C O R P O R A T E P A R T I C I P A N T S

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Martin Badsted Dampskibsselskabet NORDEN A/S - EVP, CFO

P R E S E N T A T I O N

Operator
Good morning, ladies and gentlemen and welcome to the Northern Fourth Quarter Report 2017 Conference Call.
For your information, today's conference is being recorded.
At this time, I would like to turn the call over to host, Mr. Jan Rindbo, CEO.

Jan Rindbo - Dampskibsselskabet NORDEN A/S - CEO
And welcome to the presentation of NORDEN's first quarter results of 2017. Thank you for calling in. My name is Jan Rindbo and I am the CEO of NORDEN. Myself and our CFO, Martin Badsted, will be presenting our results today.
I trust you have all found time to download the accompanying presentation available on our website. We will go through selected slides and we will refer to the specific slide pages as we go along. Please note that this presentation and the following Q and A session will be recorded and made available on our website.

Slide 2, please.
The agenda for today will be as follows. I will start by outlining the highlights of the first quarter and the key financial figures for the period Martin will then give you our view on the asset values and market conditions and finally, I will conclude with our guidance with 2017 and we will open up for the usual Q and A session.

Slide number 3, please.
In the first quarter of 2017, the adjusted net result was $1 million and this is the first positive result since Q3, 2015. The product tanker market remains challenging with the exception of a few, but significant regional spikes. Nonetheless, advantageous positioning of the vessels secured NORDEN an adjusted result of $10 million in the tanker segment.
In comparison, the dry cargo market was surprisingly strong in Q1 and rates were significantly higher than in the first quarter of last year. Upon entering 2017, NORDEN had more than 100% coverage and was therefore not able to benefit from the increase in spot rates and the dry cargo adjusted result ended at a minus-$9 million.

The continued improvement in the dry cargo market has, however, increased expectations and forward rates for the coming five years, which is highly beneficial for NORDEN, with more than 62,000 open vessel days in the period.
NORDEN has increased the net commitments throughout Q1 by using the low TC rates to expand the tanker capacity on both short and long term charter in contracts. Guidance for the year is maintained at minus-$20 million plus-$40 million.
And now, over to Martin, for a closer look at the developments and added values in market.

Please skip to page number 6.

Martin Badsted - Dampskibsselskabet NORDEN A/S - EVP, CFO
The improvement in both fundamentals and sentiment in dry cargo led went through substantial increases in asset values. The broker assessment of NORDEN's own dry cargo vessels were up by 11% in the quarter and have continued the upwards trend during April.
The underlying improvement in forward rates will, of course, have a similar positive impact on the 65 units in our long-term charter fleet. In tankers, broker values declined by 5% during the quarter, but we actually sense that the market is bottoming out and that we are seeing a slight firming during April.

Please move to slide 7, please.
As Jan said, the dry cargo market had a very strong start to the year; much stronger than we had anticipated, especially within the Panamax segment. The spot market improvements were driven by very strong Chinese import demand of [primarily iron ore and coal but also minor bulk. It is still to a large extent driven by fiscal stimulus and credit driven investment activity that were initiated last year. And outside China, however, we have yet to see any real growth in import volumes on an aggregated basis.

Next slide, please.
In the panel to the lower left, you'll see some more details on the China imports strengths during Q1. Total volumes were up, a staggering 16% with half of the contribution coming from iron ore. A lot of that ore has been put into inventory and with a correction in our oil prices seems likely it's likely that they inventory built will stop and maybe even reverse. Also, it seems that Chinese coal production is starting to increase again after last year's radical production cuts. Overall, we think that the strong momentum on the demand side will decelerate in the short-term, but the lack of real ordering means that
we remain optimistic that 2018 will show further rate gains. Supply growth is already coming down and that looks set to continue through next

year.

Next slide, please, for a look at the tanker market.
The tanker market in general continues to be quite challenging, but we did see good local spikes within MRs and Handys in the Atlantic in the period. However, they have been driven by temporary demand off-turns and with weakness in adjacent segments, they have been quite short-lived.
However, we have been well-positioned to benefit and our tanker business delivers a strong result for Q1.
Next slide, please.
Looking ahead, we are encouraged by the limited ordering activity as you can see in the bottom right panel. We still think 2017 will be quite challenging overall, but with slowing supply growth, especially on product tankers, we are laying a solid foundation for improvements next year.

Next slide please and over to Jan for a look at our guidance.

Jan Rindbo - Dampskibsselskabet NORDEN A/S - CEO
NORDEN maintains the guidance for 2017 of minus-$20 million to plus-$40 million. The strong result for tankers in Q1 places the estimate for the full year in the higher part of our tanker guidance.

On the other hand, the weak start to the year in the dry cargo segment places our full year expectations at the lower end of the dry cargo guidance range. With more than 15,000 open vessels days across both segments in the rest of 2017 combined with increased operator activities in dry cargo, there are still considerable uncertainty around the full year result.

Next slide please.
And please remember that there are uncertainties related to any forward looking statements.

Next slide, please.
This concludes our presentation. Now, we will open up our Q and A session. Please await the conference host instructions.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions)
[Nikolai Dyvik of DNV].

Nikolai Dyvik, DNV
Hello. Just a question on your strategy in terms the operator activity versus all the assets. You've sold lots of ships in 2016. You also said that you were going to accumulate some ships in the small segments as well. What's the status on that and what's your thinking ahead?

Jan Rindbo - Dampskibsselskabet NORDEN A/S - CEO
When we look at our dry cargo business, we look at it obviously as a total portfolio and strategically what we want to do here is move our dry cargo exposure away from capesize and Post-Panamax more to the mid size segments.
And we've been selling ships out in the larger ship segments last year. And instead we have made some investment in Supramax ships and also actually increasing our chartered-in fleet for the period 2018 to 2020.
Actually, if you go back in time, go back two years, we have added an extra 8,500 chartered ship days in this period, which is equivalent to 24 ship years. Yes, we have been selling ships, we've done some partial buy backs in the midsize segments, but then also actually increasing our chartered in fleet quite substantially in that midsized segment within dry cargo. Overall --

Nikolai Dyvik, DNV
-- is more to be expected that the switch will be more on the chartered in than owning the assets from the larger to the smaller?

Jan Rindbo - Dampskibsselskabet NORDEN A/S - CEO
-- yes, I think when we look at our dry cargo portfolio today, we are happy with the overall exposure that we have to the market. We have a lot of open days in the period from now until 2022. And yes, we have been seeing, we think, better deals on actually charter-in and have been adding ships on the chartered-in fleet.

Nikolai Dyvik, DNV
Correct me if I'm wrong, probably a stupid question, but you've taken provisions on your charter-in portfolio a few years back on the weaker market. Now that the long term market is improving, could we risk any, call it, changes to your table in the reports where you listed the cost of capacity for the P&L as the P&L cost is far lower than your actual cash flow cost in the quarter?

Martin Badsted - Dampskibsselskabet NORDEN A/S - CFO
Yes, I think, what you're really asking, I guess as far as I understand it at least, is will there be any reversal of those provisions or impairments made previously following a more positive outlook. You can say, the first observation is, of course, that the difference between book value of owned ships and the broker values is now positive on the dry cargo side.
Of course, we do the assessment on a quarterly basis and really what is driving that decision is the outlook on long term rates and, as you may recall, the impairment test, as we have described it, has always been based on a long term rate level that is sort of similar to what is required if you were to buy new buildings.
As of yet, you can say we have not significantly changed our view on the longer term. We still require quite substantial rate improvements over the forward curve at least, to reach that level. We'll stick to our long term rate level in that impairment test for now.

Operator
(Operator Instructions)
Gentlemen, it appears we have no further questions on today's call.

Jan Rindbo - Dampskibsselskabet NORDEN A/S - CEO
In that case, thank you very much for joining our presentation for the first quarter results. Thank you for the interest in NORDEN and have a nice
day. Thank you and goodbye.

Operator
Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation. You may now disconnect.