NORDEN part of Indonesia’s coal adventure

15-20 times a month coal is loaded – mainly for the world’s largest coal consumer China

Great outlook for iron ore

Page 10

Princess in dock

Page 12

Dry Cargo team strengthened

Page 13
It is better to execute a good plan today than having the perfect plan lying in the drawer gathering dust.

NORDEN has a long and proud history. It builds on hard work, dedication and the ability of realising plans and strategies. To see initiatives make a difference at the bottom line. Shipping is fully dependent on this very fundamental matter. It is no use to make a contract for transportation of goods if the vessel does not reach its destination. This is what we are measured on, and this is what we are making a living of doing. Action is everything.

NORDEN operates globally, and with offices in Hellerup, Singapore, Shanghai, Annapolis, Rio de Janeiro and Mumbai, the Company is represented in 4 continents. Therefore, we also have a great view on what to offer businesses in these countries.

Shipping is a globalised business which may have roothold in an office but takes place in constant motion at sea. For this reason, we have followed with great interest the growing attention we as a business are receiving these years from countries and governments that want to attract activity, growth and employment. At NORDEN, we are proud of this attention as it signifies that we are an attractive business who delivers value to the countries and regions we are represented in.

But NORDEN is not planning to move our head office from Hellerup. We are Danish in our origin, and as long as the framework conditions are stable and allow us to compete on equal footing with shipping companies in other countries, Denmark will remain the basis of our business.

Still, there is ongoing need for fine-tuning and development of the conditions we do business on – be it in Europe, North America, Asia or South America. I was therefore also happy to take on the task of being chairman of the Danish government’s growth team for the Blue Denmark as this provided the opportunity of offering input on how the decision makers could further improve conditions for us to be able to create even more growth and employment.

The growth team’s recommendations resulted in 38 specific initiatives in the Danish government’s plan, and after less than a year, we can establish that 37 of these have already been set in motion or are about to. This is nothing if not efficient action.

It is positive to work with others who share your view on action. This is also true for Indonesia where they have achieved impressive growth in coal exports. Growth which NORDEN is part of as can be read on pages 4-7.

I wish you a great autumn and have fun reading.

CARSTEN MORTENSEN, President & CEO
Contents

12
Princess docked in H.C. Andersen’s home town

13
NORDEN strengthens Dry Cargo team to locate new business

14
NORDEN secures attractive financing of new vessels

14
7 new shipping trainees ready to work

15
NORDEN’s CSR strategy now as a cartoon

16
Boat trip, golf and change of guard in the USA
INDONESIA’S COAL ADVENTURE

15-20 times a month, a NORDEN vessel loads coal in Indonesia, and NORDEN transports the coal to especially China, which is the world’s largest consumer of coal, the world’s largest producer of coal and the world’s largest importer of coal. NORDEN aims for additional business in Indonesia, which has large coal reserves.

NORDEN is part of the Indonesian coal adventure. Nowhere else in the world does NORDEN load more dry cargo than in Indonesia, and it is coal that fills up the vessels. NORDEN aims for more business in Indonesia, which has large reserves of the world’s most important source of energy after oil and which is optimally placed relative to the largest users of coal in the world.

The demand curve for coal only goes in one direction – and that is up!

Coal has become the fastest growing global source of energy as the last decade’s growth in the consumption of coal has been driven by financial growth in the developing countries, particularly China. Since 1999, the global coal production has increased by an annual average of 4.1% to a level of 7.9 billion tons in 2012. Figures from the International Energy Agency, World Coal Association and BP show that 30% of the world’s energy demand is now covered by coal – the largest share since 1969.

Volume-wise, coal is indisputably also NORDEN’s largest type of cargo. In 2012, the 250 vessels in NORDEN’s Dry Cargo fleet transported 64 million tons of commodities (excluding cargo on vessels chartered out), and of this, coal constituted 40% or around 25 million tons.

Indonesia has now surpassed Australia as the world’s largest exporter of thermal coal to the energy sector, and 15-20 times a month, a NORDEN vessel loads in Indonesia, which continues to have an...
AL ADVENTURE

Read more on the following pages
annual GDP growth rate above 5% despite a certain slowdown in the economy. First and foremost, NORDEN transports the Indonesian coal to China. Other loads are transported to India, Japan, Thailand, the Philippines or another country in the region.

NORDEN's Mr. Indonesia
The daily responsibility for nurturing and further cultivating NORDEN's interests in the Indonesian market lies with NORDEN's subsidiary in Singapore where Group Vice President & CEO Jakob Bergholdt has several employees who spend a significant part of their time on the Indonesian market. At the head of this is NORDEN's Mr. Indonesia, Indonesian-born General Manager Mukhlisin Aziz, who will soon hand over the responsibility for the Supramax section in Singapore to others in order to fully concentrate on the job as head of the Asia Business Development Desk – with Indonesia as the central area.

"The Asian growth economies import around 80% of all commodities sold worldwide. It is coal, iron ore cement, grain, etc. – it is all the commodities which are the prerequisite for the impressing growth rates that we are seeing out here. Asia is the epicentre of the global dry cargo market with China as the largest importer of coal and dry cargo products in general and Indonesia as the world’s largest exporter of coal, and that is primarily thermal coal to the energy sector. Therefore, Indonesia has a very high priority for the company here in Singapore. We have close commercial connections to Indonesia, and they are continuously expanded," says Jakob Bergholdt.

Mukhlisin Aziz' new role will further increase his focus on Indonesia and on creating connections between the coal buyers in the region and the coal mines in Indonesia, Jakob Bergholdt points out.

It all began in 2000
NORDEN’s business activities in Indonesia date back to the year 2000 and really picked up in 2007/2008 at the same time as the Indonesian export of thermal coal began to boom. The vessel types used for the transport of coal include everything from Handysize (with a cargo carrying capacity of 28,000-38,000 tons) over Supramax and Panamax to Capesize (with a cargo carrying capacity of 171,000-180,000 tons). Vessels without cranes either load at the dock or at anchorage by means of floating cranes whereas vessels with cranes often load at anchorage by means of the vessel’s own cranes.

According to Jakob Bergholdt, NORDEN has been able to create good relations with several large Indonesian mining companies, which have provided the Company with valuable knowledge on potential new business. This has been important in the development of the future strategy in the market. NORDEN has also made a lot of effort to find new potential customers in Indonesia. The motto in this process has been that no customers are too small for NORDEN, just as no customers are too large.

NORDEN's special strengths
On NORDEN’s special strengths in the Indonesian market, General Manager Mukhlisin Aziz says:

“First and foremost, we are able to offer our Indonesian customers some competitive freight rates. But we also share knowledge with them by e.g. inviting them to a seminar on laytime, just as we are happy to give them technical and/or port related advice in connection with expansion projects. By and large, we are happy to assist our customers if they need to draw on the expert knowledge which NORDEN has as a flexible, reliable and ambitious shipping company, which places great emphasis on long-term customer relations.”
It is Muhklsin Aziz’ clear estimation that Indonesia will remain the world’s largest exporter of thermal coal. With its coal reserves, the country even has great opportunities to increase its production in the coming years. The main obstacle is the infrastructure in Indonesia – it is simply still a challenge in some areas to get the coal to the loading port. But if global demand and global market price increase to a healthy level, it is likely that the Indonesian coal mines will solve the infrastructural problems.

NORDEN aims for more

“Compared with other leading coal exporting countries such as Australia and South Africa, Indonesia is geographically optimally placed relative to China, India and potential new large markets such as Myanmar and Vietnam. NORDEN has knowledge of several new power plant projects in the region, which aim to get the main part of their supplies exactly from Indonesia by which they not only ensure low freight expenses but also high-quality coal,” says General Manager Muhklsin Aziz.

“We are happy to assist our customers if they need to draw on NORDEN’s expert knowledge”

General Manager Muhklsin Aziz

Group Vice President & CEO Jakob Bergholdt adds: “Even though NORDEN already now has a solid footing in the Indonesian coal market, it is our clear ambition to strengthen this further by getting our share of the upside which the market is facing.”

Top 5 exporters and importers of coal

<table>
<thead>
<tr>
<th>Largest exporters</th>
<th>Largest importers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>China</td>
</tr>
<tr>
<td>347 million tons</td>
<td>235 million tons</td>
</tr>
<tr>
<td>Australia</td>
<td>Japan</td>
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<tr>
<td>316 million tons</td>
<td>184 million tons</td>
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<tr>
<td>Russia</td>
<td>Korea</td>
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<tr>
<td>130 million tons</td>
<td>124 million tons</td>
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<tr>
<td>USA</td>
<td>India</td>
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<td>107 million tons</td>
<td>159 million tons</td>
</tr>
<tr>
<td>Colombia</td>
<td>Taiwan</td>
</tr>
<tr>
<td>80 million tons</td>
<td>66 million tons</td>
</tr>
</tbody>
</table>

Sources: Simpson Spence & Young (SSY), Customs General Administration (figures for China) and Federal Service of State Statistics (figures for Russia). All figures are 2012 figures.

China is the world’s largest consumer of coal

The last decade’s significant increase in the consumption of coal has been driven by economic growth in the developing countries, especially China. The 5 largest consumers are China – the indisputably largest – the USA, India, Japan and Russia, which together account for 76% of global consumption. In 2012, China alone imported 235 million tons of coal, which roughly constitutes 7% of the country’s annual consumption of 3,607 million tons (an annual consumption which, volume-wise, is thus almost as large as the total global seaborne dry cargo market covering ALL dry cargo categories). Total coal consumption in Asia comprises 70% of world consumption. And there is plenty more coal where that came from. At the end of 2012, known coal reserves were estimated to be able to cover consumption for the next 109 years. The USA, Russia and China have the largest reserves with approximately 237 billion tons, 157 billion tons and 115 billion tons, respectively.

Sources: World Coal Association, The International Energy Agency and BP et al.

What is coal?

Coal is a fossil fuel consisting of pre-historic plants, which have transformed into coal after being stored in swamps and peat bogs for several hundred million years under great pressure. The energy from the coal comes from the energy which the plants once got from the sun. All living plants store energy through what is called the photosynthesis. Photosynthesis is a complicated string of biochemical processes which enable plants, algae and cyanobacteria (blue-green algae) to turn the atmosphere’s carbon dioxide (CO2) into organic compounds and oxygen by means of solar energy. If a plant dies, the stored solar energy usually disappears through decomposition. But when plants are turned into coal, the decomposition process is stopped, which prevents the stored solar energy from disappearing. The solar energy is thus locked inside the coal and is only released when the coal is burned.

Source: World Coal Association et al.
**NORDEN’s active core fleet**

**Dry Cargo:**

**Capesize**
- Number of vessels: 4
- Owned vessels: 3
- Chartered vessels with purchase option: 1
- Year of construction: 2001-2007
- Average age: 8.8 years
- Length: 289 metres
- Width: 45 metres
- Cargo carrying capacity (deadweight): 171,000-180,000 tons
- Areas of operation: The whole world
- Customers: Steel works, mining companies, and power plants
- Total number of Capesize vessels in the global fleet: 1,403
- Average age of Capesize in the global fleet: 8 years

**Supramax**
- Number of vessels: 20
- Owned vessels: 9
- Chartered vessels with purchase option: 11
- Year of construction: 2006-2012
- Average age: 3.6 years
- Length: 190-200 metres
- Width: 32 metres
- Cargo carrying capacity (deadweight): 54,000-62,000 tons
- Areas of operation: The whole world
- Customers: Steel works, mining companies, power plants, grain traders, trading houses, producers of cement, sugar and fertiliser
- Total number of Supramax vessels in the global fleet: 2,608
- Average age of Supramax in the global fleet: 9.7 years

**Post-Panamax**
- Number of vessels: 8
- Owned vessels: 4
- Chartered vessels with purchase option: 4
- Year of construction: 2010-2012
- Average age: 2.4 years
- Length: 240-250 metres
- Width: 43 metres
- Cargo carrying capacity (deadweight): 111,000-120,000 tons
- Areas of operation: The whole world
- Customers: Steel works, mining companies, and power plants
- Total number of Post-Panamax vessels in the global fleet: 456
- Average age of Post-Panamax in the global fleet: 4.4 years

**Panamax**
- Number of vessels: 13
- Owned vessels: 8
- Chartered vessels with purchase option: 5
- Year of construction: 2002-2012
- Average age: 5.5 years
- Length: 218-229 metres
- Width: 32 metres
- Cargo carrying capacity (deadweight): 75,000-84,000 tons
- Areas of operation: The whole world
- Customers: Steel works, mining companies, power plants, cement producers, grain traders, and trading houses
- Total number of Panamax vessels in the global fleet: 1,867
- Average age of Panamax in the global fleet: 9.5 years

**Handysize**
- Number of vessels: 23
- Owned vessels: 12
- Chartered vessels with purchase option: 11
- Year of construction: 2009-2012
- Average age: 1.8 years
- Length: 169-186 metres
- Width: 27-30 metres
- Cargo carrying capacity (deadweight): 28,000-38,000 tons
- Areas of operation: The whole world
- Customers: Steel works, mining companies, power plants, grain traders, trading houses, producers of cement, sugar and fertiliser
- Total number of Handysize vessels in the global fleet: 2,534
- Average age of Handysize in the global fleet: 13.5 years

**Handysize**
- Number of vessels: 11
- Owned vessels: 11
- Chartered vessels with purchase option: 0
- Year of construction: 2005-2009
- Average age: 5.9 years
- Length: 176-183 metres
- Width: 27-31 metres
- Cargo carrying capacity (deadweight): 37,000-40,000 tons
- Areas of operation: The whole world
- Customers: Oil majors and oil traders
- Total number of Handysize vessels in the global fleet: 567
- Average age of Handysize in the global fleet: 11.5 years

**Notes:**
- NORDEN’s active core fleet counts 294 vessels – 252 dry cargo vessels and 42 tankers. Of these, 43 are owned vessels, 50 vessels are chartered with purchase option and 201 vessels are chartered without purchase option or chartered only for single voyages.
- The list on this page includes NORDEN’s active core fleet. These are 43 owned vessels and 50 vessels chartered with purchase option.
- Global fleet data/Tankers: SSY – at 31 December 2012
- Global fleet data/Dry Cargo: R.S. Platou – at 31 December 2012
- The fleet list is at 30 June 2013
Brutal first quarter followed by small improvement

The shipping markets continue to be challenging, not least within dry cargo. But there are small signs of improvement, i.e. in the form of a better spot market. In the second quarter, NORDEN generated operating earnings before depreciation and profits from the sale of vessels (EBITDA) of USD 4 million. This was in line with expectations and raised EBITDA for the first half-year to USD 13 million.

Cash flows from operating activities amounted to USD 35 million in the first half-year.

The Dry Cargo Department capitalised from the positioning of vessels for the South American grain harvest which was performed in the first quarter. EBITDA amounted to USD -2 million in the second quarter against USD 1 million in the previous quarter. But due to non-recurring income of USD 9 million in the first quarter, underlying earnings in the second quarter were higher.

In the Tanker Department, EBITDA for the second quarter amounted to USD 8 million, which was higher than expected. This was a result of an improved spot market, where seasonal slowdown was less pronounced than usual.

"Just as expected, 2013 is a challenging year. After a brutal first quarter, earnings have improved slightly in the second quarter, and this trend is expected to continue into the third quarter. While rates are under pressure, NORDEN takes advantage of the low newbuilding prices and continues to invest in new fuel efficient ECO vessels, which will provide a considerable competitive advantage when they are delivered and the rates have improved," says CEO Carsten Mortensen.

NORDEN maintains expectations for the profit for the year with operating earnings (EBITDA) at group level of USD 15-45 million.

DRY CARGO – First half-year
- Operating earnings: USD -1 million
- Active fleet at the end of the half-year: 252 vessels – new record!
- The Baltic Dry Index in the second quarter: 12% up from the first quarter
- Earnings in the second quarter: 24% above the 1-year T/C rates
- Coverage for 2013: 80%

TANKERS – First half-year:
- Operating earnings: USD 20 million
- Active fleet at the end of the half-year: 42 vessels
- Earnings in the second quarter: 3% above the 1-year T/C rates
- Coverage for 2013: 34%

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D R Y C A R G O  
improvement in all 
vessel types

All vessel types saw improved average spot rates in the second quarter. Especially Capesize experienced large increases towards the end of the quarter when the spot rate tripled to USD 15,000 per day as a result of increased Chinese import of Brazilian iron ore. The smaller vessel types benefitted from the extensive South American grain export.

Overall, demand growth is as expected, but there is still an oversupply of vessels compared to demand even though net growth in the global dry cargo fleet continues the low trend from the first quarter. The ship yards’ total order book now constitutes 18% of the total fleet, which is the lowest level in 10 years. This supports added optimism about the market balance for the coming years.

T A N K E R S  
the atlantic market on 
the rise

In the second quarter, the product tanker market was primarily driven by extensive exports out of the Mexican Gulf which was a result of a combination of: completed refinery maintenance which returned 1 million barrels per day in capacity, a drop in the American consumption of refined oil products and an increase in the refineries’ utilisation rates – a result of increased production of shale oil in the USA.

In contrast, Europe’s refineries have operated at reduced capacity due to intensified pressure from the USA and Russia. In Russia, reduced refinery capacity and higher quality have led to increased export of diesel oil with low sulphur content to Europe. Asia experienced a sharp decline. China’s import of refined oil products thus dropped by 15% in June, and increased imports in Australia were not capable of counterbalancing this drop.
Within the next 6-9 months, 1 Brazilian and 3 Australian iron mines will expand their annual production of iron ore by a total of nearly 200 million tons. Compared to the global production in 2012, this is an increase in production of almost 7%, which is expected to provide significantly higher demand for sea transportation with the large vessel types and therefore also increasing freight rates. Up until 2016, a South African iron mine will also increase its production resulting in an additional 200 million tons in total from the 5 mines being added to the annual global iron ore production.

The annual iron ore production until 2016 will therefore increase by a total of almost 400 million tons annually or by more than 13% compared to the production in 2012.

With its fleet of 4 Capesize and 8 Post-Panamax vessels, NORDEN is well positioned to gain part of this upside.

"It looks very promising – finally there are prospects of bright spots in the dry cargo market. If we look at the Capesize rates, they averaged USD 6,200 per day in the second quarter. By end-September, the forward prices for the fourth quarter indicated Capesize rates of more than USD 30,000 per day. Now, it remains to be seen at what level the rates will actually end, but we have organised our Capesize and Post-Panamax fleet in a way that should allow us to gain part of the huge amounts of extra iron ore in the world market. And that is iron ore to be transported from the mines in Australia, Brazil and South Africa primarily to China, Japan, Korea and Taiwan," says head of Dry Cargo, Executive Vice President Ejner Bonderup.

A major increase in iron ore production is under way in Australia, Brazil and South Africa. NORDEN is organising its dry cargo fleet accordingly. Iron ore is typically transported with the large vessel types – Capesize and Post-Panamax. NORDEN’s fleet within these vessel types is held open as far as possible for the fourth quarter to gain part of the increased transportation of iron ore which is expected to prompt increases in freight rates.

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Expansions all over
Within the next 6-9 months, the 3 Australian mining companies BHP Billiton, Rio Tinto and Fortescue Metals Group will expand their annual production of iron ore by 40, 70 and 40 million tons, respectively, estimated on an annual basis. In the same period,
Brazilian Vale – the world’s largest mining company – will expand its annual production by 52 million tons.

But the production expansions do not stop here. By 2016, BHP Billiton, Rio Tinto and Fortescue Metals Group will have added an additional 10, 40 and 55 million, respectively, to the annual production. Vale will have expanded its production by an additional 68 million tons, while the South African mining company Anglo American will have added 27 million tons to its annual production.

Thus by supplementing the domestic iron ore production with imported iron ore, China cuts back on expenses and the environment is burdened less.

China drives growth
Global growth in iron ore trade is driven by China, which is indisputably the world’s largest consumer and importer of iron ore. In 2012, China’s imports amounted to estimated 724 million tons against 665 million tons in 2011. In 2013, Chinese imports of iron ore are expected to reach 779 million tons corresponding to 66% of globally traded iron ore. The major import amount this year is within reach. In July alone, China imported a record-high amount of 73 million tons according to the broker company Clarksons. This is an increase of 17% compared to the same month in 2012.

China actually produces such major quantities of iron ore that the country is the world’s largest iron ore producer. But the country has 2 problems in connection with its iron ore production: compared to the iron ore from Australia, Brazil and South America, Chinese iron ore is relatively expensive to extract iron from due to less efficient production machinery, plus the content of iron in the ore is only 10-15%. Contrary to this, the iron ore from Australia, Brazil and South America has an iron content of 50-60%.

Thus by supplementing the domestic iron ore production with imported iron ore, China cuts back on expenses and the environment is burdened less.

Good relationships to build on
"Naturally, NORDEN is not the only one to see that there will now be increases in iron ore in the market. The entire dry cargo business is aware of this. But we are optimistic in terms of getting a share of the many new cargoes at rates better than what we have seen for some time. In this connection, it counts that we have a number of long-standing, solid customer relationships to build on and that we are known for delivering reliable and flexible transportation at competitive prices," says head of Dry Cargo, Executive Vice President Ejner Bonderup.

It looks very promising - finally there are prospects of bright spots in the dry cargo market
Head of Dry Cargo, Executive Vice President Ejner Bonderup

"It was a pleasure for us to participate in an event which will hopefully help a town in dire need. All profits will go to offering town residents the opportunity of taking part in sporting activities to which they would otherwise not have access," says head of Team NORDEN Annapolis, Director Mikkel Borresen.

But there was also an added bonus in connection with the football game, he goes.

"How well we performed in the tournament? I don’t quite remember," says a smiling Mikkel Borresen.

In the photo, he is the one farthest to the right looking down at the ground somewhat ashamed – maybe acknowledging that his team could have performed a bit better getting at the opponents’ goal if they would otherwise not have access, perhaps.

The employees at the NORDEN office in Annapolis had a great, fun and healthy day. They had the opportunity of getting to know each other a bit better, and they also got some (possibly needed) exercising out of it.

Every participating team went at it with the will to win. And compete they did – everyone giving their utmost.

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Team Annapolis: in strongest line-up
The staff at NORDEN’s Annapolis office in the USA gave their strongest line-up when they participated in a charity football tournament along with 7 other shipping companies in Newtown, Connecticut.

It was in Newtown in December 2012 that a 20-year old man shot and killed 20 children and 6 adults at a school before killing himself. The purpose of the football tournament was to collect money for Newtown Youth Academy, which is a non-profit sports centre that is used daily by 500-1,500 children and adults.

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In Pilbara in West Australia, one of the world’s largest mining companies Rio Tinto is operating an integrated network of 14 iron mines, 3 ports and 1,400 kilometres of railway and other infrastructure bringing the iron ore from the mines to the loading destinations. Photo: Rio Tinto.
During the scheduled docking, the Handysize product tanker **NORD PRINCESS** had a lot of maintenance work done in just over a week of which the most visible was new top and bottom paint.

Since the delivery from the Guangzhou yard in China in 2006, she has sailed around 365,000 nautical miles on the big seas with the tanks filled with refined oil products in all shapes and sizes. But in the beginning of September, the princess took a detour from the oceans to the home town of the man behind her name. The princess – or more precisely **NORD PRINCESS** – was at a scheduled docking in Odense in Denmark where the world-famous fairy tale author H.C. Andersen was born in 1805.

**NORD PRINCESS** – named by a real Danish princess, Princess Alexandra – is the first vessel in a series of 8 Handysize product tankers with H.C. Andersen inspired names, which were delivered in the years 2006-2009. The other vessels in the series are **NORD MERMAID, NORD THUMBELINA, NORD BELL, NORD SNOW QUEEN, NORD BUTTERFLY, NORD NIGHTINGALE and NORD SWAN**.

The vessel was docked for just over a week, and during that week, people worked around the clock at Fayard, which has the same location as the now closed Lindø Yard.

There was plenty of work to be done on **NORD PRINCESS**, whose main engine had operated approximately 31,800 hours at the time of docking. The vessel had new bottom paint (the reddish brown) and new top paint (the blue) applied, steel damages were repaired, bunker tanks were cleaned, lifeboats were serviced, the 12 pumps discharging the cargo were overhauled, the 2 steam boilers were cleaned and serviced, etc. There was also a list of 30-40 different small and larger things which had to be fixed when the vessel was docked anyway. The docking was also used for installing a Fuel Performance Measuring system, which is central to the work of monitoring the fuel efficiency of the NORDEN fleet.

It was **NORD PRINCESS’** third docking – the two previous dockings took place in Portugal.

A vessel must be in dock – i.e. dry dock where it is completely lifted out of the water – twice within a 5-year period. The primary purpose is to clean the hull of algae, etc. which increases friction and thus fuel consumption. Afterwards, the bottom paint was renewed. But a docking must also make sure that propeller, rudder and various openings to the sea – seacocks – keep tight.
NORDEN strengthens Dry Cargo team to locate new business

NORDEN is currently strengthening its Business Development Desk which task it is to think long-term and wide – that is about businesses and future contracts of longer duration. This will be done by appointing a new head of the desk, who will focus on this important task exclusively. The position will be filled by Christian Ingerslev, Vice President and head of NORDEN Handysize Pool.

He takes over the task from Vice President Michael Boetius, who has simultaneously been head of NORDEN’s Post-Panamax and Capesize activities.

When you operate in the spot market as NORDEN does, charterers are on the phone most of the time – their attention is constantly directed towards the market here and now. But NORDEN also thinks long-term, and consequently for almost 2 years, the Company has had a Business Development Desk to think ahead commercially and to ensure a uniform approach to large cargo contracts.

New long-term business

“The task to continuously explore the market with a view to locate new business which reaches further into the future than the daily spot business is so important to NORDEN’s continued development that the person in charge of the Business Development Desk must be dedicated on a full-time basis to the task. He should not be responsible for a chartering section at the same time – a full-time job in itself. For this reason, the new head of the team Christian Ingerslev will be released from his daily management of NORDEN’s Handysize Pool operating 70-75 vessels – a particularly demanding job considering the challenging market conditions. Christian Ingerslev will exclusively focus on finding new long-term business – and that is to NORDEN’s entire dry cargo fleet, which with more than 252 vessels at the end of June was at an all-time high,” says head of NORDEN’s Dry Cargo Department, Executive Vice President Ejner Bonderup.

Senior Manager, Business Development Jan Ivarsen from the head office in Hellerup will continue in the team. General Manager Mukhlisin Aziz from NORDEN’s office in Singapore will join the team later in the year to focus on projects in the Far East – read more on pages 4-7.

Large reshuffle

Director Mikkel Borresen will assume Christian Ingerslev’s job as head of NORDEN’s Handysize Pool, which NORDEN operates in cooperation with the Cypriot company Interorient Navigation Company, which is also NORDEN’s partner in the product tanker pool Norient Product Pool. Mikkel Borresen comes from the position as head of NORDEN Tankers & Bulkers in Annapolis, USA.

He will be replaced by General Manager Adam Nielsen, who leaves the position as head of NORDEN’s office in Mumbai, India. This position will be assumed by Peter Koch Hansen from the head office in Hellerup.

“I am convinced that we have once again succeeded in setting the best imaginable team which can ensure that NORDEN will benefit the most from arising business opportunities”

Head of NORDEN’s Dry Cargo Department, Executive Vice President Ejner Bonderup

Best imaginable team

“We have made an organisational reshuffle, and I am happy with the result of the changes. I am convinced that we have once again succeeded in setting the best imaginable team which can ensure that NORDEN will benefit the most from arising business opportunities – both in the daily spot market and in the long-term market. Signs suggest that after 5 particularly challenging years with oversupply of vessels and low rates, market conditions are finally moving towards a balance between supply and demand with increasing rates as a result. NORDEN is as prepared for this development as it can possibly be, and the new organizational changes contribute to this,” says Executive Vice President Ejner Bonderup.
First they had to manage getting through the eye of the needle in order to get the trainee contract with NORDEN. Then followed a 2 weeks’ intensive boot camp introducing them to shipping by providing them with basic knowledge about ship economy, maritime law, ship geography, etc. not to mention central topics such as NORDEN’s vision, mission and values. And now they are in full swing doing their practical training within chartering and operations.

During the entire training course, they can each rely on a mentor – in other words, an experienced NORDEN employee who is central to the training. It is the mentors who in the daily work will lead the way and keep track to see if agreed-upon goals are reached.

If it all goes as it fortunately usually does, the 7 shipping trainees will in 2 years’ time receive their diplomas and the possibility of continuing to work as educated shipping employees at NORDEN – likely with a stationing abroad as their first stop.

“Even though we are seeing times of crisis in shipping for 5 years running now, NORDEN continues to train new employees. We are proud of being able to do so. But we also need to supply the Company with new talent in the form of skilled young people with a flair and burning desire for working within shipping. We offer traineeships in order to secure our own food chain. In doing so, we create value for NORDEN, but definitely also for the Blue Denmark which the Danish government seeks to strengthen,” says Senior Vice President and head of Human Resources Vibeke Schneidermann.

**NORDEN finances new vessels on**

**NORDEN** is in the favourable situation that the Company is highly trusted by Danish and foreign banks and financial institutions.

2013 is an investment year in NORDEN. This implies that the Company takes advantage of the attractive newbuilding prices to increase total tonnage while the rates are low and will receive the vessels in 1-3 years when the rates are expected to have stabilized. At the end of the 1 half-year, NORDEN’s order book counted more than 28 modern ECO vessels: 12 Panamax vessels and 9 Supramax vessels for the dry cargo fleet plus 5 MR vessels and 2 Handysize vessels for the product tanker fleet.

Financing for all newbuildings is finalised prior to delivery and without considerably cutting into NORDEN’s cash balance which amounted to USD 485 million at the end of June. Undrawn credit facilities amounted to USD 197 million.

“NORDEN’s strong financial resources are intact. NORDEN is in the favourable situation that it is able to obtain loan financing for its newbuilding programme – and that is on attractive terms which fully compensate for increased gearing and debt caused by the additional borrowing,” says CFO Michael Tønnes Jørgensen.

NORDEN would have been able to pay for the new vessels by using cash resources only. Solid cash resources enable NORDEN to withstand the fluctuations which will always characterise the shipping markets. They are volatile – and also historically more volatile than most other markets. But it is important to also keep cash resources intact in order to always be able to take advantage of arising business opportunities without first having to stop by the banks. NORDEN’s room for manoeuvring is always prioritised. In this connection, it is important to continuously consider how NORDEN’s newbuildings are most favourably financed, and currently, this is by drawing on credit facilities which are characterised by the low market rates.

In connection with the investment plan, NORDEN has been in dialogue with several banks and financial institutions in and outside of Denmark to obtain financing for the new vessels. Since the closing of the
Experience from the first 3 years with the training only being handled by NORDEN is very convincing. The relevance and therefore also quality of the education has significantly improved.

5 of the 7 new shipping trainees will be trained at the head office in Hellerup, 1 at the Shanghai office and 1 at the Singapore office as all will receive a universally valid shipping education.

**Attractive terms**

Interim report for the first half-year, we have entered into credit agreements for USD 109 million. The agreements typically have a life of 10 years and are adjusted to fit NORDEN's business model and take account of i.e. contracting and selling of vessels and of the fact that the vessels will be delivered in a couple of years.

**Satisfactory loan margins**

"Loan margins are satisfactory, and in combination with a low interest rate level, total interest expenses are attractive – not least in a historic perspective," says Michael Tønnes Jørgensen.

He is very pleased that NORDEN continues to find great backing by the financial market.

"This is to a large extent contributable to the fact that NORDEN has a strong balance sheet, contracts new ECO vessels of high quality and not least that we have proven to have a robust business model which, even in a particularly challenging market, has been able to generate positive cash flows from operations," says the CFO.

**Financial resources are strengthened**

CFO Michael Tønnes Jørgensen states that NORDEN will strengthen its financial resources in line with the contracting of more new vessels.

"I cannot say exactly when we will contract new vessels again. But it is after all a fundamental part of NORDEN’s business model to constantly be looking for new business opportunities – also on the newbuilding side – and take advantage of them when they are considered attractive as they can develop and strengthen the business," he adds.

NORDEN’s CSR strategy now as a cartoon

How NORDEN practises Corporate Social Responsibility (CSR) can now also be seen in a 4-minute-long cartoon or, more precisely, in a whiteboard film where an illustrator with his pen and accompanied by a narrator leads the viewers through the Company’s CSR strategy. The film, which is in English, can be seen at www.ds-norden.com.

"We wanted a film which as part of a larger campaign would communicate our CSR strategy and its significance to our employees. I hope that the film will also find interest among our external stakeholders such as customers, business partners and investors. At the same time, the idea was for the film to show that the substance of the strategy is not something new for NORDEN – it is something we have practised long before the term CSR was even coined," says Director, CSR Ulla E. Nielsen.

She adds that NORDEN is currently in the process of implementing the CSR strategy as an essential part of the company culture and as a new efficient competitive parameter.

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**Calendar**

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<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>23 October</td>
<td>Silent period until publication of the interim report for the third quarter of 2013</td>
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<td>25 October</td>
<td>NORDEN Invitational 2013</td>
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<td>Golf tournament and dinner reception</td>
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<td>Matsuyama and Imabari, Japan</td>
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<tr>
<td>13 November</td>
<td>Interim report for the third quarter of 2013</td>
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<tr>
<td>13 November</td>
<td>Roadshows in connection with the interim report</td>
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<tr>
<td>1 November</td>
<td>Delivery of 82,500 dwt. Panamax dry cargo vessel, Cebu, the Philippines</td>
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Boat trip, golf and change of guard in the USA

For the twelfth year running, NORDEN Tankers &Bulkers (USA) Inc. and Norient (USA) LLC invited business partner for cocktails, boat trip and golf.

This year again, the largest estuary in the USA, the Chesapeake Bay between Maryland and Virginia, made up the venue for when NORDEN Tankers & Bulkers (USA) Inc. and Norient (USA) LLC – both located in Annapolis – invited close to 200 North and South American business partners for a boat trip on board the Cathrine Mary. This year was the twelfth year running that this summer event took place, and, as usual, there was a cocktail party before the boat trip followed by an after party at Pussers Caribbean Grill. Next morning, the great golf tournament was teed off.

This late summer event rich in traditions provided the many participants with the rare opportunity of getting out of the offices and conference rooms to meet up with business partners face to face resulting in both pleasant reunions and enjoyable talks.

During the event, everyone had the chance to say goodbye to NORDEN’s head of the Annapolis office since 2008, Director Mikkel Borresen, who is returning to the head office in Hellerup, Denmark, where he will take over as head of Handysize Chartering. At the same time, they had the chance to say hello to his replacement, General Manager Adam Nielsen, who for 3 years has been head of NORDEN’s office in Mumbai, India.