TRANSCRIPT NORDEN TELECONFERENCE 13 AUGUST 2014 CET 15:30

Corporate Participants

KLAUS NYBORG –NORDEN, Interim CEO

MICHAEL TØNNES JØRGENSEN – NORDEN, CFO

MARTIN BADSTED – NORDEN, EVP

Presentation

KLAUS NYBORG:

Welcome to the presentation of NORDEN's first half year results. My name is Klaus Nyborg and I am the interim CEO. I will be presenting together with our
CFO Michael Tønnes Jørgensen and Executive Vice President Martin Badsted, who is among other things responsible for our Investor Relations.

I trust you have all found time to download the accompanying presentation 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.

Slide 2, please

The agenda for today will be as follows:

I will start by outlining the highlights of first half year 2014

Subsequently, Michael will go over the key financial figures and the status on our strategy

Martin will then present the market conditions

Finally, I will conclude with our guidance for 2014 and then we will open up for the Q&A session.

Slide 3, please

The second quarter of 2014 was indeed a challenging quarter. EBITDA for the quarter ended at minus 7 million dollars and the Net Result was minus 42 million dollars, which is not satisfactory.

The poor result was driven by the disappointing market development in both Dry bulk and Tanker.

The weaKlaus Nyborgess in the charter markets also had a negative impact on asset values. But the value of NORDENs own fleet including newbuildings is still 94 million dollars above book value.

We lower the full year guidance for 2014 to minus 60 million dollars to zero due to the poor market developments in both segments.

And now over to Michael for a closer look at the financials.

Slide 4, please

MICHAEL TØNNES JØRGENSEN:

Thank you, Klaus,

As mentioned NORDEN generated group EBITDA of minus 7 million dollars distributed with minus 6 million dollars in the Dry Cargo department and positive 1 million dollars in the Tanker department.

The dry cargo EBITDA is lower than the same period last year, but better than last quarter despite generally poorer market conditions. Furthermore earnings in Dry Cargo was 1% higher than the 1 year T/C-rates even though they contain expectations of a better market in the future, and NORDEN also outperformed the average spot rates from the Baltic Exchange by 57%

The result in the Tanker department was impacted by lower spot rates in both the MR and Handy-market.

Cash flow from operations was minus 29 million dollars but NORDEN continues to have a solid cash position, with cash and securities of 323 million dollars, and unused credit facilities of 220 million dollars.

Outstanding newbuilding obligations related to 2014-2017 amount to 420 million dollars.

NORDEN continues to be an attractive business partner for financial institutions, and is about to conclude additional credit facilities up to 200 million dollars.

Slide 5, please

Asset values were impacted by the poor markets, and the 5 year secondhand prices for all NORDENs vessel types have decreased by the end of the second quarter.

Based on assessments from 3 independent brokers, the market value of NORDEN's owned vessels and newbuilding orders including joint ventures was estimated at 1,706 million dollars at the end of second quarter, which is 94 million dollar above the carrying amounts and costs.

Slide 6 please

The headline of the current strategy is "*Capture value in improving markets"*, however the markets have disappointed in the first half of 2014. We have therefore accordingly evaluated and adjusted the part of the strategy pertaining to market exposure

Our flexible business model has enabled us to adjust the capacity and activity levels on an ongoing basis, and since the end of the first quarter, the active fleet in Dry Cargo has been reduced by 15%.

We made significant investments in 2013 and beginning of 2014 and vessel values have generally increased since the investments were made. This means that NORDEN's investment programme at historically low prices has been value creating for the Company. At the same time, the investment programme has secured competitive fleet growth with strong eco focus.

We do not expect to make further investments in the core fleet in the second half of 2014 – rather we will seek to optimize value with our current fleet size

Over to Martin for a review of market developments

Slide 7 please

MARTIN BADSTED:

Thank you, Michael

The dry cargo market continued to decline during the second quarter and current trade levels are now below the poor levels seen in 2013. The smaller segments have been hit especially hard. Most notably the Panamax market where the rates in the Atlantic were the lowest ever recorded in a quarter.

The poor market developments are driven by a combination of several factors. The lack of Indonesian export of unrefined commodities continues to have a negative impact on the market as the volumes of Bauxite and Nickel imported to China still are well below the levels from last year.

Also, less coal was imported in both Europe and China, and not only did the volume decrease into China, but the average distance also declined as less imports came from the US and Columbia.

At the same time, the South American grain season did not have the expected positive impact due to lack of export out of Argentina and significantly less congestion.

Slide 8 please

The highly disappointing spot rates in Q2 have also had a negative impact on the forward rates. FFA rates have lost more than 3,400 dollars per day on average when weighted with NORDENs 2014 ”open days” per segment end of Q2.

FFA rates are in contango for the rest of 2014 and we also continue to believe rates will improve in 2nd half. However we no longer expect second half of 2014 to be better than second half of 2013.

The key driver of the expected market improvement in 2nd half 2014 is the traditionally higher Brazilian exports of iron ore in second part of the year. Furthermore, the North American grain exports will commence and estimates from USDA indicate that long distance export of soybeans out of North America will exceed even last year’s record levels. It is also an upside that grain export out of Argentina may increase as they are forced to sell the volumes that have be held back until now.

Finally, fleet growth in 2014 is expected to be low, creating the basis for an improved market balance.

Slide 9, please

The MRs continued to disappoint in second quarter with pool spot earnings around 12,000 USD per day which is well below the same period last year. While it is difficult to point to a single explaining factor for the weaKlaus Nyborgess, the MRs have been hit by extensive refinery maintenance most notably in the increasingly important US Gulf. Furthermore the trade with vegetable oils continues to be lower than last years, which is a reversal of the trend seen in recent years with strong growth.

While the amount of vessels delivered from the yards has been low over the last 12 months the available supply in the CPP market has grown significantly. This is due to a large number of LR1s and LR2s switched from trading in the dirty markets to trading clean in 2013. This supply addition has created downward pressure on rates in the clean market in second half of 2013 and in the first half of 2014

The dirty market, which had a strong Q1, saw lower market levels in the 2nd quarter in line with recent years seasonality. Rates in the dirty market has however enjoyed a small spike over the last month especially in the larger segments.

Slide 10 please

As refinery maintenance season ended in the US utilisation rates came back up, which provided upward pressure on MR rates out of the US Gulf. While the overall improvement has not been sustained at a high level we do expect the usual seasonal pattern of increasing exports out of the US Gulf to support MR rates in the 2nd half of 2014.

Deliveries will start to accelerate in the 2nd half of 2014 and into 2015, but we do not expect a further share of the LR1s and LR2s to switch from the dirty markets into clean. Given the recent spikes in the dirty markets and improved outlook there we could see the switching trend be reversed which would mitigate the increase in rate of deliveries from the yards.

Slide 11 please

KLAUS NYBORG:

The full year guidance for 2014 is revised downwards to minus 60 million dollars to zero.

The revision of the guidance is mainly driven by the collapse in market rates in the 2nd quarter and accompanying decline in forward rates in dry cargo. The guidance for dry cargo is now minus 60 million dollars to minus 30.

Along with the lower guidance for dry cargo, the expectation for the full year result in Tankers has also been lowered to 15 million dollars to 45 million dollars. This downward revision is due to the disappointing start for MRs in 2014.

We still have around 6,000 open days in dry cargo and 5,200 in tankers in the rest of 2014 and there is therefore continued uncertainty around the full year results. An average change in rates of 1,000 dollars per day impacts the EBIDTA by 11 million dollars.

Based on current Klaus Nyborgown investments, CAPEX is expected to be 130-150 million dollars for the year and revised due to earlier delivery of 2 tanker vessels.

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

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

Q&A

HERMAN HILDEN RS Platou:

Good afternoon, guys. My first question relates to your achievements in the spot market. You've -- as you've mentioned, you have had a pretty solid beat on the Panamax rates. But also, if my numbers are correct, I think you had averaged $13,000 a day on the MRs. Could you provide some more flavor as to how you were able to beat your peers during the quarter?

MARTIN BADSTED:

Yes. Hi, there. Well, if we start with dry cargo, I think definitely NORDEN with its operating model should actually have a competitive advantage when the market is very tough as it has been in the second quarter. So I think we are able to fill the ships at all times, which actually does create higher levels of earnings. But there's also some effect of positioning voyages, which we did in the Q1, that actually subtracted from T/C earnings there, and then have been able to realize a certain pick-up in rates in the second quarter as the position value has been realized.

HERMAN HILDEN:

Okay. And also, on the dry market, looking at the second half, I think you had briefly mentioned the Indonesian export ban. What's your thoughts on the potential liftings of that, or do you think that will -- what's the timing, you think, before that potentially could come back to the markets?

KLAUS NYBORG:

I don't think that we want to speculate on any lifting of the ban out of Indonesia. However, what we can see is that it appears that the stocks in China of bauxite and nickel appear to be lower substantially, and there has previously been indications in the market that stocks should come to levels in – here in autumn – where they need to be replenished.

So one could be somewhat optimistic for more nickel and bauxite movements, and you have seen starting movements from the Philippines, which is naturally seasonal, but you'll probably start seeing that coming very soon, but not necessarily to levels that you saw in the second half or the fourth quarter of 2013. But you can say during the second part of 2013 we definitely had a significant impact in terms of increasing demand, in particular in the Supramax market.

HERMAN HILDEN:

And also, seasonally with Brazilian bonds coming in the second half, how do you think about that in -- keeping in mind that iron ore inventories in China seems to be quite high?

MARTIN BADSTED:

Yes, I think definitely when you compare the outlook for this Q4 with last year, I think there's less upside from the restocking as we saw last year. But nevertheless, seasonality in the Brazilian exports have been there for many years, and I still think that the Brazilian ore is of such high quality that the Chinese are likely to purchase it if it becomes available, which we think it will.

KLAUS NYBORG:

And it might be a signal that you have seen cape rates have been moving up for the last couple of days.

HERMAN HILDEN:

And lastly there – just a final question and that is all. It seems from port data there's been a record amount of call it smaller tonnage also taking iron ore cargos. Is that something that you're doing with the NORDEN fleet? Have you've been taking iron ore cargos to a higher degree?

KLAUS NYBORG:

Not in particular, no.

HERMAN HILDEN:

Okay. Okay. Thank you very much.

KLAUS NYBORG:

Our pleasure.

OPERATOR:

Your next question comes from the line of FRANS HØYER. Please go ahead.

FRANS HØYER Jyske Bank:

Good afternoon. Good afternoon. You make the point that you have a flexible business model and you reduced the active fleet by 15 percent in dry bulk over the quarter. And I wonder why I don't see that showing up in your vessel days in the tables that you show on the capacity going forward. I would have expected to see a similar decline in the number of vessel days. Can you help me?

MARTIN BADSTED:

Yes, you can say the 15 percent decline is a comparison of the number of active vessels in dry cargo at the end of Q1 and the number of active vessels at the end of July. And I think that there is a certain acceleration in the run-off of such vessels, so if you have a three to five-month charter, of course, you have to wait until it actually expires on the firm period before you can redeliver it. So, redeliveries are probably taking place sort of towards the end of the period at an accelerating pace, so I think the real impact on days is likely to very much also be in Q3.

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FRANS HØYER:

Thanks very much.

OPERATOR:

There are no further questions on the phone line at this point. Please continue.

KLAUS NYBORG:

Thank you very much. Thanks very much for listening in today, and looking forward to our next call.
Thanks very much.

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