



LINER SHIPPING WITH COAL FROM SVALBARD

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NORDEN calendar

5 October 2011

Naming of 60,700 dwt. Handymax dry cargo vessel
Oshima, Japan

11 October 2011

Double naming of two 33,000 dwt. Handy-size dry cargo vessels
Hyundai Mipo, Ulsan, Korea

15 October 2011

Naming of 32,000 dwt. Handysize dry cargo vessel
Fujian Mawei, China

24 October 2011

Naming of 37,000 dwt. Handysize dry cargo vessel
Hyundai Mipo, Vinashin, Vietnam

25 October 2011 – 15 November 2011

Silent period preceding the publication of the interim report

28 October 2011

NORDEN Invitational 2011
Golf tournament and dinner reception
Matsuyama and Imabari, Japan

15 November 2011

Interim report – third quarter 2011

15 November 2011

Naming of 82,000 dwt. Panamax dry cargo vessel
Guangzhou Longxue Shipyard, China

16 – 18 November 2011

Roadshows in connection with the interim report

28 November 2011

Naming of 31,800 dwt. Handysize dry cargo vessel
Jiangmen Nanyang Ship Engineering Co. Ltd., China

1 December 2011

Danske Markets, Winter Seminar 2011, Copenhagen

Cover photo

NORDEN in full swing transporting coal from the world's most northern coal mine on Svalbard in Norway to power plants in continental Europe. And time is important since the sea surrounding Svalbard is only ice-free during the period from the end of June to the beginning of December.

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ANOTHER ACTIVE QUARTER

NORDEN has experienced another active quarter in the Company's 140th anniversary year.

In this edition of NORDEN News, you can read about the transportation of coal from arctic Svalbard in Norway to power plants in Continental Europe, about the way NORDEN is building close and direct relations with employees of our major customers, about securing a fleet that also creates quality in terms of costs, about the importance of good old craftsmanship in a modern business, etc. Indeed, a lot is happening in NORDEN.

The financials for the first half-year proved that NORDEN delivered as promised – and then some. Earnings were somewhat above expectations thanks to better results in the Tanker Department than expected. Excluding non-recurring income, operating earnings in the second quarter were up 8% on the first quarter of the year. We maintain our expectations for the full year, and I am very pleased with this in light of the dark clouds that continue to loom over the world economy.

To put it mildly, the worldwide economic uncertainty remains a reality. I think that many economists, politicians and senior executives have long had the feeling that the crisis had peaked and that, since mid-2009, the situation has slowly but steadily been getting better. Unfortunately, this is not the case.

Europe is marked by major structural problems. Far too many countries – none mentioned, none forgotten – have immense debt issues. Banks have not cleared their balances. Companies are expecting that past glories of ever growing consumer confidence are returning so that it is safe to invest in anticipation of a grant. And if we turn to the world's still largest economy, the USA, what we see is an economy with feet of clay.

In my view, there are no smart, easy or pain-free solutions to the economic problems of the western world. Even if it boils down to something as simple as making and then staying within budgets that are based on the simple principle of living within your means – then this would still require political leadership, political courage and political power of determination.

It is a matter of fact that freight rates remain under pressure due to too many dry cargo and tanker newbuildings being delivered. When in spite of this NORDEN is doing well, this is very much due to the fact that the majority of our business is within markets where the economy is flourishing with annual GDP growth rates of close to 10%. This includes countries such as China, India and Brazil.

There are two further aspects which have influence on NORDEN's satisfying results in a volatile business where you should only play along if you can live with the constant ups and downs:

Firstly, we have become better at making use of NORDEN's strengths which build on a flexible business model – we can always provide a ship when there is a cargo – high quality, high safety, a rock solid financial position and an immense base of knowledge and experience.

Secondly, in times of uncertainty, customers tend to turn to shipping companies that can also deliver in 5, 10 or 15 years. We have seen this with the banks – in times of uncertainty, people prefer to have their money deposited with solid banks. The same goes for the shipping business, and NORDEN is benefitting from this.

In spite of all the worries, I am optimistic on NORDEN's behalf. Things are going our way.

CARSTEN MORTENSEN, CEO

GOOD OLD CRAFTSMANSHIP IN FOCUS

With demand under pressure and low rates, it is all about practicing the old virtues of craftsmanship and bargaining. This is the advice from Norient Product Pool.

You need to know which cargoes are on the market today and tomorrow. You need to know what they consist of, where they have to go, as well as when they must be shipped and arrive. And in just as much detail, you need to be familiar with the large global position list in order to know, not only where your own vessels, but also where your competitors' vessels, are situated. If you also know what your competitors are capable of and have the courage to do, then you have the best possible basis of getting cargoes – also in a depressed market. And then you have shown excellent craftsmanship, according to Norient Product Pool (NPP).

And indeed the market is depressed these days. Following a reasonable start to the year west of Suez, rates in product tankers began declining in the early summer, and they have remained at low levels since then – due to pressure from soaring oil prices and decreasing economic growth. Demand is sluggish. Rates are a clear sign of this, and so are financial statements from shipping companies all over the world, even if the product tanker vessel types have managed and are still managing better than all other vessels types in the tanker market.

"It sounds old-fashioned talking about good craftsmanship and bargaining skills, which also include honesty – but it is extremely important in times like these. It is the craftsmanship skills in particular that make you a winner in today's market," says Vice President Jens Christophersen from NPP, which with a fleet of approximately 75 vessels ranging from 35,000 dwt. to 65,000 dwt. is one of the world's largest product tanker pools. The company is owned 50/50 by NORDEN and the Cypriot Interorient Navigation Company Ltd.

Weak growth ahead

In the second quarter, global oil demand fell by 0.9 million barrels per day or 1% compared to the same quarter last year, according to the International Energy Agency (IEA). Despite persistently high oil prices and less demand in the quarter, the IEA still expects oil demand to increase during the rest of the year.

Hopefully, the IEA will be right about their estimates and preferably more than that, but NPP is not just sitting back waiting for the market to provide more cargoes and better rates.

"We are doing our utmost to stay updated on cargoes and position lists. What is more, we have strengthened our customer focus to a high extent. In good times, you may lean back and wait for the phone to ring offering you a cargo. Today, we contact the customers



In a depressed market, it is all about knowing where in the world cargoes can be found and being familiar with the global position list, explains Vice President Jens Christophersen, deputy head in Norient Product Pool.

with the sole purpose of cultivating the good relationships which then hopefully at some point will result in a deal," says Jens Christophersen, who touches upon shipping, bicycling and a lot of other things when talking to customers on the phone or in person.

Flexibility sells

NPP has other strong cards to play. Not least that of flexibility. When a customer has a cargo, NPP, thanks to its size, generally always has a vessel, and there are few ports in the world where NPP has not yet called. This past year alone, the Pool's vessels have discharged in 254 different ports in Europe, the USA, Asia, South America, the Middle East, Africa and Australia.

Another trump card is NPP's focus on speed and consumption – right-steaming – where the communication system MOEPS ensures significant fuel savings and operational gains for the benefit of the bottom line and the climate.

"We also have the strength that we are not afraid of taking on cargoes on which other tanker companies may not be focusing their attention. This could be caustic soda, which is difficult to handle due to its density. It could be molasses, which must be kept hot to stay liquid, but not too hot as it will then turn into something with which to caramelize potatoes. Or it could be something as simple as urea (cow urine)," says Jens Christophersen.

NPP's market approach has paid off historically. Daily earnings have hovered stably over the 1-year T/C rates – in the first half-year, daily earnings for NORDEN's product tanker vessels were thus 9-10% above benchmark. In total, NORDEN's product tanker vessels generated operating earnings of USD 19 million in the first half-year.

The transportation of coal from arctic Svalbard can only take place in the summer half – the waters are frozen during the rest of the year. Logistic precision is therefore essential – there is no room for delays.

LINER SHIPPING FROM SVALBARD

NORDEN in full swing transporting coal from the world's most northern coal mine to the North European power plants. NORDEN is a full service provider, meaning that the Company handles both transportation, document management and consultancy to the mining company on shipping matters.

Apart from the winter's ice blocking the passage by end-July around a week's time longer than usual and apart from Port Captain Jan Andersen's encounter with a polar bear at a time when the bears should have long left the coastal areas, the transportation of coal from the subsurface of Svalbard's archipelago to the North European power plants has gone according to plan.

In March this year, NORDEN entered into a 5-year contract on coal transportation with state-owned Store Norske Spitsbergen Grube-kompagni. The contract is for the transportation of close to 10 million tonnes of coal – or approximately 2 million tonnes annually – from the Svea Nord mine on Svalbard, which in the winter time forms part of the North Pole's ice area.

NORDEN is a full service provider for the mining company. In other words, NORDEN also provides pilots/port captains, handles the document management and counsels the mining company in ship-

ping matters, in addition to the actual transportation of the coal. For this purpose, NORDEN has formed an organisation on Svalbard of 3 port captains/pilots and established the Norwegian company Svalbard Maritime Services AS.

The contract is the third largest in NORDEN's history and it is in perfect line with the 2011-2013 strategy to increase cargo volumes in Dry Cargo by 15% annually by entering into long-term contracts.

Positive feedback

"Everything is going as planned, and we receive nothing but positive feedback from our customer. Another major advantage for the mining company is the fact that we can transport 8,000 tonnes more on average per voyage on board our larger vessels – chiefly Kamsarmax vessels – than what is possible on board traditional Panamax vessels. This means that the mining company is able to ship the amounts of coal that have to be transported during the



Supervisor Jan Engvoll at the quay during the loading of NORD DESTINY.



Port Captain Rolv Engen – in the front – and Port Captain Olav Iversen are central figures in Operation Coal from Svalbard.



Coal on the long conveyor belt – here being loaded on to NORD DESTINY, which will transport it to power plants in Northern Europe.

season faster – i.e. the ice-free period from the end of June to the beginning of December. In doing so, we save the mining company the costs of expensive tugboats, crew, etc.,” explains Thomas Kobbel, Senior Chartering Manager in NORDEN’s Panamax Chartering Section, who emphasises how pleased NORDEN is with the contract and the smooth execution of it in cooperation with the Norwegians.

With regard to the execution, there are two major challenges according to Operations Manager Jacob Koch Nielsen: Both loading and discharging can be done in 1-2 and 3-4 days, respectively – and this is fast. And the voyages are short. It only takes 4-5 days from Svalbard to the ports in Continental Europe. Another challenge is the fact that the vessels sailing to and from Svalbard have to transit through a very narrow strait.

“The fast operations at port and the short voyage time mean that the planning of each individual voyage – and this includes every single detail – must be perfect. There is no time for changes along the way including last-minute ones. But we manage to do it – and we learn something from every voyage. We also manage approach and exit well thanks to our port captains, who also function as pilots. They are amazing,” Jacob Koch Nielsen says.

An added bonus is the possibility of always being able to moor right away.

Before the ice again in a couple of months makes Svalbard impassable for vessels, the number of shipments is expected to reach approximately 25. Though NORDEN’s business area lies within tramp shipping, the involved vessels – that is the Kamsarmax vessels NORD VENTURE, NORD NAVIGATOR (both approximately 82,500 dwt.) and NORD DESTINY (83,700 dwt.) and the Handymax vessel NORD TRADITION (approximately 53,000 dwt.) – are more or less employed in liner shipping.

The primary destinations are the ARA ports – Amsterdam, Rotterdam and Antwerp. But NORDEN has also discharged coal from Svalbard in the ports of Esbjerg/Denmark, Hamburg/Germany, Immingham/England and Gijon/Spain.

Emphasis on business ethics

“When we got the contract, factors which were emphasised, in addition to a competitive price level, were our modern fleet, transparency, prioritisation of environmental protection, high business ethics as well as the good chemistry between both parties. But we are also striving to be as flexible as possible when it comes to discharge ports. If it is at all possible, we are ready to change the destination of a voyage even at a very late stage. This is also a major competitive parameter in shipping,” Thomas Kobbel says.

PS: Jan Andersen’s encounter with the polar bear had an undramatic outcome. The bear simply turned and walked away!

TRAINEE PROGRAMME UPGRADED

NORDEN's shipping trainee programme has been changed to suit exactly the way, the Company does shipping. At the same time, mentors have received training to be better equipped for advising the trainees in the course of the programme.

"The war for young talents" is the tough reality for global companies such as NORDEN. The pool of young talent will contribute to ensuring a constantly high level of competencies in the Company, and some of the young talents are also expected to develop into future leaders.

NORDEN has all the good reasons in the world to be well underway in upgrading both the theoretical and the practical content of its trainee programme. The process began in August last year with the current second-year trainees as the first class of the new programme. In August this year, the Company hired 9 shipping trainees in Denmark, the USA, Singapore and China – as well as 1 finance trainee in Denmark.

"Basically, the purpose is still the same – developing good shipping skills. But the course of the programme has changed significantly. Now the entire programme takes place inhouse. The external teachers who supplement the training provided by our own employees are now coming to the office instead. Moreover, we can tailor the theoretical part of the programme to the practical part, this way ensuring that the programme, seen as a whole, fits the way in which NORDEN does shipping. Our trainees will be equipped with better competencies, benefitting the performance of the Company, and hopefully, it will also make NORDEN more attractive in the fight for young talents," says Senior Vice President and head of HR Vibeke Schneidermann.

Packed into programme

Headed by a number of key employees from NORDEN and Norient, 2-week boot camps for first- and second-year trainees took place in August at the head office premises. The result was two intensive weeks, no matter if you were new to it all or a more experienced

trainee. First-year trainees received above all an "introduction to shipping – basic knowledge and conditions", including shipping geography, shipping economics and maritime law. The second-year trainee timetable included i.a. newbuilding processes, sale and purchase of vessels, laytime and deviations from agreed discharging and loading times as well as finance and economics.

"But the boot camps also focused on softer but no less important disciplines such as understanding of cultures, interaction between people and communication – subjects which to a high extent relate to our values empathy, ambition, flexibility and reliability," says Vibeke Schneidermann.

The boot camps are over, and theory is now being combined with practice at the head office and the overseas offices. A mentor has been assigned to each trainee – an experienced employee in charge of the practical part of the programme.

The mentor close by

Physically, the trainee is seated next to his or her mentor, and they have agreed on some goals, Key Performance Indicators, which must be met within the next 6 and 12 months, respectively. Four times a year, the mentor conducts follow-up meetings with the trainee.

To support the mentors in their work as teachers, advisers, role models, etc., the mentors have also attended an intensive training programme.

"The mentors play a key role in the trainee programme. They are the ones to show our trainees the way every day at work," says Vibeke Schneidermann.



Kerry Tucker
first-year trainee, Annapolis

- Being new in the shipping industry, I want to gain all the skills and knowledge that I can, and I truly feel that NORDEN

is behind me in that 100%. • During the two years of the programme, I expect to strengthen my interpersonal and communication skills, as well as my technical experience. • I expect my mentor to tailor my learning to my level of understanding and abilities, and to push me along when I need to be challenged.



Mads Simonsen
first-year trainee, Hellerup

- I chose NORDEN because of the Company's unique composition of skilled employees and the settings and tools put

at your disposal. • I look forward to being placed in difficult situations where my decisions can prove crucial and to becoming part of the social hands on environment in the shipping business. • I expect that my mentor will provide me with feedback on a regular basis so that all the time I will know that I am on the right track.



Mohamad Zainuddin
first-year trainee, Singapore

- With NORDEN's history, global network and unique trainee programme, it is the ideal workplace for any Singaporean who has just

graduated, myself included. • I am sure that NORDEN will be able to provide me with extensive knowledge due to the close knowledge-sharing among the different levels of management. • With close supervision of my practical training, I will gain both experience and knowledge relevant to my job.

The expression whistleblower comes from a practice used by English bobbies. When they see an offence taking place, they blow their whistle.



NORDEN INCREASES TRANSPARENCY THROUGH WHISTLEBLOWER SCHEME

Employees, managers and board members are given the opportunity to contact an external investigator, a lawyer, if they believe that an employee, a manager, a board member or one of the Company's auditors or legal advisers violates legislation or NORDEN's own policies or guidelines.

The days when corporate social responsibility (CSR), including business ethics, was only mentioned during dinner speeches are long gone. Today, CSR measures are developing into rock hard sales pitches when companies present themselves to clients and not least when contracts are signed. From being mostly for show, CSR is increasingly representing a tool for value creation for the companies.

The most recent CSR effort in NORDEN, including Norient Product Pool (NPP), is a so-called whistleblower scheme known as SafeLine, which is an add-on to the current system of the same name in the Technical Department. This new scheme provides all employees, managers and board members access to contact an external investigator, i.e. a lawyer, if they believe that an employee, a manager, a board member or one of NORDEN's auditors or legal advisers violates or possibly violate legislation or the Company's own policies and guidelines.

Next natural step

"The reason why we are now supplementing our current CSR efforts with a whistleblower scheme is not that we expect to reveal heaps of skeletons in the closet. To us, it is merely the next natural step to take. After all, we are a modern and transparent company aiming at having the highest possible degree of transparency with the most possible approaches to maintaining this transparency. We are also a

company striving to respond positively to requirements and recommendations from our customers and partners, of which many have established similar whistleblower schemes," says CSR Director Ulla E. Nielsen.

The scheme allows for reporting of serious matters such as bribery, fraud, false or misleading statements on Company matters, pollution, violation of safety at work, violence and sexual harassment.

The external investigator is a guarantee that matters are treated confidentially and unbiased. The external investigator refers solely to the Chairmanship of NORDEN's Board of Directors. Should his investigation prove that there is truth to a reported matter, it will be for the Chairmanship to decide what will happen to the person who has violated the legislation or NORDEN/NPP's own policies and guidelines.

High standards

"The whistleblower scheme is also in line with recommendations from investors and the Committee on Corporate Governance. I encourage all employees as well as managers and board members to welcome the scheme and use it if they become aware of matters giving rise to concern. We must always aim at doing everything to strengthen and protect our high standard and best practices," says Mogens Hugo, Chairman of the NORDEN Group.

MASTERS: YOU SHOULD TREAT THE SHIP BUDGET AS YOUR OWN

Safety and technical quality at sea are main priorities for NORDEN – the Company wants to maintain its leading position in this area, even if it costs money. At the same time, the fleet must be cost efficient. But costs of piracy combating, bunkers and crewing are increasing. Therefore, savings must be made in areas in which the safety and technical quality will not be compromised.

To NORDEN it is crucial to maintain the position in the best fourth of the class when it comes to safety and technical quality both during vettings (inspections of tanker vessels by oil companies) and port state controls (inspections of vessels by authorities).

"It costs money to maintain our position, but we are also getting value for money since this way, we are able to make deals which we would otherwise not have made," says Senior Vice President and head of the Technical Department, Lars Lundegaard, who is very pleased to remark that NORDEN's vessels have continued the positive trend regarding quality in the past three months and are performing still better.

NORDEN is also not willing to compromise safety for the vessels while at sea. Significant and increasing costs are therefore related to combating piracy.

Another indispensable goal for NORDEN is to maintain a cost efficient fleet. This goal requires particular attention at the moment because of the low freight rates in both dry cargo and tankers.

To Masters Viggo Hansen and Egon Christensen, complying with the requirement of competitive operating costs on the 28 vessels currently in technical operation by NORDEN is in reality very simple:

"You should treat the vessel's budget as if it were your private household budget. When it comes to our own budgets, we all try to live within our means. And in order to do this, we have to do our shopping where products are cheapest, not buy too much at a time since this could lead to overconsumption, and get the most of the

things we buy," is the unison advice from the two masters with 7 and 37 years of experience from NORDEN, respectively.

Crystal clear message


Operating costs for the vessels owned by NORDEN were in 2010 in the double-digit million range in USD, hence representing a significant cost. Therefore, the message from the Technical Department to the vessels is crystal clear:

The parts of the operating costs which do not relate to safety and quality – and which do not compromise NORDEN's position as one of the best in class when it comes to quality – must of course be optimised where possible. This way, the Company can continue to deliver satisfying financial results and in general protect and develop the business.

Optimisation of processes

"When you want to make costs more efficient, all processes on board and on shore must be optimised to the greatest possible extent. This means that a fully integrated management system should be implemented, providing a clear overview and the necessary support when decisions must be made. And this should all take place in real time. Therefore, a project, from which we are expecting a lot, has been initiated as it will support our performance in relation to both quality and economy," says Lars Lundegaard.

A significant part of the operating costs is comprised of salaries which represent 50-60% of the total operating costs. As the increased tonnage supply has created global pressure on salaries, NORDEN does not expect to be able to save money on this account under the current flag and crewing strategies. But all other types



Making operating costs for vessels more efficient is important to ensure NORDEN good financial results and protect and develop the business.

Common understanding is necessary

It is about creating a common understanding of the importance of keeping costs under control. It should be part of the mindset, says Master Viggo Hansen.

"In good times, holding back is a virtue. If we are not completely focused now when the money is tight, we will all fail. So yes, every one of us must think twice about how the money is spent – and that requires will and creative thinking," he says.

"Keeping costs under control should be part of the mindset."

Master Viggo Hansen

His colleague Egon Christensen continues:

"I believe it is good to be reminded of the fact that we can and must strive harder to spend the Company's money as prudently as possible. When NORDEN is earning money, we are all doing well. Therefore, I am also quite confident that the crews will support the optimisation efforts, even though we all know that at sea it can be difficult to do purchases at the cheapest places every time."

After all, you cannot always find a big spare part outlet, a cheap petrol station or a discount supermarket just around the corner, he points out.

"When NORDEN is earning money, we are all doing well."

Master Egon Christensen

of costs remain – maintenance/repair, lubricating oil, spare parts, paint, provisions, chemicals, procedures for change of crew, etc.

"It is essential that we learn how to take advantage of the increased number of owned vessels and the resulting larger purchase volumes. And we must become better at sharing best practices. We can learn a lot from each other," says Vice President and deputy head of the Technical Department Jens Christensen.

Strong leader role is essential

The Technical Department has had officers attend both captains meetings and officers' seminars, partly to outline in facts and figures the point of departure and the seriousness, partly to involve the officers as actively as possible in the optimisation programme. They left the conferences having been reminded that they, as highest ranking officers, have the responsibility to take upon them a strong leader role in the optimisation efforts. The conferences also resulted in a handbook containing what will in future be considered best practice on all vessels. This includes:

- Existing maintenance meetings should cover budget status, development and action plans as separate agenda items, and the results must be included in the meeting minutes.
- All purchase lists should be revised by 2 senior officers prior to being executed with the purpose of verifying the necessity of the items in question and the specified amounts.

Less expensive to prevent

Another substantial cost is maintenance and repair. Without it having any impact on quality, there is great financial difference in how such work is handled. The road to a positive result is two-tier.

- Typically, it is less expensive to prevent than to repair. Prevention is achieved by ensuring that everyone knows how to use the equipment correctly and by controlling that the maintenance intervals are being followed.
- And when something breaks, it is a matter of fixing as much as possible on your own. If you need external assistance, try getting this on the phone or by email. Only as a last resort, should you call for external physical technical assistance.

Jens Christensen: "Other costs can be reduced by always having an up-to-date inventory list and doing purchases in the less expensive ports – this includes in particular important products such as lubricating oil, stores and certain standard spare parts.

Procurement collaboration

In connection with the optimisations, NORDEN is also beginning to benefit from the co-ownership of the business called SeaMall in Svendborg/Denmark, which NORDEN and 6 other shipping companies have established. SeaMall is specialised in bulk purchasing for shipping companies – no matter where on the planet their vessels are located.

"Our Purchasing Department can use this partnership to optimise purchase contracts in a number of areas, and we have already obtained savings of 3% on the cost-intensive account for lubricating oil alone. We have not yet reached our goal, and in practice we never really will. Reducing the costs that do not relate to safety and technical quality is meant to be a permanent part of the way in which NORDEN does shipping," says Lars Lundegaard.

HOW TO BUILD GOOD CUSTOMER RELATIONS IN INDONESIA

NORDEN's office in Singapore is behind a new measure to establish direct, personal relations to new large customers. Around 30 employees from two Indonesian coal companies attended a 2-day seminar to learn about laytime at loading. At the same time, the coal companies and NORDEN have exchanged employees.

If NORDEN says coal and Indonesia, the Company also says Mukhlisin Aziz, NORDEN's General Manager in Singapore, who, with more than 15 years of experience in the coal industry, knows everything worth knowing about Indonesian coal mining and coal export.

Therefore, it was no surprise that he was the man behind the idea, when NORDEN arranged a seminar gathering around 30 employees from 2 NORDEN customers in Indonesia – the sister companies PT Kaltim Prima Coal and PT Arutmin Indonesia. Based in Borneo, these two companies extract the world's greatest amounts of thermal coal/steam coal used in the production of electricity. The seminar took place in the port city Tanjung Bara in Borneo.

A win for both

"It was the first time NORDEN arranged a seminar with the purpose of establishing very direct, personal relations with employees of new customers. I hope that more similar seminars – including employee exchange programmes – will follow. It is a win for both parts," says Mukhlisin Aziz.

The contract with the two Indonesian coal companies initially covers the transport of approximately 1.3 million tonnes of coal to be shipped from Borneo to the Philippines on Panamax vessels within a six-month period commencing from February 2012. The volume will increase to 2.5 million tonnes per year thereafter. This will result in one voyage per week.

The theme of the seminar was "laytime" – i.e. the period of time agreed upon with the customer for loading and discharging the vessels in the ports covered by the contract. During the two days of the seminar, Senior Laytime Manager Henrik Wahlstrøm Larsen

from the head office in Hellerup, Denmark, went through everything that is relevant to know about laytime, including the rules on additional payment to the shipping company in case the laytime is exceeded (demurrage) and the rules on bonus for the customer if the discharging or loading is completed faster than agreed (despatch). Operations Manager Andy Koh from the Singapore office answered operations-related questions during the seminar.

Well received

"The more we know about laytime, the easier and faster it gets to make a laytime agreement with NORDEN. Good relations between us and the Company are a mutual advantage. For us, it becomes easier to serve NORDEN's vessels prior to arrival, during the stay at the port and after departure," says Tina Sirait, Manager Sales Operations in PT Kaltim Prima Coal.

Henrik Wahlstrøm Larsen: "Of course both coal companies are already familiar with the international rules on laytime. But we would like to inform them of how we administer these rules, and also get to know the people in the two coal companies who are in charge of these matters, so we know who is at the receiver's end when we call them for one reason or another. This should facilitate the business flow for both parties. And finally, I believe working together is easier when you have met the other person at social events such as lunch and the closing party."

Exchange of employees

As a supplement to the seminar, the two Indonesian coal companies and NORDEN are also running a programme for exchanging employees. So far, two employees from PT Kaltim Prima Coal and two from NORDEN in Singapore have spent two weeks at the other part's office.



Senior Laytime Manager Henrik Wahlstrøm Larsen from the head office in Hellerup (in the middle) was the leader of the seminar when around 30 employees from our two new Indonesian coal customers – PT Kaltim Prima Coal and PT Arutmin Indonesia – attended a seminar to learn about laytime at loading and discharging.

NORDEN STRENGTHENS ITS POSITION IN INDIA

A new 5-year contract means that NORDEN will transport a total of 5 million tonnes of coal from Indonesia, Australia and South Africa to India which with a population of 1.2 billion and a gross domestic product (GDP) growing by almost 10% annually, will be a practically insatiable market for coal for many years to come.

With a 5-year contract with the Indian energy company Coal & Oil Group, NORDEN has further consolidated its position on the Indian energy market, where the construction and operation of an increasing number of coal-fired power plants require significantly increasing amounts of coal each year.

The contract will become effective from the turn of the year and means that NORDEN's transport of coal to India from Indonesia, Australia and South Africa during this 5-year contract period will increase by a total of 5 million tonnes. The coal will be shipped on Handymax vessels to ports and anchorages along both the west coast and the east coast of India, where it is discharged to smaller vessels transporting it to the coast where its final destination will be the numerous coal-fired power plants further into the country.

In 2010, NORDEN discharged 4.6 million tonnes of cargo (mainly coal) in Indian ports, corresponding to 11% of all dry cargo in NORDEN's cargo programme, excluding cargo on vessels chartered out.

Uninterrupted power

The 1.2 billion Indians need power – without the constant interruptions – for the development of their industry. And at home, the growing middle class, like everyone else, needs power for refrigerators, airconditioning, computers, televisions, various household devices, etc. The main source of power will be based on coal for many years to come. Add to this, an expansion of the power grid, which in itself represents a challenge in a country with a structure such as India's. 40% of the population is still without electricity.

In the past 20 years India's economic development has been soaring. The export has doubled thirteenfold, the GDP has doubled fivefold. In 2010, GDP increased by 9.7% according to the World Bank. Growth requires power, and in the case of India, this means coal above all.

"This year, India will be short of approximately 140 million tonnes of coal. This does not mean, however, that the entire amount will be imported, India's inadequate infrastructure being one of the reasons.

With an annual growth rate for GDP of almost 10%, the Indians need enormous amounts of power – and it is made mainly from coal.

This year, the import will probably reach around 100 million tonnes or approximately 20% more than in 2010. In 2021-22, India – according to Coal India Limited – will be short of 500 million tonnes of coal. Consequently, we will see soaring imports – even if we cannot put exact figures on the amounts as we do not know the capacity of the infrastructure that far ahead," says General Manager Adam Nielsen, NORDEN, Mumbai.

An eldorado of coal

The coal-fired power plants in India will, as far as the eye can see, be something of an eldorado – also for NORDEN.

"A contract should not only result in volumes but also in a sufficient contribution margin. This contract provides all this – given the current and expected rates in the dry cargo market. It fits perfectly with our 2011-13 strategy on more dry cargo on COAs," says Vice President Thomas Jarde and Senior Chartering Manager Finn Sørensen from the Handymax Chartering Section in the Dry Cargo Department.



General Manager Adam Nielsen, NORDEN, Mumbai, foresees soaring coal imports.

NORDEN NOTES



New shipping system

After just over 7 years of operation, NORDEN's current shipping system will be replaced by a new system from the American software manufacturer Veson Nautical. The new system called IMOS – short for Integrated Maritime Operations System – will manage functions related to chartering, operation and accounting for NORDEN's – and Norient Product Pool's – fleet of approximately 280 Dry Cargo and Product Tanker vessels.

Functions in the current MOEPS system, developed by Norient Product Pool itself, will be integrated into the new shipping system.

"In our selection process among a number of solutions, the assessment of the users was quite clear and pointing to the IMOS shipping system. According to our evaluation, this is the best solution not only from a functional perspective but also from a technical and supplier-related perspective," says CFO Michael Tønnes Jørgensen, who headed the steering committee.

He emphasises the fact that IMOS is a future-oriented and flexible shipping system which enables NORDEN to expand the business. At the same time, it fits better with the Company's business processes in both the Tanker and the Dry Cargo Department. An example is defined work flows across departments making the organisation more efficient. "The applied technology ensures easy access to data and integration with other systems," says Michael Tønnes Jørgensen.

He expects the new system to be up and running in the entire organisation by mid-2012.

Now also with urea in the tanks

Norient Product Pool (NPP) is keen to experiment with new business areas. So why not fill up the tanks of one of the pool's around 75 vessels with something as simple as urea (cow urine)? The urine comes from cows in the Baltic States, Egypt, Ukraine and Romania and ends up as fertilizer on fields mainly in the USA. But also farmers in Argentina and Australia use urea as fertilizer which, owing to its content of easily usable potassium and nitrogen in the form of ammonia, is a rapidly working fertilizer.

For NPP the urea transports are interesting for two reasons. In a period when the market is under pressure, you are willing to try new things. And seeing that the supplier of the cargoes is active mainly within dry cargo, these urea transports could be the beginning of more synergy between Dry Cargo and Tankers in NORDEN/NPP.

"We would like NORDEN's dry cargo employees to say to their customers who also have tanker cargoes: Try giving NORDEN/NPP a call – they are quite competitive, flexible and reliable," says Vice President Jens Christophersen, NPP. So far, NPP has performed, merely on spot market basis, around ten voyages with urea, which is transported on board Handysize vessels with around 30,000 tonnes per voyage.

Double naming in South Korea

On 11 October, NORDEN and the South Korean yard Hyundai Mipo will host a double ship naming. 2 Handysize vessels will be named and celebrated with words of luck for their coming voyages as Dry Cargo vessels in NORDEN's fleet. They are 33,000 dwt. vessels, and already on the day of the naming, the first vessel will be delivered to NORDEN. The second vessel will be delivered on 3 November, and on 4 January 2012, the third vessel of the same series will be named and delivered.

Vice President Christian Ingerslev, head of NORDEN Handysize Pool, explains that the 3 dry cargo vessels are all designed with reinforced hulls, enabling them to navigate in ice-filled waters. In technical terms, the vessels are of ice class 1C, which is the lowest ice class. However, it is enough for the 3 new Handysize vessels to continue where other vessels are forced to give up due to the ice. And NORDEN will take advantage of this by employing them mainly in the Atlantic where problems due to ice, especially in recent years, have increased the demand for ice class tonnage. Furthermore, the 3 vessels are cheaper to operate than the almost identical sister vessels from the same yard group, explains Director Søren Westergaard from the Newbuilding Section in NORDEN's Technical Department.



All of NORDEN's owned vessels signed up for environmental programme

As part of the ongoing efforts to contribute to a better environment and with lower port fees in a handful of European ports on the horizon, NORDEN has now entered all of its owned vessels into the so-called ESI, the Environmental Ship Index. At the moment of writing (beginning of September), this means 36 dry cargo and tanker vessels. The purpose of the ESI is to have shipping companies focus more on the vessels' emissions of greenhouse gases and particles by rewarding vessels with lower emissions than the standards set forth by the International Maritime Organization.

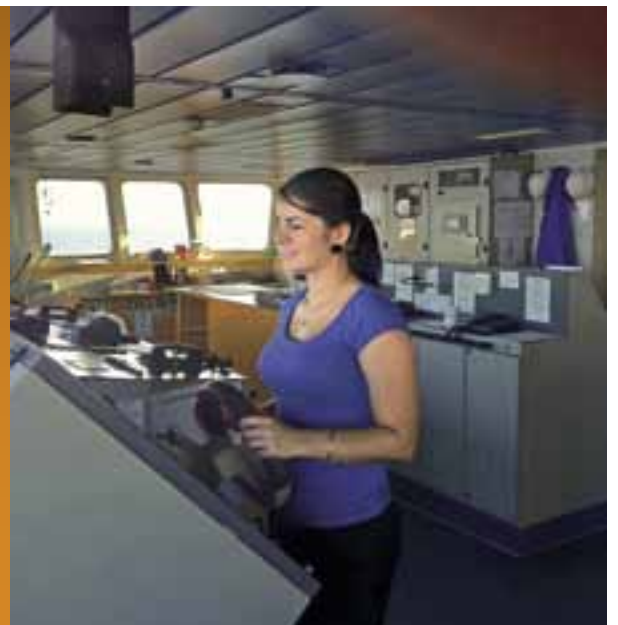
Among the ports participating so far are Amsterdam and Antwerp, while the port of Rotterdam is in the project phase. All 3 ports – with Rotterdam clearly taking the first place – are on the top 10 list of ports in which NORDEN's tanker vessels, operated by Norient Product Pool, are discharging. In Rotterdam alone, almost

90 calls were made in the course of the past year. Deputy head of the Technical Department, Vice President Jens Christensen, is a strong advocate of the environmental programme ESI, which was established on the initiative of 55 of the world's largest ports. They have joined forces in the World Ports Climate Initiative, realising that as centres of transport and economy, they play a key role in the global effort to limit various emissions that are harmful to the environment.

"NORDEN supports the ESI programme. We are doing more for the environment than many other shipowners within the dry cargo and tanker business. Such measures cost money, but they are also a sales parameter. If, in addition to this, we can obtain lower port fees in some ports – though so far only a few – it also counts," says Jens Christensen.

Real life at sea

When your everyday work is in front of a computer screen at Norient Product Pool's head office in Hellerup, it is enlightening to experience real life at sea. This was exactly what Assistant Performance Manager Natacha Koch Pedersen did when for one week she signed on the tanker vessel NORD NIGTHINGALE in Istanbul – partly to test an update of the communication system MOEPS, partly to simply learn about everyday life on a tanker. Natacha Koch Pedersen (here seen at the helm in honour of the photographer) joined NORD NIGTHINGALE on her voyage to the Russian port Tuapse in the Black Sea, where 30,000 tonnes of naphtha, used in the production of plastic products, were loaded. While the tanker continued towards its destination, Rotterdam, Natacha Koch Pedersen signed off again in Istanbul – this happened by means of a ladder down the side of the ship! Back safe at the Hellerup office there is no doubt in her mind what she has gained from the trip: "I have seen and experienced a lot of things that I can use in my daily work. It was an enlightening trip from day one."



DRY CARGO SEES LIGHT AT THE END OF THE TUNNEL

The record-high number of new vessels on order will continue to put pressure on dry cargo rates. However, delivery figures indicate that fewer vessels than expected are being delivered. In addition, high steel prices make scrapping more attractive.

Even though freight rates for the largest dry cargo vessels have recovered somewhat following the summer period, dry cargo rates will continue to be under pressure for some time to come. The reason is simple: When so many new vessels are put on the water, the number of vessels exceeds demand when coal, iron ore, cement and other commodities are to be transported from country to country and especially to the emerging economies in Asia and South America.

But maybe there is light at the end of the tunnel for dry cargo. At least, numbers from the international shipbroker companies R.S. Platou and Clarksons show that fleet growth will not be quite as steep as the order books indicate. In the first quarter of the year, delivery figures were thus approximately 50% below the order book figures; in the second quarter, they were 47% below; and interim figures suggest that the yards will only deliver half of the vessels in the known order books in the third quarter of the year.

Only options

Martin Badsted, Senior Vice President and head of NORDEN's Corporate Secretariat, has several explanations to the lower number of new dry cargo vessels at sea:

- The order book is probably somewhat smaller in reality than the official figures indicate. Some orders are counted twice because they are registered several times. Other orders are really only so-called options, which owners choose not to make use of due to the low freight rates.
- In some instances, the orders will never be executed since the buyers have gone bankrupt or are unable to obtain funding to build, and the yards are unable to sell the slot to someone else.

- In some cases, the yards themselves have gone bankrupt and consequently cannot build the ordered vessels. Or the yards are unable to obtain funding.

"In addition, massive delays cause some orders to be postponed to later periods," says Martin Badsted.

But today, fewer new vessels are being ordered, and the number of newbuilding deliveries will probably start declining from 2013, he expects.

This will improve the balance between supply and demand. However, this balance is not only affected by the number of newbuildings entering the market. It is also affected by the number of vessels being scrapped.

High steel prices

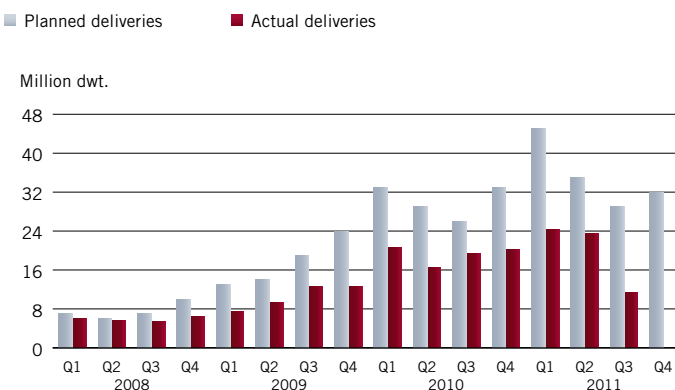
In the first half of the year, dry cargo vessels with a total cargo capacity of 13 million dwt. were scrapped. If this level continues for the remainder of the year, 3-4% of the world fleet will be scrapped in 2011. Martin Badsted notes that there are many old vessels at sea which will be ready for scrapping in the coming years. There are two main explanations for this.

- Earnings from the vessels are too poor. Old vessels are expensive to operate, and this is markedly apparent when fuel prices are high and rates are low. The vessels are simply too uneconomical compared to modern, fuel efficient vessels like the ones in NORDEN's fleet.
- The price on steel is high. A 25 year old vessel is in fact worth a lot of money. The most recent sales of large Capesize vessels for scrapping have therefore brought in prices of approximately USD 10 million. That is an attractive income for a struggling shipping company.

"Yes, maybe there is light at the end of the tunnel for dry cargo. Currently, the number of new vessels delivered is still exceeding what the market is able to support – even though the number of new vessels is approximately half of what was planned. But when the number of newbuildings decreases, scrapping and a solid demand will hopefully enable the market to reach a healthier balance. And NORDEN is extremely well positioned to profit from this when it happens," says Martin Badsted.

It is expected that the addition of new vessels to the market will lead to global fleet growth of 13-14% net this year, i.e. after scrapping. On the other hand, demand is expected to grow by approximately 8% when taking into account volume growth as well as the effect of sailing distances.

Deliveries of dry cargo vessels



Note: Q3 figures for 2011 cover July and August

These columns show a clear trend: During the past three quarters, yards have only delivered half of the planned number of vessels.



BIOMASS FROM GEORGIA, USA, TURNS INTO PURE ENERGY IN EUROPE

NORDEN is currently transporting biomass from the world's largest wood pellet manufacturer in the USA to power plants in Europe. With the demands on power plants to replace parts of the fossil fuels with biomass in order to meet CO₂ targets, biomass has become an interesting market for NORDEN.

Throughout the entire project phase and with Senior Port Captain Claus Hartmann as a central focal point in the port of Savannah, Georgia, NORDEN has come off to a great start as transporter of biomass in the shape of wood pellets from the USA to power plants in the Netherlands and Belgium.

Biomass is an eco-friendly energy source as it is CO₂ neutral. During the process known as photosynthesis in the biomass growth, the biomass absorbs the same amount of CO₂ as the one released during the subsequent combustion process or the decomposition phase.

In 2008, NORDEN entered into a 15-year contract with Georgia Biomass. The company was established and is owned by the German energy company RWE Innogy, whose business area is sustainable energy. With head office in Savannah, Georgia Biomass has in just one year built up its production plant which was up and running in the spring. The company is already the world's largest manufacturer of wood pellets. According to the contract, NORDEN will annually transport around one million tonnes of wood pellets across the Atlantic. This is equivalent to approximately 30 annual voyages or two ship years.

"Everything has gone according to plan," says Christian Ingerslev, Vice President and head of NORDEN Handysize Pool.

Plenty of raw material

Georgia Biomass bases its biomass production on rapidly growing pines as a major part of the supply comes from thinning-out of plantations where the trees are planted too densely. The thinning-out makes the plantations healthier as it provides better growth potential for the remaining trees which are not as easily affected by infestation and disease. The risk of disastrous wildfire is also reduced when

The American biomass in the shape of wood pellets made from pine is being loaded on board a NORDEN vessel to be transported to power plants in the Netherlands and Belgium.

plantations are thinned, and at the same time wildlife achieves better conditions, according to Georgia Biomass. The company explains that there is plenty of pine to take from for the production of wood pellets/biomass. The plantations in Georgia produce 30% more pine than what is being thinned out and on average four square kilometres of pine trees are being planted every day in Georgia.

The bark from the trees is used for heat production, while the trunks are turned into sawdust. The dust is then compressed into wood pellets before the pellets end up on board one of NORDEN's vessels and then at RWE Innogy's power plants in the Netherlands and Belgium where they replace coal.

Close dialogue

According to Senior Port Captain Claus Hartmann, NORDEN has been in close dialogue with both Georgia Biomass and East Coast Terminal about loading and safety procedures as well as optimisation of cargo intake and turnaround of NORDEN's vessels when calling at the port in Savannah. The result is that the loading time has been reduced, and the stowage factor has been increased by 8-10% – all having a positive impact on the bottom line for the transportations.

"Transportation of biomass is a very interesting business area for us. Simply because it will expand notably in connection with the demands on the power plants to replace part of the fossil fuels with biomass in order to meet CO₂ targets," says Christian Ingerslev.



CEO John Curtin, Cornelius Maritime Consultants LLC, Vice President Dick Barnard, Mcquilling Partners, Inc., Senior Vice President Lars Bagge Christensen, head of Tanker Department, NORDEN, and Operator Bob Homestead, Mcquilling Partners, Inc.



Owner John Silvi, Silvi Cement, Operations Manager Tim Kurz, Silvi Clement, and Vice President Jim Gatens, Houston Cement Company.



SET SAILS

NORDEN and Norient Product Pool in the USA invited customers and partners to a golfing and sailing event

Spirits were high just like the record high attendance when NORDEN and Norient Product Pool in Annapolis, USA, for the 10th time gathered customers and partners for an informal late summer event. Most of the guests came from the USA and Canada, but some came from as far away as Argentina and Chile.

Golf was on the programme – led by Danish pro-golfer Anders Hansen – followed by a sail on board the fine ship “Catherine Marie” before the night ended at Pusser’s Caribbean Grill. Reports from Annapolis have it that it was late before the last of the approximately 150 guests closed all doors and put out the lights.

The guests were very hungry when they, late afternoon, continued the festivities at sea where a tasty buffet was served.



Senior Chartering Manager Jesper W.L. Pedersen, deputy head of NORDEN’s office in Annapolis, Ocean Freight Risk Manager Tom Flynn, The Mosaic Company – with companion.



Director Niall O’Conner, GFI, New York, Director Mikkel Borresen, head of NORDEN’s office in Annapolis, and Broker Carlos Damien, Dome Chartering.