

CHAIRMAN'S REPORT BY CHAIRMAN MOGENS HUGO, NORDEN'S ANNUAL GENERAL MEETING, 23 APRIL 2015

In many ways, 2014 turned out to be an unusual year. The challenges were lined up, and single factors moved in the wrong direction.

We had prepared for a dry cargo market in recovery, but we got the opposite. Therefore, not even a very strong tanker market in the fourth quarter and a large number of initiatives from the Company could save the results for the year.

The year constituted a loss of USD 416 million. This equates to over DKK 2.3 billion. A large portion of this loss is related to provisions and non-recurring items. However, this does not change the fact that results are naturally not satisfactory, and I am the first to regret this.

INITIATIVES

Exactly a year ago, I stood at this rostrum and explained how we – based on analyses and market expectations – had prepared for a recovering dry cargo market. Back then, I also said that we could see the recovery dragging on 3 months into the year and that we therefore needed assistance from the market in order to get well through the year.

Today, we can establish that we never got that assistance. We had to go out and find employment for the dry cargo vessels in a market which went down instead of up contrary to expectations. Instead of having a bit of tail wind, we had to prepare ourselves for a continuously strong headwind, and so we did by introducing a number of concrete measures:

Firstly, we had already stopped further investments in dry cargo vessels in January as we deemed the prices too high. Instead, and secondly, we became more active in selling, and since January, the Company has sold a total of 7 vessels – of which 2 are newbuilding contracts – generating just about USD 200 million in total proceeds.

Thirdly, we took advantage of the large flexibility that our business model offers with its mix of owned and chartered vessels. In this way, we reduced the chartered dry cargo fleet by 20% as the market outlook continued to disappoint and appeared still more challenging.

Fourthly, we increased our focus on liquidity even more. In times as challenging as the ones we are seeing now, it is enormously important to have financial reserves. We improved our working capital by USD 34 million both by recovering outstandings and as a result of a generally lower activity in the dry cargo market.

Fifthly, we used 2014 to secure new credit facilities of USD 221 million well in advance. Thereby, NORDEN made use of its standing as a continuously solid and attractive partner for credit and finance institutes, which makes it possible to attain credit facilities at favourable conditions.

Sixthly, we launched a cost saving programme, which will save us USD 20 million a year on voyage related costs within 3 years. This involves, for example, going over our many contracts with pilots, tugs, ports and the like. For instance, we recently entered into a new contract with a new supplier of tug assistance in St. Petersburg, which will save us an annual USD 400,000. We have also signed a new contract on supply of

lubricant products, which has resulted in savings of over USD 500,000. It is part of the NORDEN DNA to be cost-conscious. The only new element that we have introduced is actually just to set a concrete and ambitious goal of attaining annual savings of USD 20 million on voyage related costs specifically.

Seventhly, we continue to focus on fuel efficiency. In other words, our vessels must go further to the litre for the benefit of the environment and the bottom line, and here, we have also set a target for our saving. In 2015, we aim to improve the fuel efficiency of the core fleet by 3%. If we see the same activity as in 2014, this will equal a reduction of 17,000 tonnes of fuel – or, measured by the going rate for bunkers, USD 5.5 million.

Eighthly, we have reorganised our Dry Cargo Department for us to better make use of NORDEN's strong position in the market. We must always be able to offer customers the best transportation solution, and with the many different vessels types that NORDEN operates, we have the prerequisites for doing just that.

Initiative number 9 was the result of a still clearer picture emerging as the year wore on that neither 2015 was going to be a good year for the dry cargo market. Therefore, the Dry Cargo Department used the end of the year to significantly increase coverage for 2015. In the course of the fourth quarter, coverage thus went up from 26% to 55%, however, at levels which are not great but are still considerably above what you can get in today's – to put it mildly – challenging market.

Because while the tanker market looks quite reasonable these days, the dry cargo market is historically poor. In February, the Baltic Dry Index, which is an index of the dry cargo rates, hit an all-time low. On 18 February, it dropped to 509 points, and to put this level into perspective, I can share with you that when the index peaked on 20 May 2008, it stood at 11,793 points. Today's market is so poor that it corresponds to a daily rate of about USD 5,000 more or less independent of vessel size, and this means that spot rates are close to the operating costs of the vessels but do not cover interest and repayment.

PROVISION

The gloomy outlook prompted NORDEN to look at some of its old contracts on chartered vessels. Contracts which were primarily signed in the years 2006-2011. In December, we could establish that the dry cargo market looks challenging also for the years to come. Therefore, we estimated it to be unlikely that these old contracts would be profitable at any time. In other words, we were looking at year after year of having a lot of money tied up in these contracts and of keeping in mind that every new cargo involved losses compared to what these vessels cost us.

Against this background, we took the consequence and made a provision for these contracts. The provision means that we have taken the expected losses here and now instead of spreading it out on the coming years. This is of course painful, and it affects the results for the year considerably, but on the upside, we have cleaned up, and the carrying costs are now level with the market to a much greater extent.

KEY FIGURES

In total, we have made provisions of USD 230 million for old contracts, and this greatly affects the results for the year in NORDEN.

Earnings before depreciation etc. – EBITDA – and before the provision constituted a loss of USD 31 million. It is the first time in my 20 years as chairman that NORDEN does not present positive numbers on this item.

To this should be added the aforementioned provision for old contracts of USD 230 million, and EBITDA then constitutes a loss of USD 261 million. Furthermore, depreciation of USD 68 million and results from joint ventures should be added, and EBIT thus comes to a loss of USD 335 million.

As we all know, the year was also marked by a large drop in oil prices, and as NORDEN does not speculate in oil prices, we also had to take an unrealised loss on hedging instruments of close to USD 62 million. The main part of this item relates to bunker hedging which may need some explanation:

When NORDEN enters a cargo contract, we go into the market and hedge the necessary purchase of fuel – so-called bunker – with a contract. This means that we know exactly the bunker costs of the specific contract, and this gives us security. We so to speak take out insurance in order for us to buy bunker at an already agreed price. If the oil price goes up before we get to purchase the bunker in connection with the contract, we can still purchase the bunker at the agreed price, and the same applies if the oil price goes down. We have therefore not made nor lost money – we have paid exactly what we had expected and calculated. And the alternative – that NORDEN should speculate in oil prices and stake on that it either went up or down – is non-existing as NORDEN does not want to speculate in oil prices.

The USD 62 million is thus added to EBIT, and results for the year then come to a total loss of USD 416 million of which USD 292 million – DKK 1.6 billion – relates to non-recurring items, however, which will not strain operations in the coming years. However, this does not change the fact that the results for the year are obviously not something that we can be pleased with. On the other hand, we are happy that we decided to put some money aside during the good times so that we have some reserves in these really challenging dry cargo times.

SHIP VALUES

The markets are also reflected in ship values. Based on the average of valuations from 3 independent brokers, the market value of NORDEN's 46 owned vessels and 14.5 newbuilding orders including joint ventures was USD 1,462 million at the turn of the year. This is USD 58 million below the carrying amounts, and the pressure on vessel prices has continued into the new year in dry cargo.

Our newbuilding programme is fully financed, and together with attractive credit facilities, our cash reserves can cover all costs relating to the newbuilding programme. Furthermore, at the end of year, the brokers estimated that the market assessment of the newbuilding programme amounted to USD 461 million, which is USD 32 million above carrying amounts and costs.

LIQUIDITY

Despite the significantly challenging times, NORDEN is still in a solid financial position. At the end of the year, the Company had cash and securities of USD 259 million and USD 418 million in undrawn credit facilities. Consequently, a total of USD 677 million or DKK 4.1 billion.

And we make active use of this position. Because regardless of how poor the markets are, they will also hold opportunities. In February, we could thus sign a contract with a number of Japanese ship owners who in

return for getting a prepayment of the lease – the so-called TC hire – on 9 long-term chartered vessels reduced the future hire by more than USD 10 million. Specifically, we are paying USD 51 million here and now in return for not having to pay USD 62 million in the years to come. It is an agreement for the benefit of both parties. The Japanese ship owners make use of the advantageous USD exchange rate to increase liquidity here and now while NORDEN gets a reasonable return on the money and a repayment period of less than 3.5 years.

RETURN TO THE SHAREHOLDERS

When opportunities like these arise, we have to be able to take advantage of them. And we are therefore constantly aware of having a continued solid financial position with good cash reserves. But considering the current environment, this unfortunately claims victims.

One of them is that we, for the first time since 1992, recommend to the general meeting that no dividend is paid out for 2014. It is not the end to 20 years as chairman that I had expected or hoped for, but it is the only reasonable thing to do considering the current environment. We have to maintain the Company's financial position and strength – so that there is something to lean on in hard times and so that we have the strength to take advantage of the opportunities in the market.

The downturn in especially the dry cargo market is also reflected in the share price. During the year, NORDEN's share price decreased by 54% from DKK 285.00 to DKK 131.40. Since the beginning of the year, the share price has slightly improved. The return, measured by the total value in USD of dividend payments and share price development, was -58% for NORDEN. In comparison, the return of the dry cargo shipping companies in the peer group was -63%. The shipping companies which we compare ourselves with in product tankers did slightly better, and based on the strong market towards the end of the year, they ended at -27%. The total return for the peer group was -49%.

While the share price decreased concurrently with the Baltic Dry Index and the market outlook, the activity in the share increased on the other hand. On average, 183,825 shares were traded on a daily basis in 2014, which is an increase of 66% compared to 2013.

DRY CARGO 2014/2015

Following an unusually strong fourth quarter in 2013, our expectations of a continued better dry cargo market were intact and strong at the beginning of 2014. But a number of events all had a very negative impact on the markets.

Halfway through January, Indonesia effectuated an export ban on a number of raw materials. Many of these had been transported to China, which in the previous months had built up large stocks and consequently occupied many vessels. These vessels were now suddenly unemployed and therefore moved towards the Atlantic Ocean in the hope of getting a share of the expected good South American harvest. And the harvest was good. And the infrastructure to bring it to the vessels was too. Surprisingly good in fact. So, for the first time in many years, the usual waiting time in the South American ports was a thing of the past, and as a result, a part of the tonnage was not occupied to the same usual extent.

The weather gods did not provide any help either. The North American winter was extraordinarily cold, which made the Americans hold on to their coal and fire up their boilers at home. The opposite situation took place in Europe where we experienced an unusually warm winter which reduced the need for coal imports.

China got a lot of rain, and this provided plenty of hydropower reducing the need for coal. In addition, the Chinese government imposed restrictions to reduce coal imports during the last months of 2014, and all these events led to the first decrease in global coal transports since 1993.

China represents 40% of the global dry cargo market, and therefore, the market reacts when China puts on the brakes. And China did that in 2014. If we look at a 3-month rolling average for total dry cargo imports, we can see that it dropped from the end of 2013 to the end of 2014 from an increase of 22% to an outright drop of more than 7%. The primary reason for this drop is lacking coal imports.

NORDEN may not be as exposed to China as many other shipping companies, since a large part of our cargoes are traded elsewhere, but the dry cargo market is quite literally communicating vessels. Unemployed ships move towards areas where they expect employment. And when global demand growth in 2014 decreases from the expected 7-9% to below 5%, the repercussions are felt everywhere.

With good workmanship, the Dry Cargo Department did, however, manage to obtain earnings from the vessels which were 2% above the 1-year T/C rates. This may not sound like much, but we have to remember that the 1-year T/C rates contained an expectation of considerably better markets. Markets which never materialised. It is also interesting to compare earnings to the spot market where NORDEN managed to beat the market with decent 35%. The market was, however, so poor that the Department's EBITDA, despite the efforts, ended at negative USD 64 million to which should be added the provision for old contracts of USD 230 million. The end result consequently amounts to negative USD 294 million.

We expect demand to increase by 3-5% in 2015, but this will to a high extent depend on China's coal imports. At the beginning of 2015, we expected net fleet growth – that is the increase in global fleet tonnage less scrapping and cancelled orders – of 4-5%, i.e. on par with or higher than the increase in demand.

But shipping *is* cyclical. When there is an oversupply of vessels, rates decrease, and it becomes more attractive for companies to scrap their vessels. Scrapping-wise, 2015 has come off to a good start with scrapping in January and February above the levels which were expected at the turn of the year. If scrapping continues at the same level, a total of 4.7% of the global dry cargo fleet will be scrapped in 2015. This is quite above the level of scrapping seen in recent years.

At the same time, imports of coal to India are increasing, and within few years – maybe as soon as this year – the country is expected to surpass China as the largest coal importer. So, there will also be pockets of opportunities in 2015, and NORDEN is well-positioned to take advantage of these. We have a flexible fleet, talented seafarers, professional craftsmen in both chartering and operations, and we have adapted to the fact that an improvement of the dry cargo market is further into the future than anticipated a year ago.

And I would like to add: I have been engaged in shipping for more than 20 years. And a lot can happen – at a rapid pace. We saw an example of this in tankers during the second half of 2014.

TANKERS

Within few months, the oil price was halved. This led to increased trading which was beneficial for the need for transportation. Our Tanker Department was well-positioned with low coverage, so following 3 quarters below expectation, our tanker vessels were ready to benefit from the strongly improved market.

The results have not failed to appear. The Tanker Department generated the best result since 2008. Yes, I also said that last year, but it is definitely acceptable that the Tanker Department's earnings keep improving year after year. Tanker EBITDA amounted to a total of USD 44 million – which is 13% above last year's result. And just like the Dry Cargo Department, the Tanker Department also beat the market. Earnings were 6% above the 1-year T/C rates.

In addition to the oil price, changes in the refinery capacity also have an impact. For several years, we have told the story of how refinery capacity is presently being built where the oil is extracted. This is first and foremost in the Middle East and Asia. In the long term, this will lead to a reduced need for transportation of crude oil to European refineries for instance and a larger need for transportation of refined products – in other words, the products we transport on our vessels.

So in general, the outlook for the product tanker market is positive. But others have also noticed the change in transport patterns and ordered vessels accordingly. And many of these vessels will be delivered in 2015. But for the time being, the positive trend from the end of 2014 continues. We are currently experiencing very strong markets in both East and West. This is positive since it means that a local blossoming is not just evened out by vessels ballasting – that is sailing empty – into the area.

Not only the refined products experience good rates. The market for crude oil transport is also strong at the moment, and this keeps vessels within this trade instead of tempting some companies to change over to product tankers.

Last summer, we took delivery of the two latest additions to the tanker fleet when the Handysize vessels NORD GERANIUM and NORD GARDENIA were delivered. They are of course eco vessels with improved fuel efficiency, and they were delivered just in time to benefit from the market, which accelerated towards the end of the year. We could not have predicted that the timing of the delivery would be *that* good when we ordered the vessels a few years ago. But the decision to focus on more owned tanker vessels before the markets turn reflects the line of thought which is an essential part of the work in the Board of Directors. In cooperation with the Executive Management, our task is to make plans for the long-term solutions, which ensure that NORDEN exploits the fluctuations in the markets.

THE WORK OF THE BOARD OF DIRECTORS

In order to reach all corners, the Board of Directors have a fixed annual calendar. This year, the work has also been characterised by the establishment and increased work in committees as well as the appointment of a new Chief Executive Officer.

In 2014, the Board of Directors established an audit committee in accordance with the recommendations on corporate governance. Previously, the entire Board of Directors constituted the audit committee which is possible with a Board of Directors the size of NORDEN's. Yet, we believed it would be appropriate that we now gathered our forces in a committee consisting of 3 people; Karsten Knudsen as chairman seconded by Klaus Nyborg and Alison Riegels.

Furthermore, in 2014, the Board of Directors established a nomination committee consisting of the undersigned as chairman, Karsten Knudsen and Klaus Nyborg. During the year, we had a very important and concrete task at hand.

Because as most of you have noticed, it is Klaus Nyborg, NORDEN's Vice Chairman, who is sitting together with me at the podium today. He is sitting here in his capacity as interim CEO. I would like to thank Klaus for being ready to put his great expertise at NORDEN's disposal at a short notice when our former CEO Carsten Mortensen left the Company. Last summer, Carsten got an offer to take up the position as Group CEO in the shipping company BW Group, which is among the world's largest transporters of energy. We were sorry that Carsten left NORDEN because he has been an important person in the development of the NORDEN that we know today, and we wish Carsten all the best of luck in his new job.

Klaus took up the position as interim CEO while the nomination committee worked on finding exactly the right future CEO together with external experts. And we succeeded in this.

A field of 30 highly qualified candidates was boiled down to 10, then 2, and at the end, the decision was clear: Jan Rindbo.

Jan Rindbo is a Danish citizen with more than 20 years of international shipping experience from Denmark, North America and Asia. Since 2001, he has worked for the Hong Kong listed and very professional dry cargo shipping company Pacific Basin. Recently as Chief Operating Officer, member of the executive board and the board of directors. During this period, Pacific Basin has developed into one of the world's largest dry cargo shipping companies and has made excellent results.

Through the recruitment process, I got to know Jan as a person who does not only have a great knowledge of shipping but also possesses the personal qualities it takes to take over the position as CEO in a financially strong and value-based company like NORDEN. Jan would have liked to be here today and presented himself, but due to competition clauses, he does not take up the position until 1 May – next week – so it will not be until next year's general meeting that Jan will be present.

It will then be with another person at the rostrum instead of me because as some of you may know, I will resign today after 20 years as chairman of the Board of Directors.

If the general meeting re-elects Klaus Nyborg to the Board of Directors, the Board of Directors will point at him as the new chairman of NORDEN. It has been very important for me to find exactly the right chairman for NORDEN. So when Klaus came back to Denmark and initiated a career as board member, we quickly got him into NORDEN. He has been member of the Board of Directors for 3 years, the last 2 years as vice chairman, and now, he has also been acting as interim CEO for 10 months so he knows NORDEN in all possible ways. At the same time, NORDEN will get a thoroughly tested team in the Company's management as Klaus and Jan Rindbo know each other from their time together at Pacific Basin. And thus, the Company will be in good hands for hopefully many, many years ahead.

With my departure, the Board of Directors will be reduced to 5 shareholder-elected and 3 new employee-elected members. In April, the employee election for the Board of Directors was carried out, and it is a great pleasure for me to say welcome – and goodbye – to Captain Lars Enkegaard Biilmann, who was re-elected, Vice President Christian Ingerslev and Chief Engineer Thorbjørn Joensen. I would also like to thank the retiring members, Senior Claims Manager Ole Clausen and Marine HR Manager Anne-Katrine Nedergaard for their efforts in the Board of Directors.

The elected employee representatives will enter a board of directors where there will be more focus on committee work as mentioned earlier. This will also be reflected in remuneration, which will be divided into a base fee for each member and an amount for participating in the various committees – i.e. payment in accordance with work effort. The change will not result in an increase in total annual remuneration, which will actually decrease to just below USD 1 million also as a consequence of my resignation and thus a reduction from 9 to 8 members.

SALARIES AND REMUNERATION

Among the employees, there has also been a need for wage restraint. With a very few exceptions, no one in the organisation has received pay increases, just as no one from the Executive Management has received bonuses.

I would like to take this opportunity to thank the employees for the great efforts that they are making in these challenging times. It is in challenging times that you need a pat on the back the most, but considering the current markets and financial results, this pat on the back must unfortunately be in the form of appreciation and recognition instead of cash. However, this does not make my appreciation less sincere.

CSR

The challenging markets do not make NORDEN reduce its ambitions to act like a flexible, reliable and ambitious company with empathy. NORDEN remains among the most transparent companies also when it comes to reporting on corporate social responsibility and was recently able to enter the most distinguished list of companies monitoring and reporting on emissions from their operations: the Carbon Disclosure Project's A-list. Furthermore, our CSR Department has been busy with training all managers in anti-corruption.

ORGANISATION

NORDEN has also spent the year on going over the organisation and secured that we are organisationally well-equipped to take advantage of the opportunities arising. As I also mentioned on last year's general meeting, we rethought and future-proofed our Technical Department in 2014, which handles the operation of our owned vessels. The Technical Department has now established 4 vessel groups, and the crews onboard the vessels now only have one point of contact at the head office no matter what the subject is. Because even though we are big, the organisation should not be an obstacle to efficient and flexible solutions.

This is also the case among the charterers in the Dry Cargo Department. As we all know, NORDEN operates 5 different kinds of dry cargo vessels, which can cover needs for transportation from 28,000 to 180,000 tonnes. In other words, we are almost always capable of providing our customers with exactly the right vessel for a certain job. In order to ensure flexibility already in the first customer contact, we have chosen to group our chartering sections in 2 instead of 5 sections. One for geared vessels – which are typically the small sizes – and one for gearless vessels – the large sizes. In this way, a number of processes are streamlined, and NORDEN's knowledge, experience and flexibility come even more into play at every customer contact.

On the whole, the customers are always in focus. And we have the opportunities to react when we detect new needs. For example, we could establish that there were even more contracts to and from the very important Australian market which could be relevant to NORDEN. Therefore, we decided to move closer to

our Australian customers and opened an office in Melbourne at the beginning of the year. The office is manned by two energetic employees who demonstrate drive and a can-do spirit, and they have already acquired new customers and contacts.

This initiative has obviously inspired us to take further steps. We are not afraid to go against the trend of centralising even more. We have the opportunities and strength to move out and get even closer to the customers, and we are currently looking at Chile as an interesting market which could benefit from NORDEN's presence.

OUTLOOK

But one thing is to be close to the customers and have a good reputation in the industry. Another thing is to get some cargo to transport. And in this respect, we have to say that 2015 seems to be yet another challenging year within dry cargo. However, we are well-prepared for the challenges. 64% of our vessel days in Dry Cargo in 2015 were at mid-February covered at levels which are not great as previously mentioned but which are, however, significantly above current levels. The main part of the coverage is placed in the first half of the year so if the markets should improve a bit towards the traditionally stronger fourth quarter, we are also ready for this.

The positive notes within tankers have continued. This offers hope that the upturn in activity and rates which was initiated with the decreasing oil prices at the end of 2014 is of a more permanent character. For the time being, we have a sharp focus on getting the best out of the market, and we are continuously assessing when it would be appropriate to take more coverage. Because on one hand, it is important to profit the most from the current market, but on the other hand, longer contracts also provide stable and steady earnings. The decision is not always straightforward. For example, our skilled charterers have to decide if it is best to charter out a vessel for one year at e.g. USD 16,500 per day or if it is better to make a contract which pays USD 30,000 per day for 40 days but with the risk that the markets could be significantly worse afterwards – or perhaps the opposite...

We expect a total EBIT of USD -40 to 40 million. Dry Cargo EBIT is expected to be USD -40 to 20 million while Tanker EBIT is expected to be USD 5- 45 million.

As some of you may have noticed, NORDEN's guidance is at EBIT level, i.e. earnings before interest and tax. We will do this from now on since it, contrary to EBITDA, includes depreciation on our vessels. As we own more and more vessels, depreciation has also become increasingly relevant, and we therefore think that it provides the fairest presentation of the Company's results if we guide at EBIT level.

EBIT around 0 does not seem impressive in a company like NORDEN, which has generated far better results in the past. But the current dry cargo market is extremely challenging – downright brutal. And 0 is actually a significant improvement compared to the 2014 results.

No matter if it is going in the right direction, this is of course not the farewell salute that I would have liked to end my 20 years as chairman with. But I will always think back on this period with great pleasure. I have been able to take part in a journey where a small, well-run and local shipping company has developed into a large, professional and global actor.

It has been a fun journey – and it has also sometimes been a tough journey where the markets have gone up and down and we have had strong headwind. But we have created a business model which is sustainable

and is able to adapt to very changeable markets. NORDEN positioned itself extremely strongly to benefit from the extraordinary markets in the years 2006-2008. Years when the results amounted to around USD 700 million per year.

NORDEN paid out good dividends, but also saved up a large amount in agreement with the shareholders so that there would be available funds for when the markets turned. Because shipping markets always do. Shipping is cyclical, and NORDEN has been able to make use of this. Not least because NORDEN is a company where good values attract and retain competent employees. Employees who make daily efforts to get the best possible cargoes and to operate our vessels in the best possible way in order to secure good results.

I would like to take this opportunity to thank everyone who has been part of this journey – regardless if it has been from the beginning or for a shorter period of time.

It is now up to someone else to run NORDEN. I can calmly step aside and leave the helm to Klaus Nyborg, who has been marked out to be the chairman of this proud company and its 144 years of history. I wish that he will get as many good experiences as I have been given.

Thank you for listening.