.5	95.4	0.0	649.8	19.2	508.1	127.7	0.0	655.0
Revenue - services rendered, internal	79.9	32.1	0.0	-112.0	0.0	72.3	-38.6	0.0	-33.7	0.0
Revenue - sublease financial income	0.5	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.5
Voyage costs	-2.5	-223.6	-34.1	1.6	-258.6	-8.0	-204.4	-51.3	0.0	-263.7
T/C equivalent revenue	93.8	347.0	61.3	-110.4	391.7	84.0	265.1	76.4	-33.7	391.8
Other operating income	-0.1	0.2	3.2	0.0	3.3	0.2	0.2	4.7	0.0	5.1
Charter hire and OPEX element	-32.7	-328.6	-61.4	110.4	-312.3	-17.3	-235.4	-53.4	33.7	-272.4
Operating costs owned vessels	-18.4	0.0	0.0	0.0	-18.4	-18.7	0.0	0.0	0.0	-18.7
Contribution margin	42.6	18.6	3.1	0.0	64.3	48.2	29.9	27.7	0.0	105.8
Overhead and administration costs	-5.4	-9.3	-4.2	0.0	-18.9	-6.2	-10.5	-4.7	0.0	-21.4
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	37.2	9.3	-1.1	0.0	45.4	42.0	19.4	23.0	0.0	84.4
Profit/loss from sale of vessels, etc.	4.1	0.0	0.0	0.0	4.1	1.2	0.0	0.0	0.0	1.2
Depreciation, amortisation and impairment losses	-31.1	-4.5	-1.4	0.0	-37.0	-33.5	-4.8	-9.1	0.0	-47.4
Share of profit/loss of joint ventures	-0.9	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	0.0
Profit/loss from operations (EBIT)	9.3	4.8	-2.5	0.0	11.6	9.7	14.6	13.9	0.0	38.2
Financial income	0.0	0.1	0.0	0.0	0.1	0.4	1.2	0.1	0.0	1.7
Financial expenses	-8.9	-0.3	-0.1	0.0	-9.3	-4.6	-2.9	-0.9	0.0	-8.4
Profit/loss before tax	0.4	4.6	-2.6	0.0	2.4	5.5	12.9	13.1	0.0	31.5
Tax	-0.5	-1.4	0.0	0.0	-1.9	0.4	1.2	-0.7	0.0	0.9
Profit/loss for the period	-0.1	3.2	-2.6	0.0	0.5	5.9	14.1	12.4	0.0	32.4
Adjusted for:										
Profit/loss from sale of vessels, etc.	-4.1	0.0	0.0	0.0	-4.1	-1.2	0.0	0.0	0.0	-1.2
Profit/loss from sale of vessels, etc in joint venture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Result for the period*	-4.2	3.2	-2.6	0.0	-3.6	4.7	14.1	12.4	0.0	31.2

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

Notes to the interim consolidated financial statements
2. Segment information

USD million	Q1 2020					Q1 2019				
	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total
Revenue - services rendered, external	35.6	435.8	142.8	0.0	614.2	29.1	510.6	113.3	0.0	653.0
Revenue - services rendered, internal	70.7	0.0	0.0	-70.7	0.0	71.6	0.0	0.0	-71.6	0.0
Revenue - sublease financial income	0.4	0.0	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.5
Voyage costs	-5.4	-224.6	-53.8	0,9	-282.9	-2.0	-231.6	-39.3	0.0	-272.9
T/C equivalent revenue	101.3	211.2	89.0	-69.8	331.7	99.2	279.0	74.0	-71.6	380.6
Other operating income	0.7	0.1	5.5	0.0	6.3	0.7	0.0	3.3	0.0	4.0
Charter hire and OPEX element	-26.6	-189.7	-62.9	69.8	-209.4	-34.1	-268.1	-62.5	71.6	-293.1
Operating costs owned vessels	-17.8	0.0	0.0	0.0	-17.8	-19.6	0.0	0.0	0.0	-19.6
Contribution margin	57.6	21.6	31.6	0.0	110.8	46.2	10.9	14.8	0.0	71.9
Overhead and administration costs	-5.1	-10.3	-6.2	0.0	-21.6	-5.5	-10.0	-4.0	0.0	-19.5
Profit/loss before depreciation, amortisation and Impairment losses, etc. (EBITDA)	52.5	11.3	25.4	0.0	89.2	40.7	0.9	10.8	0.0	52.4
Profit/loss from sale of vessels, etc.	0.0	0.0	0.0	0.0	0.0	-12.3	0.0	0.0	0.0	-12.3
Depreciation, amortisation and impairment losses	-36.1	-4.6	-7.1	0.0	-47.8	-31.8	-2.4	-0.6	0.0	-34.8
Share of profit/loss of joint ventures	-4.4	0.0	0.0	0.0	-4.4	0.6	0.0	0.0	0.0	0.6
Profit/loss from operations (EBIT)	12.0	6.7	18.3	0.0	37.0	-2.8	-1.5	10.2	0.0	5.9
Financial income	0.7	0.2	0.0	0.0	0.9	0.0	1.0	0.0	0.0	1.7
Financial expenses	-6.7	-1.0	-0.4	0.0	-8.1	-10.5	-0.2	0.0	0.0	-10.7
Profit/loss before tax	6.0	5.9	17.9	0.0	29.8	-11.6	-1.7	10.2	0.0	-3.1
Tax	-0.4	-1.5	-0.2	0.0	-2.1	-0.8	-1.4	0.0	0.0	-2.2
Profit/loss for the period	5.6	4.4	17.7	0.0	27.7	-12.4	-3.1	10.2	0.0	-5.3
Adjusted for:										
Profit/loss from sale of vessels, etc.	0.0	0.0	0.0	0.0	0.0	12.3	0.0	0.0	0.0	12.3
Profit/loss from sale of vessels, etc in joint venture	1.5	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0
Adjusted Result for the period*	7.1	4.4	17.7	0.0	29.2	-0.1	-3.1	10.2	0.0	7.0

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

Notes to the interim consolidated financial statements

3. Expense by nature

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
Vessel operating costs	510.1	585.6	2,305.2
Overhead and administration costs	21.6	19.5	77.5
Total	531.7	605.1	2,382.7
These costs can be split by nature:			
Voyage costs excluding bunker oil	122.4	123.9	493.7
Bunker oil	160.5	149.0	574.0
Expenses related to the service component of right-of-use assets	38.7	23.9	122.2
Expenses related to short-term leases	170.7	269.2	1,039.0
Operating costs owned vessels excluding seafarers	8.2	7.2	37.7
Other external costs	6.4	3.6	23.9
Staff costs	24.8	28.3	92.2
Total	531.7	605.1	2,382.7

4. Depreciation

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
Vessels	11.9	11.3	44.6
Right-of-use assets	35.7	23.4	111.5
Property and equipment	0.2	0.1	0.8
Total	47.8	34.8	156.9

5. Share of profit/loss of joint ventures

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
Profit/loss from shares in joint ventures	-0.6	0.6	-0.2
Share of loss from sale of vessels	-1.5	0.0	0.0
Share of impairment of tangible assets	-2.3	0.0	0.0
Total	-4.4	0.6	-0.2

6. Financial income and expenses

USD million	2020 Q1	2019 Q1	2019 Q1-Q4
Interest income	0.3	1.5	1.5
Fair value adjustment, cross currency swaps	0.1	0.0	0.0
Exchange rate adjustment	0.5	0.2	3.6
Total financial income	0.9	1.7	5.1
Interest costs	3.2	5.8	17.1
Fair value adjustment, cross currency swaps	0.0	0.3	1.1
Interest expense on lease liabilities	4.9	4.6	19.6
Total financial expenses	8.1	10.7	37.8

7. Fair value adjustment - hedging Instruments

Fair value of cash flow hedge

USD million	2020 31/3	2019 31/3	2019 31/12
Fair value adjustment at the beginning period	8.9	-24.8	-24.8
Fair value adjustment at the end, net	26.8	34.3	33.7
End	35.7	9.5	8.9

Fair value adjustment for the period, cash flow hedges can be specified as follows:

USD million	2020 31/3	2019 31/3	2019 31/12
Bunker hedging	16.0	8.2	-2.6
FFA hedging	15.6	1.5	10.7
Foreign currency risk hedging	4.1	-0.2	0.8
End	35.7	9.5	8.9

The fair value measurement hierarchy of hedging is measured based upon significant observable inputs (level 2).

Notes to the interim consolidated financial statements
7. Fair value adjustment - hedging Instruments - continued

As of 31 March 2020, outstanding hedging contains:

Bunker hedging

USD million	2020 31/3	2019 31/3	2019 31/12
Beginning, 1 January	-2.6	-26.9	-26.9
Fair value adjustments	12.9	35.8	28.1
Realised contracts, transferred to vessel operating costs	5.7	-0.7	-3.8
End	16.0	8.2	-2.6

FFA hedging

USD million	2020 31/3	2019 31/3	2019 31/12
Beginning, 1 January	10.7	1.5	1.5
Fair value adjustments	18.7	3.9	12.5
Realised contracts, transferred to revenue	-13.8	-3.9	-3.3
End	15.6	1.5	10.7

Foreign currency risk hedging

USD million	2020 31/3	2019 31/3	2019 31/12
Beginning, 1 January	0.8	0.5	0.5
Fair value adjustments	3.3	-0.7	0.3
End	4.1	-0.2	0.8

8. Vessels

USD million	2020 31/3	2019 31/3	2019 31/12
Cost at 1 January	1,123.8	1,207.3	1,207.3
Additions	0.0	1.0	102.4
Disposals	-0.5	0.0	-4.8
Transferred during the year	0.0	51.2	55.9
Transferred to tangible assets held for sale	0.0	-156.4	-237.0
Cost	1,123.3	1,103.1	1,123.8
Depreciation at 1 January	-244.7	-284.9	-284.9
Depreciation	-11.9	-11.3	-44.6
Depreciation related to derecognised assets	0.0	0.0	4.8
Transferred to tangible assets held for sale	0.0	65.6	80.0
Depreciation	-256.6	-230.6	-244.7
Impairment at 1 January	-75.7	-126.8	-126.8
Reversed impairment on vessels disposed of	0.0	0.0	0.0
Transferred during the year	0.0	0.0	-4.2
Transferred to tangible assets held for sale	0.0	32.0	55.3
Impairment	-75.7	-94.8	-75.7
Carrying amount	791.0	777.7	803.4

9. Leases - lessee
Right-of-use assets

USD million	2020 31/3	2019 31/3	2019 31/12
Cost at 1 January	382.5	302.8	302.8
Adjustment to opening balance	0.0	-12.9	0.0
Additions	77.9	8.8	77.4
Remeasurements	9.9	0.0	9.1
Disposals	-2.2	0.0	-6.8
Cost	468.1	298.7	382.5

Notes to the interim consolidated financial statements
9. Leases - lessee - continued
Right-of-use assets - continued

USD million	2020 31/3	2019 31/3	2019 31/12
Depreciation at 1 January	-111.5	0.0	0.0
Depreciation	-35.7	-23.4	-111.5
Depreciations related to redelivered vessels	2.2	0.0	0.0
Depreciation	-145.0	-23.4	-111.5
Carrying amount	323.1	275.3	271.0

Lease Liabilities

USD million	2020 31/3	2019 31/3	2019 31/12
Lease liabilities at 1 January	330.5	360.8	360.8
Adjustment to opening balance	0.0	-10.4	0.0
Additions for the period	77.9	8.8	87.1
Remeasurements	9.9	0.0	7.4
Instalments made	-41.3	-23.3	-124.8
Lease liabilities at end of period	377.0	335.9	330.5

10. Prepayments on vessels and newbuildings

USD million	2020 31/3	2019 31/3	2019 31/12
Cost at 1 January	16.1	29.1	29.1
Additions	0.2	36.5	43.2
Transferred to vessels	0.0	-51.2	-55.9
Transferred to tangible assets held for sale	0.0	0.0	0.0
Transferred to other items	0.0	0.0	-0.3
Cost	16.3	14.4	16.1
Impairment at 1 January	0.0	-4.2	-4.2
Reversed impairment on vessels disposed of	0.0	0.0	0.0
Transferred during the year	0.0	0.0	4.2
Transferred to tangible assets held for sale	0.0	0.0	0.0
Impairment	0.0	-4.2	0.0
Carrying amount	16.3	10.2	16.1

11. Vessels held for sale

USD million	2020 31/3	2019 31/3	2019 31/12
Cost at 1 January	0.0	0.0	0.0
Additions to tangible assets held for sale	0.0	0.0	0.0
Additions from prepayments on vessels and newbuildings	0.0	0.0	0.0
Additions from vessels	0.0	58.8	101.7
Disposals	0.0	0.0	-101.7
Impairment for the period	0.0	-12.3	0.0
Carrying amount	0.0	46.5	0.0
Which can be specified as follows:			
Vessels	0.0	46.5	0.0
Newbuildings	0.0	0.0	0.0
Total	0.0	46.5	0.0

12. 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 2019.

13. Contingent assets and liabilities

Since the end of 2019, no significant changes have occurred to contingent assets and liabilities other than those referred to in this interim report.

Notes to the interim consolidated financial statements
14. Overview of deliveries of owned vessels and fleet values
Asset Management's Tanker fleet at 31 March 2020

Vessel type	LR1	MR	Handysize	Total
Vessels in operation				
Owned vessels	0.0	17.0	7.0	24.0
Leased vessels	2.0	12.0	3.0	17.0
Total active fleet	2.0	29.0	10.0	41.0
Vessels to be delivered				
Owned vessels	0.0	0.0	0.0	0.0
Leased vessels	0.0	10.0	0.0	10.0
Total vessels to be delivered	0.0	10.0	0.0	10.0
Total gross fleet	2.0	39.0	10.0	51.0

Asset Management's Tanker fleet values at 31 March 2020 (USD million)

Vessel type	LR1	MR	Handysize	Total
Average age of owned vessels	0	8.3	11.2	9.2
Market value of owned vessels and newbuildings*	0	400	94	494
Broker estimated value of certain charter parties attached to owned vessels	0	5	0	5
Carrying amount/cost	0	418	130	548
Value added	0	-14	-36	-50
Value of purchase and extension options on chartered tonnage	0	39	12	51

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

Asset Management's Dry cargo fleet at 31 March 2020

Vessel type	Panamax	Supramax	Handysize	Total
Vessels in operation				
Owned vessels	2.0	8.0	2.0	12.0
Leased vessels	15.0	17.0	4.0	36.0
Total active fleet	17.0	25.0	6.0	48.0
Vessels to be delivered				
Owned vessels	0.0	2.0	0.0	2.0
Leased vessels	2.0	3.0	2.0	7.0
Total vessels to be delivered	2.0	5.0	2.0	9.0
Total gross fleet	19.0	30.0	8.0	57.0

Asset Management's Dry cargo fleet values at 31 March 2020 (USD million)

Vessel type	Panamax	Supramax	Handysize	Total
Average age of owned vessels	6.2	3.1	7.3	4.3
Market value of owned vessels and newbuildings*	32	241	25	298
Broker estimated value of certain charter parties attached to owned vessels	5	0	8	13
Carrying amount/cost	38	250	39	327
Value added	-1	-8	-7	-16
Value of purchase and extension options on chartered tonnage	11	7	0	18

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

Notes to the interim consolidated financial statements

14. 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	Q3 2020
Hull 10895	Supramax	Q3 2020

CAPEX

USD million	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Total
Newbuilding payments and secondhand purchases	5	33	0	0	0	0	38
Other CAPEX*	5	0	4	0	7	8	24

Future payments to NORDEN from sold vessels: USD 0 million

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

15. Events after the reporting date

See page 11 in the Management Review.