

**CHAIRMAN'S REPORT BY CHAIRMAN KLAUS NYBORG,
NORDEN'S ANNUAL GENERAL MEETING, 12 APRIL 2018**

2017 was a good year for NORDEN.

First and foremost, we delivered black figures on the bottom line once again. This is the first time since 2011, so it has been quite a long journey, but all the better to deliver a positive result again. Even if it is a relatively modest one.

In 2017 we were furthermore able to lay the tracks to the future NORDEN. This was done, among other things, by splitting up the dry cargo business into 2 separate business units and by taking advantage of a weak tanker market to increase capacity considerably.

If we take a look at the result, the adjusted result for the year amounted to USD 28 million. This corresponds to about DKK 170 million.

EBITDA – earnings before depreciation etc. – increased from USD 31 to 68 million. At the same time, cash flows from operating activities also improved. Here, we turned a loss of USD 80 million in 2016 into a positive contribution of USD 6 million in 2017. In other words, we are again making money on operations, and with the implementation of a number of initiatives we have created the prerequisites for doing so again in 2018.

The price of the NORDEN share did not change much during 2017. We realised a small increase of 4%. In dollars – which is the currency for the listed competitors we compare ourselves with – the return amounted to 19% and is therefore on a par with the peer group, where the return amounted to 20%.

The price development is a reflection of a dry cargo market which is slowly improving and a tanker market which was – and is – particularly challenging.

Because even though we have seen improvements in the dry cargo market, you have to remember that the market is improving from a historically poor level. So, although we do see a light at the end of the tunnel, we are not completely out in the open yet.

Therefore, it is also important that NORDEN maintains its financial strength in the continued relatively weak markets, and the Board of Directors therefore proposes that no dividends are paid out this year.

It is of course our aim to be able to pay out dividends again. And with the many initiatives we have launched in 2017 and the years before, we are now well on our way to be able to do so again.

The most important initiative was the split of dry cargo, meaning that NORDEN now has 3 business units: Dry Operator, Dry Owner and – as previously – Tankers. It may seem complicated. But it provides transparency for all in the organisation. And that we have been missing.

Jan Rindbo will talk about how each business unit has performed.

But before we get to that, I would like to talk about the background for the new set-up.

In brief, we want to take advantage of some of NORDEN's competencies to an even greater extent and show the value of the company and the efforts of the employees more clearly.

NORDEN is not just a shipowner occupied with acquiring, owning and selling vessels. We are also to a large extent an operator who, through extensive market knowledge, strong connections and a good reputation, is able to optimise the combination of cargoes and vessels. Not just owned and long-term chartered vessels, but also still more short-term chartered vessels. That is, vessels which we only charter for a short period or even for just a single trip.

By combining cargo with the right vessel at the right time, Dry Operator is able to generate a margin per ship day. In the previous set-up with one combined dry cargo department, it could be difficult to see this value creation. The cost and the value of the owned and long-term chartered fleet often made it difficult to see the value created by the organisation. This is different now.

A clear split into Dry Owner and Dry Operator provides clarity and transparency with regard to how value is created.

Dry Owner is responsible for our long-term exposure to the dry cargo market through ownership and long-term chartering of vessels to the core fleet. It is therefore up to Dry Owner to make sure to buy, sell and negotiate the long-term charter agreements at the right times.

Dry Operator creates value by combining vessels and cargoes. For this purpose, Dry Operator charters NORDEN's core fleet from Dry Owner on market conditions. At the same time, Dry Operator is also interested in vessels which can be chartered for a shorter period – preferably with great optionality – meaning flexibility during the charter period, so that we can quickly adjust to the current market situation and our cargo customers' needs. The flexibility during the charter period can be utilised at a price fixed in advance, and this is value creating if the market increases. And this value creation can take place without the Company incurring a large risk. On the contrary. Our overall risk in relation to the dry cargo market is reduced, as we will primarily grow our activities in the future through our short-term chartered dry cargo fleet rather than the long-term commitments in the form of ownership and long-term charters.

This means that at NORDEN you get the best of both worlds. Partly an experienced owner with a considerable owned fleet that benefits from the improvements in the market and generates value by buying and selling at the right time. And partly a skilled organisation which, with extensive market knowledge and global reach, has good access to customers and is able to optimise vessels and cargoes.

The above-mentioned combination is actually unique in our industry of listed companies. And we have great expectations to the future earnings potential not least in Dry Operator. We build this on the experience we have gained during the second half-year of 2017, when the split was a reality. From July 2017, NORDEN consisted of 3 business units, and Jan Rindbo will give an account of those now.

Thank you. As Klaus mentioned, our business units in dry cargo have had a good start following the split in July.

Dry Operator has been organised into 9 specialised teams, which have deep regional market insight and constant focus on the combination of vessels and cargoes as well as completion of the voyages in the best way possible. So, to a large extent it is the good business acumen and craftsmanship which carries the value creation in Dry Operator.

At the same time, through digital solutions we have created complete transparency with regard to results as well as positioning for each team. This transparency combined with extensive decision-making power at each team have given a new dynamic. It can be described in another way; a merchant who is not aware of his or her costs in detail, does not know either if he or she makes money from every transaction, when the deal is made. We know that now.

By empowering our employees and providing transparency we have released a potential for even better and more business.

A vital prerequisite for success is knowledge and close customer relations. Also here NORDEN is well positioned. We have access to all relevant customers and a substantiated reputation for delivering on what we promise. Therefore, all doors are open to NORDEN, and with the 9 teams we will go through even more.

For instance in January, we opened yet another office. This time on the west coast of North America – in Vancouver, Canada – where we know there is opportunity to do even more business with existing and new customers.

By being close to the customers – present in the local market – it is possible to get hold of business which it can otherwise be difficult to find out about from another continent or from our office on the east coast of America. As part of our growth strategy, we have therefore over the last couple of years opened 3 new offices and now have a total of 9 offices on 5 continents. And more may follow.

Because we believe that we can increase activities in Dry Operator considerably. Even though our fleet of 250 to 300 dry cargo vessels places us among the world's largest operators especially within Supramax and Panamax, NORDEN only has a market share of 2-3%. So, there is plenty of room to grow.

And with Dry Operator's first few months as our positive starting point, this growth may become very important for the bottom line.

During its first six months of existence, Dry Operator was thus able to generate a result of 12 million dollars. And this is after all costs for the organisation etc. have been deducted. The result was achieved, without taking large risks but through: First of all, careful consideration and sense of how the market would develop in the short run. Then, good positioning of vessels, and thirdly constant operational optimisation of voyages. For example, during the third quarter, we positioned many vessels in the Atlantic, as we expected increased demand in that area in the fourth quarter. And this expectation proved correct.

And this is exactly what Dry Operator must be able to do: Based on insight into short-term regional and global market fluctuations determine where and when to charter vessels and where and when to obtain cargo.

Value creation in Dry Operator is less dependent on the overall development in the dry cargo market and thus is also less risky. If you are skilled, you will be able to create a margin in increasing as well as decreasing markets, as the price of chartering a vessel overall follows the price of cargo. In this way, during the second half-year of 2017, Dry Operator was able to create a margin of about USD 250 on average per ship day after all costs have been paid. The relatively modest margin means that it takes scale to create big results. And precisely scalability is the focus of Dry Operator in 2018. It is about taking advantage of the economies of scale within the organisation to increase the chartered fleet from the 257 vessels which Dry Operator on average operated in the second half-year. At present, we operate around 280 vessels, which shows that activities are already growing quite considerably.

Value creation in Dry Owner is more dependent on the long-term and overall market trends within the dry cargo industry. Here, the expectations for the number of vessels in relation to current and long-term demand play a part in determining if the value of the vessels and the associated ship days goes up or down.

The vessels which Dry Owner has at its disposal are being chartered to Dry Operator on market conditions. This means that the price Dry Owner can obtain is directly related to the market.

Besides from a very strong sense of the overall market trends, the success of Dry Owner is dependent on good timing and access to shipyards and other shipowners for the purpose of buying, selling and long-term chartering vessels at the right time.

Also in this situation is NORDEN well positioned.

Reliability is one of our deeply rooted values, and through decades we have built a strong platform for cooperation not least in Japan, which has a justified reputation for delivering vessels of the highest quality. Dry Owner made good use of this platform during last year.

Besides from entering into agreements about deliveries of long-term chartered newbuildings with purchase options, we also had a positive dialogue with the owner of our last 4 Post-Panamax vessels. This is a vessel type which we will not be focusing on going forward, and it was therefore in everybody's interest to find a solution where we could redeliver the vessels early. This has saved us money, focused the fleet and released some vessels for the benefit of the owner. So, this is an example of how we are able to create value for both NORDEN and our partners thanks to strong connections.

As mentioned, Dry Owner is furthermore dependent on the overall dry cargo market. And it continued the gradual improvement from the record low levels of 2016.

In 2017, the dry cargo index for NORDEN's primary vessel types, Supramax and Panamax, was 46% and 50% higher, respectively, compared to the year before. This improvement resulted in better earnings for Dry Owner, which had a large open position that was sensibly covered.

The result did not fail to materialise. During the second half-year, Dry Owner was able to generate a result of USD 19 million.

In line with the improved market, the value of NORDEN's owned vessels also increased during 2017. In total it was an increase of 12% compared to the end of 2016, and thereby the value of NORDEN's dry cargo fleet amounted to just below half a billion dollars.

Add to this the value of our tanker fleet, which at the end of the year amounted to USD 418 million. Because what makes NORDEN unique is not only that we offer both operator activity and ownership within dry cargo. We are also unique because we, in addition to being a leading dry cargo operator, also operate a large fleet of product tankers.

Just as we expected, 2017 offered challenging market conditions. This is actually the effect of a hangover caused by the very strong market in 2015. Because back then, when the price of oil dropped to USD 40 per barrel, the demand for transportation really took off. Most of all because the market participants were able to make money by buying oil and re-selling it with a profit at a later time at practically no risk. The strong market also led to accumulation of very large stockpiles and – unfortunately – many newbuilding orders.

As these vessels have been delivered, rates have dropped. Furthermore, the large stockpiles have served as a kind of buffer every time an imbalance in the market has occurred. The result has been a very challenging tanker market where it has been necessary to fight hard for every dollar earned. And our employees in the tanker business have done so.

And the result of the efforts has not failed to materialise. An adjusted result of USD 14 million might be far from the approximately USD 100 million reached in the record year 2015. But considering the market conditions, the result is satisfactory.

At the same time, we have actively taken advantage of the challenging market to increase our capacity. We have done so by buying 2 secondhand MR product tankers, entering into 14 long-term charter agreements – of these 8 newbuildings each with a charter period of 5 years and with purchase options. Combined with more short-term chartered tanker vessels, we thereby managed to increase our capacity with what is equivalent to a total of 71 vessel years – or 25,000 vessel days of which the majority is for future delivery where we expect the market to have improved. Furthermore, the many short-term charter deals have also contributed to the positive result in 2017.

We are aware that the demand for fossil fuels may come under pressure as alternative sources of energy gain ground. The question is when this shift will take effect. Nobody knows for sure, but it is our assessment that this lies well into the future, and we believe that it is highly possible that we will experience an improving tanker market for the next 2-3 years at least.

We are past the worst backlog of deliveries and at the same time, the stockpiles are almost back at normal levels. Combined with the fact that the International Energy Agency, IEA, among others, predicts reasonable demand growth, this forms the basis for improvement. And with the considerable capacity increase made in 2017, NORDEN is well positioned for the expected improvement.

Thank you for listening.

Thanks to Jan for this run through of our business areas.

As it appears, the split-up has provided us with more clearly defined roles and areas of responsibility. All three business units, Dry Operator, Dry Owner and Tankers rest on a strong foundation of solid values and the surrounding organisation. Our Technical Department, for example, plays a decisive role in ensuring that all our vessels are ready to deliver safe transportation of all cargoes in a cost-effective manner. And we focus on costs at all times. At the end of 2014, we set ourselves a target to reduce annual voyage-related costs by USD 20 million over a 3-year period. This was an ambitious target, but ambition is one of NORDEN's core values, and I am pleased that we were also able to deliver on the cost side thereby increasing the competitiveness of NORDEN's vessels. Where have we cut costs? We have, among other things, negotiated extra discounts for passing through the Suez Canal, changed to a new supplier of digital nautical charts, re-negotiated our pilot agreements and obtained considerable discounts on tugboat assistance. Some of the savings amount to few thousands of dollars whereas others amount to several hundred thousand. But everything counts in the overall picture and the annual savings of USD 20 million.

Another important contributor to improved results is streamlined and simple processes in all parts of the business. In recent years, NORDEN has increased its focus on this area where digital solutions to an increasing extent provide new opportunities. Opportunities that are a prime requisite if we are to increase our activities effectively so that the unit price is reduced compared to previously.

Digitalisation can quickly become fluffy and abstract. However, NORDEN has launched some very concrete initiatives to digitalise our procedures and create overview and clarity.

The Fuel Efficiency team, for example, has developed programmes where a simple "traffic light" with red, yellow and green markings inform the people involved if the fuel consumption of the individual vessels in the fleet is as expected or higher. This provides a good overview and enables a fast response so that consumption can be reduced.

Similarly, we also keep a constant overview of our financial results in each of the 9 Dry Operator teams. This provides a very concrete view of the daily performance and a good foundation for making adjustments if something looks out of place.

Externally, we are looking at ways to improve our customers' experience of trading with NORDEN. This not only deals with the creation of a new webpage, but also with having the courage and

vision to develop new tools that create great value for the customers. We are currently talking to several players to find the exact solutions that will ensure NORDEN a leading position in the industry within this field as well.

Because even though it may be a slow-moving industry where the standard contract is from 1921 – however, updated in 1946... – NORDEN will not rest on its laurels – quite the contrary. It provides opportunities that must be seized.

Consequently, digitalisation has been on the agenda at the recent year's board meetings. As in previous years, our work is planned in an annual work schedule, which is depicted in the annual report. An innovation during the year was the establishment of a risk committee with the purpose of assisting the Board of Directors in its oversight of the Company's overall risk management. The Chairman of the committee is Tom Intrator, who brings along extensive experience with development of solid risk management systems from his employment in one of the world's largest trading houses, Cargill. Furthermore, the committee's members are Karsten Knudsen and, until recently, Hans Feringa. As announced prior to the general meeting, Hans has resigned from the Board of Directors and will not be up for re-election since the company of which he is the CEO, Team Tankers, has announced an acquisition of a company that is a potential competitor to NORDEN's tanker business. Therefore, to avoid conflicts of interest, Hans has decided to resign from NORDEN's Board of Directors. I would like to thank Hans for his efforts during his year as board member.

At the same time, it is also only appropriate to thank Arvid Grundekjøn, who has decided not to seek re-election after 9 years on the Board. Arvid has been a skilled and reliable part of the Board of Directors through the great changes that both the market and NORDEN has experienced during the recent decade, and I would like to also send him my heart-felt thanks.

The Board of Directors will initiate a search for suitable candidates for the Board and will, once this or these candidates have been identified, give notice of an extraordinary general meeting to conduct election for the Board. In the recruitment process, we will pay full attention to our target of having at least 2 female shareholder-elected members of the Board. It is a great strength to have diversity in all levels of a company, but I can guarantee you that no person will become part of NORDEN's Board of Directors based on their gender alone. That is not in their nor NORDEN's best interest. As always, qualifications will be decisive in the recruitment process, and qualifications were in place in the Board of Directors during the past year. This was the conclusion of a self-assessment of the Board of Director's composition and skills that was conducted in cooperation with PwC during the year. Each individual member's skills and contribution were assessed, and through interviews and evaluation forms, we furthermore assessed the cooperation between the Board of Directors and the Executive Management.

In March this year, NORDEN's employees carried out an election to the Board. The result of the election is that we will welcome 2 new employee-elected representatives, while Lars Enkegaard Biilmann continues for another term. I would like to thank the resigning employee representatives, Thorbjørn Joensen and Janus Haahr, for the good collaboration and look forward

to working with the new members Jesper Svenstrup, who is head of Supramax in the South Atlantic, and Susanne Fauerskov from our Vessel Finance & Performance Department.

After having reduced the board remuneration several times – most recently in 2016, where we reduced it by 21% and thereby have reduced the amount by 25% in total during recent years – we maintain the total remuneration of the Board of Directors of USD 0.7 million – specific board remuneration can be seen in the annual report. We believe this to be an appropriate level for the board work and also on par with the board remuneration offered by other companies. The Board of Directors consequently proposes unchanged remuneration in 2018.

The Board of Directors does not receive other forms of remuneration and that will continue to be the case if the general meeting adopts the updated remuneration policy which the Board of Directors has presented for adoption by the general meeting. The update is solely to specify that the board members' fee is split into a base fee and a supplement fee for committee work and that allotment of restricted shares instead of or as supplement to share options to members of the Executive Management will be possible.

Total remuneration for the Executive Management in 2017 is disclosed in the annual report and amounted to USD 2.4 million including bonuses and value of share options. It is our assessment that this salary is market consistent in Denmark and abroad and that we have gotten our money's worth with the Executive Management's many good and value-creating initiatives. I would like to thank them for that just as I would like to thank all the employees at the offices and on board the vessels for their efforts during the year.

Every day, they make an effort that makes NORDEN a well-respected player in the industry. And they do so in a socially responsible way, which you can read more about in our CSR report.

I often stop by the old brewery in Hellerup. I sense the targeted determination that prevails in all parts of the building to gain the most from the conditions offered by the markets. I also sense a feeling of pride to be part of NORDEN's long history which now enters its 148th year.

It will be a year where we expect the dry cargo market to continue its gradual improvement just as the tanker market is also expected to be slightly better than in 2017.

Dry Operator is expected to generate an adjusted result for the year of USD 10 to 20 million, whereas Dry Owner will benefit from limited fleet growth and continued global growth in 2018 as well. A large part of this growth will of course depend of the current trade war between the USA and China. We aim to contribute to more efficient global trade, and tariff barriers are no help whatsoever to succeed. We naturally monitor the developments closely, and even though a trade war between the world's 2 largest economies is obviously a bad thing, market imbalances also offer opportunities which a flexible and agile business unit such as Dry Operator will be able to make the best of.

At the turn of the year, Dry Owner had more than 10,000 open vessel days at its disposal and we expect Dry Owner to generate an adjusted result for the year between USD 15 and 25 million.

In Tankers, the year started with unusually low rates for the season. Despite the weak start to the year, we do, however, expect that the normalisation of stock piles and low fleet growth also within tankers will result in a market which overall will end slightly above 2017. However, our coverage is no longer as profitable in this market, and this entails that the adjusted tanker result for the year is expected to amount to between USD -15 and +5 million.

This means that we expect a total adjusted result for the year of between USD 10 and 50 million for NORDEN.

Compared to the 2017 result, the midpoint of our expectations is thereby only slightly higher despite market improvements. This is due to accounting technicalities in that we will get less help from the provisions for onerous contracts taken in 2014 and 2015. In fact, USD 58 million worth of help less. So, if we take that into consideration, we are actually dealing with quite a decent improvement of the underlying performance, which we also expect will be evident in cash flows from operating activities in 2018.

We are thus preparing the ground for continuing the positive trend that the 2017 result reflects. With a clear strategy and a wide range of initiatives, NORDEN has positioned itself for continued growth in both business and results, and I look forward to yet another year in the Company's long history.

Thank you for listening.