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Corporate Participants

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Norden – CEO

Michael Tønnes Jørgensen

Norden – CFO

Martin Badsted

Norden – EVP

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Nicolay Dyvik

DNB

Frans Hoyer

Jyske Bank

Jacob Pedersen

Sydbank

Presentation

CARSTEN MORTENSEN

Welcome to the presentation of NORDEN's interim report for the first quarter of 2013. My name is Carsten Mortensen and I am the CEO. I will be presenting together with our CFO Michael Tønnes Jørgensen and Executive Vice President Martin Badsted, who is responsible for our Investor Relations.

I trust you have all found time to download the accompanying PowerPoint slides from our website. We will refer to the specific slides as we go along. Please note, that this presentation and the following Q&A session will be recorded and made available on our website.

- Turn to slide 2, please

CARSTEN MORTENSEN

The agenda for today will be as follows:

- I will start by outlining the highlights of the first quarter.

- Subsequently, Michael will go through the key financial figures.
- Then Martin will present the market conditions in Dry Cargo and Tankers and I will finish with our current expectations for 2013
- After the presentation we open our Q&A session

Slide 3, please

CARSTEN MORTENSEN:

Spot markets in Dry Cargo were historically weak in the first quarter, whereas the tanker spot marked was the best since first quarter 2009

Group EBITDA for the quarter was 10 million dollars - lower than both the first and the fourth quarter of 2012

Cash flow from operations was minus 20 million dollars in the first quarter primarily due to increase in working capital.

We continue to have a strong cash position with cash and securities of a little less than 500 million dollars – and have undrawn credit facilities of approximately 160 million dollars. This puts us in a good position to take advantage of further investment opportunities in the market.

6 month ago we increased our investment focus on Dry Cargo. Since then we have contracted or chartered in 13 newbuild Dry Cargo vessels and 4 MR product tankers – all ECO vessels. The total investment including T/C-commitments amounts to 445 million dollars. We are in a close dialogue with a number of first class local and international banks to secure attractive 10-year financing for our new orders.

We maintain our financial guidance for 2013, where we continue to expect an EBITDA of 15-45 million dollars.

Now over to Michael who will take us through the financial highlights.

Slide 4, please

MICHAEL TØNNES JØRGENSEN:

Thank you, Carsten.

Out of the Group EBITDA of 10 million dollars, the Tanker department generated 11 million dollars, while the Dry Cargo department had an EBITDA of 1 million dollars. Unallocated EBITDA amounted to minus 2 million dollars.

Due to good spot earnings the performance of the Tanker department was in line with expectations. However, this was to some extent counteracted by a lower number of ship days and higher daily running costs as a result of period deferrals and increased insurance premiums.

On the other hand, the Dry Cargo performance was below expectations due to a very challenging market, expiry of good contracts and positioning. **Due to the South American grain season more than 15 Panamaxes have been positioned from the Pacific to the Atlantic, which incurs costs in the first quarter but will only generate revenues in future periods.**

Dry Cargo EBITDA includes non-recurring income of 9 million dollars, since NORDEN has accepted early cancellation against upfront cash settlement of 2 T/C vessels from a Japanese operator. The cancellations will affect earnings negatively in the remaining contract term until mid-2014. The full year impact in 2013 is close to zero.

Net cash flow, i.e. cash from operations, investments and financing amounted to minus 16 million dollars. Norden still has a solid cash position, with cash and securities of 498 million dollars at end of first quarter.

Result for the first quarter was a net profit of minus 11 million dollars.

Slide 5 please

MICHAEL TØNNES JØRGENSEN

The total NAV at the end of the quarter was 1.6 billion dollars or 220 DKK per share. This is an increase of 7 DKK from the end of 2012.

The increase is a result of a strengthening of the USD against DKK and a small difference between the book value and shipbrokers valuation of NORDEN’s vessels. As ususal, the fleet was assessed by 3 independent shipbrokers.

The value of the owned fleet is almost equally split between the Dry Cargo and Tanker vessels. At the end of the quarter this value was 121 million dollars lower than the book value, also evenly split between the Dry Cargo and Tanker vessels. Consequently, an impairment test was carried out, and based on this, there was no indication of impairment and thus no need for write-downs.

Slide 6 please, and over to Martin

MARTIN BADSTED:

Thank you, Michael.

The dry cargo market conditions was challenging in the first quarter. The Baltic Dry Index posted its lowest quarterly average in 27 years, which clearly reflects the significant oversupply in the market.

Q1 is usually a weak season for Chinese imports, and compared to the fourth quarter of 2012 China’s dry cargo imports were down 5% due to an 8% reduction in coal imports and a 4% reduction in minor bulk trade. Moreover China’s iron ore imports were almost flat with a quarter on quarter reduction of 3% as a result of de-stocking of iron ore inventories and high own production.

On the other hand grain export out of Brazil is expected to double in the current harvest year compared to Last season. This has already given a lot of long haul exports from South America to Asia as well as congestion.

Underlying demand drivers have been mixed, but remain supportive overall. Generally, world GDP growth forecasts have been declining during the first part of the year. In the first quarter Chinese GDP growth fell to 7.7%. Steel production is strong but much of it is for exports and prices are declining so growth is likely to slow down near term.

Importantly, much of the iron ore capacity expansion scheduled for the year is expected to materialise during H2 which should keep seaborne demand healthy.

Turn to slide 7, please

MARTIN BADSTED:

Turning to the market outlook, the most important thing is that the fleet growth is slowing down. Deliveries in Q1 was 30% less than the same period last year. Scrapping remained high in the quarter with 7.5m dtw. scrapped. There is still considerable potential for further scrapping since around 17% of the fleet is older than 20 years and as long as freight rates are under pressure and bunker prices are high, there will be pressure to scrap older ships.

Given the current order book and the reasonable degree of new contracting, fleet supply is expected to slow in the coming quarters. This in combination with a continued positive demand development is likely to result in a better supply/demand balance towards the end of 2013 and the beginning of 2014.

Slide 8 please,

So far 2013 has been characterised by an overall good activity.

In the Western market, one of the major drivers was strong demand from Latin America, which was caused by general demand increases, but also the fact that one of the world's largest refineries in Venezuela is still operating at half capacity. Also the long winter in Europe provided operators of ice-classed vessels the opportunity of obtaining ice premiums on cargoes going out of the Baltic. Compared to the graph on the left it is our view, that the spot market has actually held up somewhat better than indicated here.

In addition we saw a much improved Eastern market, which was positively affected by congestion in both Australian and East African ports. Rates were also driven higher by strong regional demand, especially from Indonesia and Japan. In Japan alone imports was 200,000 b/d higher than the same period last year, which is approximately 1% of the world market for seaborne oil products.

On average NORDEN realised spot MR T/C earnings of USD 17,850 pd during the quarter and January generated the highest monthly spot-earnings in 4 years.

Next slide please

During the first quarter, net fleet growth in Norden's two vessel types, MR and Handysize, has in total been approximately 1.5%. Following the seasonally strong first quarter, deliveries are expected to slow and net fleet growth for the full year is still expected to be around 4%, which is in balance with tonnage demand.

MR contributes with the highest growth rates of approximately 7%, but this is offset by a negative fleet growth in Handysize of 2%.

The total product tanker fleet growth which includes LR1 and LR2's is expected to remain at just over 3%.

CARSTEN MORTENSEN:

Thank you, Martin.

We maintain our expectations for the full year an EBITDA of 15-45 million dollars.

Earnings in Dry Cargo are highly affected by the very challenging market conditions and thus NORDEN expects an EBITDA of around 0 million dollars. The Tanker department earnings are expected to generate an EBITDA of 25-45 million dollars.

The guidance is based on current capacity, coverage and forward rates, where open capacity in Tankers are employed at rates of 13,100 to 13,800 dollars per day.

Based on current known investments and sales, CAPEX is expected to be 120-140 million dollars for the year.

Next slide please

CARSTEN MORTENSEN:

And please remember that there are uncertainties related to any forward looking statements…

CARSTEN MORTENSEN:

This concludes our presentation. Now, we open our Q&A session. Please await the conference host's instructions.

Questions and Answers

Nicolay Dyvik – *DNB*

Good morning or good afternoon probably, in terms of operator activity, has some repositioning of the fleet in Q1 of which will benefit over the next few quarters, and could you explain a bit on the current low rate environment and what you see for the first half of this year, what is the potential operator activity this compared to the about 20 million again last year?

Martin Badsted

Hi Nicolay, if we start with the repositioning of vessels, what happens is that if we take, for instance, a Panamax vessel out in the Pacific and reposition her into the Atlantic, if we do that without having a specific cargo or fixture in the Atlantic when we start out, we start incurring costs without any off-selling revenue, so for the first part of the voyage we ballast into the Atlantic, we have the full time chart costs of the ships and also the bunker costs of the ship, and repositioning one ship can easily cost $6-800,000 and only then in a subsequent period will we start to incur revenue, which should be quite high due to the value of the front hull position. So when we say we have more than 15 ships out there, some of that will definitely come during the second quarter, some may flow in through the third quarter. Whether that will be a full front hull value or whether they will stay doing Atlantic round voyages it's impossible to say, but it's definite that it has been a significant investment into that position value there.

With respect to general operator activity, I think it's fair to say that when we are sitting on such a depressed market as we are right now, doing standard operator activity becomes more difficult, there is less volatility, and risks are perhaps a little bit higher, because if you do…if there is a little bit of change to the actual voyage compared to your standard assumption, it can have a huge impact on the overall bottom line, because the margins are so small right now, so I think it is more challenging, but of course we still hope to be able to generate some positive profits during the year.

Frans Hoyer – *Jyske Bank*
Good afternoon. A question regarding your financial strength and how much you could possibly do in terms of ordering or buying more tonnage in the market. Given the commitments of around 430 million now and the net cash position and the credit lines and so on, how much could you increase your commitment by from this level?

Carsten Mortensen
If you take the direct orders that we have placed, they account to $288 million. We are looking to finance 70% of that, so that means that we have a cash strain of about $80-90 million for those specific 10 ships. We have cash and security of about $500 million right now and, on top of that, we only have currently loans of $137 million altogether, so we have almost a cash financed fleet you can say currently, so there is a lot of potential to continue. We are in no hurry to go out and invest. It's important for us that we invest in the right ships from the right shipyards with the right eco profile. You also have to bear in mind that we have a time charter fleet, so we have off-balance sheet commitments, which we need cash reserves for, but we certainly have a continued conservative balance sheet, but we are starting to put the money to work now.

Frans Hoyer – *Jyske Bank*
Would you double your Capex commitment towards fleet expansion from the current…?

Carsten Mortensen

We haven't guided on our exact targets for this year. I think there was a window of opportunity in the first quarter and April/May that we took advantage of after the depreciation of the Yen, with some shipyards in particular in Japan wanting to secure orders with NORDEN. It's not that easy to go to Japan right now and order quality tonnage, but we will wait for the right moment again and we will probably press on with more Handymax and Kamsarmax orders this year, but I think we have the larger portion of this year's orders behind us.

Jacob Pedersen – *Sydbank*

I have a couple of questions. First of all, how do you feel about the psychology in the market also concerning the ordering spree both actually in the drybulk market and in the tanker market? What should we expect going forward? Do you expect more ordering of new tonnage that could prolong the downturn in the drybulk market. How do you view this situation?

Carsten Mortensen

There has been orders placed as we said in the quarterly report about 10 million tons of dry cargo ships has been ordered in the first quarter. 7.5 have been scrapped. We still have a diabolical freight market and also a tanking market which is severely under water if you take the whole industry as such. I think there will be a natural lift. There is money out there and some of the money is certainly being placed on competitive ships now. Yes, you have like a lemming effect also once you see some ordering, but I am absolutely convinced that it will be rather limited this time around, simply because there is not that much financing available and many of the current players are scrambling to keep their head above water.

Jacob Pedersen – *Sydbank*

Sticking to that, keeping the head above water, how is your view on counterpart risk in your drybulk division. Is risk increasing at the moment? I know you have been very prudent on your counterparties in the past.

Carsten Mortensen

We have deliberately turned our book toward utilities, mining companies, large traders and that is certainly paying off now, so I would say you can never exclude that we will have a counterparty default, but overall our counterparty book, our credit risk book today is very healthy altogether.

You saw it also we had two ships returned from a Japanese charterer and we basically got full compensation for it and that is the $9 million that we had of extraordinary income, one off income in the first quarter. Generally speaking, it is a pretty solid counterpart book we have to date.

Jacob Pedersen – *Sydbank*
My last question concerns the product tanker market, it is very good spot rates in the first quarter. How many extraordinary activities has caused this or should we expect this market to turnaround and to be a good market with positive earnings and good strike? rates in the future.

Martin Badsted
I think it is a fact that the product tanker market is almost all the time impacted by disruptions or extraordinary activities, I think you call them. I would actually say that when something happens quite frequently, even though they are out of the ordinary for the particular refinery or the particular country being affected, I don't think it should actually be considered extraordinary to the market. It is just I think a standard influence that happens to be affecting the product tanker market quite frequently. It is something which is here to stay and it is just very unpredictable as to the timing and the scale of it. Has the market now turned? Well we do think so in the sense that we did see some gradual improvement in 2010 and 2011, and then there was a sudden deterioration over the summer last year, but we think actually that even though there might be a summer market also this year, that it will be less severe than what we experienced in 2012, so that we are now back on the gradually improving trend that we had also seen prior to 2012. We think it is going to be a gradual improvement and not necessarily a rapid rebound if you will.

[No further questions]

Carsten Mortensen
That seems to be it from here. Thank you very much for listening in. Have a good day. If there are any questions, do not hesitate to contact the IR department of NORDEN. Have a good afternoon.
