NORDEN opens office in Australia

NORDEN has great ambitions in Australia
Pages 4-9

Financial position strengthened
Page 10

NORDEN in top climate league
Pages 12-13

4 new eco tankers to NORDEN
Pages 14-15
Another challenging year

In many ways, 2014 became far more challenging than expected at the beginning of the year. Instead of a gradual improvement of the dry cargo market, we experienced the exact opposite. After a good start to the year in January, rates were at very low levels for most of the year, and the end of the year also did not live up to the seasonal improvement that we usually see.

It was not a stand-alone factor that ruined the dry cargo market in 2014. A number of events pulled in the wrong direction resulting in a significant worsening of the market. The Indonesian export ban on a number of raw materials resulted in a large number of unemployed vessels entering a market which was already strained by too much capacity. At the same time, coal transports suffered under weather conditions decreasing the demand for coal and political actions limiting the import of coal into the very important Chinese market. In addition, financial instability in South America has also impacted the market and pushed rates downwards.

The result was a very poor market, which also hit NORDEN hard. Right before this magazine was printed, NORDEN took the consequence of the reduced markets and established that a number of the contracts we concluded on chartered vessels 3-6 years ago will probably not be profitable in their duration. We have calculated the future loss on these contracts to amount to a total of USD 230 million, and we make a provision for this amount now. This means that we take the whole loss here and now instead of spreading the loss over the coming 3-4 years. The provision thus gives a fairer presentation of coming years’ results, which have now been cleared of old unprofitable contracts entered into when the market and expectations were more positive.

Today, we can establish that the long awaited improvement is taking its time, and therefore, we make sure to do everything we can to achieve operating cost savings and optimise earnings.

In addition to maintaining and expanding our customer base, we have e.g. increased our focus on fuel efficiency, introduced a new and advanced shipping system and restructured the technical department to ensure that the knowledge and competences held in the department will get even closer to the business and be utilised best possibly.

At the same time, we are strengthening our close ties to our customers. One of the means is global reach with offices on soon 5 of the world’s 7 continents. Hence, in the first quarter of 2015, we are opening a new office on the Australian continent, and on pages 4-9, you can read more about the background of and the potential in this move.

At time of writing, we can be pleased that it seems like 2014 will end with a good tanker market. Rates within MR and Handysize, which are the two vessel types owned by NORDEN in product tankers, are at their highest level since the financial crisis. The upturn has come swiftly and with great strength, which emphasises the importance of NORDEN being geared as an organisation for taking advantage of the opportunities arising.

This is what we will be focusing on in the year to come.

I wish you all a merry Christmas and a happy New Year. Enjoy your reading.

KLAUS NYBORG, interim CEO
Contents

12
Minister visit from Singapore

13
Senior officers will have their own vessels

16
NORDEN met with its important Japanese connections

18
Continued weak market development in the third quarter

20
Curious and hungry polar bear paid NORD QUEBEC a visit
NordeN has great ambitions in Australia

The new office in Melbourne sets out to increase business with the current Australian dry cargo customers, generate new business and locate new business areas.

It is with great ambitions that NORDEN makes its entry into Australia where the 6th overseas office opens in the beginning of 2015. The office’s official name will be NORDEN Shipping (Australia) Pty. Ltd. and will be located in Melbourne, which is Australia’s epicentre when it comes to shipping activities. The office will have a full programme right from the get-go and will take part in delivering business both to the top line and the bottom line.

In short: The revenue in Australia must be increased by profitable business.

“The decision to open a new office in Australia is founded on in-depth preparations and assessments. Therefore, we know what we
are getting into. We know that the gigantic and versatile Australian dry cargo market constitutes a large potential for us which we, despite our versatile fleet composition, business acumen and activities, have not been able to extract enough value from since we have not been physically present in the market. However, now we will be, and we have consequently formulated some concrete, clear and ambitious success criteria for the new office. The office must really deliver, but at the same time, the success criteria are realistic,” says Executive Vice President and head of the Dry Cargo Department Ejner Bonderup.
Australia has it all
– iron, coal, aluminium, grain, sugar...

The Australian mining industry contributes to the country’s economy with more than 6%, and although the grain industry is currently experiencing a decline, it still foresees new export opportunities in Asia and the Middle East. And all exports of minerals and grain is transported by ship.

The Australian mining industry only occupies 0.02% of the large country of 7,682,300 square kilometres. Even so, the mines contribute with more than 6% to the country’s economy, which now after more than 20 years of constant growth is feared to be headed into a period with recession due to declining iron prices – especially caused by the tremendous increase in Australian production.

In 2013, the contribution from the mining industry to the Australian economy amounted to approximately DKK 630 billion corresponding to 54% of the total production of commodities and services.

The value of mineral exports amounted to just below DKK 720 billion in 2013.

With 37.4% and 28.4%, respectively, iron ore and coal alone constitute two thirds of the total volumes of minerals, which are exported, and the most important importing countries are China, Japan and South Korea – with China as the largest importer during the past many years. And the transport – yes, it takes place by ship.

The many mines offer direct employment for nearly 190,000 people and for an additional 600,000 people in industries which products and services are linked to the mining industry.

To this should be added that the Australian mining industry on an annual basis invests more than DKK 180,000 billion and spends almost DKK 30 billion on investigations and approximately DKK 22 billion on research and development.

The world’s largest producer
This should all be seen in the light that Australia is the world’s largest producer of bauxite (the most important raw material for the increased business. You see, in shipping, physical presence and personal contacts play a vital role when new business relationships are built and when business is made in general,” says Ejner Bonderup.

More and more customers
In 2012, NORDEN’s Dry Cargo Department generated 75 new customers, in 2013 the number of new customers was 130 and the tendency has continued in 2014: NORDEN gets more and more dry cargo customers.

When it comes to new projects in Australia and consequently new opportunities for NORDEN, the 3 Australian mining majors Rio Tinto, BHP Billiton and Fortescue are very actively expanding their already enormous iron ore production in Australia. The Australian production of iron ore has generated business for NORDEN for many years – to be precise for NORDEN’s fleet of Capesize and Post-Panamax vessels, which transport iron ore to the enormous Chinese market.
production of aluminium and iron ore, the second-largest producer of alumina, lead and manganese, the third-largest producer of brown coal, gold, nickel, zinc and uranium, the fourth-largest producer of aluminium, black coal and silver and the fifth-largest producer in the world of tin.

With an annual export of up to 180 million tonnes of coal, Newcastle in Eastern Australia is the world’s largest coal port. Earlier this year, the port was purchased by a Chinese consortium at the price of approximately DKK 10 billion.

And not only does Australia produce and export raw materials from the many mines, the country is also among the world’s largest suppliers of mining technologies and services linked to the industry. It is estimated that at least 60% of all mines in the world uses software developed in Australia.

45% of the grain harvest is exported

Another important sector in Australia is the agricultural sector with an annual grain production of approximately 35 million tonnes, which are cultivated on an area covering 20 million hectares in total. The total annual harvest is worth almost DKK 40 billion, and 45% of the harvest is exported – also by ship. The winter harvest includes i.a. wheat and barley, whereas the summer harvest includes e.g. sunflowers and durra, which is a main ingredient in several African and Asian countries where it is used for porridge and flat bread.

40% of the grain harvest is exported in containers and the remaining 60% on dry cargo vessels.

The production of grain in Australia has increased considerably during the past 30 years, and although the production is currently declining, the agricultural sector still takes an optimistic view on the future since the market opportunities and thereby export opportunities in Asia and the Middle East are assessed to be promising.

In addition to grain, the Australian agricultural sector also exports large volumes of sugar.

Limited imports

Since Australia is rich on resources with a limited industrial production, dry cargo imports and import of commodities in general are limited. But in order to meet the needs of the agricultural sector, Australia has to import fertiliser, just as the country imports caustic soda, sulphur (where NORDEN is very active) and limestone for the production of aluminium, nickel and steel. To this should be added import of cement clinker and equipment for construction of new mines and offshore projects.

Ports are bottle necks

No matter how developed and well-functioning Australia is on other parameters, the ports from where the export of minerals and grain takes place are old and with limited expansion capabilities since they are located in close proximity to densely populated cities. As a consequence, the East Australian ports in particular often become bottle necks, which neither meet the current logistic requirements nor the new requirements which arise in connection with the expansion of mining activities in the country. For that reason, mining companies and other exporters in the country have a sharp focus on optimising the logistics, and this may turn out to be an advantage for an experienced shipping company as NORDEN.

"NORDEN has many years of experience in handling even very difficult logistic challenges when we load and discharge, and we hope that this will give us even more advantages in the hard-pressed Australian ports," says Executive Vice President and head of the Dry Cargo Department Ejner Bonderup.

"The largest vessel types – i.e. Capesize and Post-Panamax – transport cargoes for the large mining companies, which are a relatively small and manageable customer group in terms of number for which the service can more easily be centralised in few offices. But when it comes to Panamax, where NORDEN is one of the world’s largest operators, and Supramax and Handysize, considerably more customers are involved and they are more diverse just as their cargoes are different. Consequently, a larger number of offices and close contacts are required to obtain cargoes for the smaller vessel types, which are dominant in NORDEN’s dry cargo fleet counting approximately 200 vessels. This is yet another reason to open the office in Melbourne," says Executive Vice President and head of the Dry Cargo Department Ejner Bonderup.

NORDEN goes against the tendency

With the opening of the office in Melbourne, NORDEN goes against a tendency in the industry where more and more shipping companies have centralised their Asian and Pacific activities in Singapore in recent years.

"This centralisation also works well for NORDEN, and we maintain our staff in Singapore, which is NORDEN’s second home with up to 40 employees – charterers, operators and administrative employees. But with the Melbourne office, we expand our global reach and we enter another of the world’s corners so to speak where unexploited business opportunities are waiting for us," says Ejner Bonderup.

The office in Melbourne will be headed by General Manager Christian Hornum from the office in Singapore while Assistant Chartering Manager Mads M. Simonsen – also from the Singapore office – will be his only employee for now.
He will now be working on the fourth continent for NORDEN

Australia is a gigantic dry cargo market in constant development. The head of NORDEN’s new office in Melbourne looks forward to proving that NORDEN’s presence in the country is long-term.

“"It will be a unique challenge for me”

Christian Hornum, head of NORDEN’s future office in Melbourne, Australia

Christian Hornum, 31, gets nearly all he could ever ask for when he as General Manager moves from the Singapore office to Australia to be head of NORDEN’s new dry cargo office in Melbourne.

“It will be a unique challenge for me. It will be my job to ensure that the office becomes a crucial part of NORDEN’s business. I have no manual to show me how to do it. So I will have to figure it out on my own – of course with the support from both the office in Singapore which I will be reporting to and from the head office back in Denmark. I feel honoured that NORDEN has shown confidence in me by letting me establish the new office, and I look forward to getting started,” says Christian Hornum.

What about the Australian market fascinates you?

“It is a gigantic market in constant development. If we look at the important mining industry, they offer almost all raw materials, and they have some of the world’s largest reserves of especially iron ore and coal. Australians are a pleasure to do business with – they are easy to understand, you see what you get, a deal is a deal, and agreements are kept. Australians are also good at seeing new opportunities – they are still characterised by the settler mentality. And Australians are also very social and caring.”

Very complex market

Which skills should you have to do business on the Australian dry cargo market?
The world’s best city to live in

Melbourne – soon to be the home town for NORDEN’s newly established office in Australia – is many things at once. It is the capital city in the state of Victoria, it is Australia’s financial epicentre, it is the epicentre of the country’s shipping activities, it hosted the Olympic Games in 1956, and according to the respected British news magazine The Economist, it is the world’s best city to live in. This is due to Melbourne’s educational opportunities, hospital and health services, research activities, tourism, sports activities and entertainment offers. Melbourne was founded in 1835 and has 4.35 million inhabitants which represent approximately 140 cultures. The city’s inhabitants include people from countries as different as Greece, Somalia, South Korea, New Zealand, Malaysia, Indonesia, China, Great Britain, Vietnam, India and Japan.

“The market is to a high extent characterised by the fact that shipping companies work directly with the industrial customers. Therefore, you must understand their special business. You should know how their markets develop as it determines who they chose to transport their raw materials. You should also know how we as a shipping company are able to add value to their business without necessarily offering them lower freight than our competitors. Due to the size alone, the Australian market is very complex, and almost all cargo types and all vessel sizes are represented on the market. However, due to very expensive local labour in the market, it may become extremely costly if you arrive at a loading port with a vessel which requires further cleaning before it can be loaded. This may scare some shipping companies off the Australian market, but it also provides good opportunities for a company like NORDEN because our customers know that we perform correctly the first time.”

The fourth continent

It will be the fourth continent where Christian Hornum will be working for NORDEN. In Australia, he will be working with his colleague Assistant Chartering Manager Mads M. Simonsen.

From 2005 to 2007, Christian Hornum was a shipping trainee at NORDEN’s head office. From there he moved to Annapolis in the US as Assistant Chartering Manager, and 2 years later, his career continued as Chartering Manager at NORDEN’s company in Singapore. He has been here ever since, and with experience from lots and lots of business in Australia, the young but already experienced shipping man with a history as officer in the Danish military is well equipped to meet the challenges in the gigantic country.

Face-to-face meetings

How do you prepare for your new job?

“The Australian market is not unknown territory for me or the office in Singapore for that matter. But we will be turning up the volume drastically when we are physically present in Australia on a permanent basis. I visit as many of our Australian customers as possible and tell them this at face-to-face meetings which are always far better than telephone and email. I also do my utmost to be up to date on all vessel types in NORDEN’s fleet. On top of that there are the more private preparations. While my colleague at the office, Mads M. Simonsen, has a Danish wife, I have the privilege of being engaged to an Australian girl who to top it all is from Melbourne.”

What is your personal success criterion as head of the Melbourne office?

“That we relatively soon become an integrated part of NORDEN’s organisation, and that we are able to send a signal to our Australian business partners that we are in the country long-term and that they can count on us when they need a reliable shipping company which always delivers.”
NORDEN strengthens its financial position with 3 new credit facilities

The money will be used for financing the large investment programme comprising 37 dry cargo and tanker vessels at a value of more than USD 1 billion. The facilities ease the pressure on NORDEN’s cash balance.

NORDEN has strengthened its financial position with 3 new credit facilities. 2 of the facilities are with Scandinavian banks while a Japanese bank is behind the third facility. The banks will put a total of USD 187 million at NORDEN’s disposal, and NORDEN thus has undrawn credit facilities of a total of USD 433 million. To this should be added cash and securities, which amounted to USD 279 million at the end of the third quarter.

Due to the duration of the facilities and the other conditions – such as interest – CFO Michael Tønnes Jørgensen describes the facilities as attractive.

The new credit facilities have durations of 5-10 years and will be used for partial financing of NORDEN’s extensive newbuilding programme comprising 37 vessels – 31 dry cargo vessels and 6 product tankers – at a total value of more than USD 1 billion. So far, 9.5 of the newbuildings have been delivered. The rest will follow in the coming 3 years.

CFO Michael Tønnes Jørgensen informs that one of the 3 credit facilities works like an overdraft facility. The technical term for a facility like this is Revolving Credit Facility, which means that NORDEN can both draw on and pay off the credit facility as we see fit.

Financial flexibility
“The credit facilities provide us with financial flexibility in the coming years and emphasise that even though markets are tough and earnings are under pressure, banks still consider NORDEN a strong and attractive long-term partner. This was also confirmed during my last visit at Japanese banks and financial institutions,” the CFO says.

The pressure on NORDEN’s cash balance is eased with the extended credit facilities.

“At the moment, we have a negative cash flow – this means that there is more money going out than coming in. In the first nine months of 2014, total cash flows amounted to a negative USD 154 million. This has to be financed in some way, and we then draw on our cash reserves. But with the new credit facilities, we do not have to draw as much on our cash reserves as we would otherwise have had to,” says CFO Michael Tønnes Jørgensen.

No further credit facilities in 2014

Is NORDEN getting further credit facilities?

“We are not getting further facilities in 2014. Possible lending needs in 2015 and 2016 will depend on the market development as well as sale and purchase of vessels,” says the CFO.
Here is the man, who will lead NORDEN

Even though Jan Rindbo is only 40 years of age, he has extensive international experience within shipping. During his time with Pacific Basin in Hong Kong – for the last 4 years as Chief Operating Officer with a seat on both the executive board and the board of directors – the 27-year-old company has developed into one of the world’s largest shipping companies within dry cargo.

First, there were 30-35 qualified candidates for the position as new CEO of NORDEN. Then, there were 10, then there were 2, and finally, only one candidate was still standing – Jan Rindbo. He was appointed by the Board of Directors on 30 October, and in the early summer of 2015, he will move into the corner office at NORDEN’s head office in Hellerup.

“The Board of Directors has gone through a very thorough search process with many highly qualified candidates. The choice fell on Jan Rindbo, who has great knowledge of shipping, dry cargo in particular, and who possesses the required personal qualities to take over the position as CEO of a financially strong and value-based company like NORDEN. Together with the rest of the Executive Management, Jan Rindbo will ensure that NORDEN will also in the future develop to the benefit of shareholder and customers,” Mogens Hugo, Chairman of NORDEN’s Board of Directors, noted in a company announcement to the stock exchange – NASDAQ Copenhagen.

Great area of responsibility

40-year-old Jan Rindbo has more than 20 years of international shipping experience from Denmark, North America and Asia. Since 2001, he has been working for the Hong Kong listed dry cargo shipping company Pacific Basin, for the last 4 years as a member of both the executive board and the board of directors. With a title as Chief Operating Officer, he has been responsible for the company’s dry cargo activities, including market analysis, acquisition and sale of vessels, vessel chartering as well as commercial and technical operation of the company’s dry cargo fleet. During the 13 years that Jan Rindbo has been with Pacific Basin, the only 27-year-old company has developed into one of the world’s largest dry cargo shipping companies with a fleet of some 250 vessels – and has delivered superior results.

Strong drive and great values

“I have talked with him many times, and it is my impression that he has very strong leadership abilities. He will be a dynamic CEO – easy to communicate with and possessing both strong drive and great values,” Chairman Mogens Hugo told NORDEN’s employees at the head office in Hellerup when he presented them to Jan Rindbo.

Jan Rindbo was not himself at the presentation. But in the company announcement reporting on the appointment, he said:

“NORDEN is one of the world’s leading dry cargo and product tanker companies with a long history, solid financial position and a modern fleet. It is a strong shipping company in every way, and I am looking forward to becoming a part of NORDEN and creating more good results and expanding our strong position as a customer-focused shipping company together with the competent and dedicated employees.”

New Executive Management

Since Carsten Mortensen left NORDEN, Vice Chairman of the Board of Directors, Klaus Nyborg, has been interim CEO.

From early summer 2015, the Executive management will consist of CEO Jan Rindbo, CFO Michael Tønnes Jørgensen, Executive Vice President and head of Dry Cargo Ejner Kiel Bonderup, Executive Vice President and head of Tankers Lars Bagge Christensen and Executive Vice President and head of Corporate Secretariat Martin Badsted.
**10 years in India celebrated**

Around 70 customers and other business partners showed up when NORDEN hosted a party in Mumbai to celebrate that it is now 10 years since the Company decided to open an office in India as a natural result of the increasing engagement in the country in the previous 10 years.

General Manager Peter Koch Hansen, head of the Mumbai office and Executive Vice President and head of Dry Cargo Ejner Bonderup hosted the anniversary celebration.

“I am happy to be back in India to celebrate that NORDEN decided to open an office in this magnificent country 10 years ago. It was a good decision,” said Ejner Bonderup in his speech to the guests and the approximately 10 NORDEN representatives, who were gathered at the party with jazz music, food, something to drink and – last, but not least – the opportunity for informal face-to-face conversations far away from the hectic offices.

“During the last 20 years, NORDEN has consistently witnessed and played a small part in the financial progress, which the country has achieved. India’s growth has been impressive, and even though lately, it has slightly stagnated, we still see that we are heading for better times,” said Ejner Bonderup and pointed out that NORDEN is in India in the long run.

**NORDEN in top league for climate change performance**

NORDEN is recognised for its transparent reporting on CO2 emissions from the Company’s fleet of dry cargo vessels and product tankers and for its ability to reach its climate targets.

It is the influential British NGO Carbon Disclosure Project (CDP), which for the 7th consecutive year has evaluated NORDEN’s environmental reporting and performance.

NORDEN’s performance in 2013 has resulted in NORDEN going from “beyond

**Prestigious minister**

In connection with their participation in Danish Maritime Forum in Copenhagen in the beginning of October, Singapore’s Minister for Transport and the head of the city-state port authorities took the opportunity to visit NORDEN’s head office, where they had an occasion for discussing maritime topics of common concern with NORDEN’s Executive Management.

The delegation from Singapore counted a total of 7 high-ranking representatives from the successful Asian maritime industry, which currently contributes with 7% of the state’s domestic product. And numbers clearly show that the industry is growing.

In 2000, 80-90,000 people were employed within the industry – today, there are 170,000 shipping employees in Singapore. And if the city-state’s government and port authorities have their way, the industry is to grow even more.

Interim CEO Klaus Nyborg hosted the meeting at NORDEN, and he expressed how very pleased he was that the delegation headed by Minister for Transport Lui Tuck Yew found time in their busy schedule to visit NORDEN.

“Ever since NORDEN established its office in Singapore in 1996, we have had a close
Environmental efforts pay off

“This definitive league – the A list – represents the listed companies that are leading when it comes to bringing environmental efforts up to the required level. At the same time, these companies are implementing strategies that are beneficial for their bottom line,” CDP points out.

Worldwide, more than 2,000 listed companies have reported on their impact on climate change and their environmental performance in 2013 to CDP. CDP provides data to 767 investors, representing assets of a value of USD 92 trillion, who use the organisation as a source when assessing companies’ investment potential.

NORDEN has ambitious targets

“We are very happy to be included on the A list and being recognised for our performance. NORDEN has set some ambitious targets to reduce fuel consumption and emissions. In order to reach these targets, we need precise and measurable information on our progress. The comprehensive reporting to CDP is a valuable tool in this regard,” says NORDEN’s CSR Director Ulla E. Nielsen.

Again included in exclusive index

Besides the ranking on the global A list, NORDEN has achieved a leading position for the 5th consecutive year in the CDP’s Nordic 260 Climate Disclosure Leadership Index (CDLI), which highlights the companies listed on the Nordic stock exchanges that are reporting on climate impact in a transparent and professional way.

Senior officers will have their own vessels

It was the Technical Department’s ambition that senior officers will in the future have their own vessels so to speak which they return to again and again. The purpose is that the captain, the chief engineer, the chief officer and the first engineer will take greater ownership of the operation of the vessels.

“Today, we have some skilled, committed and responsible senior officers from India, the Philippines and Denmark, who do their best to operate NORDEN’s dry cargo and tanker vessels every day all year round. As it is now, they leave a vessel after their period of service which they may not ever see again as they may be assigned another vessel the next time. We are going to change that. It will create a much stronger tie between the senior officers and the vessels if they always take over the same vessel, which will then become their permanent work place and thus their permanent area of responsibility. I am convinced that it will turn the individual vessels into better work places and, in the long run, generate added value to NORDEN. Because all things being equal, you can perform better if you are able to keep building on things that you have already started and are practicing instead of having to more or less start all over again every time,” says head of the Technical Department Asger Lauritsen.

visit from Singapore

cooperation with the Singaporean authorities. We normally call Singapore our second home for good reasons. We currently have 21 bulk carriers and 8 product tankers under Singapore flag, and another 3 bulk carriers are coming. In addition, the company in Singapore disposes over 28 bulk carriers and 6 product tankers on long-term charter. The staff counts approximately 40 charterers, operators and administrative employees. In other words, a considerable part of NORDEN’s business is generated in Singapore,” says Klaus Nyborg.

Singapore is a perfect place for doing business. It is of crucial importance that the city-state is located right in the centre of the region which imports most raw materials in the world. China alone imports 40% of the raw materials transported by sea.

“Very business friendly weather also characterises Singapore, not least when it comes to shipping. The city-state is very interested in our contribution to strengthening the industry. In return, Singapore does its utmost to ease our everyday lives by ensuring that we do not have to waste our time on heavy and unnecessary red tape. The authorities are very efficient, and in most situations, we as a company only have to approach one single place,” says Klaus Nyborg.
4 new eco tankers

With a slimmer hull and a larger, slower rotating propeller as well as a number of other technical improvements, the new MR vessels from the South Korean yard STX will be 11-12% more fuel efficient than the best sailing tankers in NORDEN’s fleet.

After New Year, NORDEN takes delivery of the first 2 out of 4 new eco product tankers from the South Korean yard STX Offshore & Shipbuilding. As a result of several improvements to design and technical properties, the vessels are expected to be 11-12% more fuel efficient than the best sailing tankers in NORDEN’s fleet. The vessel type for both vessels is MR, and they have a cargo carrying capacity of approximately 50,000 tonnes.

“This means that the new vessels in a fully laden state and sailing at a speed of 13 knots will consume approximately 19 tons of bunker oil per day – a saving of more than 2 tons. With a bunker price of approximately USD 450 per ton, we will obtain significant savings with these 4 new vessels. The 4 new vessels are also proof that it is still possible to optimise vessels’ fuel efficiency without compromising their cargo carrying capacity significantly and without it affecting the correlation between the price for the vessel and the financial benefits by having lower fuel consumption,” says Head of Fuel Efficiency Peter Sinding.

New knowledge and experience

At construction of the 4 new MR vessels – NORD SUPERIOR, NORD SUPREME, NORD SUSTAINABLE and NORD SWIFT – in the efforts to reach the lowest possible fuel consumption, the yard has made use of the latest knowledge within design and technology. But the yard has also to a great extent drawn on the experience from the construction of the 4 MR product tankers that NORDEN had delivered from the STX yard in 2013 and which also excelled in fuel efficiency compared to NORDEN’s tanker fleet at the time.

The improvement of the vessels can be seen directly from the shape of the hull.

“Their focus is completely different – fuel consumption must be reduced, and the environmental impact must be as little as possible. The yards therefore work to reduce what is called the block coefficient – i.e. the goal is to make vessels less quadrangular and as streamlined as possible without affecting their cargo carrying capacity. The 4 new product tankers have a slimmer hull than the first 4 STX vessels in our fleet. But then they are also 2 metres longer and have 15 centimetres more draft,” says Director Newbuilding Søren Westegaard.

Larger propeller

The 4 new vessels are equipped with a brand new type of main engine constructed by MAN Diesel & Turbo in Copenhagen – world leading for decades in developing ship engines. The engine is called 6G50ME-B9.3, and behind this very technical term hides an engine running at slower rotations than the engines on the first 4 STX vessels delivered to NORDEN. And whereas these were equipped with a propeller with a diameter of 6.2 metres, the propeller on the new vessels is 6.8 metres.

“A larger propeller rotating slower is more efficient than a smaller propeller rotating faster. The simple explanation is that a larger propeller rotating slower hits a larger volume of water. It is therefore better at thrusting the vessel forward – even at smaller fuel consumption. In contrast, a smaller, faster rotating propeller is more expensive to operate. Partly due to the fuel consumption, partly because some of the performance is lost in the wake,” says Director Newbuilding Søren Westegaard.

To further improve the propellers’ efficiency, the vessels are equipped with a so-called Mewis Duct. This is a duct fitted in front of the propeller, which improves the way the propeller hits the water.
It is common practice in NORDEN that we continuously optimise newbuildings

Director Newbuilding Søren Westergaard

As the first of the 4 new product tankers from the STX yard, NORD SUPERIOR has been on a test voyage, and this proved that the vessel more than meets the 2015 and 2020 requirements from the UN’s International Maritime Organisation with regard to CO₂ emissions. The 2015 requirement is a reduction of 10%, and the 2020 requirement is a reduction of 20%. The test voyage showed that NORD SUPERIOR’s CO₂ emission is reduced by 30%, and thus, the vessel even meets the 2025 requirement. NORDEN’s goal is for all newbuildings to meet the 2020 requirement, which is a prerequisite for the Company to categorise the newbuilding as an eco vessel. NORD SUPERIOR is the first vessel in NORDEN’s fleet to meet the 2025 requirement.

Meet requirements and then some

At the same time, the Mewis Duct increases the water flow towards the propeller.

Extra stroke length

The pistons of the new engine type also have extra stroke length – i.e. the pistons’ bottom and top are further apart. In addition, the engine is fitted with equipment that allows it to automatically adjust settings enabling it to run optimally at all times and making sure that the combustion pressure is equally distributed on all 6 pistons. This not only reduces fuel consumption, but also maintenance costs, and the engine will also be better protected against overload.

When NORDEN takes delivery of the 4 new vessels in January, April and July, respectively, the Company also receives some vessels that are better at utilising waste heat from exhaust gases – waste heat that can be used for heating the fuel for the main and auxiliary engines. Previously, only the exhaust gas waste heat from the main engine was utilised, and while the main engine was shut off during port calls, the oil-fired boiler was on. But this will not be as necessary on board the new vessels, as you, as something new, will be able to use the exhaust gas waste heat from the auxiliary engines, which are on during port calls.

Everything counts

“With regard to all the great ideas from the crew members, it naturally applies that both practical as well as financial implications must all be in order before the ideas are realised. But this the case, we are happy to do so,” says Director Newbuilding Søren Westergaard.

Crew members heard

During the construction of the 4 new product tankers from the STX yard in South Korea, NORDEN’s newbuilding section at the head office in Hellerup has to a great extent made use of the feedback from the crew members on board the 4 product tankers which the same yard delivered to NORDEN in 2013. In total, approximately 60 suggestions from the crew members were used when constructing the new vessels.

“With regard to all the great ideas from the crew members, it naturally applies that both practical as well as financial implications must all be in order before the ideas are realised. But this the case, we are happy to do so,” says Director Newbuilding Søren Westergaard.
Record: 85 vessels in the NPP fleet

Just as Norient Product Pool (NPP) is approaching its 10-year anniversary on 1 January 2015, the product tanker pool sets a record. The fleet is now counting 85 vessels, 43 MR vessels and 42 Handysize vessels. NPP is one of the world’s largest product tanker pools.

“In order to have critical mass, the pool must have a lot of vessels trading all over the world. But whether there are 80, 85 or 90 vessels in the pool is not that important from a commercial point of view. On the contrary, it provides us with a number of commercial advantages that we have achieved a better balance between MR vessels with a cargo carrying capacity of 45,000-50,000 tonnes and Handysize vessels with their cargo carrying capacity of 37,000-40,000 tonnes. Previously, we had a large overweight of Handysize vessels, which are important to our business. But MR vessels are more flexible: While Handysize vessels especially sail in Northern Europe and the Mediterranean, MR vessels are used all over the world,” says CEO Søren Huscher, NPP.

The product tanker pool NPP is jointly owned by the Cypriot shipping company Interorient Navigation Company and NORDEN. The vessels are either owned, chartered or managed by one of the two shipping companies, but the commercial and operational management lies within NPP, which shares address with NORDEN’s head office in Hellerup. NPP also has offices in Cyprus, Singapore, the USA and Brazil.

NPP transports clean petroleum products (CPP) such as gasoline, diesel, naphtha, jet fuel, etc. and dirty petroleum products (DPP) – primarily fuel oil. In 2013, the total cargo volume amounted to 25.1 million tonnes. The cargo volume was distributed with approximately 2/3 CPP and 1/3 DPP, and fuel oil is the largest cargo type accounting for 28% of total cargo.

Additional 5 new vessels are on their way to NPP.

The close ties to shipowners, yards, trading houses and banks in Japan are a significant part of NORDEN’s history and business foundation, and this year’s Invitational golf tournament in Japan proved once again that NORDEN is not only capable of making business in Japan. It was the 12th time that the tournament took place.

The 2 busy weeks in Japan started the day before the Invitational tournament when NORDEN hosted a bank seminar with the participation of around 50 representatives from local banks in the Imabari area. The banks finance the many shipowners in the area, including the shipowners that NORDEN long-term charters dry cargo vessels from.

It was the fifth time that NORDEN held a seminar like this to update the banks on how NORDEN is doing and how NORDEN sees the current market challenges.

“Even though times are difficult, there was a positive sentiment at the bank seminar,” says head of the Dry Cargo Projects Department Vice President Henrik Lykkegaard Madsen.

Sunshine this year
53 Japanese business associates and the 5-man large Team NORDEN headed by interim CEO Klaus Nyborg showed up for a round of golf at the Sunset Hills Country Club in Imabari at the Shikoku island – the smallest of the 4 main islands in Japan. While Invitational 2013 literally drowned in rain, and the tournament had to be stopped after 9 holes, the sun was shining from a clear blue sky this year, and all 18 holes were played. And once again, the professional Danish golfer Anders Hansen made sure that the players were given some useful tips along the way. Even experienced golfers – and there were many of them in this tournament – can improve their game.

The winner was Managing Director Tomomaru Kuroyanagi, Kumiai Navigation, while President Takashi Nakabe, Onomichi Dockyard Co., Ltd., achieved best gross.

Don’t give up and never be afraid
At the following dinner reception at Imabari Kokusai Hotel, the guest list had more than doubled. In his speech to the Japanese guests, interim CEO Klaus Nyborg themed around a Japanese saying, which may be
Crew supports seamen’s church

When the product tanker NORD FAST was sold, there was USD 1,048 left in the vessel’s welfare box – money, which the crew could have spent on having a good time. But instead, the Indian crew decided to donate the whole amount to the Danish Seamen’s Church in Rotterdam in Holland. And they chose the seamen’s church in Rotterdam specifically as most of NORDEN’s product tankers call this port at some point.

Minister to Seamen Ulrik Iversen in Rotterdam appreciates the donation.

“We are really grateful for the money. We have not yet decided what the money will be used for, but we will find a good purpose. The church itself is responsible for raising funds for the operation of the building and for the activities in the church,” says Minister to Seamen Ulrik Iversen.

When Danish vessels call into Rotterdam port, they are paid a visit by the Minister to Seamen or his assistant, who always have time for a talk with the crew.

“Even though challenges are lining up, we have to remember that hard times may also offer some opportunities. NORDEN tries to get the best out of them. This is one of the reasons why we have entered into agreement on more than 30 vessels from Japanese yards in the last 2 years. We are proud that NORDEN has once more been given the opportunity to benefit from the expertise held by the Japanese yards in terms of building first class vessels,” said Klaus Nyborg.

And he added: “We are also honoured that our good relations with all of you have stood the test of troubled times. Our fighting is only done on the golf course.”

Nordic calendar

3 January 2015
Norient Product Pool 10-year anniversary

8 – 9 January 2015
NORDEN participates in SEB Nordic Seminar, Copenhagen

21 January 2015
Naming and delivery of 81,430 dwt Panamax dry cargo vessel Oshima Shipbuilding Co., Ltd., Japan

11 February 2015 – 4 March 2015
Silent period until the publication of the annual report 2014

4 March 2015
Annual report 2014

12 March 2015
Final deadline for any shareholder proposals to the agenda for the annual general meeting 23 April

5 and 6 March 2015
Roadshows in connection with the annual report
NORDEN at a glance

Continued **weak market development** in the third quarter

The weak market development continued in the third quarter. With an EBITDA of USD -11 million against USD 19 million in the same quarter in 2013, results are not satisfactory even though they are in line with the most recently announced expectations.

Despite the unsatisfactory results, NORDEN outperformed the market in both segments in the third quarter.

Dry Cargo earnings were 7% above the average 1-year T/C rates and 55% above spot rates whereas Tanker earnings were 10% and 3% above the 1-year T/C rates for Handysize and MR, respectively.

Lower coal volumes

In the third quarter, NORDEN’s fleet of dry cargo vessels realised an EBITDA of USD -16 million against USD 10 million in the same quarter in 2013.

The primary reason for the weak dry cargo market is the weak demand for transportation of coal. In the third quarter, Chinese import of coal was 22% down from the same period last year. The reason for this is mainly increased production of electricity from hydropower due to an unusual large amount of rain. In spite of record-high iron ore exports from Australia and Brazil, the Capesize market is also marked by poor rates. This is i.a. due to Australia exporting more iron ore to China at the expense of the smaller iron ore exporters in the Atlantic market. This has affected the market negatively as the voyages with iron ore become shorter. Indonesia’s ban on exports of unprocessed nickel and bauxite since the turn of the year has also continued to affect the market negatively.

Although iron ore exports have gone up in recent weeks, the demand for coal transportation will determine whether the fourth quarter will rise from the current level as it is unlikely that the expectedly strong North American grain season alone will be able to pull up the market in spite of the expectations of a strong harvest. The Chinese government has introduced a tax of 6% on coal imports and, at the same time, imposed coal import restrictions on Chinese power plants.

**Good start to the fourth quarter**

The Tanker Department generated an EBITDA of USD 8 million in the third quarter against USD 11 million in the same quarter in 2013.

Activity and, thus, rate levels improved in the third quarter following a disappointing second quarter. The US refineries came back at full force at the beginning of the quarter after limited capacity due to maintenance. This resulted in significant improvement in rates in the first weeks of July, but the effect weakened as more vessels were positioned into the US Gulf.

But maybe there is light at the end of the tunnel. The tanker market is benefitting from continuously increasing refinery capacity in the Middle East because even though a part of the production is consumed in the region, exports out of the region have also increased, which benefits the MR vessels. To this should be added that the significant drop in oil prices in the third quarter has resulted in increased trade and, thus, an increased need for transportation of oil. All tanker vessel types experienced a very positive start to the fourth quarter. At the beginning of November, the MR spot rate was around USD 20,000 per day.

During the third quarter, NORDEN has adjusted the fleet to the challenging market conditions – that is from 255 vessels to 241 vessels (195 dry cargo vessels and 46 product tankers).
### Dry Cargo:

#### Capesize

<table>
<thead>
<tr>
<th>Category</th>
<th>Total number of vessels</th>
<th>Owned vessels</th>
<th>Chartered vessels with purchase option</th>
<th>Other chartered vessels</th>
<th>Length</th>
<th>Width</th>
<th>Cargo carrying capacity (deadweight)</th>
<th>Areas of operation</th>
<th>Cargoes</th>
<th>Customers</th>
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<tr>
<td>Total</td>
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<td>4</td>
<td>0</td>
<td>0</td>
<td>290 m</td>
<td>45 m</td>
<td>170,000-180,000 tons</td>
<td>The whole world</td>
<td>Iron ore and coal</td>
<td>Steel works, mining companies and power plants</td>
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<tr>
<td>Average age</td>
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#### Supramax

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<th>Category</th>
<th>Total number of vessels</th>
<th>Owned vessels</th>
<th>Chartered vessels with purchase option</th>
<th>Other chartered vessels</th>
<th>Length</th>
<th>Width</th>
<th>Cargo carrying capacity (deadweight)</th>
<th>Areas of operation</th>
<th>Cargoes</th>
<th>Customers</th>
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<tr>
<td>Total</td>
<td>83</td>
<td>4</td>
<td>18</td>
<td>6</td>
<td>190-200 m</td>
<td>32 m</td>
<td>50,000-62,000 tons</td>
<td>The whole world</td>
<td>Iron ore, coal, grain, cement, sugar and fertiliser</td>
<td>Steel works, mining companies, power companies, grain traders, trading houses, producers of cement, sugar and fertiliser</td>
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<td>Average age</td>
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#### Post-Panamax

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<tr>
<th>Category</th>
<th>Total number of vessels</th>
<th>Owned vessels</th>
<th>Chartered vessels with purchase option</th>
<th>Other chartered vessels</th>
<th>Length</th>
<th>Width</th>
<th>Cargo carrying capacity (deadweight)</th>
<th>Areas of operation</th>
<th>Cargoes</th>
<th>Customers</th>
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<tr>
<td>Total</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>240-250 m</td>
<td>43 m</td>
<td>110,000-120,000 tons</td>
<td>The whole world</td>
<td>Iron ore and coal</td>
<td>Steel works, mining companies, power plants</td>
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<td>Average age</td>
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### Number of vessels on order:

#### Dry Cargo:

- **Capesize:** 1 chartered vessel with purchase option
- **Panamax:** 4 owned and 5 chartered vessels with purchase option
- **Supramax:** 8.5 owned and 5 chartered vessels with purchase option

#### Tankers:

- **MR:** 4 owned vessels

### Notes:

The NORDEN fleet list is at 30 September 2014 – the order book is at 2 December 2014

Global fleet data/Dry Cargo: Clarksons – at 31 December 2013

Global fleet data/Tankers: SSY – at 31 December 2013

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**NORDEN’s active fleet:** 241 vessels – 195 dry cargo vessels and 46 tanker vessels
Right before the Handysize vessel NORD QUEBEC left Churchill in Hudson Bay in Canada on a September’s day with 32,000 tonnes of wheat to Barranquilla in Colombia, a special guest showed up to inspect the vessel and wish everyone bon voyage.

Fortunately for the crew, the guest never boarded the vessel as polar bears are dangerous animals, not least at this time of year when they are extremely hungry and not picky at all.

“If we were scared? Only a little bit because it did not look like the polar bear was planning on boarding the vessel. But clearly, it really enjoyed looking at the vessel, and it was obvious that it did not only come to wish us a good and safe trip to Colombia. The polar bear also took the opportunity to read the draught marks at the front, middle and back of the vessel,” says Captain Dante Q. Dumalagan with a smile.

The polar bear left NORD QUEBEC and the quay again when it was kindly asked to by the polar bear patrol in Churchill, who is used to handling polar bears getting too close to houses, vessels and humans. This is often the case in the autumn when the polar bears leave their summer residence on the tundra to get onto the pack ice in Hudson Bay during winter where they hunt for seals.

But the polar bear did not completely disappear as messman Jose Romulo Manzan and Eric Benjamin from Churchill Shipping Agencies immortalised the visit at NORD QUEBEC with their cameras, and with the help of NORDEN’s Communications Department, the photos and the story about the visit showed up on both Facebook, LinkedIn and several shipping news media, i.a. the Danish magazine Maritime Danmark and the global TradeWinds – the latter had the story on the start page of its website for as much as 20 days.

“It was definitely a great experience to get so close to a polar bear as we did in Churchill,” says Captain Dante Q. Dumalagan.