

## **Welcome**

Welcome to this year's annual general meeting of NORDEN. With offset in the digital development and what we see among Danish and foreign listed companies, we have decided to hold the Annual General Meeting in virtual format. This also enables us to reach all our shareholders, and especially the overseas shareholders that make up an increased amount of our shareholder base.

In connection with distributing the notice for the annual general meeting, we also distributed an invitation for a shareholder meeting on the 21<sup>st</sup> of March, taking place at NORDENs headquarters in Hellerup. The shareholder meeting is an opportunity to meet the management and other key persons from NORDEN and learn more about the future of the Company in relation to the strategy, financial development and expectations and initiatives in relation to ESG and digitalisation. We hope that the meeting will become a success and expect a repetition at a later time.

And with those words, now to the agenda for today. After preliminary comments from the Chair of the meeting, which the Board again this year have decided is Henning Aasmul-Olsen, I will present my report for the year 2023, which hereafter will be followed by the formal points on the agenda following the notice, and lastly there will be time for presentations and questions from shareholders.

NORDEN is today represented by its Executive Management, i.e. CEO Jan Rindbo and CFO, Martin Badsted. Representing NORDENs Board of Directors is Vice Chair, Johanne Riegels Østergaard and myself as Chair of the Board. The remaining members of the Board is today participating online.

With these remarks let me pass on the word to our Chair of the meeting, Henning.

## **Development of the year**

After an exceptional year in 2022, 2023 was another great year for NORDEN despite challenging and volatile markets with declining freight rates within both dry cargo and tank.

Despite the more unpredictable market conditions, NORDEN in 2023 delivered a result of USD 400 million, equal to almost DKK 3 billion and a return on invested capital of 32% - the fifth best

result in company history - which once again confirms the strength and flexibility in our business model and strategy.

Despite the strong financial figures, which I will get back to in just a bit, NORDEN in 2023 also executed very strongly on the strategic plans set towards 2025 with the acquisition of projects and parcelling activities, the establishment of Capesize operations and the launch of several initiatives and investments in new sustainable solutions for our customers. All initiatives that will contribute to continued growth and relevance in relation to our customers.

With the investments conducted during 2023, NORDEN today offers its customers unique solutions based on global ocean-based freight services across all segments in dry cargo and product tankers, as well as project cargo and parcelling. Furthermore, NORDEN offers integrated solutions within port logistics and sustainable solutions and products. This, in combination with a flexible and digitalised business model where we can adjust capacity to market developments, demand and other external factors that may arise.

In relation to capacity and exposure to the market, we have throughout the year increased the future exposure towards the dry cargo market, as we structurally see a positive development in this market in the coming years. We have purchased 5 Capesize vessels and ordered 17 dry cargo vessels for future delivery distributed across owned vessels and long-term leasing contracts with options. Furthermore, we have in the end of February this year ordered four additional Capesize vessels - 3 of them owned newbuildings for delivery between 2025 and 2027.

Within the product tanker segment, we have reduced some of the exposure built throughout 2022, as we have utilised the current attractive market conditions and rates to sell some of our vessels and enter into long-term charter contracts with customers. We continue to have a substantial exposure towards the product tanker market, which is still characterised by attractive rates driven by the sanctions on Russia combined with longer voyages caused by the reduced water levels in the Panama Canal and an increased threat level in the Red Sea.

### **Proposed dividend**

With offset in the continued strong results in 2023 the Board proposes to pay a dividend of DKK 10 per share, which will be added on top of the already paid dividend of DKK 35 per share paid after first, second and third quarter in 2023. With the proposal, the total dividend for the year will

be DKK 45 per share. This equals to 53% of the result for the year and corresponds to approximately USD 212 million or almost DKK 1.5 billion in total dividend for 2023.

### **NORDEN result (Group)**

Let us now go through the development of NORDENs result for 2023, where we as mentioned delivered the fifth best result in company history of USD 400 million, corresponding to approximately DKK 3 billion, which is in the high end of our initial guidance for 2023. The result was 46% lower than 2022, which is caused by declining freight rates in both the dry cargo and product tanker markets. Measure per share, the result was DKK 85 per share.

Cash flow from operating activities was USD 671 million, which is significantly lower compared to 2022 due to the lower earnings. Free cash flow after investments, hereunder the acquisition of Projects and Parcelling was USD 265 million.

After distribution of dividends and implementation of share buy-backs of USD 436 million corresponding to more than DKK 3 billion, NORDEN at the end of 2023 had a continued strong balance with USD 557 million in liquidity and securities and a very limited net-interest-bearing debt, inclusive leasing liabilities (IFRS 16), at USD 45 million. The positive development in the financial results also means that the Company's balance and capital structure is very strong with an equity of USD 1.2 billion, and a solvency ratio or equity share of 51% at the end of 2023.

NORDEN generated a return on invested capital of 32% for the year and is thereby significantly higher than the average during the past five years of 23%, which confirms the positive development in 2023 and that NORDEN have generated significant value throughout the year.

With these numbers I can safely say that NORDEN has a very strong financial position, which makes it possible for the Company to continuously invest in growth and our strategy as we have done in 2023, but at the same time continue to return capital to the shareholders through dividends and share buy-backs.

### **Market developments**

Before moving to the business units, let me start by providing an overview of the market developments experienced in 2023 and how it affected our results.

During 2023, what characterised both dry cargo and product tankers was the increasingly volatile markets and declining freight rates compared to 2022, not only within dry cargo, which was mainly driven by a normalisation of the capacity and bottlenecks after the pandemic. In product tankers less panic around the energy supply in Europe after restrictions on oil imports from Russia results in declining freight rates but remained at historically attractive levels.

Despite the declining rates, lower earnings, and generally higher interest rates, we have seen a continued increase in time charter-rates and vessel values of both newbuilds and second-hand vessels. Lacking yard-capacity in Asia combined with increased inflation and continued positive market outlook have resulted in increased vessel values, but at the same time resulted in fewer newbuilds and a low orderbook, especially within the dry cargo and Capesize segment.

For 2024 we expect that the dry cargo market will develop positively towards the second half of 2024 as a result of an improved balance between the growth in demand and a limited increase of new vessel capacity. This structurally positive development is expected to continue in the coming years. For product tankers the expectations are a continued volatile market with attractive rates, which however could be affected by the geopolitical situation and sanctions on Russia.

Throughout the past couple of years NORDEN have via its flexible business model and capacity strategy been able to utilise the changing positive markets in dry cargo and product tankers, which have created the foundation for the strong results. With our positive view on dry cargo, we have during 2023 focused on increasing the long-term exposure towards dry cargo, while we in product tankers have focused on reducing our exposure through increased coverage and selling of vessels.

### **Business units**

Now, let us now look at the development across our two business units.

**Assets & Logistics** delivered a result of USD 267 million in 2023, which is an increase of 40% compared to 2022. The positive development was generated based on a very high coverage in dry cargo, leading to decreased exposure towards the declining rates combined with a positive contribution from the attractive product tanker market. Furthermore, gains from sale of vessels contributed positively to the result with USD 79 million.

Despite having experienced an increased valuation of its own fleet, Assets & Logistics have in 2023 also experienced an increase in the value of time charters and options, which is reflected in the Net Asset Value (NAV), which was close to USD 1.7 billion, corresponding to DKK 11.6 billion by the end of 2023.

Converted, this corresponds to a Net Asset Value of DKK 353 per share for this business unit alone, which is unchanged compared to the end of 2022 if adjusting for the reduced cash position caused by paying out dividends and new share buy-back programmes conducted during the year. In comparison the share price of NORDEN was DKK 321 by the end of 2023.

At the end of 2023 the number of own vessels was in total 19 vessels in Assets & Logistics distributed between 8 dry cargo vessels and 11 in product tankers, out of a total active portfolio of 83 vessels. In addition there was 21 vessels for future delivery on long-term leases and 4 own newbuilds, while 4 own product tankers were sold for future delivery at the end of 2023.

Moreover, we have access to further tonnage as we hold more than 52 purchase options in dry cargo alone and almost 44.000 extension option days, if we wish to deploy these depending on the market.

Continued high coverage within dry cargo of 100% and 67% in product tankers at the end of 2023 ensures stable earnings in Assets & Logistics for 2024, combined with sales gains.

Our other business unit, **Freight Services & Trading**, continued the positive trend with positive results since 2017 and delivered a result of USD 133 million, which indicates a decline of 75% compared to 2022. The result covers a minor decline in the amount of vessel days of 3% to 164,422 days and a significant decline in margin per vessel day from USD 3,297 to USD 816 per day for 2023. That is however the margin after all costs. If comparing the average result during the past five years and leave out the exceptional development in 2022, the year 2023 was still higher than the average of USD 683 per day.

The lower earnings per day compared to 2022 was a combination of significantly decreasing rates in dry cargo activity throughout the year and increased pressure on the margins in product tankers caused by decreasing rates and increasing charter costs.

The business unit operates on average 450 chartered vessels on contracts with a duration ranging from days and weeks up to two years. The unit continuously cover the contracts using either physical freight contracts entered into with customers or freight forward agreements, i.e. financial instruments of different length. This more dynamic and asset-light business unit is thus capable of continuously adapt to market developments across dry cargo and tanker markets as well as across the different geographies we operate in and can act on the opportunities that arise in the market. A skill that has become increasingly important throughout the past couple of years in connection with increased impact from external factors and the geopolitical situation.

Looking ahead, we expect that Freight Services & Trading during the first quarter will experience increased charter costs driven by our current position in dry cargo with more cargo than tonnage and continued positive rate development. Looking at 2024 in total, we have a position towards the spot markets in both dry cargo and product tankers with an expectation of a positive development during the year.

In addition to the active adaption of capacity and market exposure in both markets, the business unit also generated significant value throughout the year i.e. reduced CO2 emissions by optimising operations through streamlining operations of voyages from loading to discharge, adapting speed levels and fuel consumption using data analysis and placing vessels in geographic areas where the business unit can utilise the regional differences in freight rates.

With offset in the positive results achieves across NORDENs business units and organisation in markets that has been characterised by unpredictability and more volatile, the board would like to say thank you to all NORDEN employees for their contribution throughout 2023.

### **ESG strategy**

As I mentioned earlier, 2023 has been an active year when it comes to executing on our strategy, hereunder initiatives within ESG. We have increased our activities with Capesize and Projects & Parcelling and is with that capable of delivering the entire value chain to our customers. Meanwhile, we have focused our efforts when it comes to ESG or sustainability in our business, both when it comes to environment, social aspects, and governance as a natural integrated part of our strategy.

We already today see an increased interest from our customers when it comes to sustainable solutions and products as a central part of their global supply chains, and it is a trend that we

expect will continue in the coming years. It is therefore of utmost importance to remain at the forefront when it comes to sustainability within shipping and to be able to offer our customers solutions that add to the reduction in emissions.

Already in 2022, we outlined several ambitious goals for the different areas of sustainability, amongst others a goal of bringing down the total emissions from our vessel activity with a minimum of 16% in 2030 and net zero in 2050 as well as increase the diversity across the organisation.

Looking at the development in emissions in 2023, we obtained a progressive development with a reduction of our carbon intensity of 9% compared to 2022, which is also the year we use as a baseline for our 2030 ambition. To reach this ambition across a portfolio of around 500 chartered, leased and owned vessels, we have used data and analytics to improve our energy efficiency, lowered our fuel consumption and thereby also our emissions on our operated vessels by choosing vessels with lower consumption, conducting hull- and propeller cleanings and use high-quality paint to improve the operational efficiency. We have as a part of our investments also decided to operate our vessels at a lower speed and therefrom lower emissions further.

As we saw in 2022, NORDEN operates in a global value chain in constant change, and thereby also exposure to the market as well choice of vessel types in our portfolio and the speed in which they should operate. This may lead to years where the emissions cannot be brought down at the same pace or might even increase in the short term, however, our ambition is clear and with offset in the development in 2023, we are well on our way to our 2030 ambition.

Of other central events, NORDEN in 2023 entered a strategic minority stake in MASH makes which is a Danish-Indian bio-fuel scale-up. This is an investment we did with the ambition to secure supply of the future renewable fuels. The first trial on board a NORDEN vessel is expected during 2024.

Meanwhile, the Company has in 2023 had the first commercial breakthrough of offering low emissions products and solutions to the customers, i.e. NORDEN has sold the first emissions-reduction freight contract to the Canadian mining company Teck Resources, where NORDEN have guaranteed a reduction in emissions of 25%.

Within the "social" area, focus is on working conditions, health, safety, and the culture in NORDEN. A central part of our strategy is to have a "high performing" organisation and it is therefore of utmost importance to strengthen our working conditions, employee engagement, the ability to provide feedback, ensure better maternity/paternity across genders and retain employee over time.

An important aspect of reaching this ambition is for us to focus on diversity among employees, both in relation to employment, development, and retention. For the first time we reached our goal of minimum 40% of the underrepresented gender among employees with 41% by the end of 2023, despite the shipping industry having traditionally been predominantly appealing to males. Adding to this, we gradually increase the share of female leaders and employees in our organisation, which with its 38% is getting close to our ambition of 40%.

Another important factor is safety for our employees, which spans from NORDENs organisation to third parties that we engage with in relation to the technical management of our vessels. The average number of work-related incidents per 1 million working hours was a bit higher compared to 2022, however, we did not experience any major incidents in 2023.

Within the focus area "governance", we take a firm stance on not accepting any form of corruption and saying no to bribery. During 2023 we have also increased our focus on screening the many partners and suppliers that we engage in business with. During 2023 we screened 55% of our suppliers for ESG criteria and we are therefore well on our way to reach our goal of 60% in 2024.

In our annual report for 2023 we have worked on refining our ambitions and progress and make it even more transparent across the three focus areas E, S and G, while at the same time making the information increasingly comparable with other Danish and international companies by applying acknowledged reporting standards. We have at the same time incorporated the reduction in emissions in our strategic scorecard on the same level as several financial ambitions, just as ESG is an integral part of determining management remuneration.

### **Value creation to shareholders**

Looking back at the share price development throughout 2023, it has been a year characterised by high volatility driven by negative news about the global economic growth and risk of recession, also to mention the development in China and last but not least the declining freight rates. If we look at the share price development, the NORDEN share declined with 23% towards the end of



2023, but adjusted for dividends distributed throughout the year and thereby based on the total shareholder return, the share declined with only net 7% in 2023.

Looking at the development of Total Shareholder Returns over the past 5 years, NORDEN have generated a combined return of 455%, including dividends of DKK 156.5 per share or what corresponds to an annual return of 41%. If comparing with for example MSCI World Transportation Index, which consists of global transportation shares or the Danish KAX CAP index, they have a combined return on 76% and 77% over the past 5 years. Meanwhile, the NORDEN share have generated a considerably higher return than the average for the dry cargo and product tanker industry in the period, confirming that the Company's agile business model and strategy on a medium- and long-term basis generates relatively higher returns to shareholders, but that in there might be years where the return will be lower on the short-term.

A central part of NORDENs strategy is to generate value to the shareholders, i.e. through the distribution of dividends and share buy-back programmes. In 2023 NORDEN has announced a total distribution to the shareholders through dividends and share buy-backs of USD 330 million corresponding to more than DKK 2.3 billion, including the proposed dividend of DKK 10 per share. That corresponds to 84% of the total result for NORDEN in 2023. Comparing the dividend yield of 8% that NORDEN shareholders have obtained over the past 5 years, it is apparent that it is well above the average for C25 or the 25 largest shares in Denmark, which in the same period have generated an average dividend yield of 2% per year.

While distributing returns to shareholders, we have also conducted considerable strategic investments in the Company with the goal of strengthening the business and increase value generation in the coming years.

### **Future and expectations for 2024**

When we look at the expectations for 2024, we expect a dry cargo and product tanker market that will be continuously affected by uncertainty, both in relation to the macroeconomic development, the economic growth in China and the geopolitical development in Ukraine and Middle East - Red Sea.

Despite an expected lower result for 2024 in the range of USD 150.250 million, or approximately DKK 1.05-1.75 billion, primarily caused by the expected lower margins in Freight Services &

## **NORDENs Annual General Meeting on 12 March 2024 - Chair's report**

Trading in the first half of 2024, it is still considerably higher level of earnings and returns compared to before the pandemic.

NORDEN I well-positioned after the execution of our strategic initiatives and our flexible business model to navigate markets that is continuously affected by external factors and increased volatility. Moreover, our strategy provides us with the opportunity to generate growth by servicing our customers with products and services that can generate a reduction in emissions and is something that is expected to be increasingly demanded by customers. In combination with our strong financial structure, this will continue to generate value for our shareholders, i.e. dividends and share buy-backs.

To finish off, I would like to thank all shareholders for your participation at this year's annual general meeting and at the same time thank you for your continued support to NORDEN and the company's development.

Thank you.