

# NORDEN RESULTS

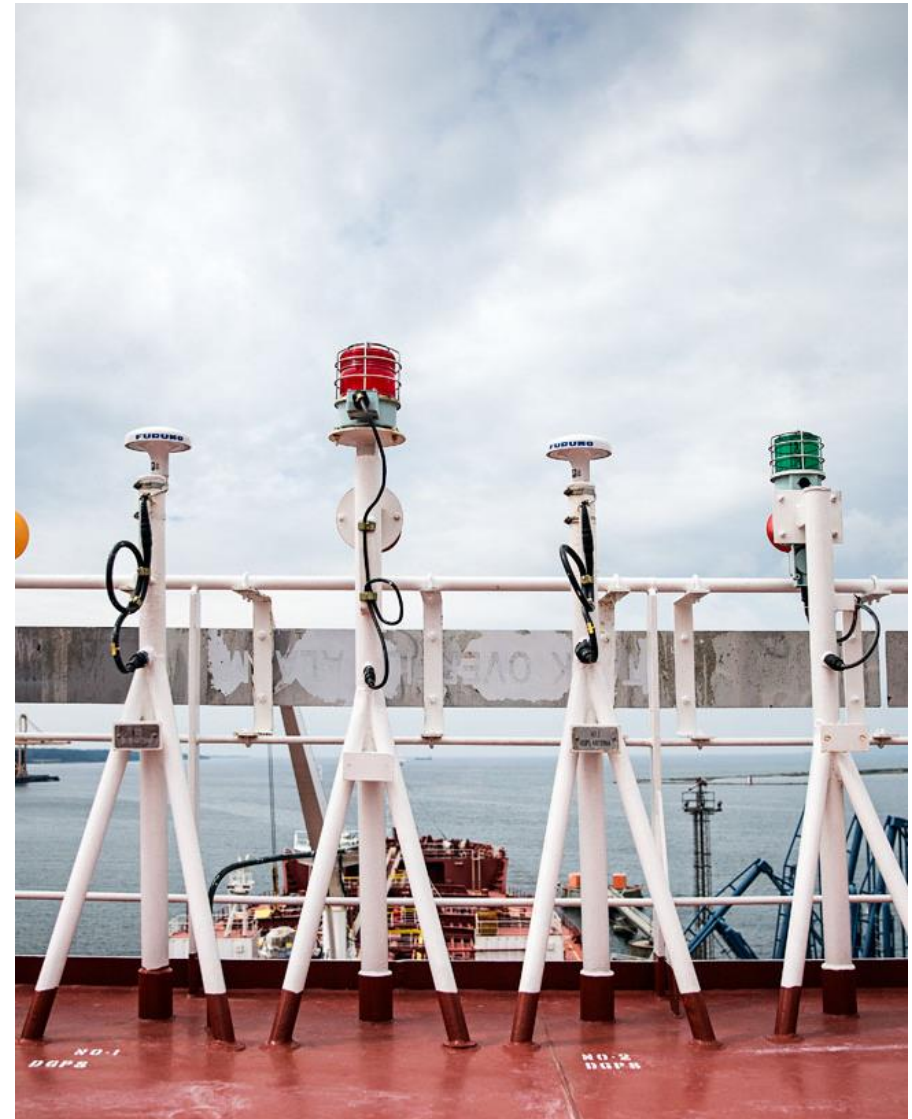
Annual report 2014



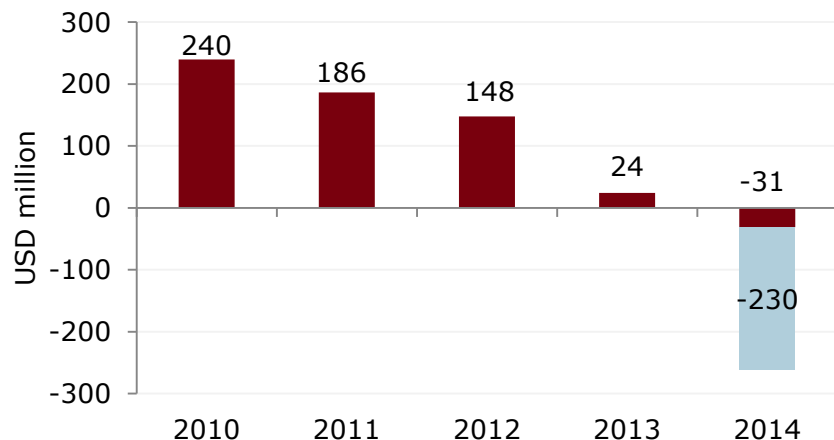
Hellerup, Denmark  
4 March 2014



- ▶ Group highlights
  - ▶ Financials
  - ▶ Initiatives
- ▶ Dry Cargo
- ▶ Tankers
- ▶ 2015 expectations
- ▶ Q & A



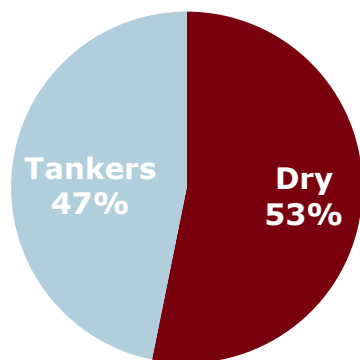
## EBITDA



## Key messages

- ▶ 2014 results heavily impacted by downturn in dry cargo market
  - ▶ USD -31 mill. in operating EBITDA
  - ▶ USD -230 mill. in provisions
- ▶ Tankers had the best results since 2008
- ▶ No dividends to be paid out
- ▶ A number of initiatives taken as a reaction to the poor market conditions
- ▶ Almost equal exposure to rate changes in Dry Cargo and Tankers in 2015

## 2015 Open days



- ▶ FLEXIBILITY USED – CHARTERED DRY CARGO FLEET REDUCED BY **21%**
- ▶ PLANNED INVESTMENT PROGRAMME HALTED IN JANUARY 2014
- ▶ SOLD **5** VESSELS WITH PROCEEDS OF **USD 112 MILL.**
- ▶ **USD 20 MILL.** ANNUAL COST SAVING PROGRAMME INITIATED
- ▶ SIGNIFICANTLY INCREASED COVERAGE FOR 2015 TO **64%** BY MID-FEBRUARY
- ▶ SECURED **USD 221 MILL.** IN NEW CREDIT FACILITIES
- ▶ WORKING CAPITAL IMPROVED BY **USD 34 MILL.**
- ▶ FINANCIAL POSITION USED TO OBTAIN HIRE SAVINGS OF **USD 10.5 MILL.**
- ▶ DRY CARGO DEPARTMENT RE-ORGANISED
- ▶ STRENGTHENED FUEL SAVING INITIATIVE: **3%** REDUCTION IN **2015**

# SUBSTANTIAL LOSS DRIVEN BY DRY CARGO

▶ Group EBITDA of USD -261 mill.

- ▶ Dry Cargo EBITDA of USD -294 mill.
- ▶ Tanker EBITDA of USD 44 mill.

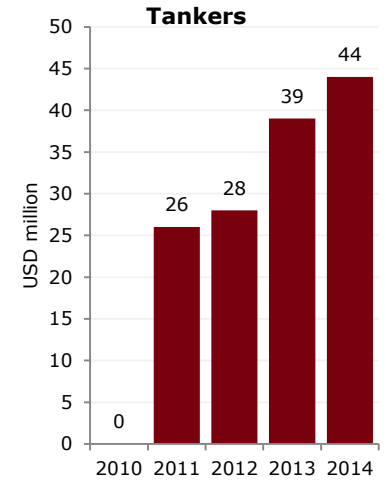
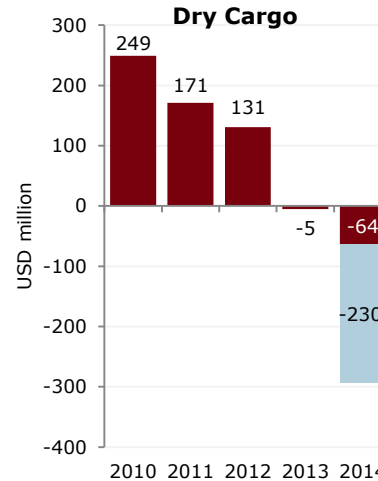
▶ Dry Cargo

- ▶ 2% higher earnings than the average 1-year T/C
- ▶ 35% higher than spot rates from Baltic Exchange

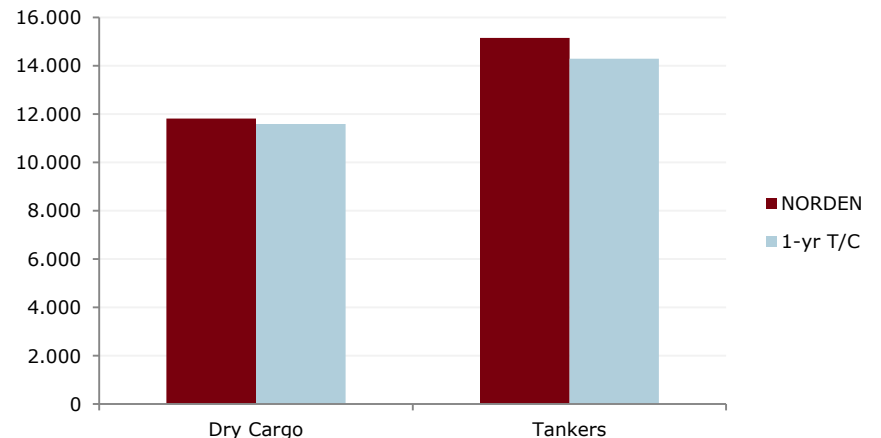
▶ Tankers

- ▶ 6% higher than 1-year T/C
- ▶ USD 19,200 per day on MRs in Q4 (including coverage)

## EBITDA



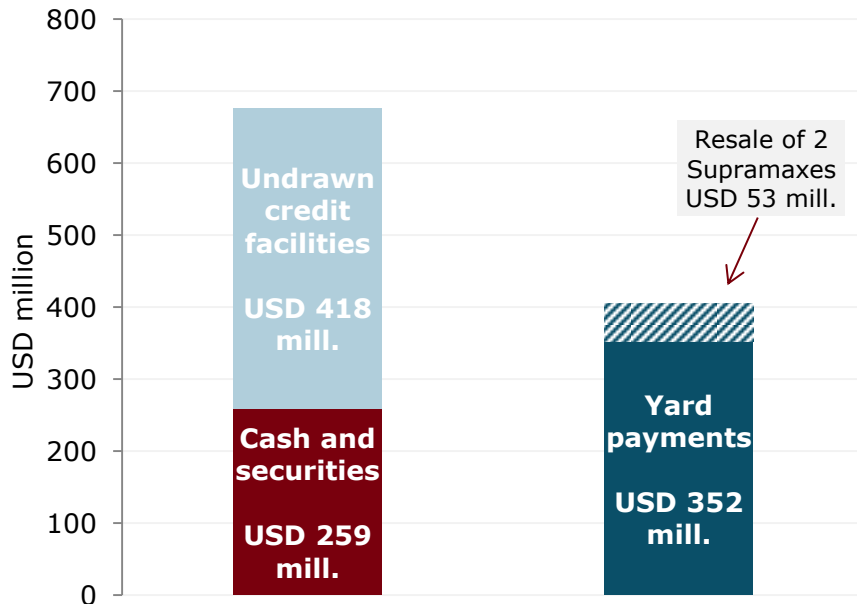
## NORDEN's performance vs. 1-year T/C



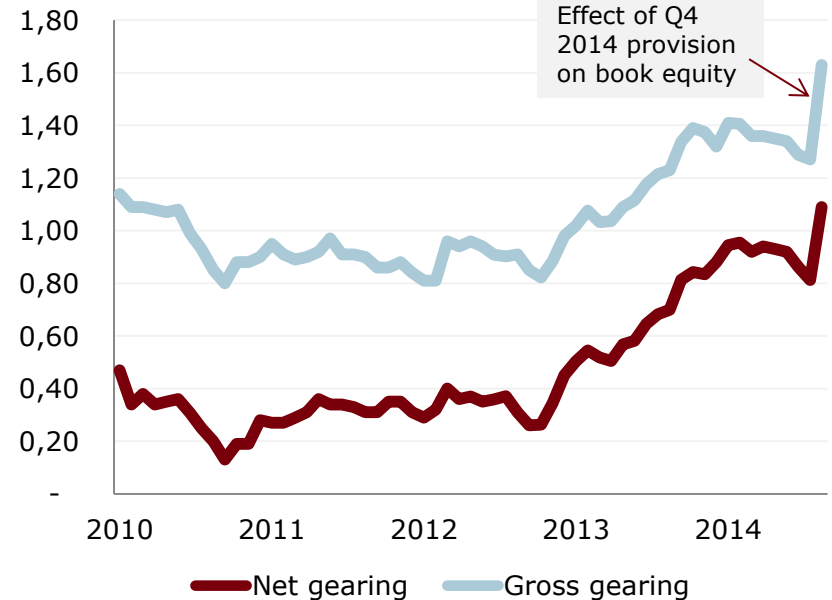
# OUTSTANDING YARD PAYMENTS FULLY COVERED

- ▶ Outstanding yard payments are fully covered by current cash and securities and undrawn credit facilities
  - ▶ Yard payments reduced by USD 53 mill. due to resale of 2 Supramax newbuilding orders with scheduled delivery in 2015
- ▶ Still no net debt
- ▶ Gross debt and undrawn credit facilities are 47% of fleet values per 31 December 2014

## Cover for yard payments (incl. JVs)



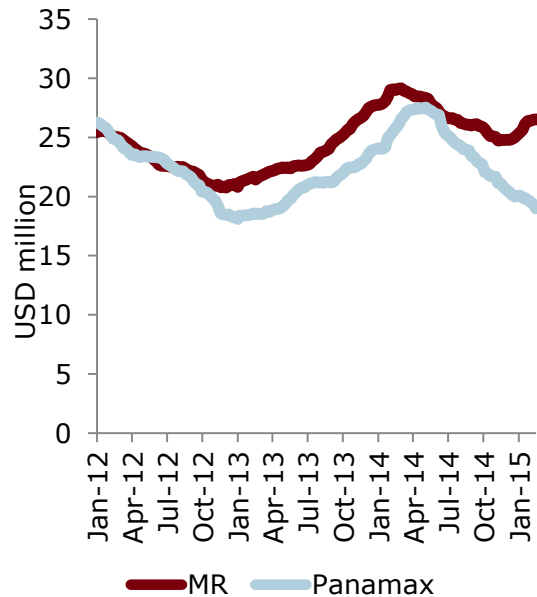
## Gearing



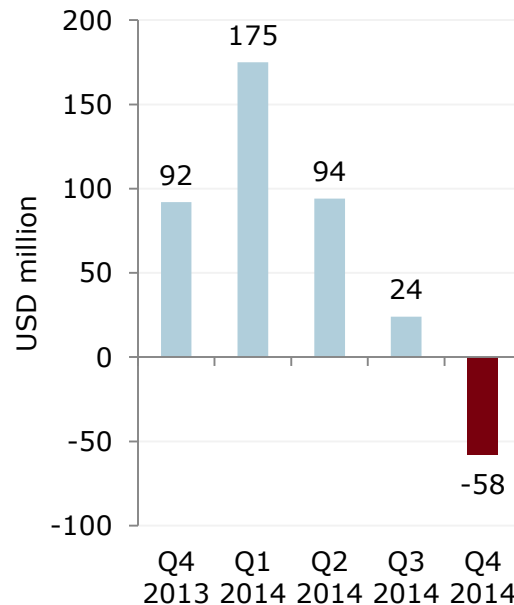
# DECREASING SECOND HAND PRICES

- ▶ Dry bulk second hand market prices dropped significantly over the year and are now back to the low point from 2012
- ▶ Product tanker values stabilised in Q4 – and have started to increase
- ▶ NORDEN fleet value slightly below book values by end-2014
- ▶ Tankers represents 43% of NORDEN’s owned fleet value

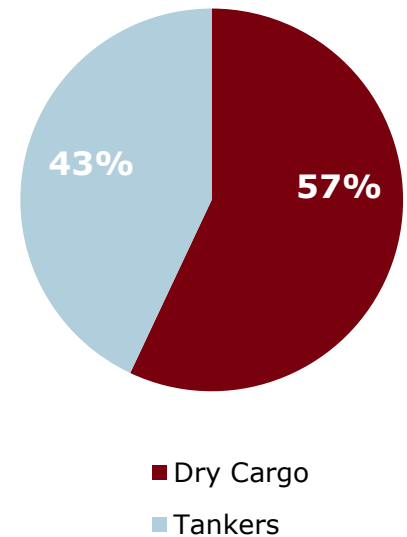
5-year second hand prices



Added value in fleet\*



Asset values



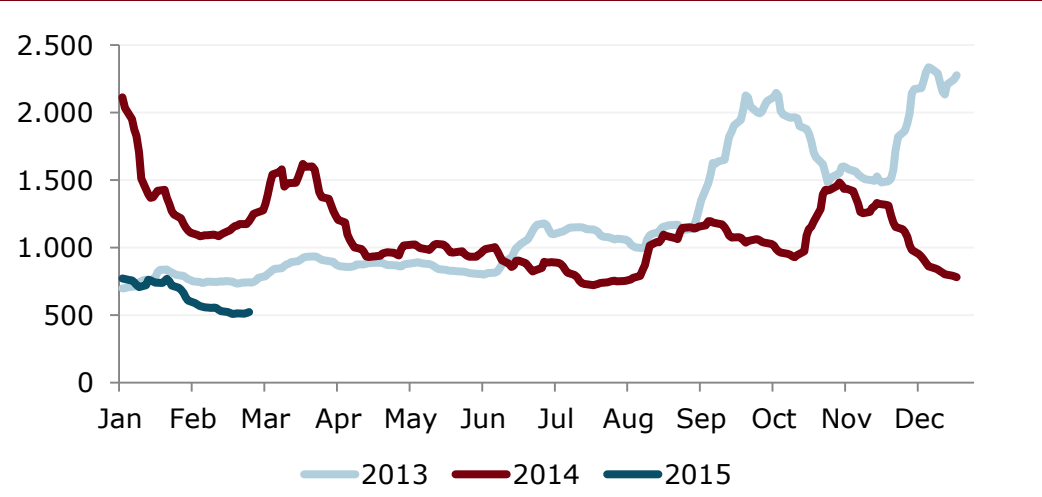
Source: Baltic Exchange

\* Including joint ventures

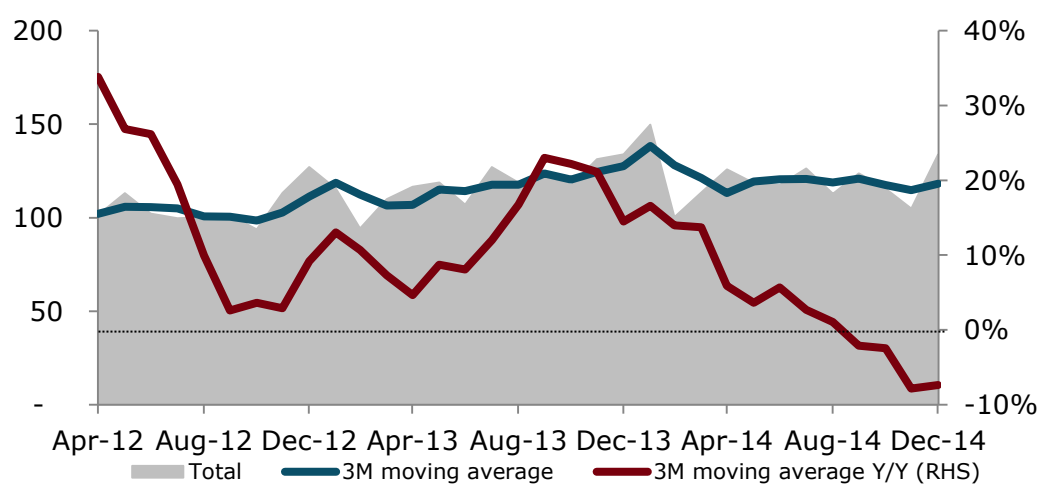
# POOR MARKETS DRIVEN BY WEAK DEMAND

- ▶ BDI rates ended 8% lower in 2014 compared with 2013, mostly due to very low rates in second half-year
- ▶ Deteriorating market conditions driven by surprisingly low demand growth
- ▶ In Q4 2014, Chinese imports were 7.5% lower than in 2013 due to drop in coal imports and the effect of Indonesian ban on exports of nickel and bauxite

**Baltic Dry Index**



**Total Chinese imports (mill. tonnes)**



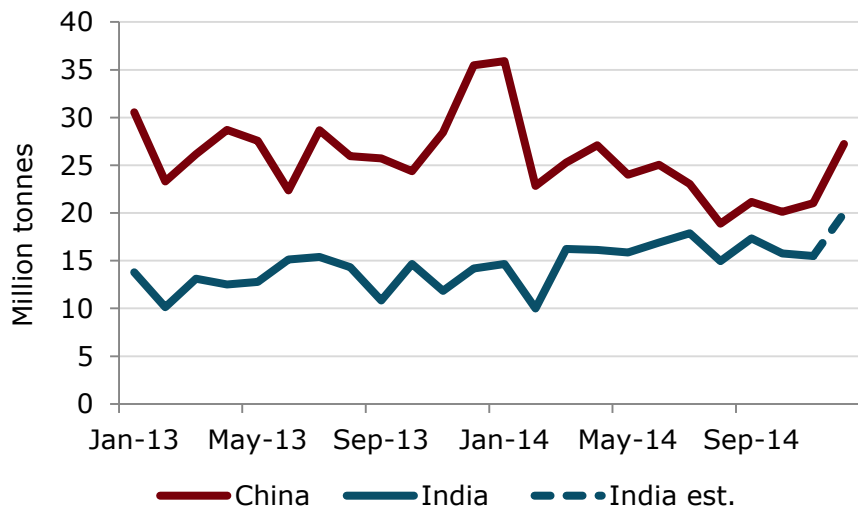
Source: China Customs , Bloomberg



# CHALLENGING MARKET TO CONTINUE IN 2015

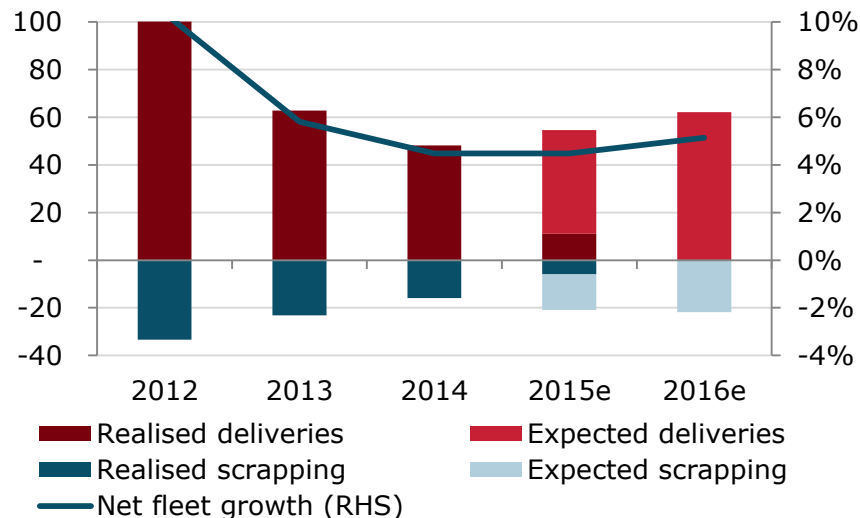
- ▶ Demand expected to increase by 3-5%
  - ▶ Continued growth in iron ore trade but outlook dependent on lower Chinese production
  - ▶ Growth in coal trade driven by India, however, not back to previous growth levels as China is expected to continue to import less
- ▶ Net fleet growth expected to be 4-5%
  - ▶ High degree of slippage expected and no new ordering
  - ▶ Scrapping activity in 2015 is in Jan/Feb 4.7% annualised, which is providing upside for rates
- ▶ Chinese stimulus and lower commodity prices could drive stronger trade

## Chinese and Indian coal imports



Source: GTT

## Dry cargo supply (dwt.)

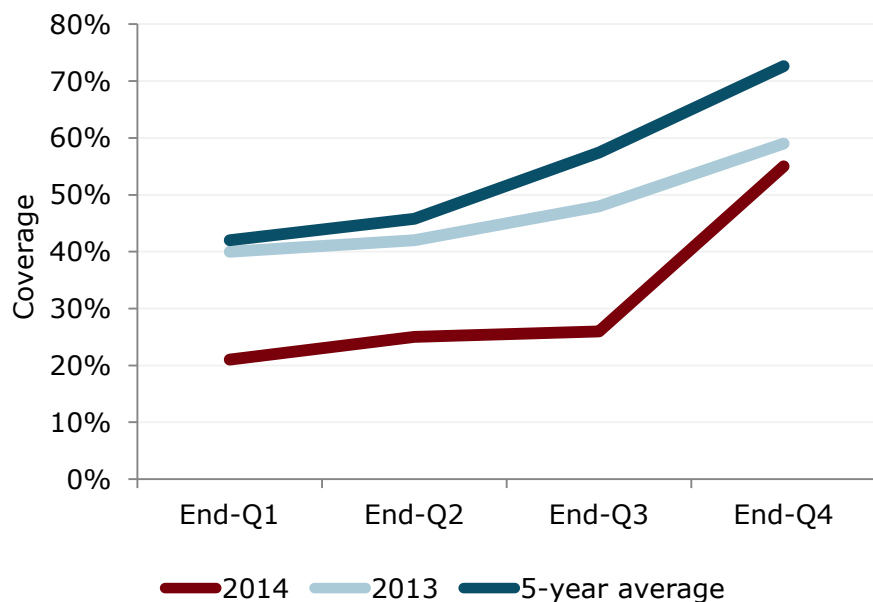


Source: Clarksons and NORDEN

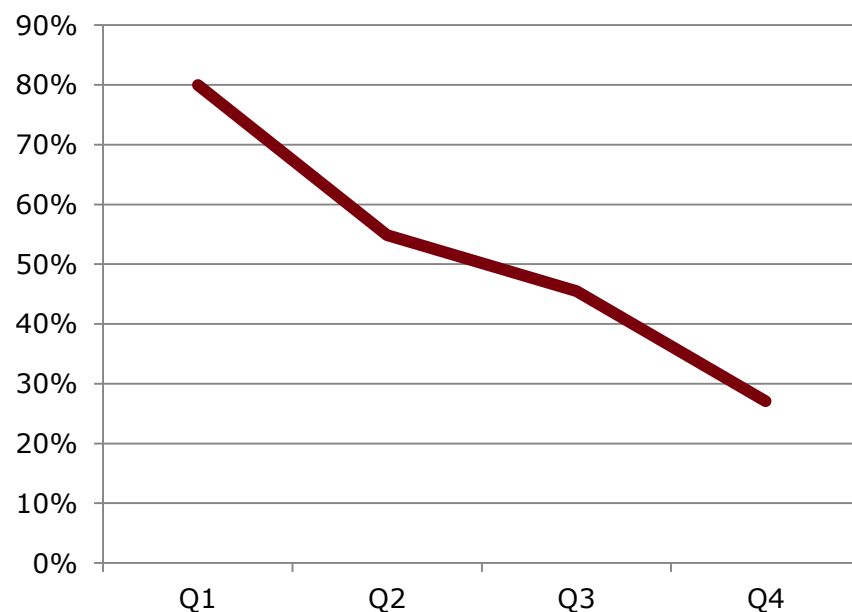
# INCREASED COVERAGE FOR 2015

- ▶ Coverage increased in Q4 and also in Q1 2015 – especially for H1
- ▶ Coverage levels highest in Supramax (66% at year-end) and Panamax (75% at year-end)
- ▶ Average rate level of 2015 coverage is USD 11,400 per day (31/12/2014)
- ▶ Only few possibilities for taking coverage with COAs

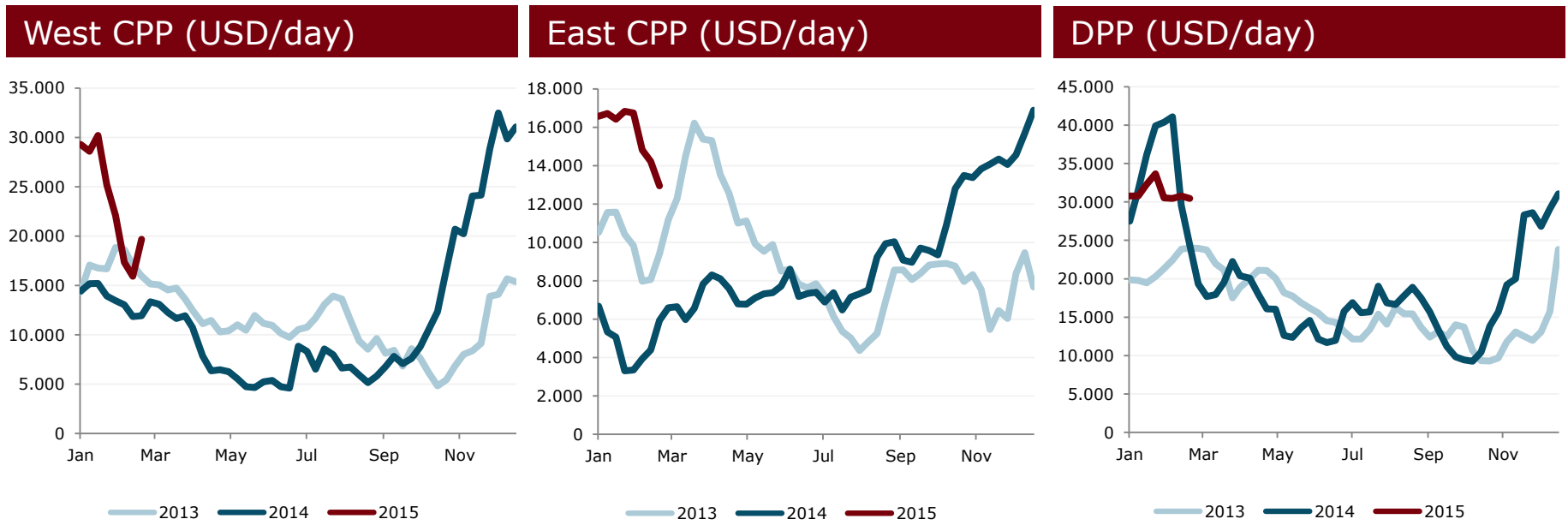
Coverage for following calendar year



Coverage by quarter (31/12/2014)



- ▶ Lower than expected rates in first three quarters of 2014
- ▶ Strong rate levels from end-Q3 sparked by the drop in oil prices
- ▶ Rates surged to highest levels seen in years – broadly founded in all vessel types and regions

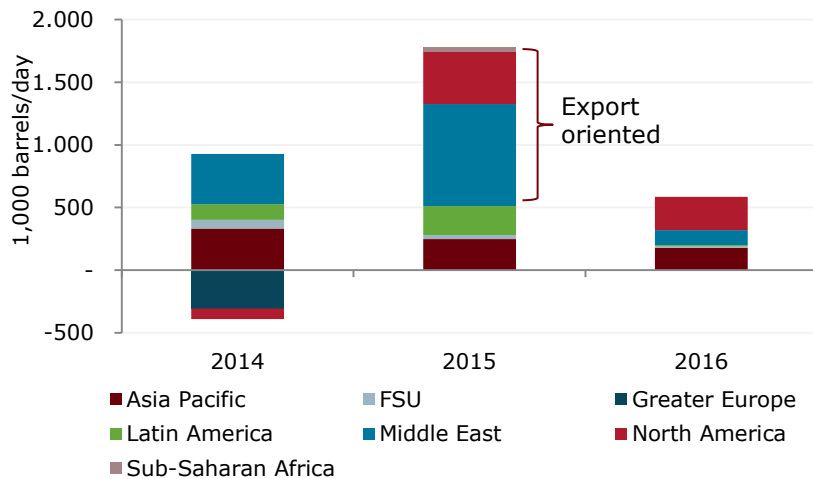


Source: ACM

# STRONG START – BUT INCREASING SUPPLY

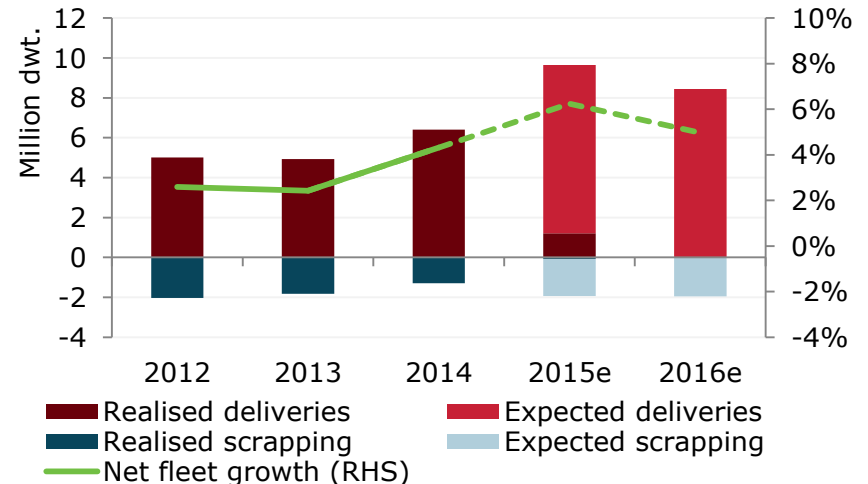
- ▶ Strong start to 2015 in most markets
- ▶ Global refinery additions are anticipated to strengthen product demand. However, this will most likely be outweighed by a 5-6% supply growth
- ▶ A strong crude market could result in a LR1/LR2 switch from CPP to DPP creating a positive effect on product tanker rates

Annual changes in refinery capacity



Source: Wood Mackenzie

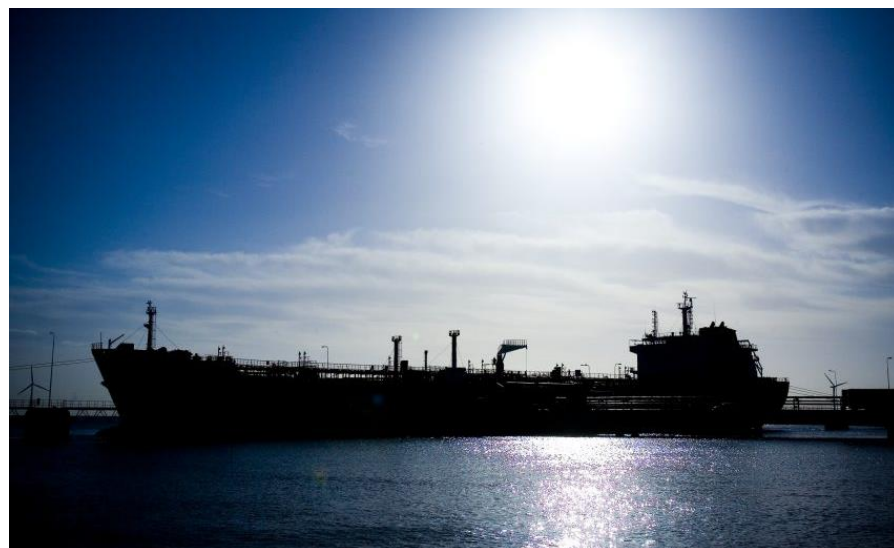
Tanker supply



Source: Clarksons and NORDEN

## Outlook

<i>USDm</i>	<b>Dry Cargo</b>	<b>Tankers</b>	<b>Total</b>
EBIT	-40 to 20	5-45	-40 to 40
Profit from vessel sales			0
CAPEX			80-120



## Comments

- ▶ Guidance based on EBIT level due to higher share of owned vessels
- ▶ Significant uncertainty in outlook
  - ▶ Change in dry cargo rates of USD 1,000 per day impacts EBIT by USD 12 million
  - ▶ Change in tanker rates of USD 1,000 per day impacts EBIT by USD 10 million

This presentation contains certain forward-looking statements reflecting the management's present judgment of future events and financial results.

Statements relating to the remainder of 2015 and subsequent years are subject to uncertainty, and NORDEN's actual results may therefore differ from the projections. Factors that may cause such variance include, but are not limited to, changes in macro-economic and political conditions, particularly in the Company's principal markets; changes to the Company's rate assumptions and operating costs; volatility in rates and tonnage prices; regulatory changes; any disruptions to traffic and operations as a result of external events, etc.



FORWARD LOOKING STATEMENTS

24\*7 seas

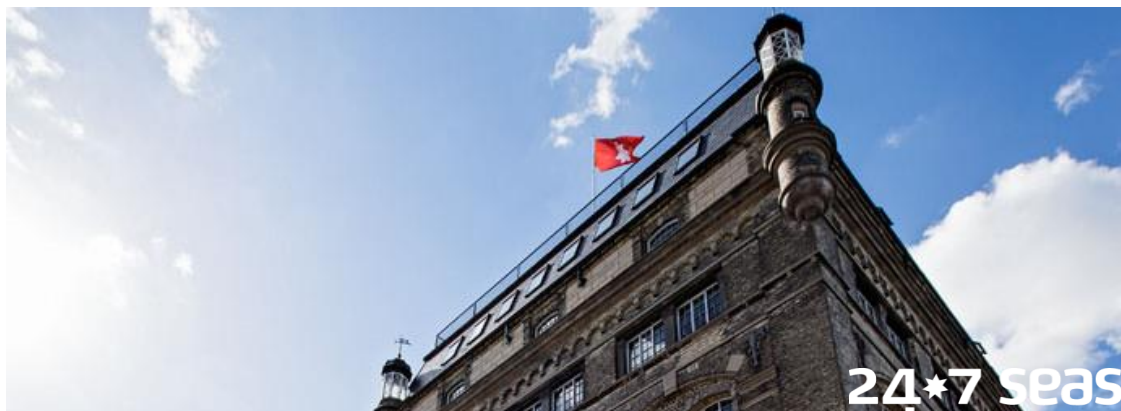
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Back-up

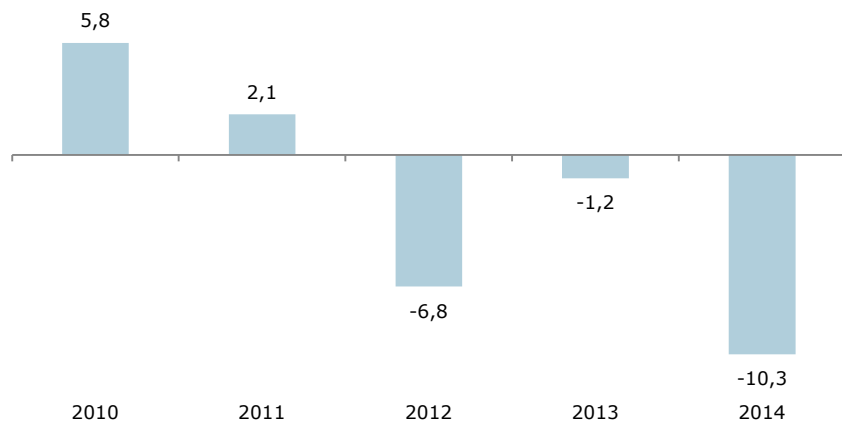


24\*7 seas

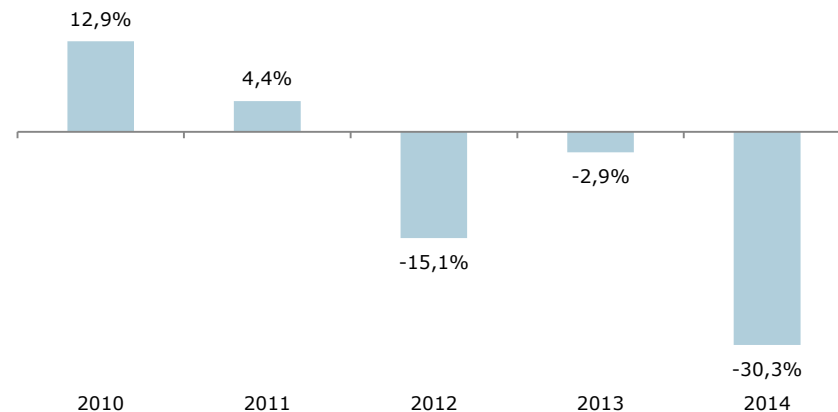


# LAST 5 YEARS PERFORMANCE

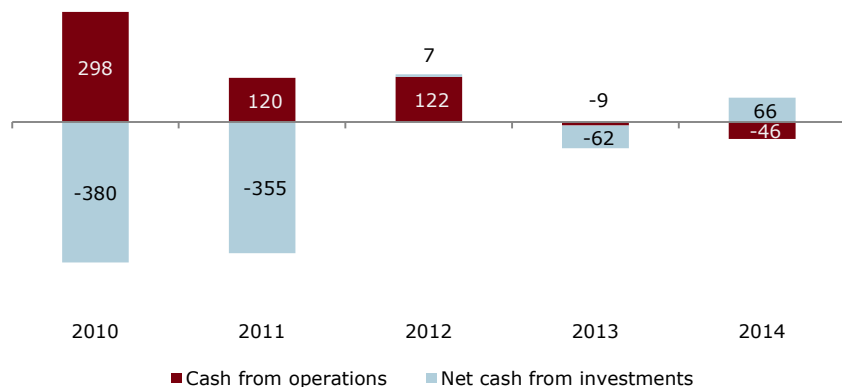
## Earnings per share (USD)



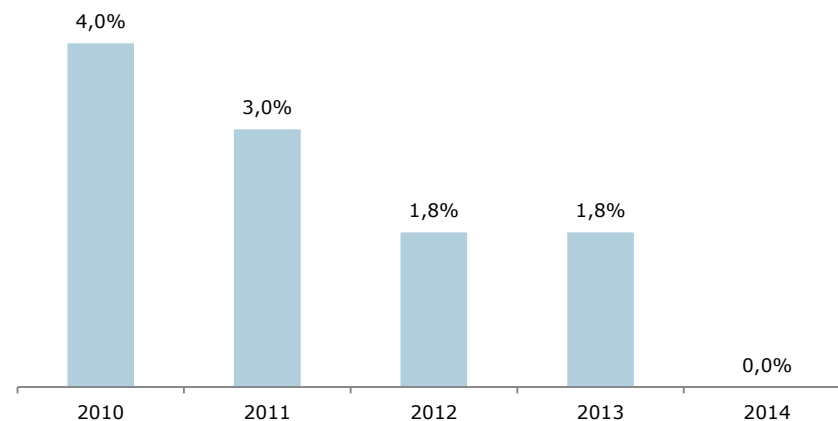
## Return on equity



## Cash flows, operations and investments (USDm)



## Dividend yield

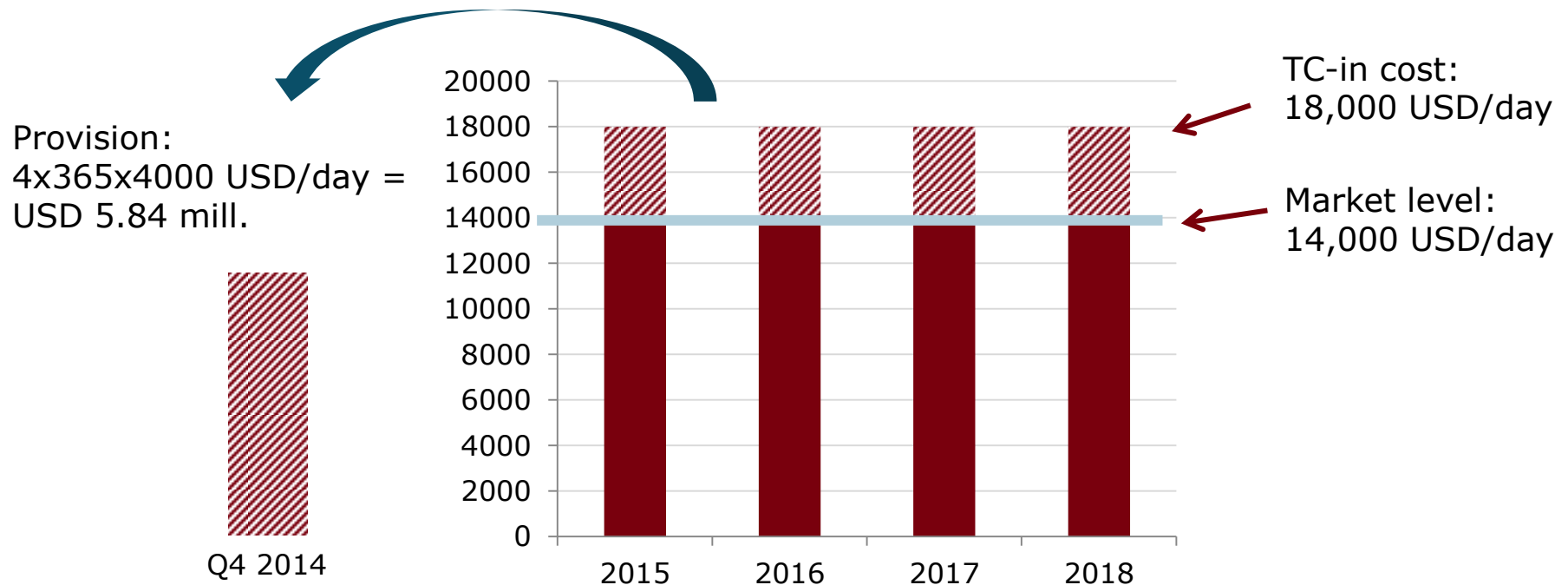


# OVERALL RESULTS

USDm	2012	2013	2014	Q4 2014
EBITDA Tankers	28	39	44	25
EBITDA Dry Cargo	131	-5	-294	-257
Unallocated	-10	-10	-11	-4
<b>EBITDA - Group</b>	<b>148</b>	<b>24</b>	<b>-261</b>	<b>-236</b>
Vessel sales	-24	3	0	0
Depreciation and write-downs	-389	-79	-68	-18
<b>EBIT</b>	<b>-265</b>	<b>-51</b>	<b>-336</b>	<b>-258</b>
<b>Net profit</b>	<b>-279</b>	<b>-48</b>	<b>-416</b>	<b>-302</b>

Cash from operations	122	-9	-46	-29
Net cash flow	91	-49	-247	95
Cash and securities	529	486	238	41

# MECHANICS OF PROVISION IN Q4 2014 – AN EXAMPLE: THEORETICAL TC-IN CONTRACT



- ▶ Taking a loss in the P&L before it would have been realised
- ▶ Provision included as a operating loss (non-cash) of USD 5.84 mill. in EBITDA in Q4 2014 . Equity decreased and provision included under liabilities in 2014
- ▶ P&L cost of TC-in contract lowered by 4000 USD/day (1.46 million per year) in applicable years. Provision in liabilities lowered by same amount
- ▶ No cash effect

## Strong capital structure

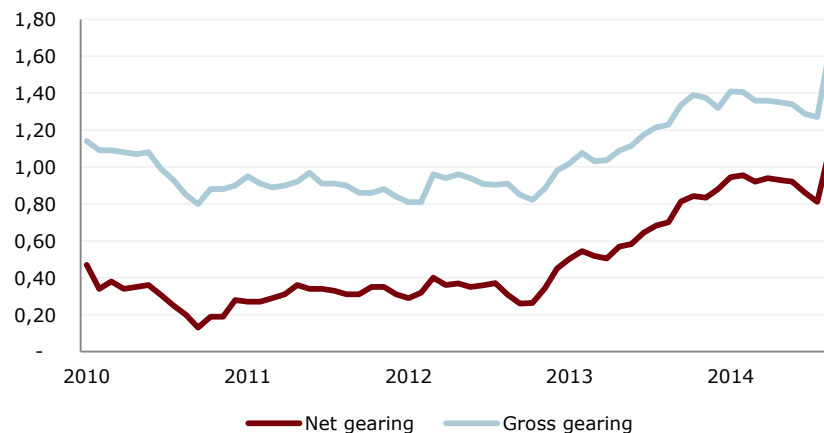
- ▶ Strong focus on liquidity
- ▶ Cash in low-risk deposit accounts and securities
- ▶ Equity ratio at 64.1%
- ▶ Net gearing of 1.09 at end 2014
- ▶ Outstanding yard payments incl. joint ventures
  - ▶ 2015: USD 182 million
  - ▶ 2016: USD 57 million
  - ▶ 2017: USD 119 million
  - ▶ 2018: USD 47 million
  - ▶ **Total: USD 405 million**
  - ▶ 2015 payment to be lowered by USD 53 million due to resale of 2 Supramax orders

## Net committed cash

USDm	2014	2013
Adjusted net interest bearing assets*	-6	189
T/C obligations**	-1,542	-1,861
Newbuilding instalments less proceeds from vessel sales**	-355	-295
Revenue from coverage**	646	841
Net commitments	-1,257	-1,126

\* Adjusted for prepayments on vessel sales and currency swaps. \*\* Present values

## Gearing



## Fleet values at 31 December 2014

USD million		Owned (active and newbuildings)				
	Number	Average dwt.	Carrying amount/ cost	Broker estimated value of owned vessels*	Broker estimated value of charter party	Added value
<b>Dry Cargo</b>						
Capesize	3.0	176,000	68	69		1
Post-Panamax	4.0	114,000	121	102		-19
Panamax	7.0	79,000	183	184	21	22
Supramax	10.5	59,000	246	257		11
Handysize	12.0	35,000	259	209	12	-38
<b>Total Dry Cargo</b>	<b>36.5</b>		<b>877</b>	<b>821</b>	<b>33</b>	<b>-23</b>
<b>Tankers</b>						
MR	12.0	50,000	371	360		-11
Handysize	12.0	39,000	272	248		-24
<b>Total Tankers</b>	<b>24.0</b>		<b>643</b>	<b>608</b>		<b>-35</b>
<b>Total</b>	<b>60.5</b>		<b>1,520</b>	<b>1,429</b>	<b>33</b>	<b>-58</b>

\* Including joint ventures and assets held for sale but excluding charter party, if any.

## Development in NORDEN's core fleet 2014

	Dry Cargo	Tankers	Total
<b>Core fleet, start 2014</b>	91.5	32.0	<b>123.5</b>
Purchase of secondhand tonnage	0.0	1.0	<b>1.0</b>
Contracted newbuildings	6.5	0.0	<b>6.5</b>
Contracted long-term charters with purchase option	1.0	1.0	<b>2.0</b>
Redelivered long-term charters with purchase option	-1.0	-1.0	<b>-2.0</b>
Sale and delivery of owned vessels	-2.0	-1.0	<b>-3.0</b>
<b>Core fleet, end of 2014</b>	96.0 <sup>A</sup>	32.0	<b>128.0<sup>A</sup></b>

A Of which 1 unit sold

Note: The table shows the development in NORDEN's total core fleet, which includes active vessels as well as vessels to be delivered.

## NORDEN's fleet at 31 December 2014

Vessels in operation	2014	2013
Owned vessels	46.0 <sup>A</sup>	44.0
Chartered vessels with purchase option	56.5	50.0
<b>Active core fleet</b>	<b>102.5</b>	<b>94.0</b>
Chartered vessels without purchase option	140.0	191.4
<b>Active fleet</b>	<b>242.5</b>	<b>285.4</b>
<b>Vessels to be delivered</b>		
Owned vessels	14.5	12.0
Chartered vessels with purchase option	11.0	17.5
<b>Total for delivery to active fleet</b>	<b>25.5</b>	<b>29.5</b>
<b>Total gross fleet</b>	<b>268.0</b>	<b>314.9</b>
Total chartered with purchase option	67.5	67.5
<b>Total core fleet</b>	<b>128.0<sup>A</sup></b>	<b>123.5</b>

A of which 1 unit sold

Note: Vessels which are jointly owned or chartered directly by a pool are adjusted based on ownership share and pool percentage, respectively.

Capacity and coverage at 31 December 2014						
Dry Cargo	2015	2016	2017	2015	2016	2017
<b>Owned vessels</b>			<b>Ship days</b>			
Capesize	697	722	720			
Post-Panamax	1,404	1,444	1,440			
Panamax	1,375	1,730	2,037			
Supramax	1,603	2,252	2,820			
Handysize	4,300	4,327	4,320			
<b>Total</b>	<b>9,379</b>	<b>10,475</b>	<b>11,337</b>			
<b>Chartered vessels</b>			<b>Costs of T/C capacity (USD per day)*</b>			
Capesize	365	366	592	14,212	14,470	18,117
Post-Panamax	1,460	1,464	1,460	9,655	9,743	9,959
Panamax	11,826	8,252	5,291	10,276	10,404	11,603
Supramax	7,862	6,415	5,005	10,072	10,608	11,034
Handysize	4,752	3,630	2,767	8,201	8,571	8,668
<b>Total</b>	<b>26,265</b>	<b>20,127</b>	<b>15,115</b>	<b>9,860</b>	<b>10,164</b>	<b>10,974</b>
<b>Total capacity</b>			<b>Costs of gross capacity (USD per day)*</b>			
	<b>35,644</b>	<b>30,602</b>	<b>26,452</b>	<b>8,638</b>	<b>8,500</b>	<b>8,388</b>
<b>Coverage</b>			<b>Revenue from coverage (USD per day)</b>			
Capesize	123	0	0	11,239	0	0
Post-Panamax	316	0	0	8,725	0	0
Panamax	9,962	2,625	2,167	11,504	16,927	17,561
Supramax	6,244	1,845	908	11,784	12,758	13,918
Handysize	2,991	1,425	1,272	10,950	13,248	13,840
<b>Total</b>	<b>19,636</b>	<b>5,895</b>	<b>4,347</b>	<b>11,462</b>	<b>14,733</b>	<b>15,712</b>
<b>Coverage in %</b>						
Capesize	12%	0%	0%			
Post-Panamax	11%	0%	0%			
Panamax	75%	26%	30%			
Supramax	66%	21%	12%			
Handysize	33%	18%	18%			
<b>Total</b>	<b>55%</b>	<b>19%</b>	<b>16%</b>			

\* Costs include the effect of the provision for onerous contracts made in 2014 and cash running costs of owned vessels. A statement excluding the provision can be found on NORDEN's website.

Costs are excluding administrative expenses. For vessel types which are operated in a pool, the T/C equivalent is after pool management fee. With regard to the Dry Cargo pools, NORDEN receives the pool management fee as "Other operating income".

## Capacity and coverage at 31 December 2014

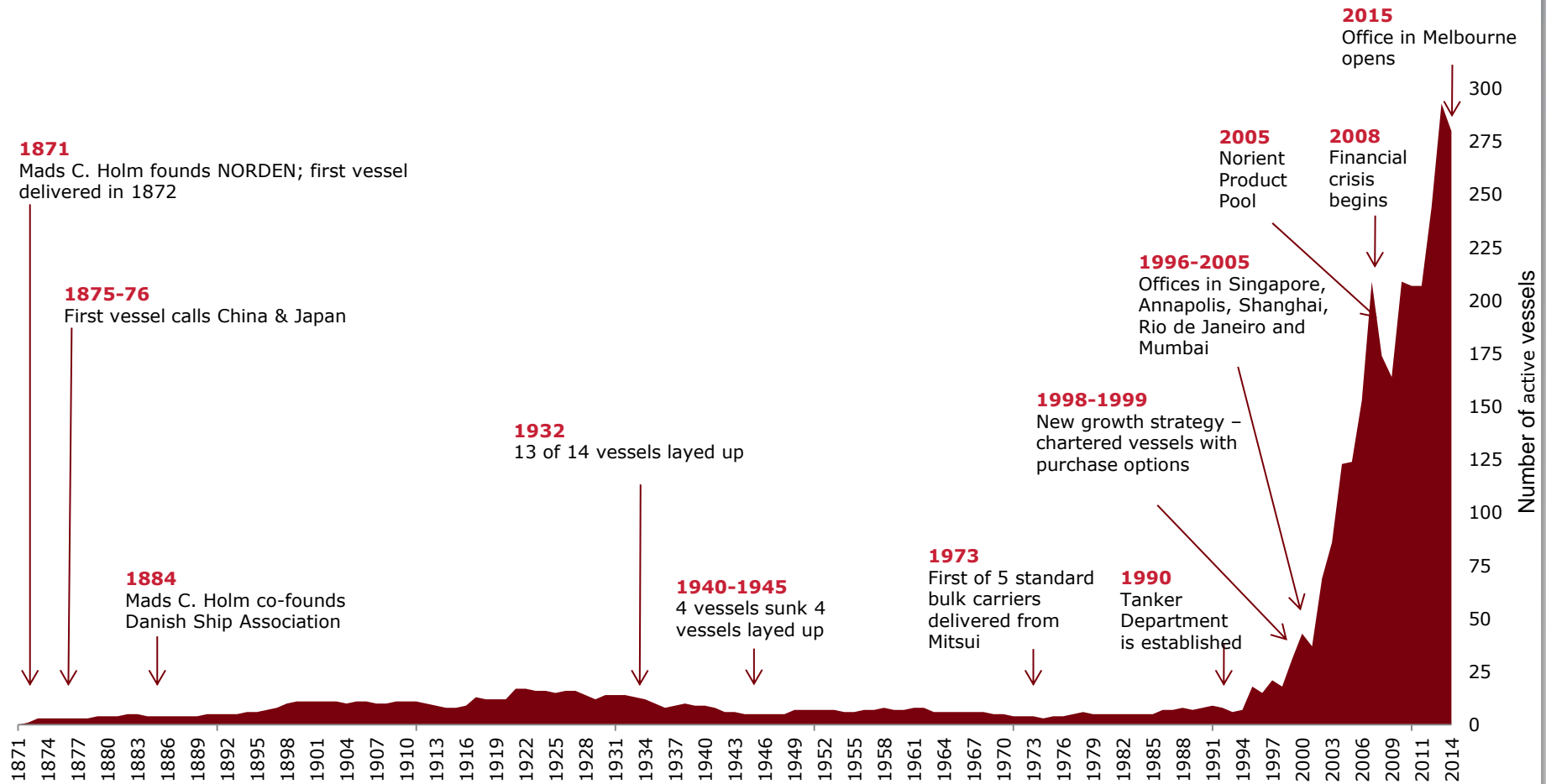
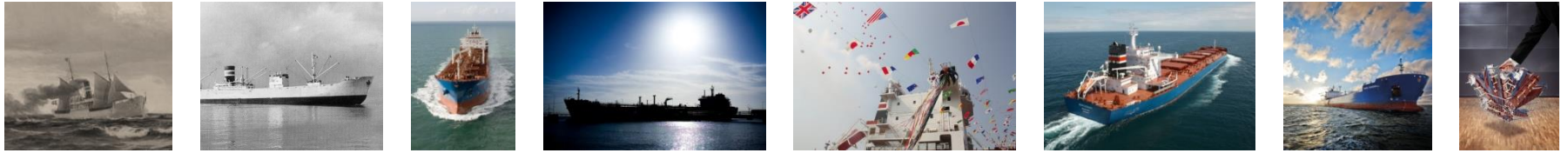
Tankers	2015	2016	2017	2015	2016	2017
<b>Owned vessels</b>	<b>Ship days</b>					
MR	4,014	4,315	4,310			
Handysize	4,313	4,315	4,310			
<b>Total</b>	<b>8,327</b>	<b>8,630</b>	<b>8,620</b>			
<b>Chartered vessels</b>				<b>Costs of T/C capacity (USD per day)</b>		
MR	5,746	3,543	1,729	14,971	15,747	16,722
Handysize	1,401	0	0	13,232	0	0
<b>Total</b>	<b>7,147</b>	<b>3,543</b>	<b>1,729</b>	<b>14,630</b>	<b>15,747</b>	<b>16,722</b>
				<b>Costs of gross capacity (USD per day)*</b>		
<b>Total capacity</b>	<b>15,474</b>	<b>12,173</b>	<b>10,349</b>	<b>10,513</b>	<b>9,590</b>	<b>8,726</b>
<b>Coverage</b>				<b>Revenue from coverage (USD per day)</b>		
MR	1,552	223	177	18,441	16,844	16,898
Handysize	1,226	0	0	14,912	0	0
<b>Total</b>	<b>2,778</b>	<b>223</b>	<b>177</b>	<b>16,883</b>	<b>16,844</b>	<b>16,898</b>
<b>Coverage in %</b>						
MR	16%	3%	3%			
Handysize	21%	0%	0%			
<b>Total</b>	<b>18%</b>	<b>2%</b>	<b>2%</b>			

\* Including cash running costs of owned vessels.

Costs are excluding administrative expenses. For vessel types which are operated in a pool, the T/C equivalent is after pool management fee.



# DEVELOPMENT HIGHLIGHTS



# A LEADING GLOBAL TRAMP OPERATOR

## Dry Cargo



Capesize



Post-Panamax



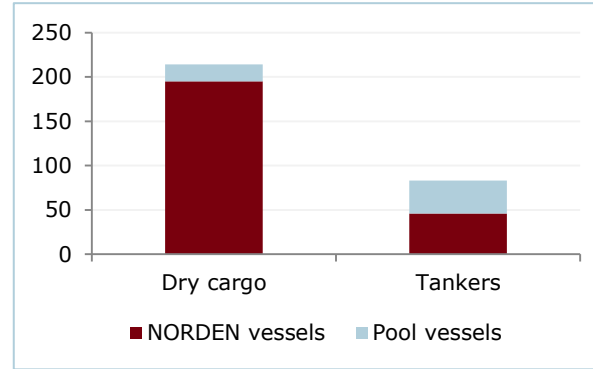
Panamax



Supramax



Handysize



## Tankers



MR



Handysize



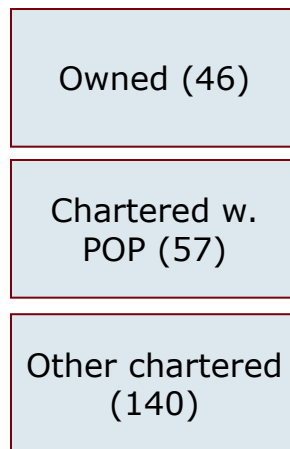
- ▶ Modern fleet
- ▶ Global network of offices and port captains
- ▶ Pools in Dry cargo (Handysize & Post-Panamax) and Tankers (MR & Handysize)

- ▶ Active fleet can quickly be adjusted to demand and market conditions
- ▶ Fleet employment based on portfolio view
- ▶ Significant asset upside through purchase options

## Flexible fleet

- ▶ Sale and purchase
- ▶ Technical competencies in-house
- ▶ Option-based flexibility
- ▶ 5-7 year firm periods
- ▶ Flexibility and scale
- ▶ Arbitrage
- ▶ Single-trip charters

### Capacity



## Coverage and customer focus

### Employment



- ▶ Customer relations
- ▶ Logistical efficiencies
- ▶ 2-10 year firm periods
- ▶ Quick and easy cover
- ▶ Leverage of scale
- ▶ Operator profit

## People



## Brand



## Systems



\* Active fleet per 31 December 2014

# ...ENABLING VALUE CREATION BASED ON THE CYCLE AND THROUGHOUT THE CYCLE

## Exploiting the cycle

Taking a view on the fundamental market and adjusting our exposure

Levers:

Owned vessels

Long-term T/C in

Long-term coverage

Financial gearing

## Creating value throughout the cycle

Creating value above industry level irrespective of market conditions

Levers:

Commercial operations:

- Optimisation around cargo contracts (Dry Cargo)
- Short-term T/C in/out
- Optimisation of trade composition and positioning
- Exploitation of seasonality and volatility
- Vessel selection

Voyage execution incl. fuel optimisation

Cost efficiency

- ▶ Fast and consistent decision making
- ▶ Relationships with tonnage providers
- ▶ Long-term player
- ▶ Financial strength
- ▶ Execution skills

- ▶ Skilled and experienced staff
- ▶ Close customer relationships
- ▶ Economies of scale
- ▶ Optimised systems and processes
- ▶ Strong brand

Why we  
succeed

# DRY CARGO 12 MONTH ROLLING AVERAGE

## Capesize



## Panamax



## Supramax

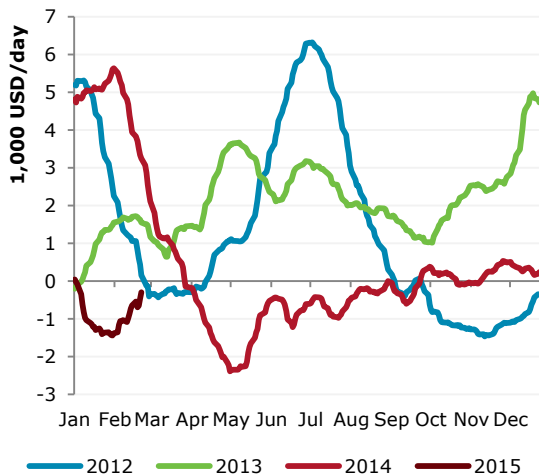


## Handysize

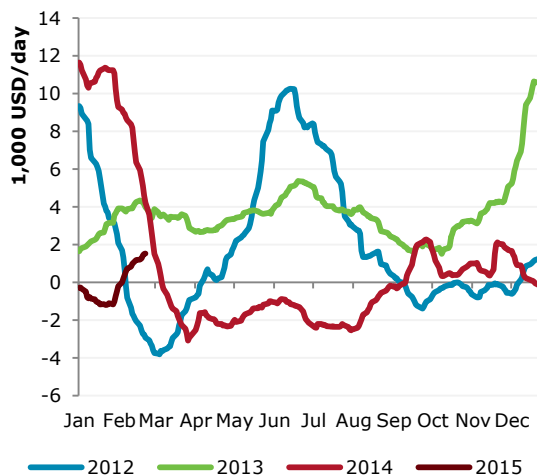


# DRY CARGO REGIONAL RATES

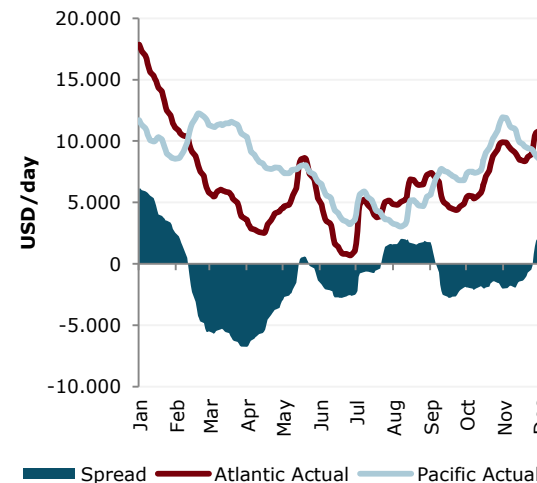
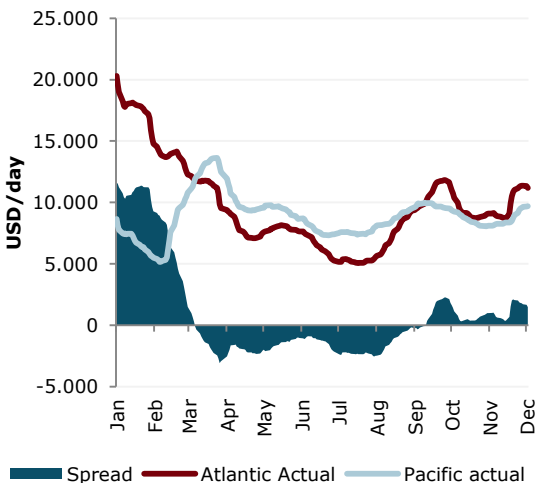
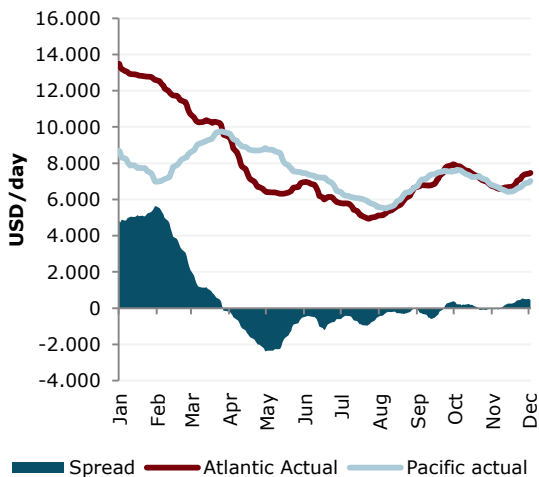
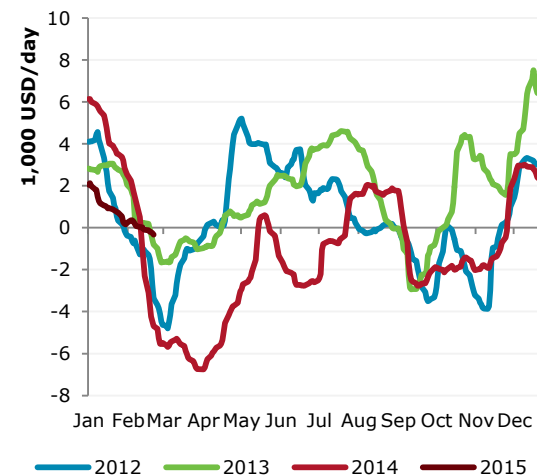
## Handysize



## Supramax



## Panamax



# THE SHARE (DNORD)

## Master data

Shareholder capital	DKK 42,200,000
Number of shares and denomination	42,200,000 shares of DKK 1
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen
Ticker symbol	DNORD
ISIN code	DK0060083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

## Composition of shareholders

- ▶ 16,226 registered shareholders owning 90.5%
- ▶ Approx. 30% international ownership

