Dry Cargo more flexible and efficient

5 sections become 2 – one for geared vessels and one for gearless vessels
Pages 4-6
2015 looks like it is going to be quite a challenging year in dry cargo just as 2014. The downturn has not only lasted longer but has also been more brutal than expected, and the Baltic Dry Index thus reached an all time low in February this year.

Already halfway through 2014, NORDEN adjusted its strategy and adapted to a continued disappointing market. Some of the initiatives had an immediate effect – as for example the halt to the ordering of new vessels and the initiative to significantly increase coverage for 2015, while other initiatives will improve NORDEN’s opportunities here and now and in the long run. This is for example the reorganisation of the Dry Cargo Department, which you can read more about on pages 4-6. With the new organisational structure, we get a better opportunity to uniformise our approach to the market and our customers across the vessel types in order for us to fully benefit from NORDEN’s size and position in the market with a versatile fleet that can offer exactly the solutions that the customers may need.

Of course, this necessitates that we maintain a modern and efficient fleet which i.a. comprises fuel efficient eco vessels like the ones we describe on pages 14 and 15. Because no matter if the market is good or bad or fuel prices have dropped significantly lately, it is important to focus on costs. And NORDEN focuses on costs. The Company has launched a cost saving programme, which will reduce voyage related costs in the fleet by USD 20 million per year. At the same time, we are also making use of NORDEN’s financial position. Because opportunities also arise in challenging markets.

NORDEN could thus recently enter into agreement with a number of Japanese owners, providing NORDEN with a saving of more than USD 10 million on chartering of 9 dry cargo vessels. By paying USD 51.5 million here and now, we are saving USD 62 million on future hire payments. It is a good deal and a good return on our money, which has been made possible by the basic idea of financial solidity that has been NORDEN’s trademark during the 20 years with Mogens Hugo as chairman. He is now retiring due to age, and on pages 12 and 13, you can read more about the many good results which Mogens Hugo has been part of creating the prerequisites for.

The Tanker Department has delivered some of these good results in the last year. While the dry cargo market was depressed in most of 2014, the year ended with sharply increasing rates in the tanker market, and our Tanker Department generated the best results since 2008. The strong tanker market has continued into 2015, and with a modern tanker fleet, a trimmed organisation and coverage of 20%, Norient Product Pool and thereby NORDEN are well positioned to benefit from this.

It thus appears that 2015 will see a continued difficult dry cargo market but also a tanker market which has come off to a good start. NORDEN will take advantage of the opportunities in the market and optimise the business in order for the results in 2015 to considerably outperform the results in 2014.

Enjoy your reading

KLAUS NYBORG, interim CEO
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5 sections become 2 – one for geared vessels and one for non-geared vessels

NEWS
Spring 2015
Dry Cargo
more flexible and efficient

Scan the code and read the magazine online
Dry Cargo Department more flexible and efficient

While the 5 vessel types in the Dry Cargo fleet were previously divided into individual chartering sections, there are now 2 sections – one for the smallest vessels (the geared vessels) and one for the biggest vessels (the gearless vessels).

In order to benefit the most from its size and position in the market, the Dry Cargo Department has made its organisation more flexible and thereby streamlined the organisation. The change implies that NORDEN’s 5 vessel types – Handysize, Supramax, Panamax, Post-Panamax and Capesize – will now be divided into 2 sections, whereas they have previously had their own section.

In the one section, you have the smallest vessel types, the geared vessels – i.e. the 53 Handysize vessels and the 70 Supramax vessels.

In the other section, you have the largest vessels, the gearless vessels – i.e. the 77 Panamax vessels, the 14 Post-Panamax vessels and the 4 Capesize vessels.

This amounts to a total dry cargo fleet of 215 vessels (at the end of 2014). The fleet consists of owned vessels, chartered vessels with purchase option, other chartered vessels and 13 Handysize vessels and 6 Post-Panamax vessels from the pool partner, the Cypriot shipping company Interorient Navigation Company.

Size and position must be utilised

“‘No matter if the markets are up or down, NORDEN’s aim is to gain the most from our size and position. By gathering the chartering responsibility of the vessels in 2 sections, we provide our customers with a wider and more flexible overview of which vessel type is most relevant for them in connection with a specific transportation need.” A customer may, as a starting point, be interested in a smaller vessel type. However, during dialogue with the charterer, who has more vessel types to choose from, he may discover that a larger vessel type is better suited to perform the task. Our knowledge, experience and size will consequently be beneficial to both the customer and ourselves,” says head of NORDEN’s Dry Cargo Department, Executive Vice President Ejner Bonderup.

He is convinced that considerable unused synergies exist between the different vessel types.

“Everything can always get better. This is an area where we have a great opportunity to take advantage of some synergies, which we may not previously have been sufficiently aware of as an important sales and earnings parameter. We will always be capable of delivering the best suited vessel to meet the customer’s needs. The new set-up will also allow us to streamline a number of functions in the Dry Cargo Department,” says Ejner Bonderup.

Synergies Panamax/Post-Panamax

Head of chartering within Panamax, Post-Panamax and Capesize, Vice President Thomas Kobbel, says:

“Our most important task is to take advantage of the synergies between Panamax and Post-Panamax. First and foremost, we need to convince our customers that in some cases it is more beneficial for
“By gathering the chartering responsibility of the vessels in 2 sections, we provide our customers with a wider and more flexible overview of which vessel type is most relevant for them”

Head of NORDEN’s Dry Cargo Department, Executive Vice President Ejner Bonderup
them to choose a Post-Panamax instead of a Panamax and vice versa. Panamax is our most numerous vessel type of the two, and we hope that we will be able to utilise our customer base from Panamax in Post-Panamax as well.

In other words, we have to become better at benefitting from and offering the diversity of NORDEN’s fleet.”

NORDEN has a strong name in the market and many good customers, stresses Thomas Kobbel.

“For that reason, I am confident that a more uniform approach and offers of flexible solutions will enable us to get even closer to our existing customers and hopefully also to develop new customer relationships. This of course puts high demands on the charterers, but NORDEN has experienced and motivated employees who are able to offer our customers good guidance and flexible solutions,” he says.

Better use of resources
Head of chartering within Handysize and Supramax, Vice President Thomas Jarde, is also going on a synergy hunt. Furthermore, his main task is to ensure that NORDEN makes better use of its resources.

“Here at the head office in Hellerup, we need to do things in a more uniform way. This is the case in relation to our overseas offices, in relation to brokers and not least in relation to the customers. All things being equal, it will enhance our sales work, and at the end of the day, that is what it is all about. We want to retain our present customers, but we would also like to attract new ones,” says Thomas Jarde.

Internally in the organisation, the task is to take advantage of the opportunities for standardisation and optimisation.

Dry Cargo fleet adjusted to the markets
In line with the dry cargo market’s surprisingly negative development in 2014, NORDEN reduced its Dry Cargo fleet by 21%. This was possible due to the business model which implies that the Dry Cargo fleet consists of a combination of owned vessels, chartered vessels with purchase option and vessels which are only chartered for single voyages. The lower activity level meant that the cargo volume was 7% lower than in 2013.

Coal and grain are the largest cargo types
Again in 2014, coal and grain topped the list of NORDEN’s cargo types. The Dry Cargo fleet transported a total of 76 million tonnes of cargo. Coal and grain constituted 32% and 22%, respectively, of the total cargo volume.

Out of the total dry cargo market, 80% of the dry cargo import takes place in the East. NORDEN has a more even geographical spread as about 50% of NORDEN’s transported cargo is intra-Atlantic. This is i. a. due to NORDEN’s 10-year contract to carry 20 million tonnes of coal from Svalbard as well as a number of contracts on coal transport from Murmansk and intra-Atlantic transport of wood pellets and biomass.

China and India remain the largest single destinations for NORDEN’s cargoes as NORDEN in 2014 delivered 18 million tonnes of cargo to these 2 countries with China as the largest destination.
Our new man in China

Jens Fjordgaard Jensen has just taken up the position as head of the chartering team at NORDEN’s representation office in Shanghai – with 4 years of experience from China in the luggage.

China is one of the primary markets for NORDEN’s dry cargo business, and it is a man with solid knowledge of the country and the market who will now head NORDEN’s team of charterers at the representation office in Shanghai. When Jens Fjordgaard Jensen took up the position as head of the chartering activities in China in February, he carried with him the experience from his previous 4-year stay in the country.

He worked as a charterer at NORDEN’s Shanghai office during the years 2009 to 2013.

“Jens Fjordgaard Jensen knows China and the market, and that is a great advantage. China is not an easy country to get into, to understand and not least to succeed in. Consequently, Jens’s experience from his first period in Shanghai is a great advantage for NORDEN. It means that NORDEN does not lose momentum in China. During the present challenging period in the dry cargo market, it is important not to lose momentum. The business must run at full speed – non-stop,” says head of the Dry Cargo Department, Executive Vice President Ejner Bonderup.

12 employees
The representation office in Shanghai has 12 employees in total of which 5 are employed in chartering and 2 are port captains who assist NORDEN with the practical aspects of port calls.

“As head of the chartering team in China, Jens Fjordgaard Jensen’s most important task will be to continue the development of making NORDEN the preferred partner for Chinese customers. He will also be responsible for entering into contracts which conform to NORDEN’s way of doing business,” says Executive Vice President Ejner Bonderup.

Another important task for Jens Fjordgaard Jensen will be to consistently ensure that the team of charterers works towards the same goal and in accordance with NORDEN’s 4 values: Ambition, empathy, flexibility and reliability.

With NORDEN since 2007
Jens Fjordgaard Jensen is 29 years old, and his career in NORDEN began in 2007 with a job as shipping trainee. During his training period, he worked with Panamax chartering as well as Supramax operations, and shortly after completing the 2-year education, he moved to Shanghai as an expat where he was busy with finding cargoes for both Panamax, Post-Panamax and Capesize vessels. When he returned to the head office in 2013, he also returned to Panamax chartering.

Sets high standards
Ejner Bonderup describes Jens Fjordgaard Jensen as very professionally talented and a man who sets high standards for himself.

“I am certain that his experience and high energy and drive will give the team and NORDEN’s business in China a boost. In all respects, he was ready for a new and greater challenge, and it is a fantastic opportunity for him to get the managerial responsibility for the chartering team in Shanghai,” says Ejner Bonderup.

China – my home
Jens Fjordgaard Jensen looks forward to the challenges he will meet as head of the chartering team in China.

“I also look forward to moving back to the country which I have called my home for 4 years. It is a country where an impressive development is felt everyday and where there are always new business projects to consider and new potential customers to win over to NORDEN’s customer base where they can benefit from NORDEN’s expertise,” he says.
NORDEN cannot change the market conditions, but the Company has launched a number of initiatives which all aim to increase value creation. A cost saving programme is to generate savings of USD 20 million per year within a 3-year period.

**NORDEN wants the best out of the poor markets**

NORDEN cannot change the market conditions, but the Company has launched a number of initiatives which all aim to increase value creation. A cost saving programme is to generate savings of USD 20 million per year within a 3-year period.

"At the end of 2013, we expected that the markets would gradually improve in 2014. Therefore, NORDEN then formulated an updated strategy based on the expectations for improved market conditions in both dry cargo and tankers in 2014. Halfway through 2014, it became evident that the expected improvement was not going to materialise, and we have reacted to this," says interim CEO Klaus Nyborg.

**Failing Chinese growth**
The dry cargo market in particular will continue to be badly hit as low growth in Chinese imports continues and as the large excess capacity of vessels together with the option of increasing the speed of vessels reduces the chances of lasting improvements of the ratio between demand for transportation and the supply of vessels.

As in previous years, the market in 2015 is expected to be volatile i.e. there will be fluctuations in the market.

**Number of initiatives**
In order to improve its positioning towards the difficult markets, NORDEN has implemented a number of initiatives:

- The investment programme was halted in the first quarter of 2014, and no additional vessels were ordered in 2014
- 5 vessels were sold in 2014 and at the beginning of 2015, including 2 newbuildings, with proceeds of USD 112 million
- NORDEN made use of its flexible business model and reduced the chartered fleet and thus the activity level in Dry Cargo significantly
- Working capital improved by USD 34 million
- Coverage for 2015 was increased significantly
- NORDEN secured USD 221 million in new credit facilities to cover the newbuilding programme
- Cost saving programme focusing on vessel operating costs and voyage costs such as port charges, tug boat services, etc. is to generate savings of USD 20 million per year within a 3-year period
- The Dry Cargo Department has been reorganised with focus on greater flexibility and better use of NORDEN’s fleet size and position in the market (see more on pages 4-6)
- Continued sharp focus on fuel savings
- Advance payment of chartering agreements resulting in savings
The business model’s 2 elements
NORDEN's business model is based on 2 elements: Exploiting the cycle and value creation throughout the cycle.

Exploiting the cycle is about assessing the market conditions and then adjusting the exposure to the market by means of owned vessels, long-term chartered vessels, long-term contracts and financial gearing.

Value creation throughout the cycle is about creating more value than the competitors – regardless of the market conditions. This is done through optimisation of cargo contracts (dry cargo), short-term chartering in and out of vessels, optimisation of trade composition and positioning, exploitation of seasonality and volatility and vessel selection. Other important elements of value creation throughout the cycle are voyage execution, including fuel optimisation, and cost efficiency.

"In 2015, focus will to a greater extent be on value creation throughout the cycle rather than exploiting the cycle" says interim CEO Klaus Nyborg.

3 main headlines
Value creation throughout the cycle has been given 3 main headlines, which all of the departments at NORDEN’s head office in Hellerup are now working with and which all departments have contributed to in the form of concrete and measurable targets for 2015. The headlines are:

- Commercial agility
- Cost drive
- Performance culture

“Commercial agility and quick actions will be crucial in order to exploit fluctuations in the market”

Interim CEO Klaus Nyborg
Norient Product Pool passes 10 years

The collaboration between Interorient Navigation Company (INC) and NORDEN has been based on common values. Both parties want a product tanker pool which is known in the market for its high level of safety and quality and its commercially flexible approach to the market.

“We want to be considered a professional operator with a high level of safety and quality”

CEO Themis Papadopoulos, Interorient Navigation Company

With only 16 vessels in the fleet, it started small when Norient Product Pool (NPP) entered the world on 1 January 2005. But the ambitions of the 2 fathers, the Cypriot shipping company Interorient Navigation Company (INC) and NORDEN, were definitely not small. With the commercial and operational responsibility of the 2 shipping companies’ tanker fleets, NPP wanted to be a leading player in its market segment, and the customers were to perceive the product tanker pool as a reliable and flexible partner to do business with.

Year after year, NORDEN has through results and market position proved that there was potential behind and thus firm ground under the ambitions.

- On NPP’s birthday, the fleet consisted of 86 vessels – 44 MR vessels and 42 Handysize vessels either owned by the 2 shipping companies, chartered in or in management with the companies.
- In 2014, the NPP fleet entered into 1,039 spot contracts, and on the spot voyages, 34,041,769 tonnes of refined oil products such as fuel oil, gasoline and naphtha were transported from the refineries to consumer countries all over the world.

“With a reasonable fleet size and significant and frequent customer contact, NPP is doing well in the market as one of the largest product tanker pools in the world. Even though the fleet consists of different vessels, it is homogeneous and generally younger than the competitors’ fleets. This makes the fleet attractive to customers. Fleet size and frequent customer contact also provide NPP with a great sense of the market. It makes us capable of seeing and identifying trends in the market development,” says NORDEN’s head of Tankers and thus also the responsible for NORDEN’s participation in the pool collaboration, Executive Vice President Lars Bagge Christensen.

Good geographical coverage

He points out that NPP also benefits from having offices with good geographical coverage of the 3 essential time zones in terms of the market – the East through Singapore, Europe/Africa through Hellerup and North and South America through Annapolis in the USA and Rio de Janeiro in Brazil.

Another strength is the 66 employees at the offices, who work as a global team.

“The most interesting thing about NPP’s employees is that they are curious – curious to find new business opportunities, curious to find other and better ways to work and curious about people, both our customers and their colleagues,” says Lars Bagge Christensen.

Critical mass

The size of the NPP fleet provides critical mass in the market, and critical mass is a prerequisite for doing business with large and globally operating oil traders such as Vitol, Glencore, Trafigura etc., which account for 60% of NPP’s revenue, and globally operating oil majors such as BP, Shell, Total, Petrobas, ExxonMobil etc., which account for the remaining 40% of the pool’s revenue.

But critical mass does not do it alone when a shipping company wants to do business with oil traders and oil majors.

First priority: Safety

Since the consequences of oil spills for the customers are huge, they only enter into agreements with shipping companies whose safety on board the vessels and in all operations are documented through the thorough and uncompromising checks – the so-called vettings – continuously carried out by oil traders and oil majors on board the vessels. The checks are not only about the vessels’ technical standard but also the crew’s and the shipping company’s safety qualifications.
**Number of vessels, Spot Transported volumes, Number of port calls**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of vessels at year-end</th>
<th>Spot contracts</th>
<th>Transported volumes in tonnes (spot)</th>
<th>Number of port calls – loading/discharging (spot)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>22</td>
<td>178</td>
<td>5,283,956</td>
<td>424</td>
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<td>2006</td>
<td>36</td>
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<td>42</td>
<td>441</td>
<td>13,453,535</td>
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<tr>
<td>2008</td>
<td>58</td>
<td>582</td>
<td>18,854,775</td>
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<tr>
<td>2009</td>
<td>63</td>
<td>592</td>
<td>16,360,775</td>
<td>1,311</td>
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<td>2010</td>
<td>68</td>
<td>509</td>
<td>15,640,249</td>
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<td>582</td>
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<tr>
<td>2012</td>
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<td>498</td>
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</tr>
<tr>
<td>2013</td>
<td>81</td>
<td>95</td>
<td>29,025,920</td>
<td>1,816</td>
</tr>
</tbody>
</table>
| 2014 | 86                           | 1,039          | 34,041,769                          | 2,413                                         

“Safety is for the account of the shipping companies. Safety is not something you can buy. Safety is something that we have to deliver ourselves. Safety is something we have to deliver every single day on board the vessels. In order for all of NPP’s vessels – no matter ownership – to service the same customers, it is crucial that they constantly meet the same demands for quality and safely from the customers,” says Executive Vice President Lars Bagge Christensen.

**Tangible policies**

CEO Themis Papadopoulos, INC, says that NPP has successfully managed to create brand awareness in the market to translate its value into tangible policies.

“We want NPP to be considered a preferred partner for our business partners. We want to be considered a professional operator with a high level of safety and quality. I believe that when you combine this with a flexible, commercial approach to the market, it gives NPP the edge that it benefits from,” says Themis Papadopoulos.

**Dynamic relationship**

He says that it is sometimes hard to believe that INC and NORDEN have been doing business as NPP for 10 years and that they have come such a long way since the companies first started discussing the idea in 2004.

“When a collaboration begins – even with the best intentions from both sides – it is impossible to predict the outcome. In our case, there has been a strong correlation between the ethics and values of our 2 companies, which allows us to enjoy a strong and dynamic relationship. I believe that our collaboration through NPP has led to both companies improving their own operations, and combined with fleet growth, this has allowed NPP to grow and perform as one of the best among its peers. Without an exceptional collaboration between the 2 partners behind NPP, it would have been impossible for the pool to achieve the success that it has achieved,” says INC’s CEO, Themis Papadopoulos.

**Coverage**

The 2 companies also have a common stand on risk hedging.

“Coverage is made through contracts, primarily time charter contracts. Coverage caps earnings in very high markets. But – and that is the purpose of it – it helps maintaining reasonable earnings in poor markets. In the long run, that serves us best,” says Lars Bagge Christensen.

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![Chart showing fuel usage percentages](image)
It did not take long for Mogens Hugo to accept the challenge when he was encouraged to join NORDEN's Board of Directors and get elected as chairman in 1995. He has been the chairman of NORDEN since then, but due to the age limits in the Board of Directors, the 72-year-old chairman will retire at the annual general meeting on Thursday 23 April.

**3 things in particular attracted him:**

Firstly: 2 years as board member in the shipping company Motortramp, which owned 67% of NORDEN's shares, had given him a taste for shipping. Secondly: The challenging markets in the mid-90s suited him well as he has always been comfortable with challenges – because challenges can be handled if you have the will and the abilities. Thirdly: Shipping has always had a special status in Danish business life – it has to do with proud traditions, and NORDEN was also part of this status even though the fleet only counted 18 owned and chartered dry cargo and tanker vessels plus 5 tanker vessels in commercial management in 1995 and even though the revenue was only DKK 0.5 billion.

**It went as expected**

Mogens Hugo's conviction that NORDEN is able to make business and optimise earnings in both moderate, booming and challenging markets proved correct:

- At the turn of the year 2014/2015, NORDEN's fleet consisted of 242 vessels – 196 dry cargo vessels and 46 product tankers.
- Revenue has increased to DKK 13.2 billion.
- Total results for the years 1995-2014 amount to DKK 8.7 billion.
- Total dividends to the shareholders in 1995-2014 amount to DKK 4.9 billion.
- NORDEN's market value has increased by 2,161% to DKK 5.5 billion.

**Flexible business model**

As a prerequisite for NORDEN’s significant growth and positive development in general, Mogens Hugo points out the Company’s flexible business model based on a fleet of owned vessels, long-term chartered vessels with purchase option and vessels chartered for a shorter period of time.

The business model means that NORDEN can quickly expand the fleet when markets are going up – like at the beginning of the 00s – and it means that NORDEN can quickly reduce the fleet when markets are going down or even collapse as was the case after the break out of the financial crisis in 2008 when 60 chartered vessels were re-
delivered in only 3 months. In other words, the business model ensures that NORDEN is quickly able to benefit from an upturn and thus increase earnings and is able to limit losses just as quickly when markets are going down.

Generational change
Following his departure, there will be a generational change in the chairmanship as Vice Chairman, the 51-year-old Klaus Nyborg, is expected to take over the chairmanship if he is re-elected for the Board of Directors by the general meeting.

"When saying goodbye to NORDEN, it is also important to say that NORDEN throughout the years has been able to maintain its good reputation as a shipping company, which is rightly and very broadly respected and which large and important companies all over the world choose to do business with again and again," says Mogens Hugo.

Displeased with the poor markets
"I am sorry to leave NORDEN at a time when the markets are this poor, and earnings are looking the way they do. But NORDEN is a strong and well-run company. NORDEN has made and makes great efforts to adjust as many levers in our control as possible to operate the business as efficiently as possible and get the most out of the dreadful market conditions that we are experiencing right now," says Mogens Hugo.

Solid war chest
He is pleased that NORDEN’s Board of Directors in the booming years from 1999 to 2008 defied the analysts’ advice of increasing returns to the shareholders and instead put the money aside for the fluctuations and bad times, which have historically always characterised the markets.

"It is a strength for NORDEN that we have a solid war chest. It provides us with freedom of action. Even though we have drawn on our available cash, NORDEN is still one of the most financially solid shipping companies. Therefore, NORDEN will also get through the current crisis as a shipping company in shipshape both in terms of people and technically. Despite years of crisis, NORDEN has maintained its well-educated and well-motivated staff and has been able to continue the investment heavy technical renewal of the fleet," says Mogens Hugo.

Remarkable drive
He has high praise for the 2 men who have been CEOs at NORDEN during his time as chairman – first Steen Krabbe and then Carsten Mortensen, who resigned in June 2014 and will be replaced by Jan Rindbo in May.

"In addition to thinking and acting strategically, the 2 CEOs have managed to ensure that the Company today consists of people with a remarkably large drive combined with the ability of always getting something out of the fluctuations in the market, the so-called volatility," says Mogens Hugo and adds:

"Through all the years, the efforts of the Board of Directors, the Executive Management and the employees have been backed by the majority shareholder Motortramp, which currently owns 28% of the Company’s shares. Motortramp is a very loyal and long-term owner, which brings stability to NORDEN. The value of this cannot be overestimated."

Facebook
NORDEN is a worldwide company with almost 250 vessels sailing with grain, coal, cement, gasoline, fuel oil, jet fuel and a lot of other products that keep the economies going on all continents.

We would like to tell the world around us more about this, and therefore, NORDEN now has its own Facebook page.

“The page will only come to life with input and commitment from our followers. We hope it will show another side of NORDEN's daily life at sea and at the offices other than the more official side that we share on our website,” says the administrator of NORDEN’s Facebook page, Online Media Manager Karina Skydtt.

The objective is for the Facebook page to activate the users who are encouraged to post on our wall with texts or photos when they see a NORDEN vessel somewhere on the globe or perhaps have a good story from “the good old days at sea”.

“Also, we would like for people to comment on our posts. In short – we are interested in everything with a connection to NORDEN which may be of broad interest,” says Karina Skydt.

NORDEN’s own contribution to the page will be diverse in the form of presentations of our vessel types, lots of great photos from our vast archive, presentation of our offices around the world, facts and illustrations etc.

Facebook.com/dampskibsselskabetNORDEN
A Panamax newbuilding from the Oshima yard in Japan has a 20% lower fuel consumption and thus correspondingly lower CO₂ emissions. Together with its 4 sister vessels, it also has a cargo carrying capacity, which makes it easier for NORDEN to optimise existing contracts.

NORD PENGUIN is the first eco dry cargo vessel to be included in the part of the fleet wholly or partly owned by NORDEN. NORD PENGUIN is part of a joint venture, which is 50% owned by NORDEN. This will also be the case for the next vessel in the family – NORD BELUGA – while the last 3 vessels will be 100% NORDEN owned.

NORDEN categorises the 5 vessels as eco vessels as they meet the 2020 requirements from the International Maritime Organisation (IMO) under the UN with regard to CO₂ emissions, i.e. a reduction of 20% compared to a reference point from 2008.

20% lower CO₂ emissions means 2 things: Fuel consumption reduced by 20% and a better ratio between speed and fuel consumption. Together with its 4 sister vessels, NORD PENGUIN also has a cargo carrying capacity (deadweight), which makes it easier for NORDEN to optimise existing contracts.

The supplier of the vessels is the Japanese yard Oshima Shipbuilding, which NORDEN has had a close and professional partnership with throughout the years.

"With NORD PENGUIN, we can establish that the Oshima yard has once again been able to deliver exactly the vessel that we wanted – and paid for – i.e. a vessel which is at the very forefront with regard to what our charterers always focus on – speed/consumption and cargo carrying capacity. NORD PENGUIN has also proved that the series with the 5 sister vessels live up to NORDEN’s value of reliability. It is a vessel where everything works properly – and all the time," says Søren Westergaard.

NORDEN’s head of dry cargo, Executive Vice President Ejner Bonderup, is pleased that NORDEN, despite the challenging market...
Fully electronically controlled main engine

As the first dry cargo vessel in NORDEN’s fleet, NORD PENGUIN is equipped with a fully electronically controlled main engine, a MAN engine of the ME-C type. The same type of engine will be installed on the 4 sister vessels. On previous newbuildings to the dry cargo fleet, the main engine has only been semi-electronic.

“In a semi-electronic engine, it is only the injection of fuel, which is electronically controlled. In a fully electronic engine, the exhaust valves are also electronically controlled. The result is a more efficient utilisation of fuel and a better and cleaner combustion – and thus reduced CO₂ emissions,” says Senior Newbuilding Manager Alex Hjortnæs.

Other technical advantages of NORD PENGUIN (and later also the 4 sister vessels):

**Hull:** Hull lines have been refined as the so-called block coefficient has been improved. The less square and the more streamlined the vessel is, the smaller the block coefficient gets and the easier the vessel will slide through the water. And the easier the vessel slides through the water, the less fuel it consumes.

**Steel consumption:** Steel consumption has been reduced for the vessel to have a lower net weight and a better cargo carrying capacity (deadweight).

**Fins:** Fins have been installed in front of the propeller, which will make the water stream in front of the propeller rotate in the opposite way of the propeller. This increases the efficiency of the propeller and thus also the propulsion of the vessel.

Large order book

In 2014, NORDEN’s Dry Cargo Department took delivery of 4.5 eco Panamax vessels, all long-term chartered with purchase option.

In addition to the 4 not yet delivered eco Panamax vessels from the Oshima yard, the dry cargo order book counts 1 eco Capesize vessel, 5 eco Panamax vessels, which are all chartered with purchase option, 6.5 eco Supramax vessels, which are included in NORDEN’s owned fleet, and 5 eco Supramax vessels chartered with purchase option.

The eco advantage

Regarding the commercial advantage of the eco vessels really making their entry into NORDEN’s fleet as well these years, Vice President Thomas Kobbel says:

“Of course, the eco advantage is most visible when bunker prices are high as they have been for several years. They are currently low, but there is still an advantage even when bunker prices are low. So of course we should aim at having as fuel efficient vessels as possible. In the long term, it will always strengthen us commercially.”

Ordered with immediate employment

Immediately after delivery from the Oshima yard, NORD PENGUIN was employed. NORD PENGUIN’s hull is enhanced in order for it to sail in icy waters – just as NORD BELLUGA will also have an ice-enhanced hull.

It is Russia’s largest supplier of coal to the international market, Siberian Coal Energy Company, that has chartered the vessel, which will be loading coal in i.a. the Pacific port Vanino, which is an ice port, says Vice President Thomas Kobbel, head of NORDEN’s fleet of Panamax, Post-Panamax and Capesize vessels.
15 port calls every day

In 2014, a NORDEN/NPP vessel on spot voyage called a port 15 times a day – either to load or to discharge. For the dry cargo vessels with a total of 3,257 port calls, it happened 9 times a day – for the NPP product tankers with a total of 2,413 port calls, it happened 6 times a day.

In total, NORDEN’s/NPP’s vessels on spot voyages in 2014 accounted for 5,670 port calls. In 2013, the number was 5,219 or almost 9% lower.

With 495 port calls, the USA peaks the list of the dry cargo fleet’s port calls – especially grain, pellets and salt fills up the ships to and from the USA. Then follows China with 255 (divided between no less than 55 ports), Australia with 166, Brazil with 155 and Indonesia with 141 port calls.

For product tankers on spot voyages, the Top 5 list looks like this: Russia (275 port calls), the USA (245), the Netherlands (200), Spain (86) and Great Britain (85).

Here are the Top 10 lists of the most frequently called ports in 2014 of the dry cargo and product tanker fleet:

**DRY CARGO FLEET – SPOT**

<table>
<thead>
<tr>
<th>Port</th>
<th>Port calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orleans, USA</td>
<td>117</td>
</tr>
<tr>
<td>San Lorenzo/San Martin, Argentina</td>
<td>70</td>
</tr>
<tr>
<td>Caleta Patillos, Chile</td>
<td>46</td>
</tr>
<tr>
<td>Rotterdam, the Netherlands</td>
<td>41</td>
</tr>
<tr>
<td>Santos, Brazil</td>
<td>40</td>
</tr>
<tr>
<td>Houston, USA</td>
<td>40</td>
</tr>
<tr>
<td>Taboneo, Indonesia</td>
<td>35</td>
</tr>
<tr>
<td>Murmansk, Russia</td>
<td>35</td>
</tr>
<tr>
<td>Vancouver, Canada</td>
<td>31</td>
</tr>
<tr>
<td>Port Hedland, Australia</td>
<td>29</td>
</tr>
</tbody>
</table>

**PRODUCT TANKER FLEET/NPP – SPOT**

<table>
<thead>
<tr>
<th>Port</th>
<th>Port calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotterdam, the Netherlands</td>
<td>128</td>
</tr>
<tr>
<td>St. Petersburg, Russia</td>
<td>98</td>
</tr>
<tr>
<td>Singapore</td>
<td>64</td>
</tr>
<tr>
<td>Antwerpen, Belgium</td>
<td>64</td>
</tr>
<tr>
<td>Ust-Luga, Russia</td>
<td>54</td>
</tr>
<tr>
<td>Amsterdam, the Netherlands</td>
<td>47</td>
</tr>
<tr>
<td>Houston, USA</td>
<td>42</td>
</tr>
<tr>
<td>Malta</td>
<td>35</td>
</tr>
<tr>
<td>New York, USA</td>
<td>35</td>
</tr>
<tr>
<td>Tuapse, Russia</td>
<td>29</td>
</tr>
<tr>
<td>Primorsk, Russia</td>
<td>29</td>
</tr>
</tbody>
</table>

Strong business ethics are a prerequisite for keeping customers’, business partners’ and employees’ trust. Consequently, it can have dramatic consequences for a company’s reputation and bottom line if the company does not comply with global legislation against corruption.

“NORDEN has committed itself to actively battle corruption in the maritime industry. Corruption is an international problem and should be battled through international cooperation. Therefore, our effort against corruption is made in a close, formalised cooperation with other globally operating shipping companies and business partners. This international cooperation is followed up by a thorough effort internally in NORDEN where up to 1,000 employees on board the vessels and at the offices are trained to know how to act if they encounter the problem in their everyday activities,” says Interim CEO Klaus Nyborg.

The cooperation between the 44 companies and organisations – which in addition to shipping companies includes e.g. oil majors and some of the world’s largest mining companies – takes place in the Maritime Anti-Corruption Network (MACN), which NORDEN co-founded in 2011. NORDEN has been very active in the network right from the beginning – both as a member and as part of the network’s steering committee.

2 forms of corruption

There are 2 essentially different forms of corruption: Bribery and facilitation payments. NORDEN has a zero tolerance policy towards bribery.

Bribery is the acceptance, offering, solicitation or promise of benefits – in kind or monetary – in order to gain business advantages to which we would not otherwise be entitled. Bribery is illegal worldwide, and NORDEN is committed to complying with all relevant laws prohibiting bribery.

Facilitation payments are small payments, in cash or in kind, made for a service to which we have a legal right or other entitlement. An example is if a vessel is not allowed to leave a port after loading is completed despite the fact that all customs clearance documents have been
Cultural exchange in Japanese/Danish

You have to cherish good traditions, and one of the traditions during the year is the annual Japanese-Danish cultural exchange where NORDEN is hosting European-based representatives for Japanese yards, trading houses, tonnage owners etc. At this year’s cultural event, 13 Japanese guests participated. They met with leading employees from Dry Cargo and Tankers – first at a friendly but of course also competitive battle on the go-cart and bowling lanes and then at dinner and plenty of exchange of experience at NORDEN’s head office in Hellerup, far away from cluttered desks, glowing computer screens and ringing phones. In his speech, head of the Tanker Department, Executive Vice President Bagge Christensen, expressed his gratitude for the cooperation, which has always existed between the Japanese companies and NORDEN. It was the 6th time that the cultural exchange took place.

Anti-corruption training

Through the membership of Maritime Anti-Corruption Network, NORDEN is consequence-ly one of the initiators behind the development of a computer-based anti-corruption training programme which is to help the Company’s employees understand the essential parts of the international legislation against corruption. Just as important is the training programme’s practical component which presents the employees with typical everyday scenarios where facilitation payments are in focus.

"We wish to equip our employees to enable them to act as leaders in the battle against corruption. That is why we have prepared a training programme for high-risk employees such as captains and operators, which provides training on how to improve their negotiating power towards e.g. government officials who requires extra dollars, a few bottles of whisky or a carton of cigarettes. The purpose of training captains and operators is to help them stand their ground and counteract the use of facilitation payments," says Director Ulla E. Nielsen.

“NORDEN has committed itself to actively battle corruption in the maritime industry”

Interim CEO Klaus Nyborg

completed satisfactorily. In such case, the master of the vessel may be pressured to give cigarettes to a government official who threatens to otherwise delay the vessel’s departure. Since facilitation payments are a deeply rooted practice in some cultures, the phenomena is in a legal grey area at a global level where different interpretations of its legality exist, but in any case, facilitation payments are a great challenge for the shipping industry since it conflicts with good business ethics. NORDEN aims at reducing the use of facilitation payments although it is legal in cases where a captain or a crew member feels that his health and safety are threatened.

NORDEN calendar

17 April 2015
Naming and delivery of J/V (50% owned) 82,000 dwt. Panamax dry cargo vessel (NORD BELUGA) Oshima Shipbuilding Co. Ltd., Japan

21 April 2015 – 12 May 2015
Silent period until the publication of interim report for the first quarter 2015

23 April 2015 at 3:00 p.m.
Annual general meeting
Radisson Blu Falconer Hotel & Conference Center 9, Falkoner Allé DK-2000 Frederiksberg

12 May 2015
Interim report for the first quarter 2015

12 May – 14 May 2015
Road shows in connection with interim report for the first quarter 2015
The dry cargo market

In 2014, NORDEN’s results were heavily impacted by a severe downturn in the dry cargo market. Directly contrary to the expectations for gradual improvement in 2014, the dry cargo market severely worsened during the year. The tanker market was also disappointing during the first nine months, but did provide a strong end to the year in the fourth quarter, and the Tanker Department consequently generated the best operating profit in 6 years.

NORDEN’s EBITDA constituted a loss of USD 261 million, which was in line with the most recently announced expectations and significantly impacted by the provision for onerous contracts of USD 230 million made at the end of 2014. Results for the year, which were also negatively affected by so-called value adjustments on hedging instruments, amounted to USD -416 million.

EBITDA in Dry Cargo amounted to USD -294 million, whereas EBITDA in Tankers amounted to USD 44 million.

Outperformed the market

Both the Dry Cargo Department and the Tanker Department outperformed the market in 2014 as earnings in Dry Cargo were 2% above the 1-year T/C rates and 35% above the spot market, whereas the Tanker Department managed to outperform the 1-year T/C rates by 6%.

At the end of 2014, the market value of NORDEN’s owned vessels and the 14.5 newbuildings on order including vessels in joint ventures was estimated at USD 1,462 million. The market value is thus USD 58 million below carrying amounts and costs of the newbuilding programme.

Considerable improvement

“NORDEN launched a number of initiatives in 2014 and cleared up in old contracts, which affected results for the year significantly. In spite of a continued very difficult dry cargo market, the initiatives, along with a good start in Tankers, will ensure a significant improvement in NORDEN’s results for 2015,” says Interim CEO Klaus Nyborg.

For 2015, NORDEN expects a group EBIT of USD -40 to USD 40 million.

The tanker market

In the first quarter of 2014, the tanker market was affected by the historic cold weather in the USA, which led to increased consumption of domestically refined oil products as well as the warm winter in Europe, which reduced the demand for diesel imports. The second quarter was impacted by unusually high refinery maintenance – especially in the USA – which put rates under pressure, and a newly opened Saudi Arabian refinery which took longer than expected to increase production to full capacity. However, from the end of the third quarter, demand and thus rates increased significantly as oil prices dropped and as refineries in especially the USA and the Middle East reached full capacity. The price drop resulted in considerable increase in the arbitrage trading of the oil traders as well as stockpiling.
## NORDEN’s fleet: 242.5 vessels – 196.5 dry cargo vessels and 46 tanker vessels

### Dry Cargo:

#### Capesize
- **Total number of vessels**: 4
- **Owned vessels**: 3
- **Chartered vessels with purchase option**: 1
- **Other chartered vessels**: 0
- **Length**: 290 metres
- **Width**: 45 metres
- **Cargoes**: Iron ore and coal
- **Customers**: Steel works, mining companies and power plants
- **Areas of operation**: The whole world
- **Cargo carrying capacity**: 170,000-180,000 tons
- **Average age**: 5 years

#### Supramax
- **Total number of vessels**: 70.3
- **Owned vessels**: 4
- **Chartered vessels with purchase option**: 17
- **Other chartered vessels**: 49.3
- **Length**: 190-200 metres
- **Width**: 32 metres
- **Cargoes**: Iron ore, coal, grain, cement, sugar and fertiliser
- **Customers**: Steel works, mining companies, power companies, grain traders, trading houses, producers of cement, sugar and fertiliser
- **Areas of operation**: The whole world
- **Cargo carrying capacity**: 50,000-62,000 tons
- **Average age**: 5 years

#### Post-Panamax
- **Total number of vessels**: 8
- ** Owned vessels**: 4
- **Chartered vessels with purchase option**: 4
- **Other chartered vessels**: 0
- **Length**: 240-250 metres
- **Width**: 43 metres
- **Cargoes**: Iron ore and coal
- **Customers**: Steel works, mining companies and power plants
- **Areas of operation**: The whole world
- **Cargo carrying capacity**: 110,000-120,000 tons
- **Average age**: 3.9 years

#### Handysize
- **Total number of vessels**: 37.2
- **Owned vessels**: 12
- **Chartered vessels with purchase option**: 11
- **Other chartered vessels**: 14.2
- **Length**: 170-190 metres
- **Width**: 27-30 metres
- **Cargoes**: Iron ore, coal, grain, steel, cement, sugar and fertiliser
- **Customers**: Steel works, mining companies, power companies, grain traders, trading houses, producers of cement, sugar and fertiliser
- **Areas of operation**: The whole world
- **Cargo carrying capacity**: 28,000-38,000 tons
- **Average age**: 3.4 years

### Tankers:

#### MR
- **Total number of vessels**: 27
- **Owned vessels**: 8
- **Chartered vessels with purchase option**: 7
- **Other chartered vessels**: 12
- **Length**: 180-185 metres
- **Width**: 32 metres
- **Cargoes**: Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
- **Customers**: Oil majors and oil traders
- **Areas of operation**: The whole world
- **Average age**: 4.1 years

#### Handysize
- **Total number of vessels**: 19
- **Owned vessels**: 12
- **Chartered vessels with purchase option**: 0
- **Other chartered vessels**: 7
- **Length**: 175-185 metres
- **Width**: 27-31 metres
- **Cargoes**: Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
- **Customers**: Oil majors and oil traders
- **Areas of operation**: The whole world
- **Average age**: 6.3 years

### Number of vessels on order:

- **Total number of vessels on order**: 23
  - **Dry Cargo**: Capesize – 1 chartered vessel with purchase option
  - Panamax – 3.5 owned and 5 chartered vessels with purchase option
  - Supramax – 6.5 owned and 5 chartered vessels with purchase option

### Tankers:

- **Total number of vessels on order**: 8
  - **MR**: 2 owned vessels

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Notes:
- The NORDEN fleet list is at 31 December 2014
- The order book is at 27 March 2015
- Global fleet data/Dry Cargo: Clarkson’s – at 31 December 2014
composition, business acumen and activities, we have not been able to extract enough value from this market since we have not been physically present in the market,” says Ejner Bonderup, who has lived and worked with dry cargo in Melbourne previously in his career.

However, NORDEN is now physically present in Australia with the establishment of a new office in Melbourne, which is manned by General Manager Christian Hornum and Assistant Chartering Manager Mads Simonsen, NORDEN Melbourne, Freight Manager Steve Carra, Olam International Limited, and Shipbroker Rahul Khanna, Affinity Shipbrokers Melbourne.

“To travel down under to such a remarkable country appeals to just about everyone – including companies like NORDEN,” said Executive Vice President Ejner Bonderup before he raised his glass and expressed his thanks for the warm welcome.

 HOUSEWARMING IN MELBOURNE  

NORDEN's new office in Melbourne in Australia received a warm welcome at the housewarming on 5 March where more than 60 business partners arrived to say hello, taste the food, have a glass and exchange experiences from today's world of shipping. The atmosphere was great.

As the head of NORDEN's Dry Cargo Department Ejner Bonderup mentioned in his speech, NORDEN has done business in Australia for many years via the office in Singapore.

“We know that the enormous and versatile Australian dry cargo market holds great potential for us. But despite our versatile fleet