NEW TRAINEES ON THE WAY

The programme takes 2 years and prepares for permanent employment

Pages 10 and 11

STRATEGY 2011-13 ON TRACK
Page 3

2 NEW PRODUCT TANKERS WITH 25% LOWER FUEL CONSUMPTION
Pages 6, 7 and 8

PERHAPS HEADING FOR A BETTER BALANCE BETWEEN SUPPLY AND DEMAND
Pages 14 and 15
The dry cargo and tanker markets are still struggling with low spot rates as a result of a structural oversupply situation.

Since the last NORDEN news, rates have dropped further, and they are now at the lowest level since I started in shipping (1986). There are simply too many vessels for too few cargoes.

Fortunately, our long-term coverage strategy and customer focus provide NORDEN with a certain protection against the low spot rates.

Thus, in the first half-year, we delivered a reasonable result – considering the bad markets and the extraordinary write-downs – and not least a satisfactory cash flow.

At the same time, we are still in a very strong position to take advantage of the decreasing vessel prices for acquisition. Thus, we contracted 2 new and very fuel efficient product tankers in the previous quarter.

I have said it several times before, and yet I say it again: Shipping is a cyclical business – and it will continue to be.

All in all, we are well underway with our strategy Long-term Growth in Challenging Times – even though the freight barometer has gone from bad to worse in the last couple of months.

And it is not only in shipping that we are structurally challenged. This is also the general case in Denmark and in the rest of Europe.

Therefore, I accepted the government’s request to become chairman of the Growth Team for the Blue Denmark in March 2012.

We have had to set forth specific recommendations for initiatives to strengthen growth conditions within the maritime area. We have therefore focused on areas with growth potential where we can make use of our global position of strength.

The preliminary recommendations have been handed in, and the final recommendations will soon follow. It has been an interesting job, which confirms my belief that the Blue Denmark, to a great extent, is a position of strength. A position of strength, which we have to secure and develop for the benefit of growth and employment.

In this connection, it is natural for me to point at NORDEN. During the last 15 years, NORDEN has been a living example that you can grow a Danish-based shipping company.

I am therefore looking forward to receiving an action plan for the Blue Denmark from the government.

Happy fall and happy reading.

CARSTEN MORTENSEN, president & CEO
STRATEGY IS ON TRACK DESPITE CHALLENGING TIMES

In the strategy plan for 2011-2013 *Long-term Growth in Challenging Times*, NORDEN has defined a number of targets to secure that the Company stays on track even though market conditions are historically challenging.

NORDEN has defined some ambitious strategic targets for the years 2011-2013 despite historically challenging market conditions with a global oversupply of vessels compared to the number of cargoes, low rates, sky-high bunker prices and an uncertain financial outlook.

"All the more important and satisfactory it is that NORDEN can establish that the strategy is on track with regard to these targets," says CFO Michael Tønnes Jørgensen.

The overall targets in the strategy are:

- NORDEN aims to increase volumes in Dry Cargo by 15% p.a. on average, create added value as dry cargo operator, beat market rates in product tankers and increase the number of owned tanker vessels to at least 25. Furthermore, NORDEN is focused on developing a fuel efficient fleet, keep up high quality and safety standards on board the vessels and maintain flexible financial strength which provides the Company with the possibility of pursuing potential and attractive investment opportunities. In addition, special focus on tight cost control on shore and at sea has been established in 2012.

"After 2011 with high volume growth in Dry Cargo, developments were weaker in the first half of 2012. Since the beginning of the strategy period, average annual growth in transported dry cargo volumes and long-term dry cargo contracts has been 32% and 7%, respectively. The lower growth rates in the first half of 2012 are particularly due to market developments with low rates which are not as attractive as before – and we do not just take in cargo for the sake of cargo. But even though conditions on the dry cargo market have been difficult this year, the Dry Cargo Department is on track with regard to the target of generating positive earnings. At the same time, the Tanker Department is close to the target of increased ownership with 17 owned vessels and now a total of 6 – fuel efficient – newbuildings on order," says the CFO.

Other results:

- In the first half of 2012, administrative expenses on shore have been reduced by 9% compared to the same period in 2011.
- In addition to the contracting of the 6 fuel efficient tanker vessels, NORDEN has long-term chartered 5 fuel efficient dry cargo vessels by which the Company strengthens its core fleet and competitiveness.
- The cash balance of USD 386 million (at 30 June) is intact together with undrawn credit facilities in Japan and Scandinavia of USD 150 million.

"It is NORDEN’s goal to continue to be a global leader in tramp shipping and to focus on long-term growth and a higher shareholder return than our peers," says CFO Michael Tønnes Jørgensen.
If a tanker vessel is already aware of delays in the next port of discharge, Norient Product Pool (NPP) suggests to the customer that the vessel slows down so that it does not reach the port of discharge until discharge can actually begin. This is called virtual arrival, and savings on the fuel account are equally divided between NPP and the customer. The third winner is the environment because of lower CO₂ emissions.

For the Operations Department in Norient Product Pool (NPP) – the world’s second largest product tanker pool – it is a target to optimise every single voyage made by the pool’s 83 vessels.

Therefore, the vessels are always sailing at the right speed in relation to sailing time and other relevant commercial factors such as the next cargo and costs. This is called right steaming.

But the Operations Department’s target of fuel efficiency does not stop here. If a tanker vessel is already aware of delays in the next port of discharge, the NPP operator will suggest to the customer that the vessel slows down further so that the vessel will reach the port of discharge just in time – i.e. when discharge can begin. This is called virtual arrival.

“The great thing about virtual arrival is that it has three winners. Savings on the fuel account are equally divided between NPP and the customer, while the environment is the third winner as lower fuel consumption means lower CO₂ emissions. At the same time, the vessel avoids being at anchor while it is waiting to discharge, and safety in the port area improves when there is less congestion,” says head of Operations in NPP, Jens Malund Jensen.

The customer decides
It is the customer who decides if the last part of a tanker’s voyage to the port of discharge happens in accordance with the virtual arrival principles. The original speed – typically 12-13 nautical miles per hour – is part of the contractual basis between NPP and the customer and is therefore stated in the contract (the charter party).

If NPP and the customer agree to use virtual arrival instead, the time when the vessel would have reached the port of discharge had it continued the voyage at the original, agreed speed is calculated. This calculation includes i.a. weather data. The time agreed on by NPP and the customer is the vessel’s virtual time of arrival – virtual arrival. From this point of time, NPP receives demurrage. But the total demurrage will not exceed the amount which NPP would have received had the vessel continued at the original, agreed speed. The delayed time of discharge would have resulted in corresponding demurrage due to anchoring in port while the vessel was waiting for discharge.

“You can say that virtual arrival is solely about making the most of a delay in the next port, i.e. by increasing fuel efficiency. Everyone is a winner,” says Jens Malund Jensen.

“There is only one challenge with regard to virtual arrival. Because it is a new system, there are still not so many customers who accept that we use it. But I think that this will change in the next few years because the advantages are so obvious. The familiarity with virtual arrival simply has to be improved – and NPP will continue to do its best at doing this,” says the head of Operations.

Examples of virtual arrival

- In May, ICE BEAM was on a voyage from Gothenburg in Sweden to Le Havre in France with 61,700 tons of vegetable oil. Expected delay in port of discharge: 8 days. Fuel savings by slowing down with arrival just in time: 12.9 tons of bunker oil at a value of USD 8,700.

- In July, BALTIC FREEDOM was on a voyage from Whitegate in Ireland to Immingham in England with 32,500 tons of fuel oil. Expected delay in port of discharge: 6 days. Fuel savings by slowing down with arrival just in time: 13.2 tons of bunker oil at a value of USD 9,600.

- In July, ROCKET was on a voyage from Tallinn in Estonia to Fawley in England with 30,200 tons of gas oil. Expected delay in port of discharge: 6 days. Fuel savings by slowing down with arrival just in time: 11.8 tons of bunker oil at a value of USD 7,500.
With delivery of NORD MONTREAL and NORD MUMBAI this summer, NORDEN's owned Dry Cargo fleet counts 13 vessels in the Handysize vessel type. Thus, NORDEN's owned fleet in Dry Cargo comprises in total 30 vessels within the vessel types Capesize, Post-Panamax, Panamax, Handymax and Handysize. All Handysize vessels – with the exception of NORD MONTREAL which is chartered out on a long-term basis – are included in the Handysize Pool, which NORDEN established with the Cypriot shipping company Interorient Navigation Company in 2010.

During the summer, 2 new Handysize vessels have been delivered to the Dry Cargo fleet – NORD MONTREAL and NORD MUMBAI, both with a deadweight of 37,000 tons.

Directly after delivery from the Onomichi yard in Japan, NORD MONTREAL went on long-term charter to a large mining company, which NORDEN has had a close business partnership with for many years. During winter, the vessel is going to sail in icy waters and is therefore ice-enhanced just like her sister vessel, which will be delivered from the same yard next summer.

NORD MUMBAI was built at the Hyundai-Vinashin yard in Vietnam. She is also ice-enhanced, and the plan is that she is going to sail in the Atlantic Ocean. In October, the yard will deliver a sister vessel to NORDEN.

With the newbuildings NORD MONTREAL and NORD MUMBAI, Dry Cargo reaches 13 owned Handysize vessels – or a total of 30 owned vessels within the vessel types Capesize, Post-Panamax, Panamax, Handymax and Handysize.

All Handysize vessels – with the exception of NORD MONTREAL which is chartered out on a long-term basis – are included in the Handysize Pool, which NORDEN established with the Cypriot shipping company Interorient Navigation Company in 2010. The pool has a core fleet of 40 owned and long-term chartered Handysize vessels with purchase option. To this should be added approximately 15 chartered vessels without purchase option. With a fleet this size, the pool has critical mass, and it is presently a significant player in the market.

The Handysize vessels are considered to be very flexible as they can call at ports with limited water depth and less developed docks, says Vice President Christian Ingerslev, who is head of the Handysize Pool.

"Compared to other dry cargo vessels, the Handysize vessel size makes particular sense when sailing with high value commodities such as alumina, wood pellets, fertiliser and grain. They are also the preferred vessel type when it is about delivering just in time as the customers do not want large stockpiling," says Christian Ingerslev.
2 NEW PRODUCT TANKERS REDUCE FUEL CONSUMPTION BY 25%

NORDEN’s 2 coming Handysize product tanker newbuildings will be commercially and operationally managed by the world’s second largest product tanker pool Norient Product Pool (NPP). With these newbuildings, NPP will achieve savings on expensive fuel and meet the customers’ growing demand for the best possible fuel economy of the shipping companies who transport their products. At the same time, CO₂ emissions are reduced correspondingly.

Safety above all. This is crucial to the customers – oil majors such as BP, Shell, Total, Petrobras, ExxonMobil, etc. and oil traders such as Vitol, Glencore, etc. Their cargoes of crude oil or refined oil products must always reach their destination safely. Every time. The shipping companies must simply live up to this. But there is also another requirement they must meet.

The newly built tanker vessels must be as fuel efficient as technically possible. They must be ECO vessels.

This is all in line with the 2 Handysize newbuildings which NORDEN has recently ordered from the GSI yard in China for delivery in the beginning of 2014 and with the 4 MR product tankers which will be delivered to NORDEN by the Korean yard STX in the first quarter of 2013.

Fuel efficiency has become a new competitive parameter in the tanker market.

Executive Vice President Lars Bagge Christensen, head of the Tanker Department: “When customers charter in newly built tonnage, they have a choice, and therefore, they choose ECO tonnage.”
The explanation is very simple, according to head of NORDEN’s Tanker Department, Executive Vice President Lars Bagge Christensen: Oil majors and oil traders wish to be regarded as environmentally conscious by their stakeholders – e.g. as modern market players.

It must be ECO tonnage

"The customers know that the existing fleet is conventional in terms of fuel consumption. But when they charter in newly built tonnage, they have a choice, and therefore, they only choose ECO tonnage with a significantly lower fuel consumption," says the head of NORDEN’s Tanker Department.

Danish or Danish-owned maritime enterprises – an important part of the Blue Denmark – are ranking high in the world league when it comes to the production of hundreds of components which make up today’s modern product tankers. They are therefore well represented on the supplier list which NORDEN has delivered to the GSI yard in China.

NORDEN’s 2 new product tankers are being built at the GSI yard in China, but a significant part of the vessels will still be Danish – e.g. produced by Danish or Danish-owned enterprises.

When a shipping company negotiates a contract for a newbuilding with a yard, it is not only price and specifications, which are being negotiated. The yard and company must also agree on which suppliers will be delivering the hundreds of components which make up the vessel. The yard has its suggestions, and so does the shipping company, and these suggestions will result in a supplier list, which both yard and company can agree upon.

“We have a very clearly defined starting point when we present our suggestions for sub-suppliers: quality and price are the decisive factors. We will not compromise quality or spend away the shareholders’ money just to get a Danish flag on the box of components. This would be unprofessional and irresponsible," says head of NORDEN’s Technical Department, Lars Lundegaard, while he adds:

“This is yet another example that the Blue Denmark is ranking high in the world league also when it comes to the production of vessel components – from engines to lifeboats, from kettles to tank measurement equipment, from ventilators to fire fighting equipment, etc. Since we have decided not to attach importance to national preferences in our supplier list, we as a Danish shipping company can only be delighted that Danish or Danish-owned enterprises can compete on both quality and price.”

His guess is that the 2 new product tankers will have approximately 25 Danish sub-suppliers, and this is a high number and more than usual, he says.

This is not saying that the components from the Danish sub-suppliers will be “Made in Denmark”. The same applies for the Danish maritime business as in any other business. Even though the head offices and development departments are situated in Denmark, the production is carried out in many different locations – in Denmark, but also in e.g. China, where the 2 product tankers are being built.

“But this does not change the fact that the Danish enterprises within the maritime business deliver high quality, high consistency of supply and high reliability. We always get what we pay for, and the products deliver as promised – also after the guarantee has expired,” says Lars Lundegaard.

By and large, NORDEN benefits from the fact that the newbuildings will have so many Danish sub-suppliers.

“We are already familiar with these enterprises, we have great experience with them and we know that they have a great track record. It is also easier to be in close contact with a business which is based “just around the corner” rather than thousands of kilometres away. At the same time, the Danish sub-suppliers to the yard industry are also very good at keeping us updated on the latest technological advances on a regular basis, just as it is very natural for them to adjust their products to match NORDEN’s specific needs and standards,” says Lars Lundegaard.
25% less fuel consumption
The 2 newbuildings from GSI with a loading capacity of 40,000 tons will have a fuel consumption, which is on average approximately 25% lower than that of comparable, existing product tankers whereas the 4 MR product tankers from STX with a loading capacity of 49,600 tons consume 20-25% less fuel than comparable, existing product tankers. CO₂ emissions will be reduced by a corresponding percentage.

“It is fuel efficiency improvements, which really matter and therefore will be very visible and usable commercially. Not just in relation to our customers, but certainly also in terms of our own cost base. With a typical cargo, the GSI vessels will use 7 tons fuel less per day, and with fuel costs of USD 700 per ton, this will provide us with significant savings. Thus, the customers win, we win and the environment wins,” says Executive Vice President Lars Bagge Christensen.

Contracted at attractive price
Another important point is that NORDEN has been able to negotiate an attractive price for the 2 new Handysize product tankers in a yard industry also affected by crisis.

“Naturally one would ask why we contract new vessels when everyone in the shipping business these years is talking about the major overcapacity in the global tanker fleet caused by too many newbuildings being delivered and too few old vessels being scrapped. But the overcapacity is mostly seen within the part of the fleet which transports crude oil whereas a balance has nearly been achieved within product tankers. And within Handysize specifically, there was actually a drop in the fleet of 6% and 2% in 2010 and 2011, respectively. So it makes good sense when NORDEN orders new vessels within Handysize,” says Executive Vice President Lars Bagge Christensen.

Target: 25+ owned tankers
NORDEN’s Tanker Department has a strategic target of 25 or more owned vessels. With 17 current vessels and 6 underway, this target is moving closer.

“It is important to us to have critical mass all around. Through the partnership with Interorient Navigation Company in NPP – we call it a pool, but it is a joint venture – we have critical mass in our owned and chartered tonnage to offer the customers. They therefore have many choices. But it is also important to have critical mass when it comes to the number of owned vessels as this provides us with the opportunity to take advantage of the market fluctuations by being able to acquire new tonnage or sell depending on what is commercially most beneficial at any given time,” says Executive Vice President Lars Bagge Christensen.

Moreover, he can easily imagine that NORDEN will contract additional product tankers within a foreseeable future.

“When the right vessel with the right ECO properties and the right price is available at a time with the right market outlook, NORDEN will be interested in contracting additional tonnage,” says Lars Bagge Christensen.

Vessels meet DIS requirements
Even though the International Maritime Organization (IMO) under the UN greatly emphasises the importance of good and safe working conditions for crews and accordingly applies high standards on newbuildings, the Danish International Ship Register (DIS) takes it up a notch before allowing vessels to sail under Danish flag.

By fulfilling DIS requirements, NORDEN obtains full flexibility within the Company’s flag strategy. The vessels can sail under Danish flag – as almost all NORDEN’s Handysize tanker vessels – and they can sail under Singaporean flag. The Handysize vessels under Danish flag have Danish officers.

“We have to be competitive in as many areas as possible, and in Europe, where the Handysize vessels are chiefly employed, we have customers who specifically request European flag. We can meet this demand with DIS registered vessels, and with our crew setup, we are known as a quality tonnage provider, which is particularly important to the oil majors,” says Executive Vice President Lars Bagge Christensen.
Once again, NORDEN has reported on its efforts in regard to climate changes to the Carbon Disclosure Project (CDP). The report is 50 pages long, and it is the fifth consecutive year that the Company reports to the independent British non-profit organisation. More than 655 institutional investors backed by a total capital of more than USD 78 trillion – 78,000 billion! – use CDP as source when assessing companies all over the world.

The prestigious American management magazine Harvard Business Review calls the independent British non-profit organisation Carbon Disclosure Project (CDP) “the most powerful green NGO that you have never heard of”.

Former president of the USA Bill Clinton says that CDP’s reporting tools are “state of the art” and what companies use globally for comparison when they are going to report on their emissions of CO₂ and other gasses which may result in climate changes.

Every year since 2008, NORDEN has reported to CDP on its efforts in regard to climate changes in detailed reports – the 2012 report is 50 pages long. With CDP as communicator, NORDEN puts its environmental reporting at the free and unlimited disposal of the more than 655 institutional investors worldwide, who are backed by a total capital of more than USD 78 trillion – 78,000 billion! – and who use CDP as source when assessing companies with investment potential. Around 3,000 companies from approximately 60 countries report to CDP.

Resource demanding

“It is very resource demanding to make the annual environmental reporting to Carbon Disclosure Project, but we are happy to do it as we give it a high priority. We are not trying to avoid the fact that our vessels running on fossil fuel have a negative impact on the environment. But we are constantly working on limiting fuel consumption. Partly through technical measures, which keep becoming more and more efficient, partly by always sailing at the right speed – what we call right steaming, which benefits both the environment and NORDEN’s bottom line. All of these environmental initiatives are openly described in our annual CSR report. It is very natural for us also to make this information – and what is more to a very detailed extent – available to CDP, which we know is being used by investors – also those who have invested in or are considering investing in NORDEN,” says CSR director Ulla E. Nielsen.

She adds that the annual reporting to CDP is also in line with the high degree of openness surrounding the company, which NORDEN strives to achieve – not least when it comes to financial reporting, which has resulted in several awards. Thus, the Danish Society of Financial Analysts awarded NORDEN the Information Prize for 2011 and said in this connection that NORDEN is now “not only a pioneer for the largest Danish companies, but also for the global shipping industry”.

NORDEN in Top 20

Placed number 17 in the 2011 report from CDP, NORDEN was the best ranked transport company and the only shipping company in Top 20, which comprises companies from Sweden, Finland, Norway and Denmark. NORDEN was thus included in the Carbon Performance Leadership Index with companies who have taken the most professional approach to their reporting of the efforts against climate changes. In 2010, NORDEN was ranked number 18 in the index.

“It is our ambition to continue to aim for a Top 20 rank, and we are happy to move further up the list,” says Ulla E. Nielsen.
Again this year, NORDEN has taken on 9 new shipping trainees – 5 at the head office in Denmark, 1 in the USA, 2 in Singapore and 1 in China – as well as 1 finance trainee in Denmark. At the same time, 9 shipping trainees and 1 IT trainee from NORDEN have graduated, and they will all continue as employees with the company.

Though our vessels are made of steel, and we transport dry cargo and refined oil products, NORDEN, according to management, is above all a software company whose success is reliant on people at sea and on shore making as many right decisions possibly on a day-to-day basis.

The shipping industry is currently marked by hard times, but this does not lessen NORDEN’s sharp focus on continued development of the business. So at the same time as other Danish companies are reducing their number of traineeships, NORDEN continues to take on the same number of shipping and finance trainees for a 2-year traineeship qualifying them for a permanent position as charterer, operator or finance employee. And preferably at NORDEN.

“We have trainees to cover NORDEN’s need – that is to secure our own food chain. Thus, we also create social value,” says head of Human Resources Vibeke Schneidermann.

Once again this summer, 9 young people embarked on NORDEN’s shipping trainee programme – 5 at the head office in Denmark (Hellerup), 1 in the USA (Annapolis), 2 in Singapore and 1 in China (Shanghai). They were joined by 1 finance trainee in Hellerup. After a 2-week-long intensive boot camp at the head office with basic introduction to shipping, thorough presentation of NORDEN’s values on flexibility, reliability, empathy and ambition and subjects such as cultural understanding, interaction with other people and communications, the regular working day is now a reality for them all. With a mentor by their side, they are busy learning the shipping trade from the bottom. But not only by observing – they have independent tasks and thus independent responsibility. And in the evening, they are taking a diploma in business administration to strengthen the theoretical part of their education.

NORDEN’s own educational programme
Up until 2 years ago, parts of the theoretical training took place outside NORDEN. Now NORDEN is responsible for the entire trainee programme. This has great benefits to NORDEN, says Vibeke Schneidermann.

“This means that we can shape our trainees professionally in a very focused manner and introduce them to our 4 specific values according to which NORDEN does business. This means that all training
A rare photo of all NORDEN’s trainees (except from Ashwini Rana from the office in Singapore) gathered at the annual 2-week boot camp at the head office in Hellerup, Denmark. From the left: Stanley Xu, Rangi Zhang, Lasse Jensen, Andrea E. Sørensen, Kerry Tucker, Jesper Jensen, Morten Vesth, Mads Hansen, Mads M. Simonsen, Malin Dybeck, Jacob Lindved, Andreas K. Olsen, Mohamad S. Sainuddin, Kennedy Ho, Frederik F. Frederiksen, William Boatwright, Christian Buhl, Theis B. Christensen and Lise Meldgaard Christensen.

...can be based on NORDEN’s business and is therefore very targeted. It also means that we can make use of in-house instructors with great knowledge of how we approach things at NORDEN just like we can use training cases which are our own. and last – but definitely not least – it means that we secure a future recruitment base,” she says.

**On the aptitude of NORDEN’s trainees, she says:**

“Measured by the number of trainees who we usually offer permanent employment afterwards or how easily NORDEN trained employees find jobs at other shipping companies, it is quite clear that we live up to our own aptitude criteria. And even though the training is focused on NORDEN, it contains the general shipping elements, making NORDEN’s trainees ready for a job in any kind of shipping company after completing their traineeship.”

**Better recruitment base**

This is not saying that she could not wish for a larger and wider recruitment base.

“Well educated and trained employees are vital to our success, and the demands on NORDEN’s performance grow continuously. There are a lot of really clever and determined young people applying for our traineeships, and we choose the ones that are best qualified. By and large, it is a fight for the cleverest students. Accordingly, NORDEN also cooperates with Shanghai Maritime University (SMU), Nanyang Technological University (NTU), Singapore and Copenhagen Business School. However, there is indication that the shipping business needs even better branding – not least towards women from whom we would like to receive more applications,” says Vibeke Schneidermann.

She also relates that the majority by far of trainees already have a very realistic idea of shipping and the demands which the business places on employees. They are perfectly aware that they must perform their utmost in order to become a great charterer, operator or finance employee – that this is not something you learn in a night. Fortunately, they are also ready to pitch into the work.

**Also very “me focused”**

They are both clever, have a strong personality, great ambitions and are also often very self-confident and have great self-esteem. They are globally informed, they are curious and happy, and they are often very mature. Many are also very “me focused”. Understandably as they belong to a generation of young people among whom there is great focus on their own particular needs and desires. Fortunately, this is something most parents know from home so it is a challenge we know how to deal with – though it may require some patience and tolerance,” says head of Human Resources Vibeke Schneidermann and adds:

“I feel that we in every respect do a lot to help them on their way best possibly, just as we invest a lot of money into their education. They are nothing like cheap labour. It would therefore also be foolish not to retain them as employees with NORDEN after they finish their traineeship. As long as they are qualified naturally.”

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**Focus on development and responsibility**

Anne-Sophie Tinsfeldt, Assistant Operations Manager, Dry Cargo, head office in Denmark – from October same position in Singapore (trainee 2010-2012)

“I applied at NORDEN as you are offered an international education along with trainees from the overseas offices – contrary to what other companies can offer. There is also focus on development and responsibility, and as a trainee, you get to be an active player in the work carried out at the office. After graduation, there are good opportunities to go abroad to one of NORDEN’s offices, which was also very appealing to me. The trainee programme has developed both my professional and personal skills. The business administration programme combined with a job made it necessary for me to quickly learn how to prioritise my day. It takes a lot from you when you are in training at work during the day, and you also have to learn things in the evening.”

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**Quickly got some real tasks**

Christian Hornum, Chartering Manager, Dry Cargo, Singapore (trainee 2005-2007)

“NORDEN is an international company where you have the opportunities to try a lot of things during your education. And then it is possible to get stationed abroad. That is what caught me and made me apply at NORDEN. The education gave me a broad insight into the dry cargo and tanker market and the factors which are important for the two markets. As I quickly got some real tasks, I built up a network among customers, brokers etc., which I still make use of today.”
NORDEN – full speed ahead!

NORDEN was strongly represented at the Copenhagen version of the world's largest fun run, the DHL Relay Race. 10 teams from NORDEN with a total of 50 employees from the head office in Hellerup had put on the neon green tops and were ready to take on the other 26,950 runners, who were to complete the 5 kilometres' race on a Thursday night in August.

Since the beginning in 1981, the DHL Relay Race has grown steadily and is now the world's largest fun run. This year, more than 188,000 people participated in the races which take place in Aalborg, Aarhus, Odense and Copenhagen. The fastest NORDEN team forgot everything about slow steaming for a while and completed the 5 X 5 kilometres in the time of 01:49:58 – corresponding to an average time per kilometre of 4 minutes and 24 seconds.

After the physical exertion, everyone could enjoy great food and drinks served by NORDEN's skilled chef, Martin, who had brought the large grill to the evening event in Fælledparken in the middle of Copenhagen.
Every third hour, a dry cargo vessel calls a port

Every third hour 24 hours a day in the first half of 2012, a NORDEN dry cargo vessel called a port somewhere on the globe – either to load or discharge. And every four to five hours, one of Norient Product Pool’s product tankers called one of the world’s ports to load or discharge.

In the first half-year, the approximately 200 dry cargo vessels, which NORDEN operates, loaded in 634 ports (against 527 in the same period in 2011) and discharged in 707 ports (620). The number of vessels is approximate as some vessels are only chartered for a short period of time.

Norient Product Pool (NPP) has a fleet of 83 product tankers, which loaded in 444 ports (against 332 in the same period in 2011) and discharged in 504 ports (380).

As some cargoes are split up and discharged in several ports, the number of discharge ports is higher than the number of loading ports.

The most visited port in the first half-year was Rotterdam in the Netherlands with 74 calls (all made by NPP). After that came Saint Petersburg in Russia with 33 calls (all NPP calls) and New Orleans in the USA with 30 calls (all made by NORDEN dry cargo vessels).

You may wonder why Chinese ports do not figure in the top ten lists of port calls in the first half-year of 2012 when China is NORDEN’s largest dry cargo market and when every fifth of NORDEN’s dry cargoes are discharged in a Chinese port. The explanation is that the cargoes are discharged in many different ports in China. The 120 discharges took place in no less than 38 different ports with Rizhao, placed between Shanghai and Beijing, as the most visited port with 9 discharges.

### Port calls January-June 2012 (compared to the same period in 2011)

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<thead>
<tr>
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<th>NORDEN</th>
<th>NPP</th>
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<tbody>
<tr>
<td>Loading ports</td>
<td>634 (527)</td>
<td>444 (332)</td>
</tr>
<tr>
<td>Discharging ports</td>
<td>707 (620)</td>
<td>504 (380)</td>
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</tbody>
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### Top 10 ports (loading and discharging)

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<thead>
<tr>
<th></th>
<th>NORDEN</th>
<th>NPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orleans, USA</td>
<td>30</td>
<td>Rotterdam, the Netherlands 74</td>
</tr>
<tr>
<td>San Lorenzo, Argentina</td>
<td>24</td>
<td>St Petersburg, Russia 33</td>
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<td>Hoping, Taiwan</td>
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Record large team supervises the building of 4 new tanker vessels

NORDEN has placed a record large site office with inspectors at the world’s fourth largest yard, STX in Korea. The team consists of no less than 16 persons, who supervise the building of the 4 eco-friendly MR product tankers, which NORDEN has ordered for delivery in the first quarter of 2013.

The size of a site office depends on how many vessels NORDEN is having built at the yard and how the course of production of the current newbuilding project is planned. The smallest site office consists of a single supervisor, but an average crew consists of 7-8 persons.

When NORDEN has a record high number of inspectors at the STX yard, the explanation is that the 4 product tankers are built more or less simultaneously. This necessitates more inspectors for each of the main areas during the building of the vessels: Steel/hull (4 persons), machinery (4 persons), electrical (1 person) and equipment (1 person), says head of NORDEN’s site office at STX, Site Manager M.G. Vijayan, who has NORDEN’s Regional Site manager Allan Thomsen as backstop at the STX office.

“...To this should be added that STX outsources a lot of steel/hull and paint jobs to subcontractors like most other ship yards in Korea. Supervisors of steel/hull have to visit 12 subcontractors, and the supervisors dealing with paint have to go to 18 subcontractors, some of which are placed 4 hours away. At the same time, they have to do their work at the yard,” says M.G. Vijayan, who is Indian and whose team counts 9 nationalities.

Besides the site office at STX in Korea, NORDEN currently has a site office at the yard Hyundai-Vinashin in Vietnam, which will be ready to deliver a new Handysize dry cargo vessel to NORDEN at the beginning of October. At the moment, this site office is staffed by 4 persons, while it was previously staffed by 8 persons during more busy periods.
Both the dry cargo and the product tanker market are still suffering from the fact that far too many newbuildings were contracted in the good years before the dawn of the global financial crisis in 2008 compared to the demand for transport. The product tanker market is regaining balance between supply and demand, and the number of orders for the first 7 months of the year indicates that we will see a large drop in deliveries of new dry cargo vessels in 1.5-2 years.

The record high number of deliveries of dry cargo vessels in 2010 and 2011 has continued in 2012. In the second quarter alone, 32 million deadweight tons (dwt.) were delivered to the global dry cargo fleet. This was the largest delivery to the dry cargo fleet ever in a single quarter. The dry cargo fleet is still growing more than the global product tanker fleet which is considered to have better balance between the supply of vessels and the demand for transport despite continued overcapacity.

But a significant decline in new orders for dry cargo vessels this year indicates that better balance between supply and demand is in sight also in the dry cargo market.

"Right now, the fact is that both the dry cargo and the product tanker market are struggling with the overcapacity caused by the newbuilding boom, which we have experienced for the last 5 years. By all appearances, we have left the largest growth in the number of new deliveries behind us. But it will take some time before growth in demand catches up with the far too many deliveries of new vessels. In the meantime, NORDEN will look out for attractive opportunities to strengthen its market position with the purpose of gaining as much as possible when the market improves. In Tankers, we have already made a few investments – most recently in 2 ECO Handy-size newbuildings. We believe that the time for investments is also approaching in Dry Cargo, but there is great uncertainty at the moment," says Executive Vice President Martin Badsted.

**Dry Cargo: historically high fleet growth**

With the massive growth in the global dry cargo fleet, it is without a doubt the dry cargo market which is ahead when it comes to imbalance between the supply of vessels and the demand for vessels for transport of coal, iron ore, grain, etc. The consequences for the shipping companies are the critically low freight rates.

While 32 million dwt. were delivered in the second quarter alone, 68 million dwt. in total were delivered to the dry cargo fleet in the first 7 months of the year.

As a positive for the balance between supply and demand, an increasing number of vessels are being scrapped this year. In the first 7 months of the year, 18 million dwt. have been scrapped. This gives a net fleet growth of 8% in the period. But for the full year, net fleet growth in dry cargo is expected to be approximately 14%. As demand for transport is only expected to increase by approximately 8%, a significant imbalance between supply and demand will remain throughout the year, says Analyst Björn Thor Hilmarson from NORDEN’s Corporate Secretariat.
More scrapping potential
Even though a relatively large number of dry cargo vessels have been scrapped during the last quarters, the scrapping potential is far from used to the full as 15% of the global dry cargo fleet is more than 20 years old. However, the incentive to scrap old vessels is expected to remain significant as long as freight rates are this low and bunker prices this high.

If we look at the individual vessel types, the Capesize fleet and the Panamax fleet have grown the most this year by approximately 9% each. The smaller vessel types Handymax and Handysize have grown by 7% and 3%, respectively.

New vessels are delayed or cancelled
At present, orders at the yards would increase the global dry cargo fleet by more than 160 million dwt, corresponding to 24% of the existing fleet. According to the contracts, half of the order book is supposed to be delivered during 2012, but a substantial part of the ordered vessels is expected to be delayed or entirely cancelled from the order book.

In the first 7 months of 2012, shipping companies have ordered new dry cargo vessels equalling around 11 million dwt, compared with orders in the same period in 2011 equalling 27 million dwt. A significant reason for the drop is the distressed freight markets, but it is also an important factor that a lot of shipping companies are unable to obtain financing for the vessels. The low number of contracts this year indicates significantly lower fleet growth at the end of 2013 and 2014, and thus, we are coming closer to a better balance between supply and demand, says Analyst Bjørn Thor Hilmarson.

Tankers: moderate increases
In contrast to the global dry cargo fleet with a record high number of deliveries of new tonnage, the global product tanker fleet is now experiencing moderate increases in the number of deliveries of newbuildings after a few years with large increases, says Analyst Mette Bendorff Andersen from NORDEN’s Corporate Secretariat.

In the second quarter of 2012, only 0.5 million dwt. was added to the smaller vessel types Handysize and MR. In the same period, 0.2 million dwt. was scrapped in these vessel types, which gives a net fleet growth of 0.3 million dwt. and thus slightly lower fleet growth than in the first quarter when more vessels were delivered.

In total, 1.5 million dwt. was delivered and 0.6 million dwt. was scrapped in the first 7 months of the year.

Scraping of old product tanker vessels was stable in the first half of 2012, but it increased massively in July when it reached almost the same extent as in the previous 3 months.

MR is the preferred vessel type
Analyst Mette Bendorff Andersen says that the shipping companies’ orders for new product tankers now correspond to 8.5 million dwt. – or the same as approximately 12% of the existing Handysize and MR fleet. It is assumed that there is a correlation between the many new orders and the many positive expectations for the product tanker market going forward. MR is the preferred vessel type with as many as 20 new orders in the second quarter. Because of these orders, fleet growth in MR product tankers is expected to be approximately 4% in the coming years.

On the contrary, there are not many orders for Handysize vessels, and as the Handysize vessel type also has the largest scrapping potential due to the age composition of the fleet, continued negative fleet growth in this vessel type is expected. Therefore, it is specifically within the Handysize vessel type that NORDEN has now ordered 2 new product tanker vessels at the GSI yard in China.

There is still overcapacity in the product tanker market. But with the fewer deliveries combined with the gradual improvement of the economies, the product tanker market is expected to improve, says Analyst Mette Bendorff Andersen.
For a moment, there was time out from the hard times in shipping when NORDEN Tankers & Bulkers USA Inc and Norient (USA) LLC welcomed a record high number of customers and business partners to the tradition-filled late summer boat trip and just as tradition-filled golf tournament. It was the 11th successive year that the event took place, and around 180 people participated.

After sailing to Chesapeake Bay – where people dined, talked and had drinks in the most beautiful late summer weather – the participants continued on shore, more specifically at Pusser’s Caribbean Grill, where it got pretty late before the last person went home. Early next morning, there was tee off at the Country Club at Woodmore for the golf tournament, which was led by the professional Danish golfer Anders Hansen again this year.