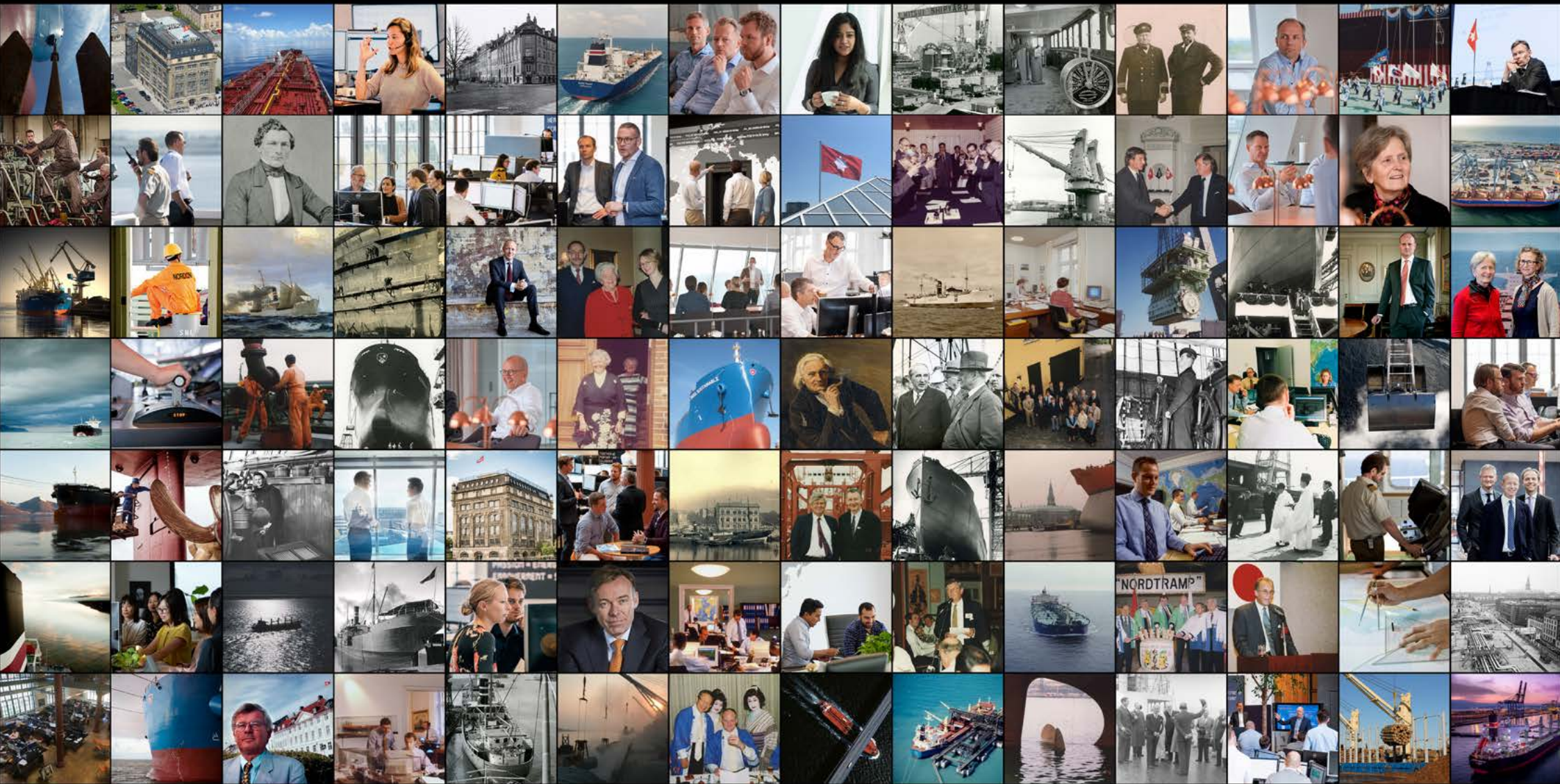


ANNUAL REPORT 2021



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2021 in five minutes

CEO Jan Rindbo presents NORDEN's annual report 2021 in a short film at norden.com/investor



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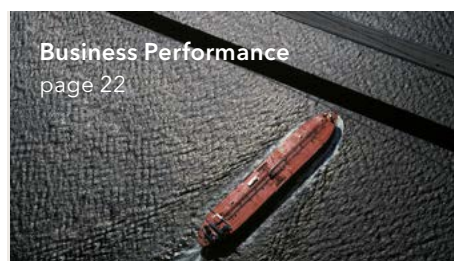
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-  facebook.com/dampskibsselskabetnorden
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See our other reports on our website

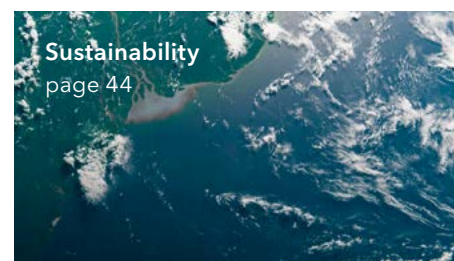
-  [Remuneration Report 2021](#)
-  [Corporate Governance Statutory Statement 2021](#)



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IN BRIEF



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NORDEN

ENABLING SMARTER GLOBAL TRADE



VANCOUVER, CANADA

ANNAPOLIS, USA

COPENHAGEN, DENMARK

LIMASSOL, CYPRUS

DUBAI, UNITED ARAB EMIRATES

SHANGHAI, CHINA

ABIDJAN, IVORY COAST

OWENDO, GABON

SINGAPORE

RIO DE JANEIRO, BRAZIL

SANTIAGO, CHILE

MELBOURNE, AUSTRALIA

150 YEARS OF HONOURING OUR COMMITMENTS

People & Data

376

Employees

6.4

Billion datapoints daily



Reliability



Flexibility



Empathy



Ambition

Our values

Industry leader

~450

Operated vessels
92% chartered / 8% owned

0

Net zero
carbon emissions
by 2050

BUSINESS UNITS

(AS OF JANUARY 2022)

ASSETS & LOGISTICS

Asset trading and active portfolio management of owned and leased vessels. Investments in port logistics aimed at optimising supply chains

Asset Management



Dry cargo vessels

- Asset trading of owned vessels
- Leased vessels with significant optionality upside
- High contract cover with visible and recurring earnings



Product tanker vessels

Logistics & Climate solutions



Port logistics

- Developing projects with selected customers
- Integrated port logistics and freight services
- Optimising customer supply chains



Decarbonisation

FREIGHT SERVICES & TRADING

Global freight services and trading in the dry cargo and product tanker markets

Asset-Light Freight Services



Construction

- Scalable platform highly responsive to customer needs and market changes
- Recurring earnings with protection against market downside and exceptional upside potential in strong markets
- Multiple trading and arbitrage strategies based on timing, geographies and vessel types



Foods & oils



Energy



Industrial

Foundation

People & Culture

Data & Advanced analytics

NORDEN Brand

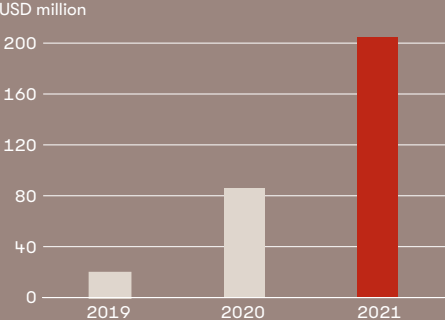
Customer relationships & Global presence

Governance & Risk management

FINANCIAL HIGHLIGHTS

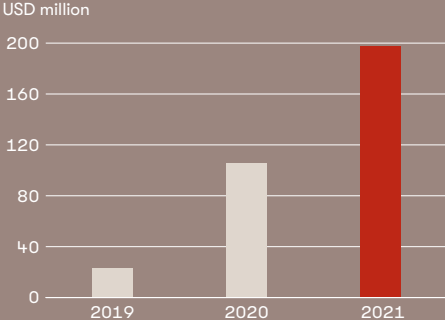
Profit/loss

USD 205 million



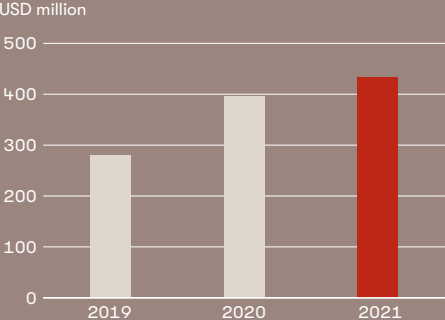
Adjusted Result

USD 198 million



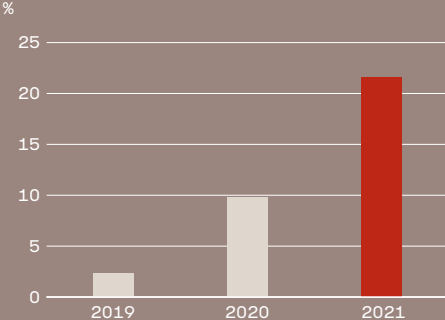
Cash flow from operations

USD 434 million



Return on Equity

21.6%



BUSINESS UNITS

Profit/loss

Asset Management
USD 5 million

(2020: USD 9 million)

Dry Operator
USD 230 million

(2020: USD 59 million)

Tanker Operator
USD -30 million

(2020: USD 18 million)



LETTER FROM THE CHAIRMAN AND THE CEO

Jan Rindbo
CEO



USD 205 million net profit – our best result in 11 years. Return on Equity of 22%. The Board proposes a dividend of DKK 18 per share for 2021.

2021 was a remarkable year for NORDEN where active trading and record activity levels enabled us to capitalise on a strong dry cargo market and protect our downside in a historically weak tanker market. In terms of earnings, Dry Operator stood out, as the business unit went from strength to strength during the year. This led to the best annual result for NORDEN in 11 years, realising a profit of USD 205 million in 2021. Sustained profitability over the last five years in volatile markets is a proof of the strength of our agile business model, and we have increased Return on Equity significantly from 10% in 2020 to 22% in 2021.

Capitalising on market volatility

Demand for dry cargo commodities improved much quicker in 2021 than most anticipated. Combined with ongoing port congestion and delays, this effectively created a global shortage of vessels leading to a rapid increase in dry cargo market rates. Meanwhile, the product tanker market remained extremely weak throughout 2021.

Low oil supply coupled with extensive inventory drawdowns resulted in weak demand for crude tankers, which in turn eroded the support from improved product tanker market fundamentals.

Asset Management's portfolio benefitted from the extraordinary dry cargo market increase, totalling USD 1.3 billion in value at year-end. In the second half of 2021, the business unit capitalised on high dry cargo asset prices through vessel trading and entering attractive cover contracts. This is expected to positively support earnings in 2022.

Dry Operator demonstrated its ability to capture huge value in rising markets. In 1H 2021, the business unit significantly expanded its vessel capacity at fixed rates, thereby benefiting from large spot rate increases during the second half of 2021. Through active trading and utilisation of market volatility, the business unit achieved its best result since it was formed in 2017.

Tanker Operator reduced its exposure and optimised cover contracts amid very weak markets while preparing for future rate improvements by adding length and optionality to its portfolio. The market value of this added optionality has good potential when looking into 2022 and 2023.

The strong Group result achieved in 2021 is a reflection of NORDEN's attractive risk-reward profile, enabling us to provide our customers with a competitive and reliable freight service while utilising market volatility by acting quickly to capitalise on market increases as well as to mitigate the downside in weakening markets. This is supported by our strong data, analytics and risk management capabilities, which enhance business decision-making and our ability to navigate market volatility as well as geopolitical complexity.

Based on NORDEN's agile and customer centric business model, we have achieved sustained growth in activity levels, corresponding to an increase in vessel days of 16% per year over the past five years. To further support growth, we continue to innovate and expand our services. As an example, we have entered into a new business area of port logistics, helping our customers optimise and decarbonise their supply chains, as a natural extension of our customer service offering. In addition, NORDEN has expanded parcelling services, carrying multiple cargoes from different customers in different locations on one vessel voyage. These innovations are an important part of NORDEN's long-term focus on adding value to our customers.

Continuing to streamline our business model

Throughout 2021, we have adapted our exposure and market position in line with market developments, by virtue of the agility built into our business model. This approach to shipping has continued to prove success-

ful again in 2021 and has led us to further simplify our business as a next step in becoming even more trading and data driven, leveraging in-house knowledge, analytics and risk capabilities. From 1 January 2022, we have consolidated our three business units into two, and we will report our results accordingly from 2022.

Assets & Logistics is the name of our business unit focused on investments. Asset Management, which handles asset trading and active portfolio management, is joined by Logistics & Climate Solutions, a newly established team which will work to deliver efficient and more sustainable supply chain solutions. In early 2022, NORDEN entered into a major port logistics contract in Gabon, Central Africa, whereby NORDEN is responsible for setting up and operating a transshipment solution for a large manganese mining company over a 10-year period. We are excited to extend our business beyond a standard freight service and become an innovative supply chain partner. **Freight Services & Trading** is our asset-light business unit which groups NORDEN's short-term freight activities formerly organised in Dry Operator and Tanker Operator.

150 years of commodity shipping across the world

This year, we celebrated our 150th anniversary. Among the celebrations with employees, customers, business partners and former employees, NORDEN marked the anniversary with the launch of a book, "The Norden Voyage", written by Martin Jes Iversen, which outlines the history of NORDEN. We are very proud of our legacy and origins as a small

Danish shipping company evolving into a global business and a leading company in our markets. Today, our most important assets are no longer vessels, but people, data and customer relationships. We acknowledge and would like to thank all seafarers on board NORDEN's vessels as well as our onshore employees for their extraordinary efforts and continued patience during difficult and unpredictable conditions marked by the COVID-19 pandemic.

One Sustainable NORDEN

Throughout 2021, we continued to strengthen our sustainability efforts, which are integrated into our business and underpin how we operate today. NORDEN outlined five climate commitments that will direct our efforts for the years to come as a part of helping our customers decarbonise their supply chains. We enhanced our focus on diversity as well as employee wellbeing and developed a new Diversity, Equity & Inclusion policy implementing targets for business unit gender ratio and improving conditions for maternity and paternity leave.

Returning capital to shareholders and welcoming bond investors

Following very strong full-year results and a strong balance sheet, the Board of Directors proposes a dividend of DKK 18 per share, representing 54% of the Adjusted Result. This is in line with our dividend policy returning minimum 50% of the annual adjusted result. In addition, we will initiate a new share buy-back programme of USD 30 million, which will run until the end of April 2022. This comes on top of USD 33 million returned in share buy-back programmes during 2021.

Combining the dividend issued in 2021 with the increase in share price during the year, this amounts to a total shareholder return of 48%. 2021 was also the year we issued our first bonds to the market as part of diversifying our funding as an asset-light company, and we welcomed our bond holders as a new investor group.

For 2022, our business is well positioned to continue capitalising on market volatility, favourable cover contracts, ongoing asset trading opportunities and vessel options at profitable levels. We therefore expect another strong result with a profit for the year in the range of USD 210 to 280 million (incl. currently known vessel sales gains of USD 37 million). Based on our asset-light business model, we aim to deliver strong recurring returns to our investors by being the first choice among customers, enhancing our trading focus through world-class data and risk capabilities and by helping our customers decarbonise their supply chains.

Klaus Nyborg
Chairman of the
Board of Directors

Jan Rindbo
CEO

Klaus Nyborg
Chairman



KEY FIGURES AND FINANCIAL RATIOS

Amounts in USD million	2021	2020	2019	2018	2017
Income statement					
Revenue	3,551.8	2,597.8	2,583.9	2,451.4	1,808.6
Contribution margin	649.6	435.6	295.0	132.3	116.8
EBITDA	532.2	342.5	217.5	72.5	68.1
Profit/(loss) from sale of vessels etc.	7.7	-18.2	-3.6	8.8	0.9
Depreciation, amortisation and impairment losses	-295.5	-201.9	-156.9	-44.3	-42.2
EBIT	245.5	119.4	56.8	39.4	23.3
Financial items, net	-34.8	-26.7	-32.7	-6.9	-0.9
Profit for the year	204.5	86.0	19.2	28.8	24.6
Adjusted Result for the year ¹⁾	197.7	105.7	22.8	20.0	28.4
Statement of financial position					
Total assets	2,453.5	1,824.8	1,742.4	1,464.4	1,326.5
Equity	993.3	902.5	859.0	826.8	834.4
Liabilities	1,460.2	922.3	883.4	637.6	492.1
Invested capital	1,631.0	1,246.3	1,283.5	970.2	836.7
Net interest-bearing debt	-637.7	-343.8	-424.5	-143.4	-2.3
Cash and securities	410.7	331.6	209.3	188.6	219.4
Cash flows					
From operating activities	433.9	396.0	280.5	-15.8	6.3
From investing activities	2.6	-45.1	-90.9	-78.4	-0.2
- hereof investments in property, plant and equipment	-92.1	-27.1	-102.7	-202.7	-75.4
From financing activities	-261.9	-228.2	-211.2	95.4	3.0
Environmental and social figures					
EEOI ²⁾	8.6	8.8	8.7	8.6	8.8
LTIF (million working hours) ³⁾	0.8	0.6	1.5	0.3	1.6

	2021	2020	2019	2018	2017
Share-related key figures and financial ratios					
No. of shares of DKK 1 each (including treasury shares)	39,200,000	40,700,000	42,200,000	42,200,000	42,200,000
No. of shares of DKK 1 each (excluding treasury shares)	36,763,061	37,805,533	39,311,533	39,923,933	40,467,615
Number of treasury shares	2,436,939	2,894,467	2,888,467	2,276,067	1,732,385
Earnings per share (EPS), DKK	34	14	3	4	4
Diluted earnings per share (diluted EPS), DKK	34	14	3	4	4
Dividend per share, DKK	18.0	9.0	2.5	2.0	-
Book value per share, DKK	170	145	146	135	128
Share price at year-end, per share DKK 1	166.4	109.6	106.7	92.4	116.5
Other key figures and financial ratios					
EBITDA ratio	15.0%	13.2%	8.4%	3.0%	3.8%
ROIC	17.1%	9.4%	5.0%	4.4%	2.9%
ROE	21.6%	9.8%	2.3%	3.5%	3.0%
Payout ratio (excluding treasury shares) ⁴⁾	49.1%	65.3%	76.6%	41.7%	-
Equity ratio	40.5%	49.5%	49.3%	56.5%	62.9%
Price/book value	1.0	0.8	0.7	0.7	0.9
Total no. of vessel days	170,270	153,195	138,327	122,852	93,738
USD rate at year-end	656.12	605.76	667.59	651.94	620.77
Average USD rate	629.18	653.43	667.03	631.74	659.53

Key figures for 2017-2018 are not restated to reflect IFRS 16.

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

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

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

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

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

OUTLOOK FOR 2022

Based on good positioning and active trading in a continued strong and volatile dry cargo market, NORDEN expects profit for the year to improve further to a range of USD 210-280 million (incl. currently known vessel sales gains of USD 37 million).

In line with its growing vessel sale and purchase activity, NORDEN will start to include gains and losses from vessel sales in its profit guidance. Hence, the adjusted net profit will no longer be used. This also affects the dividend policy which from now on will be to pay out minimum 50% of profit for the year (instead of adjusted net result).

Assets & Logistics

The Assets & Logistics business unit expects much better earnings in 2022 based on high coverage at attractive rates on the dry cargo fleet entered into during 2021. Furthermore, high coverage on the tanker fleet means that the business unit is well protected against the weak tanker market. In addition, vessel sales gains are expected to contribute positively based on the increases in dry cargo vessel values seen during 2021.

Freight Services & Trading

The Freight Services & Trading business unit, which is the combination of the Dry Operator and Tanker Operator business units, expects a net result somewhat lower than the combined result for the two operators in 2021. The expectation is based on continued 5-10% growth in activity and a margin per vessel day which is higher than the average realised over the last 3 years but below the record level from last year (see table). The business unit remains well positioned in a still strong and volatile dry cargo market and has been able to add value during recent volatility. The expectation is also based on a still weak tanker market which is not expected to improve noticeably until the second half of the year.

Seasonality and uncertainty

For both business units, the distribution of earnings per quarter is expected to be more front loaded than normal. Given the escalating conflict in Ukraine, remaining COVID-19 disruption and macroeconomic uncertainties in general, the market uncertainty and volatility is expected to remain elevated. New sanctions targeted at Russian exports may emerge which on balance is expected to be slightly negative for dry cargo rates and slightly positive for tanker rates. However, NORDEN's business model is well equipped to manage this uncertainty.

Events after the reporting date

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

Combined results - Freight Services & Trading

Year	2021
Vessel days	164,189
Margin per vessel day	1,214
3-year average margin per vessel day	638

Forward-looking statements

This annual report contains certain forward-looking statements reflecting Management's present judgment of future events and financial results. Statements relating to 2022 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from projections.

Factors that may cause NORDEN's realised results to differ from the projections in this annual report include, but are not limited to: Changes to macroeconomic and political conditions - particularly in the Group's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risks; any disruptions to traffic and operations as a result of external events etc.

Financial calendar for 2022

3 March	Annual report 2021
24 March	Annual general meeting
5 May	Interim report – first quarter 2022
18 August	Interim report – second quarter and first half-year 2022
4 November	Interim report – third quarter 2022

Proforma profit/loss 2021 - New business unit structure from January 2022 (un-audited)

FY2021	Asset & Logistics	Freight Services & Trading	Group
Contribution margin	204.1	445.5	649.6
Overhead and administration	-11.4	-106.0	-117.4
EBITDA	192.7	339.5	532.2
Profit/(loss) from sale of vessels, etc.	7.7	-	7.7
Depreciation, amortisation and impairment losses	-168.3	-127.2	-295.5
Share of result from joint ventures	1.1	-	1.1
EBIT	33.2	212.3	245.5
Financials and tax	-28.1	-12.9	-41.0
Profit /loss	5.1	199.4	204.5
Adjusted Result	-1.7	199.4	197.7

STRATEGY

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Major trends affecting shipping

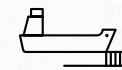


NORDEN strategy

Customer centric freight services across all continents



Optionality upside on leased vessels



Tradable assets and positions



Data, analytics and risk management integrated in all business decisions



Partnerships to accelerate digital and green transformation



Frontrunners on decarbonisation



NORDEN

ENABLING SMARTER GLOBAL TRADE

STRATEGIC FOCUS AREAS

TRADING TO THE NEXT LEVEL

CLIENTS

DATA AS AN ASSET

ONE SUSTAINABLE NORDEN

AMBITIONS

The preferred choice for clients.
Innovative new freight products to
selected clients

Use data to drive continuous improvements.
Data driven predictions and decision-making

Consolidation of business model.
Economical, organisational and
environmental sustainability

HIGHLIGHTS IN 2021

- Record high activity levels, with 11% growth in total vessel days and 13% increase in number of customers
- Expanded parcelling services in specific geographies
- Established a dedicated tanker pool development team to grow our commercial management of tanker vessels
- Established a Logistics & Climate Solutions team to create value deeper in the supply chains of our clients
- Initiated the first port logistics project, entering into a 10-year contract for delivering transshipment services in Gabon

- Developed advanced weather predictions for pricing future cargoes
- Developing a more advanced pricing tool for port cost estimation
- Automated the commissions payment process
- Multiple algorithmic trading models running profitably
- First to market with pre- and post voyage carbon emissions reporting to clients
- Improved vessel fuel consumption predictability by 13%

- New and simplified business unit structure
- Established a new procurement function to professionalise purchasing
- Employee health initiative for global staff
- Updated and integrated Diversity, Equity & Inclusion policy
- Launched climate strategy and climate commitments

INVESTOR INFORMATION

As a long-term investment, the NORDEN share is based on the Company's agile and asset-light business model. Based on industry leading global freight services, asset trading and logistics services, supported by superior data analytics and risk management capabilities, the business model enables NORDEN to capitalise on volatile markets.

Shareholder return of 48%

NORDEN's share price increased during 2021 from DKK 109.6 to DKK 166.4. When including a dividend of DKK 9 per share issued for the previous year, the total shareholder return measured in USD was 48% in 2021. NORDEN aspires to not only benchmark its total shareholder returns against relevant shipping peers, but also share indices that reflect the global transportation sector. Comparing total shareholder returns since 2015 where the Company shifted its strategic focus, the NORDEN share has performed significantly above the peer group of dry cargo and product tanker companies. In the same period, the NORDEN share has performed below the MSCI World Transportation Index.

Trading volume

On average, 152,611 shares were traded on a daily basis on Nasdaq Copenhagen in 2021, which is a decrease of 13% compared to 2020. The average daily trading value on Nasdaq OMX Copenhagen increased by 48% from DKK 16.1 million in 2020 to DKK 23.8 million in 2021.

Share buy-backs and dividends

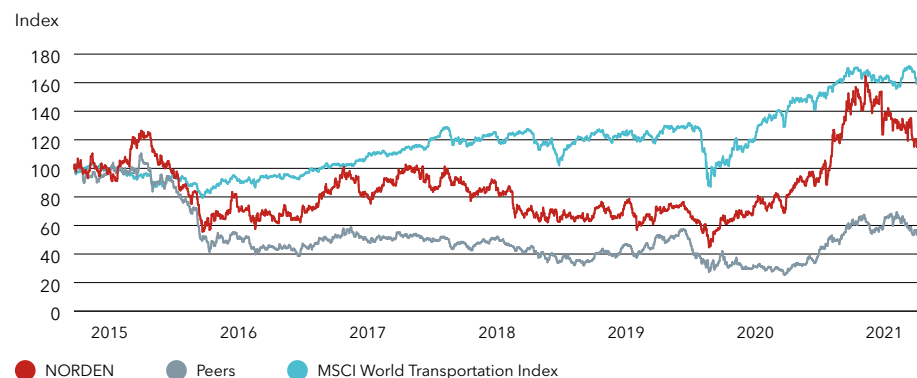
In line with a continued strong earnings performance and the Company's asset-light strategy, NORDEN continues to return capital to shareholders in the form of both dividends and share buy-backs. In 2021, a total of 1,481,230 shares were acquired in share buy-backs at a total purchase price of USD 33 million. As a result, NORDEN had 2,436,939 treasury shares at the end of 2021.

The Board of Directors recommends for approval at the annual general meeting that a dividend of DKK 18 per share is paid to the shareholders.

When combining share buy-backs, paid dividends and proposed dividends for the year, NORDEN has returned over USD 260 million to shareholders since 2018 (see chart on the following page).

Currently, the Board of Directors has a 1-year authority to acquire treasury shares at market price up to a nominal value not

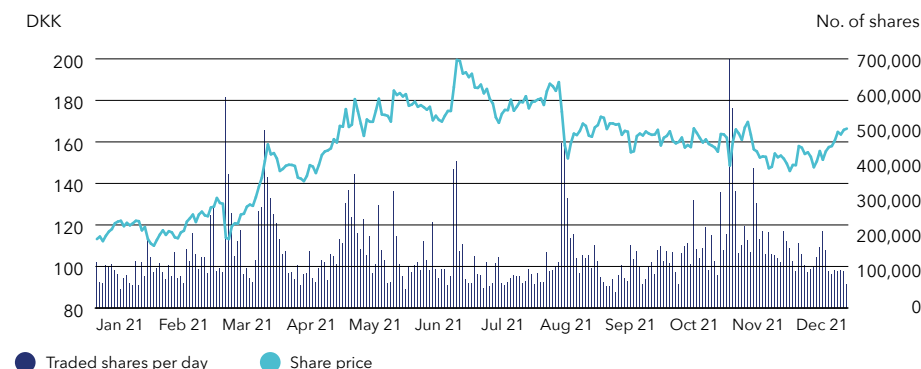
Total shareholder returns 2015-2021



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

The total return of the peer group is calculated based on ten dry cargo companies and eight product tanker companies each weighted by their market capitalisation.

Share price and trading volume 2021



exceeding 10% of the share capital and a 5-year authority to increase the share capital by a nominal value of 10%. The latter is effective until April 2022.

Investor relations

At year-end 2021, NORDEN was monitored by two equity analysts and two credit analysts. During 2021, investor presentations were to a large part conducted online due to the ongoing presence of COVID-19. In line with this, NORDEN has partnered with an external IR service provider to facilitate online presentations that are free to access for all investors, and which can be subsequently streamed online.

Disclosure regarding change of control

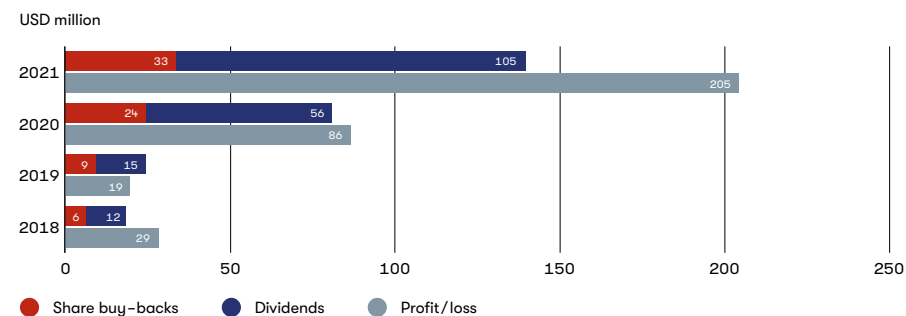
The Danish Financial Statements Act requires listed companies to disclose

information in relation to change-of-control provisions. In the event of a change of control in the Company, bank agreements can be subject to renegotiations. No other important agreements are in place with business partners, which could be terminated in case of a change of control.

Bond issue

In June 2021, NORDEN issued USD 100 million in 3-year senior unsecured bonds as part of diversifying the Company's funding as an asset-light business. The bonds will mature 28 June 2024, and the initial placement was made under a USD 150 million frame allowing for additional bonds to be issued. The bonds were subsequently listed on Nasdaq Copenhagen's regulated market with the first day of trading on 15 October 2021.

Dividends and share buy-backs since 2018



Note: Dividends are based on the same financial year as the Adjusted Result, not the year they are paid out. The dividend amounts outlined exclude treasury shares held by NORDEN

Equity Story



Trading-oriented and agile business

Asset-light business capitalising on volatile markets, continuously adapting to market and customer demands across global markets



Superior data analytics capabilities

Advanced data analytics enabling stronger predictions and business decisions in a fragmented and analogue industry



Sustainable supply chain solutions

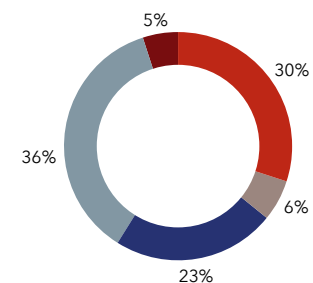
Providing greener shipping solutions to help customers decarbonise their supply chains, while gradually reducing emissions towards zero



Strong risk/reward profile

Attractive risk/reward profile with upside from vessel options in rising markets and resilience in falling markets from contract cover

Composition of shareholders



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

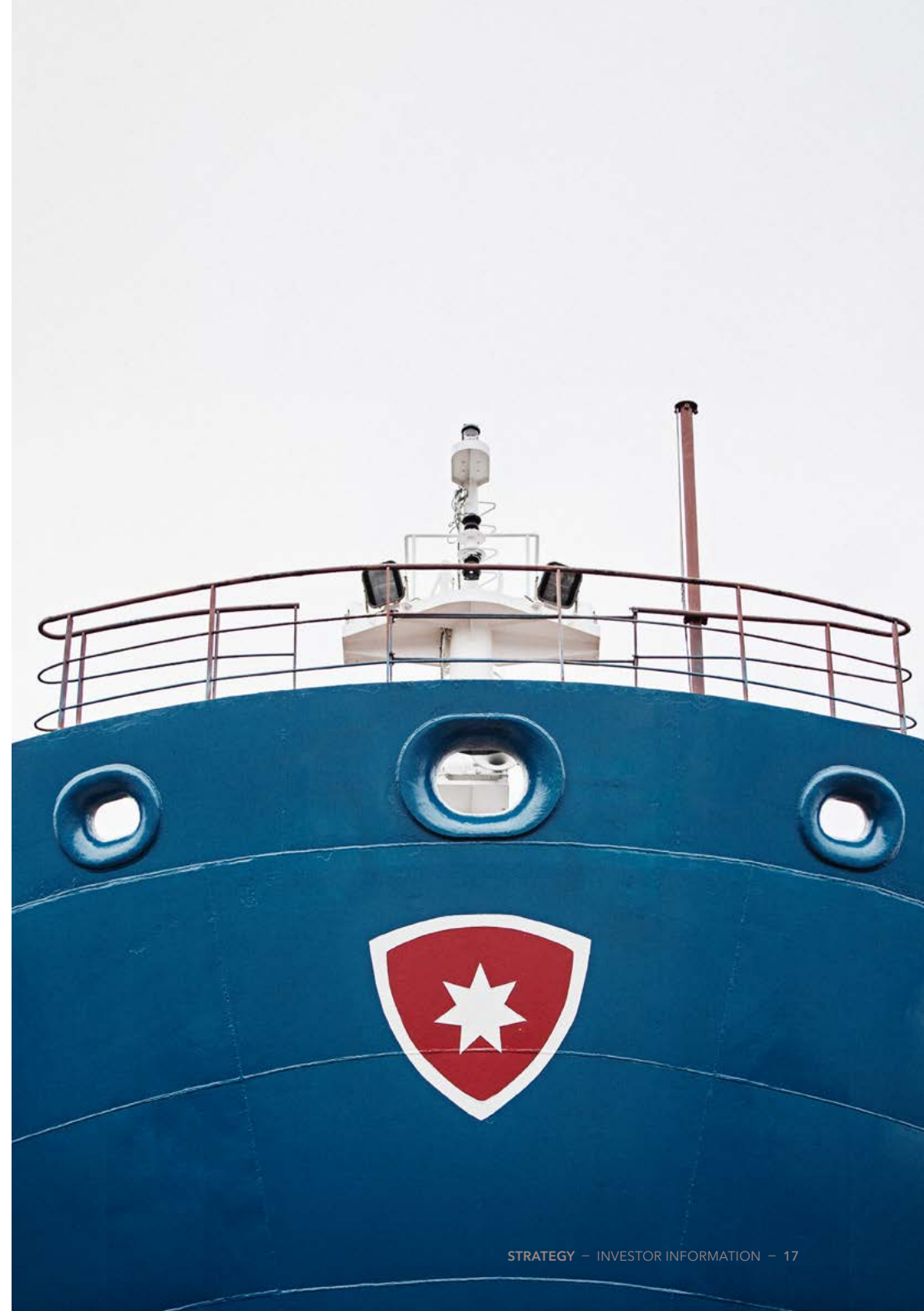
Note: of the total share capital at 31 December 2021

Master data - NORDEN share

Share capital	DKK 39.2 million
Total number of shares	39,200,000 of DKK 1
Treasury shares (NORDEN)	2,436,939 (at 31 December 2021)
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq OMX Copenhagen
Ticker symbol	DNORD
ISIN code	DK0060083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

Master data - NORDEN bond

Amount issued	USD 100 million
Maximum issue amount	USD 150 million
Duration and type	3-year senior unsecured
Coupon	LIBOR 3 months + 4.75%
Issue date	28 June 2021
Maturity date	28 June 2024
Stock exchange	Nasdaq OMX Copenhagen
Shortname	D/S NORDEN 21/24 FRN USD
ISIN code	NO0011036162





RISK MANAGEMENT

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

Active risk management plays a key role in NORDEN's goal to generate attractive risk-adjusted returns in volatile freight and asset markets.

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

This access to market liquidity and insight, combined with in-house research and sophisticated trading models, is used to create value by actively taking risk within freight and asset markets.

All other risks are mitigated to the extent possible.

Continued strengthening of Risk Management

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

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

The Risk Management Team consists of ten people with backgrounds within mathematics, physics, finance, economics and shipping. The responsibility of the Risk Management Team is to identify, quantify, monitor and report risk use and limits to the Board of Directors, the Risk Committee, Executive Management, business unit leaders and Profit Center leaders.

To make sure that the Risk Management Team is an integrated part of daily business, it is situated on the trading floor, as this allows the team to provide business units with regular and ad hoc analysis as well as to challenge their risk taking.

New Group market risk framework ensures transparency during extraordinarily volatile markets

After its implementation during the second half of 2020, the new Group market risk framework has provided transparency and strong control on risk taking not only within but also across business units.

The new Group market risk framework, combined with NORDEN's already strong risk culture, has supported the business units to navigate through extraordinarily volatile markets moving risks to where the risk-adjusted return is perceived to be the most attractive.

New liquidity risk framework implemented

A new liquidity risk framework was implemented during 2021. The framework is designed to give business units freedom to trade while at the same time ensuring strong control of liquidity, enabling continued growth of business activities.

Revised sanctions compliance programme

The use of sanctions is continuously increasing, while at the same time sanctions regimes are getting more complex.

As a response to this, a dedicated team with responsibility for sanctions compliance has been established as a part of Risk Management.

In January 2022, a revised sanctions compliance programme was implemented. The programme includes a new and automated sanctions screening solution of all counterparties and vessels, behavioural risks screening and a strong focus on awareness by all employees of the Group.

Continued focus on credit risk

A new credit risk framework will be implemented during 2022.

As with the market risk frameworks, the credit risk framework will include a formal connection between credit risk capital and credit risk limits, ensuring that the freight traders take all variables into consideration when entering into new business, with the ultimate target of providing the best risk-adjusted return.

MATERIAL RISKS

Below is a review of the material risks. For a review of the financial risks, refer to note 4.1 "Financial risk management" on page 94.

	Risk	NORDEN mitigation
Risks actively taken		
Freight rate risks	Entering charter and cargo contracts exposes NORDEN to freight rate risks, as the Company assumes financial liability in expectation of generating earnings which are dependent on the freight market.	NORDEN manages freight rate risks by adhering to a strict Group market risk framework with specific limits for the Group, business units and Profit Centers. The limits are designed to ensure that a prudent capital structure can be maintained over time.
Asset price risks	Owning vessels exposes NORDEN to asset price risks from changes in asset values, both directly on the value of the owned fleet and indirectly through the value of purchase options.	NORDEN manages asset price risks by adhering to a strict Group market risk framework with specific limits for the Group, business units and Profit Centers. The limits are designed to ensure that a prudent capital structure can be maintained over time.
Other risk factors		
Bunker price risks	<p>Bunkers is one of NORDEN's largest variable costs as entering cargoes at a fixed price exposes the Company to changes in the bunker price.</p> <p>Furthermore, in connection with charter contracts, the Company has a bunker price risk in relation to the quantity of bunkers on board and the quantity the vessel must be redelivered with.</p> <p>For vessels where a scrubber has been installed, the Company is subject to risk related to the spread between high sulphur and low sulphur fuel.</p>	NORDEN measures bunker price exposure on a daily basis and uses bunker swaps to hedge such bunker risk. However, the price spread risk in relation to scrubbers is only partly hedged, mainly by charter contracts but also by using bunker swaps.
Credit risks	Performing services for customers against future payment or prepaying suppliers means that NORDEN runs a risk that counterparties do not perform as agreed.	NORDEN reduces credit risks through systematic assessment and monitoring of the creditworthiness of each counterparty. For this purpose, internal analyses are made based on input from external credit rating agencies and other publicly available information. Each analysis results in an internal credit rating which is subsequently used in NORDEN's determination of the allowed scope of the commitment.
Sanctions risks	NORDEN engages with a significant amount of counterparties, often with complex ownership structures, and vessels, either by chartering in or out but also by ship-to-ship operations. There is a risk that such counterparties or vessels are subject to sanctions.	NORDEN has implemented a sanctions compliance framework and reduces sanctions risks through pre-fixture and post-fixture sanctions screening of counterparties including the counterparty chain, screening of sanctions and behavioural risk indicators of vessels. Also, employees receive regular training in sanctions compliance.
IT & cyber security risks	NORDEN's operations are very dependent on stable IT systems. This implies a risk related to unavailability of systems and data either due to technical malfunctions or external interferences such as hacking.	NORDEN mitigates cyber security risks through robust procedures for backups, security upgrades etc. and has ongoing awareness campaigns for employees. In addition, NORDEN has established a technical emergency capacity with an IT environment distributed to two locations with mirrored critical systems. Besides having two sites for IT systems in production, two separate sites contain individual data backups. The Company has established a disaster recovery plan involving the entire organisation and supporting the IT Department in setting up emergency operations as soon as possible in a disaster or cyber security incident situation. NORDEN also has an external team monitoring all security events 24/7.
Security risks	As part of the Company's shipping operations, NORDEN is on a regular basis trading vessels in high-risk areas where the vessels and the crew could be exposed to acts of piracy, including kidnapping of crew.	NORDEN mitigates security risks by appropriate security practices and various protective installations on owned vessels. Furthermore, NORDEN has in place an internal security risk function that assesses security risks on an ongoing basis in conjunction with risk intelligence providers and military organisations.

Risk	NORDEN mitigation
Other risk factors	
Safety risks	<p>Due to vessels being a high-risk workplace, there is a risk of accidents on NORDEN's own or chartered in vessels where the crew can be injured.</p> <p>Furthermore, there is a risk of NORDEN's own or chartered in vessels being damaged. The most material risk would be a total loss of owned vessels, combined with the loss of existing charter parties.</p>
Environmental risks	<p>When operating vessels, there is a risk of accidents that can impact the environment negatively. The most material risks are oil spills and discharges of waste or ballast water, potentially impacting ecosystems and human health. Furthermore, there is a risk that vessels sold by NORDEN are disposed of by their new owners in an unsustainable way shortly after the transaction.</p> <p>NORDEN focuses on minimising accidents by operating a well-maintained fleet and by using respectable ship managers that are responsible for ensuring a strong safety performance by having comprehensive procedures and a well-educated and trained crew. Potential financial impacts are covered by insurances taken out with recognised international insurance companies.</p> <p>NORDEN requires that buyers of vessels, if the price is less than 25% above scrap value, must accept a clause stating that any disposal of the vessel must be done responsibly at a facility in accordance with the Hong Kong convention. Any resales of the same vessels must, if within six months of the transaction with NORDEN, include the same clause.</p>
Climate risks	<p>NORDEN is exposed to delays or changes to trading patterns due to climate changes, as these are leading to more severe weather including, but not limited to, more frequent hurricanes, flooded ports and delays. Furthermore, the threat of global warming may lead to new regulations, which may impose added costs on the Company's activities or reduce freight rates by lowering demand for the Company's services.</p> <p>NORDEN mitigates the risk posed by changing weather patterns through better contract clauses and more extensive use of weather data when pricing and assessing the risk of contracts.</p> <p>NORDEN has mitigated the risk of negative financial impact from new regulations by making our business model more agile and flexible. Thus, NORDEN is growing the Company's operator activities which are relatively insulated from such risks and has in recent years reduced the dependence on having an owned fleet which is subject to residual value risk.</p>
Corruption risks	<p>NORDEN's commercial employees risk being exposed to corruption as they engage in business with external parties. Furthermore, crew on NORDEN's owned or chartered in vessels risk being exposed to corruption when calling ports or passing canals in certain areas of the world.</p> <p>NORDEN mitigates the risk of the Company's commercial employees being involved in corruption by training and by having a strong culture of anti-corruption. The risk of crew on NORDEN's owned vessels being involved in bribery is mitigated by using respectable ship managers responsible for comprehensive procedures and a well-educated and trained crew.</p> <p>Furthermore, the risk of crew on NORDEN's chartered in vessels being involved in corruption is mitigated by requiring owners to accept an anti-corruption clause that amongst others includes zero tolerance against bribery.</p>
Human rights risks	<p>Violations of human rights may occur across the entirety of the global supply chain, especially related to the production, extraction and processing of raw materials. Engaging with hundreds of counterparties, NORDEN risks engaging in business relationships in which suppliers or sub-suppliers may violate human rights.</p> <p>NORDEN mitigates the risk of inadvertently violating human rights by conducting due diligence on, and communicating expectations to, key stakeholders. NORDEN expects all business relationships directly linked to NORDEN to respect human rights. NORDEN's commitment to human rights is outlined in the Company's Human Rights policy, which is further operationalised in NORDEN's Employee Code of Conduct, Supplier Code of Conduct and Responsible Supply Chain Management process. Suppliers are expected to implement a due diligence process and remediation system and inform NORDEN if they identify that they cause, contribute, or are linked to severe human rights impacts.</p> <p>Furthermore, NORDEN evaluates the risk of adversely impacting the International Bill of Human Rights through a bi-annual Human Rights Impact Assessment.</p>

BUSINESS PERFORMANCE



- 23 Group financial review
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GROUP FINANCIAL REVIEW

- Profit of USD 205 million
- Return on Equity of 21.6%
- Cash flow from operations of USD 434 million

Financial highlights

The Group delivered its best financial performance in 11 years with a net profit of USD 205 million (USD 86 million) corresponding to a Return on Equity of 21.6% (9.8%).

The Adjusted Result, excluding the effect of vessel sales, was USD 198 million (USD 106 million) in line with the updated expectations announced in November 2021 of between USD 150-200 million.

For Q4 2021, the Group realised a net profit of USD 123 million (Q4 2020: USD 3 million)

and an Adjusted Result of USD 120 million (Q4 2020: USD 21 million). The full-year profit for Asset Management amounted to USD 5 million (USD 9 million).

Gains from vessel sales included in this amount was USD 7 million during the year (USD -20 million).

Dry Operator actively built up a significant long position at the beginning of the year and utilised the increase in dry cargo spot rates to generate an outstanding result, with a profit for the year of USD 230 million (USD 59 million).

In a tanker market year characterised by very weak rate levels and a challenging market environment with a reduced oil demand, Tanker Operator generated a loss of USD 30 million (profit of USD 18 million).

Financial position

NORDEN's total asset value increased to USD 2,454 million in 2021 (USD 1,825 million) as a result of working capital built up and capitalisation of leases following the increased rate and activity levels. Total equity increased to USD 993 million (USD 903 million) mainly due to the profit generated less ordinary dividend payments of USD 53 million and share buy-backs of USD 33 million.

The equity ratio remained strong at 40.5% (49.5%) despite being impacted by the larger balance sheet.

Cash flows and liquidity

Cash flow from operating activities was USD 434 million in 2021 compared to USD 396 million in 2020. The increase is mainly driven by a positive change in EBITDA partly offset by increased working capital.

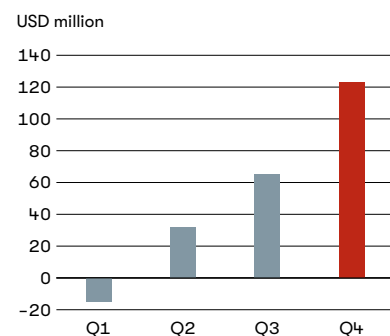
Cash flow from investing activities was USD 3 million (USD -45 million), as investments in dry cargo vessels were more than offset by proceeds from sale of vessels.

Cash flow from financing activities was USD -262 million (USD -228 million), mainly due to instalments on lease liabilities and distribution of USD 86 million to shareholders offset by USD 100 million raised through the issue of a 3-year bond.

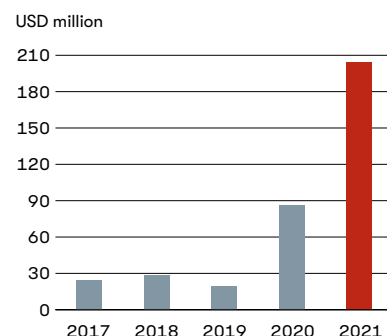
Total cash and cash equivalents increased by USD 79 million to USD 411 million (USD 332 million), which compares to total interest-bearing debt excluding lease liabilities of USD 342 million. As of 31 December 2021, NORDEN had undrawn credit facilities of USD 150 million.

Based on the strong liquidity position and expectations of further operating cash flow generation in 2022, NORDEN initiated a share buy-back programme of USD 40 million in 2021.

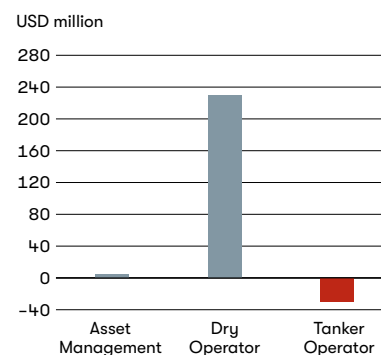
Result by quarter 2021



Result last 5 years



Result per business unit



Impairment assessment

NORDEN has at year-end 2021 performed impairment tests for the CGUs Dry Cargo and Tankers, and based on these, Management has assessed that there is no need for impairment or reversal of previously recognised impairments. For a more detailed description, refer to note 3.1 "Tangible assets" in the Consolidated Financial Statements.

ASSET MANAGEMENT

Asset Management manages asset trading and active portfolio management of owned and leased vessels.

Highlights 2021

Results

5

USD million
profit

7

USD million profit
from sale of vessels

1,347

USD million
market value of
vessel portfolio

Fleet overview

37

Owned vessels

72

Leased vessels

65,754

Period extension
option days

71

Purchase options

ASSET MANAGEMENT

- Profit of USD 5 million
- Active asset trading and significant optionality upside
- Positioned for significantly improved 2022 earnings based on dry cargo cover contracts

Results and activity

The full-year profit for Asset Management amounted to USD 5 million (USD 9 million), which includes vessel sales gains of USD 7 million. Due to Asset Management's business model of operating with high forward coverage, the strong dry cargo market will benefit 2022 earnings where a significant improvement is expected.

In addition, Asset Management has created a lot of value through active portfolio management and asset trading. During 2020 and the early part of 2021, prior to the market upturn, the business unit had invested in cheap dry cargo vessels in anticipation of better markets. As the dry cargo market rates increased extraordinarily during the second half of 2021, the business unit captured this value by reducing its exposure through attractive cover contracts for coming years and by actively capturing portfolio value increases through vessel sales. This cover is expected to significantly benefit 2022 earnings in

Asset Management. Vessel trading in 2021 amounted to 45 transactions, consisting of 5 purchases, 15 sales, 10 leases in and 15 leases out.

Portfolio value

At the end of 2021, the market value of Asset Management's portfolio of owned and leased vessels was an estimated USD 1,347 million.

The value of owned vessels and newbuilding orders, including joint ventures and assets held for sale, amounted to USD 1,000 million. This value exceeded book values by USD 113 million.

The market value of the leased dry cargo portfolio increased in line with the significant market increases experienced on asset prices and period rates during the year. Meanwhile, the value of the tanker portfolio was stable throughout 2021 despite difficult market conditions.

Optionality

The upward trend in dry cargo asset prices and period rates during 2021 has provided significant upside value on Asset Management's many extension and purchase options. These options are an important part of managing our portfolio, since they provide asset upside without the need to own vessels.

NORDEN has utilised four 1-year extension options during 2021. At the end of 2021, the portfolio of leased vessels included 71 purchase options, with 53 of these purchase options being callable before the end of 2024. NORDEN had a total of 65,754 extension option days at the end of 2021 (see overview of options on the following page). This optionality is expected to provide attractive opportunities for NORDEN going forward.

Dry cargo asset and period market rates

A strong dry cargo market in 2021 significantly increased both asset prices and period rates. During Q4, the combination of a severe slowdown in China's property sector and reduced Chinese coal imports due to higher own production created a brief but steep drop in both asset prices and time charter rates. However, demand remained strong outside China, and congestion and inefficiencies remained elevated, causing the market to rebound towards year-end.

Key figures and financial ratios

USD million	2020	2021				2021
	Total	Q1	Q2	Q3	Q4	Total
Contribution margin	229.6	48.9	54.3	51.3	49.6	204.1
Overhead and administration costs	-21.2	-2.4	-3.2	-2.4	-3.4	-11.4
Adjusted Result	29.0	2.1	2.1	-5.8	-0.1	-1.7
Profit/(loss) from sale of vessels*	-19.7	-9.2	-	13.4	2.6	6.8
Profit/loss for the period	9.3	-7.1	2.1	7.6	2.5	5.1

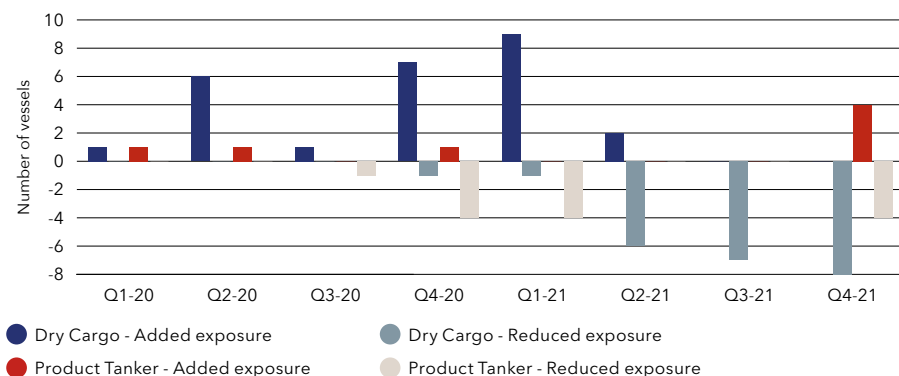
* Figure includes Profit/(loss) from sale of vessels in joint venture, cf. note 2.1

Asset Management values

USD million	Dry Cargo	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	670	330	1,000
Estimated market value of T/C and cover portfolio (incl. optionality)	280	67	347
Total Asset Management portfolio value	950	397	1,347
Market value of owned vessels vs. carrying amounts	158	-45	113

ASSET MANAGEMENT

Asset Management transactions (2020-2021)



Note: The outlined transactions above include purchases and sale of vessels, as well as long-term leases in and out, in total amounting to 45 transactions. Leases out are majoritively internal transfers to operator business units. The diagramme differs from the fleet list on the right, which accounts for delivery date on sales profits and transaction date on sales losses, while not including internal leases out across business units.

The price of a 5-year old Supramax increased by 69%, from USD 18 million to USD 30 million. The 1-year time charter rate for Supramax increased by 108%, from USD 11,600 to USD 24,125 per day.

Dry cargo market outlook

It is expected that asset prices and period rates will remain at strong levels during 2022. After a weak start to the year, China's imports are expected to accelerate, and growth in the rest of the world should remain strong. New sanctions targeted at Russia add uncertainty to coal and grain volumes and are expected to be slightly negative overall. While global port conges-

tion is expected to be slightly lower, it will remain supportive for rates.

Despite the strong dry cargo market in 2021, ordering of newbuildings was low at around 4% of the global fleet. Global fleet growth for 2021 amounted to 3.5%. For both 2022 and 2023, global fleet growth of around 2-2.5% is expected.

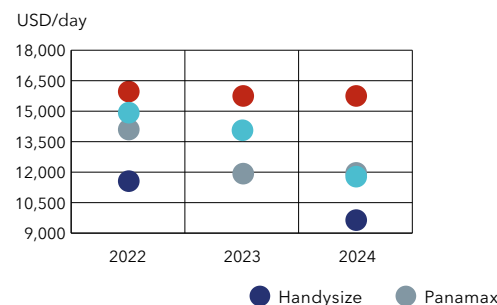
Tanker asset and period market rates

Global tanker markets continued to be very challenged in 2021 due to subdued demand following COVID-19. However, asset prices and time charter rates remained fairly stable throughout most of 2021,

Asset Management fleet

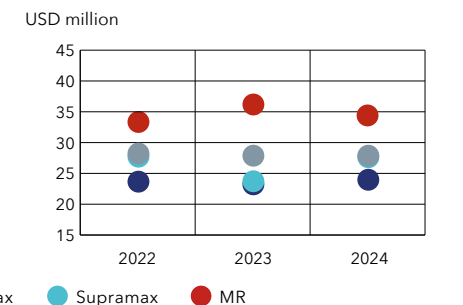
	Owned vessels			Leased vessels			Total
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total	
Active fleet							
Beginning of year	16	21	37	38	15	53	90
Net change during year	-3	-4	-7	5	3	8	1
End of year	13	17	30	43	18	61	91
For delivery							
Beginning of year	7	0	7	6	8	14	21
Net change during year	-2	2	0	2	-5	-3	-3
End of year	5	2	7	8	3	11	18
Total	18	19	37	51	21	72	109
Purchase options				51	20	71	
Period option days				49,237	16,517	65,754	

Extension options - Average T/C rates per vessel type



	2022	2023	2024
No. of options per year	18	15	13

Purchase options - Average price per vessel type per year



	2022	2023	2024
Average age at declaration (years)	5.6	3.5	3.5
No. of options per year	26	14	13

ASSET MANAGEMENT

supported by strong vessel newbuilding prices and high steel prices.

The tanker market bottomed out during Q3, and forward rates started to increase at the very end of Q4, which was reflected in improved asset prices and period rates at the end of the year. 5-year old MR tanker vessels increased 11% during 2021, from USD 27.5 million to USD 30 million. Similarly, 1-year time charter rates for MR eco vessels increased 11%, from USD 14,000 to 15,500 per day.

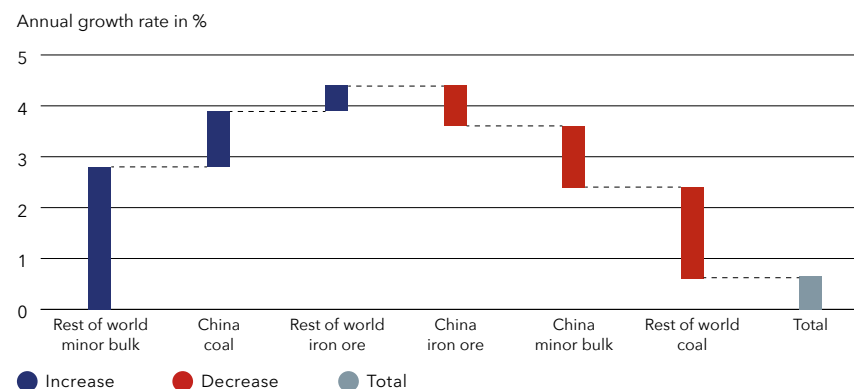
Tanker market outlook

Looking towards 2022, global oil inventories have been drawn down to levels that are likely to promote more activity on the crude oil market. At the end of 2021, inventory levels were nearing the lowest level in 10 years, with inventories decreasing by 13%, resulting in 52 days remaining of global crude oil inventories (see graph on next page). Increased crude oil activity would positively reduce the oversupply of vessels in the product tanker market. Furthermore, the underlying conditions within the clean product tanker market are condu-

cive for increased activity, when viewed in isolation. Disruptions of Russian oil exports due to the Ukraine conflict may add temporarily to activity levels, as volumes need to be sourced from locations further away. However, the market is starting from low utilisation of the global fleet of crude and product tanker vessels, and therefore market rate recovery is expected to be slow and only begin to show noticeable signs of improvement in the second half of 2022. Furthermore, COVID-19 related lockdowns based on new virus variants continue to pose a threat to the overall tanker market.

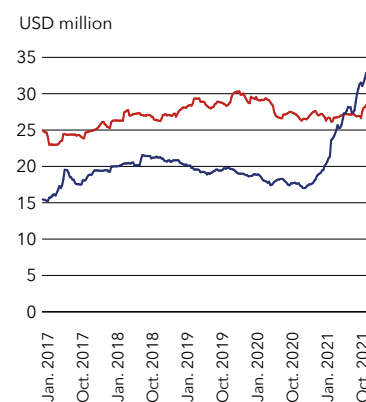
Net supply growth of the global tanker fleet remains low, supported by a large volume of vessel scrapping. As shipyards are mostly occupied by container newbuilding orders, there is a limited amount of product tanker newbuildings, which provides a crucial support to both asset prices and time charter rates. The global fleet growth in the combined global crude and product tanker fleet amounted to 1.8%, and is expected to remain at around 2.0% in both 2022 and 2023.

Dry Cargo demand growth in 2021



Source: TRACS

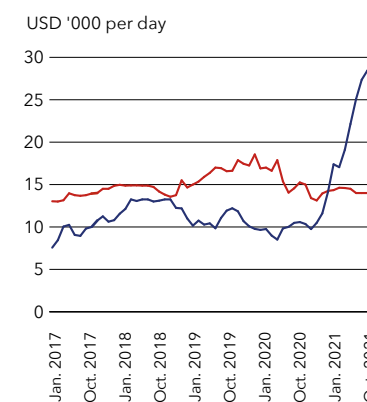
Asset values - 5-year old vessels



Legend: Supramax (blue), MR (red)

Source: VesselsValue

1-year T/C rate

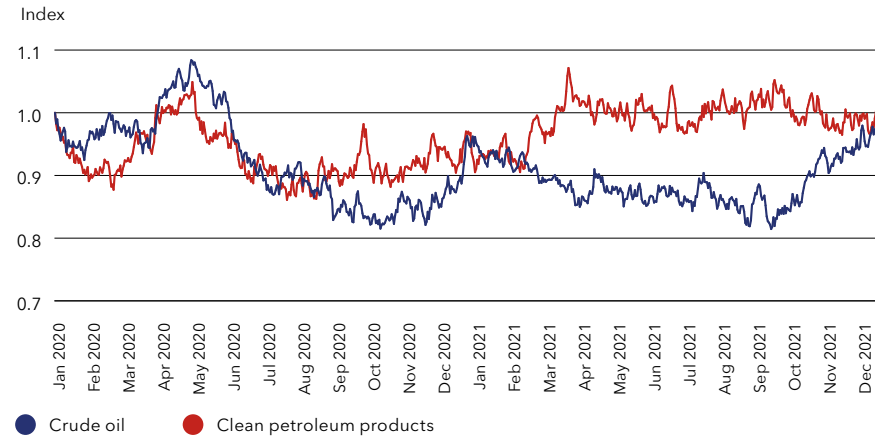


Legend: Supramax (blue), MR Eco (red), MR (green)

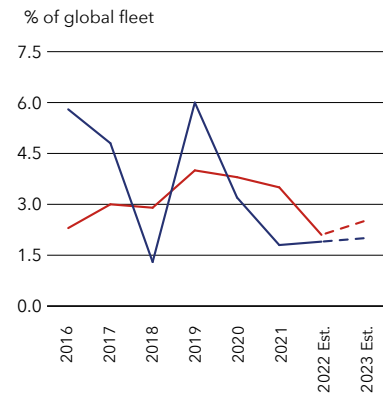
Source: Clarksons

ASSET MANAGEMENT

Oil volumes in transit (indexed)



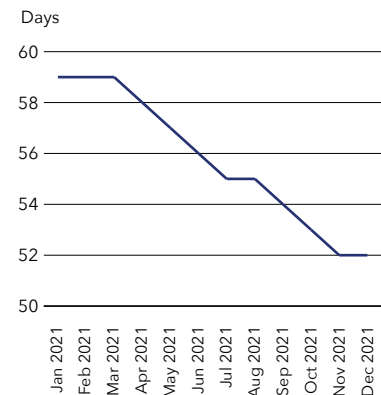
Global fleet growth, net



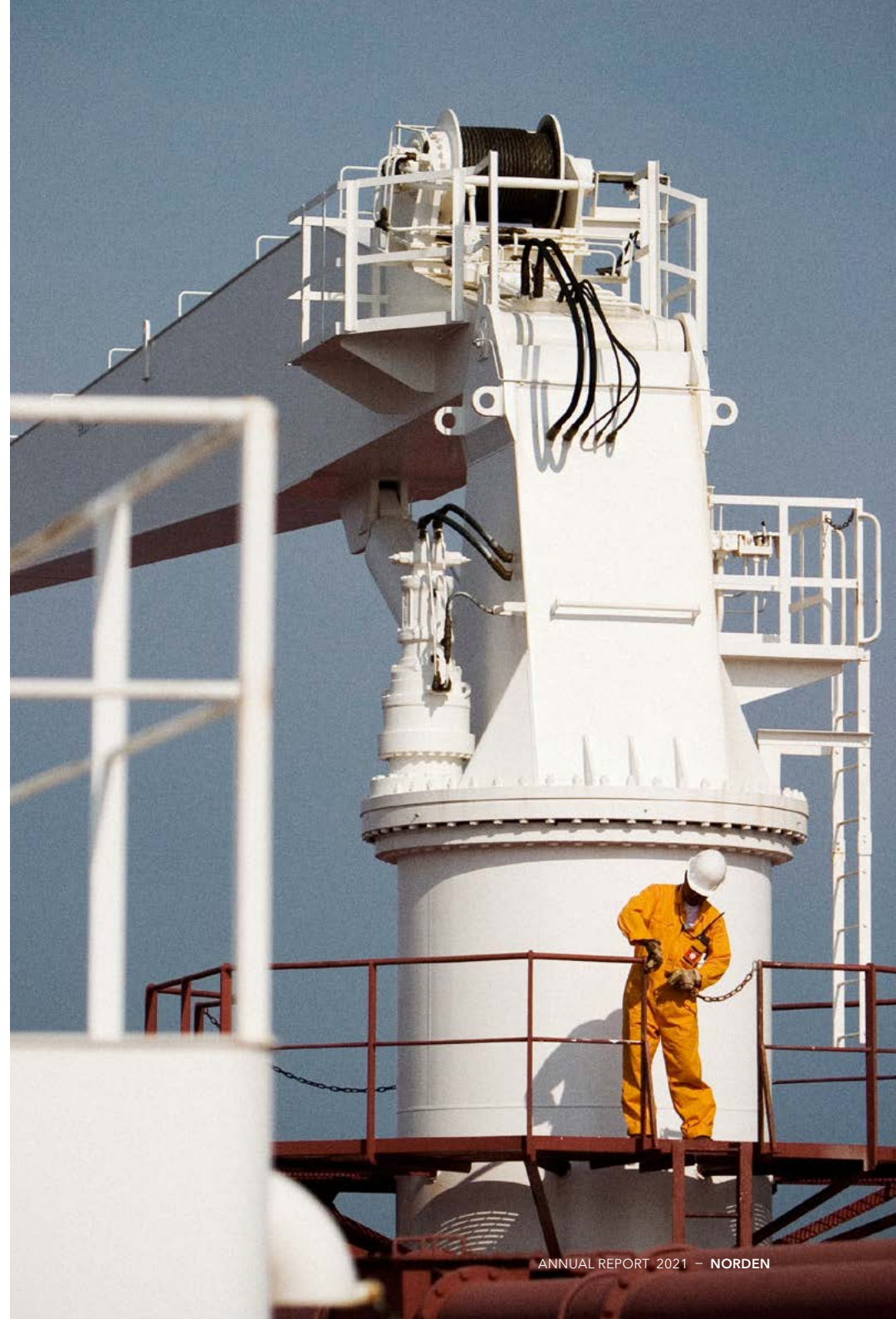
● Total tanker fleet
● Total dry cargo fleet

Source: Clarksons

Crude oil - Global forward demand cover



● Number of days in crude oil stocks based on forward demand



DRY OPERATOR

Dry Operator provides global freight solutions and trading in the dry cargo market. Going forward, this activity is integrated into NORDEN's Freight Services & Trading business unit.

Highlights 2021

Results

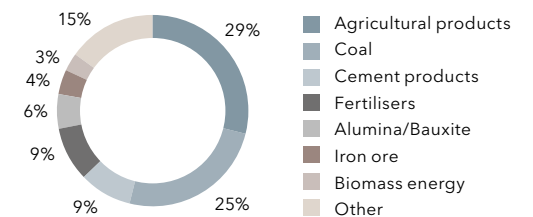
230	1,931
USD million profit	USD per vessel day

Activity

326	92 Panamax vessels
Average no. of vessels operated	131 Supramax vessels
	103 Handysize vessels

118,845
Total vessel days

Main commodities



DRY OPERATOR

- Profit of USD 230 million
- Capitalising on soaring market rates through significant tonnage position and strong customer focus
- Using market volatility through multiple trading strategies across regions and vessel types

Results and activity 2021

Dry Operator generated an outstanding result, with a profit for the year of USD 230 million (USD 59 million). The activity level grew to a record average fleet size of 326 vessels, which is an increase of 14% compared to 2020, and in contrast to a market demand growth of 0.7% in 2021. The average result per vessel day increased to USD 1,931 (USD 559).

Key figures and financial ratios

USD million	2020	2021				2021
	Total	Q1	Q2	Q3	Q4	Total
Contribution margin	137.6	24.4	70.1	129.1	214.8	438.4
Overhead and administration costs	-52.7	-10.8	-15.3	-23.7	-37.9	-87.7
Profit/loss for the period	58.5	-0.2	33.7	68.3	127.7	229.5
Vessel days	104,662	28,966	31,217	29,649	29,013	118,845
Result per vessel day (USD/day)	559	-7	1,080	2,304	4,402	1,931

Leading into 2021, Dry Operator anticipated a weak start to the year for the dry cargo market, but contrary to expectations, spot rates increased during Q1, and Dry Operator promptly readjusted its position by chartering in a record number of vessels in anticipation of further rate increases. The change of position created significant value, as dry cargo spot rates continued to increase. Towards the end of the year, the business unit utilised the strong rates to take on a large number of cargo contracts to reduce its exposure.

The quick portfolio adjustments throughout the year are key examples of how the asset-light business unit can adapt and benefit from market volatility by applying multiple trading strategies across its sub-markets.

Dry Operator uses its broad network and local presence to identify opportunities to

position itself across regions, vessel types and time periods.

The business unit continued to grow, especially in the Handysize vessel segment as customers shifted cargo from containers to smaller dry cargo vessels due to better availability and reliability. Dry Operator also strengthened its market share and continued to benefit from an increasing number of customers (shipowners and cargo customers), who sought a financially stable and commercially reliable partner during very volatile and unpredictable markets.

Market development in 2021

Dry cargo market rates soared to extremely high levels in 2021, driven by strong Asia-driven demand in the first half of the year, combined with ongoing global market inefficiencies such as port congestion, weather disturbances and trade disputes. To the surprise of many operators, market rates increased in early 2021 with sustained disruptions on vessel availability, which effectively caught both ship owners and operators off guard, causing a market scramble to secure tonnage to meet the increasing demand for cargoes. As port congestion related to COVID-19 prolonged, this effectively reduced the amount of globally active vessels, driving market rates up considerably in a short span of time.

In addition to this, a highly active container market caused positive spill-over effects on the dry cargo market, as commodities that would traditionally be transported by container vessels placed further demand on smaller dry cargo vessels, in particular Handysize. The high Chinese demand came to an end in Q4, as energy prices surged and China put a halt on its import activity. While this caused a short-term drop in market rates, rates rebounded at year-end.

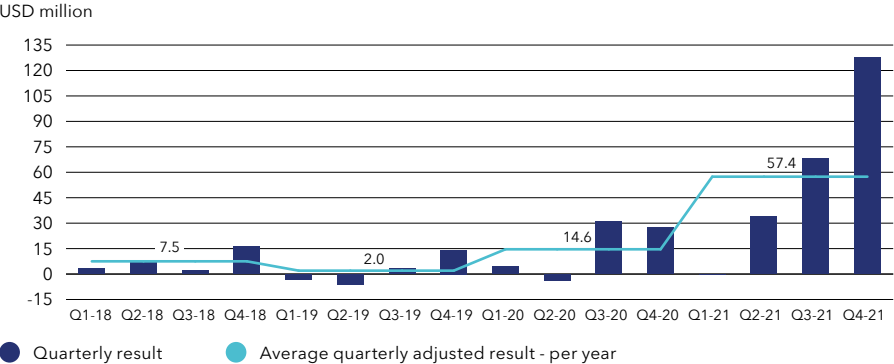
During the year, average spot rates increased significantly across the vessel types that NORDEN operates. Average Handysize spot rates increased by 221% (from USD 8,000 to USD 25,700 per day), Supramax rates increased by 227% (from USD 8,200 to USD 26,800 per day), and Panamax rates increased by 171% (from USD 9,900 to 26,900 per day).

Market outlook

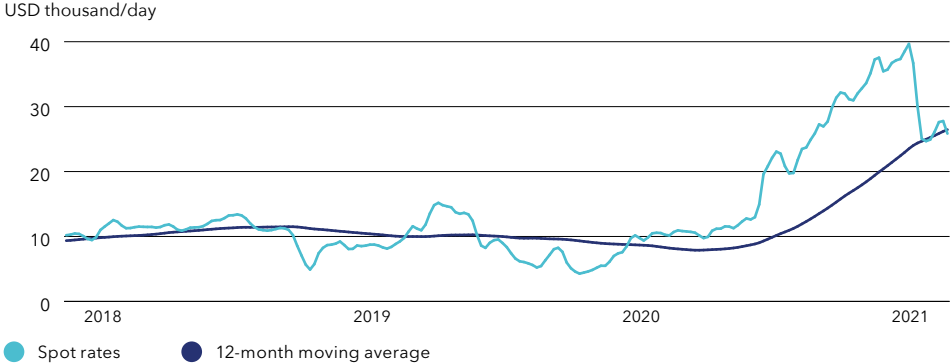
The dry cargo market is expected to remain strong in 2022. Globally, port congestion is not expected to evaporate in the short-term, as COVID-19 variations continue to pose a threat to supply chains. China is expected to have subdued activity in the first half of 2022. We expect the Chinese economy to be fiscally stimulated and demand for dry cargo to increase from March onwards.

DRY OPERATOR

Dry Operator - Quarterly results

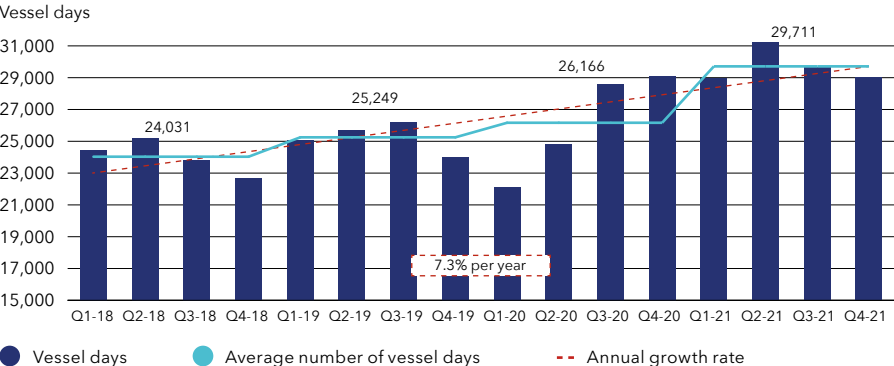


Supramax spot rates

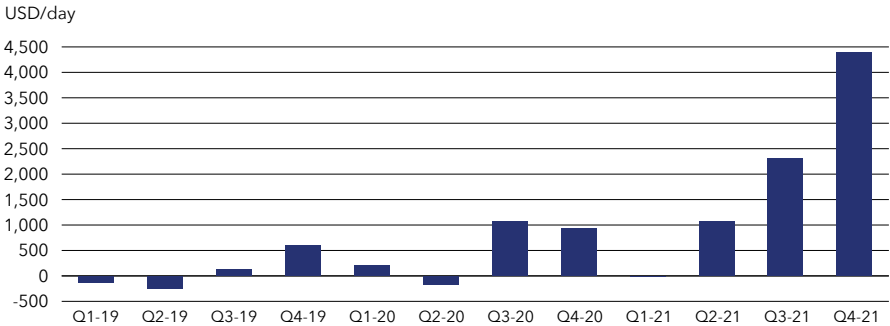


Source: Clarksons

Dry Operator - Quarterly activity levels



Dry Operator - Margin per vessel day



TANKER OPERATOR

Highlights 2021

Results

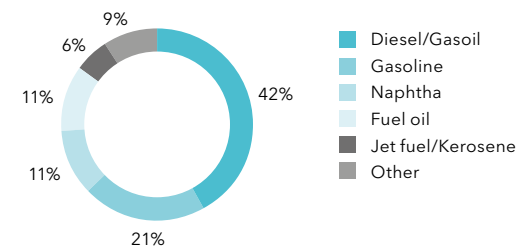
-30 **-664**
USD million USD per vessel
day

Activity

124 85 MR vessels
Average no. of total 39 Handysize vessels
vessels operated

45,344
Total vessels days

Main commodities



Tanker Operator provides global freight solutions and trading in the product tanker market. Going forward, this activity is integrated into NORDEN's Freight Services & Trading business unit.

TANKER OPERATOR

- Loss of USD 30 million
- Very weak spot market
- Positioned for market improvements with extensive optionality on hand

Results and activity 2021

The full-year loss for Tanker Operator amounted to USD 30 million (profit of USD 18 million) and is the result of 45,344 vessel days (44,668) handled by the business unit during the year. The business unit operated with an average result per vessel day of USD -664 and an average combined fleet size of 124 vessels. Vessels chartered by Tanker Operator averaged 46, while 78 vessels were in NORDEN's third-party commercial pool management.

In a market only slowly recovering from low demand, Tanker Operator sought to mitigate the worst effects by redelivering expired vessels at the end of their contracts, renewing expired period vessels at lower daily rates and by entering into time-charter out contracts.

In addition, the business unit optimised the daily operation of vessels and voyages and during the year benefitted from higher demurrage compensation, providing improved earnings on certain voyages. While this combined activity reduced the worst effects of operating with historically low market rates, the business unit could not avoid losses during the year.

Tanker Operator has prepared for increased activity once markets recover, believing the market has bottomed out

during 2021. The business unit has focused on creating an optimal vessel portfolio for 2022, taking on time charter contracts, thereby adding length, including extension options, to be able to capitalise on future rate improvements. The market value of the optionality on the added tonnage indicates good potential when looking into the second half of 2022 and 2023, in line with expected market recovery. During 2021, Tanker Operator increased its exposure to transportation of soft oils (palm oils, vegetable oils) as a way of further diversifying its range of transported products and market exposure going forward.

In 2021, Tanker Operator generated an income of USD 13 million from commercial pool management, booked as Other Operating Income. Following the merger of Diamond S Shipping and International Seaways, the partnership was extended with ten additional vessels in addition to other customer vessels added to the pool during the year. In 2022, NORDEN expects to further professionalise the services provided to tanker pool customers in line with the reorganisation into the Freight Services & Trading business unit.

Market development in 2021

Following the outbreak of COVID-19 in 2020 and the resulting lowering of oil demand and oil production, tanker markets

struggled during most of 2021. With limited demand for crude oil, transport hereof stagnated, as markets relied on oil inventories built up during previous periods. This was further compounded by ongoing deliveries of new VLCC tankers, which moved into the product tanker market as part of their maiden voyages, combined with other larger coated tonnage moving into the product tanker segment. This effectively created an oversupply of tonnage, ultimately lowering earnings potential.

During the year, underlying product tanker demand improved in line with the gradual reopening of countries and improvements in overall world trade. This meant that demand for major product tanker commodities like gasoline and diesel improved to pre-COVID-19 levels, while the demand for jet fuel did not recover to the same degree, as intercontinental flights were still less frequent. However, this recovery could not offset the indirect competition from crude carriers, which remained the predominant challenge for product tanker operators.

Average MR Atlantic spot rates decreased by 65% year on year from USD 19,300 to USD 6,800 per day. Average MR Pacific spot rates decreased by 51% year on year from USD 15,900 to USD 7,800 per day.

Key figures and financial ratios

USD million	2020	2021				2021
	Total	Q1	Q2	Q3	Q4	Total
Contribution margin	68.4	2.0	4.9	-2.4	2.6	7.1
Overhead and administration costs	-19.2	-3.8	-5.4	-3.9	-5.2	-18.3
Profit/loss for the period	18.2	-7.6	-4.0	-10.9	-7.6	-30.1
Vessel days	44,668	10,833	10,795	11,595	12,121	45,344
Result per vessel day (USD/day)	408	-702	-371	-940	-627	-664

TANKER OPERATOR

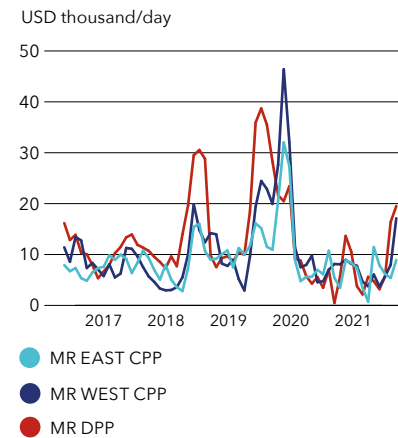
Market outlook

Overall, the first half of 2022 is expected to continue to be challenging, yet gradual improvements are expected in the second half of the year. Demand for tanker transport is expected to increase with more tonne-miles related to ongoing market disruptions in line with the need for restocking oil inventories combined with a gradual recovery of oil demand.

The indirect competition from VLCCs is still expected, but a combination of a low

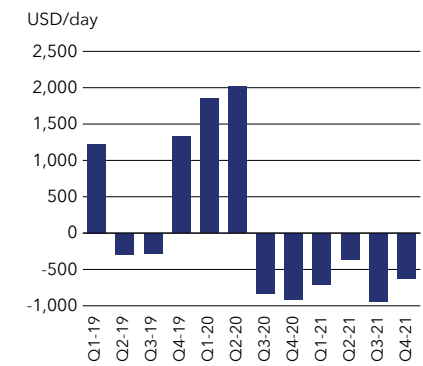
orderbook and gradual increases in crude oil supply will support more attractive market rates for VLCCs, thereby removing the negative spill-over effect on the product tanker market. However, the speed of recovery is dependent on the OPEC+ countries' capacity and ability to meet increased production targets. Furthermore, the ongoing threat of COVID-19 variants and subsequent lockdowns will continue to be a threat to oil demand and supply as well as demand for tankers.

MR T/C spot rates

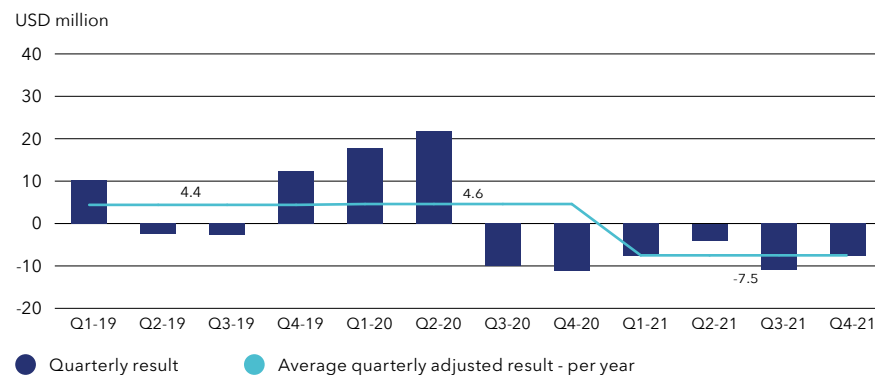


Source: ACM Braemar

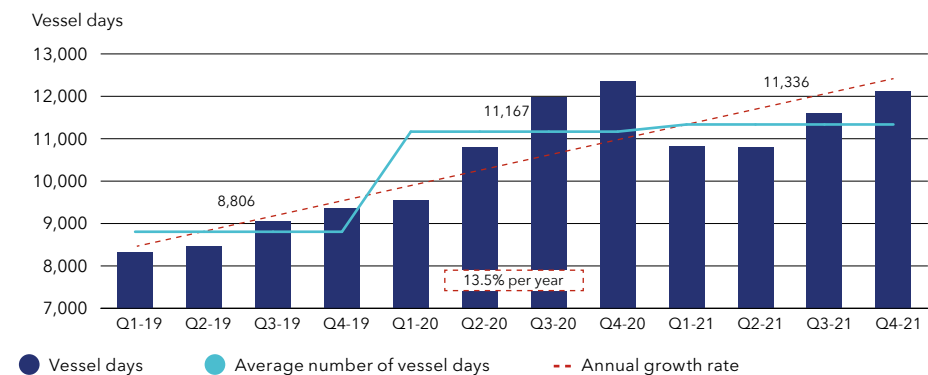
Tanker Operator - Margin per vessel day



Tanker Operator - Quarterly results



Tanker Operator - Quarterly activity levels





GOVERNANCE

A man with short brown hair, wearing a light blue button-down shirt, is seated at a desk. He is looking down and writing with a black pen. In the background, there are several copper-colored desk lamps with curved shades. The overall lighting is soft and professional.

- 37 Corporate governance
- 40 Board of Directors
- 42 Senior Management
- 43 Board Committees

CORPORATE GOVERNANCE

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

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

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

Governance structure

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

The Board of Directors is made up of nine members. Six are elected for a term of one year by the shareholders, while three members are elected for a term of three years by the employees. The Board of Directors determines and approves strategies, policies, overall goals and budgets for the Company. In addition, it sets out the risk management framework and supervises the work, procedures, etc. carried out by the day-to-day management. The Board of Directors appoints the Executive Management and sets out its responsibilities and remuneration. To avoid conflicts of interest, there are no transactions between related parties within the Board, and the Board does not operate with any form of incentive-based remuneration.

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

Governance structure



The Articles of Association can be found on the Company's website. Generally, resolutions to amend the Articles of Association require a quorum of at least two-thirds of the voting share capital represented at a general meeting and a majority of at least two-thirds of the votes cast, as well as of the voting share capital represented at the general meeting. In addition, certain resolutions on changes of the shareholders' dividend or voting rights or the transferability of shares, as set out in the Danish Companies Act, require a special supermajority of at least 9/10 of the votes and of the capital represented.

Board work

The Board of Directors sets out an annual work schedule to ensure that all relevant issues are discussed during the year. As part of the annual schedule, regular board meetings and strategy seminars are held to ensure focus on both short and long-term targets for the Company. In line with this focus on short and long-term activities, the Board of Directors is engaged in upholding the purpose of NORDEN: *"As drivers of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters"*. This is, among other areas, reflected in the strategic discussions and priorities set between the Board of Directors and the Executive Management, in the regular updates provided by the Executive Management to the Board, as

well as in the remuneration targets set forth for Executive Management by the Board.

In 2021, the Board of Directors held 14 board meetings. The attendance rate was 98%.

Board committees

As part of the Board of Directors' work and structure, four subcommittees have been established to ensure dedicated focus on recurring topics deemed of high importance for the governance of the Company. See overview of committees on page 43.

Board qualifications and evaluation

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

- Insight into shipping
- General management
- Strategic development
- Risk management
- Commodity trade
- Investment, finance and accounting
- International experience

In 2021, the Board of Directors and the Executive Management conducted a self-assessment of the composition, qualifications and dynamics of the Board of Directors. The assessment concluded that the Board of

Directors possesses relevant skills and has good working relationships and dynamics. A similar assessment is planned for 2022.

Board composition and remuneration

At the annual general meeting in March 2021, all shareholder-elected board members were re-elected as members of the Board of Directors.

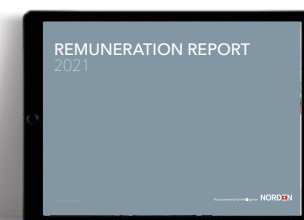
During 2021, three new employee representatives, Benedicte Hedengran Wegener, Christina Lerchedahl Christensen and Henrik Røjel, were elected as members of the Board of Directors for a period of three years. The three employee-elected representatives joined the Board of Directors at the annual general meeting in March 2021. At the same time, employee-elected board member Jesper Svenstrup resigned from the Board of Directors, in line with the ending of his employment in NORDEN.

The Board of Directors had a target to have a minimum of two female shareholder-elected board members out of six by 2020. The target was met, and the target is increased to a minimum 40% female shareholder-elected board members by 2025. Further details on the diversity levels in NORDEN can be found in the People chapter of the Sustainability section within this report, while NORDEN's Diversity, Equity & Inclusion policy can be found at norden.com/investor/governance/policies-and-charters



Our Statutory Statement for Corporate Governance is available at:

norden.com/investor/governance/corporate-governance



Our Remuneration Report 2021 is available at:

norden.com/investor/governance/remuneration

Board remuneration remained unchanged at USD 0.8 million in 2021. Specific board remuneration can be found in the Remuneration Report 2021 available for 10 years at norden.com/investor/governance/remuneration. The Board of Directors proposes unchanged board fee remuneration in 2022.

Executive Management remuneration

The remuneration of the Executive Management follows the principles set out in the Company's Remuneration policy, and the specific remuneration components granted for each of the two members of the Executive Management are set out in the separate Remuneration Report 2021.

Adherence to Danish corporate governance recommendations

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

NORDEN follows all recommendations, and a systematic review of NORDEN's adherence to each of the Danish Corporate Governance recommendations can be found in the Company's Statutory Statement for Corporate Governance at norden.com/investor/governance/corporate-governance (in accordance with section 107b of the Danish Financial Statements Act).

Planned Board activity for 2022

The Board of Directors has planned 12 board meetings for 2022. The annual general meeting will be held on 24 March 2022.



BOARD OF DIRECTORS



Klaus Nyborg



Johanne Riegels Østergård



Karsten Knudsen



Thomas Intrator

Position	Chairman	Vice Chairman	Board Member	Board Member
Occupation	Managing Director	Managing Director	Managing Director	Managing Director
Other directorships	A/S United Shipping & Trading Company (CB), Bawat A/S (CB), Moscord Pte. Ltd. (CB), Bunker Holding A/S (VCB), Uni-Tankers A/S (VCB), DFDS A/S (VCB), X-Press Feeders Ltd. (BM), Norchem A/S (BM), Maritime Investment Fund I and II K/S (Chairman of investment committee), Karen og Poul F. Hansens Familiefond (BM) and Return ApS (MD)	A/S Motortramp (BM), D/S Orients Fond (BM), Ejendomsselskabet Amaliegade 49 A/S (BM), Lomax A/S (BM), Lion Danmark I ApS (BM) and Green Box A/S (VCB)	Vækst-Invest Nordjylland A/S (CB), Polaris IV Invest Fonden (CB), Nordsøenheden (VCB), A/S Motortramp (BM), D/S Orients Fond (BM), Obel-LFI Ejendomme A/S (BM), Velliv Pension & Livsforsikring A/S (BM), K/S Birkerød Hovedgade 42 (BM), Saga I-VII GP ApS (MD), Saga VII-USD PD AIV K/S (MD), Saga VII-EUR K/S (MD), Saga VII-USD K/S (MD), Saga VIII-EUR K/S (MD) and Saga VIII-USD K/S (MD)	Macsteel Holdings Sarl, Luxembourg, Macsteel Global Sarl BV, Luxembourg (BM), Argus Media (BM) and Marquard & Bahls (BM)
Relevant skills	Experience with management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management	General management, financial and business insight as well as detailed knowledge of NORDEN's values and history	General management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks	Experience as an executive in one of the world's largest trading houses, international background and extensive knowledge of energy, shipping and metals. Experience within management, strategy, investment, customer relations and service, financial issues and risk management
Board member since	2012 (Chairman since 2015)	2016 (Vice Chairman since 2017)	2008	2017
Term expires	2022	2022	2022	2022
Attendance 2021*	100%	100%	100%	100%
Committees and attendance 2021	Audit Committee (100%), Remuneration Committee (100%), Nomination Committee (100%)	Nomination Committee (100%)	Audit Committee (100%), Risk Committee (100%), Remuneration Committee (100%)	Risk Committee (100%), Remuneration Committee (100%), Nomination Committee (100%)
Independent/Not independent	Independent	Not independent**	Not independent**	Independent
Born in	1963	1971	1953	1959
Gender	Male	Female	Male	Male
Nationality	Danish	Danish	Danish	Swiss
No. of shares at year-end (annual change)	1,700	499**	2,000**	5,100 (increase of 1,500)

All information as per 3 March 2022. Directorships do not include positions within the NORDEN Group. CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director.

* Calculated as percentage of required attendance ** In addition to the shares held personally by Johanne Riegels Østergård and Karsten Knudsen or through their related parties, both are associated with A/S Motortramp, which holds 12,379,237 shares in NORDEN.

*** Employee-elected board members are not independent by virtue of their employment.



Helle Østergaard Kristiansen

Stephen John Kunzer

Christina Lerchedahl Christensen

Henrik Røjel

Benedicte Hedengran Wegener

Position	Board member	Board member	Board Member	Board Member	Board Member
Occupation	CEO of Danske Commodities	Former CEO in Eastern Pacific Shipping	Business Application Specialist (NORDEN)	Head of Fuel Efficiency and Decarbonisation (NORDEN)	Head of Operations (NORDEN)
Other directorships	ARoS Aarhus Kunstmuseum, Stauning Whiskey A/S (BM) and Systematic A/S (BM)	Braemar Shipping Services Plc. (BM)	Elected by the employees	Elected by the employees	Elected by the employees
Relevant skills	Experience as CEO and CFO in an international energy trading house, extensive knowledge of energy, risk management, optimising processes and digitalisation. Competencies within digitalisation, international financing and risk management	Experience within management of one of the world's largest private family ship owners. Competencies within international shipping, especially within the tanker segment and experience in operating a large diverse fleet	Experience within international shipping, especially within the tanker segment and operations. Competencies within business applications, processes and bridging business and IT	Competencies within sustainable energy. Extensive experience within working with fuel efficiency optimisation and decarbonisation	Competencies within international shipping and management. Experience within and knowledge of ship management, vetting requirements and Marine HR as well as extensive operational know-how
Board member since	2018	2018	2021	2021	2021
Term expires	2022	2022	2024	2024	2024
Attendance 2021*	100%	100%			
Committees and attendance 2021	Audit Committee (100%)	Risk Committee (100%), Remuneration Committee (100%)			
Independent/Not independent	Independent	Independent	Not independent***	Not independent***	Not independent***
Born in	1978	1966	1989	1987	1983
Gender	Female	Male	Female	Male	Female
Nationality	Danish	British	Danish	Danish	Danish
No. of shares at year-end (annual change)	800	0	0	0	1,761

SENIOR MANAGEMENT



Jan Rindbo

Occupation	CEO	Martin Badsted	CFO
Education	Trained in shipping and has completed executive training programmes at INSEAD		Holds an M.Sc. in International Business
Other directorships	Danish Shipping (BM), D/S Orients Fond (BM) and BIMCO (BM)		
Employed in	2015	2005	
Born in	1974	1973	
No. of shares at year-end (annual change)	84,594 (increase of 46,757)	10,911 (increase of 6,688)	



Martin Badsted

Remuneration for the Executive Management can be found in the Remuneration Report 2021, available for 10 years on NORDEN's website. norden.com/investor/governance/remuneration



Heidi Nykjær Persson

Occupation	Head of People, Communications and Sustainability	Christian Vinther Christensen	COO	Henrik Lykkegaard Madsen	Head of Asset Management
Education	Trained in shipping, holds a BA in Shipping and Transportation from Shanghai University and a MA in Consulting and Coaching Change from INSEAD	Trained in shipping and has completed executive training programmes at Duke CE		Trained in shipping, holds a graduate diploma in Marketing Economics and has completed executive training programmes at INSEAD and IMD	
Other directorships					
Employed in	2018	2017		2010	
Born in	1968	1970		1962	



Christian Vinther Christensen



Henrik Lykkegaard Madsen

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

BOARD COMMITTEES

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

Audit Committee

Throughout 2021, the Audit Committee consisted of:

- Karsten Knudsen (Committee Chairman)
- Klaus Nyborg
- Helle Østergaard Kristiansen

The committee supervises financial reporting, transactions with closely related parties, auditing, etc. The terms of reference are published on NORDEN's website, where a statement of control and risk management in connection with financial reporting can also be found (in accordance with section 107b of the Danish Financial Statements Act). In 2021, the committee held four meetings with 100% attendance.

Risk Committee

Throughout 2021, the Risk Committee consisted of:

- Thomas Intrator (Committee Chairman)
- Karsten Knudsen
- Stephen John Kunzer

The purpose of the committee is to assist the Board of Directors in its oversight of the Company's overall risk-taking tolerance and management of market, credit and liquidity risks. The committee's terms of reference are available on NORDEN's website. In 2021, the committee held four meetings with 100% attendance.

Remuneration Committee

Throughout 2021, the Remuneration Committee consisted of:

- Klaus Nyborg (Committee Chairman)
- Karsten Knudsen
- Thomas Intrator
- Stephen John Kunzer

The committee is responsible for supervising the implementation of the Company's Remuneration policy, which specifies the remuneration of the Board of Directors and Executive Management. The Remuneration policy as well as the committee's terms of reference are available on NORDEN's website. In 2021, the committee held two meetings with 100% attendance.

Nomination Committee

Throughout 2021, the Nomination Committee consisted of:

- Klaus Nyborg (Committee Chairman)
- Johanne Riegels Østergård
- Thomas Intrator

The committee is responsible for describing the qualifications required in the Board of Directors and the Executive Management. The committee is also in charge of an annual assessment of the competences, knowledge and experience present in the two management bodies. The committee's terms of reference are available on NORDEN's website. In 2021, the committee held one meeting with 100% attendance.

SUSTAINABILITY

An aerial photograph of the Earth, showing a coastline with a river delta and the ocean. The image is used as a background for the sustainability report cover.

- 45 Sustainability in NORDEN
- 47 Climate & Environment
- 51 People
- 56 Anti-corruption
- 59 ESG performance
- 60 ESG accounting policies

SUSTAINABILITY IN NORDEN

Operating at the heart of global trade, NORDEN is committed to helping customers decarbonise their supply chains, setting high standards within diversity, equality and inclusion and taking a firm stance against all forms of corruption.

Strategy and focus areas

Our sustainability strategy is incorporated into our business strategy and supports NORDEN's purpose of enabling smarter global trade. The sustainability strategy has three focus areas: Climate & Environment, People and Anti-corruption. The three areas direct our efforts and overall aims within sustainability and are used to map each of the United Nations Sustainable Development Goals (SDGs) of particular relevance to our business activities. Further information on NORDEN's business model and units can be found in the Business units section of this report.

The focus areas and targets are defined by NORDEN's overall commitment to take a leading role in driving sustainability agendas forward within shipping. In the short-term, this is achieved by making gradual improvements in our shipping solutions, ensuring a more diverse and inclusive employee culture as well as upholding strict anti-corruption measures. In the long-term, we have set ambitious climate commitments for where NORDEN wants to be in 2030 and 2050. Likewise, our long-term diversity target is to have a gender balance of minimum 40% female employees, managers and shareholder-elected board members in 2025.



NORDEN'S SUSTAINABILITY FOCUS AREAS



Climate & Environment



Focus area
Decarbonisation and logistic solutions

Helping our customers decarbonise their supply chains. We provide customers with accurate transparency on the carbon footprint of every ocean freight transport, and we work with our partners to co-create competitive greener shipping solutions.

Read more in the Climate & Environment chapter on page 47

Targets

Provide our customers with accurate transparency on carbon emissions

Competitive greener shipping solutions for our customers by 2022

Relative carbon emissions from our operations below the Sea Cargo Charter reduction trajectory

Only order vessels with zero-emission technology from 2030 at the latest

Net-zero emissions from our operation by 2050



People



Focus area
Diversity, wellbeing and engagement

We embrace diversity and understand that everyone plays an important part in the company. We strive to continuously ensure a diverse and inclusive culture promoting justice, impartiality and fairness. Furthermore, the physical and mental wellbeing of employees will be a dedicated focus area for NORDEN in 2022.

Read more in the People chapter on page 51

Targets

Female share of employees: At least 40% in 2022 (2021: 39%)

Female share of managers: At least 36% in 2022 and at least 40% in 2025 (2021: 36%)

Female share of shareholder-elected members of Board of Directors: At least 40% in 2025 (2021: 33%)



Anti-corruption



Focus area
Bribery and facilitation payments

Corruption impedes access to global markets and constitutes barriers to economic and social development around the world. NORDEN has zero tolerance towards bribery, and our policy is to refuse facilitation payments.

Read more in the Anti-corruption chapter on page 56

Targets

Zero tolerance towards bribery and refusal of facilitation payments

All eligible employees to take and pass NORDEN's anti-corruption training as well as NORDEN's sanctions and trading restrictions training

Communication on progress

NORDEN has been a UN Global Compact signatory since 2009, embracing a focus on how to act responsibly as a business. NORDEN reports annually to the UN Global Compact, and this annual report functions as our communication on progress for the financial year 2021. NORDEN's CEO, Jan Rindbo, comments: "NORDEN continues its long-standing support of the UN Global Compact and has embedded practices safeguarding the principles relating to human rights, labour, environment and anti-corruption into our operations".

This report also represents our statutory statement on social responsibility, under-represented gender and diversity as well as data ethics in accordance with sections 99a, b & d and 107d of the Danish Financial Statements Act.

Governance

NORDEN's Sustainability Executive Body, which is chaired by NORDEN's CEO and consists of members of Senior Management, including heads of NORDEN's business units, is ultimately responsible for NORDEN's sustainability strategy, focus areas, ambition level and policies.

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

Sustainability Committee

NORDEN's management continuously encourages employee engagement towards the sustainability agenda in NORDEN. An example is NORDEN's Sustainability Committee, which consists of employees who are motivated by making an impact on

the One Sustainable NORDEN agenda as part of working in NORDEN. The Committee acts as an informal idea platform for discussing and collecting initiatives from around the organisation, acts as a sounding board for the Sustainability Executive Body and actively advocates sustainability initiatives. The scope of ideas is related to sustainability mainly in the offices.

Sustainability risks

The material sustainability risks inherent in NORDEN's value chain, pursuant to the Danish Financial Statements Act §99a, are outlined in the Risk management section of this report.

EU Taxonomy

The EU Taxonomy initially requires public interest entities to disclose to what extent their activities are covered by the Taxonomy and to subsequently report whether their activities can be considered sustainable under the provisions set out in the Taxonomy. NORDEN's activities primarily comprise shipping activities and related services which are generally considered to be eligible under the Taxonomy.

Turnover

Turnover as defined in the Taxonomy is generally considered to be equivalent to Revenue as defined by IFRS and recognised in the consolidated income statement. The activities generating revenue are generally considered to be eligible under the Taxonomy except that chartering out vessels is

not considered an eligible activity. Income earned from the administration of pool arrangements is not considered eligible under the Taxonomy. Such income is presented as Other operating income and not as Revenue.

Capital expenditures

Capital expenditures as defined in the Taxonomy are considered equivalent to the additions to Vessels and Prepayment on vessels and newbuildings as set out in note 3.1 in the Consolidated Financial Statements and additions to Right-of-use assets as set out in note 4.7 in the Consolidated Financial Statements.

Capital expenditures incurred are generally considered to be eligible under the

Taxonomy except if capital expenditures are incurred directly relating to chartering out vessels.

Operating expenditures

Operating expenditures as defined in the Taxonomy are considered to be expenditures directly related to chartering, maintaining and operating vessels and equivalent to Vessel operating costs as presented in the consolidated income state-

ment. Overhead and administrative costs as presented in the consolidated income statement comprising salaries to onshore employees, office expenses etc. are generally not considered covered by the Taxonomy's definition of Operating expenditures.

Operating expenditures incurred are generally considered to be eligible under the Taxonomy except if relating to vessels chartered out.

Eligibility estimates for 2021 results			
	Turnover	Capital expenditures	Operating expenditures
Percentage of activities eligible under the Taxonomy's provisions around:			
Shipping activities eligible under 6.10 - Sea and coastal freight water transport, vessels for port operations and auxiliary activities	73%	99%	85%
Percentage of not-eligible activities	27%	1%	15%
Total	100%	100%	100%

CLIMATE & ENVIRONMENT



NORDEN's climate strategy outlines a clear ambition and firm commitments for how NORDEN will take a leading role in helping our customers decarbonise their supply chains.

The transition to greener shipping will be among the biggest transformations in NORDEN's 150-year history. As an integrated part of the global supply chain, NORDEN is committed to helping our customers decarbonise their activities and contributing through industry-wide partnerships. NORDEN advocates ambitious industry targets on emission levels and increased regulatory standards through sector-wide bodies, including Danish Shipping, IMO, BIMCO, the Sea Cargo Charter and the Getting to Zero Coalition. Furthermore, NORDEN is proud to be a corporate partner of the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, which works with stakeholders across the industry as part of a joint mission to decarbonise the maritime sector.

NORDEN's climate and environment goals meet the United Nations International Maritime Organisation's (IMO) carbon reduction strategy and goals, and NORDEN aims well beyond this by aligning with the climate ambitions outlined by the Danish government's climate partnership with

the Danish maritime sector of achieving carbon neutrality in 2050.

During 2021, we refined our decarbonisation focus and outlined five climate commitments (see page 45) that will form the basis of our future efforts.

Performance in 2021

CO₂ levels emitted from NORDEN's operated vessels are measured as relative emissions per tonnes-miles, which is used to calculate energy efficiency. This is quantified as the amount of carbon output relative to transporting one tonne of cargo for one nautical mile. NORDEN reports on this output by applying the Energy Efficiency Operational Indicator (EEOI).

NORDEN's overall relative CO₂ emissions, EEOI, were 8.6 grammes CO₂/tonne-mile in 2021. NORDEN's performance was negatively impacted by operating vessels at higher speeds and operating relatively more small Handysize vessels which are less efficient. However, this was offset by the inclusion of vessels on time-charter out in the EEOI measurement, since in NORDEN's case, vessels on time-charter out have higher efficiency than the average fleet.

This shows how the EEOI score is easily affected by changes in vessel types within the entire portfolio. As NORDEN's portfo-

lio of vessel types changes continuously in line with the Company's agile business model and customer demand, it can render the gradual developments in overall EEOI score less informative.

To ensure a more transparent and comparative measurement across peers, NORDEN intends to benchmark relative emissions for our operated vessels against the trajectory set forth by the Sea Cargo Charter.

NORDEN's aim is to keep relative emissions below the yearly limit outlined in the Sea Cargo Charter trajectory. NORDEN's relative emissions are currently in line with the trajectory. Furthermore, NORDEN aims to reach net-zero emissions from our operations in 2050, which means that the Company's relative emissions are set to reduce even sooner than the Sea Cargo Charter trajectory outlines.

From an operational viewpoint, NORDEN utilises average vessel performances to predict future voyage emissions. During 2021, NORDEN made it possible for customers to receive estimates on carbon emissions for each individual voyage ahead of time, and to receive an accurate summary of the emissions after completion of the particular voyage. This provides customers with improved transparency on their carbon footprint and a better founda-

tion for making informed choices about decarbonising their supply chains.

NORDEN is continuously seeking ways to improve the operational efficiency of our vessels in the short-term, while investigating new technologies and entering into strategic partnerships for the long-term. An integral part of NORDEN's sustainability strategy is enabling our customers to decarbonise their supply chains, through offering transparency over emissions of voyages, greener competitive shipping solutions, or by providing port logistics services to our customers. During 2021, NORDEN's newly established Logistics & Climate Solutions department announced its first port logistics project. By providing project-based port logistics and transshipment services, NORDEN will provide customer services beyond the standard freight services by enabling larger vessel types to transport heavier cargo loads to destinations with limited port infrastructure. This also helps customers decarbonise their supply chains by transporting cargos more efficiently on fewer voyages.

NORDEN's Fuel Efficiency & Decarbonisation team is directly involved in projects to investigate and develop future fuels and new zero-carbon technologies, using our vessels as test laboratories. During 2021, after years of rigorous testing on our vessels, NORDEN has received the required

permit to use 100% biofuel, being among the first-movers in the dry cargo sector. We can now offer customers freight transport using second-generation biofuel produced from waste sources. This is the first of many steps towards creating competitive greener shipping solutions. NORDEN is committed to incorporating several additional decarbonisation initiatives intended to positively affect emission levels in 2022 and onwards.

Key partnerships in 2021

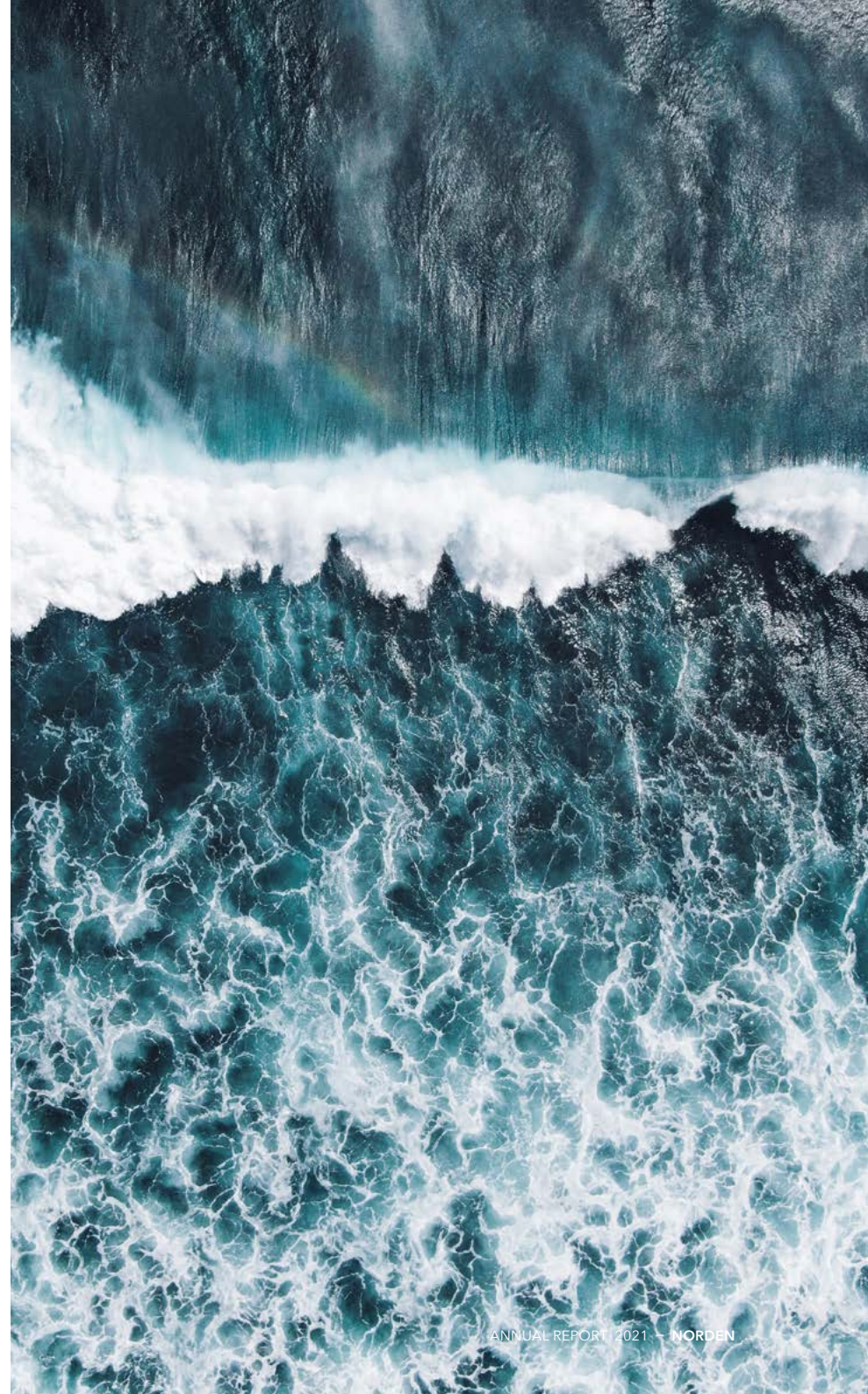
NORDEN collaborates with recognised shipping and environmental partners in the development of new alternative fuels and propulsion methods as well as with recognised forums to raise awareness, transparency and promote the need for ambitious targets and transparent benchmarking.

In 2021, NORDEN signed a partnership agreement with the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, which is an independent, not-for-profit, research and development centre launched with support of the A.P. Møller Foundation. The centre works across the shipping industry, collaborating with companies, academia and authorities, with an intention to accelerate the transition to a greener future for shipping. As a strategic partner, NORDEN can contribute directly to the work of the centre on projects related to the development and implementation of

future fuels and zero-carbon technologies. For example, NORDEN will provide 'sailing laboratories' – using our owned vessels to carry out tests of new fuels or alternative wind propulsion systems. Specialists from NORDEN's decarbonisation team, as well as technical and commercial colleagues, provide their expertise on various projects as part of the partnership.

NORDEN and Spanish engineering company Bound4Blue completed a feasibility study in 2021 with the objective of examining the possibility of installing wind sail technology on one of NORDEN's vessels and hereby determine the fuel savings and CO₂ reductions created by the sails during normal operation. NORDEN is exploring opportunities of installing the technology on a leased vessel.

NORDEN is a member of the Getting to Zero Coalition, which during 2021 formed the Call to Action for Shipping Decarbonization initiative, developed with members from the entire maritime ecosystem. NORDEN became a signatory to the Call to Action initiative, as we believe that decarbonising shipping by 2050 is necessary and achievable. The Call to Action initiative was communicated to world governments in November 2021, in advance of COP26. As a supporter of the initiative, NORDEN is committed to taking concrete action to help ensure that zero-emission vessels and



fuels become the default choice by 2030, and with this collaboration we call on world governments to enable an urgent and equitable decarbonisation of the shipping industry.

NORDEN participates in several partnerships with a view to reducing CO₂ emissions including:



ecovadis

Mærsk Mc-Kinney Møller Center
for Zero Carbon Shipping



CLIMATE & ENVIRONMENT PERFORMANCE SUMMARY



Climate

Environment

NORDEN's ambition	<ul style="list-style-type: none"> • Provide our customers with transparent reporting of emissions • Provide our customers with greener shipping solutions • Reduce relative CO₂ emissions from our operations in line with the Sea Cargo Charter reduction trajectory • Only order vessels with zero-emission technology from 2030 at the latest • Net-zero emissions from our operations by 2050 	<ul style="list-style-type: none"> • 0 oil spills into water • Ensure continuous sulphur emission compliance
Performance 2021	<p><i>Energy efficiency:</i></p> <ul style="list-style-type: none"> • EEOI: 8.6 g CO₂ / tonne-mile <p><i>Initiatives</i></p> <ul style="list-style-type: none"> • Transparent voyage emissions reports for all customers • Received required permit to use biofuel and now able to offer freight solutions using second-generation biofuel produced from waste sources • First port logistics project initiated, helping customers decarbonise supply chains • Feasibility study completed with Bound4Blue on the possibilities of installing wind sail technology on one of NORDEN's vessels 	<p><i>Oil spills</i></p> <ul style="list-style-type: none"> • Oil spills (> 1 barrel): 0 <p><i>Emissions</i></p> <ul style="list-style-type: none"> • SO_x: 15 thousand tonnes, in line with 2020 • NO_x: 130 thousand tonnes, a decrease of 3% from 2020 <p><i>Certifications</i></p> <ul style="list-style-type: none"> • CDP certification renewed • EcoVadis certification renewed
Looking ahead	<ul style="list-style-type: none"> • Further investigate fuel efficiency and low-carbon shipping options, as well as logistical optimisation of ports and decarbonisation of supply chains for selected customers • Develop and implement greener shipping solutions for customers, ranging from using advanced analytics for increased vessel efficiency to carbon-neutral biofuel sailings 	
Relevant policies	<ul style="list-style-type: none"> • NORDEN has not formalised the Company's principles into a Climate & Environment policy, as the Company is focused on continuously evolving our climate strategy with updated short and long-term targets, initiatives and commitments. The Company has currently prioritised a more developmental and action-oriented approach, emphasising concrete targets, taking a range of new actions, developing new initiatives, forming new long-term commitments, testing new fuel types and entering into new industry partnerships. In addition, NORDEN complies with industry policies and charters as outlined below: • Supplier Code of Conduct: The provisions set forth in this code, part of NORDEN's General terms and conditions, provide the minimum expectations to suppliers in regard to climate and environment. • The Sea Cargo Charter Clause. The clause requires a duly completed fuel emission report after completion of a voyage and must be included in all charter parties entered by NORDEN • The Climate policy for Danish Shipping of November 2019. The policy describes expectations for the shipping industry, including a zero-carbon industry by 2050 and the first carbon-neutral vessels by 2030 • IMO's Greenhouse Gas Reduction Strategy 	<ul style="list-style-type: none"> • Responsible Ship Recycling policy. NORDEN's business model involves operating a modern portfolio of vessels, selling and re-delivering vessels long before end-of-life. Even though we rarely recycle ships, NORDEN has standards in place to conduct this in a legal, ethical and socially responsible manner

PEOPLE



The people at NORDEN are our most important resource. NORDEN strives to further strengthen our position as an attractive employer that offers an inclusive, engaging, healthy and safe working environment in which all employees have equal opportunities to realise their potential.

Employee wellbeing

NORDEN is intent on providing a working environment that accommodates wellbeing, collaboration and performance. During 2021, employees across NORDEN have taken part in a wellbeing campaign designed to enable life-changing healthy habits. The 'Moving Beyond 150' campaign was launched in connection with NORDEN's 150th anniversary as a way of celebrating employees and focusing on living a long and healthy life. The campaign was focused on enabling small but impactful lifestyle changes in physical and mental health while supporting a healthy work-life balance, with experts on nutrition, sleep and fitness on hand throughout the journey. A combined reduction of body age by 721 years was achieved. The campaign also gave a much-needed boost to employees whose working lives were impacted by local COVID-19 restrictions.

In line with the COVID-19 pandemic, employees have adapted to working in new and more flexible ways, which NORDEN seeks to promote, while enabling a strong culture and working relationships across the organisation. A trial was initiated to assess opportunities and constraints in new flexible working arrangements, and based on these learnings, new guidelines will be introduced in 2022 and will be continuously evaluated. Despite the difficult circumstances related to COVID-19 restrictions across offices, NORDEN's bi-annual engagement surveys confirm the ongoing high engagement and wellbeing of our employees.

During 2022, we will increase our focus on employee wellbeing, introducing new health and wellbeing initiatives and prioritising physical and mental health as a natural part of working in NORDEN. These initiatives aim to build resilience, ensure wellbeing as well as enable all employees to operate as a globally connected team.

Diversity, Equity and Inclusion

NORDEN believes diversity to be a strength and therefore works actively to ensure diversity, equity and inclusion. In recent years, we have improved our overall diversity by bringing in employees with backgrounds other than the traditional shipping profile, opening up for different viewpoints and ways of thinking. By creating an organisation with a diversity of gender, nationalities, ages, levels

of experience and education, we aim to bring all employees' unique contributions into our operational foundation. In 2021, we added questions in the regular engagement surveys on how inclusive the culture in NORDEN is perceived, and the responses are split into gender groups to address any imbalances in our culture, processes and communication.

NORDEN has developed a new Diversity, Equity & Inclusion policy, which supports the aforementioned principles and helps ensure that NORDEN will continue to be a sustainable, trusted and inclusive organisation. NORDEN encourages more women to join the shipping industry, and therefore the business units and support functions in NORDEN have received targets in relation to levelling the current gender ratio, and managers have diversity related targets as part of their performance evaluation.

Parental leave

In NORDEN, we strive to create an encouraging culture that embraces and normalises paternity leave. We strive to not discriminate on the basis of gender or family configurations, and therefore employees who become fathers or co-parents/guardians across all locations will receive 12 weeks of paid paternity/parental leave regardless of seniority in NORDEN. NORDEN also actively contributes to closing the gender gap in pension savings



Female share of employees in 2021

39%

by continuing the employer-paid pension during unpaid parental leave. Saving up for paid vacation will likewise not be affected during unpaid parental leave. To ensure formal mechanisms that help parents reintegrate after leave, it will be possible for employees to apply for an internal parental mentor and take part in a cross-industry parental leave café.

Diversity in management

Diversity is an equally important factor in terms of managerial positions in NORDEN. Managerial levels range from the Board of Directors to Senior Management to managers of managers. The members of NORDEN's Board of Directors cover a wide range of competencies and experiences within international shipping, finance, investment, strategy, digitalisation and risk management, from both Danish and international business. This combination is considered desirable as it ensures a broad approach to tasks and contributes to en-

ensuring qualified governance of NORDEN's strategic direction.

Likewise, gender balance on a managerial level is desirable and pursued on an ongoing basis in NORDEN, as part of ensuring a diverse range of management skill sets and composition and promoting equal opportunity in NORDEN's organisation.

NORDEN's recruitment process enables managers to focus on promoting equality and broadening opportunities for new and existing talents. This includes looking for managerial candidates with backgrounds other than shipping, and in addition actively mitigating any potential biases that might influence the decision-making process when hiring. This is to ensure that NORDEN always hires on the basis of qualifications, potential to develop and ability to deliver.

NORDEN also strives to cultivate an inclusive mindset among managers and has

among other initiatives during 2021 introduced an Unconscious Bias Training in the US, as well as anti-harassment surveys and training sessions to help increase awareness.

In the Board of Directors, shareholder-elected women represented 33% (two out of six) of the board members in 2021, reaching NORDEN's own target and the target set out by the Danish Business Authority. NORDEN's aims to have a minimum of 40% shareholder-elected female board members in 2025. The share of women in managerial positions in NORDEN was 36% in 2021, up from 31% in 2020. NORDEN aims to increase this share to 40% by 2025. During 2021, NORDEN has increased awareness of including female candidates as part of the recruiting process for managerial roles. In addition, our process for assessing internal career opportunities has received increased focus on creating equal opportunities for both men and women.

Gender diversity

	2021	2020	2019
Female share of total workforce (%)	39	36	33
Female share of Board of Directors (%)	33	33	33
Female share of Senior Management (%)	21	29	29
Female share of Managers of Managers (%)	24	26	15
Female share of Managers (%)	36	27	25

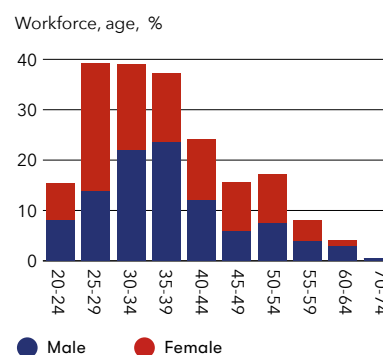
Talent attraction and education

Striving to close the financial gender gap, NORDEN has teamed up with Female Invest - a financial educator founded by women and targeting women, who are traditionally underrepresented within investment communities. All NORDEN employees were invited to participate in an introduction to investing and was offered a membership to help get started on their investment journey. Conversely, NORDEN has provided introductory webinars for Female Invest, with the purpose of educating women on investing in the shipping industry. Furthermore, we maintain a strong focus on our strategic partnerships with relevant universities globally - mainly Singapore Management University and Copenhagen Business School.

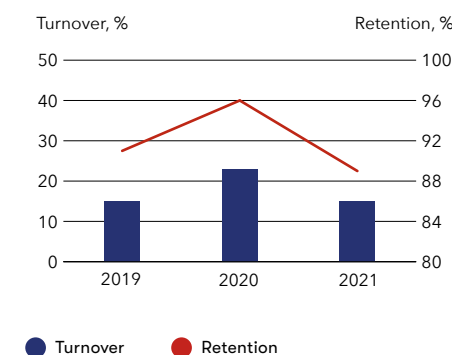
It is important for NORDEN to ensure the company has the right employee competencies to support our long-term strategy. As part of this, NORDEN focuses on incorporating entry-level positions for shipping graduates and analytical graduates, while recruiting new talents with backgrounds other than shipping. The demand for support from in-house functions such as Advanced Analytics & Digital Solutions, Risk Management and Market Research underlines the need for having a broad range of employee competencies present throughout the organisation.

Furthermore, NORDEN supports the education of future shipping profiles through a broad range of scholarships, internships, advisory board participation as well as

Workforce demographics on shore



Retention and turnover on shore



guest lectures to ensure industry relevant alignment to the academic field.

Retention and turnover

Continued growth in activity and required skill sets demands a focus on attracting, retaining and developing skilled employees. In 2021, the retention rate for employees in NORDEN's offices was 89%, which is considered satisfactory, secures continuity and preserves knowledge and skills in the organisation. The focus on talent retention is also reflected in ongoing engagement surveys, which assess whether employees feel empowered, have access to the information needed and understand their contribution to the overall goals of NORDEN. In 2021, NORDEN conducted two employee engagement surveys, which showed that the level of engagement and motivation is very high among employees. As expected, employee turnover was lower during 2021 compared to 2020 where several organisational restructures took place.

Health and safety

NORDEN is committed to fostering the best possible working environment, where health and safety are our top priorities. Creating such a workplace necessitates a level of responsibility among employees to safeguard their own and their colleagues' safety, as well as follow our Health & Safety policy and for NORDEN to implement preventive actions where necessary.

2021 was the first year of operating without in-house technical management, which was transferred to the joint venture NORDEN Synergy Ship Management in Q3 2020. While the technical management of owned vessels is outsourced, we still set the same high standards for safety on board and ensure that external managers meet these standards.

Operating at sea involves safety and security risks that must always be managed carefully to safeguard the vessels, cargo and crew at sea. NORDEN operates by the principle that no injury or environmental incident is acceptable. In 2021, there was a slight increase in the number of injuries where crew members were unable to work the next day (primarily related to fingers, knees and back injuries).

Fatalities at sea related to work safety amounted to 0 in 2021. However, with ongoing COVID-19 outbreaks presenting themselves across the various regions in which NORDEN operates vessels, this led to a captain on board a NORDEN vessel becoming infected with COVID-19 during mid-2021, which ended with a fatal outcome. NORDEN together with NORDEN Synergy Ship Management provided support to the family throughout this very unfortunate period, staying in constant dialogue with local legal and insurance representatives to help the family, while ensuring that all logistical and practical circumstances were handled in accordance with the family's wishes.

We continuously strive to identify any adverse COVID-19 developments among crew on board NORDEN's vessels and ensure that appropriate actions are taken to prevent and mitigate these.

Crew changes related to COVID-19 lockdowns in ports continued to be a challenge during 2021. As a result, seafarers on board NORDEN vessels experienced long periods at sea and difficult working conditions. Furthermore, employees in several of NORDEN's global offices have experienced prolonged local lockdown measures, and travel between offices has not been as frequent. We would like to thank all seafarers on board NORDEN's vessels, as well as our onshore employee, acknowledging their extraordinary efforts and patience in this unprecedented situation.

Human rights

Assessing human rights violations is an important and complex task for a globally operating company like NORDEN, which is part of a global supply chain, operating with hundreds of customers, suppliers and partners in different regions. Implementing the necessary policies, due diligence processes and grievance mechanisms, in line with the requirements set by the UN Guiding Principles for Business and Human Rights, is a continuous process in NORDEN. In 2021, we updated our Human Rights policy.

Conducting business in a legal, ethical and socially responsible manner is integral to NORDEN and in alignment with our company values. We are committed to ensuring that no form of slavery or human trafficking occurs in any part of our business or supply chain. In 2021, NORDEN adopted the Modern Slavery Act for respecting human and labour rights as operationalised by the UN Guiding Principles on Business and Human Rights. In addition, all employees are subject to NORDEN's Employee Code of Conduct, which outlines the conduct expected in the company, covering anti-corruption, environment, safety, social conditions and compliance matters.

During 2021, NORDEN continued to focus on how to mitigate sexism and harassment in the workplace. NORDEN does not tolerate any cases of harassment and finds it vital that employees regard NORDEN as a safe and inclusive workplace. To support this, NORDEN conducted a follow-up survey on harassment, measuring potential harassment incidents in the workplace and during external company related events (customer meetings, dinners, courses, etc). The survey outlined a need for NORDEN to provide clearer guidance and procedures for reporting harassment, thereby ensuring that all employees know who to reach out to and how to follow up on any case of experienced harassment.



PEOPLE PERFORMANCE SUMMARY



People

- NORDEN's ambition**
- Be a truly value-driven company, which challenges, develops and empowers our employees
 - Become the preferred choice to work in our industry throughout our employees' different career lifecycles and remain an attractive, relevant and responsible employer to all current and future employees
 - Attract people with new and broad-based skill sets as well as different backgrounds
 - Achieve an industry-best engagement level with a focus on trust, development and ambition in every team across our global offices
 - Become a truly diverse company, where equal opportunity is a given, and different intelligences are embraced
 - Ensure that NORDEN's ambition is visible and clear to all of our stakeholders
 - Female share of employees: At least 40% in 2022
 - Female share of managers: At least 36% in 2022 and at least 40% in 2025
 - Female share of shareholder-elected members of Board of Directors: At least 40% in 2025

- Performance 2021**
- Diversity**
- 40 nationalities
 - 36% female share in managerial positions, 21% female share in Senior Management, 33% female share in the Board of Directors
 - All business units have received targets to close the current gender ratio gap
 - Implemented a Diversity, Equality & Inclusion policy to ensure that NORDEN continues to be a sustainable, trusted and inclusive organisation
 - Implemented improved conditions for maternity and paternity leave
- Engagement and turnover**
- Two engagement surveys conducted in 2021 with high scores in engagement, motivation and inclusion
 - 15% turnover (voluntary and involuntary leavers)
 - 89% retention (voluntary leavers)
- Education**
- Onboarded three interns as part of their education at Copenhagen Business School, four Commercial shipping graduates and three Port captain trainees

- Looking ahead**
- Continue the efforts to build a diverse and inclusive culture with equal opportunities
 - Revitalise our global development programme "Soulship", which targets all employee and managerial groups by giving access to training and furthering skills within remote leadership, energy management, inclusion, change management, coaching and sustainable leadership
 - Focus on the health and wellbeing of our employees through our Sustainable Employee initiative
 - Offer selected students in lower secondary school with limited resources an opportunity to receive a week's work experience at NORDEN

- Relevant policies**
- Employee code of conduct: The code describes the ethical, social and environmental behaviour, which every employee, regardless of position, should adhere to when working at NORDEN
 - Diversity, Equity & Inclusion policy: NORDEN commits to continuously ensuring a diverse and inclusive culture, promoting justice, impartiality and fairness by specifying our ambition, approach and commitments. The policy sets forth commitments and initiatives in order to foster an inclusive work environment, where diversity is promoted, and all people are treated in a fair and equal manner

PEOPLE

PERFORMANCE SUMMARY - CONTINUED



Health and safety

Human rights

NORDEN's ambition	<ul style="list-style-type: none"> • Zero fatalities • Lost Time Injury Frequency below 0.8 	<ul style="list-style-type: none"> • Ensure that NORDEN conducts business with respect for human rights
Performance 2021	<ul style="list-style-type: none"> • Lost Time Injury Frequency rate increased from 0.6 per million working hours in 2020 to 0.8 in 2021 • The number of fatalities at sea related to work safety was 0 	<ul style="list-style-type: none"> • Completion of a harassment survey in 2021, measuring workplace wellbeing as a follow-up on a previous survey in October 2020 • Focus on anti-harassment measures in the organisation
Looking ahead	<ul style="list-style-type: none"> • Continued high focus on safety and close monitoring of Lost Time Injury Frequency rate with external vessel managers 	<ul style="list-style-type: none"> • Develop a new human rights impact and risk assessment of NORDEN in line with our Human Rights policy • Continue to promote a safe working environment for everybody without any kind of harassment
Relevant policies	<ul style="list-style-type: none"> • Health & Safety policy: NORDEN is committed to fostering the best possible working environment where health and safety are top priorities 	<ul style="list-style-type: none"> • Human Rights policy: NORDEN's framework for human rights is operationalised by the UN Guiding Principles on Business and Human Rights. NORDEN expects all business relationships linked to NORDEN to respect the human rights • Employee code of conduct: The code describes the ethical, social and environmental behaviour, which every employee, regardless of position, should adhere to when working at NORDEN. It is in accordance with NORDEN's values of ambition, empathy, flexibility and reliability • Supplier code of conduct: The provisions set forth in this code, part of NORDEN's General terms and conditions, provide the minimum expectations to suppliers. These minimum expectations are based on the general principles contained in the UN Global Compact and other relevant international principles and are in line with NORDEN's values and principles on ethical and responsible business conduct • Modern Slavery act. Conducting business in a legal, ethical and socially responsible manner is core to NORDEN and in line with our values. We are committed to ensuring that no form of slavery or human trafficking occurs in any part of our business or supply chain. NORDEN's framework for respecting human and labour rights is operationalised by the UN Guiding Principles on Business and Human Rights (UNGP)

ANTI-CORRUPTION



Corruption impedes access to global markets and constitutes barriers for economic and social development. NORDEN therefore takes firm measures to prevent any form of corruption as part of our ambition to enable smarter global trade.

For businesses in the maritime industry, corruption escalates costs, endangers the safety and wellbeing of crew, while posing legal and reputational risks. In 2021, NORDEN had 10,304 port calls across 132 countries, and in some of these regions the concepts of integrity and good business conduct can vary. Therefore, NORDEN has taken several initiatives to counteract corruption, aiming for a shipping industry free of corruption, while providing a safe working environment on board NORDEN's vessels.

To create a culture of exemplary conduct with strong procedures, NORDEN has an anti-corruption compliance programme in place, including an Anti-corruption policy as well as a Gift & Entertainment policy applicable to all employees.

Furthermore, NORDEN has zero tolerance towards bribery and our Anti-corruption policy outlines a clear refusal of facilitation payments. Facilitation payments typically take place in the form of small cash pay-

ments to facilitate a favourable outcome. Extortion is when officials, by using threats, refuse to perform their duties or abuse their position of authority, resulting in improper fines and delays on vessels. NORDEN considers extortion a threat to the security on board our vessels and will have a continued focus on this. There has been a decrease in incidents over the past year, likely as a result of COVID-19, where new procedures in ports have prevented authorities from going on board vessels.

To reduce risk while ensuring compliance with legal requirements and stakeholder expectations, all NORDEN's counterparties and vessels are screened daily for sanctions. Due diligence, monitoring, controls and training are key tools in implementing the Anti-corruption policy as well as frequent reporting from external managers on demands placed by e.g. local authorities.

Employee anti-corruption and ethics training

NORDEN has launched a new anti-corruption training platform for employees, which covers topics such as anti-corruption practices, bribery and facilitation payments, gift and entertainment, conflict of interests, commissions, fraud, third-party procedures and NORDEN's whistleblower scheme.

Our external technical managers carry out anti-corruption training for seafarers on

board NORDEN's owned vessels to ensure alignment with NORDEN's Anti-corruption policy. In 2021, additional training and test courses were launched focusing on how individual employees should act with respect to sanctions compliance and will be followed up by more comprehensive sanctions compliance training during 2022.

As a general rule, NORDEN's external managers are members of the Maritime Anti-Corruption Network (MACN), which aims for a maritime industry free of corruption.

Whistleblower scheme

NORDEN is committed to providing an environment where the high NORDEN standards and best practices are encouraged and safeguarded. Since 2011, NORDEN has had an independent whistleblower scheme accessible to NORDEN's employees, including the Executive Management and Board of Directors, crew members on board NORDEN owned or operated vessels, technical managers, auditors, lawyers, external consultants, suppliers, customers and other business partners and stakeholders. Employees in NORDEN have access to raise workplace and operational concerns directly with their manager or with the HR department, or they can use NORDEN's whistleblower scheme to report anonymously. The whistleblower reports are directed to the Chairman and Vice Chairman of the Board of Directors as well as the Head of People, Communica-

tions & Sustainability. In 2021, no substantiated whistleblower reports were received.

Tax

As a company with global reach, NORDEN operates in multiple jurisdictions with different tax rules and regulations. NORDEN complies with current tax legislation of the countries in which we operate, and we comply with all applicable transparency rules including country by country reporting. In 2021, the Board of Directors updated and approved NORDEN's tax policy, available on the Company's website. NORDEN may make legitimate use of tax incentives and exemptions, but we do not use so-called tax havens according to the European Union tax haven blacklist.

Data ethics

NORDEN's business model increasingly relies on advanced analytics capabilities and use of digital solutions using vast amounts of data. Our commitment to handle data in an ethical manner is described in our Data Ethics policy, which outlines six principles for data ethics, describing how we collect, store, process and protect data for the benefit of our employees, customers, business partners and other stakeholders.

NORDEN participates in several partnerships with a view to prevent corruption and bribery while encouraging transparency and responsible supply chain management



Responsible Supply Chain Management



CERTIFIED



MACN

Maritime Anti-Corruption Network

ANTI-CORRUPTION PERFORMANCE SUMMARY



Anti-corruption

NORDEN's ambition	<ul style="list-style-type: none"> • Zero tolerance towards bribery and say no to facilitation payments • Screening of all counterparties and vessels for sanctions
Performance 2021	<ul style="list-style-type: none"> • 0 substantiated whistleblower reports received • All eligible employees have taken and passed anti-corruption training. Anti-corruption training for all eligible employees will be conducted annually • Updated the Gift & Entertainment policy to ensure that no offering or acceptance of gifts or business entertainment can be confused with bribery. Transparency is mandatory, and all received gifts must either be returned or handed over to NORDEN. The Company will then decide how to handle the gift depending on its nature • All eligible employees have taken and passed the sanctions and trading restrictions training. Sanctions compliance training for all eligible employees will be conducted annually • Implemented updated anti-corruption compliance programme and sanctions compliance programme • Developed a Data Ethics policy, outlining how NORDEN handles data and our commitment to protecting data related to employees, customers, business partners and other stakeholders. • Tax policy updated • TRACE certification renewed (TRACE is an anti-bribery standard setting organization. Certification by TRACE signifies that an entity has completed internationally accepted due diligence procedures and complied with review process)
Looking ahead	<ul style="list-style-type: none"> • Continued work with the Maritime Anti-Corruption Network • Continued integration of anti-corruption compliance into operations, decision-making and business relationships • Continue to embed supplier risk assessment and management into our sourcing activities
Relevant policies	<ul style="list-style-type: none"> • Anti-corruption policy: The policy aims to ensure compliance with key anti-corruption legislation, protect NORDEN's reputation and guide employees in what is expected when working for NORDEN. The programme applies to all employees, Management and the Board of Directors • Data Ethics policy: The policy states our data ethics principles, describing how we collect, store, process and protect data for the benefit of our employees, customers, business partners and other stakeholders • Employee code of conduct: The code describes the ethical, social and environmental behaviour, which every employee, regardless of position, should adhere to when working at NORDEN • Supplier code of conduct: Building a sustainable practice by establishing systems and processes to manage our adverse impacts on human and labour rights, environment and anti-corruption through our purchasing practices • Sanctions policy: The policy aims to ensure that NORDEN, our affiliated companies and employees do not engage in any transactions in breach with the Sanctions policy



ESG PERFORMANCE

	2021	2020	2019
ENVIRONMENTAL PERFORMANCE			
Energy efficiency			
EEOI (gCO ₂ /tonnes-mile)	8.6*	8.8	8.7
Energy consumption			
Heavy fuel oils (1,000 tonnes)	89	106	1,134
Distillate fuel oils (1,000 tonnes)	158	157	156
Very low sulphur residuals (1,000 tonnes)	1,231	1,098	17
Electricity (MWh)	1,510	1,230	1,233
Total energy consumption (TJ)	61,681	56,765	52,988
Transport work (million tonnes cargo x mile)			
Transport work	492,458	487,887	469,897
CO₂ emissions (1,000 tonnes)			
Direct CO ₂ emissions (Scope 1 GHG protocol)	4,663	4,294	4,088
Indirect CO ₂ emissions (Scope 2 GHG protocol)	0.3	0.2	0.2
Other indirect CO ₂ emissions (Scope 3 GHG protocol)	0.3	1.4	3.6
Total CO ₂ emissions	4,664	4,296	4,092
Other emissions (1,000 tonnes)			
SOx emissions	15	15	54
NOx emissions	130	134	129
Oil spills (> 1 barrel)			
Oil spills	0	0	0

*) EEOI methodology was updated in 2021 to include additional emissions on NORDEN's time-charter out vessels. Consequently, reported EEOI figures in prior years are not directly comparable to 2021. When measuring EEOI for 2021 through the previously applied methodology, the figure would equal 9.5.

	2021	2020	2019
SOCIAL PERFORMANCE			
Employees (on shore)			
Employees (average FTE)	376	391	395
Nationalities represented (of total workforce)	40	35	32
Women in managerial positions (%)	36	31	26
Gender with the lowest representation ♀ (%)	39	36	35
Safety (at sea)			
Fatalities related to work safety	0	0	0
Lost time injury frequency (million working hours)	0.8	0.6	1.5
GOVERNANCE PERFORMANCE			
Shareholder-elected board members			
Gender with the lowest representation ♀ (%)	33	33	33
Attendance (%)	100	99	97

ESG ACCOUNTING POLICIES

Boundary setting

The sustainability report boundary includes assets and employees in the parent company and in subsidiaries.

The reporting boundary

ESG metrics follow below boundaries unless otherwise specified:

- Owned, leased and chartered-in vessels (excl. chartered-out and third-party pool-managed vessels)
- Employees on shore
- Crew on board vessels (in regard to health and safety at sea)
- All NORDEN offices across the world

Changes to accounting policy

The scope of the Energy Efficiency Operational Indicator metric has been extended from 2021 onwards to reflect that a considerable number of NORDEN operated vessels are time-chartered out to third-parties. Furthermore, by extending the scope, this minimises the risk of selection bias in terms of which vessels NORDEN chooses to operate within its own business units, and which vessels are chartered out to third parties.

Data quality and data collection

The reporting principles of balance, clarity, accuracy, reliability, timeliness and comparability are applied when collecting information and data on NORDEN's sustainability and ESG performance. Data

include comparable data from the past three years; five years if part of key figures. Significant variations in data are explained in the relevant section of the sustainability report.

The ESG performance table overview on the previous page includes performance data from the sustainability report supplemented by additional indicators and accounting policies.

Environmental performance

NORDEN is liable for consumption, emissions and other environmental elements. For owned assets which are leased out to external parties on time charter, NORDEN is not liable for consumption, emissions and other environmental elements - the lessee is.

Energy consumption

Transport work (1,000,000 tonnes cargo x mile): Transport work expresses the mass of cargo transported over distance, as registered in the Integrated Maritime Operations System (IMOS). Cargo transported over distance, compared with the amount of CO₂ emitted, provides an estimate of fleet efficiency - see also Energy Efficiency Operational Indicator.

Heavy fuel oil and distillate fuel oil and very low sulphur residuals (1,000 tonnes): Bunker fuel consumed directly by owned

and operated vessels, including all fuels, gas oils and residuals used on board for activities such as steam, generating electricity, marine boilers, heating, main and auxiliary engines. In NORDEN third-party commercial pool management activities, the consumed fuel accounted for includes the vessels controlled by NORDEN. Total daily consumption reported by vessels into IMOS validated with bunker acquisitions and deviations is regularly controlled.

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

Total energy consumption (TJ): Calculated by adding up tonnes of fuel and electricity usage, applying heating conversion factor 40.2MJ/kg for heavy fuel oil, 42.7MJ/kg for distillate fuel oil, 41.7MJ/kg for very low sulphur residuals and 0.0036 MWh/TJ for electricity.

Energy Efficiency Operational Indicator (gCO₂ /cargo-mile): The Energy Efficiency Operational Indicator (EEOI) is a measurement of energy efficiency and is defined as the amount of CO₂ emitted per tonne

of cargo transported 1 mile based on fuel consumption and transport work.

From 2021 onwards the scope of EEOI was extended to include NORDEN's time chartered-out vessels.

CO₂ emissions (1,000 tonnes): Compatible with the Greenhouse Gas (GHG) Protocol

- **Scope 1:** Direct emissions from NORDEN's own consumption of fuel from owned company cars and from owned and chartered vessels
 - Owned and chartered vessels: Based on fuel consumption for the year
 - Owned company cars: Per 31 December 2020 based on conversion Key2Green conversion factor 2.65 kg CO₂/L. As of 2021, NORDEN no longer owns any company cars
- **Scope 2:** Indirect emissions from purchased electricity and district heating
- **Scope 3:** Indirect emissions from third party activities. Measures CO₂ emissions from air travel and leased company cars
 - Air travel: Air travel emissions are calculated using activity data provided by travel agents and validated against spend data. Distances are converted to CO₂e by applying DEFRA emission factors also accounting for the class of tickets. Emission factors used are

inclusive of Radiative forcing (RF), measuring the additional environmental impact of aviation

- Leased cars: Per 31 December 2021 based on EcoScore, Diesel: 132 g CO₂/km, Petrol: 120 g CO₂/km

NOx and SOx emissions (1,000 tonnes)

- **NOx:** Nitrogen oxide emissions from combustion of fuels from operated vessels. NO₂ emissions from the energy produced by main engine multiplied by Tier 1 NOx limit (17 g/kWh) or Tier 2 NOx limit (14.4 g/kWh)
- **SOx:** Sulphur oxide emissions mainly stem from the burning of the sulphur compound in the fuel from owned and operated vessels. SO₂ emissions are calculated from the fuel quantity consumed during the year multiplied by the average sulphur content in the bunker fuel purchased by NORDEN's Bunker Department

Oil spills (> 1 barrel): Includes incidents of oil spills larger than 1 barrel (159 litres) into the sea from owned and/or operated vessels as reported by the technical managers.

Social performance

Employees

Scope and boundaries: Scope for full-time workforce, accounted for as full-time employees (FTE) on shore, includes permanent and time-limited employees (fixed-term, student job and temporary hires) in NORDEN's offices, except for the indicators 'Retention' and 'Turnover', in which the scope includes average FTE amount on shore relating to permanent employees, excluding fixed-term, student roles and temporary hires.

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

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

Nationalities represented (of total workforce): Number of nationalities in total workforce based on Fairsail.

Women in managerial positions (%): Average FTE number of women in managerial positions on shore out of the total pool of average FTE managers on shore. Managers are defined as a person with responsibility

for a team of at least one other employee as defined in Fairsail.

Gender split on shore: Gender with the lowest representation (%): The percentage of the average number of women FTE out of a total average number of FTEs during the year based on Fairsail.

Health and safety at sea

Lost Time Injury Frequency at sea (injuries per million working hours): Calculated based on the number of work-related accidents which causes a seafarer to be unable to work for more than 24 hours as reported by the technical managers.

Fatalities: Work safety related fatalities among crew members on board NORDEN owned vessels.

Governance performance

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

Attendance (%): Attendance rate at board meetings attended by shareholder-elected and employee-elected board members throughout the year.

Female share of total workforce (%): Gender with the lowest representation (%): The percentage of the average number of women FTE out of the total average number of FTEs during the year based on Fairsail.

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

Female share of Senior Management (%): Gender with the lowest representation (%): Percentage of women FTE in the Senior Management out of the total number of FTEs at year-end.

Female share of Managers of Managers (%): Gender with the lowest representation (%): Percentage of women FTE in Managers of Managers out of the total number of FTEs at year-end.

Female share of Managers (%): Average number of women FTE in a manager positions out of a total average FTEs. A manager position is defined as a person with responsibility for a team of at least one other FTE as defined in Fairsail.

SIGNATURES

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STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and adopted the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January–31 December 2021.

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

accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial year 2021.

In our opinion, the Management's Review provides a fair review of the development

in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty, which the Group and the Parent Company are facing.

In our opinion, the ESG performance data on page 59 is presented in accordance with the stated accounting policies on pages 60–61 and provides a fair and balanced view of the Group's sustainability

performance and social responsibility for the financial year 2021.

In our opinion, the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January–31 December 2021 with the file name "norden-2021-12-31-en.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the annual report be adopted at the annual general meeting on 24 March 2022.

Copenhagen, 3 March 2022

Executive Management

Jan Rindbo
CEO

Martin Badsted
CFO

Board of Directors

Klaus Nyborg
Chairman

Johanne Riegels Østergård
Vice Chairman

Karsten Knudsen

Thomas Intrator

Stephen John Kunzer

Helle Østergaard Kristiansen

Benedicte Hedengran Wegener
(employee-elected)

Christina Lerchedahl Christensen
(employee-elected)

Henrik Røjel
(employee-elected)

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Dampskibsselskabet NORDEN A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

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

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2021, pages 70-132, comprise Income Statement, Balance Sheet, Statement of Changes in Equity and Notes, including summary of significant accounting policies for the Group as well as for the Parent Company and Statement of Comprehensive Income and Statement of Cash Flows for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Dampskibsselskabet NORDEN A/S for the financial year 1998. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 24 years including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of vessels, right-of-use assets and prepayments on vessels and new-buildings

The carrying amount of the vessels, right-of-use assets and prepayments on vessels and newbuildings is significant.

Management monitors continuously the carrying amount of the above-mentioned assets, managed on a portfolio basis. The assessment is based on the cash-generating units (CGUs); Dry Cargo and Tankers.

Management performs an impairment test if any indication of impairment or reversal of previous impairments exists. The indications assessed by Management comprise, among others, vessel values, newbuilding prices and future development in freight and time charter rates.

If indications exist, the carrying amount of the mentioned assets may be subject to material impairment or reversal of previous recognised impairments.

As of 31 December 2021, Management concluded that such indications exist for both CGU's; Dry Cargo and Tankers. Consequently, impairment tests were performed, resulting in no need for impairment or reversal of previous recognised impairments. When impairment tests are performed, Management assesses the recoverable amount.

We focused on this area because Management is required to exercise considerable judgement and because of the inherent complexity and subjectivity in estimating the recoverable amount.

Refer to Note 3.1 and Note 4.7 in the Consolidated Financial Statements and Note 3.1 and Note 4.6 in the Parent Company Financial Statements.

How our audit addressed the key audit matter

We discussed with Management and evaluated the methodology by which indicators of impairment of vessels, right-of-use assets and prepayments on vessels and newbuildings are monitored, including the identification of CGUs.

For the CGU's Dry Cargo and Tankers, we obtained Management's assessment of the recoverable amount of these assets.

Regarding Management's assessment of value-in-use, we:

- Assessed the methodology used by Management to calculate the future cash flows from the assets assigned to the CGU's.
- Evaluated relevant controls and Management's review of controls.
- Assessed and challenged Management's underlying significant assumptions including expected short- and long-term rates applied, WACC, useful lives, scrap values and relevant macroeconomic assumptions.
- Tested the mathematical accuracy of the value-in-use models prepared by Management
- Assessed the sensitivity calculations performed by Management.

We assessed the appropriateness of disclosures of these matters in the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review, pages 3-61.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2021 with the filename "norden-2021-12-31-en.zip" is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electron-

ic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in com-

pliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and

- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2021 with the file name "norden-2021-12-31-en.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 3 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Søren Ørjan Jensen

State Authorised Public Accountant
mne33226

Kristian Pedersen

State Authorised Public Accountant
mne35412

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED ESG PERFORMANCE DATA

To the stakeholders of Dampskibsselskabet NORDEN A/S

The Management of Dampskibsselskabet NORDEN A/S engaged us to provide limited assurance on the consolidated ESG performance data stated in the annual report on page 59 for the period 1 January to 31 December 2021.

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing has come to our attention that causes us to believe that the consolidated ESG performance data for the period 1 January to 31 December 2021, as stated on page 59, are not prepared, in all material respects, in accordance with the ESG accounting policies as stated on pages 60-61 of the annual report 2021.

The comparative information for 2020 is not covered by our conclusion.

This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the consolidated ESG performance data in the annual report 2021.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. Greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including

an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements,

professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The consolidated ESG performance data need to be read and understood together with the accounting policies on pages 60-61, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the data. In doing so and based on our professional judgement, we:

- Made enquiries regarding methods, procedures and internal control as well as conducted selected interviews with data and reporting responsible personnel and spot checks to underlying documentation;
- Conducted analytical review of the ESG performance data and trend explanations submitted for consolidation at Group level;
- Considered the disclosure and presentation of the consolidated ESG performance data; and
- Evaluated the evidence obtained.

Management's responsibilities

Management of Dampskibsselskabet NORDEN A/S is responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the consolidated ESG performance data on page 59 that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing data;
- Measuring and reporting the consolidated ESG performance data based on the applied ESG accounting policies; and
- The content of the consolidated ESG performance data.

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the consolidated ESG performance data are prepared, in all material respects, in accordance with the ESG accounting policies;
- Forming an independent conclusion, based on the procedures we have performed, and the evidence obtained; and
- Reporting our conclusion to the Stakeholders of Dampskibsselskabet NORDEN A/S.

Hellerup, 3 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Søren Ørjan Jensen

State Authorised Public Accountant
mne33226

Jens Pultz Pedersen

M.Sc. (engineering)

FINANCIAL STATEMENTS

A close-up photograph of a financial document. The background is a blurred line chart with blue horizontal grid lines and dark blue data points. A silver pen is positioned diagonally on the right side of the page. The text 'FINANCIAL STATEMENTS' is overlaid in a large, brown, sans-serif font.

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CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2021	2020
Revenue	2.1	3,551.8	2,597.8
Other operating income	2.1	6.7	8.7
Vessel operating costs	2.1/2.2	-2,908.9	-2,170.9
Contribution margin		649.6	435.6
Overhead and administration costs	2.2	-117.4	-93.1
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)		532.2	342.5
Profit/(loss) from sale of vessels etc.	2.1	7.7	-18.2
Depreciation, amortisation and impairment losses	2.4	-295.5	-201.9
Profit/(loss) from investments in joint ventures	3.2	1.1	-3.0
Profit from operations (EBIT)		245.5	119.4
Financial income	2.5	0.3	3.5
Financial expenses	2.5	-35.1	-30.2
Profit before tax		210.7	92.7
Tax for the year	2.6	-6.2	-6.7
Profit for the year		204.5	86.0
Attributable to:			
Owners of Dampskibsselskabet NORDEN A/S		204.5	86.0
Earnings per share (EPS)	4.5		
Earnings per share (USD)		5.5	2.2
Earnings per share, diluted (USD)		5.4	2.2

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2021	2020
Profit for the year		204.5	86.0
Items which will be reclassified to the income statement:			
Fair value adjustment for the year, cash flow hedges	4.2	-35.3	-4.8
Other comprehensive income, total		-35.3	-4.8
Total comprehensive income for the year, after tax		169.2	81.2
Attributable to:			
Owners of Dampskibsselskabet NORDEN A/S		169.2	81.2

BALANCE SHEET AT 31 DECEMBER

Amount in USD million	Note	2021	2020
Vessels	3.1	703.0	767.4
Right-of-use assets	4.7	556.5	298.7
Property and equipment	3.1	49.7	48.6
Prepayments on vessels and newbuildings	3.1	11.3	15.5
Total tangible assets		1,320.5	1,130.2
Investments in joint ventures	3.2	10.0	11.5
Receivables from subleasing	4.8	9.1	13.0
Total financial assets		19.1	24.5
Total non-current assets		1,339.6	1,154.7
Inventories		117.1	65.8
Receivables from subleasing	4.8	23.7	13.7
Freight receivables	3.3	255.7	144.5
Receivables from joint ventures		1.0	9.5
Other receivables		18.9	17.7
Prepayments		136.0	70.2
Cash and cash equivalents		410.7	331.6
		963.1	653.0
Vessels held for sale	3.4	150.8	17.1
Total current assets		1,113.9	670.1
TOTAL ASSETS		2,453.5	1,824.8

Amount in USD million	Note	2021	2020
Share capital	4.4	6.2	6.5
Reserve for hedges	4.2	-31.2	4.1
Retained earnings		1,018.3	891.9
Total equity		993.3	902.5
Loans	4.6	302.1	282.4
Lease liabilities	4.7	269.9	213.3
Bonds	4.6	98.7	-
Total non-current liabilities		670.7	495.7
Loans	4.6	39.9	37.6
Lease liabilities	4.7	337.8	142.1
Trade payables		226.1	131.2
Debt to joint ventures		13.9	-
Tax payables		-	1.4
Other payables		73.0	56.8
Deferred income		89.4	57.5
		780.1	426.6
Liabilities relating to vessels held for sale	3.4	9.4	-
Total current liabilities		789.5	426.6
Total liabilities		1,460.2	922.3
TOTAL EQUITY AND LIABILITIES		2,453.5	1,824.8

STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

Amount in USD million	Note	2021	2020
Profit for the year		204.5	86.0
Reversal of items from the income statement	5.2	308.6	259.7
Change in working capital	5.2	-96.4	37.3
Instalments on sublease receivables	4.8	24.8	17.4
Income tax, paid		-7.6	-4.4
Cash flows from operating activities		433.9	396.0
Investments in vessels, vessels held for sale and other tangible assets	3.1/3.4	-92.1	-27.1
Prepayments on newbuildings	3.1	-155.8	-71.9
Investments in joint ventures		-2.4	-
Proceeds from sale of vessels and newbuildings		159.8	52.0
Change in cash and cash equivalents with rate agreements of more than 3 months, etc.		93.1	1.9
Cash flows from investing activities		2.6	-45.1
Dividend paid to shareholders		-53.0	-14.6
Acquisition of treasury shares	4.4	-33.1	-24.0
Proceeds from share options	4.4	6.6	-
Proceeds from issue of bonds	4.6	98.7	-
Proceeds from loans	4.6	417.1	132.0
Repayment of loans	4.6	-395.1	-117.1
Instalments on lease liabilities	4.7	-268.4	-175.3
Financial payments, received		0.3	1.0
Financial payments, paid		-35.0	-30.2
Cash flows from financing activities		-261.9	-228.2
Cash flow from operating, investing and financing activities		174.6	122.7
Liquidity at 1 January		217.1	92.9
Exchange rate adjustments		-2.4	1.5
Change in liquidity for the year		174.6	122.7
Liquidity at 31 December		389.3	217.1
Cash and cash equivalents with rate agreements of more than 3 months, etc.		21.4	114.5
Cash and cash equivalents 31 December		410.7	331.6

Amount in USD million	Note	2021	2020
<i>Which can be explained as follows</i>			
Demand deposits and cash balance		200.1	120.5
Money market investment		154.1	188.8
Other cash and cash equivalents		56.5	22.3
Cash and cash equivalents 31 December		410.7	331.6

In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Skandinaviska Enskilda Banken (SEB) in the form of cash. At 31 December, cash held in margin accounts placed as security amounted to USD 58 million (USD 13 million).

Accounting policies

Consolidated statement of cash flows

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

Positive amounts indicate inflows, whereas negative amounts indicate outflows.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Liquidity

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

Cash and cash equivalents

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

STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER

Shareholders of NORDEN					
Amount in USD million	Note	Share capital	Reserve for hedges	Retained earnings	Total
Equity at 1 January 2021		6.5	4.1	891.9	902.5
Total comprehensive income for the year		-	-35.3	204.5	169.2
Capital reduction		-0.3	-	0.3	-
Acquisition of treasury shares	4.4	-	-	-33.1	-33.1
Exercise of share options	5.3	-	-	6.6	6.6
Dividends paid	4.4	-	-	-57.8	-57.8
Dividends related to treasury shares		-	-	4.8	4.8
Share-based payment	2.3	-	-	1.1	1.1
Changes in equity		-0.3	-35.3	126.4	90.8
Equity at 31 December 2021		6.2	-31.2	1,018.3	993.3

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

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

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Section 1

Significant accounting policies and significant accounting estimates and judgements

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1.1 Basis of preparation

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

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

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

Principal accounting policies

The annual report for the period 1 January - 31 December 2021 with comparative figures comprises the Consolidated Financial Statements of Dampskibsselskabet NORDEN A/S (the Parent Company) and its subsidiaries (the Group) and the Financial Statements of the Parent Company.

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

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

Measurement basis

The Consolidated Financial Statements and the Financial Statements of the Parent Company have been prepared based on the historical cost principle, with the exception of the following assets and liabilities:

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

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

NOTES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation - continued

Applying materiality

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

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

1.2 Basis of consolidation

Consolidation principles

The Consolidated Financial Statements comprise the Parent Company, Dampskibsselskabet NORDEN A/S and subsidiaries. An investment is classified as a subsidiary when below conditions are met:

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

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

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

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

1.3 General accounting policies

Inventories

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

Prepayments

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

Deferred income

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

Foreign currency translation

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

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

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

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

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

Financial ratios

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

Non-IFRS financial measures

In the annual report, the Group discloses certain financial measures of the Group's financial performance, financial position and cash flows that reflect adjustments to the most directly comparable measures calcu-

NOTES TO THE FINANCIAL STATEMENTS

1.3 General accounting policies - continued

lated and presented in accordance with IFRS. These non-IFRS financial measures may not be defined and calculated by other companies in the same manner and may thus not be comparable.

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

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

1.4 Significant accounting estimates and judgements

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

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

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

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

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

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

1.5 Changes in accounting policies and disclosures

The Group has adopted standards and interpretations effective as of 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Adoption of new or amended IFRSs

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR-reform, phase 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on NORDEN in the current or future reporting periods and on foreseeable future transactions.

1.6 Reporting under the ESEF Regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The ESEF Regulation sets out the annual financial reports shall be disclosed using the XHTML format and that the primary Consolidated Financial Statements shall be tagged using inline eXtensible Business Reporting Language (iXBRL).

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published in the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored in the ESEF taxonomy, except for extensions which are subtotals.

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named "norden-2021-12-31-en.zip"

NOTES TO THE FINANCIAL STATEMENTS

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2.1 Segment information

§ Accounting policies

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.1 Segment information - continued

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

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

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

Revenue

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

All freight income and voyage costs are recognised as the freight services are rendered (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related costs are recognised in the income statement according to the entered charter parties from the vessel's load date to the delivery of the cargo (discharge). The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the discharge (load to discharge). This applies to all spot transports and transports under Contracts of Affreightment (COAs).

Costs directly attributable to relocating the vessel to the load port under the contract are capitalised to the extent that they are recoverable.

Demurrage is recognised if the claim is considered probable.

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

Other operating income

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

Vessel operating costs

Vessel operating costs comprise the expenses, excluding depreciation, incurred to generate the revenue for the year. Vessel operating costs therefore include charter hire for chartered vessels, bunker oil

consumption, other voyage costs such as commissions and port charges, repair and maintenance costs, insurance costs, crew wages and other operating expenses. Costs directly attributable to transportation of the vessel to the loading port are capitalised and amortised over the course of the transportation period. Vessel operating costs other than these capitalised costs are recognised upon receipt of services in accordance with the charter parties concluded.

Overhead and administration costs

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

! Accounting estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.1 Segment information - continued

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total
2021					
Revenue - services rendered, external	68.0	3,146.4	336.0	-	3,550.4
Revenue - services rendered, internal	339.8	-	-	-339.8	-
Revenue - sublease financial income	1.2	0.2	-	-	1.4
Voyage costs*	-17.8	-1,129.5	-141.1	19.8	-1,268.6
T/C equivalent revenue	391.2	2,017.1	194.9	-320.0	2,283.2
Other operating income/(expenses)	0.3	-5.7	12.9	-0.8	6.7
Charter hire and OPEX element*	-114.3	-1,572.8	-200.7	320.8	-1,567.0
Operating costs*	-73.1	-0.2	-	-	-73.3
Contribution margin	204.1	438.4	7.1	-	649.6
Overhead and administration costs	-11.4	-87.7	-18.3	-	-117.4
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	192.7	350.7	-11.2	-	532.2
Profit/(loss) from sale of vessels, etc.	7.7	-	-	-	7.7
Depreciation, amortisation and impairment losses	-168.3	-110.3	-16.9	-	-295.5
Share of result from joint ventures	1.1	-	-	-	1.1
Profit/loss from operations (EBIT)	33.2	240.4	-28.1	-	245.5
Financial income	-0.1	0.4	-	-	0.3
Financial expenses	-27.5	-6.8	-0.8	-	-35.1
Profit/loss before tax	5.6	234.0	-28.9	-	210.7
Tax for the year	-0.5	-4.5	-1.2	-	-6.2
Profit/loss for the year	5.1	229.5	-30.1	-	204.5
Adjusted for:					
Profit/(loss) from sale of vessels etc.	-7.7	-	-	-	-7.7
Profit/(loss) from sale of vessels, etc. in joint venture	0.9	-	-	-	0.9
Adjusted Results for the year	-1.7	229.5	-30.1	-	197.7

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

Financial comments

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

NORDEN has no single customer with whom the external revenue exceeds 10% of total revenue. All deferred revenue as of 31 December 2020 has been recognised as revenue in 2021.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.2 Expenses by nature

Amount in USD million	2021	2020
Vessel operating costs	2,908.9	2,170.9
Overhead and administration costs	117.4	93.1
Total	3,026.3	2,264.0
These costs can be split by nature:		
Voyage costs excluding bunker oil	609.6	532.2
Bunker oil	659.0	557.9
Expenses related to the service component of right-of-use assets	205.9	165.9
Expenses related to short-term leases	1,361.1	839.4
Operating costs owned vessels	73.3	75.5
Other external costs	20.4	20.0
Staff costs, cf. note 2.3	97.0	73.1
Total	3,026.3	2,264.0

2.3 Staff costs and remuneration

Amount in USD million	2021	2020
Onshore employees - the amount is included in "Overhead and administration costs":		
Wages and salaries	91.2	67.8
Pensions - defined contribution plans	2.8	3.0
Other social security costs	1.9	1.4
Share-based payment, cf. note 5.3	1.1	0.9
	97.0	73.1
Average number of onshore employees	376	391

Since 2020, all technical management services are handled by external ship managers. In 2021, they on average employed 674 (838) seafarers onboard NORDEN vessels. The amount is included in "Vessel operating costs".

NOTES TO THE FINANCIAL STATEMENTS

2.3 Staff costs and remuneration - continued

Amount in USD million	2021			2020		
	Parent Company Board of Directors	Parent Company Executive Management	Total	Parent Company Board of Directors	Parent Company Executive Management	Total
Wages and salaries	0.8	5.2	6.0	0.8	4.2	5.0
Other social security costs	-	-	-	-	-	-
Share-based payment	-	0.5	0.5	-	0.3	0.3
Total	0.8	5.7	6.5	0.8	4.5	5.3

Financial comments

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

Refer to note 5.3 "Share-based payment" for further information.

Bonus are included in "Wages and salaries".

Refer to "Remuneration report 2021" published on NORDEN's website: www.norden.com/investor/governance/remuneration for further details.

2.4 Depreciation

Amount in USD million	2021	2020
Vessels, cf. note 3.1	42.6	47.7
Right-of-use assets, cf. note 4.7	252.1	153.3
Property and equipment, cf. note 3.1	0.8	0.9
Total	295.5	201.9

2.5 Financial income and expenses

Amount in USD million	2021	2020
Interest income	0.3	1.0
Fair value adjustment, cross currency swaps	-	0.5
Exchange rate adjustments	-	2.0
Total financial income	0.3	3.5
Interest costs	11.1	10.4
Fair value adjustment, cross currency swaps	0.1	-
Interest expenses on lease liabilities	23.9	19.8
Total financial expenses	35.1	30.2

NOTES TO THE FINANCIAL STATEMENTS

2.6 Taxation

§ Accounting policies

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

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

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

! Accounting estimates

Based on the Group's business plans, the Danish group entities have entered the Danish tonnage tax regime for a binding 10-year period from 2021.

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

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

Amount in USD million	2021	2020
Tax on the profit/loss for the year	6.7	7.6
Adjustment of tax regarding previous years	-0.5	-0.9
Total	6.2	6.7
Tax on profit/loss for the year is broken down as follows:		
Profit/loss before tax	210.7	92.7
of which results from Danish tonnage activity	-206.5	-81.2
Profit/loss from non-tonnage activity	4.2	11.5
Calculated tax of this, 22.0% (22.0%)	0.9	2.5
Tax effect from:		
- Tonnage tax	6.0	6.7
- Higher/lower tax rate in subsidiaries	-7.3	-6.3
- Adjustments of tax regarding previous years	-0.5	-0.9
- Non-tax deductible interests ect.	7.1	4.7
Total	6.2	6.7
Contingent tax under the tonnage tax scheme	16.3	16.3
Contingent tax is calculated equalling the tax rate for 2021 and going forward	22%	22%

NOTES TO THE FINANCIAL STATEMENTS

Section 3

Invested capital and working capital

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3.1 Tangible assets

§ Accounting policies

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

Depreciation is based on the straight-line method over the estimated useful lives of the assets. Depreciations are calculated based on the following estimated useful lives (unchanged comparing to last year):

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

Land is not depreciated.

Useful lives of the assets and residual values are reviewed and adjusted at each balance sheet date, if appropriate.

Vessels

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Impairment test

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

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

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

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

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

! Accounting judgements

Significant accounting judgement includes the definition of CGUs. Among other things, the judgement effects on which basis an impairment test is performed. The CGUs are determined as Dry Cargo and Tankers. When determining the CGUs, the respective dry cargo and tanker vessels part of the segment and department Asset Management have been included in the respective CGU; Dry Cargo or Tankers.

Management has considered the degree of interdependency between Asset Management and Dry Operator/Tanker Operator in respect of taking decisions related to the vessel capacity and has concluded that the interdependency is of such extent that the cash inflows are not largely independent from each other and that, consequently, the three operating segments form two CGUs. When determining that the CGU is not at a lower level than the total Dry Cargo and Tanker fleets, respectively, Management has attached importance to the fact that both fleets are managed on a portfolio level.

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

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

When considering vessel values, Management obtains two independent broker valuations of vessels and newbuildings. Assessment of development in newbuilding prices is based on market data such as known transactions, prices of potential newbuildings and analysis reports from brokers.

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

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

! Accounting estimates

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

Recoverable amount is generally determined based on a calculation of the higher of the fair value less costs to sell and the value-in-use.

As the CGUs contain both owned vessels and capitalised charter contracts (right-of-use assets) the fair value less costs to sell of the CGU cannot be determined solely based on the broker valuations obtained but requires valuations similar to those in performing a value-in-use calculation.

The principal risk when determining the value-in-use is in relation to Management's assessment of the timing and value of future cash flows including Management's estimates of long-term freight and T/C rates as well as determination of a discount rate (WACC). The short- and long-term economic consequences of COVID-19 are still unknown and could cause a shift in freight rates and other significant assumptions impacting the impairment assessment.

Other significant accounting estimates when determining the carrying value of tangible assets include i.a. useful lives and residual values.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Dry Cargo

As was the case at end of 2020, an impairment test was performed at the end of 2021 in order to assess potential reversal of previously recognised impairment.

The Dry Cargo CGU is defined as NORDEN's Dry Cargo fleet including chartered vessels and agreed coverage (revenue) in the form of Contracts of Affreightment (COAs), vessels chartered out and Forward Freight Agreements (FFAs). A discount rate (WACC) of 7.25% was applied (2020: 7.25%).

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

Due to the large number of open vessel days in the Dry Cargo CGU the value-in-use calculation was particularly sensitive to even minor fluctuations in among others freight rates and WACC. As an example of these sensitivities, a reduction of the assumed freight rates of USD 1,000 would affect the value-in-use negatively by approximately USD 85 million (2020: USD 75 million). An increase in WACC of 1 percentage point would similarly affect the value-in-use negatively by approximately USD 30 million (2020: USD 40 million).

Tankers

Similar to the end of 2020, an impairment test was performed at the end of 2021 in order to assess the need for impairment.

The Tankers CGU is defined as NORDEN's Tanker fleet including chartered vessels and agreed coverage (revenue) in the form of Contracts of Affreightment (COAs), vessels chartered out and Forward Freight Agreements (FFAs). A WACC of 7.25% was used for the calculation (2020: 7.25%).

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

Due to the large number of open vessel days in the Tankers CGU the value-in-use calculation was particularly sensitive to even minor fluctuations in freight rates and WACC. As an example of these sensitivities, a reduction of the assumed freight rates of USD 1,000 would affect the value-in-use negatively by approximately USD 80 million (2020: USD 85 million). An increase in WACC of 1 percentage point would similarly affect the value-in-use negatively by approximately USD 30 million (2020: USD 35 million).

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Amount in USD million	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2021				
Cost at 1 January	1,079.7	54.9	15.5	1,150.1
Additions for the year	104.1	1.9	155.8	261.8
Disposals for the year	-1.3	-	-	-1.3
Transferred during the year	76.6	-	-76.6	-
Transferred during the year to assets held for sale	-307.8	-	-83.4	-391.2
Cost at 31 December	951.3	56.8	11.3	1,019.4
Depreciation at 1 January	-249.8	-6.3	-	-256.1
Depreciation for the year	-42.6	-0.8	-	-43.4
Depreciations related to derecognised assets	1.3	-	-	1.3
Transferred during the year to assets held for sale	81.3	-	-	81.3
Depreciation at 31 December	-209.8	-7.1	-	-216.9
Impairment losses at 1 January	-62.5	-	-	-62.5
Impairment losses for the year	-14.4	-	-	-14.4
Transferred during the year to tangible assets held for sale	38.4	-	-	38.4
Impairment losses at 31 December	-38.5	-	-	-38.5
Carrying amount at 31 December	703.0	49.7	11.3	764.0

Two vessels have been sold to third parties with repurchase options. NORDEN entered into lease contracts at the same time. These transactions have been treated as financing transactions and the received proceeds are part of the loans.

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Tangible assets – continued

Capital commitments

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

Amount in USD million	2021	2020
Within 1 year	120.0	45.0
Between 2 and 3 years	-	95.3
More than 3 years	-	-
Total	120.0	140.3

Future payments to NORDEN from sold vessels: USD 220 million.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Investments in joint ventures

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

For further disclosure related to joint venture see note 3.5.

§ Accounting policies

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

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

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

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

! Accounting judgements

Assessment of control in shared ownership

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

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

Investments comprise:	2021	2020	2021	2020	
	Ownership	NORDEN's share of result in joint ventures		Carrying amount	
Nord Summit Pte. Ltd., Singapore*	50%	-1.4	-0.5	10.0	11.4
Polar Navigation Pte. Ltd., Singapore	50%	2.7	-2.6	-	-
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	-	-	-	-
NORDEN SYNERGY Ship Management A/S, Denmark	50%	-0.2	0.1	-	0.1
Total		1.1	-3.0	10.0	11.5

* Loss from sale of vessels USD 0.9 million have been realised in 2021.

Amount in USD million	2021	2020
Key figures (100%)		
Revenue and other income	26.0	40.3
Costs	-23.1	-41.7
Impairment	-0.6	-4.6
Total results	2.3	-6.0
Share of results of NORDEN	1.1	-3.0
Non-current assets	10.1	57.9
Current assets	21.5	16.1
- hereof cash and cash equivalents	7.1	6.4
Non-current liabilities, debt	-11.0	-45.0
Current liabilities	-2.1	-17.7
Total carrying amount	18.5	11.3
Share of carrying amount of NORDEN	9.2	5.7
Transferred to other payables due to negative equity	0.8	5.8
Recognised carrying amount of NORDEN	10.0	11.5

🗨 Financial comments

No significant restrictions apply to distributions from joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

3.3 Freight receivables

§ Accounting policies

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

! Accounting estimates

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

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

Amount in USD million	2021	2020
Receivables from invoiced voyages	111.2	99.6
Receivables from voyages commenced at the balance sheet date	152.9	46.9
Freight receivables	264.1	146.5
Writedown regarding demurrage, claims, etc.	-8.4	-2.0
Freight receivables, net	255.7	144.5
Carrying amount	255.7	144.5

Freight receivables are predominately denominated in USD as other currencies account for less than 1% in both 2021 and 2020.

🗨 Financial comments

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

3.4 Vessels held for sale and related liabilities

§ Accounting policies

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

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

Depreciation is not provided for vessels held for sale.

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

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

Vessels held for sale

Amount in USD million	2021	2020
Carrying amount at 1 January	17.1	-
Additions for the year from vessels	188.1	75.0
Additions from prepayments on vessels and newbuildings	83.4	-
Disposals for the year	-137.8	-57.9
Carrying amount at 31 December	150.8	17.1

Liabilities relating to vessels held for sale

Prepayments received on sold vessels and newbuildings	9.4	-
As at 31 December	9.4	-

NOTES TO THE FINANCIAL STATEMENTS

3.5 Joint operations

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

NORDEN's shipping activities are to some extent conducted through pool arrangements. In pools, revenue and related costs are recognised according to criteria corresponding to the pool agreements.

For vessels operating in pools, the pool's profit is allocated to the pool participants on the basis of an agreed principle. The agreed principle may differ from pool to pool. Generally, the pool profit is allocated to the participants according to the number of days the vessels have been at the pool's disposal, but weighted for the capacity and characteristics of the individual vessels.

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

Joint operations comprise the following pools:

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

§ Accounting policies

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

! Accounting judgements

Assessment of control in shared ownership - pool arrangements

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

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

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

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

Liabilities

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

	2021	2020
Share of unrecognised liabilities for which the partners are jointly and severally liable	24.6	11.1

NOTES TO THE FINANCIAL STATEMENTS

Section 4

Capital structure and risks

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4.1 Financial risk management

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

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

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

For further information, see the "Risk Management" section on pages 19-21 in the Management's Review.

Credit risks

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

Credit risk is reduced by systematic credit assessment of counterparties and regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on external credit rating agencies and publicly available information. Each analysis results in an internal rating, which is subsequently used for determining the allowed scope of the commitment.

The internal ratings are based both on a financial and a non-financial assessment of the counterparty profile, where each category ranges between A to D, with A being the highest achievable score.

Customer credit risk exposure

The total Group credit exposure was USD 1,767 million (USD 912 million) at the end of 2021 with USD 1,684 million (USD 759 million) in Dry Cargo and USD 83 million (USD 153 million) in Tankers.

While concentration risk is mitigated by distributing exposure between many counterparties, it is still a few counterparties that account for a large part of the exposure. In Dry Cargo, the exposure involves 285 (252) counterparties, where the 5 largest counterparties accounted for 30% (43%) of the covered revenue in the segment. In Tankers, the exposure involves 59 (58) counterparties, where the 5 largest accounted for 68% (71%) of the covered revenue in the segment. It is assessed that the main part of the counterparties referred to above are solid, and the Group stays updated on the performance and activities of these companies on a regular basis.

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

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

Prepayments

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

Cash deposits

The Group liquidity is strictly placed with financial institutions that are either classified as a systemic

NOTES TO THE FINANCIAL STATEMENTS

4.1 Financial risk management - continued

important financial institution (SIFI) or have a Moody's rating of at least A-.

Derivatives

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

At year-end a total positive market value of USD 180 million (2020: USD 42 million) and a total negative market value of USD 222 million (2020: USD 34 million) have been cleared through NORDEN's margin account with Skandinaviska Enskild Banken (SEB).

Freight rate risks

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

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

Bunker price risks

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

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

Interest rate risks

Most of the Group's loan obligations are paying interest on the basis of 1, 3 or 6 months USD libor.

Most of the Group's considerable cash balance is placed on short term bank deposits thus netting out the loan's libor exposure. The Group's net interest rate exposure does not have a significant effect on the results of the Group.

Currency risks

The Group's functional currency is USD. Since administrative expenses and dividends are paid in other currencies - mainly DKK - there is a currency risk in this connection. The Group hedges expected administrative expenses payable in DKK for a period of 6-24 months. In connection with newbuilding payments, typically in JPY, CNY or KRW, there may also be a currency risk. This is hedged by forward contracts in connection with newbuilding orders. At the end of 2021, all newbuilding payments were, however, in USD. The strike price in some of the Group's purchase options is determined in JPY, and it is the Group's policy only to hedge these if the option is exercised and only upon exercise.

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

Liquidity risks

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

Financial contracts, including but not limited to bunker swaps and FFAs, are mainly traded cleared. The contracts can also be traded OTC, but in this case always with an ISDA in place. This implies a liquidity

risk as changes in market value of the financial contracts must be backed by collateral on a daily basis.

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

The terms to maturity of financial assets and liabilities are disclosed by category and class distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined based on a 0-coupon interest structure adjusted with the Group's interest margin. All cash flows are undiscounted.

Capital management risks

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

The Group's equity ratio was 40.5% (49.5%) at the end of 2021. This significant equity ratio should be considered relative to the Group's future payment obligations in the form of operating lease liabilities (T/C contracts) and payments for newbuildings not recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Financial risk management - continued

Overview of financial risks

Amount in USD	Nominal value		
Credit	2021	2020	Comments on NORDEN's policy
Freight receivables	264 million	155 million	The credit rating of counterparties is assessed on an ongoing basis. The Group reduces its credit risks through systematic credit assessment of counterparties and through regular monitoring of their creditworthiness.
Bank deposits	411 million	332 million	The Group's liquidity is strictly placed with financial institutions with a Moody's rating of at least A3 or classified as systemic important financial institutions (SIFI).
Prepayments on vessels and newbuildings	95 million	16 million	As a main rule, newbuilding contracts with shipyards are entered into with repayment guarantees issued by banks with good credit ratings.
FFAs	Sold net 231 million	Sold net 99 million	To limit credit risk, the Group's FFAs are for the main parts entered through established clearing houses as these have daily margin settlement.
Bunker swaps	Bought net 111 million	Bought net 105 million	The Group's bunker swaps are in general traded cleared, but in some cases bunker swaps are traded OTC with financial institutions and with major, recognised business partners with good credit ratings. In the case of OTC trades the Group always includes an ISDA agreement ensuring continuous collateral above a specific threshold.

Amount in USD	Nominal value			
Market	2021	2020	Sensitivity	Comments on NORDEN's policy
Freight rate risks (FFAs)	Sold net 231 million	Sold net 99 million	A 10% drop in freight rates at year-end would positively impact equity by USD 28 million (positive impact of USD 10 million).	The Group uses FFAs to hedge the cash flow risk related to highly probable freight expenses and revenues.
Bunker price risks	Bought net 111 million	Bought net 105 million	A 10% drop in bunker prices at year-end would negatively impact equity by USD 12 million (negatively impact of USD 11 million).	The Group uses bunker swaps to hedge the cash flow risk related to expenses of highly probable bunker purchases and revenues from the bunker price component of expected, highly probable, cargoes.
Currency risks	120 million	51 million	A 10% increase in the DKK and GBP exchange rates at year-end would have the following impact: <ul style="list-style-type: none"> • DKK; net results positively by USD 0 million (USD 1 million) and equity USD 0 million (USD 1 million), and • GBP; net results positively by USD 0 million (USD 0 million) and equity by USD 3 million (USD 4 million). 	The Group's functional currency is USD. The Group uses FX contracts to hedge future administrative expenses in DKK, as well as planned dividend payments as these are made in DKK. The Group has also entered an FX contract to hedge expected freight income from a COA that was concluded in GBP. Any exposures to other currencies than DKK currencies and GBP is insignificant.
Interest rate risks	-	-	Based on the Group's liquidity and debt at year-end, a 1% increase in interest rates would, all other things being equal, impact earnings before tax positively by USD 1 million (USD 0 million) and equity by USD 1 million (USD 0 million).	Most of the Group's loan obligations are paying interest on the basis of 1,3, and 6 months USD libor. Most of the Group's considerable cash balance is placed on short-term bank deposits thus netting out the loan's libor exposure.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Financial risk management - continued

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

Amount in USD million	Maturities			Total	Carrying amount
	Within 1 year	Between 1-3 years	More than 3 years		
2021					
Derivative financial instruments					
Derivative financial instruments with a positive market value	0.2	-	-	0.2	0.2
Derivative financial instruments with a negative market value	-	-	-	-	-
Cash flow hedging with a positive market value	3.0	0.3	-	3.3	3.3
Cash flow hedging with a negative market value	-1.0	-	-	-1.0	-1.0
Receivables measured at amortised cost					
Receivables from subleasing	24.5	9.2	-	33.7	26.7
Cash and cash equivalents	410.7	-	-	410.7	410.7
Freight receivables	255.7	-	-	255.7	255.7
Receivables from joint ventures	1.0	-	-	1.0	1.0
Other receivables	15.6	-	-	15.6	15.6
Total	707.5	9.2	-	716.7	709.7
Non-derivative financial liabilities					
Loans	-48.7	-98.6	-236.1	-383.4	-342.0
Bonds	-	-100.0	-	-100.0	-98.7
Lease liabilities	-383.5	-299.8	-98.2	-781.5	-607.7
Trade and other payables	-307.8	-	-	-307.8	-307.8
Total	-740.0	-498.4	-334.3	-1,572.7	-1,356.2

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

Financial comments

On the reporting date, floating-rate bank loans have an interest rate of 3-6 months' LIBOR plus a margin of up to 1.7%. Norden's USD 100 million bond issue pays 3 months Libor plus a margin of 4.75%.

Refer to note 4.3 "Fair value hierarchy" for further information.

NOTES TO THE FINANCIAL STATEMENTS

4.2 Derivatives

§ Accounting policies

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

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

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

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

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

Amount in USD million	2021	2020
Fair value of cash flow hedges		
Fair value at 1 January	4.1	8.9
Fair value adjustment at year-end, net	-35.3	-4.8
Fair value at 31 December	-31.2	4.1
The fair value of cash flow hedges at 31 December can be specified as follows:		
Bunker hedging	5.5	10.3
- of which have been transferred to the income statement due to Inefficiency	1.9	-1.1
FFA hedging	-39.0	-5.2
Foreign currency risk hedging	0.4	0.1
Fair value at 31 December	-31.2	4.1
At year-end cash-flow hedges cleared through margin accounts can be specified as follows:		
FFA hedging	-39.0	-5.5
Bunker hedging	5.1	13.0
Foreign currency risk hedging	0.4	0.1
At year-end cash-flow hedges not cleared through margin accounts can be specified as follows:		
Bunker hedging	2.3	-3.5
Fair value at 31 December	-31.2	4.1

Bunker hedging

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

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

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

Hedging of revenues

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

NOTES TO THE FINANCIAL STATEMENTS

4.2 Derivatives - continued

Hedging of expenses

Bunker swaps are purchased to hedge expenses related to planned, highly probable, bunker purchases. The planned bunker purchases are related to existing cargoes, where owners must cover the bunker expenses required to carry the cargo from its load to discharge port, and the redelivery commitment related to time-chartered in vessels, as charterers must redeliver the vessel with a bunker volume specified in the charterparty to owners. Bunker swaps are contracts that are priced against published Platts prices for the respective bunker product in given bunkering hub.

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

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

The total hedge inefficiency in 2021 is USD 1.3 million (2020: USD 4.7 million).

The bunker hedging activities comprise the following contracts:

2021 Bunker	Settlement volume				Fair value mUSD	
	2022	2023	2024	2025+	Positive	Negative
Purchased Mts	763,747	86,200	4,200	-	33.4	-5.8
Average USD / Mts	528.7	375.4	361.8	-		
Sold Mts	545,756	60,000	-	-	4.1	-26.2
Average USD / Mts	548.2	451.8	-	-		
					37.5	-32.0

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

Amount in USD million	2021	2020
Movements in the hedging reserve:		
Beginning of year	9.2	-2.6
Fair value adjustment for the year	42.3	-20.5
Transferred to revenue	29.4	-19.3
Transferred to operating costs	-73.5	51.6
End of year	7.4	9.2

Financial comments

Freight hedging

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

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

Hedging of revenue

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

Hedging of expenses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.2 Derivatives - continued

The FFA hedging activities comprise the following contracts:

2021 Freight	2022	Settlement volume			Fair value mUSD	
		2023	2024	2025+	Positive	Negative
Purchased days	12,928	9,840	1,320	360	127.1	-4.3
Average USD / day	15,134	13,022	11,252	11,800		
Sold days	26,559	6,180	-	-	4.5	-166.3
Average USD / day	17,681	14,295	-	-		
					131.6	-170.6

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

Amount in USD million	2021	2020
Movements in the hedging reserve:		
Beginning of year	-5.2	10.7
Fair value adjustment for the year	-288.1	19.2
Realised contracts, transferred to operating costs	-292.2	14.0
Realised contracts, transferred to revenue	546.5	-49.1
End of year	-39.0	-5.2

Foreign currency risk hedging

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

2021 Settlement principal	2022	2023	2024	2025+	Fair value mUSD	
					Positive	Negative
GBP	mUSD 8.7	mUSD 8.7	mUSD 8.7	mUSD 0.7	0.1	-

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

Derivatives - not hedge accounting

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

Amount in USD million	2021			2020		
	Positive	Negative	Net	Positive	Negative	Net
Freight Forward Agreements	14.1	-19.8	-5.7	3.1	-3.6	-0.5
Forward exchange contracts	0.2	-	0.2	-	-1.6	-1.6

NOTES TO THE FINANCIAL STATEMENTS

4.3 Fair value hierarchy

Fair value measurement

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

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

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which lowest level input is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Amount in USD million	Fair value measurement using			
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2021				
Receivables from subleasing ¹⁾	32.8	-	32.8	-
Freight receivables ²⁾	255.7	-	-	-
Other receivables ²⁾	15.6	-	-	-
Receivables from joint ventures ²⁾	1.0	-	-	-
Cash and cash equivalents ²⁾	410.7	-	-	-
Total financial assets at amortised costs	715.8	-	32.8	-
Derivatives	3.3	-	3.3	-
Total financial assets at fair value through other comprehensive income	3.3	-	3.3	-
Derivatives	0.2	-	0.2	-
Total financial assets at fair value through the income statement	0.2	-	0.2	-
Loans	-342.0	-	-342.0	-
Bonds	-98.7	-102.0	-	-
Lease liabilities ¹⁾	-607.7	-	-	-
Debt to joint ventures ²⁾	-13.9	-	-	-
Trade payables ²⁾	-226.1	-	-	-
Total debt at amortised cost	-1,288.4	-102.0	-342.0	-
Derivatives	-1.0	-	-1.0	-
Total financial liabilities at fair value through other comprehensive income	-1.0	-	-1.0	-
Derivatives	-	-	-	-
Total financial liabilities at fair value through the income statement	-	-	-	-

1) The carrying amount is approximately equal to the fair value.

2) Due to the short term nature, the carrying amount is assumed to approximate the fair value.

NOTES TO THE FINANCIAL STATEMENTS

4.3 Fair value hierarchy - continued

Amount in USD million	Fair value measurement using			
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2020				
Receivables from subleasing ¹⁾	26.7	-	26.7	-
Freight receivables ²⁾	144.5	-	-	-
Other receivables ²⁾	15.5	-	-	-
Receivables from joint ventures ²⁾	9.5	-	-	-
Cash and cash equivalents ²⁾	331.6	-	-	-
Total financial assets at amortised costs	527.8	-	26.7	-
Derivative financial instruments	2.2	-	2.2	-
Total financial assets at fair value through other comprehensive income	2.2	-	2.2	-
Derivative financial instruments	-	-	-	-
Total financial assets at fair value through the income statement	-	-	-	-
Interest-bearing liabilities	-320.0	-	-320.0	-
Lease liabilities	-355.4	-	-	-
Trade payables ²⁾	-131.2	-	-	-
Total debt at amortised cost	-806.6	-	-320.0	-
Derivative financial instruments	-5.7	-	-5.7	-
Total financial liabilities at fair value through other comprehensive income	-5.7	-	-5.7	-
Derivative financial instruments	-1.6	-	-1.6	-
Total financial liabilities at fair value through the income statement	-1.6	-	-1.6	-

1) The carrying amount is approximately equal to the fair value.

2) Due to the short term nature, the carrying amount is assumed to approximate the fair value.

Financial comments

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

Bonds: Fair value of NORDEN's bonds is considered for fair value measurement at level 1 as the bond is quoted by NASDAQ, valued at the official closing price.

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

4.4 Share capital and dividends

Accounting policies

Dividend

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

Treasury shares

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

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2021	2020	2021	2020	2021	2020
1 January	2,894,467	2,888,467	2,894	2,888	7.11	6.84
Acquisition	1,481,230	1,506,000	1,481	1,506	3.78	3.70
Disposal due to exercise of share options	-438,758	-	-439	-	-1.12	-
Capital reduction	-1,500,000	-1,500,000	-1,500	-1,500	-3.55	-3.43
31 December	2,436,939	2,894,467	2,436	2,894	6.22	7.11

NOTES TO THE FINANCIAL STATEMENTS

4.4 Share capital and dividends - continued

Financial comments

The Company is authorised by the general meeting to acquire a maximum of 3,920,000 treasury shares, equal to 10% of the share capital. Treasury shares are acquired for the purpose of hedging in connection with share-based payment, see note 5.3 "Share-based payment" and in connection with share buy-back programmes.

At 1 January 2021, the Group had a total of 37,805,533 outstanding shares of DKK1 each and at 31 December 2021, a total of 36,763,061 outstanding shares of DKK 1 each.

NORDEN initiated a share buy-back programme in 2021. The programme runs from 4 November 2021 up to and including no later than end February 2022. The share buy-back programme is initiated pursuant to the authorisation granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of the acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group. A maximum of 3,920,000 shares can be acquired.

Since the 2021 share buy-back programme were initiated up until year-end 2021, the total number of acquired shares is 953,500 at a total amount of DKK 148,372,405. Acquired shares in 2021 related to share buy-back programme 2020 amounts to 527,730 at a total amount of DKK 50,665,055.

In 2021 shares were acquired at an average price of DKK 136 per share with prices ranging from DKK 110 to DKK 169. The total cost of DKK 212,272,115 was deducted from retained earnings.

In relation to the share buy-back programme, NORDEN implemented a capital reduction of nom. DKK 1,500,000 during the year. The share capital at the end of 2021 was thus nom. DKK 39,200,000 compared to DKK 40,700,000 in the beginning of the year.

Dividends

	2021	2020
Proposed dividend per share, DKK	18.0	9.0
The amount available for distribution as dividends comprises (USD million)	772.1	527.9

Dividends paid in 2021 amount to USD 53 million equal to DKK 9 per share. The proposed dividend for 2021 will be considered at the annual general meeting on 24 March 2022.

4.5 Earnings per share (EPS)

Amount in USD million	2021	2020
The basis for calculating earnings per share and diluted earnings per share is set out below:		
Profit for the year	204.5	86.0
Weighted average number of ordinary shares	39,717,808	41,540,164
Weighted average number of treasury shares	2,203,639	2,759,735
Weighted average number of shares	37,514,169	38,780,429
Dilutive effect of outstanding options and restricted performance shares	187,742	125,800
Weighted average number of shares including dilutive effect of options and restricted performance shares	37,701,911	38,906,229
Earnings per share, EPS (USD)	5.45	2.22
Earnings per shares, Diluted, EPS-D (USD)	5.42	2.22

4.6 Loans and bonds

Accounting policies

Loans and bonds comprise of amounts borrowed from banks and a credit institution, and senior unsecured bonds listed on NASDAQ Copenhagen A/S.

Loans and bonds are recognised at the time the liabilities are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, such loans and bonds are recognised at amortised cost, equivalent to the capitalised value applying the effective rate of interest at the inception of the loan or bond, to the effect that the difference between the proceeds and the nominal value is recognised as interest expense in the income statement over the term of the loan or bond.

Commission paid to set up a credit facility is recognised as transaction costs to the extent that it is probable that the facility will be partially utilised. To the extent that it is not probable that the facility will be partially or fully utilised, commission is amortised over the term of the credit facility.

NOTES TO THE FINANCIAL STATEMENTS

4.6 Loans and bonds - continued

Amount in USD million	2021	2020
Interest-bearing liabilities include bank debt and bonds, which includes the following items:		
Current portion of non-current debt within 1 year	39.9	37.6
Non-current liabilities between 1 and 5 years	336.8	211.9
Non-current liabilities over 5 years	64.0	70.5
Total	440.7	320.0
Interest-bearing liabilities comprise the carrying amount:		
Fixed-rate loans	59.3	22.2
Floating-rate loans	284.9	300.4
Bonds	98.7	-
Borrowing costs	-2.2	-2.6
Total	440.7	320.0
Movements in interest-bearing liabilities:		
Interest-bearing liabilities at 1 January	320.0	303.3
New loans	417.1	132.0
Instalments	-395.1	-117.1
Bonds	98.7	-
Other adjustments	-	1.8
Interest-bearing liabilities at 31 December	440.7	320.0

Financial comments

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

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

Amount in USD million	2021	2020
Mortgages and securities		
Security for loans	296.4	320.0
- number of vessels pledged	26	31
- number of buildings pledged	2	2
- carrying amount	641.1	750.7
- mortgaged amount	594.9	588.3
Amount insured on vessels	777.6	813.0

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

NOTES TO THE FINANCIAL STATEMENTS

4.7 Leases - lessee

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

The nature of the Group's leasing activities

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

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

§ Accounting policies

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

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

Right-of-use assets

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

Impairment of right-of-use assets

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

Lease liabilities

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

period so as to produce a constant period rate of interest on the remaining balance of the liabilities for each period.

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

Short-term leases and leases of low-value assets

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

Cash flows

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

! Accounting estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.7 Leases - lessee - continued

Amount in USD million	2021	2020
Amounts recognised in the balance sheet		
Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the period:		
Right-of-use assets		
Cost at 1 January	527.3	382.5
Additions	443.1	155.1
Remeasurements	67.5	28.2
Disposals	-79.6	-38.5
Cost at 31 December	958.3	527.3
Depreciation at 1 January	-228.7	-111.5
Depreciation	-252.1	-153.3
Disposals	79.0	36.2
Depreciation at 31 December	-401.8	-228.6
Carrying amount at 31 December	556.5	298.7
Lease liabilities		
Lease liabilities at 1 January	355.4	330.5
Additions	454.7	169.5
Remeasurements	66.9	32.9
Instalments	-268.4	-175.3
Disposals	-0.9	-2.2
Lease liabilities at 31 December	607.7	355.4
Non-current	269.9	213.3
Current	337.8	142.1
Total	607.7	355.4

Amount in USD million	2021	2020
Amounts recognised in the income statement		
Expenses related to the service component of right-of-use assets (included in vessel operating costs)	206.2	165.9
Expenses related to short-term leases (included in vessel operating costs)	1,361.6	839.4
Depreciation of right-of-use assets (included in depreciation, amortisation and impairment losses)	252.1	153.3
Interest expenses of lease liabilities (included in financial expenses)	23.9	19.8
Amounts recognised in the statement of cash flows		
Instalment on lease liabilities	268.4	175.3
Interest, lease liabilities	23.9	19.8

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

Balance sheet

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	99.0	6.8	12.8	118.6
Between 1 to 5 years	15.4	-	-	15.4
More than 5 years	-	-	-	-
Total	114.4	6.8	12.8	134.0
2020				
Within 1 year	100.9	-	-	100.9
Between 1 to 5 years	35.5	-	-	35.5
More than 5 years	-	-	-	-
Total	136.4	-	-	136.4

NOTES TO THE FINANCIAL STATEMENTS

4.7 Leases - lessee - continued

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	39.7	10.2	21.3	71.2
Between 1 to 5 years	322.5	23.1	18.7	364.3
More than 5 years	153.0	-	-	153.0
Total	515.2	33.3	40.0	588.5

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

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

Income statement

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	136.7	75.5	19.8	232.0
Between 1 to 5 years	243.6	29.6	10.2	283.4
More than 5 years	4.9	-	-	4.9
Total	385.2	105.1	30.0	520.3

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

NOTES TO THE FINANCIAL STATEMENTS

4.8 Leases - lessor and COAs

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

§ Accounting policies

Subleases

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

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

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

Cash flows

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

Amount in USD million	2021	2020
Amounts recognised in the income statement		
Revenue from sublease financial income (included in revenue)	1.5	1.7
Gain on derecognised right-of-use assets (included in revenue)	18.8	0.5
Amounts recognised in the statement of cash flows		
Instalment on sublease receivables	24.8	17.4
Amounts recognised in the balance sheet		
Set out below are the carrying amounts of receivables from subleasing recognised and the movements during the period:		
Receivables from subleasing		
Receivables from subleases at 1 January	26.7	30.5
Additions for the period	31.5	13.6
Remeasurements	-0.6	-
Payments received	-24.8	-17.4
Receivables from subleases	32.8	26.7

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

Amount in USD million	2021	2020
Within 1 year	24.6	14.8
Between 1 to 5 years	9.2	13.4
More than 5 years	-	-
Total	33.8	28.2

COAs and operating lease income

§ Accounting policies

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

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

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

! Accounting judgements

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

NOTES TO THE FINANCIAL STATEMENTS

4.8 Leases - lessor and COAs - continued

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

Amount in USD million	2021	2020
Within 1 year	454.5	228.6
Between 1 to 2 years	79.6	74.1
Between 2 and 3 years	58.3	55.1
Between 3 and 4 years	51.4	51.3
Between 4 and 5 years	29.9	46.7
Later than 5 years	68.6	93.5
Total	742.3	549.3

The Group has operating lease income as lessor amounting to:

Amount in USD million	2021	2020
Within 1 year	220.7	153.4
Between 1 to 2 years	48.4	76.7
Between 2 and 3 years	14.3	21.4
Between 3 and 4 years	-	0.5
Between 4 and 5 years	-	-
Later than 5 years	-	-
Total	283.4	252.0

The above amounts regarding operation lease income comprise the agreed time charter rates. The lease and service components will be recognised as revenue under the same pattern of transfer to the customer.

Separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establish this disclosure.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Section 5

Other notes

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5.1 Fees to auditor appointed at the general meeting

Amount in USD million	2021	2020
"Overhead and administration costs" include the following fees to PricewaterhouseCoopers:		
Statutory audit	0.5	0.9
Other assurance services	-	0.1
Tax consultancy	0.4	0.2
Other services	0.1	0.1
Total	1.0	1.3

The fee for non-audit services performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is USD 0.5 million (2020: USD 0.4 million) and comprises accounting and tax advisory services.

5.2 Cash flow specifications

Amount in USD million	2021	2020
Reversal of items from the income statement		
Depreciation, amortisation and impairment losses	295.5	201.9
Financial items, net	34.8	26.7
Profit/loss from sale of vessels, etc.	-7.7	18.2
Share of profit/loss of joint ventures	-1.1	3.0
Other reversed non-cash operating items	-12.9	9.9
Total	308.6	259.7
Change in working capital		
Inventories	-51.3	14.7
Freight and other receivables, etc.	-169.7	27.9
Trade and other payables, etc.	157.5	-1.0
Fair value adjustments of cash flow hedging instruments taken to equity	-35.3	-4.8
Exchange rate adjustment of working capital	2.4	0.5
Total	-96.4	37.3

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

NOTES TO THE FINANCIAL STATEMENTS

5.3 Share-based payment

§ Accounting policies

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

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

Restricted shares

In 2021, the Board of Directors has granted restricted shares comprising a total of 75,946 shares to a number of employees.

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

The share price at the grant date was DKK 115.39 (DKK 91.05). Expected dividend per share at the grant date was DKK 15.00 (DKK 2.50).

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

	2021	2020
Outstanding at 1 January	209,844	130,490
Granted during the period	75,946	87,698
Exercised during the period	-58,502	-
Lapsed during the period	-9,093	-8,344
Outstanding at 31 December	218,195	209,844

Outstanding restricted shares is composed as follows:

Granted	Vesting period	Number of restricted shares				Total
		Originally granted in total	Executive Management	Other executives	Others	
30 Jan. 2019	30 Jan. 2019 - 31 Jan. 2022	82,452	23,317	28,552	15,175	67,044
6 Feb. 2020	6 Feb. 2020 - 6 Feb. 2023	87,698	23,779	28,643	25,902	78,324
12 Feb. 2021	12 Feb. 2021 - 13 Feb. 2023	75,946	18,899	25,096	28,832	72,827

The fair value of restricted shares granted in 2021 is USD 1,437 thousand (USD 1,183 thousand). The expense for the year regarding restricted shares is USD 1,128 thousand (USD 883 thousand).

Share options

In the years 2016-2017, the Board of Directors has granted share options comprising a total of 893,350 shares to a number of employees. The distribution between years and exercise periods can be seen below. It applies to all the programmes that the options entitle the holder to acquire one share per option at an exercise price.

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

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

The exercise price is determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date plus a fee of 10% (2016-2017), respectively, in proportion to the market price at the date of grant. The average exercise price of the 447,932 share options exercised in 2021 is DKK 107.68.

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

	2021	2020
	Number of options	Number of options
Outstanding at 1 January	1,056,526	1,355,707
Exercised during the period	-447,932	-
Lapsed during the period	-272,216	-299,181
Outstanding at 31 December	336,378	1,056,526

NOTES TO THE FINANCIAL STATEMENTS

5.3 Share-based payment - continued

Outstanding share options is composed as follows:

Granted	Exercise period	Exercise price at 31 December 2021, DKK	Number of share options				Total
			Originally granted in total	Executive Management	Other executives	Others	
Share options							
2 March 2016	02.03.2019 - 02.03.2022	94.50	435,159	-	10,000	24,500	34,500
9 January 2017	09.04.2020 - 09.04.2023	115.30	50,000	-	50,000	-	50,000
2 March 2017	02.03.2020 - 02.03.2023	132.89	408,191	80,000	47,000	124,878	251,878
Outstanding at 31 December		126.34	893,350	80,000	107,000	149,378	336,378

Financial comments

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

The expense for the year regarding share options

The expense for the year is USD 0 thousand (USD 58 thousand)

NOTES TO THE FINANCIAL STATEMENTS

5.4 Unrecognised contingent assets and liabilities

§ Accounting policies

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

! Accounting estimates

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

Contingent liabilities

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

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

5.5 Related party disclosures

§ Accounting policies

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

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

Amount in USD million	2021	2020
Income statement		
Sale of goods and services, joint ventures	16.1	19.4
Purchases of goods and services, joint ventures	45.8	26.3
Assets		
Receivables, joint ventures	1.0	9.5
Liabilities		
Debt, joint ventures	13.9	-

The Group has no related parties controlling NORDEN.

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

Remuneration and share-based payment of the Board of Directors and the Executive Management are disclosed in note 2.3 "Staff costs and remuneration" and note 5.3 "Share-based payment".

Guarantees to joint ventures are mentioned in note 3.2 "Investments in joint ventures".

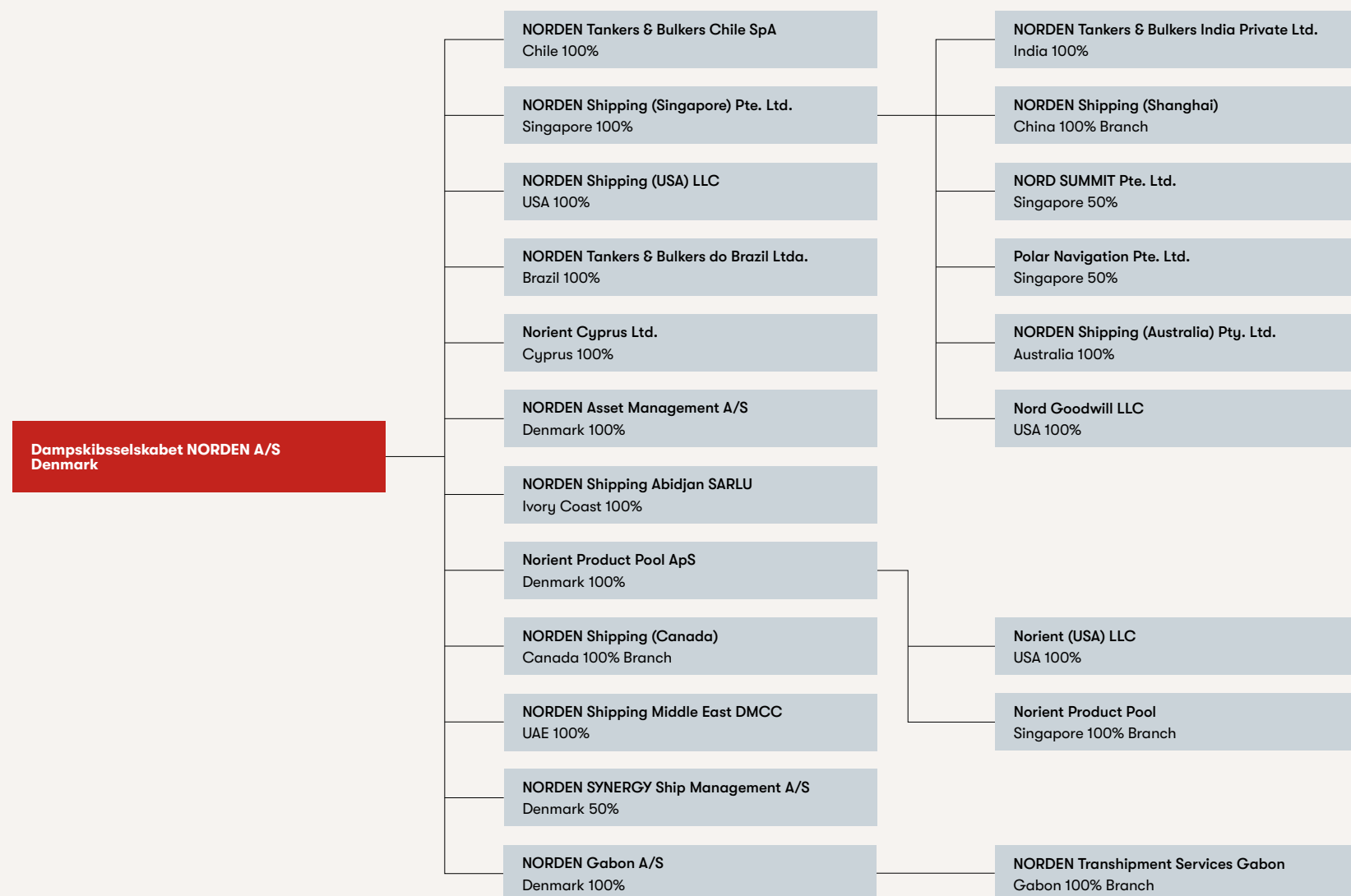
No other transactions took place during the year with the Board of Directors, the Executive Management, major shareholders or other related parties.

5.6 Events after the reporting date

There are no subsequent events. Refer to page 11 in the Management's Review.

NOTES TO THE FINANCIAL STATEMENTS

5.7 Group structure



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INCOME STATEMENT

1 JANUARY - 31 DECEMBER

Amount in USD million	Note	2021	2020
Revenue	2.1	3,389.6	2,399.0
Other operating income		0.1	8.5
Vessel operating costs		-2,773.9	-2,064.7
Other external costs		-28.3	-21.0
Staff costs	2.2	-73.8	-53.6
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)		513.7	268.2
Profit/(loss) from sale of vessels, etc.		-	-0.1
Depreciation, amortisation and impairment losses	2.3	-311.0	-186.4
Profit from operations (EBIT)		202.7	81.7
Profit/(loss) from investments in subsidiaries	3.2	39.9	31.4
Profit/(loss) from investments in joint ventures	3.3	-0.2	0.1
Financial income	2.4	0.2	3.4
Financial expenses	2.4	-33.6	-25.1
Profit before tax		209.0	91.5
Tax for the year	2.5	-4.5	-5.5
Profit for the year	4.4	204.5	86.0

BALANCE SHEET AT 31 DECEMBER

ASSETS

Amount in USD million	Note	2021	2020
Vessels	3.1	23.3	-
Right-of-use assets	4.6	659.2	434.3
Property and equipment	3.1	48.7	48.0
Prepayments on vessels and newbuildings	3.1	83.4	13.5
Total tangible assets		814.6	495.8
Investments in subsidiaries	3.2	686.3	803.8
Investments in joint ventures	3.3	-	0.1
Receivables from subleasing	4.7	9.1	22.5
Total financial assets		695.4	826.4
Total non-current assets		1,510.0	1,322.2
Inventories		111.7	60.8
Receivables from subleasing	4.7	24.3	16.6
Freight receivables		244.9	130.0
Receivables from subsidiaries		28.8	6.2
Receivables from joint ventures		0.7	2.5
Company tax		1.6	-
Other receivables		17.7	16.0
Prepayments		115.9	65.1
Cash and cash equivalents		282.5	308.3
Total current assets		828.1	605.5
TOTAL ASSETS		2,338.1	1,927.7

EQUITY AND LIABILITIES

Amount in USD million		2021	2020
Share capital	4.3	6.2	6.5
Reserve for hedges		-31.2	4.1
Reserve for net revaluation according to the equity method		246.2	364.0
Retained earnings		665.0	467.4
Proposed dividend	4.4	107.1	60.5
Total equity		993.3	902.5
Loans	4.5	41.6	24.1
Lease liabilities	4.6	317.7	294.8
Bonds	4.5	98.7	-
Total non-current liabilities		458.0	318.9
Loans	4.5	4.6	4.6
Lease liabilities	4.6	396.2	201.9
Trade payables		210.2	120.7
Debt to subsidiaries		125.0	287.8
Current tax liabilities		-	0.9
Other payables		70.8	38.5
Deferred income		80.0	51.9
Total current liabilities		886.8	706.3
Total liabilities		1,344.8	1,025.2
TOTAL EQUITY AND LIABILITIES		2,338.1	1,927.7

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

Amount in USD million	Note	Share capital	Reserve for hedges	Reserve under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021		6.5	4.1	364.0	467.4	60.5	902.5
Profit for the year		-	-	-117.8	322.3	-	204.5
Capital reduction		-0.3	-	-	0.3	-	-
Fair value adjustments taken to equity, hedging instruments		-	-35.3	-	-	-	-35.3
Acquisition of own shares	4.3	-	-	-	-33.1	-	-33.1
Exercise of share options		-	-	-	6.6	-	6.6
Dividends paid		-	-	-	-	-53.0	-53.0
Exchange rate adjustment to dividends paid		-	-	-	2.7	-2.7	-
Dividends related to treasury shares		-	-	-	4.8	-4.8	-
Proposed dividend	4.4	-	-	-	-100.4	100.4	-
Proposed dividend on treasury shares	4.4	-	-	-	-6.7	6.7	-
Share-based payment	5.2	-	-	-	1.1	-	1.1
Changes in equity		-0.3	-35.3	-117.8	197.6	46.6	90.8
Equity at 31 December 2021		6.2	-31.2	246.2	665.0	107.1	993.3

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 1

Significant accounting policies and significant accounting estimates and judgements

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Significant accounting policies and significant accounting estimates and judgements

1.1 Summary of significant accounting policies

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

NORDEN has implemented the changes in accounting policies as mentioned in note 1 "Significant accounting policies and significant accounting estimates and judgements" in the Consolidated Financial Statements, if applicable under the Danish Financial Statements Act. Other changes has had no impact in the Parent Company.

Income statement and balance sheet

Income/loss from investments in subsidiaries and joint ventures

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

Investments in subsidiaries and joint ventures

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

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

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

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

Other accounting policies

With reference to the provisions of the Danish Financial Statements Act, the Company has refrained from preparing a cash flow statement. For this information, see the Consolidated Financial Statements for Dampskibsselskabet NORDEN A/S.

Refer to note 1.1 "Basis of preparation" in the Consolidated Financial Statements for other accounting policies.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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2.1 Revenue information

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Eliminations	Total
2021					
Revenue	360.7	3,015.4	331.7	-318.2	3,389.6
2020					
Revenue	318.6	1,911.8	415.9	-247.3	2,399.0

For further details on each segment please refer to note 2.1 in the Group Financial Statements.

2.2 Staff costs and remuneration

Amount in USD million	2021	2020
Wages and salaries	70.3	50.0
Pensions - defined contribution plans	2.1	2.3
Other social security costs	0.5	0.4
Share-based payment	0.9	0.9
Total	73.8	53.6
Average number of employees	285	219

Staff costs and average number of employees exclude employees on T/C vessels. For remuneration of the Executive Management and the Board of Directors, refer to note 2.3 "Staff costs and remuneration" in the Consolidated Financial Statements and to note 5.3 "Share-based payment" in the Consolidated Financial Statements.

2.3 Depreciation

Amount in USD million	2021	2020
Right-of-use assets, cf. note 4.6	310.4	185.7
Property and equipment, cf. note 3.1	0.6	0.7
Total	311.0	186.4

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

2.4 Financial income and expenses

Amount in USD million	2021	2020
Interest income	0.2	0.8
Fair value adjustment, cross currency swaps	-	0.5
Exchange rate adjustment	-	2.1
Total financial income	0.2	3.4
Interest costs	5.2	2.5
Fair value adjustment, cross currency swaps	0.1	-
Interest expenses on lease liabilities	28.3	22.6
Total financial expenses	33.6	25.1

2.5 Taxation

Amount in USD million	2021	2020
Tax on the results for the year	5.3	6.4
Adjustment of tax regarding previous years	-0.8	-0.9
Total	4.5	5.5

Latest, the Company entered the Danish tonnage tax regime for a binding 10-year period from 2021. The Danish Group companies are jointly and severally liable for the tax on the Group's jointly taxed income in Denmark.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 3

Invested capital and working capital

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3.1 Tangible assets

Amount in USD million	Vessels	Property and equipment	Prepayments on vessels and new buildings	Total
2021				
Cost at 1 January	-	53.2	13.5	66.7
Transferred during the year	23.3	-	-23.3	-
Additions for the year	-	1.3	93.2	94.5
Cost at 31 December	23.3	54.5	83.4	161.2
Depreciation at 1 January	-	-5.2	-	-5.2
Depreciation for the year	-	-0.6	-	-0.6
Depreciation at 31 December	-	-5.8	-	-5.8
Carrying amount at 31 December	23.3	48.7	83.4	155.4

A vessel has been sold to third parties with a repurchase option. NORDEN entered into lease contracts at the same time. This transaction was treated as a financing transaction and the received proceeds are part of the loans.

No amounts insured on vessels.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.1 Tangible assets – continued

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

Capital commitments

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

Amount in USD million	2021	2020
Within 1 year	32.3	45.0
Between 2 and 3 years	-	95.3
After 3 years	-	-
Total	32.3	140.3

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.2 Investments in subsidiaries

Amount in USD million	2021	2020
Cost at 1 January	439.9	23.9
Additions for the year*	0.1	416.0
Cost at 31 December	440.0	439.9
Value adjustments at 1 January	363.9	332.5
Share of result for the year	40.4	31.9
Depreciation for the year internal profit/loss	-0.5	-0.5
Dividends received	-157.5	-
Value adjustments at 31 December	246.3	363.9
Carrying amount at 31 December	686.3	803.8

* In 2021, the Company has established a new subsidiary "NORDEN Gabon A/S".

To see the overview of the subsidiaries, refer to note 5.7 "Group structure" in the Consolidated Financial Statements.

No significant restrictions apply to distributions from subsidiaries.

3.3 Investments in joint ventures

Amount in USD million	2021	2020
Cost at 1 January	-	0.2
Divestments during the year	-	-0.2
Cost at 31 December	-	-
Value adjustments at 1 January	0.1	-0.2
Share of result for the year	-0.2	0.1
Divestments during the year	-	0.2
Value adjustments at 31 December	-0.1	0.1
Transferred to other payables due to negative equity	0.1	-
Carrying amount at 31 December	-	0.1

Investments in joint ventures comprise:	Ownership	Ownership
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	50%
NORDEN SYNERGY Ship Management A/S	50%	50%

Key figures (100%) for joint ventures are:

Revenue and other income	3.3	16.8
Costs	-3.6	-16.6
Total results	-0.3	0.2
Share of results of NORDEN	-0.2	0.1
Non-current assets	0.1	-
Current assets	0.6	9.1
- Hereof cash and cash equivalents	0.4	-
Non-current liabilities, debt	-	-
Current liabilities	-0.8	-8.9
Total carrying amount	-0.1	0.2
Share of carrying amount of NORDEN	-	0.1
Transferred to other payables due to negative equity	-	-
Carrying amount of NORDEN	-	0.1

No significant restrictions apply to distributions from joint ventures.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 4

Capital structure and risks

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4.1 Financial risk management

Refer to note 4.1 "Financial risk management" in the Consolidated Financial Statements.

4.2 Derivatives

Refer to note 4.2 "Derivatives" in the Consolidated Financial Statements.

4.3 Share capital

The share capital consists of 39,200,000 shares of a nominal value of DKK 1 each. No shares are subject to any special rights or restrictions.

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2021	2020	2021	2020	2021	2020
Treasury shares as of 1 January	2,894,467	2,888,467	2,894	2,888	7.11	6.84
Acquisition	1,481,230	1,506,000	1,481	1,506	3.78	3.70
Disposal due to exercise of share options	-438,758	-	-439	-	-1.12	-
Capital reduction	-1,500,000	-1,500,000	-1,500	-1,500	-3.55	-3.43
Treasury shares as of 31 December	2,436,939	2,894,467	2,436	2,894	6.22	7.11

The Company is authorised by the annual general meeting to acquire a maximum of 3,920,000 treasury shares, equal to 10% of the share capital. Treasury shares are acquired for the purpose of hedging in connection with sharebased payment, see note 5.3 "Share-based payment" and in connection with share buy-back programmes.

At 1 January 2021, the Group had a total of 37,805,533 outstanding shares of DKK1 each and at 31 December 2021, a total of 36,763,061 outstanding shares of DKK 1 each.

NORDEN initiated a share buy-back programme in 2021. The programme runs from 4 November 2021 up to and including no later than end February 2022.

The share buy-back programme is initiated pursuant to the authorisation granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of the acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group. A maximum of 3,920,000 shares can be acquired.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.3 Share capital - continued

Since the 2021 share buy-back programme were initiated up until year end 2021, the total number of acquired shares is 953,500 at a total amount of DKK 148,372,405. Acquired shares in 2021 related to share buy-back programme 2020 amounts to 527,730 at a total amount of DKK 50,665,055.

In 2021 shares were acquired at an average price of DKK 136 per share with prices ranging from DKK 110 to DKK 169. The total cost of DKK 212,272,115 was deducted from retained earnings.

In relation to the share buy-back programme, NORDEN implemented a capital reduction of nom. DKK 1,500,000 during the year. The share capital at the end of 2021 was thus nom. DKK 39,200,000 compared to DKK 40,700,000 in the beginning of the year.

4.4 Proposal for the distribution of profit

Amount in USD million	2021	2020
Reserve for net revaluation according to the equity method	-117.8	31.7
Proposed dividends	107.1	60.5
Retained earnings	215.2	-6.2
Total	204.5	86.0
Proposed dividend per share, DKK	18.0	9.0

4.5 Loans and bonds

Amount in USD million	2021	2020
Repayment within 1 year	4.6	4.6
Repayment between 1 to 5 years	134.0	16.4
Repayment over 5 years	6.3	7.7
Total	144.9	28.7

Mortgages and security

Amount in USD million	2021	2020
As securities for loans	22.8	28.7
- number of buildings pledged	2.0	2.0
- carrying amount	47.0	47.4
- mortgaged amount	14.4	15.7

The subsidiaries guarantees debt in the Parent Company amounting to USD 14 million (2020: USD 18 million) at the reporting date.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.6 Leases - lessee

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

Amounts recognised in the balance sheet

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

Amount in USD million	2021	2020
Right-of-use assets		
Cost at 1 January	701.5	401.9
Additions	482.7	306.9
Remeasurements	69.3	31.1
Disposals	-118.3	-38.5
Cost at 31 December	1,135.2	701.4
Depreciation at 1 January	-267.1	-117.6
Depreciation	-310.4	-185.7
Disposal	101.5	36.2
Depreciation at 31 December	-476.0	-267.1
Carrying amount at 31 December	659.2	434.3
Lease liabilities		
Lease liabilities at 1 January	496.7	327.9
Additions	502.2	340.6
Remeasurements	71.6	35.8
Instalments	-326.1	-205.4
Disposal	-30.5	-2.2
Lease liabilities at 31 December	713.9	496.7
Non-current	317.7	294.8
Current	396.2	201.9
Total	713.9	496.7

Amounts recognised in the income statement

Amount in USD million	2021	2020
Expenses related to the service component of right-of-use assets (included in vessel operating costs)	261.5	200.0
Expenses relating to short-term leases (including in vessel operating costs)	1,311.4	819.6
Depreciation of right-of-use assets (including in depreciation, amortisation and impairment losses)	310.6	185.7
Interest expenses of lease liabilities (included in financial expenses)	28.3	22.6

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

Balance sheet

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	99.0	6.8	12.8	118.6
Between 1 and 5 years	15.4	-	-	15.4
More than 5 years	-	-	-	-
Total	114.4	6.8	12.8	134.0

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.6 Leases - lessee - continued

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	25.6	10.2	21.3	57.1
Between 1 and 5 years	301.5	23.1	18.7	343.3
More than 5 years	153.0	-	-	153.0
Total	480.1	33.3	40.0	553.4

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

Income statement

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

Amount in USD million	Asset Management	Dry Operator	Tanker Operator	Total
2021				
Within 1 year	182.0	75.5	19.8	277.3
Between 1 and 5 years	286.0	29.6	10.2	325.8
More than 5 years	4.9	-	-	4.9
Total	472.9	105.1	30.0	608.0

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.7 Leases - lessor and COAs

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

Amounts recognised in the balance sheet

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

Amount in USD million	2021	2020
Receivables from subleasing		
Receivables from subleases at 1 January	39.1	20.8
Additions for the period	40.0	32.3
Disposals	-15.6	-
Remeasurements	-0.6	4.6
Payments received	-29.5	-18.6
Receivables from subleases at 31 December	33.4	39.1
Non-current	9.1	22.5
Current	24.3	16.6
Total	33.4	39.1
Amounts recognised in the income statement		
Revenue from sublease financial income (included in revenue)	1.8	2.1
Gain/loss on derecognised right-of-use assets (included in revenue)	16.4	3.8

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

Amount in USD million	2021	2020
Within 1 year	28.1	18.1
Between 1 and 5 years	9.2	23.4
More than 5 years	-	-
Total	37.3	41.5

COAs and operating lease income

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

Amount in USD million	2021	2020
Within 1 year	454.5	228.6
Between 1 to 2 years	79.6	74.1
Between 2 and 3 years	58.3	55.1
Between 3 and 4 years	51.4	51.3
Between 4 and 5 years	29.9	46.7
Later than 5 years	68.6	93.5
Total	742.3	549.3

The Company has operating lease income amounting to:

Amount in USD million	2021	2020
Within 1 year	213.1	136.9
Between 1 to 2 years	47.2	63.9
Between 2 and 3 years	14.3	20.2
Between 3 and 4 years	-	0.5
Between 4 and 5 years	-	-
Later than 5 years	-	-
Total	274.6	221.5

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Section 5

Other notes

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5.1 Fees to auditor appointed at the general meeting

Amount in USD million	2021	2020
"Other external costs" include the following fees to PricewaterhouseCoopers:		
Statutory audit	0.4	0.7
Other assurance services	-	0.1
Tax consultancy	0.4	0.2
Other services	-	0.1
Total	0.8	1.1

The fee for non-audit service performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is USD 0.4 million (2020: USD 0.4 million) and comprise tax advisory services and advisory services.

5.2 Share-based payment

Refer to note 5.3 "Share-based payment" in the Consolidated Financial Statements.

5.3 Unrecognised contingent liabilities

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

The Company has issued guarantees for loans etc. raised by subsidiaries of USD 274 million.

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

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

5.4 Related party disclosures

Refer to note 5.5 "Related party disclosures" in the Consolidated Financial Statements.

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DEFINITIONS OF KEY FIGURES AND FINANCIAL RATIOS

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

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

Adjusted Result for the year = Profit/loss for the year adjusted for profit/loss from sale of vessels etc., including adjustment for sale of vessels in joint ventures

Book value per DKK 1 share = $\frac{\text{Year-end equity}}{\text{Number of shares at year-end, excluding treasury shares}}$

Contribution margin = Revenue + other operating income less vessel operating costs

Dividend yield = $\frac{\text{Dividend per share} \times 100}{\text{Share price}}$

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation, defined as profit/loss for the year before depreciation, amortisation and impairment losses, profit/loss from sale of vessels etc., share of profit/loss of joint ventures, financial income, financial expenses and tax

EBITDA ratio = $\frac{\text{EBITDA} \times 100}{\text{Revenue}}$

Equity ratio = $\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$

Invested capital = Equity + net interest-bearing debt at year-end

Net interest-bearing debt = Interest-bearing debt less cash and securities at year-end, defined as loans (current and non-current) plus lease liabilities (current and non-current) plus bonds less securities and cash and cash equivalents

Net profit or loss per DKK 1 share = $\frac{\text{Profit/loss for the year}}{\text{Number of shares at year-end, excluding treasury shares}}$

Payout ratio = $\frac{\text{Dividend, excluding treasury shares} \times 100}{\text{Profit/loss for the year}}$

Price/book value = $\frac{\text{Share price at year-end per DKK 1 share}}{\text{Book value per DKK 1 share}}$

Profit from operations (EBIT) = Earnings Before Interest and Tax, defined as profit/loss for the year before financial income, financial expenses and tax

Return on equity in % (ROE) = $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Return on invested capital (ROIC) = $\frac{\text{Profit/loss from operations} \times 100}{\text{Average invested capital}}$

Share price at year-end per DKK 1 share = The last-quoted average price on Nasdaq Copenhagen for all trade in the company share at the reporting date

Total shareholder return = The total return of a share to an investor based on share price performance and dividends. Dividends are assumed to have been reinvested in the share. Return is based on USD

USD exchange rate at year-end = The USD exchange rate quoted by the National Bank of Denmark at year-end

SHIPPING TERMS AND ABBREVIATIONS

<p>B Baltic Dry Index (BDI) Index of the dry cargo rate development on selected routes for Handysize, Supramax, Panamax and Capesize.</p> <p>Bunker Fuel used by the vessels.</p> <p>Bunker hedging Forward agreement to purchase or sell bunker oil at a predetermined price.</p>	<p>F FFA (Forward Freight Agreement) Forward agreement to purchase or sell the transport of cargo for a particular type of vessel and route at a predetermined price.</p> <p>Forward rate Market expectations for future rate levels.</p>	<p>Port call countries The number of countries where at least one port call has been made by NORDEN operated vessels, excluding time-charter out vessels.</p> <p>Purchase option A right, but not an obligation, to purchase a vessel at an agreed price.</p>
<p>C Charter party Overall term for contracts in shipping, including COAs (see COA).</p> <p>COA (Contract of Affreightment/Cargo Contract) Agreement to transport cargo for a predetermined period – 3 months, 5 years, 10 years, etc. – and at a predetermined price per tonne.</p> <p>Commercial management Agreement to operate a vessel on the account and risk of the shipowner.</p> <p>Coverage Securing employment of a vessel for a longer period of time (see spot market).</p>	<p>H Handysize Bulk carrier of 28,000-39,000 dwt. capacity or product tanker of 36,000-40,000 dwt. capacity.</p>	<p>S SIRE (Ship Inspection Report Programme) The oil companies' inspection of the safety and operational standard of the product tankers.</p> <p>Spot market Day-to-day market for cargo contracts.</p> <p>Supramax Bulk carrier of 50,000-64,000 dwt. capacity.</p>
<p>D Demurrage Charge payable by the charterers of a vessel on failure to load or discharge the vessel within the time agreed.</p> <p>Dwt. (Deadweight tonne) A measure of a vessel's cargo carrying capacity.</p>	<p>I IMO (International Maritime Organisation) Shipping organisation under the UN.</p> <p>IMOS (Integrated Maritime Operating System) Shipping system which supports chartering, operations and accounting related functions for NORDEN and Norient Product Pool's fleet of dry cargo and product tanker vessels.</p>	<p>T T/C (Time charter) Lease of a vessel whereby the vessel is hired out for a short or long period.</p> <p>T/C equivalent (Time charter equivalent) Freight revenues less bunker consumption and port charges.</p> <p>Technical management Agreement to manage a vessel's technical operations and crew at the account and risk of the shipowner.</p> <p>Tonne-mile A measure of demand for capacity. Calculated as the freight amount times the transport distance in nautical miles.</p>
<p>E EEOI (Energy Efficiency Operational Indicator) Measurement of efficiency defined as the amount of CO₂ emitted per tonne of cargo transported 1 mile.</p> <p>Extension option A right, but not an obligation, to extend a time-chartered vessel contract at an agreed price.</p>	<p>M MR (Medium range) Product tanker of 46,000-52,000 dwt. capacity.</p> <p>O Operator activities Combination of cargoes and available vessels in the market.</p> <p>P Panamax Bulk carrier of 75,000-93,000 dwt. capacity – largest vessel type to pass the Panama Canal.</p> <p>Pool Group of vessels with different owners but commercially operated together.</p> <p>Port State Control The countries' technical inspection of foreign vessels calling at their ports.</p> <p>Port calls The number of ports called by NORDEN's operated vessels, excluding time-charter out vessels.</p>	<p>V Vessel days Total number of days with available vessel capacity.</p> <p>Vetting Collective term for the many kinds of inspections of product tankers – including SIRE inspections – which the oil companies carry out themselves or demand to have carried out.</p> <p>VLCC Very large crude carrier.</p>

COMPANY INFORMATION

Company information

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Johanne Riegels Østergård, Vice Chairman
Karsten Knudsen
Thomas Intrator
Helle Østergaard Kristiansen
Stephen John Kunzer
Christina Lerchedahl Christensen
Henrik Røjel
Benedicte Hedengran Wegener

Executive Management

Jan Rindbo, CEO
Martin Badsted, CFO

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PricewaterhouseCoopers
Statsaut. Revisionspartnerselskab
44 Strandvejen
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Annual general meeting

The annual general meeting will take place on Thursday 24 March 2022 at 2.00 p.m. and will be held as a hybrid event with both physical and virtual attendance possible

Since 1871, NORDEN has built a reputation for providing stability in an industry defined by volatility. We leverage the intelligence we have gathered, acquired and developed to deliver solutions that are tailored to the realities of the marketplace – delivering results our customers and investors can rely on.

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