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**CHAIRMAN'S REPORT BY CHAIRMAN MOGENS HUGO,  
NORDEN'S ANNUAL GENERAL MEETING, 24 APRIL 2013**

**INTRODUCTION**

Once in a while, you almost wish that you would be wrong. We had predicted that 2012 would be a challenging year, and indeed it was. It is safe to call it the most brutal of the years since the financial crisis broke out in 2008.

Dry cargo rates setting new bottom records. Huge numbers of newbuilding deliveries corresponding to an extra maritime nation entering the dry cargo market. Dropping vessel prices and continuing high fuel prices. These were just some of the challenges we faced during this past year.

These are the conditions in a cyclical business like shipping. No need to complain. If there is imbalance between vessel supply and transportation demand, you notice it right away. And this imbalance really impacted the markets in 2012.

But we came prepared. We made sure to enter the year with high coverage for our dry cargo vessels and had ensured that the tankers were ready to take advantage of the small upswings offered by an otherwise depressed product tanker market.

At the same time, we spent the year constructively. We continued optimising our fleet, and NORDEN was streamlined. The activity increased, while administrative expenses decreased.

Still, we cannot call the bottom line for the year satisfactory.

**FINANCIAL HIGHLIGHTS**

EBITDA – operating earnings before depreciation, etc. – for 2012 amounted to USD 148 million or more than DKK 800 million, which is in the high range of the expectations.

But NORDEN was affected by dropping vessel prices in 2012. During the first quarter alone, the value of NORDEN's vessels decreased by 11%. The drop levelled out over the year with 4% in the second and 6% in the third quarter, and fortunately, it flattened off with a drop of 2% in the fourth quarter. In other words, we saw the vessel values take a major rollercoaster ride, and the Company has taken a very tangible consequence of this.

Already after the first quarter, NORDEN decided to write down the fleet values by USD 300 million. By doing so, the book value is more level with the market values. In round figures, the write-down corresponds to DKK 1.7 billion, and even though it does not affect liquidity or loan agreements, since the far majority of our vessels are cash financed, it has great influence on results.

Together with ordinary depreciation and loss on the sale of vessels, it means that the bottom line constitutes a loss of USD 279 million or approximately DKK 1.6 billion.



Being in the red is naturally unsatisfactory. But the way the vessel prices developed, the write-down was the right thing to do in order for the shareholders to have a more accurate picture of the Company's values. Now, we have by and large cleared up and can look ahead.

Cash flow from operations amounted to USD 122 million or approximately DKK 700 million. It is very positive that even in such challenging markets as today's, NORDEN is able to generate positive cash flows. This shows that the business is fundamentally healthy – more money comes in than goes out. And NORDEN is therefore able to build up liquidity and improve its financial resources. Thus at the turn of 2012, the Company had cash and securities in the amount of USD 529 million at its disposal.

We would all have liked to have gone without the write-down, but in this connection, I would like to point out an important aspect. The write-down comes as a consequence of vessel prices going down. So if you are in a position and have the appetite to buy vessels, the low ship values are not only a drawback – they also provide an advantage to a financially strong shipping company such as NORDEN.

We can use these times of downturn to create the basis for the next upturn.

#### SHAREHOLDER RETURN

NORDEN aims to deliver a better return to its owners than that of comparable companies. The shareholder return, which consists of the increase in share price and dividend, amounted to 25.2% in 2012, and it was thus significantly higher than the negative return of 1.4%, which was the weighted average of 7 shipping peers.

At the beginning of 2012, the share price was 134.5 – at the end of the year, it was 163.1 – an increase of more than 21%. To this can be added last year's dividend of DKK 4. Since the turn of the year, the share price has gone up additionally and is currently trading at approximately 180.

As chairman, I am happy that we are also able to reward our shareholders this year. Today, the Board of Directors therefore proposes that a dividend of DKK 3 per share be paid. The proposal – which represents a total value of USD 22 million or more than DKK 120 million – reflects the wish to provide a stable return to the owners. In addition to the proposed dividend, the Board of Directors has decided to buy back treasury shares at a value of up to USD 30 million – approximately DKK 170 million. This is another way of rewarding the shareholders. This means that the Company is returning a total of more than USD 52 million – approximately DKK 290 million – to the owners.

Owing to good operations and relatively conservative dividend payments, NORDEN has been able to develop a strong financial position throughout the years. As I have already mentioned, the Company had cash and securities of USD 529 million at its disposal at the end of the year – approximately DKK 3 billion. To this can be added undrawn credit facilities of USD 161 million, which means that NORDEN has a total of approximately DKK 4 billion at its disposal.



It is not a goal in itself to have a lot of available cash, but it does provide the best opportunities to create an attractive risk-adjusted return in the long term. And the way things are looking within shipping, strong financial resources are not only nice to have – they are absolutely crucial. Both in order to honour our commitments in the shape of e.g. leasing agreements and in order to make investments in a market characterised by attractive vessel prices.

#### THE WORK, COMPOSITION AND REMUNERATION OF THE BOARD OF DIRECTORS

At last year's general meeting, the Board of Directors was expanded, so it currently has 9 members – 6 shareholder-elected and 3 employee-elected members.

The work of the Board of Directors follows an annual calendar to ensure that we cover all relevant matters as best as possible. The annual calendar can be found in the annual report. We held 14 board meetings in 2012, 4 of which were focused on the tasks we undertake as audit committee. These tasks e.g. include making sure that the Company has all control and risk management systems in place and monitoring of financial reporting and correct audit completion.

Naturally, the writing down of ship values and the related impairment tests have been a focal point of several of the audit committee meetings. In addition, present times require extra attention to counterparty and credit risks. As everyone is suffering from the current slump. Therefore, we thoroughly assess if the parties we intend to do business with have both the will and the ability to honour their financial commitments to NORDEN. The Company assesses counterparties on a systematic and professional basis, and they are all rated so we know just how large a risk is justifiable to take with them. The goal is to reduce loss.

The Board of Directors also has a remuneration committee, who met 3 times during the past year. One of the responsibilities of this committee is to oversee the correct implementation of the remuneration policy adopted by the general meeting. Today, the general meeting will be asked to consider adjusting the remuneration policy, and I will return to the background for this proposal later in my report.

For several years, remuneration of the Board of Directors has been unchanged, which was also the case in 2012. This remuneration still consists of a base fee with a supplement fee for the chairman and vice chairman. Last year, the general meeting decided to expand the Board of Directors by 1, and as a natural consequence hereof, total remuneration of the Board of Directors has gone up. The composition of the Board of Directors has also changed as one of our employee-elected members has left the Company and has been replaced by the alternate Anne-Katrine Nedergaard. It is positive that we thus can get more women in top management in a traditionally very male dominated business. As a result of new legislation, we have set a target for the number of shareholder-elected women on the Board of Directors. We will maintain representation of at least 16% and aims to increase the share to 33% within the next 4 years. Alison Riegels, who represents our largest shareholder, A/S Motortramp, and who has been on the Board of Directors since 1985, has informed me that she wishes to resign as vice chairman. I would like to thank Alison for her great



efforts as vice chairman throughout the years, and I am happy that she will continue as a regular board member. Her decision implies that a new vice chairman must be elected when the Board of Directors will appoint its chairman and vice chairman immediately after this general meeting. I recommend Klaus Nyborg for the position.

### DRY CARGO 2012/2013

The largest challenge within our primary business segment, Dry Cargo, remains the supply of vessels. As I mentioned to begin with, shipping is a business in which you very quickly and very directly notice if there is imbalance between the number of vessels and the number of cargoes. And this was very much the case in 2012!

A new record in the number of new dry cargo vessel deliveries was set during the year. A total of 98 million dwt. was delivered. This is a huge figure, which even record-high scrapping of old tonnage was not able to absorb. The net supply of new tonnage amounted to 64 million dwt.

To put this figure in perspective: at the end of 2012, NORDEN's owned dry cargo vessels and vessels on long-term charter with purchase option comprised approximately 6 million dwt. The supply of new tonnage thus corresponded to 10 new companies the size of NORDEN entering the dry cargo market last year!

This was simply too much to absorb for even a relatively good increase in dry cargo tonnage demand of 7%, and rates consequently dropped. On average, the Baltic Dry Index was 41% below the level of 2011 – the lowest level for the past 26 years.

Naturally, this large a drop is reflected in the Dry Cargo results. But even though operating earnings of USD 131 million were 24% below earnings in 2011, there were also some highlights: an increasing number of ship days, T/C earnings above market level and a good profit from operator activities.

In total, the number of ship days in 2012 amounted to 68,430 – a new record. Actually, we have to go back as far as the fantastic year of 2008 to find an equally high number of ship days.

In 2012, earnings in the Dry Cargo Department outperformed the market again. Earnings were 54% above the spot market and 33% above the 1-year T/C rates. Part of the explanation for this performance is good contracts entered into when times were better, but excellent business talent is also an important reason.

This is reflected in the profit from operator activities. This is a statement of how much we earn during the year by arbitrating, reading the market, procuring inexpensive fleet capacity, saving fuel and carefully planning the logistics of every trip. The profit from operator activities is calculated based on estimated earnings as these looked at the beginning of the year. You know how much it costs to operate the vessels, and based on the market-predicted rates for the year, you calculate what



the fleet will expectedly generate in operating earnings. When the year has ended, you can see if you came in above or below this estimate. If you came in above, you have what is called profit from operator activities. In 2012, Dry Cargo generated profit from operator activities of USD 22 million – nearly DKK 125 million – and this is well done especially in light of the fact that rates were actually decreasing on a steady basis over the year.

If we look ahead in dry cargo, we see some bright spots. After 4 years of record-high newbuilding deliveries, the trend fortunately breaks in 2013 as fewer newbuildings are delivered.

We do, however, still have significant excess of vessels in the world fleet, and it will take some time before scrapping will have dealt with the overcapacity. But nearly every sixth dry cargo vessel in the world fleet is 20 years old. And as long as freight rates are under pressure and fuel prices are high, many older vessels will not be able to compete against modern vessels. This means that there is significant scrapping potential to take from at the same time as the volume of newbuilding orders is limited resulting from difficulties in obtaining financing.

We therefore expect the overcapacity to be reduced. This will likely first take place from 2014, but together with a relative stable growth rate in demand of approximately 7% driven by emerging economies, it indicates that better times are coming.

Take for instance coal, which constitutes 40% of NORDEN's transports. We expect an increase in export capacity of nearly 140 million tons at the end of 2014. A large amount of this coal will require transportation to India, where an increase in demand of more than 6% per year is expected. In other words, there are many new trips to pursue in coming years, and with an ever more fuel efficient and modern fleet, NORDEN is well equipped to win new contracts.

As part of our strategy, one of our targets is to increase the volume of transported cargo by 15% per year in the period 2011-2013. In the first two strategy years, NORDEN not only reached this target, we exceeded it. The increase has been 22%, and with this, NORDEN's business has grown well. In return, we are lagging behind with regard to the target to increase the volume of contractually secured cargoes by 15% per year. Following 15% growth in 2011, there was a minor decrease in 2012. But this is to a great extent our own choice. There have been many contract possibilities, but we simply feel that it has become too cheap for us to want to fix large volumes of capacity at these levels. This can also be seen as a sign that NORDEN is a healthy business. We have the option to turn down contracts if we do not consider them sufficiently attractive.

### TANKERS 2012/2013

In Tankers, we have seen gradual improvement of the market in recent years, but this development failed to appear in 2012. The year started out well in Tankers with daily rates at approximately USD 15,000. But the second and third quarters of the year offered very low rates which only improved in the autumn as a result of disruptions in supply in the shape of a refinery fire in Venezuela and the



hurricane Sandy. This made demand increase towards the end of the year, and with low coverage, NORDEN was well positioned to benefit from the rates regaining some of their previous strength.

In total, our Tanker Department realised T/C earnings which were 5% above the 1-year rates. Even more impressive was the fact that we also thoroughly outperformed the spot market – in MR by 42%. In total, this resulted in operating earnings of USD 28 million – a bit better than in 2011 despite the fact that the MR rates were actually almost 8% down on average from last year.

Even though the tanker market is still characterised by the major newbuilding deliveries of recent years, there are positive trends. These are i.a. due to changed transportation patterns within the oil industry. Previously, the oil producing countries in the Middle East left it to the refineries located closer to the final users in the west to refine the crude oil. But along with economic growth, a growing number of Middle Eastern and Asian oil countries have built up their own refinery capacity. This means that in future, we will see increasing imports of finished oil products such as gasoline and diesel directly from the source so to speak, and this is something which NORDEN's tanker fleet will benefit from. As you know, we do not transport crude oil, only refined products.

To this can be added that the very considerable market that is the USA somersaulted in 2012. The major increase in the production of shale oil, which is extracted from the soil layer on the American continent, has strengthened the American refinery sector and has resulted in the fact that the USA has gone from being a large net importer of refined oil products to being a net exporter in only a very short time. So where we used to be very focused on growth in American consumption, the situation is now such that additional decreases in consumption will trigger more exports of refined oil products – which is a positive development for sea transportation.

So the trend in transportation of refined products over greater distances is ongoing and will only intensify in coming years. In year 2000, only 15% of demanded oil was transported at sea. In 2012, this figure had gone up to 22%, and we expect this increase to continue over the coming years. At the same time, we are only seeing moderate fleet growth within product tankers, so with a modern and fuel efficient fleet, NORDEN is well equipped for the years to come.

The good rates from the end of 2012 have continued in the first months of 2013, but before we get too optimistic, it is advisable to remember that 2012 too started out good, but only ended okay thanks to a good sprint finish.

#### CSR – CORPORATE SOCIAL RESPONSIBILITY

I would also like to take this opportunity today to comment on the *way* we achieve our results. Because it is part of NORDEN's DNA that we have a goal-oriented and decent approach to everything we do. It is important that everyone knows that NORDEN keeps its promises and you can be certain that NORDEN strives for high standards.





This also goes for the environment. Shipping is already the environmentally best way to transport large volumes of goods over great distances.

But as a shipping company, we must not rest on our laurels. On the contrary, we have to set ambitious goals and determinedly pursue these. Therefore, we have set a goal of reducing CO<sub>2</sub> emissions from owned vessels by 25% compared to 2007 in 2020. Until now, we have reduced CO<sub>2</sub> from owned dry cargo vessels by 18.3% and from owned tankers by 14.2%, and this not only benefits the environment but also the bottom line. As fuel prices remain at a high level.

But CSR is not only CO<sub>2</sub> – it is also about the way we do business in general. And we have also moved forward in this area in 2012. We have formulated a new CSR strategy, which was introduced a few months ago. The strategy identifies 7 focus areas, which, in addition to CO<sub>2</sub>, include vessel safety, employee conditions, transparency, anti-corruption, environmental management and responsible supply chain management. Our customers assign great importance to this, and we see it as a competitive parameter. I hope that you will find the opportunity to read our CSR report, which is available on the internet and in the foyer.

#### ORGANISATION, SYSTEMS AND OPERATIONS

Now, let us turn to organisation, systems and operations. As I have often said, it is the employees and not the vessels who are the real assets at NORDEN. And let me make it clear: despite the 2012 results, they did a great job in the year that passed. Metaphorically speaking, you can say that the employees increased NORDEN's fuel mileage in a difficult and demanding market.

It is always important to have an eye for costs, but in times of recession, it is crucial to success. Therefore, we can be pleased that the entire organisation has also in 2012 had a sharp focus on costs which NORDEN is able to influence. Despite record high activity i.a. in the form of a total of more than 84,000 ship days and more employees to handle the extra activity, both administrative expenses on shore and running costs of the vessels have decreased. Administrative expenses decreased by 6%, whereas streamlining of purchases, better stock management, savings on lubricating oil and changes in crew have contributed to reductions in running costs of 1% and 4% for Dry Cargo and Tankers, respectively, on vessels in technical management by NORDEN.

NORDEN has also introduced brand new shipping IT systems, which will make all the many processes in shipping simpler and more smooth running. This applies to everything starting from the signing of the contract to the completion of the trip and concluding in correct invoicing.

Thus, these are very important systems, which have been updated in the past year, and it has required a lot of work to change the systems in a company with an annual revenue of DKK 12 billion without affecting day-to-day operations. But thanks to good planning, hard work and also a bit of patience, we have reached the finish line.



### SALARY AND REMUNERATION

Unfortunately, times are not quite right for us to reward an extraordinary performance to the same extent as we would perhaps have liked to. With our remuneration policy, we wish to set the framework for attracting and retaining the right employees. But restraint also within remuneration helps strengthen NORDEN's competitiveness and keep us on the right course. Salary increases have therefore generally been at a low level, and we would like to thank the employees for their acceptance of the fact that market conditions call for restraint in this area as well.

The payment of bonuses has also been modest. The Executive Management has led the way, and no member of the Executive Management has received a bonus for 2012.

Today, the general meeting will be asked to decide on an adjustment of the remuneration policy. The remuneration policy sets the framework for when bonuses can be paid and to whom. Even though it is not a requirement, NORDEN's remuneration policy has so far included all employees and not just the Executive Management and the Board of Directors.

The inclusion of all employees in the remuneration policy means that it is not possible to reward selected employees in parts of the business if the Company's results – e.g. as a result of a write-down – are negative. This is too inflexible and does not support the purpose of the remuneration policy to attract and retain the right employees.

Today, the Board of Directors therefore proposes that the remuneration policy be adjusted so that it – completely in accordance with the recommendations on corporate governance – includes only the Board of Directors and the Executive Management.

A possible reward of extraordinary performance will be subject to our strong wish for restraint in the payment of bonuses also after the adjustment. It is a wish, which is reflected in the fact that bonuses paid in 2012 will amount to a total of USD 1.2 million – the lowest level in several years – provided that the general meeting adopts the proposal for an adjusted remuneration policy. In the four previous years, the corresponding amount has been USD 2.6 million in 2011, USD 6.9 million in 2010, USD 3.4 million in 2009 and as much as USD 15.8 million in 2008.

I hope that our shareholders will support the proposal when we get to the vote.

The year that has passed also included an extension and strengthening of the Executive Management of NORDEN. We found a new man to head the Dry Cargo Department as Ejner Bonderup took up the position as head of this important business area. He has 24 years of experience within shipping and the ideal professional and personal background to head the large Dry Cargo segment. At the same time, we extended the Executive Management so that it in addition to Carsten Mortensen and CFO Michael Tønnes Jørgensen now consists of Ejner Bonderup, head of the Tanker Department Lars Bagge Christensen and head of the Corporate Secretariat Martin





Badsted. 5 men who together and separately possess the skills and have the visions it takes to manage one of Europe's largest shipping companies.

This strong top management, skilled employees and efficient systems support NORDEN's vision of becoming the preferred partner within tramp shipping.

### STRATEGY AND INVESTMENT

We still work according to our strategy for 2011-2013, which we have called "Long-term Growth in Challenging Times". A lot is unchanged: we must focus on customers and cargo contracts, we must outperform the market and create profit from operator activities, we must ensure tight cost control and generate a return to our shareholders above that of other shipping companies.

But already from this year, there is a significant change: after several years of investing in Tankers, we have now more than doubled the owned fleet in this segment, and we now turn our focus towards investing in Dry Cargo. However, common for both of them is fuel efficiency – our targeted efforts to transform our owned fleet into a more fuel efficient one and thereby increase our competitiveness.

Today, NORDEN has a modern fleet at its disposal, and we continuously work at optimising it. Nevertheless, we have been criticised for being so hesitant to invest in the dry cargo market. But the criticism ceased as prices dropped. Because it has been sensible to wait and see and be hesitant within dry cargo.

But now we see that prices of new dry cargo vessels have reached a level where it really makes sense to increase investments in this segment.

It is particularly 2 factors, which make increased investments in dry cargo vessels attractive. First of all, prices are attractive, but very few other players have the opportunity to take advantage of them. They simply lack financing. Thanks to i.a. tight cost control and not least the shareholders' understanding of the importance of strong financial resources, NORDEN is in a situation today envied by many other companies. We have the cash to take advantage of the low prices. We can invest and optimise our fleet.

And the second factor which makes investments attractive is precisely this optimisation. As I have touched on several times in this report, fuel efficiency is a critical parameter in a difficult market with high fuel prices. I would like to take the opportunity to comment on what we are actually talking about when we say fuel efficient vessels – so-called ECO vessels.

### STRATEGIC FLEET OPTIMISATION

ECO vessels are vessels with a better mileage. A few years ago – in 2007 – when the market boomed, and freight rates were high, the most important thing was to expand the vessels' cargo carrying capacity. Back then, not many people thought about the volume of fuel consumption. This



has changed. Partly due to increasing fuel prices and partly due to the lower rates, which necessitate a lower cost base. After all, fuel is the primary expense in connection with our vessels' trips, and it is therefore extremely relevant to do everything you can to reduce this item.

Last year, NORDEN spent in round figures around USD 650 million on fuel. Just above DKK 3.5 billion, that is. You do not have to be a mathematician or an expert to figure out that even a reduction of a few percentages will make a significant difference when we talk about figures of this size.

Therefore, we have also followed the development within shipbuilding with great interest. I will not give you a technical description today, but our technical department has been so kind to make a few slides, which in outline explains a bit about the exciting development that NORDEN is part of in these years.

Overall, you can fuel optimise a vessel in 2 ways. You can design the actual hull in such a way that the propulsion resistance becomes smaller, and you can look at the capacity of the engine and fuel consumption. If you use the latest technology and knowledge within both areas, you can achieve remarkable results.

And it is not only new vessels, which can have their fuel consumption improved in this way. So can existing vessels even though there are certain physical limits. Our technical department is therefore very busy at the moment. On some vessels, it is worthwhile to subsequently install a ring in front of the propeller – a so-called Mewis Duct. Its design ensures that the water flowing along the hull is turned so that the propeller gets maximum effect and increases ship propulsion efficiency. On other vessels, a solution like this is not profitable, but then you can look at optimising the engine, just as fuel efficiency of all vessels will be increased by using hull paint reducing propulsion resistance.

However, the greatest leaps within fuel efficiency are within newbuildings.

In these months, the 4 product tankers, which we ordered in 2011, are delivered. They are ECO vessels. In this case, this means that they will each consume 20-25% less fuel per day than even relatively new vessels launched in e.g. 2007. This is a huge difference, which, converted into cash, means savings of USD 2-3,000 per day per vessel.

And this is an advantage, which NORDEN targets to expand. We have already sold some of our least fuel efficient vessels, and the sales proceeds can be reinvested by contracting and entering into long-term charters with purchase option on some of the most modern and fuel efficient vessels ever built. We use all the expertise and experience gained at both yards around the world and internally in our own organisation, and the result is vessels which will notably stand out and reduce fuel costs significantly.



And we are already working on this. At the end of last year and in the first months of this year, we have ordered 11 newbuildings in Dry Cargo. In total, 27 of the 117 vessels, which we own or have long-term chartered with purchase option, are ECO vessels. In other words, we have already come a long way, and as some of our current chartered vessels expire, they will also be replaced by new fuel efficient tonnage – either by new long-term charters with purchase option or by new contracts.

But why is it wise to buy vessels when I have just told you that one of the main problems is too many vessels at sea. As a lot of other things in life, this is connected with opportunities and timing.

As one of the few shipping companies in the world, NORDEN is able to contract new vessels. As we all know, we are financially strong i.a. because we put money aside during the good times and this money has not been burning in our pockets. Therefore, we now have the opportunity to take advantage of the very attractive newbuilding prices while others stand by.

The other thing is timing. It is correct that there are too many dry cargo vessels at sea here and now. But scrapping and a low number of newbuilding orders will do theirs to reduce overcapacity. As mentioned, this will take a few years, and it is exactly in these years – where continued lower rates are also expected – that we will have our new vessels built.

They will then be delivered in 2015 where we expect reduced overcapacity and, consequently, higher rates. It is a market like this which we will enter with brand new, fuel efficient dry cargo vessels, which will lower our costs and position us extremely well to profit as much as possible from an increasing market.

Investments will primarily take place in the Handymax and Panamax vessel types, which are the types NORDEN already operates the most of.

I have now briefly outlined the thoughts behind our changed investments focus in the current year from Tankers to Dry Cargo. But the changed focus does not mean that there will not be any investments in Tankers in the coming years. But the tanker investments will primarily focus on optimising the fleet by upgrading and replacing existing tankers. Thus, we signed a contract for 4 new MR product tankers from the STX yard a month ago, which will replace 3 vessels sold in December 2012. The 4 new vessels are of course also ECO vessels – well, actually super ECO, as they can make fuel savings of up to as much as 25-30%.

### EXPECTATIONS FOR 2013

Unfortunately, the outlook within our largest business segment, Dry Cargo, is not that good for 2013, even though there has been a bit of spring mood in some of the vessel types in the last couple of months compared to the end of last year. As I said earlier, 2013 will also be marked by the far too large supply of new vessels particularly seen in 2012. This means that we expect rates to be under pressure in the coming year as well. So even though we are getting closer to a balance in the rate of growth for supply and demand due to fewer newbuilding orders and a continued good level



of scrapping, there is still a significant backlog, which must be caught up. But it will happen, and in the long term, the cyclical nature of shipping will ensure that our Dry Cargo Department will again generate good earnings. But until then, we will unfortunately have to prepare ourselves for 2013 being a very quiet year earnings-wise in Dry Cargo with a break-even EBITDA.

In Tankers, we expect a gradually improving market. Globally, oil demand is expected to increase by 1% in 2013. This corresponds to approximately 1 million barrels per day, and as in 2012, we expect this oil to be transported over greater distances. This means that the demand for tonnage increases more – possibly by as much as 3-4%. The development will also in 2013 be driven by Asia and South America, and together with moderate fleet growth, this provides a good basis for a more balanced market. Based on this, the Tanker Department is expected to generate an EBITDA of USD 25-45 million.

In total, NORDEN is expected to generate an EBITDA of USD 15-45 million for 2013. This is definitely not showy, but it also reflects that we still have some expensive vessels in our book, just as a lot of the really good coverage is running out. To this should be added a very significant point, namely that the market is still poor, which, however, provides opportunities to build up new, inexpensive and fuel efficient capacity, which will secure competitiveness going forward.

So there are still opportunities in the market, and we are in some very interesting segments and vessel types in order to secure long-term value creation for our shareholders. And let me also say: 18 years as chairman of NORDEN has taught me that when shipping markets take off, they really take off – and then you better be ready.

### CONCLUSION

Three weeks ago, we received the first of the 4 fuel economic MR product tankers, which we ordered in 2011. Her name is NORD STABILITY. Last Friday, her sister NORD STRENGTH followed, and soon NORD STEADY and NORD STRONG will follow. I mention this partly because it is always a big and happy event to take delivery of vessels, but also because I think that the names are well-chosen.

NORDEN strives to be a stable and strong shipping company. We built up capital in the good days, and we are now building up the fleet in the not so good days. This is a sensible strategy, which ensures that you can take advantage of the opportunities arising from the fluctuations of a cyclical business. And it is a strategy, which ensures that NORDEN gets through the crisis with renewed strength.

Because NORDEN stands stronger today than we did one year ago. And when we meet next year, NORDEN will be even stronger – and *that* is a prediction which I will not be unhappy to be right about.

Thank you for listening.