Technical Department future-proofed

New set-up allows for significant growth in NORDEN’s fleet of owned vessels

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Environmental requirements may distort competition

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Carsten Mortensen leaves NORDEN

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The Atlantic still a good place for Dry Cargo

Pages 16-17
After 17 years at NORDEN – of which almost 10 years as CEO – Carsten Mortensen resigned from his position in June. We received his resignation with regret as Carsten Mortensen has been a driving force behind the development which NORDEN has gone through in the last decade. During this period, NORDEN has become one of the world’s largest operators within dry cargo, just as the Company also belongs to the world elite within product tankers through the pool cooperation Norient Product Pool.

Carsten Mortensen got an offer from the global maritime group BW Group that he could not refuse. However, he leaves a NORDEN, which with a 4-person Executive Management and a top-tuned organisation – including a future-proofed Technical Department – is well equipped for the future.

Because NORDEN’s business has developed significantly throughout the years. This has placed great demands on the Technical Department in particular not only having to handle more tasks but also tasks growing in complexity.

At the same time, growth has taken place when rates in recent years have been under pressure, and focus has been on getting the most out of every single vessel and every single crew. We have succeeded in this, but in return, there has not been much time to consider the following: If we were to start all over and organise the Technical Department anew, making it reflect both current and future challenges, how would it then look? As a solution, we hired external consultants with long-time business experience to come and help us ask and, not least, answer this important question.

The result was an intensive review of the entire organisation in the Technical Department and all its tasks. And the outcome was a completely new and future-proofed department which can accomplish the job more efficiently. We have taken the time needed. We have put together an organisation not reflecting yesterday’s NORDEN but NORDEN of tomorrow. And this is a NORDEN which strives to offer its customers even better service and to operate a growing fleet of owned vessels. On pages 4-8, you can read more about the work and meet Asger Lauritsen who is to head the Technical Department version 2.0.

Like every other employee, he will be getting a new CEO. The Board of Directors has initiated the process of finding the most suitable person so that NORDEN, based on the strong values Flexibility, Reliability, Empathy and Ambition, will continue to develop for the benefit of shareholders, customers and stakeholders.

Enjoy the reading and have a great summer.

MOGENS HUGO, Chairman of the Board of Directors
NORDEN NEWS has received these 3 postcards from young employees, who have been stationed abroad for 2 years like all the Company's graduated shipping trainees with a view to improving their skills in an even more global business environment before continuing their career at NORDEN – at the head office or abroad.

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Technical Department

The new set-up is centered on 4 new vessel groups, which have been established at the head office in Hellerup. Each of these groups will be responsible for the technical operation of the vessels.
With a new set-up, the Technical Department has been future-proofed. This means that the approximately 50 colleagues at the head office in Hellerup and the some 20 staff members at the site offices at the yards in China and South Korea, where NORDEN has its vessels built, and at the crewing offices in the Philippines and India are now even better equipped to operate NORDEN’s owned vessels optimally together with the about 800 employees at sea. The aim is to increase the value creation in NORDEN.

“The Technical Department is going to be increasingly used as a sparring partner in commercial and operational matters. We would like to engage in closer dialogue with our customers to find out how to better service them here and now and in future. For example, we are establishing a business function that will we be in charge of the dialogue with our tanker customers only. We hereby aim to make sure that we are consistent in our communication with all customers,” says CFO Michael Tønnes Jørgensen, who has been heading the steering committee in charge of developing a new set-up for the Technical Department.

To implement the new set-up, NORDEN has appointed a new head of the Technical Department, Asger Lauritsen. He is an economics graduate from the University of Copenhagen, holds an E-MBA from IMD in Switzerland and is trained in shipping with Maersk, where he...
has been working with complex, global issues and has gained experience in technical as well as commercial matters for over 20 years.

4 vessel groups in charge
The new set-up is centered on 4 new vessel groups that have been established in the head office in Hellerup. The vessel groups are based on the different vessel types that are represented in NORDEN’s fleet of owned vessels, and each of the groups will be in charge of the technical operation of the vessels. When a need arises on a vessel, the crew now only has one point of contact at the head office in Hellerup: their own vessel group – and this goes no matter what the topic is. The vessel group will ensure that the problem is taken care of – either by the group itself or with the assistance of one of the many support functions in the Technical Department.

The dry cargo vessels are all placed in the same vessel group, tankers are distributed over 2 groups, whereas the externally operated vessels are placed in the fourth group.

No stone left unturned
The decision to go all in on a service check of the Technical Department was made by NORDEN’s Board of Directors at the end of 2013, and in the first couple of months of 2014, the consultancy A.T. Kearney has, with its great experience in the field, turned any and every relevant stone in order to arrive at a diagnosis and subsequently prescribe the treatment needed to future-proof the Technical Department, which is responsible for the operation of NORDEN’s owned vessels – at the end of the first quarter: 44 owned vessels, of which 14 are being technically managed externally.

79 key action areas
Based on more than 60 interviews with crew members, members of the staff in the Technical Department and other NORDEN employees, customers and the companies in charge of the external technical operation of NORDEN vessels, the consultants arrived at a list of 79 key action areas, large and small.

These key action areas were boiled down to 16, which were grouped into 5 key areas:
1. Close cooperation with and around all vessels – hence the 4 vessels groups
2. Successful HR management of the seafarers
3. Close relationship with the commercial departments
4. Better use of knowledge
5. Effective and sustainable implementation of solutions

Independent service check
CFO Michael Tønnes Jørgensen says that NORDEN’s Executive Management, backed by the Board of Directors, has gotten exactly what it wanted – an “independent service check of the Technical Department with a view to ensuring that NORDEN’s Technical Department generates value also in future.”

“We must conclude that the old set-up was under pressure from increased activity due to far more owned vessels, increased legislative complexity as well as higher demands from customers etc. In short, you can say that the Technical Department had outgrown its existing framework and needed to redefine itself in order to be able to also meet the demands of the future. It is important to stress that the survey showed that the competences are present, but that they can be applied more efficiently while at the same time adding a little more resources to the department. We consider this a positive story,” says Michael Tønnes Jørgensen.

Defined framework for capacity
With the new set-up and the defined framework for capacity – which vessels does the Technical Department want to operate itself and which should be managed externally? – NORDEN has defined a number of technical, commercial and financial goals. The technical goals involve the performance of the vessels, the commercial goals are a matter of how the vessels fit into NORDEN’s commercial pattern, and the financial goals relate to cost efficiency.

“All of this will be used as points of orientation for ensuring that NORDEN is on course,” says CFO Michael Tønnes Jørgensen.

Great value from own technical department
He adds that NORDEN has chosen to have an in-house technical department that can handle about 30 vessels as this makes the department large enough to benefit from economies of scale.

“Naturally, you can ask why we do not just outsource the technical operation of all our owned vessels, as we do with about one third of them. But we have decided to continue to have our own technical competences in-house. These competences are particularly important for the purchase and sale of vessels, upgrades of owned vessels and contracting new vessels,” says the CFO.

In addition, NORDEN sees great value in having its own technical department that can service Dry Cargo and Tankers in commercial as well as in operational matters.

“NORDEN’s business model is based on a flexible fleet, and our strategy tells us to acquire more owned vessels. We expect the number of vessels in external technical operation to go up in the years ahead when deliveries of the vessels in the order book begin. An important point is also that having vessels in external technical operation provides us with a basis for benchmarking the vessels’ technical operation and operating costs, in particular, which makes us able to perform even better in our own technical department,” says CFO Michael Tønnes Jørgensen.

Easy to set up new vessel group
He adds that when the need arises, a new vessel group or more of them can easily and quickly be added to the new set-up without it impacting the other functions in the Technical Department.
questions for the new head of the Technical Department

Why did you choose NORDEN of all places to be your new workplace?

“NORDEN is a strong brand and a completely solid business with a great potential based on a proven business model and a clear-cut strategy. It is very clear that NORDEN is imbued with strong experience, continuity and close customer relations. As new to the organisation, I also sense that NORDEN has exceptionally strong values that are not just words and technical units of measurement. NORDEN’s values are taken seriously and are incorporated into our way of conducting business.”

How are customers and business partners going to notice that NORDEN has a new head of the Technical Department?

“A main task for me will be to implement the Technical Department’s new set-up with strong vessel groups that are based on the different vessel types and that are closely linked to the commercial organisation and the vessels. The goal is for NORDEN’s and Norient Product Pool’s customers to experience more consistent quality and better documentation, as the technical support to our commercial colleagues is getting faster, better and more consistent.”

What are your ambitions for the Technical Department regarding NORDEN’s commercial interests?

“NORDEN has a tradition for conducting good business practice and for having good customer relations. Timely execution along with good and stable operations with low costs is necessary in order to be able to continue to grow. We have a large fleet and an attractive newbuilding programme with eco vessels. This makes it possible to up the quality, the reliability and to be the most cost-minded shipping company at the same time.”

In general, how can the Technical Department contribute to NORDEN’s value creation?

“We want to be the best vessel operators. The experience and know-how that we build up as we optimise operations with high quality and low costs, not least – especially on fuel consumption – we are also able to use for obtaining higher savings in fuel consumption from our chartered vessels. Better vessel maintenance and the optimum combination of crew competences and experience on the respective vessel will reduce the number of mistakes in the inspections and generate better feedback from the ports.”

“NORDEN has a tradition for conducting good business practice”

Asger Lauritsen, NORDEN’s new head of the Technical Department
To which tasks in your new job do you give higher priority?

“We have now developed a new set-up for the Technical Department, and right now, I have an important job in getting all colleagues in on all the new things – both the colleagues at the head office here in Hellerup, those at the site offices at the yards and those on board the vessels.”

Who is your leadership role model?

“I am inspired by many things. For example, Apple's way of thinking IT and functionality – it has to be easy and simple. Toyota's simple way of delivering high quality – you have to always do that and at constantly lower costs. Apart from this, I have noticed that it is not just individual persons who deliver big successes; it is just as often teams in which you have set ambitious goals and where you inspire each other.”

Your motto?

“Every day is a milestone. We are in it to win it – and win it we will!”

What are you looking forward to the most in your new job?

“I am looking forward to experiencing the dynamics of the job. I have already met many competent people with whom it will be fun to create something. I am looking forward to visiting all of our vessels and to hearing the crews’ view on how we can improve things even more.”

What part of the job are you looking forward to the least?

“I am afraid the job will mean that I will not get enough exercise. I am sure going to need it, though – I have discovered that NORDEN’s head office has a great canteen.”

What else can you tell us about yourself?

“I love skiing and I am fascinated with yachting. It is nice to be in nature and to experience the intensity in the mountains and on the water. I also run – and play chess.”

Say what you mean and mean what you say

“When I was a young lieutenant in the Danish Royal Life Guards, I learned to say what I mean and mean what I say – briefly and clearly and with the relevant facts. It helps you focus and cut away all the unnecessary clutter. This is how communication should be,” says NORDEN’s new head of the Technical Department Asger Lauritsen.

He is convinced that talent can evolve as long as you work with the best and the most motivated people.

“A comment comes to my mind, which was said by the captain of the US team in America’s Cup as the team won the last and 19th race after having been trailing 1-8. “We came from behind, the guys showed so much heart. On your own you’re nothing, but a team like this can make you look great. We were facing the barrel of a gun at 8-1 and the guys didn’t even flinch,” said the captain Jimmy Spithill.

“I would like this to also be emblematic of the Technical Department’s way of working,” says Asger Lauritsen.

At the same time, he believes that you learn from your mistakes.

“When operating this many vessels, things that were not planned for will happen. Therefore, the combination of keeping an open and professionally constructive dialogue while at the same time having high ambitions to deliver the best performance technically and safety-wise helps us to continue to improve,” says the head of the Technical Department.
It is again time for a change of guard at Norient Product Pool’s (NPP) office in Annapolis in the USA, which is responsible for the North and South American activities of the product tanker pool. The change is part of NPP’s ordinary rotation plan.

After 3 years as head of the US office and having doubled the activities, Jesper Rask is returning home to a position as charterer at the head office in Hellerup. New in the important position in the USA will be Charterer Søren Tolbøll Nielsen, who has been trained in shipping at NORDEN and stationed at NPP’s offices in both Singapore and Annapolis before he took up the position as charterer at the head office 3 years ago.

CEO of NPP, Søren Huscher, is happy that Søren Tolbøll Nielsen is the one taking over from Jesper Rask and following up on his success.

With great aptitude, Søren has contributed to putting NPP on the map as a significant fuel oil transporter in Europe. Since he has been stationed in Annapolis before, he is very familiar with the conditions in the USA and the surrounding markets. I anticipate that he will continue the positive developments of NPP in these important markets – both through more project-orientated initiatives and by using some very strong competences in the spot markets,” says Søren Huscher.

He also anticipates that, from day one in the USA, Søren Tolbøll Nielsen will be included in the strong network of customers and other business relations which NPP has succeeded in building in the USA since the US office was opened in 2008.

As head of the NPP office in the USA, Søren Tolbøll Nielsen will be manager for 2 charterers, one of which will be in Rio de Janeiro, 4 operators and 2 administrative employees.
New environmental requirements may lead to distortion of competition

The UN’s new and stricter regulations on emission of sulphur when sailing in selected coastal waters, also called ECA areas – Emission Control Areas – will come into force on 1 January 2015. To avoid distortion of competition, the authorities must ensure that all shipping companies comply with the cost-intensive environmental regulations, says Michael Tønnes Jørgensen – CFO at NORDEN.

NORDEN, along with other Danish shipping companies, is seriously worried that the UN’s new and stricter regulations on emission of sulphur when sailing in Emission Control Areas or ECA areas – i.e. the Baltic Sea, the Kattegat, the North Sea, the English Channel and the 200 nautical miles wide belt along the coasts of the USA and Canada – will lead to serious distortion of competition. This will happen if shipping companies, in order to save money and increase their competitiveness, choose not to comply with the new regulations coming into force on 1 January 2015 and entailing that the allowed sulphur content in fuel must be reduced from 1.0% to 0.1%.

The authorities, including the Danish authorities, have had 6 years to prepare efficient control of compliance with the stricter regulations. But there is still not a global plan for how the international authorities are going to control that no shipping companies can sail into the ECA areas without changing from the old and much cheaper fuel oil to the expensive gas oil, which lives up to the stricter requirements.

The Danish Shipowners’ Association sees it as a great challenge to make all the shipping companies in the world change from fuel oil with a sulphur content of 3.5% to gas oil with a sulphur content of 0.1% when sailing in the ECA areas – or to install scrubbers or changing to natural gas. It may
also be that some shipping companies will secure cost savings by continuing to use fuel, which is allowed today, namely fuel oil with a sulphur content of 1.0%, when sailing in ECA areas.

Four-point action plan
In cooperation with the Danish Shipowners’ Association, the Danish authorities – the Danish Maritime Authority and the Danish Environmental Protection Agency – have made an action plan, which i.a. states that “as low sulphur fuel as well as cleansing technology is significantly more expensive than conventional fuel, there will be a considerable financial incentive not to comply with the regulations.” In other words, the Danish authorities are well aware that large financial gains can be achieved by cheating and are therefore focusing efforts within 4 areas: International cooperation, development and application of new technology, enhanced statistics and documentation of violations and sanctions in connection with violations.

In order to have an effect, it is, however, necessary that the Danish authorities are able to convince other countries to back up more efficient enforcement. So for the time being, it is uncertain if the action plan will be realised. The Danish authorities have so far invited countries such as Germany and Holland to an informal meeting in Copenhagen in hope of getting them to back the plan.

A significant price difference
There is a significant price difference between the different types of fuel. A tonne of fuel with a sulphur content of 3.5% costs around USD 575. This is the type of fuel that the vessels use when sailing on the big seas without any sulphur restrictions, etc. – yet, that is. A tonne of fuel oil with a sulphur content of 1.0% costs USD 625 while a tonne of gas oil with a sulphur content of 0.1% costs as much as USD 875 – that is USD 300 more than the cheapest and most used type of fuel.

The extra costs of following the rules
Here is an example of the costs of following the new sulphur regulations on a specific voyage:

A NORDEN Supramax vessel sails into the ECA area the English Channel, the North Sea, the Kattegat and the Baltic Sea in ballast. The vessel reaches the ECA area at Falmouth in England, and the destination is Kotka in Finland where 45,000 tonnes of fertiliser will be loaded for Brazil. On the voyage back and forth through the ECA area – a distance of 3,034 nautical miles or 5,616 kilometres – the destination is Kotka in Finland where 45,000 tonnes of fertiliser will be loaded for Brazil. On the voyage back and forth through the ECA area – a distance of 3,034 nautical miles or 5,616 kilometres – the vessel uses approximately 265 tonnes of fuel.

“With the current sulphur regulations – 1.0% sulphur – the additional expenditure of fuel will amount to USD 13,000. With the new regulations – 0.1% sulphur – the additional expenditure mounts up to USD 67,000,” says General Manager Klaus Stamp, who is responsible for the purchase of fuel for NORDEN’s and NPP’s fleet of dry cargo and product tanker vessels.

A simple fine of USD 20,000 will not scare off the bad apples as they will still have earned USD 47,000 on a voyage similar to the one outlined above. To this should be added that the risk of getting caught is very low. There is therefore a great need for stricter enforcement to avoid the law-abiding shipowners losing market shares.

Danish shipping companies support sulphur regulations
It is the UN’s maritime organisation IMO, which is behind the new requirements adopted in 2008. In 2012, the EU decided to introduce similar regulations.

The Danish Shipowners’ Association including NORDEN support the international IMO decision on far more strict emission requirements on sulphur, but the Shipowners’ Association fears that the enforcement does not live up to the strict and cost-intensive regulations. Every country has the right to inspect a vessel when it calls into port – this is called Port State Control. But only very few vessels are inspected, and the inspection hardly ever includes the vessels’ fuel.

Predicts great competition issues
“Danish shipping backs ambitious environmental legislation and is also prepared to pay for it. But it is clear that in return we also expect that the rules will be enforced and that the penalty will match up to the potentially great savings that violations can entail. Otherwise, you risk that certain shipping companies will find it difficult to resist the temptation, which will then result in a major competitive disadvantage for Danish shipping companies – while the environmental benefit, which is the whole point of the legislation, is lost,” says Michael Tønnes Jørgensen, CEO at NORDEN.

Already now, the Danish Shipowners’ Association sees that Danish shipping companies are deselected by customers, who on long-term contracts choose cheaper options, which intentionally do not take the future sulphur requirements into account.

Other solutions too costly
The decisive factor for IMO is that sulphur emissions to the environment are reduced from 1.0% to 0.1% by which emissions will reach the same level that has applied to all ports in the EU for several years.

It is up to the shipping companies themselves how they are going to meet the new sulphur requirements. The shipping companies can also reduce emissions by installing a smoke cleaning system on the vessels – also known as a scrubber – or change from the traditional fuel to liquid natural gas, LNG, which contains neither sulphur nor nitrogen and only very little CO₂.

NORDEN has deselected both of these solutions as they are not deemed financially sustainable. The installation of a scrubber costs close to USD 6 million per vessel whereas the conversion of a vessel to natural gas amounts to approximately USD 7.5 million. These expenses should be seen in relation to the fact that a NORDEN/NPP vessel only has a limited number of voyage days in the ECA areas per year.

“In Danish shipping, we support ambitious environmental legislation, also when it costs money”
CFO Michael Tønnes Jørgensen

"We are looking to securing cost savings on the long term by taking the future sulphur requirements into account, but the realest and only way to comply with the regulations is to change fuel. A significant price difference can be observed between the different types of fuel. With the current sulphur regulations – 1.0% sulphur – the additional expenditure of fuel will amount to USD 13,000. With the new regulations – 0.1% sulphur – the additional expenditure mounts up to USD 67,000," says General Manager Klaus Stamp, who is responsible for the purchase of fuel for NORDEN’s and NPP’s fleet of dry cargo and product tanker vessels.
After almost 10 years as CEO at NORDEN, Carsten Mortensen resigns his position to become Group CEO at the Norwegian/Singaporean maritime company BW Group, which has 4,500 employees and global activities within tankers, gas and offshore segments.

The resignation was announced Tuesday 17 June in a company announcement in which NORDEN’s chairman, Mogens Hugo, informed that the Board of Directors is now initiating the process of finding Carsten Mortensen’s successor, and that Carsten Mortensen will be available to the Company for a period of time.

“Carsten Mortensen has been head of NORDEN in a period where NORDEN has developed into one of the largest and most well operated dry cargo and product tanker shipping companies in the world. It is with regret that we have received Carsten Mortensen’s resignation,” says Mogens Hugo in the company announcement.

Executive Vice President and head of Dry Cargo, Ejner Bonderup, talked about the change from having many long-term cargo contracts to having far more open ship days with a view to getting the most out of the spot market (day-to-day market) where the expected improved rates are expected to first catch on.

Executive Vice President and head of Tankers, Lars Bagge Christensen, gave a presentation on how the shutdown of refineries in Europe and the opening of refineries above all in the Middle East will have a positive effect for shipping companies, which like NORDEN transport refined oil products such as fuel oil, gasoline, naphtha, jet fuel, etc.

In conclusion, CFO Michael Tønnes Jørgensen talked about NORDEN’s strong focus on cash flow creation, also going into how the value of NORDEN’s owned vessels has increased significantly. As chairman of NORDEN’s CSR body, he also went into the efforts to ensure that NORDEN’s suppliers meet the UN principles on human rights, working conditions, environment and anti-corruption.

Great press visit at NORDEN

On Thursday 24 April, NORDEN’s head office in Hellerup was visited by 11 foreign and 2 Danish journalists from 2014 Danish Maritime Press Tour. The press corps represented significant and globally operating shipping media. During the 4 days of the Danish press tour, the journalists visited a number of companies and organisations from the Blue Denmark, including the Danish Shipowners’ Association.

4 members of the Executive Management updated the journalists on what NORDEN is currently focusing on.

Executive Vice President Martin Badsted provided an overall picture of NORDEN’s current situation, including the change from the old to the new strategy, which deals with value creation in the dry cargo and tanker markets when these improve.

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A company in top shape

At a briefing session for the employees immediately after the announcement, Mogens Hugo said that Carsten Mortensen had received an offer from BW Group that he “could not refuse”.

“Fortunately, he leaves a company in top shape – even though the market is somewhat challenging. But NORDEN has a strong organisation and is very healthy financially,” says the chairman.

Carsten Mortensen leaves NORDEN

NORDEN’s top boss since 2005 is going to be Group CEO at BW Group, which is a Norwegian/Singaporean company with global activities within tankers, gas and offshore segments.

When NORDEN’s CEO at the time, Steen R. Krabbe, passed away in 2005, Carsten Mortensen became his successor – 38 years old and with 19 years of shipping experience as background, theoretically supplemented with a graduate diploma in International Business from CBS and diplomas from completing INSEAD’s Young Managers Programme and Wharton Business Schools Advanced Management Program. To this should be added that during his 7 years as head of the Dry Cargo Department where the fleet only consisted of 4 owned vessels.

When Carsten Mortensen became CEO, markets were booming. But in the autumn 2008, the financial crisis came, and the markets more or less collapsed. 5 years later and the upturn is still long in coming.
Great years for the shareholders
At the end of the first quarter, NORDEN’s fleet counted 280 vessels – 234 dry cargo vessels and 46 product tankers.

Carsten Mortensen has been CEO at NORDEN in a period which has been good for the shareholders despite crisis and low freight rates.

• Since 2005, NORDEN has earned an average of DKK 932 million after tax per year (including the large write-down of fleet values in 2012).
• DKK 3,916 million has been distributed in dividends.
• The market value of NORDEN has increased from around DKK 6,817 million to around DKK 8,067 million (18 June 2014).

Hard decision to make
Regarding his change of job from NORDEN to BW Group, Carsten Mortensen says:

“I have made one of the hardest decisions in my life. After my family, NORDEN has been the most important thing for me. But I am now taking the step and saying goodbye, because I cannot help saying yes to the BW Group, which reflects an opt in and not an opt out. And I do it with an easy conscience as I know that NORDEN is in a financially strong position with the best opportunities to gain as much as possible from the market conditions – at present when they are challenging and even more when the markets improve. And I know that NORDEN’s employees will be able to further develop the companies under the leadership of successor as well.”

Chairman of the Danish Shipowners’ Association
In 2005, Carsten Mortensen entered the board of the Danish Shipowners’ Association. In 2009, he became Vice Chairman, and since 2011, he has been Chairman of the Danish Shipowners’ Association and in May, he was re-elected for yet another 1-year period as chairman. But due to the change of job, he is now leaving this position where he has represented the interests of all the member shipping companies.

Appointed by the government, he headed the work in the government’s growth team for the strengthening of The Blue Denmark in 2012, and this work resulted in 38 concrete recommendations of which 37 are already being realised.

In the autumn 2013, Queen Margrethe appointed him Knight of the Order of Dannebrog.

NORDEN’s chairman: 2014 - a breaking year
At the annual general meeting on Wednesday 23 April in Dampskibsselskabet NORDEN A/S, there was support for the strategy and the results achieved in 2013, which NORDEN is calling a year of investment, not one of profit-making.

“When we met 1 year ago, I said that NORDEN will be even stronger when we meet again. This was said in a half-year which proved to be the worst half-year in dry cargo since 1986. And it was said knowing full well that 2013 would be a difficult year earnings-wise. Nevertheless, I am sticking to my words as NORDEN stands stronger today than 1 year ago,” said the chairman, Mogens Hugo.

He referred to the fact that NORDEN has not been standing idly by during 2013. On the contrary, the Company has taken advantage of the opportunities which are always present in a cyclical business like shipping as NORDEN made 2013 the greatest net investment year in the Company’s history. This has meant that the order book currently counts 37 top-of-the-line vessels – an investment of more than USD 1 billion.

The chairman expects that 2014 will be a breaking year, where balance between supply and demand will improve, where rates will increase and where NORDEN with an updated strategy, many open ship days and a streamlined organisation will work to ensure a good return for the shareholders.

“We are now initiating a controlled expansion drive, but we are dependent on the conditions being in our favour. We have started the year on what can best be described as a ploughed field. There are many bumps, but our skills will surely guarantee that we will score a goal. Whether it will be a goal worthy of song writing is an entirely different matter – as this will require the exact right foundation,” Mogens Hugo remarked.
The waves of the sea have a significant impact on the vessels’ fuel consumption and are therefore one of the ship designers’ biggest challenges. When a vessel is sailing, waves are generated around the vessel due to the speed of the vessel. This affects fuel consumption as the vessel uses energy on generating the waves and because the waves increase the propulsion resistance of the vessel.

Not even the most skilled ship designers can prevent wave generation. But by altering the vessel’s design and further optimising it, it is possible to minimise the braking effect of wave generation against the vessel.

The 2 new Handysize product tankers in the NORDEN fleet, NORD GERANIUM and NORD GARDENIA from Guangzhou Shipyard Inter-

Nose of vessels shortened to save money
Wave systems offset each other
“The observant reader will probably now think that if 1 wave system creates resistance, then 2 wave systems must create double as much resistance. But because the bulb’s wave system is generated suitably far in front of the hull, the bulb’s wave system with its crest and trough will be in opposition to the hull’s wave system. This means that the trough in the bulb’s wave system comes where the crest in the hull’s wave system is generated. Thereby, the 2 wave systems offset each other – more or less. At any rate, the bulb’s wave system reduces the braking effect of the hull’s wave system significantly. The extent of the reducing effect of the the bulb’s wave system depends on how well the design of the bulb fits the vessel’s actual speed and draught,” says Senior Newbuilding Manager Alex Hjortnæs.

Right steaming
In recent years, vessels – both dry cargo, tanker and container vessels – have slowed down for commercial reasons. NORDEN calls this right steaming, and it means that the bulb has to be shorter than earlier to be able to create a wave system which is in opposition to the wave system generated by the hull. With a bulb of the same length as earlier, the trough of the bulb’s wave system will come too far ahead to meet the crest of the vessel’s wave system when right steaming.

When Guangzhou Shipyard International in China built the 8 Handysize product tankers with H.C. Andersen names for NORDEN, it was very common that the bulb’s length and design in general was optimised in accordance with service speed and design draught – i.e. the speed and draught which the yard’s designers considered most likely.

But one thing is what the yard designers consider to be likely speed and draught once the vessels are in operation. Another thing is the actual speed and draught of the vessels in operation.

The real world
“In realisation that many vessels only rarely sail with exactly the speed and exactly the draught which the yards’ designers have determined – typically the vessels sail at lower speed and less draught – the yards have started to optimise the bulb and the hull in general to a so-called operating profile. It is a combination of the speed and draught, etc. representative of the market which the vessel will be operating in, and which in contrast to the old service speed and design draught reflects practice and thus the real world,” says Alex Hjortnæs.

Both newbuildings soon in operation
This different way of optimising design is now benefiting the 2 newbuildings for NORDEN.

NORD GERANIUM is in operation, and NORD GARDENIA will follow shortly.

“We are now looking forward to being able to measure the effect of the shortened bulb on the vessels’ fuel consumption,” says Senior Newbuilding Manager Alex Hjortnæs.
Even though the dry cargo market in the Atlantic collapsed in the first quarter – we have only once before seen rates this low in the past decade – and even though the downturn continued into the second quarter, it does not change the fact that the Atlantic is a good place for NORDEN to do dry cargo business. When the dry cargo market in the Atlantic is working normally – when there is a reasonable balance between demand and supply of vessels – it is an attractive market for especially the Supramax and Handysize vessel types in which NORDEN is strongly exposed.

“When looking at the past years, a very clear picture emerges: Because exactly Supramax and Handy-size rates are higher in the Atlantic than in the Pacific. There is great diversity in cargo types and trades, and, therefore, it is possible to minimise sailing in ballast between the ports based on skilled organisation. There is definitely nothing wrong with demand in the Atlantic. Large quantities of grain, coal, fertiliser, soy beans, etc. still have to be transported – demand is still intact. Therefore, NORDEN has unabated confidence in the dry cargo market in the Atlantic despite the low rates in the first months of 2014,” says Executive Vice President and head of Dry Cargo Ejner Bonderup.

Extraordinarily large influx of vessels
In the first quarter, there was an extraordinarily large build-up of vessels in the Atlantic.

It was the Indonesian export ban on unprocessed nickel and bauxite (the most important raw material in the production of aluminium), which made many vessels redundant in the middle of January this year – an estimated 300 vessels over a short period. In this connection, expectations of large grain volumes from the South American countries made a lot of shipping companies send their unemployed vessels in ballast to the Atlantic in hope of finding employment for them.

The Atlantic still a good place to do dry cargo business
It goes up and it goes down in shipping, and in the first quarter, the dry cargo market in the Atlantic really took a dip, and the downturn continued into the second quarter. But NORDEN still banks on the Atlantic where the Company has historically had a strong position and has done good business.

During passage of the Mediterranean, the product tankers NORD FARER and NORD GUARDIAN rescued a large number of boat refugees from Africa heading for Italy. On the night before 9 April, NORD FARER – loaded with gasoline – came to the rescue of 300 refugees. They were in 3 rubber boats when they came in distress south of Sicily. Some of them had minor injuries, which they were treated for by the crew on board NORD FARER before the refugees were brought on shore at Catania in Sicily. On the night before 31 May, NORD GUARDIAN in ballast rescued 269 refugees, who were all on board the same vessel when they came in distress – also south of Sicily. These refugees were brought on shore at Pozallo in Sicily. Both rescue missions went efficiently and without drama, and the crews of the 2 NORDEN product tankers made sure that all the distressed boat refugees had water to drink and the opportunity to rest on the deck before reaching Sicily. Here they were left in the care of the Italian authorities.
This was one of the main reasons for a large oversupply of available tonnage building up in the Atlantic during the first quarter causing close to historical drops in rates. Furthermore, coal exports to Europe from the USA were reduced – the winter was warm in Europe and cold in the USA, and the largest coal port in Colombia was closed during the period.

Imbalance continued into the second quarter
The great imbalance between the number of cargoes and the number of unemployed vessels continued into the second quarter.

“Historically speaking, it is fortunately the case in shipping that the market will regain its balance over time. We have experienced many periods with a surplus of tonnage in some regions, but the market has the wonderful ability of readjusting, and surplus vessels find new markets, new trades, over time. This will probably also be the case in the Atlantic,” Ejner Bonderup predicts.

Easier to get cargo in the Atlantic
The dry cargo market in the Pacific is characterised by a lot of roundtrips – e.g., a long trip with iron ore, coal or grain from Australia or South Africa to China – followed by a long return trip in ballast to get a new cargo. In the Atlantic, the dry cargo market is more fragmented as the trips with coal, grain, fertiliser, scrap, soya beans, etc., go in all directions. If you are good at organising your vessels, the next loading port is not necessarily far away, and you will avoid cost-intensive ballasting.

The Atlantic will always come back
“Historically speaking, NORDEN has always been able to generally achieve higher rates in the Atlantic compared to the Pacific. Even though there have been periods with a strong Pacific and a weak Atlantic, the Atlantic has always come back,” says head of Dry Cargo, Executive Vice President Ejner Bonderup.

Since the beginning of 2011, the Pacific market in Panamax has only 9 times been stronger than the Panamax market in the Atlantic with an average duration of 37 days. The same tendency is true for Supramax. Only 6 times has the Supramax market in the Pacific been stronger than the Supramax market in the Atlantic – each time with an average duration of 35 days.

Women advancing at NORDEN
On 1 August when this year’s shipping trainees begin their 2-year training at NORDEN, the majority will be women. In all previous years, men have been dominant, but out of the 13 trainees who have been employed at the head office in Hellerup and at the offices in Singapore, Shanghai and Annapolis, 7 are women.

To this can be added a female finance trainee at the head office.

The increased number of women for the popular trainee programme is in line with NORDEN’s desire for a more equal distribution between the two genders.

“Traditionally, shipping has been a male-dominated profession. But NORDEN seeks to find the best qualified young people for our trainee programme, and we are therefore very happy that a growing number of women see the opportunities within shipping,” says HR Partner Lotte Bonde Jensen.

NORDEN calendar

10 July 2014
Delivery of 56,000 dwt. Supramax dry cargo vessel. Oshima, Japan

23 July 2014 – 13 August 2014
Silent period until publication of the interim report for the first half-year 2014

31 July 2014
Delivery of 56,000 dwt. Supramax dry cargo vessel. Tamano, Japan

31 July 2014
Delivery of 81,500 dwt. Panamax dry cargo vessel. Cebu, the Philippines

1 August 2014
Delivery of 76,500 dwt. Panamax dry cargo vessel. Marugame, Japan

Deliver of 40,000 dwt. Handysize product tanker. GSI, China

13 August 2014
Interim report for the first half-year 2014

13 August 2014 – 14 August 2014
Roadshows in connection with the interim report
2014 off to a poor start

In the first quarter, Dry Cargo was severely affected by the Atlantic market, which was uncharacteristically low for the season towards the end of the quarter.

NORDEN’s total EBITDA for the first quarter constituted a loss of USD 8 million against a profit of USD 10 million in the same quarter in 2013.

EBITDA in Tankers was USD 10 million (USD 11 million), whereas EBITDA in Dry Cargo was USD -15 million (USD 1 million).

2014 otherwise off to a good start

The year was otherwise off to a good start also within dry cargo with continued strong exports of commodities to the world’s largest commodity consumer, China. This implied significantly higher rates in general than in 2013.

But then it went wrong in the Atlantic. The Indonesian ban against exports of unprocessed nickel and bauxite (key commodity in aluminium production) rendered 300 vessels unemployed, and expectations for record-high grain volumes out of South America had many shipping companies ballasting their open vessels into the Atlantic hoping to find employment for them there.

In the Atlantic, a large oversupply of vessels built up during the first quarter resulting in major rate decreases – we have only once before in the past decade seen such low rates. This was caused by a reduction in exports of coal from Europe to the USA – the winter was warm in Europe and cold in the USA – and the closing of the largest port for coal exports in Columbia.

Both positive and negative

For Tankers, the first quarter held both positive and negative surprises as the market for transportation of clean petroleum products disappointed, whereas the market for dirty petroleum products greatly exceeded expectations.

Order book increased by 7,5 vessels

At the beginning of the first quarter, NORDEN contracted 2 Panamax vessels and 4.5 Supramax vessels. All the vessels are Japanese-built eco vessels and are expected to be delivered in 2017.

These vessels will be included in NORDEN’s owned fleet, but the Company has also long-term chartered 1 Panamax eco vessel with purchase option.

The total of 7.5 vessels – all in Dry Cargo – is mentioned in NORDEN’s annual report 2013.

At the end of the first quarter, NORDEN’s active fleet – owned vessels, chartered vessels with or without purchase option and vessels chartered only for single voyages – counted 280 vessels against 285 vessels at the end of 2013. The decrease is due to a lower number of short-term charters in Dry Cargo.

After the end of the first quarter, Tankers has long-term chartered a vessel with purchase option. It is a 5-year charter contract for an MR eco vessel to be delivered to NORDEN in 2016.
Dry Cargo:

### Capesize
- **Number of vessels**: 4
- **Owned vessels**: 3
- **Chartered vessels with purchase option**: 1
- **Year of construction**: 2001-2007
- **Average age**: 9.5 years
- **Length**: 289 metres
- **Width**: 45 metres
- **Cargo carrying capacity (deadweight)**: 171,000-180,000 tons
- **Areas of operation**: The whole world
- **Cargoes**: Iron ore and coal
- **Customers**: Steel works, mining companies and power plants
- **Total number of Capesize vessels in the global fleet**: 1,462
- **Average age of Capesize in the global fleet**: 8 years

### Supramax
- **Number of vessels**: 20
- **Owned vessels**: 4
- **Chartered vessels with purchase option**: 16
- **Year of construction**: 2006-2012
- **Average age**: 4.4 years
- **Length**: 190-200 metres
- **Width**: 32 metres
- **Cargo carrying capacity (deadweight)**: 54,000-62,000 tons
- **Areas of operation**: The whole world
- **Cargoes**: Iron ore, coal, grain, cement, sugar and fertiliser
- **Customers**: Steel works, mining companies, grain traders, trading houses, producers of cement, sugar and fertiliser
- **Total number of Supramax vessels in the global fleet**: 3,028
- **Average age of Supramax in the global fleet**: 8.9 years

### Post-Panamax
- **Number of vessels**: 8
- **Owned vessels**: 4
- **Chartered vessels with purchase option**: 4
- **Year of construction**: 2010-2012
- **Average age**: 3.1 years
- **Length**: 240-250 metres
- **Width**: 43 metres
- **Cargo carrying capacity (deadweight)**: 111,000-120,000 tons
- **Areas of operation**: The whole world
- **Cargoes**: Iron ore and coal
- **Customers**: Steel works, mining companies and power plants
- **Total number of Post-Panamax vessels in the global fleet**: 505
- **Average age of Post-Panamax in the global fleet**: 5 years

### Handysize
- **Number of vessels**: 23
- **Owned vessels**: 12
- **Chartered vessels with purchase option**: 11
- **Year of construction**: 2009-2013
- **Average age**: 2.6 years
- **Length**: 169-186 metres
- **Width**: 27-30 metres
- **Cargo carrying capacity (deadweight)**: 28,000-38,000 tons
- **Areas of operation**: The whole world
- **Cargoes**: Iron ore, coal, grain, steel, cement, sugar and fertiliser
- **Customers**: Steel works, mining companies, power plants, cement producers, grain traders and trading houses
- **Total number of Handysize vessels in the global fleet**: 3,077
- **Average age of Handysize in the global fleet**: 12.3 years

### Panamax
- **Number of vessels**: 13
- **Owned vessels**: 3
- **Chartered vessels with purchase option**: 10
- **Year of construction**: 2002-2013
- **Average age**: 6.1 years
- **Length**: 218-229 metres
- **Width**: 32 metres
- **Cargo carrying capacity (deadweight)**: 75,000-84,000 tons
- **Areas of operation**: The whole world
- **Cargoes**: Iron ore, coal, grain, bauxite, cement and slags
- **Customers**: Steel works, mining companies, power plants, cement producers, grain traders and trading houses
- **Total number of Panamax vessels in the global fleet**: 1,953
- **Average age of Panamax in the global fleet**: 9.3 years

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**NORDEN’s active core fleet**: 94 vessels

**NORDEN’s active fleet**: 280 vessels

(234 dry cargo vessels and 46 tankers)

**Notes:**
- The fleet list is calculated at 31 March 2014
- Global fleet data/Dry Cargo: Clarksons – at 31 December 2013
- Global fleet data/Tankers: SSY – at 31 December 2013
NORDEN NEWS has received these 3 postcards from young employees, who have been stationed abroad for 2 years like all the Company’s graduated shipping trainees with a view to improving their skills in an even more global business environment before continuing their career at NORDEN – at the head office or abroad.

Greetings from Singapore

It is a privilege both professionally and personally to be stationed in Singapore – 9,976 kilometres from Denmark – already after 2 years from when the training began. I have been included into an amazing team, but even more importantly, I get to work in a new market with new customers and new brokers. This helps me understand that the job is global, and that it means something to be close to the people you are doing business with – getting to meet them face to face. Recently, I also went to Hong Kong, and I returned home plentiful in professional experience, private adventures and business cards. When I am not at work, I meet up with my new friends and acquaintances coming from far and wide – in fact, literally all over the world. This has rapidly expanded my network. Singapore as a country is wonderful, and the culture, diversity, the weather, food and other things make it a great place to live and work – a mild start to Asia. In my future work at NORDEN, I will be able to draw from this experience from abroad, which I would otherwise not have had.

Assistant Chartering Manager Mads M. Simonsen

From: Singapore
To: NORDEN NEWS

Greetings from Shanghai

Through my stationing here in China, I have been challenged in a number of ways. I have run into language barriers, I have met foreign culture, I have experienced a rather different approach to work. While I was still at home at the head office in Hellerup, I imagined that the language barriers and cultural differences would be the greatest challenges in my new job in Shanghai. But I must admit that the approach to work and the significance and influence of authority and seniority have been even greater challenges. This is naturally something you will get used to in time and learn to both understand and utilise – just like you learn to adapt better both professionally and personally. My stationing in China has also meant that I had to sacrifice my private life at home in Denmark. This has undoubtedly been my greatest challenge. In return, I have had the opportunity to explore the Chinese market and get a better understanding of how things connect and work and into what the different stakeholders find important. This experience has definitely strengthened me, improved my skills as a charterer and can be applied to provide a better service to our business partners. Compared to Denmark, the culture here in Brazil is very laid-back and relaxed – and this is a mixed blessing. It can wear a bit on your patience as getting things done here can really take its time. On the other hand, the street scene clearly illustrates how much people really enjoy it when they are off work. Both at the beach, in restaurants, bars, etc. It is contagious, and so is the beautiful weather. This and all the other things I am learning and experiencing will be very useful in my future work in which China will inevitably have a central position since China is the world’s largest dry cargo market and soon also the world’s largest economy.

Assistant Chartering Manager Andreas Kastrup Olsen

From: Shanghai
To: NORDEN NEWS

Greetings from Rio de Janeiro

It is exciting to be closer to our business partners. I have been on business travels to Brazil, Argentina, Chile and Peru. Here I have met with brokers, traders, grain houses, energy companies, steelworks and mining companies. Here I have seen the ports in which we load and discharge. And here I have talked with the port agents also face to face. It gives you better insight into how things connect and work and into what the different stakeholders find important. This experience has definitely strengthened me, improved my skills as a charterer and can be applied to provide a better service to our business partners. Compared to Denmark, the culture here in Brazil is very laid-back and relaxed – and this is a mixed blessing. It can wear a bit on your patience as getting things done here can really take its time. On the other hand, the street scene clearly illustrates how much people really enjoy it when they are off work. Both at the beach, in restaurants, bars, etc. It is contagious, and so is the beautiful weather. This and all the other things I am learning and experiencing will be very useful in my future work in which China will inevitably have a central position since China is the world’s largest dry cargo market and soon also the world’s largest economy.

Assistant Chartering Manager Morten Vesth

From: Rio de Janeiro
To: NORDEN NEWS