Next stop: Chile

After the summer holiday, NORDEN will open its 7th overseas dry cargo office. This is to boost business on the west coast of South America.

Pages 4, 5, 6, 7, 8 and 9

NORDEN’s new man on the bridge

Pages 10, 11 and 12

Coordinated hull cleaning

Page 13

Tanker fleet well-positioned for the upswing

Pages 16 and 17
Close to the customers

On 30 April, I became the CEO of NORDEN and take pride in now being part of this shipping company whose vision is to be the preferred partner in tramp shipping. It is an ambitious vision that places heavy demands on the organisation’s flexibility, reliability and empathy. However, it is a vision that NORDEN has all the conditions for achieving.

The key to success is proximity to customers as well as understanding their needs and being prepared to fulfil them. NORDEN is therefore expanding its global reach and plans to open the doors of its 7th overseas office in August.

Our office in Rio de Janeiro in Brazil has given NORDEN a strong presence on the South American continent since 2003, and, as such, enabled us to follow the continent’s constant growth and thus its increasing business potential. To take advantage of this potential we are now ramping up our engagement and customer focus on the continent by opening an office in Santiago, Chile, where some of South America’s largest and most important dry cargo customers are located. On pages 4-9 you can read more about the background to and particularly the perspectives for the new office.

Close customer contact also applies in reverse – when NORDEN is a customer for others. This happens, for example, when we hire a company to clean our ship hulls, thus improving our vessels’ hydrodynamic performance and reducing fuel consumption and thereby CO₂ emissions. For several years, NORDEN has focused on bringing down fuel consumption, and the Company’s Fuel Efficiency Team has analysed and identified the suppliers who are best at cleaning our ship hulls. You can read more about this initiative on page 13.

This systematic approach to optimisation is deeply rooted in NORDEN’s organisation and contributes not only to better results but also to better economy. We spend money prudently and will continue keeping a keen eye on costs so we can attain our goal of reducing voyage-related costs by USD 20 million annually within the next 3 years.

For although the tanker market is experiencing its 8th strong month, and our fleet of modern tankers is well-positioned to benefit from this development (see pages 16 and 17), we see no reason to rein in our level of ambition. On the contrary. Our business model of operating ships in both the tanker and the dry cargo markets gives us opportunities even during a time of stagnancy in the dry cargo market. And we intend to seize every opportunity we can, whether by making attractive ship sales and purchases or utilising our flexibility and ability to effect swift commercial decisions in a fluctuating market.

NORDEN has got off to a good start in 2015, and I am looking forward to many great years as CEO of this proud shipping company with its unique blend of heritage, history and modern shipping practice.

I wish you good reading and a pleasant summer.

Jan Rindbo, CEO
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Next stop: Chile

The soon-to-open new dry cargo office in Chile’s capital city Santiago will be NORDEN’s 7th overseas office. The office is a link in NORDEN’s strategy to be close to the customers and to have a strong local focus and consequently the best possible knowledge of the markets and customer needs.

Regional dry cargo markets go up, and regional dry cargo markets go down. At the moment, the world’s largest dry cargo market – the Chinese – is deflating, as China’s import of coal in particular is dropping dramatically. But compared to the market where 80% of dry cargo commodities are imported by the East, NORDEN’s dry cargo business has a more even geographical spread. In line with this strategy, NORDEN is now opening a dry cargo office in Chile – NORDEN’s 7th overseas office.

The target of this latest business-related undertaking is clearly defined: The office in Chile will extend the business with NORDEN’s existing customers on the South American west coast while also reaching out to new customers and pursuing new types of business.

And there is business to be made as one of the largest concentrations of dry cargo customers is located in Santiago.

At the very forefront

The new office will be opened after the summer vacation and will be based on the same model as the most recently added overseas office in Melbourne which was launched in the beginning of 2015. In other words, the Dry Cargo Department will push some of its talented people further into the market – to the very forefront – in order for the customers, existing as well as new ones, to know that NORDEN is there to cater for them and offer its best service.

“NORDEN provides a solid and competitively priced service, which we wish to offer our customers on the South American west coast to an even higher extent. The quality of this service is best if it is rooted in the local environment,” says Executive Vice President and head of the Dry Cargo Department, Ejner Bonderup.

As General Manager, Michael Warming from NORDEN’s head office in Hellerup (read his interview on pages 8-9) will head the new dry cargo office in Chile. He will be partnering up with Chartering Manager Morten Vesty, who will transfer to Santiago from NORDEN’s office in Rio de Janeiro in Brazil.

Extensive research

As usual before the opening of a new overseas office, NORDEN has also extensively researched the markets on the South American west coast – first and foremost the markets in Chile and Peru, but also the markets in Colombia and Ecuador.

“We have looked at all figures and trade patterns – trades – which are relevant for us based on both our present activities and the activities we hope to have in the future. The conclusion is very clear: This new initiative contains great potential for NORDEN. Or in other words: It makes good business sense to establish an office in Chile. We are already doing a lot of business with customers on the South American market as a whole, but we will gain new business advantages if we move even further out into the corners of this gigantic market both in terms of geography and volumes,” says Ejner Bonderup.

Intend to make a difference

He stresses that the launch of the office in Chile is not just a matter of pinning another location on the world map.

“Instead, the opening of the office is a matter of extending and sharpening NORDEN’s regional focus and about obtaining the highest possible level of closeness with the customers in the markets where we are able to make a difference. We must go where the customers are. We must understand what is important to our cus-
"Opening an office in Santiago is a natural extension of the good work we have been doing from the office in Rio de Janeiro”

Executive Vice President and head of the Dry Cargo Department, Ejner Bonderup

Customers and be their daily sparring partner – without delay, i.e. in the same time zone. There is plenty of room for NORDEN on the South American west coast, and we intend to make a difference here,” says Ejner Bonderup.

Important markets for NORDEN

The dry cargo markets in Chile, Peru, Ecuador and Colombia are important for NORDEN, especially for the smaller vessel types, Handysize and Supramax.

“The South American market already takes up a lot of space in our cargo book when it comes to both the spot market and the long-term contracts. Still, we are convinced that we can increase our activities in South America in general. We have provided our services to this continent from our office in Rio de Janeiro for the past 10 years, and we have done it really well. Our team in Rio de Janeiro has been capable of spreading the NORDEN name across the continent and imprinting our name in the minds of a lot of customers. It has been a successful phase 1. Opening an office in Santiago is a natural extension of the good work we have been doing from the office in Rio de Janeiro. Now we will put down new roots in the west. It will be a very interesting process. I am sure that new customers, projects and trades for us to consider will emerge in the time ahead,” says Ejner Bonderup.

The most important dry cargo commodities

These are the most important dry cargo commodities that leave and enter the ports on the South American west coast:

- Chile imports coal, grain, cement and steel plates and exports road salt, fertiliser, copper, iron ore and wood pellets
- Peru imports grain and steel and exports copper
- Ecuador imports cement and gypsum and exports fertiliser
- Colombia imports grain, slag and fertiliser and exports coal, coke, cement and clinker

NORDEN transports most of these cargoes to and from the 4 countries on the west coast in South America, and not least road salt exports from Chile take up a lot of space in the cargo holds on board NORDEN’s dry cargo vessels. NORDEN transports large volumes of salt to the road system in the USA under a 20-year contract. And it became a media event in Denmark when a NORDEN vessel called at Kalundborg in January 2011 with 49,000 tonnes of salt from Chile to the icy Danish roads in dire need of salt. The salt corresponded to 1,630 truckloads.

Professional service

“We are aware that the dry cargo market in many ways has become ‘commoditised’ – i.e. that the price of transport is often a decisive factor when the customer selects a carrier, whereas the special service that a shipping company offers, receives lower priority. Price will always be important, but for NORDEN, it is also an important sales parameter that we provide our customers with professional service building on our values of reliability and flexibility and on our knowledge of the markets and consequently our customers’ needs. For that reason, it is important to be close to the markets – and consequently, we have well-placed overseas offices around the world. They enable us to sound out the local situation and gather information which makes up a vital part of our overall assessment of the global dry cargo market,” says Executive Vice President and Head of the Dry Cargo Department, Ejner Bonderup.

The number of new dry cargo customers in NORDEN has increased in recent years. In 2014, NORDEN’s dry cargo business gained 150 new customers. In 2013, the number of new customers was 130, whereas 75 new customers entered the dry cargo business in 2012.

Read more on the following pages
Peru

- Democratic republic
- Population: **30.3 million**
- Capital: **Lima - 9.8 million inhabitants**
- Gross domestic product (2013): **USD 202 billion** (per capita: USD 6,270)
- Expected growth in 2015: **4.8%**
- Independent in 1821 after being under Spanish rule since 1542

Peru is one of the fastest growing economies in the region and is expected to keep this status medium-term. The country – approximately the size of France – imports large volumes of grain and steel, while being a major exporter of raw materials such as coal, iron ore, silver, tin, sulphur, zinc and last, but not least, copper. Peru is the world’s second largest manufacturer of silver and the second largest manufacturer and exporter of copper, just as the country has the second largest reserves of copper in the world. With its comprehensive mining industry, Peru has been capable of attracting the world’s largest mining companies, and their investments in the country are calculated at approximately USD 70 billion. The mining industry thus accounts for 13% of the foreign investments in the country, and exports of raw materials constitute 60% of Peru’s total overseas shipments. This year, the country’s economy is expected to grow by 4.8%. Further improvements are expected in the coming years with expected growth in 2016 and 2017 of 5.5% and 5.9%, respectively. Since investments have been driven by the private sector in recent years, the country’s focus is to be an attractive place for doing business.

Sources: The World Bank, U.S. Energy Information Administration and CIA World Factbook

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Chile

- Democratic republic
- Population: **17.6 million**
- Capital: **Santiago - 7.2 million inhabitants**
- Gross domestic product (2013): **USD 277 billion** (per capita: USD 15,230)
- Expected growth in 2015: **2.9%**
- Independent in 1810 after being under Spanish rule since 1541

Chile – 4,270 km from north to south – is the world’s largest manufacturer and exporter of copper, which is a key factor in the country’s economy. Chile is also a major exporter of salt, fertiliser, iron ore and wood pellets. On the other hand, the country imports grain, cement, steel plates and last, but not least, coal. Chile’s own production of fossil fuel is minimal. Just as Chile has to import large volumes of crude oil and refined oil products – in 2013, it amounted to 300,000 barrels per day – the country must also go abroad to cover its coal consumption. 97% of the country’s rapidly increasing coal consumption – 11.5 million tonnes in 2012 – is covered by imports. During the past decade, Chile has been one of the fastest growing economies in Latin America with growth rates in 2011 and 2012 of 5.8% and 5.5% respectively. But the international crisis also hit Chile in 2013 when the mining sector was affected by fewer investments and a drop in copper prices. This meant that growth in 2014 was reduced to 1.7%. However, the situation is now improving again, and growth is expected to reach 2.9% this year and then to increase in 2016 and 2017 by 3.8% and 4.2%, respectively.

Sources: The World Bank, U.S. Energy Information Administration and CIA World Factbook
Colombia

- Democratic republic
- Population: **48.3 million**
- Capital: **Bogotá - 6.8 million inhabitants**
- Gross domestic product (2013): **USD 378 billion** (per capita: USD 7,590)
- Expected growth in 2015: **4.4%**
- Independent in 1810 after being under Spanish rule since 1499

With 76 million tonnes, Colombia became the world’s fifth-largest coal exporter in 2013 – only surpassed by Indonesia, Australia, Russia and the USA. For the past years, the country has experienced a dramatic increase in the production of both coal, coke and cement/clinker, but also of oil and natural gas – Peru is self-sufficient in natural gas and has started to export natural gas to its neighbouring country Venezuela. The completion of a number of reforms in the country has first and foremost led to increased search for new oil deposits. Oil production really started growing in 2008. The majority of Colombia’s oil is exported to the USA. Raw material imports include grain, slag and fertiliser. The positive political and economic development in the country is also a result of peace negotiations between the government and FARC as well as other guerilla groups, who have been at war with each other for more than 50 years. But the fighting parties are now negotiating to make peace. A peace agreement is expected to single-handedly boost the country’s continued economic development. If the situation develops as expected, Colombia will have economic growth of 4.4% this year, whereas growth will decrease somewhat in both 2016 and 2017 to 4.3%.

*Sources: The World Bank, U.S. Energy Information Administration and CIA World Factbook*

Ecuador

- Democratic republic
- Population: **15.8 million**
- Capital: **Quito - 1.5 million inhabitants**
- Gross domestic product (2013): **USD 94 billion** (per capita: USD 5,760)
- Expected growth in 2015: **3.8%**
- Independent in 1822 after being under Spanish rule since 1532

Ecuador exports large volumes of fertiliser. The most important export product, however, is crude oil to which can be added bananas, flowers, shrimps, cocoa, coffee, wood and fish. In January this year, Ecuador’s known oil reserves were estimated at 8.8 billion barrels, an increase of 7% compared to the same month in 2014. This means that the country has the third largest oil reserves in South America – surpassed by Venezuela and Brazil. Most of Ecuador’s oil reserves are located underneath the Amazon rain forest. The oil sector accounts for more than half of Ecuador’s export earnings and approximately two fifths of public revenues. 79% of the country’s energy consumption is based on oil. Due to lacking refinery capacity, Ecuador is not able to cover its own consumption of refined oil products, which are consequently imported in large quantities. Ecuador also imports large volumes of cement and gypsum. Ecuador has experienced declining growth in recent years, and this year, the country expects growth of 3.8% against 4.5% and 4% in 2013 and 2014 respectively. However, boosted by a number of structural reforms, the economy should turn for the better, and growth is expected to reach 4.3% in 2016 and 5% in 2015.

*Sources: The World Bank, U.S. Energy Information Administration and CIA World Factbook*
Michael Warming started his career in NORDEN as a shipping trainee. With a base in the Chilean capital city Santiago, he now sets out to service NORDEN’s existing customers as well as cultivate new customers and thereby new business on the South American west coast. He is looking forward to it.

The first time Chartering Manager Michael Warming was an expat for NORDEN, it was in Singapore. This time, he will be moving in the completely opposite direction – to Chile, where he will be heading the Company’s 7th overseas office in the capital city Santiago with a General Manager title.

“I will be responsible for our current customers and brokers primarily in Chile and Peru, but also in Ecuador and Colombia. In other words, I am to ensure that they get the best possible service – and that they receive exactly the offer that matches their transport needs both in terms of logistics and practical issues in general, but also in terms of price. At the same time, I am to map out new potential customers and projects which could be of interest to NORDEN. It will, in other words, be my task to develop our presence and business on the South American west coast, and I will be doing so in close cooperation with the head office in Hellerup and our overseas offices in Annapolis in the USA and Rio de Janeiro in Brazil,” says Michael Warming.

He is 27 years old and came to NORDEN as a shipping trainee in August 2008. After his graduation in 2010 followed 2 years as Assistant Chartering Manager at NORDEN’s office in Singapore – NORDEN’s second home. Since August 2012, he has held a position as Chartering Manager at the head office where he has most recently been part of the department for gearless dry cargo tonnage – i.e. Panamax, Post-Panamax and Capesize.

“Openness is the key to doing business in South America. You have to be willing to learn from them and to adapt to their needs and expectations. It takes a lot of work to build a good relationship with the customers in South America, to earn their trust and then do business with them,” says Michael Warming.

Michael Warming: “All in all, I look forward to meeting the Chilean culture and to learning from it.”

He considers his new job in Chile an exciting and unique challenge. “I will be working in a market that I have never worked in before. On top of that, I will be handling all of the practical and administrative task that are related to opening a new office. But I look forward to it. It is only positive to meet new challenges,” says Michael Warming.
Cultural differences
The largest challenge will be the cultural difference related to doing business, he predicts.

“From my time in Singapore, I know how important it is to understand that we are all different, and that nationalities in different countries naturally have their own ways of doing things. I will move to a new country, and it will be my job to adapt to the Chilean culture – the Chilean culture should not have to adapt to me. But I move to Chile with an open mind and I look forward to getting acquainted with the way of doing business and the way of life in Chile. All in all, I look forward to meeting the Chilean culture and to learning from it,” says Michael Warming.

Know customers and brokers
As an important part of his preparations for the new job as head of NORDEN’s office in Chile, Michael Warming travelled to Santiago in April. Along with General Manager Rasmus Salttofte and Assistant Chartering Manager Morten Vesth from NORDEN’s office in Rio de Janeiro (who has previously handled NORDEN’s business in all of South America), he met most of NORDEN’s customers and brokers who are involved in the Company’s business on the South American west coast.

“In addition, I have followed NORDEN’s activities on the west coast for a long time, and I consequently know exactly which kind of business our various customers do. I am also taking Spanish lessons. It is not crucial to be able to speak Spanish since the global shipping language is English, but it always creates a little extra goodwill when you speak the language of the country you are in. Another advantage is that you are much more able to follow what is going on in the country – what they talk about on television and write about in newspapers etc. – when you speak the country’s language,” says Michael Warming, who gets Chartering Manager Morten Vesth from the office in Rio de Janeiro as his colleague in Chile.

Patience is necessary
According to Michael Warming, a shipping company must be both patient and flexible and at the same time fully understand its customers to be able to do business in South America.

“It takes a lot of work to build a good relationship with the customers in South America, to earn their trust and then do business with them. A large part of the South American customers are industrial customers – everything from coal-fired power stations to chicken farms and salt mines. It is a prerequisite to fully understand their business and know why they act as they do. When you understand their business, you are able to provide them with the best possible service – and preferably a better service than the competitors are able to offer. Relatively few shipping companies are located on the west coast market in South America. This is partly because the market is very complex due to its trade patterns and partly because the market is rather isolated due to its geographical location. As a consequence, the west coast market is very volatile with fluctuating rates. The low number of competitors is an advantage as a starting point. However, the complexity and volatility in the market is a great challenge, if you do not know how to approach it. It is easy to get your fingers burnt on the South American west coast,” says Michael Warming.

Simple success criterion
His personal success criterion as head of the office in Chile is quite simple:

“It is to develop lots of exciting business and thereby make the office in Chile a load-bearing part of NORDEN’s organisation.”

Santiago is the financial, political and cultural epicentre
Santiago is Chile’s financial, political and cultural epicentre. Many multinational companies have regional head offices here and it is where the world’s largest concentration of dry cargo customers can be found. The city was founded in 1541 and was consequently also the capital of Chile, when the country was a Spanish colony. Constant economic growth during recent decades has transformed the city into a modern capital with several large universities and a modern infrastructure, including a comprehensive underground system. The inner city is characterised by neo-classical buildings from the 19th century and winding side streets with art deco and neo-gothic buildings. The townscape is influenced by the river Mapocho. The spectacular backdrop is provided by the Andes. Around Santiago lie many of the vineyards which also contribute considerably to the country’s export earnings.
NORDEN aims to be an outstanding shipping company in a class of its own

With a top-notch, highly dedicated organisation committed to combining cargoes as efficiently as possible across the world’s oceans, NORDEN has every possibility of achieving its ambition to be an outstanding shipping company in a class of its own, says NORDEN’s new CEO.

Jan Rindbo has set a clearly defined goal as he takes up his new position as NORDEN’s new CEO. He wants to inspire and motivate the employees in its ongoing development as an outstanding shipping company in a class of its own. In other words, a NORDEN that offers clients the most competitive service, is best in class in the dry cargo and product tanker segments, gives employees pride in their work, boosts Denmark’s strong standing in the international shipping community and minimises the environmental impact of its fleet.

“The means to this end is a top-notch, highly dedicated organisation committed to combining cargoes as efficiently as possible across the world’s oceans. Having an organisation like this will make a definite difference in the shipping industry and make NORDEN an ideal choice for customers, employees and other international stakeholders,” says Jan Rindbo.

He stresses that NORDEN boasts a proud history coupled with a modern shipping approach, and that all in all over the past 15-20 years, NORDEN has recorded excellent results and growth.

Jan Rindbo assumed his new position on 30 April, replacing Carsten Mortensen, who, after 17 years with NORDEN, 9 of them as CEO, was appointed Group CEO for the Norway-/Singapore-based shipping enterprise BW Group in June 2014.

Historically poor dry cargo freight rates
This change of leadership at NORDEN is occurring during an 8th stagnant year for the dry cargo market, which recorded historically poor freight rates at the beginning of 2015.

“Overall, our earnings – and thus our bottom line – have taken a hard hit. Our cost-cutting programme – a challenging but also exciting initiative – focuses on vessel operating costs as well as voyage-related costs such as port fees, towage costs, etc. Although our programme is well underway, we are still quite a way from achieving our ambitious goal of saving USD 20 million annually over the next 3 years. It is important to maintain our momentum as regards this initiative, its being a key to ensuring that NORDEN retains its competitive edge,” says Jan Rindbo.

Swift commercial decisions
NORDEN cannot change the market, but we can improve the way we run our business and thus how we operate in the market.

“We rarely have much time to think when it comes to cargoes in the spot market, so we have to be able to make swift commercial decisions. It is my impression that NORDEN masters this pretty well. It has also become distinctly harder to find reasonably priced cargo contracts, which makes maintaining a sensible level of coverage a
challenge. Furthermore, the counterparty risk has risen, so we have to turn a sharper focus on credit rating and collecting receivables," says Jan Rindbo.

Focus on 3 areas
According to Jan Rindbo, NORDEN must focus on 3 areas in order to get the best out of the difficult dry cargo market.

First, NORDEN must give its customers the best service in the industry and live out its vision to be their preferred partner. With excellent access to customers – and thus cargoes – NORDEN can streamline its routes and trading patterns, thus optimising earnings.

Next, NORDEN must leverage its competencies in the spot market to make maximum use of its core fleet and cargo order book. The Company must at all times consider whether NORDEN can create the most value in the spot market by chartering vessels for single voyages or by making use of period charters.

Finally, NORDEN must use its business acumen to generate the best possible value from its investment capacity.

Among the best names in the industry
One of NORDEN’s assets is its reputation, which ranks among the best in the industry and stems, Jan Rindbo believes, from the Company’s unique combination of history and values with modern shipping as well as a highly professional organisation with a solid financial foundation.

“Our good name and financial standing give us access to long-term cargo and tonnage contracts as well as opportunities for buying and selling vessels. This gives us a full range of tools for creating value in the long run,” says Jan Rindbo.

Another of NORDEN’s strengths is its 2 segments – Dry Cargo and Product Tanker.

“This gives us some room to manoeuvre if 1 segment is hit by overcapacity, as is currently the case with Dry Cargo. With 2 business arms, we can continuously assess our investment allocation between the 2 segments and thus secure the best returns for the company,” explains Jan Rindbo.

Should not chase the good markets
Should NORDEN turn down its dry cargo exposure and instead increase its exposure to the product tanker market?

“That might make good sense in the short term, but not necessarily in a longer perspective. We must beware of chasing the good markets, because we should preferably invest in cheap tonnage before an upswing, rather than buy at high prices during the upturn. We must think counter-cyclically about long-term investments. Right now, shorter-term tanker exposure might offer good prospects, but in the long term dry cargo exposure at historically low prices might be an interesting option,” Jan Rindbo says.

Must be best in class
What does NORDEN need to do to continue making the most out of the upturn in the product tanker market?

“Essentially it is very simple – we must ensure that Norient Product Pool operates as best in class and thus delivers the best earnings in the industry. We must adopt a commercial approach to coverage and continually weigh up the risks and rewards against the spot market,” says Jan Rindbo.

Closer to customers
The new CEO foresees various opportunities for NORDEN in the years to come.

“For example, we can further develop our customer relations and get even closer to our customers. This year’s opening of dry cargo offices in Australia and Chile is a keystone in our efforts to realise our vision of being customers’ preferred partner and thus gain good access to global cargoes. More offices in areas where NORDEN is not represented today might also be interesting in the long term,” says Jan Rindbo.

In addition, he also believes a more opportunistic approach to buying and selling tonnage, both newbuildings and used vessels, would open up additional possibilities.
Why did you choose NORDEN above others as your next workplace?

“NORDEN is one of the biggest names in international shipping, and I am very proud to have the chance to be involved in building the Company’s position over the next few years as it heads towards its 150th anniversary in 2021. I share NORDEN’s values and have great respect for the Company’s long history and our ambitions in today’s shipping world. I have always considered NORDEN’s employees as highly competent shipping people whom I look forward to working with. After many years abroad, I relish the prospect of a top-level job in a Danish shipping company and to contributing through that work to the Danish shipping industry. I started out as a shipping trainee in Copenhagen, and now feel that I have come full circle,” says Jan Rindbo.

What are your main management tools?

“I have 5:

Customer focus: We must maintain a strong customer focus throughout the organisation to ensure the best access to cargoes and thus the best possible commercial flexibility, which equates with higher earnings.

Value creation: We must exploit those areas that make NORDEN unique, for this is how we gain a strategic advantage over our competitors. We must focus on what we do best.

Leadership: Management must think and work as a team – everyone must work together towards a common goal. Management is a discipline – and we must continuously strengthen our management competencies.

Organisation: We must combat complexity and simplify our structure to create a dynamic organisation capable of making swift decisions and executing them effectively.

Asset management: We must manage our assets actively; in other words, optimise the value of our core fleet through sales and purchases and long-term charters, and we must have tight cost-management measures in place for the core fleet so we can retain our competitive edge in the long term.”
The cleaner a ship’s hull, the more easily the vessel will glide through the water and the less fuel it will consume. Hull cleaning and propeller polishing are therefore a focus area for NORDEN’s Fuel Efficiency Team, which in its 2-year existence has expressly worked to limit the vessels’ fuel consumption.

Despite the sharp fall in oil prices in the second half of 2014, fuel continues to be the largest single cost incurred by ships at sea. In 2014, NORDEN spent a total of USD 581 million on fuel, or bunkers, as shipping fuel is called. This is why NORDEN has been intensifying its efforts to improve the fuel efficiency of its fleet for several years. One method has been to acquire increasingly fuel-efficient ships – “eco-ships” – to renew the fleet. Optimising the existing fleet is another approach, which is where hull cleaning and propeller polishing come in.

Dramatic increase in fuel consumption

The biggest problem is hull fouling, which can easily send a ship’s fuel consumption soaring. The mussels, sea grass and other organisms that can encrust a ship after just a few weeks anchored at a tropical port can increase the ship’s fuel consumption by 25% or 50%. Indeed, at worst, fuel consumption can double – or even more.

“In this reason, we maintain a constant focus on cleaning, hull cleaning in particular. We want to ensure that ships are cleaned when it makes sense – obviously the savings must be reasonably proportionate to the cleaning expense. And we want to be sure that qualified companies do the cleaning,” says Peter Sinding, Head of the Fuel Efficiency Team and a marine civil engineer.

World list
For the use of the Dry Cargo and Tanker operation departments, the Fuel Efficiency Team has compiled a list of 46 companies that offer hull cleaning and/or propeller polishing services in 236 locations worldwide.

“NORDEN aims to be at the technological forefront when selecting suppliers. The biggest challenge when cleaning fouling off a ship’s hull is to remove the deposits without damaging the anti-fouling paint more than absolutely necessary. As in all other industries, some companies do the job better than others,” says Peter Sinding.

The list of 46 companies offering hull cleaning and/or propeller polishing services has been registered in the MOEPS shipping system, so operations departments and ships can easily find the supplier nearest a ship’s current position at any given time.

Setting hopes on better paint
“…in the even longer term, our ambition is to minimise or completely eliminate the need to clean the hulls of the ships we own. The key is to use paint that even more effectively prevents fouling from accumulating on ship hulls – regardless of temperature conditions and thus the fouling risk a ship is in,” says Peter Sinding.
A new face, a new generation - a new chairman

“NORDEN must be a company that gradually evolves and adapts to changing times and market conditions. China, in particular, seems to have downgraded, resulting in a lowered demand on the world's most important dry cargo market,” says NORDEN's new Chairman of the Board of Directors, Klaus Nyborg.

“NORDEN is a company that does not traditionally go to extremes or sail too close to the wind. Granted, we are competitive, want to win and have a winner's instinct, but with markets as uncertain as the current shipping market, we must never gamble if the stakes are too high. That would serve neither the company's interests nor those of our shareholders. We must take chances – that is the nature of shipping – but we must not overdo it.”

These words come from NORDEN's new Chairman, Klaus Nyborg, who replaced Mogens Hugo at the general meeting on 23 April. After 20 years in office, Mogens Hugo resigned from the Board of Directors at 72, having reached retirement age under the terms of the Company's Articles of Association.

Klaus Nyborg is 51, and his appointment as chairman signals a generational change for the chairmanship of NORDEN's Board. His background includes a position as CEO of the Hong Kong-based dry bulk shipping company Pacific Basin, where he worked before joining NORDEN's Board of Directors in 2012 and becoming vice chairman the following year. While NORDEN waited for the new CEO, Jan Rindbo, to take over from Carsten Mortensen on 30 April, Klaus Nyborg was interim CEO for 10 months in 2014 and 2015.

According to Klaus Nyborg, NORDEN has developed significantly on all fronts over the past decade or so. The fleet has grown, the payroll has increased, new overseas offices have opened, and the business model has changed, so that NORDEN is no longer a traditional shipping business but a modern shipping company operating a mix of owned vessels and an even larger number of chartered vessels, with and without purchase option.

The same values
“Our set of values is probably the only thing that has not been overhauled. We live by the motto ‘Our word is our bond’ – we stand by our actions and decisions. We must inspire trust in everything we do. That is why I can easily identify with the company. It is also a company where employees and Board of Directors want the best for the business and where everyone is proud of their company – everyone pulls together. All this makes my job as new chairman easier – despite the tough market conditions,” says Klaus Nyborg.

In his view, the shipping crisis and the incredibly harsh market conditions have brought everyone at NORDEN closer together. This is also reflected in the numerous concrete initiatives NORDEN has implemented over the past year to counter some of the consequences of the crisis. These initiatives include savings of USD 20 million, whose full effect will be felt in 3 years’ time, the reorganisation of Dry Cargo, ship sales, etc.

“NORDEN is a company that probably needed a little shake-up after thriving for so many years. Our performance in 2014 was certainly nothing to be proud of. However, we can be proud that we tackled some key issues in time,” says Klaus Nyborg.

Must make sense and generate earnings
The new chairman of the Board of Directors expects NORDEN to carry on growing and developing provided this makes sense and, above all, generates earnings.

“My guess is that NORDEN will grow primarily organically, and that the Company will constantly develop through sound business sense and by doing everything one notch better than our competitors. This must be possible for an organisation that has so talented a group of people, a modern fleet and good capital resources,” he says.

No palace revolutions
How will we feel the effects of your holding the chairmanship?

“With Jan Rindbo as new CEO and myself as chairman, we will see some major changes immediately. That said, in no way do I envisage any palace revolutions. NORDEN must be a company that gradually
Chairman of the Board, Klaus Nyborg: “My father often said that management is more interesting in challenging times, and the times we are living in are indeed difficult and, thus, challenging. I completely agree with my father, and, therefore, find the job that I will now be doing with the rest of the Board of Directors extremely interesting.”

evolves and adapts to changing times and market conditions. China, in particular, seems to have downgeared, resulting in a lowered demand on the world’s most important dry cargo market as a result. I come from a shipping company in Hong Kong where we were accustomed to buying and selling ships and had proven ability in exploiting the cyclical nature of the market. And with Jan Rindbo coming from the same background, we will be operating frequently in the purchase and sales market whenever opportunities arise. Naturally, this is easier said than done, but the inherent values of a fleet can often fluctuate by 25% in the course of a year, and that opens up some obvious opportunities,” says Klaus Nyborg.

The best employees
NORDEN must also be a company that, despite having old-fashioned virtues and values, does not seem old-fashioned but moves with the times. According to the new chairman, one must remember that working in shipping is an around-the-clock job. This puts huge demands on employees and means NORDEN must be able to offer challenging and exciting work for everyone. And not least a good workplace with a good environment and space for both fun and strong teamwork. Solo performances do not cut it here. NORDEN’s success depends on the hard work of many people. Everyone from the engine room to the bridge plays a part. A global NORDEN team is the key to success.

“I have been pleasantly surprised at our ability to keep the flag flying despite this lengthy exercise in low freight rates, which naturally puts a damper on our spirits when we so unequivocally want to earn money. Nonetheless, I feel morale has been high throughout this period, and that bodes well for the future,” says Klaus Nyborg.

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“The best employees
NORDEN must be able to attract and retain the best employees at all times – read: those with the best eye for business, because that will give NORDEN a sharper edge in the products we deliver to our customers. And customers should be able to feel the difference.

“Our ambition at all times must be to have an advantage over our competitors, even though we all know that the generic nature of tramp shipping makes it exceptionally hard to achieve that advantage. But that is what we must strive for,” says Klaus Nyborg.
NORDEN showed its flag in the USA

In a weekend in May, the Danish Embassy in Washington DC invited interested members of the public to an event showcasing Danish companies operating in the US market, and the staff of NORDEN’s Annapolis office took advantage of the occasion to fly the NORDEN flag. The American-Danish Business Council organised the event as part of the annual EU Open House where all 28 EU countries’ embassies in the USA offer companies from their respective countries an opportunity to describe themselves and their activities. A record-high number of people attended - almost 5,000.

“For us it is natural to spend a day flying the NORDEN flag and telling visitors about what NORDEN and the Danish shipping industry stand for. Do not forget, 15% of all goods transported in and out of the USA are carried on Danish ships. We can take real pride in that statistic,” says the head of NORDEN’s USA office, Director Adam Nielsen.

NORDEN best at CSR

NORDEN tops the list of Denmark’s 100 largest listed companies when it comes to CSR reporting. Conducted by the Danish business weekly “Økonomisk Ugebrev”, the survey analyses the companies’ reporting on 10 parameters:

General reporting on sustainability and responsible business operations; identification of the 5-10 main business risks and opportunities; management of main business risks and opportunities; transparency of reporting; identification of and dialogue with key stakeholders; compliance with international conventions; integration of CSR in company strategy, product development and daily decision-making; CSR progress; employee training and instruction; and responsibility for CSR in the company.

NORDEN also ranked number 1 on “Økonomisk Ugebrev”’s list in 2014. This year NORDEN shares first place with 5 other Danish companies.

“CSR has a high priority in NORDEN. It is an integrated part of our strategy and thus of our way of doing business. We are always proud when our CSR efforts including our CSR reporting is appreciated by our stakeholders,” says Director, CSR, Ulla E. Nielsen.

NODREN showed its flag in the USA

With a large number of open ship days and the chief part of the fleet in the Atlantic Ocean – a region with excellent prospects for combination voyages with higher rates on both east- and west-bound routes – Norient Product Pool and thus NORDEN are well-positioned to take full advantage of the upswing. The start of this upswing coincided with the oil price collapse in the second half of 2014.

With many open ship days and excellently placed ships, Norient Product Pool’s product tankers – and thus NORDEN’s product tankers – have been in position since day one to fully leverage the vastly improved market conditions in this segment. This development started in the fourth quarter of 2014 and has spilled into the first quarter of 2015, when the Tanker Department generated the best result in more than 5 years with an EBIT of USD 28 million, versus USD 4 million in the first quarter of 2014. The upswing has continued into the second quarter.

NORDEN’s product tanker fleet – 20 Handy-size vessels with a cargo carrying capacity of 37,000-40,000 tonnes and 28 MR vessels with a cargo carrying capacity of 45,000-50,000 tonnes – is part of the product tanker pool Norient Product Pool (NPP). NORDEN co-owns the pool with Interorient Navigation Company, which has also added its own Handysize and MR vessels to the now 10-year-old pool, which numbers 42 Handysize and 42 MR vessels, in total.

Strategy adjustment

NPP began 2014 with a desire for strong exposure to the spot market, but adjusted its strategy slightly in late spring when it became clear that the market was not delivering the desired rates.

“We aimed for greater coverage and fewer open ship days. But since this coverage was only possible at a very modest rate level, coverage had not increased appreciably when the upswing kicked in. At the opening of the fourth quarter, 86% of the fleet was open in the spot market. And what is more – a whole 80% of the available fleet was located in the Atlantic Ocean where the market upswing is unquestionably largest, because both the east- and the west-bound routes offer good opportunities for combination voyages with high rates. The many open ship days and the fleet’s geographic position were a huge advantage, since we simply could not have been better positioned to reap the full benefit of the upswing right from its start,” says the head of NORDEN’s Tanker Department, Executive Vice President Lars Bagge Christensen.

Finger on the pulse

Lars Bagge Christensen explains that the charterers at NPP excel at keeping abreast of market trends and reading position lists.

“Regardless of the relation between the supply of ships and the demand for transport, we cannot simply require customers to pay higher rates. We have to argue our case to customers, who want a constructive supply/demand discussion before accepting
higher rates. But with a strong negotiation basis, they can be persuaded,“ says the head of the Tanker Department.

A strong negotiating position has also enabled NPP to retain the advantage inherent in distinctly lower fuel prices rather than having to pass on some or all of the savings on to customers.

In the first quarter of 2015, NORDEN’s 2 product tanker types, Handysize and MR, generated earnings of USD 20,904 and USD 19,412 per day, respectively. Handysize was 55% above the 1-year T/C rates – those achieved by covered ship days – while MR was 32% above.

Upswing came out of the blue

The year’s 4 normal seasons also left their mark on the normal tanker market year, if such normal years can still be said to exist in a highly volatile world with huge geopolitical challenges. In a normal year, the tanker market season peaks in the first and fourth quarters, which typically fall in the cold, winter months in the northern hemisphere. Indeed, NPP/NORDEN had also hoped for a good fourth quarter in 2014.

“We could simply not have been better positioned to reap the full benefit of the upswing right from its start”
Executive Vice President, head of the Tanker Department
Lars Bagge Christensen

“However, the collapse in oil price paved the way for significant profit margin improvements for the refineries and huge arbitrage opportunities for global trade in refined oil products – in other words, opportunities for exploiting the different prices of regional markets for the same products. Thus a very dramatic market upswing began in all segments and parts of the world – i.e., a broad-based market upswing,“ says Lars Bagge Christensen.

He foresees that the extensive arbitrage activities, and thus good rates, will continue throughout 2015.

3 young Asian students have started a 10-week internship with NORDEN as part of NORDEN’s longstanding partnership with universities in Singapore. Wang Wenxiu and Chia Wei Min, both 3rd-year students from the Maritime Studies programme at Nanyang Technological University, won an internship at NORDEN under a programme run by the MPA Global Internship Award partnership. The partnership organisations number the port authorities in Singapore as well as several maritime companies, including NORDEN. The 2 students started with a 2-week stint at NORDEN’s office in Singapore, and have since transferred to the head office in Hellerup, where they are trying their hands at working in Dry Cargo, the Technical Department and Norient Product Pool. Next week they will return for another 4 weeks’ internship at the Singapore office. NORDEN’s 3rd intern is Thu Ha Pham, a 3rd-year student from Singapore Management University, where she is studying maritime economics and international trade. A few months ago, she won the NORDEN/SMU Excellence Award and will spend all 10 of her NORDEN weeks at the office in Singapore. “Students, universities and authorities really appreciate that we open our doors for these young people,” says Jakob Bergholdt, CEO, NORDEN, Singapore.

Students at work

22 July 2015 – 12 August 2015
Silent period until the publication of interim report for the first half-year 2015

31 July 2015
Graduation of 6 Shipping Trainees:
Carson Goh, Emil Kehlskov Mortensen, Malthe Munch-Jensen, David Merrild-Hansen, Mads Frank Markussen and Yvonne Gu

12 August 2015
Interim report for the first half-year 2015

12 August – 14 August 2015
Roadshows in connection with the interim report

End September 2015
Delivery of 50,000 dwt. MR product tanker (NORD SWIFT)
STX Offshore & Shipbuilding, South Korea
NORDEN in brief

NORDEN off to a good start in 2015

A good tanker market and high coverage in a sluggish dry cargo market gave NORDEN a good start to 2015. NORDEN’s bottom line improved in the first quarter of the year, with the company recording a profit of USD 39 million compared to a loss of USD 27 million in the same quarter of 2014.

“The upswing in the tanker market has been broad-based, and with a large, modern product tanker fleet, NORDEN is well-positioned to take advantage of this development. However, the good tanker market cannot compensate for the historically poor dry cargo market, where the dramatic drop in China’s import of coal in particular has dragged the market further down,” says CEO Jan Rindbo.

Against this background, NORDEN maintains its expectations for the results for the year, i.e. earnings from operation (EBIT) of USD -40 to 40 million.

Dry Cargo

In the first quarter of 2015, NORDEN’s Dry Cargo Department generated an EBIT of positive USD 4 million against a loss of USD 23 million in the same quarter of 2014. T/C earnings were 44% above the average 1-year T/C rates and 113% above the average spot rates from the Baltic Exchange.

The improvement includes the net effect of lower capacity costs for the chartered fleet, and earnings were also underpinned by the coverage taken in the second half of 2014 at significantly higher rates than those currently prevailing.

The historically poor dry cargo market continues to be characterised by an excess of ships at sea and is driven by a lack of Chinese coal imports. Compared with the same quarter in 2014, Chinese coal imports dropped by approximately 49 million tonnes in the first quarter of 2015, a decrease of 42%. At the same time China’s iron ore imports are declining, with import growth in the first quarter of 2015 of only 2% compared with the same quarter of 2014. This is considerably lower than the growth rate in recent years.

On a more positive note, India is playing an increasingly significant role as regards the portion of internationally traded goods transported by sea. In the first quarter, India overtook China as the world’s largest coal importer. However, the growth in Indian imports has been insufficient to make up for the loss of Chinese volume.

Tanker

In the first quarter, NORDEN’s Tanker Department generated an EBIT of USD 28 million against USD 4 million in the same quarter of 2014. Handysize and MR generated earnings that exceeded the 1-year T/C rates by 55% and 32%, respectively.

The profit reflects the continuance in 2015 of the vastly improved market conditions for the product tanker segment. Rates for the product tanker fleet were extremely attractive in the first quarter. As in the fourth quarter of 2014, the strong rates have been broadly founded both geographically and for all vessel types. The important Atlantic market has been particularly strong in the first quarter, offering good opportunities for combination voyages with high rates on both the west- and the east-bound Atlantic routes.

Gasoline exports from Europe to the USA have risen, a reversal of recent years’ trends. The cold winter in northeastern USA partially halted operations in the region’s oil refineries, resulting in the import of significant volumes of refined oil products, notably from Europe. Generally, European refineries with high capacity utilisation produced greater quantities of gasoline for export. This gave product tankers – including NORDEN’s – more to transport at better rates. The record-high volumes produced by refineries in the Gulf of Mexico also had the same positive impact.
NORDEN's fleet: 250.5 vessels – 202.5 dry cargo vessels and 48 tanker vessels

Dry Cargo:

**Capesize**
- Total number of vessels: 3
- Owned vessels: 2
- Chartered vessels with purchase option: 1
- Other chartered vessels: 0
- Length: 290 metres
- Width: 45 metres
- Cargo capacity (deadweight): 170,000-180,000 tonnes
- Areas of operation: The whole world
- Cargoes: Iron ore and coal
- Customers: Steel works, mining companies and power plants
- Average age (owned and chartered with purchase option): 9.4 years
- Total number of Capesize vessels in the global fleet: 1,413
- Average age of Capesize in the global fleet: 6.3 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
- Cargo capacity (deadweight): 110,000-120,000 tonnes
- Areas of operation: The whole world
- Cargoes: Iron ore and coal
- Customers: Steel works, mining companies and power plants
- Average age (owned and chartered with purchase option): 4.1 years
- Total number of Post-Panamax vessels in the global fleet: 521
- Average age of Post-Panamax in the global fleet: 6.5 years

**Supramax**
- Total number of vessels: 62
- Owned vessels: 4
- Chartered vessels with purchase option: 16
- Other chartered vessels: 42
- Length: 190-200 metres
- Width: 32 metres
- Cargo capacity (deadweight): 50,000-62,000 tonnes
- Areas of operation: The whole world
- 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
- Average age (owned and chartered with purchase option): 5.1 years
- Total number of Supramax vessels in the global fleet: 3,113
- Average age of Supramax in the global fleet: 8.1 years

**Handysize**
- Total number of vessels: 40
- Owned vessels: 12
- Chartered vessels with purchase option: 16
- Other chartered vessels: 12
- Length: 170-190 metres
- Width: 27-30 metres
- Cargo capacity (deadweight): 28,000-38,000 tonnes
- Areas of operation: The whole world
- 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
- Average age (owned and chartered with purchase option): 5.1 years
- Total number of Handysize vessels in the global fleet: 3,120
- Average age of Handysize in the global fleet: 11.2 years

**Panamax**
- Total number of vessels: 89.5
- Owned vessels: 3.5
- Chartered vessels with purchase option: 15.5
- Other chartered vessels: 70.5
- Length: 215-230 metres
- Width: 32 metres
- Cargo capacity (deadweight): 70,000-85,000 tonnes
- Areas of operation: The whole world
- Cargoes: Iron ore, coal, bauxite, cement and slags
- Customers: Steel works, mining companies, oil majors, oil traders, cement producers, grain traders and trading houses
- Average age (owned and chartered with purchase option): 4.6 years
- Total number of Panamax vessels in the global fleet: 2,149
- Average age of Panamax in the global fleet: 8.1 years

Number of vessels on order:
- 23 vessels

**Dry Cargo:**
- Capesize – 1 chartered vessel with purchase option
- Panamax – 3.5 owned and 4 chartered vessels with purchase option
- Supramax – 6.5 owned and 5 chartered vessels with purchase option

**Tankers:**
- MR – 2 owned vessels 1 chartered vessel with purchase option

Notes:
The NORDEN fleet list is at 31 March 2015
The order book is at 31 March 2015
Global fleet data/Dry Cargo: Clarksons – at 31 December 2014
Global fleet data/Tankers: SSY – at 31 December 2014
The guests – oil companies, oil traders, ship brokers, agents, etc. – came from all over Europe, a few even from such far-flung countries as South Africa, when Norient Product Pool (NPP) hosted its 10th birthday celebration at and especially outside its head office in Hellerup. About 125 close business connections and partners attended the party, which started mid-afternoon and lasted, at least for some, until dawn the next morning. The sun shone gloriously on the festivities and as a jazz orchestra played, the guests chatted, exchanged industry news, toasted the day, nibbled canapés – and thrilled to the adventure of sailing on the Sound in an RIB boat at 100 km per hour, hair whipping in the wind. From a makeshift podium, NPP’s CEO, Søren Huscher, thanked the guests for their support, emphasising the importance of the professional and mutually beneficial cooperation between NPP and the product tanker pool’s numerous business connections and partners. Before the guests were invited to enjoy a barbecue and blues band entertainment, Henrik Svanekær, mentalist and conjuror, demonstrated how he could make things happen that defy all logic. For example, running a burning candle along the arms of one person, while another person reacts to the heat. Yes, it was quite literally a magical birthday party!