4 NEW FUEL EFFICIENT TANKERS SOON READY FOR DELIVERY

NORDEN accommodates the customers' demand for ECO tonnage

Pages 4, 5 and 6
During this and the next quarter, the South Korean yard STX Offshore & Shipbuilding Co., Ltd. will deliver the 4 MR product tankers, which NORDEN ordered in the spring of 2011. The vessels’ design improves their fuel efficiency by 20-25% compared to the oldest product tankers in NORDEN’s fleet.

Following a 2012 which will be written into NORDEN’s 142-year history as one of the more challenging years, we have gotten off to a good start in 2013. Undoubtedly, this will too be a difficult year market-wise, but NORDEN is well prepared. We have optimised our business, and – as can be read in our newly published annual report – we have been able to lower costs both on shore and at sea while increasing activities.

An organisation of motivated and competent employees who work as a team with a clear strategy is a good starting point to handle the crisis which the shipping industry has experienced in recent years. At the same time, NORDEN has financial resources to invest in new fuel efficient vessels.

Transition to more fuel efficient vessels is the alpha and omega for NORDEN. It provides us with a competitive advantage when we by doing this can reduce the largest single cost item of each voyage by 20-25%, and this is an advantage we will develop going forward.

Thanks to our strong financial resources, we are among the few shipping companies in the world who can contract new vessels in a time when many have difficulties with obtaining financing. This implies that NORDEN can take advantage of the competitive vessel prices and contract newbuildings which are built while rates are expectedly low but delivered in a future market which has improved.

Modern efficient vessels with optimised designs do not only benefit the bottom line. They also benefit the environment. NORDEN has a target to reduce CO2 emissions from owned vessels by 25% in the period from 2007-2020. We are well on our way to reach this target, and our efforts are noticed in the market where involvement in sustainability and Corporate Social Responsibility (CSR) is in growing demand.

An excellent example is the American wood pellet manufacturer Enviva, who has just entered into a contract with NORDEN for transportation of wood pellets, which you can read about on the next page. Enviva attaches great importance to the fact that their suppliers – in this case NORDEN – live up to high standards within CSR, and this is a trend we expect to see more of in the future.

We will not be seeing completely CO2 neutral shipping as yet, but the idea of saving fuel is well rooted throughout NORDEN’s organisation. You can read more about this on page 13 explaining how one of our skilled captains went to extremes, shut off the engines and sailed by wind and weather alone.

Have fun reading!

CARSTEN MORTENSEN, President & CEO
NORDEN has entered into a multi-year contract to transport biomass fuel in the form of wood pellets for US-based Enviva LP. NORDEN will provide transportation from Virginia in the USA to ports in both the United Kingdom and mainland Europe. The contract with Enviva is one of NORDEN’s 10 largest cargo contracts.

NORDEN has gained a strong foothold in the growing market within biomass for energy. In the coming years, biomass together with coal and grain will be among the largest commodities in NORDEN’s cargo book. The importance of biomass is reinforced by NORDEN’s new 9-year contract with American wood pellet producer Enviva. The contract involves transport of wood pellets from Enviva’s Port of Chesapeake in Chesapeake, Virginia, USA, to ports in both the United Kingdom and mainland Europe including Great Britain’s largest power station, Drax Power Station in North Yorkshire, which is in the process of adapting its boilers to burn biomass instead of coal.

The head of NORDEN’s Dry Cargo Department, Executive Vice President Ejner Bonderup, is very pleased with this development. With the Enviva contract, the Dry Cargo Department’s total coverage for the period will increase by 6%, and total coverage within the Handymax vessel type in the dry cargo fleet will increase by 20% in the same period.

“This contract reflects our strategy for the Dry Cargo Department. Our target is to increase the volume, and we aim at securing growth in the contractually secured cargo volumes by entering into contracts with good, solid commodity and mining companies, industrial groups and energy producers. We look very much forward to the cooperation with Enviva, which has a strong position on the global biomass market,” says Ejner Bonderup.

Reasons why NORDEN was chosen
“Enviva chose NORDEN as a long-term business partner for several reasons. Our company prides itself on being a dependable supplier of wood pellets to the world’s largest utilities. NORDEN’s great reputation as a reliable and flexible operator in addition to the company’s solid financial resources and credit rating help us ensure that we will in turn continue to be the reliable provider of choice for sustainable renewable wood pellet fuel,” explains Executive Vice President and Enviva co-founder Thomas Meth.

He adds: “Responsible supply chain management is critical to our company’s mission and business model. NORDEN shares this commitment to sustainability and corporate responsibility with Enviva. In addition, NORDEN’s significant inbound business to the USA helps reduce CO2 emissions as excessive ballasting is avoided.”

Suits NORDEN perfectly
Global energy markets are undergoing rapid developments as more and more energy utilities respond to renewable energy policies and increasingly replace coal with biomass in the form of wood pellets and wood chips.

“It is NORDEN’s ambition to obtain a larger share of this interesting market. The market perfectly suits our large, modern fleet of Handy-size and Handymax vessels, which can easily be converted to facilitate transport of biomass. This only requires installation of CO2 systems in the cargo holds,” says Executive Vice President Ejner Bonderup.
4 NEW PRODUCT TANKERS ARE 20-25% MORE FUEL EFFICIENT

The 4 new ECO product tankers from STX will be named NORD STABILITY, NORD STRENGTH, NORD STEADY and NORD STRONG.
The South Korean yard STX is now delivering the 4 MR product tankers, which NORDEN ordered in the spring of 2011. By ordering the new vessels, NORDEN is accommodating the customers’ demands for ECO tonnage.

With the delivery of 4 MR product tanker newbuildings from the South Korean yard STX Offshore & Shipbuilding Co., Ltd., NORDEN is accommodating an increasing demand from customers, oil majors and oil traders, who have their own environmental profile to live up to. When they charter in newly built tonnage, they target ECO tonnage with significantly lower fuel consumption than the existing conventional fleet. With a 20-25% lower fuel consumption compared to other product tankers in NORDEN’s fleet, the new vessels from STX fully meet the demands from the customers.

Lars Bagge Christensen, head of the Tanker Department in NORDEN, believes that even though the vessels will be delivered in a generally challenging market, it is exactly the kind of tonnage which is needed at the moment.

“Due to the demand for newly built fuel efficient tonnage, the new vessels will provide us with obvious and extensive possibilities in the market. We are therefore confident that the vessels will be employed and absorbed into the global tanker fleet in a way which is commercially interesting and attractive to NORDEN,” says Executive Vice President Lars Bagge Christensen.

It is not least the large financial savings on fuel costs which make it attractive to invest in new tonnage. The 4 MR product tankers have a cargo capacity of 49,600 tons and will be equipped with an electronically controlled main engine and various equipment and systems, which together will ensure that the vessels will consume 6-7 tons less fuel per day at normal speed.

Quite an amount

“For the 4 vessels, it is a total daily saving close to USD 10,000 – which is quite an amount,” says Lars Bagge Christensen, and he adds:

“Also remember that everybody wins when the vessels have significantly improved fuel economy. While NORDEN is accommodating the customers’ demands and is making savings on the expensive bunker oil at the same time, the environment is also benefitting from the reduction of CO2 emissions which follows in the wake of the reduced fuel consumption. In other words, NORDEN’s financial position and the consideration for the environment go hand in hand. The 4 new ECO vessels are therefore included as a positive element in NORDEN’s long-term environmental strategy on the reduction of total CO2 emissions from our fleet by 25% compared to the emissions in 2007 up until 2020.”

Young and modern tanker fleet

NORDEN’s existing active core fleet (i.e. owned vessels and chartered vessels with purchase option) is significantly younger than the world fleet. The 14 MR vessels have an average age of 3 years against 7.5 years in the world fleet, while the 11 Handysize vessels have an average age of 5.4 years against 11.5 years in the world fleet.

The 4 new ECO vessels are therefore included as a positive element in NORDEN’s long-term environmental strategy on the reduction of total CO2 emissions from our fleet by 25% compared to the emissions in 2007 up until 2020.

THE SEA TRIAL
– THE CRUCIAL TEST OF THE VESSEL

A ship’s crew counts a dozen men, but during the 3-4 day long sea trial, there may be more than 100 men on board. These are employees from the yard, the shipping company and the yard’s subcontractors. There are also surveyors from a classification society, who issues certificates on behalf of the flag state. These certificates ensure an acceptable degree of stability and safety, which are required before the vessel can venture out on her maiden voyage – and on all following voyages.

When the sea trial has been completed, the vessel returns to the yard where potential flaws and deficiencies are corrected before the vessel can be delivered to NORDEN.

A few weeks before a yard is ready to deliver a vessel to NORDEN, a crucial test takes place – the sea trial. This is where you test all the functions and systems, which can only be tested once the vessel is at sea, says Director of the Newbuilding Section, Søren Westergaard.

“Is the vessel capable of loading and discharging, can the vessel sail at the agreed speed, how is the vessel’s ability to navigate, can the vessel lower and heave up the anchor in accordance to the specified requirements, does the vessel comply with the vibration and noise requirements, is the steering gear functioning properly, and are the systems, on the whole, functioning satisfactorily when the vessel is sailing at full speed? These are all questions to which the sea trial provides answers. The engine’s fuel consumption, on the other hand, is already known, since it has been tested by the engine manufacturer,” says Søren Westergaard.

PS: where to accommodate all the extra “crew members” during a sea trial? This has also been taken into account. Extra beds are provided – sometimes special living containers are provided as well. Extra safety gear is also provided during the sea trial, which takes place under the responsibility of the yard.
To the extent that NORDEN is expanding the fleet and contracts further tonnage, new contracting will primarily be based on ECO tonnage, says Lars Bagge Christensen.

“We will base our decisions on future contracts on the latest technology and on the experience gained daily by operating our current fleet. In this aspect, the 4 new STX vessels will play an important role as they will ensure that we can gather and use our own practical experience with fuel efficient vessels. With this practical experience at hand, we can determine what to improve on when contracting in the future,” he says.

Gradually improving market in 2013
Following a very challenging 2012, the market for product tankers is expected to gradually improve in 2013. The global oil demand is expected to increase by approximately 1.0%, which is in line with 2012. This implies that demand for product tankers will increase by 3-5%.

The primary driving forces are Asia and the Middle East, whereas the OECD countries, Europe in particular, are expected to experience a continued drop in oil demand. This development implies that consumption in the non-OECD countries is expected to surpass that of the OECD countries already by the second half of 2013. Combined with increasing competition from new, advanced refineries in Asia and the Middle East, this is expected to put renewed pressure on the profitability of old refineries, e.g. in Europe, where they, after a temporary improvement earlier in the year, experienced decreasing refinery margins at the end of 2012.

Delayed local refinery expansions have resulted in increasing demand in South America. If everything goes as forecasted, this will imply increased import from especially the USA, where the Port Arthur refinery is expected to be back in operation following some starting-up difficulties in 2012.

The low spot rates in 2012 have implied that several shipowners and operators have problems financing operations, and combined with the limited access to external bank financing, newbuilding contracting will continue at a low level. According to the shipbroking company SSY, fleet growth in 2013 is expected to remain at a low level of approximately 4% in total for MR and Handysize.

Tonnage demand up by 4.2%
According to the International Energy Agency, overall oil demand is expected to increase by 1.3% per year in the period 2012-17 corresponding to almost 6 million barrels per day. The growth will primarily be driven by Asia and the Middle East with increases of 2.0% and 3.5%, respectively, per year. During the same period, Europe will experience a drop in demand of 0.6%, or almost 0.5 million barrels per day.

The demand for product tanker tonnage also includes the transportation distance between the production area and the consumption area. If this is also taken into account demand for tonnage is expected to increase by 4.2% in 2013 according to the shipbroking company Clarksons.
FUEL CONSUMPTION TO BE FURTHER REDUCED

Fuel expenses (bunker oil) are by far the most significant expense item for NORDEN and the product tanker pool Norient Product Pool, NPP, which NORDEN owns on a 50/50 basis with the Cypriot company Interorient Navigation Company Ltd. Now, a new function in NORDEN has been created which will ensure that the fuel consumption of roughly 200 dry cargo vessels and roughly 80 product tankers is further optimised by coordination of all savings initiatives as well as systematic data collection and analysis.

NORDEN has already taken a number of initiatives to economise on the expensive fuel (bunker oil). These include technical initiatives, speed optimisation and development of internal IT systems. The activities have taken place decentralised in different departments, and the Company has gone for the low-hanging fruit with visible effect on costs. But more savings must be made on the fuel consumption of the roughly 200 dry cargo vessels and roughly 80 product tankers.

In 2012, NORDEN had voyage costs amounting to USD 969 million. 67% or USD 651 million covered bunker oil and was therefore by far the largest expense item.

“Combined with systematic data collection and analysis, greater coordination of the different initiatives will provide us with the ability to prioritise future activities to an even greater extent,” says Executive Vice President Martin Badsted.

NORDEN has therefore created a new function joining the tasks of coordination and analysis. Head of this Fuel Efficiency Team is Peter Sinding, who is newly employed with the Company. He comes from a position as R&D Manager at FORCE Technology, where he worked with maritime technology.

Uniform approach
The new function results from preceding analysis of the field within fuel saving initiatives. In the middle of 2012, NORDEN formed a group consisting of the heads of the commercial departments and NPP, the technical director, the finance director and Martin Badsted. The purpose was to map out existing initiatives in order to create a uniform approach for the entire group and form a basis for measuring and monitoring results on an ongoing basis.

“And this is easier said than done. It quickly becomes evident that this is considerably more complicated than that, and it involves a wide range of people and competences. For instance, we are already collecting a large amount of data from the vessels, but this data is available in different systems and is used for different purposes. Therefore, we are not fully benefiting from this data and what we do get requires a lot of manual work. Thus, we concluded that we need to systematise things more,” Martin Badsted says.

Daily attention
Optimising fuel consumption requires daily attention many places in the organisation in order to ensure that we fully benefit from our efforts: in Chartering and Operations in connection with voyage optimisation, in the Technical Department in terms of maintenance planning and technical optimisations on board NORDEN’s owned vessels, in fleet optimisations in connection with the purchase and sale of vessels, etc.

“All the concrete, daily optimisation decisions will remain decentralised in the organisation – as this is the best. But the new Fuel Efficiency function will make it easier for all of us to make the right decisions in a world where fuel is an ever increasing expense item. We already know in outline what has the desired effect and what we should do. But the art is to ensure that we then do this on all vessels – and on all voyages. In order to improve daily decisions on a regular basis, we must gather experience with what works and what does not work under different circumstances and then transform this experience into good daily decisions,” says Executive Vice President Martin Badsted.
NORDEN’S ACTIVE CORE FLEET

DRY CARGO

Number of vessels: 4
Owned vessels: 4
Chartered vessels with purchase option: 1
Year of construction: 2001-2007
Average age: 8.3 years
Length: 289 metres
Width: 46 metres
Cargo carrying capacity (deadweight): 171,196-180,310 tons
Operating areas: Worldwide
Main cargoes: Iron ore and coal
Customers: Steelworks, mining companies and power stations
Global fleet – number of vessels: 1,403
Global fleet – average age: 8 years

Number of vessels: 21
Owned vessels: 11
Chartered vessels with purchase option: 10
Year of construction: 2000-2012
Average age: 3.2 years
Length: 190-200 metres
Width: 32 metres
Cargo carrying capacity (deadweight): 51,482-61,654 tons
Operating areas: Worldwide
Main cargoes: Iron ore, coal, grain, cement, sugar and fertiliser
Customers: Steelworks, mining companies, energy companies, grain traders, trading houses, producers of cement, sugar and fertiliser
Global fleet – number of vessels: 2,606
Global fleet – average age: 9.7 years

TANKERS

Number of vessels: 9
Owned vessels: 5
Chartered vessels with purchase option: 9
Year of construction: 2000-2012
Average age: 3 years
Length: 180-183 metres
Width: 32 metres
Cargo carrying capacity (deadweight): 45,997-50,500 tons
Operating areas: Worldwide
Main cargoes: Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers: Oil majors and oil traders
Global fleet – number of vessels: 1,026
Global fleet – average age: 7.5 years

Number of vessels: 14
Owned vessels: 5
Chartered vessels with purchase option: 9
Year of construction: 2000-2012
Average age: 3 years
Length: 180-183 metres
Width: 32 metres
Cargo carrying capacity (deadweight): 45,997-50,500 tons
Operating areas: Worldwide
Main cargoes: Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers: Oil majors and oil traders
Global fleet – number of vessels: 1,026
Global fleet – average age: 7.5 years

Notes:
- The list of NORDEN’s active core fleet is per 31 December 2012.
- Global fleet data/Tankers: SSY.
- Global fleet data/Dry Cargo: R.S. Platou.
- The list does not include:
  - 150.5 vessels, which at 31 December 2012 were chartered without purchase option or only chartered for a single trip.
  - 20 vessels for delivery – i.e. 8 owned, 10 chartered with purchase option and 0.5 chartered for more than 3 years without purchase option.
- Vessels, which the pool partner Interorient Navigation Company Ltd. has included in the common pools within Dry Cargo and Tankers – the Post-Panamax Pool, the Handysize Pool and Norient Product Pool, NPP.
- Total gross fleet: 263 vessels.
NORDEN IN BRIEF

NORDEN SUCCEEDED IN 2012 DESPITE CHALLENGING MARKETS

NORDEN succeeded in 2012 though market conditions within both dry cargo and product tankers continued to be challenging with low freight rates, high fuel prices and a record-high number of new vessels at sea. Operating earnings (EBITDA) amounted to USD 148 million. This is 21% down from 2011 but in the high end of expectations. Cash flows from operating activities were USD 122 million against USD 120 million in 2011, and NORDEN thus continued generating positive cash flows even in a challenging year.

DRY CARGO:
- EBITDA: USD 131 million, which is 24% down from 2011 but better than expected
- Earnings were significantly higher than both the spot market and the 1-year market
- Number of ship days: 68,430 or 5.5% more than in 2011
- Baltic Dry Index was on average 41% down from 2011 throughout the year
- Maintained market share and expanded customer portfolio

TANKERS:
- EBITDA: USD 28 million, which is in line with 2011 results and above expectations
- Norient Product Pool (NPP), which handles the commercial and operational management of NORDEN’s and Cypriot Interorient Navigation Company Ltd.’s product tankers, are now the second largest product tanker pool in the world with 80 vessels
- Baltic Clean Tanker Index was on average 11% down from 2011
- Earnings were – like previous years – above comparable market rates
- Well positioned to benefit from the increasing rates in the fourth quarter of 2012
- Number of ship days: 15,598 or 14% more than in 2011
- Cargo volumes increased by 32% to a total of 27.8 million tons

NORDEN’s Dry Cargo Department entered 2013 with coverage of 76%, and the Tanker Department had coverage of 27%.

GRAIN AND COAL DOMINATE IN DRY CARGO

Coal and grain are the 2 dominating cargo types on board NORDEN’s dry cargo vessels. They comprised 40% and 18%, respectively, of total freight volumes of 64 million tons in 2012 (without cargo on vessels chartered out). It is characteristic of coal and grain that both cargo types are less sensitive to market fluctuations than the average dry cargo commodity. NORDEN’s Dry Cargo Department sailed a total of 12,117,856 nautical miles in 2012, and the fleet had a total of 1,415 port calls loading cargo and 1,581 discharging cargo. Every fifth dry cargo was discharged at a Chinese port, and China remains indisputably NORDEN’s largest dry cargo market.

EVERY THIRD TANKER CARGO IS FUEL OIL

Fuel oil – a dense, viscous oil – was by far the refined oil product most frequently transported by NPP in 2012. The pool’s cargo volume was 27.8 million tons of which fuel oil comprised 32%. Gas oil, gasoline and naphtha (for production of plastic products) followed comprising 56% of total cargoes. The main part was transported on traditional routes – e.g. diesel from North America to South America and Europe and gasoline from Europe to North America. NPP’s vessels sailed a total of 3,725,164 nautical miles in 2012. Port calls amounted to 1,019 loadings and 1,173 discharges.
THE TIME HAS COME FOR INVESTMENTS IN NEW DRY CARGO VESSELS

NORDEN’s investment focus is about to change. Following a number of years with investments in new product tankers, the investment focus will turn to dry cargo tonnage in 2013.

During the last 4-5 years, the Dry Cargo Department’s gross core fleet has consisted of approximately 80 vessels in accordance with NORDEN’s wait-and-see attitude towards the dry cargo market.

Prices on newbuildings have now decreased to a level which makes it attractive for NORDEN to invest.

In the course of 2013, NORDEN consequently wishes to increase exposure to an expectedly improved market. This is to take place by investing in dry cargo vessels with primary focus on fuel efficient newbuildings. This may be vessels which NORDEN will own or chartered vessels with purchase option.

Executive Vice President and Head of NORDEN’s Dry Cargo Department, Ejner Bonderup, admits that on the face of it, it may seem as a paradox that NORDEN wishes to invest in new dry cargo vessels when the global fleet of especially dry cargo vessels is too large and continues to exceed demand with poor rates as a consequence. However, good arguments justify that NORDEN will seek to acquire new vessels and thereby increase the so-called gross core fleet of active and ordered owned vessels as well as chartered vessels with purchase option. To the gross core fleet should be added the approximately 120 chartered vessels without purchase option of which some are only chartered for a single trip. Consequently, the Dry Cargo fleet consists of 200 vessels. For some periods, the fleet has consisted of 240/245 units.

The timing is right
“Purchase prices have now decreased to a, for us, very interesting level, and we will comply with the old tenet within the shipping world to purchase new vessels when the market is low, the yard capacity is high and the purchase prices are consequently low. If we order new vessels in 2013 – either to own them or to charter them with purchase option – they will be delivered in about 2 years. In other words, they are built while the rates are low and will not hit the water until the market has started to improve as a result of better balance between tonnage supply and tonnage demand. Our premise for investing in new dry cargo vessels is that we can employ them at attractive rates. Therefore, the timing is right,” says Ejner Bonderup.

More fuel efficient vessels
NORDEN has yet another reason to invest in new dry cargo vessels, he says, and that is the opportunity to gain a fleet of vessels, which are far more fuel efficient than the majority of the existing fleet – not only NORDEN’s fleet but the global fleet as well.

“Even though NORDEN’s Dry Cargo gross core fleet is already very young compared to the global fleet (Editor’s note: see fleet list on
The Dry cargo Department has extended its customer base with 60-70 new customers during the past year.

The volume of global seaborne dry cargo transports increased by 5.5% in 2012, and with an increase in transported volumes of 6% in 2012, NORDEN has maintained its position in the market and just as importantly attracted a considerable number of new customers. During the year, the number of new customers reached 60-70.

NORDEN's two primary commodities are coal and grain, which are both less sensitive to market fluctuations than the average dry cargo commodity. Out of a total transported volume of 64 million tons (excluding cargo on vessels chartered out), coal and grain constituted 40% and 18%, respectively, of NORDEN's transported dry cargo.

Compared to the market where 80% of the dry cargo commodities are imported by the East, NORDEN has a more even geographical spread in that almost 25% of NORDEN's transported volume was carried to Western Europe. The spread is to a great extent a result of NORDEN's 5-year contract to carry coal from Svalbard to Northern Europe as well as Indonesian and Russian coal to Southern and Northern Europe, respectively. In 2012, NORDEN also entered into another large contract to carry biomass from the USA to Western Europe – see page 11.

China and India remain the largest single destinations for NORDEN's cargoes. In total, NORDEN delivered 17 million tons to China and India in 2012 of which the largest share was discharged in China – one in five dry cargoes was discharged in 51 different ports. It is primarily NORDEN's large vessel types, which call at these countries with coal and iron ore from Australia as well as coal from Indonesia. In addition, NORDEN transports large volumes of grain from South America to Asia.

Financial resources in place
CFO Michael Tønnes Jørgensen explains that it is part of NORDEN's strategy to have financial resources which enable the Company to stand up to hard times, act independently of the bank and loan market and take advantage of the opportunities in a cyclical market. This is also the case in the period of financial crisis we are presently in when external financing can be difficult to obtain.

At the close of 2012, NORDEN had cash and securities totalling USD 529 million and undrawn credit facilities of USD 161 million. With these financial resources, NORDEN can carry through both already known investments as well as the planned new investment programme for 2013 without additional external financing.

"In the short term, the Company's large holding of cash and securities may reduce the shareholders' return, but it provides the best opportunities of generating an attractive risk-adjusted return in the long term," says Michael Tønnes Jørgensen.

NEW CUSTOMERS IN THE DRY CARGO DEPARTMENT

The Dry Cargo Department has extended its customer base with 60-70 new customers during the past year.
NORDEN TARGETS ITS CSR AMBITIONS

After long and thorough preliminary work, NORDEN has a finished strategy for its work with Corporate Social Responsibility (CSR). The strategy reflects that CSR is meant as a tool which is to support NORDEN’s business. The strategy is called On the right Course.

To ensure a business-driven approach to Corporate Social Responsibility (CSR), NORDEN has developed a CSR strategy, which is in line with our business strategy and provides us and our business partners with a clear image of the direction for CSR in NORDEN.

“NORDEN’s CSR strategy focuses on the issues which we have deemed important to our business and to our many different stakeholders, and the purpose of the strategy is to make CSR part of our value proposition to our customers, business partners, investors and employees. The purpose of the strategy is also to strengthen our position as part of our customers’ and business partners’ responsible supply chain as well as enable us to communicate and measure our CSR ambitions and efforts,” says Director CSR, Ulla E. Nielsen.

She stresses that it has always been characteristic of NORDEN’s way of doing business to behave well – this is reflected in the Company’s values, and this was also the case long before anyone started talking about Corporate Social Responsibility. However, increasing pressure from customers, business partners and authorities has now given NORDEN the incentive to work with CSR in a more systematic, determined and visible way.

Comprehensive preliminary work
The CSR strategy was established on the basis of comprehensive preliminary work.

The first step was a research, which included NORDEN’s stakeholders. The research included both reviews of websites and of interviews, and the purpose of the research was to ensure that the CSR strategy reflected the risks, opportunities and expectations which NORDEN faces as a shipping company. The research identified a total of 17 relevant CSR issues. These were subsequently reviewed, assessed and prioritised by NORDEN’s Senior Management and CSR Executive Body. Afterwards, 7 focus areas remained: CO2 efficiency, vessel safety, employee conditions, transparency, anti-corruption, environmental management and responsible supply chain management.

“The 7 focus areas were then divided between two levels of ambition. On one level, we want to differentiate NORDEN and be among the best, and on the other, we have assessed that the legislative requirements are sufficiently ambitious and do not need to be tightened from our side. Together, the 7 focus areas form the basis of our CSR strategy, which we call On the right Course,” says Ulla E. Nielsen.

Next step: detailed plan
Next step was to make a detailed plan for each focus area to ensure that NORDEN reaches the targets formulated in the strategy covering the period 2013-2015.

“It is vital for any strategy to have it successfully rooted in the organisation. In our CSR report for 2011, we wrote that we would appoint a number of CSR ambassadors in 2012. This has been done now, and the ambassadors will be provided with relevant material to help make the CSR strategy and its Code of Conduct part of daily work in their respective departments,” says Ulla E. Nielsen.

By working determinedly, systematically and visibly within the 7 specific CSR areas, NORDEN ensures that the Company is on the right course.
The vessel – an MR product tanker weighing 47,400 tons – made it to the discharge port in time. But by stopping the main engine for 3-4 days, savings of 27 tons of fuel were made. The vessel’s captain is much praised by the Operations Department in Norient Product Pool, NPP, for his inventiveness and initiative.

He stresses that many factors must fall in place for that kind of sailing to be possible. We must have plenty of time to reach the loading port which we luckily rarely have. The wind and current must have the right direction. And finally, there must be enough room in the area to drift as safety can naturally never be compromised.

A good cooperation
Jens Malund Jensen says that the unusual voyage between Las Palmas and Skikda is also the result of a good cooperation between the vessel and NPP’s Operations Department and between NORDEN and the owner of the long-term chartered vessel. The cooperation has developed over several years and encourages the partners to have a close and open dialogue as well as being proactive and thinking out of the box.

“The longer we continue down this track, the more good initiatives will also be presented to us. Optimisation of all voyages is crucial for our business. That is why I wish to share a success story as this one from NORD INTEGRITY in the hope of a repeat, when time, wind, current, traffic in the area and the market make it possible again,” says Jens Malund Jensen.

For the sake of good order, he adds that a vessel carrying a cargo would never sail by wind and current alone. For laden vessels, the general principle for seaborne transports applies – i.e. “utmost despatch” meaning that the cargo must reach its destination as fast as possible.
An evening in January, there was plenty of involvement, interest and questions throughout the house, when NORDEN opened the doors to the head office in Hellerup for potential candidates for the much-coveted two-year shipping or finance trainee programme. About 75 young men and women participated in the event at which NORDEN introduced the world of shipping and its career opportunities.

Even though NORDEN’s fleet transports dry cargo products such as iron ore, coal, cement and grain and refined oil products such as fuel oil, gasoline, naphtha and jet fuel, NORDEN is first and foremost a software company, whose success depends on the employees at sea and on shore making the right decisions. So even though times are challenging in the shipping industry, NORDEN has a strong focus on finding the most talented employees – and this is where the trainees play a central part.

Just like previous years, NORDEN expects to hire a total of 10 trainees in 2013 including one finance trainee. Half of them will work at the head office in Hellerup, while the rest will work at the overseas offices in Singapore, Shanghai and Annapolis.

NORDEN recruits trainees for the overseas offices by being present at career days at some of the universities with whom we cooperate.

The event in Hellerup was directed at young people with an ambition to become trainees at the head office. During the night, the many participants got the opportunity to express their expectations for their future work life, just as they also got a tour of the head office where they met current trainees, who told them about their daily life as charterers, operators or finance employees. Before the evening was over, each of the participants had to give a short presentation of themselves to a leading NORDEN employee – all of the participants rose to this challenge and did very well.

Head of Human Resources Vibeke Schneidermann says that she was very pleased with how the evening went.

“The turnout was high, and generally the young men and women showed great involvement and great interest. Just as important, I am convinced that there were many qualified candidates among the participants. But before hiring, we have a very thorough screening process,” she says.

Steffen Johnstad-Møller is new head of the representative office in Shanghai.

It is a person greatly familiar with both NORDEN and Asia, who will now head the Shanghai office, which is located in NORDEN’s most important dry cargo market – every fifth dry cargo of NORDEN is discharged in a Chinese port.

He started his career as shipping trainee in NORDEN. This was in 2003. Two years later, he had completed his traineeship and moved on to other positions first at NORDEN’s office in Singapore and later at the office in Annapolis, USA. In 2008, he was employed as ship broker within dry cargo with Yamamizo in Tokyo. He stayed here until 2011 when he was made responsible for J. Lauritzen’s daily business activities in Japan.

Steffen Johnstad-Møller’s wide experience will be very valuable when he will be guiding NORDEN’s representative office in Shanghai in a new direction.

“I am very happy to welcome Steffen back at NORDEN. He is the right man for the job in Shanghai to build up a strong NORDEN presence in the Chinese market,” says head of the Dry Cargo Department, Executive Vice President Ejner Bonderup.

Steffen Johnstad-Møller knows both Norden and Asia very well.
Japanese-Danish Cultural Exchange Day

In January, the Dry Cargo and Tanker Departments in NORDEN invited close Japanese business relations to the fourth annual Cultural Exchange Day in Denmark. As usual, the programme covered a wide field.

The 20 representatives from European branches of Japanese trading houses and yards met a dozen leading employees from NORDEN led by Executive Vice President in Dry Cargo Ejner Bonderup and Executive Vice President in Tankers Lars Bagge Christensen. The programme began with a visit to Rundetårn, one of the oldest, most famous and, with a height of 41.8 meters, once highest buildings in Copenhagen. It was the legendary Danish King Christian IV, who had Rundetårn built in the years 1637-1642.

After a tour of both the tower and the observatory, and lunch in the Library Hall above Trinitatis Church, the party moved on to the next and culturally very different item on the cultural exchange programme agenda. A so-called toilet race took place in the canteen at NORDEN’s head office in Hellerup. Here the participants were divided into two teams and had to show off their skills on motorised toilets. This proved to be a great surprise and was of great amusement for the whole party. Toilet race was definitely something the Japanese delegation had never seen before, so it was truly cultural exchange at full speed.

The day ended with dinner, more dialogue between business relations, who have known each other for years, a couple of speeches and one or two good-night pints at a nearby pub.

Rotterdam tops the list of port calls in 2012

151 is the total times that one of Norient Product Pool’s more than 80 product tankers called at Rotterdam to load or discharge in 2012. In addition, the same Dutch port was called 23 times by one of the approximately 200 dry cargo vessels operated by NORDEN.

The total 174 port calls make Rotterdam Norient Product Pool’s and NORDEN’s most visited port in 2012 – far ahead of number 2 and 3 – Saint Petersburg in Russia and San Lorenzo in Argentina. The many port calls in Rotterdam reflect the status which the city’s port has had for decades as Europe’s centre of trade in crude oil, refined oil products and coal.

In total, NORDEN’s Dry Cargo fleet made 2,996 port calls in 2012 – or an average of 8 per day. Norient Product Pool’s product tanker fleet made 1,581 port calls, which is an average of 6 per day.

On the Top 10, you can see which other ports were frequently called at by NORDEN’s and Norient Product Pool’s fleets.

Even though China again in 2012 was NORDEN’s largest dry cargo market and every fifth dry cargo of NORDEN was discharged in China, no Chinese ports figure in the Top 10. The reason for this is that the total of 188 cargoes discharged in China in 2012 took place in 51 different ports of which none were called enough times to make it into the Top 10. Rizhao between Shanghai and Beijing was with 18 discharges the Chinese port most frequently called at by NORDEN’s dry cargo vessels.

Top 10 ports
– loading and discharging

<table>
<thead>
<tr>
<th>Port calls</th>
<th>NORDEN</th>
<th>Norient Product Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orleans, USA</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>San Lorenzo, Argentina</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Takodari, Ghana</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Caleta Patillos, Chile</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Santos, Brazil</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Murmansk, Russia</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Hoping, Taiwan</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Garrucha, Spain</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Taboneo, Indonesia</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Norfolk, USA</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Rotterdam, the Netherlands</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Saint Petersburg, Russia</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Amsterdam, the Netherlands</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>New York &amp; New Jersey, USA</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Antwerp, Belgium</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Houston, USA</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Vysotsk, Russia</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Grand Harbour, Malta</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>San Juan, Puerto Rico</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>
THE HUMAN DRIVING FORCE IS VITAL TO NORDEN

NORDEN's Chairman of the Board of Directors since 1995, Mogens Hugo, has now turned 70 years old and takes the opportunity to take stock of the last two decades of the Company's 142 year-old history.

Mogens Hugo, NORDEN's Chairman of the Board of Directors since 1995, has no doubt about what has been the driving force in the unique development which NORDEN has gone through in the last couple of decades. More than anything else, it is people who have made NORDEN develop from owning and operating a dozen dry cargo vessels to controlling roughly 300 dry cargo vessels and product tankers. At the same time, the Company's market value has increased from approximately DKK 360 million to just above DKK 7.5 billion – an increase of 2,000% – and dividends of DKK 4.7 billion have been paid out to the shareholders.

"NORDEN has always been able to attract, employ and retain the right people – including executives at all levels, who have been able to set out guidelines and motivate the employees to create value. For example, look at the years 1999-2009 when NORDEN set a Scandinavian record in terms of share price development in large companies. And mind you, this was done while preserving good traditions, high ethics and a unique reputation. I am proud to have been part of this development," says Chairman of the Board Mogens Hugo, who takes stock of the last two decades in NORDEN's 142 year-old history in connection with his 70th birthday.

The significant development of NORDEN from a small shipping company to one of the world's largest transporters of commodities within dry cargo and refined oil products with a very strong balance sheet has taken place in a period where there has not been much calm weather and still oceans. On the contrary, it has gone down, it has gone up and it has gone down again. Shipping is indeed a cyclical business.

The Asian crisis struck at the end of the 1990's, then came 9/11 and the dot.com crisis, after which the world economy, shipping and by that also NORDEN experienced an unparalleled boom in the years 2004-2008. Everything just went in the right direction in those years. Therefore, the Lehmann crash in 2008 hit extremely hard. It was so spectacular and paralysing, not only for the global financial sector but for the whole world economy that the date of the crash – 15 September 2008 – is imprinted on the memory of a lot of people.

"This was without a doubt the worst experience in my time as Chairman of NORDEN. Freight rates plummeted by 80-90%. But we made it. Even though we paid out good dividends to the shareholders, we had money in the bank – we still do, and we had great advantages from our business model, which means that we can quickly adjust the size of the fleet to demand. At the same time, we also benefited from good coverage at reasonable rates. But it has been a daily challenge to manage NORDEN during the financial crisis triggered by the Lehmann crash. But again – NORDEN has the right people to draw on and – not to forget – some solid business partners, who we have worked with for many years," says Mogens Hugo.

It was also in his time as Chairman that NORDEN went from 2 to 1 share classes when NORDEN merged with Motortramp in 2000 and that NORDEN experienced a hostile takeover attempt for 5 years by the shipping company Torm in 2002-2007.

"I insisted that the Board should not recommend our shareholders to sell to Torm – partly because it was a bad offer and partly because of Torm’s corporate culture. Luckily, the outcome was a win-win situation. Torm gave up the takeover attempt and made a lot of money on selling the NORDEN shares which they had acquired during the attempt, and the raid was a wake up call for NORDEN and further speeded up the development of the Company," says Mogens Hugo.