CONSOLIDATED ANNUAL REPORT 2011

NORDEN

Dampskibsselskabet NORDEN A/S

CONTENTS

Cover photo:
The Panamax vessel NORD DESTINY at Svalbard.
Photo: Pierre F. Beckman

COMPANY DETAILS AND GROUP STRUCTURE

The Company
Dampskibsselskabet NORDEN A/S
52, Strandvejen
DK-2900 Hellerup
Telephone: +45 3315 0451
Fax: +45 3315 6199

CVR no.: 67 75 89 19
Financial year: 1 January – 31 December
Municipality of domicile: Gentofte

Fax, Tanker Department: +45 3393 1599
Fax, Dry Cargo Department: +45 3271 0799
Fax, Technical Department: +45 3393 3733
Website: www.ds-norden.com
E-mail: direktion@ds-norden.com

Board of Directors
Mogens Hugo, Chairman
Alison J. F. Riegels, Vice Chairman
Erling Højsgaard
Karsten Knudsen
Arvid Grundekjøn
Benn Pyrmont Johansen (employee representative)
Bent Torry Kjæreby Sørensen (employee representative)
Lars Enkegaard Biilmann (employee representative)

Board of Management
Carsten Mortensen, CEO
Michael Tønnes Jørgensen, CFO

Auditors
PricewaterhouseCoopers, Statsaut. Revisionspartnerselskab
44, Strandvejen
DK-2900 Hellerup
Denmark

Annual General Meeting
The annual general meeting will be held on Wednesday, 11 April 2012 at 3.00 p.m. at Audience, Radisson Blu Falconer Hotel & Conference Center, 9, Falkoner Allé, DK-2000 Frederiksberg.

GROUP STRUCTURE

Dampskibsselskabet NORDEN A/S

- Norient Cyprus Ltd. – Cyprus 50%
- Norient Product Pool ApS – Denmark 50%
- NORDEN Shipping (Singapore) Pte. Ltd. – Singapore 100%
  - NORDEN Tankers & Bulkers (India) Private Ltd. India 100%
  - NORDEN Rep. Office China
  - NORD EMPROS Pte. Ltd. I (Dormant) Singapore 50%
  - NORD EMPROS Pte. Ltd. II (Dormant) Singapore 50%
  - NORD EMPROS Pte. Ltd. III (Dormant) Singapore 50%
  - NORD SUMMIT Pte. Ltd Singapore 50%
  - ANL MARITIME Services Pte. Ltd. Singapore 50%
  - Normit Shipping S.A. (Dormant) Panama 51%
  - Polar Navigation Pte. Ltd. Singapore 50%
- NORDEN Tankers & Bulkers (USA) Inc. – USA 100%
- NORDEN Tankers & Bulkers (Brazil) Ltda. – Brazil 100%
- Svalbard Maritime Services AS – Norway 100%

VISION, MISSION AND VALUES

Vision

The preferred partner in global tramp shipping.
Unique people.
Open minded team spirit.
Number one.

Mission

Our business is global tramp shipping. We seek excellence through a dedicated team effort from competent and motivated people. With ambition, reliability, flexibility and empathy, we

- focus on customers who benefit from our constant commitment to being an independent long-term partner
- continue our long history of building valued relationships with shipowners and shipyards.

We will maintain a large modern fleet of owned and chartered tonnage, and – in a volatile market – we manage risks to constantly be able to develop our business and create shareholder value.

Values

Flexibility
Adapt and find better solutions.

Reliability
Honest, good intentions and no cheating.

Empathy
Respect diversity in people and opinions.

Ambition
Think ambition into every activity.

NORDEN IN BRIEF

Dampskibsselskabet NORDEN A/S (NORDEN) operates globally in dry cargo and product tankers with one of the most modern and competitive fleets in the industry. NORDEN operates a total of 238 vessels.

In addition, vessels from third party are operated in pools of which NORDEN is either co-owner or manager. These are Norient Product Pool, NORDEN Post-Panamax Pool and NORDEN Handysize Pool.

In Dry Cargo, NORDEN is active in all major vessel types. The Company is one of the world's largest operators in Panamax and Handymax, in addition to having growing activities in the Handysize and Post-Panamax vessel types as well as activities in Capesize. NORDEN Handysize Pool and NORDEN Post-Panamax Pool operate the Company's owned vessels in addition to tonnage from Interorient Navigation Company Ltd. (INC).

In Tankers, NORDEN's activities comprise Handysize, MR and LR1 product tankers. NORDEN's vessels are operated commercially by the 50% owned Norient Product Pool, which also operates vessels from INC and is one of the largest product tanker pools in the world.

NORDEN's core fleet consists of owned vessels and vessels on long-term charter with purchase option. The core fleet is supplemented by vessels chartered on a short-term basis or for single voyages, and this mix allows the Company to rapidly adjust the size and costs of the fleet to changing market conditions. Purchase and extension options on many chartered vessels increase flexibility of the fleet and also contribute to the value creation.

The Company has offices in Denmark, Singapore, China, India, the USA and Brazil, a network of port captains as well as site offices at shipyards in Korea, China, Vietnam and Japan. The Company has 259 employees on shore and 793 on board owned vessels. In addition, Norient Product Pool has 47 employees at its offices in Denmark, Cyprus, Singapore, the USA and Brazil (being established).

NORDEN was founded and listed in 1871 and is one of the oldest listed shipping companies in the world. Management focus is long-term and rooted in the Company's vision, mission and values. The goal is for NORDEN to continuously develop for the benefit of its stakeholders and to achieve high, stable earnings. The share is listed on NASDAQ OMX Copenhagen A/S, and the Company has approximately 17,500 registered shareholders.

Numbers are stated at 31 December 2011.

CONSOLIDATED ANNUAL REPORT

This year for the sake of clarity and user friendliness, NORDEN has once again chosen to publish a consolidated annual report that excludes the financial statements of the parent company, Dampskibsselskabet NORDEN A/S. This consolidated annual report is an extract of the Company's full annual report pursuant to section 149 of the Danish Financial Statements Act. The full annual report, including the financial statements of the parent company, can be obtained by contacting the Company, or it can be viewed and downloaded at www.ds-norden.com. Following its approval by the shareholders at the annual general meeting, the full annual report can also be obtained from the Danish Business Authority. The appropriation of the profit for the year and the proposed dividend in the parent company are disclosed in note 30 to the consolidated annual report.

HIGHLIGHTS 2011-12

Q4 2011: Best quarter of the year
Earnings-wise, the fourth quarter was the best quarter of the year with operating earnings (EBITDA) of USD 62 million – an increase of 61% compared to the same period last year. In both segments, earnings improved compared to the fourth quarter of 2010, and NORDEN's total operating earnings were higher than expected.

Dry Cargo entered the quarter with high coverage, 104%, at attractive rates. The high coverage strengthened earnings in a volatile market, and daily earnings in Dry Cargo were significantly above spot rates and the 1-year T/C rates. EBITDA was USD 60 million (USD 40 million in the fourth quarter of 2010).

Tankers initiated the quarter with coverage of 42%. Particularly the activities in the spot market contributed to an EBITDA of USD 4 million in a difficult market against a result of 0 in the same period last year. Both Tankers and Dry Cargo increased the scope of business measured in number of ship days.

Depreciation increased by 51% as a result of growth in the owned fleet. The operating profit was USD 39 million (USD 23 million) whereas the net profit was USD 30 million (USD 46 million) due to negative value adjustments of hedging instruments of USD 7 million (positive adjustments of USD 25 million).

Key figures for the quarters

USD million	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenue	591.8	548.1	561.2	537.2	626.3
Costs	-553.0	-500.2	-520.9	-501.2	-564.1
Profit before depreciation, etc. (EBITDA)	38.8	47.8	40.3	36.0	62.3
Profits from the sale of vessels, etc.	-0.5	-0.4	0.0	0.0	0.2
Depreciation	-15.6	-17.1	-19.6	-21.0	-23.5
Profit from operations (EBIT)	22.5	30.0	21.1	14.9	38.5
Fair value adjustment of certain hedging instruments	25.3	32.7	-11.4	-29.2	-7.0
Net financials	0.0	8.1	1.9	-5.3	-1.0
Profit before tax	47.5	70.8	11.5	-19.6	30.6
Profit for the period	46.2	69.2	10.0	-21.1	29.7
Cash flows from operating activities	-62.0	-2.0	66.3	77.9	-22.1
Earnings per share, USD	1.1	1.7	0.2	-0.5	0.7
Number of ship days	19,317	18,035	17,739	19,441	23,311

2011: Results better than expected
With an EBITDA of USD 186 million, operating earnings in 2011 were better than the original March estimates of USD 135-175 million. Due to the strong fourth quarter, earnings were also higher than the latest estimate from November of USD 160-180 million.

Dry Cargo entered into several short-term cargo contracts during the year and was generally geographically well-positioned. Daily earnings were 26% above the 1-year T/C rates. EBITDA in Dry Cargo of USD 171 million was better than expected. Adjusted for non-recurring items, earnings were only 7% lower than in 2010 even though spot rates decreased by 44%.

Tankers made an improved contribution to NORDEN's operating earnings with an EBITDA of USD 26 million against a result of 0 the previous year. The improvement was a result of i.a. larger capacity and operational improvements. Daily earnings were 9% above the 1-year T/C rates.

As expected, NORDEN did not have any profits from the sale of vessels whereas these profits amounted to USD 28 million and USD 4 million in joint ventures in 2010. Decreasing vessel prices have made vessel sales less attractive, and at the same time, NORDEN has strategically decided to expand the fleet. Without profits from vessel sales and with depreciation increasing by 64% to USD 81 million, the operating profit (EBIT) was USD 104 million (USD 223 million). This is above the estimates from March and November.

Based on a net profit of USD 88 million (USD 245 million), the Board of Directors proposes a dividend of DKK 4 per share.

Cash flows from operating activities were USD 120 million. Investments in vessels, etc. amounted to USD 358 million (USD 663 million) while vessel sales generated proceeds of USD 28 million (USD 296 million).

Outlook for 2012
Uncertainties in 2012 are significant with the prospect of lower global growth, debt crisis in the EU, tightening of monetary policies in some emerging countries, lack of financing and increasing counterparty risks. The dry cargo market is expected to be very challenging with lower rates while the tanker market is expected to gradually improve, albeit from a low level.

NORDEN will strictly control administrative expenses on shore and operating costs at sea, and efforts to increase efficiency and simplify workflows and systems will be continued as well as optimising fleet operations.

Based on known capacity, EBITDA in Dry Cargo and Tankers is expected to be USD 85-125 million and USD 25-45 million, respectively, and the total EBITDA for NORDEN is expected to be USD 110-150 million.

The Company will continue to invest in tankers, and in Dry Cargo, there is an increasing focus on finding the right time to make new investments so that NORDEN will be ideally positioned when the markets regain strength. If the order book is delivered as scheduled and NORDEN does not sell any vessels, depreciation is expected to increase to USD 100-105 million, and the operating profit (EBIT) is expected to be USD 10-50 million. This presupposes that fleet values are not written down for impairment.

Cash flows from operating activities are expected to be in line with EBITDA, that is USD 110-150 million. Known investments (CAPEX) are expected to amount to USD 140-160 million.

KEY FIGURES AND FINANCIAL RATIOS FOR THE GROUP

AMOUNTS IN USD MILLION	2011	2010	2009	2008	2007
INCOME STATEMENT					
Revenue	2,272.8	2,189.6	1,756.0	4,363.7	2,986.2
Costs	-2,086.4	-1,950.0	-1,630.3	-3,858.0	-2,448.7
Profit before depreciation, etc. (EBITDA)	186.4	239.6	125.6	505.7	537.5
Profits from the sale of vessels, etc.	-0.2	28.1	69.6	290.0	163.1
Depreciation	-81.2	-49.5	-39.5	-31.6	-19.6
Profit from operations (EBIT)	104.5	222.5	156.7	772.6	682.7
Fair value adjustment of certain hedging instruments	-14.9	30.8	62.2	-81.1	19.9
Net financials	3.7	-2.5	5.6	29.1	22.7
Profit before tax	93.3	250.8	224.5	720.5	725.3
Profit for the year	87.8	244.8	217.2	707.8	703.3
Profit for the year for the NORDEN shareholders	87.8	244.8	217.2	707.8	703.2
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1,634.4	1,373.1	1,027.8	922.5	589.9
Total assets	2,350.3	2,250.5	2,031.7	2,041.7	1,609.4
Equity (including minority interests)	1,994.4	1,998.1	1,805.0	1,700.4	1,311.2
Liabilities	355.8	252.4	226.7	341.3	298.2
Invested capital	1,752.3	1,443.8	1,133.2	940.4	786.3
Net interest-bearing assets	242.1	554.3	671.8	759.9	524.9
Cash and securities	407.2	612.7	735.4	828.7	622.6
CASH FLOWS					
From operating activities	120.1	298.4	160.2	540.9	466.7
From investing activities	-355.2	-380.1	-80.0	-56.7	-4.6
- hereof investments in property, plant and equipment	-357.7	-565.7	-305.2	-424.9	-289.9
From financing activities	18.4	-65.5	-112.6	-364.9	-176.2
Change in cash and cash equivalents for the year	-216.7	-147.2	-32.4	119.3	285.9
FINANCIAL AND ACCOUNTING RATIOS					
Share-related key figures and financial ratios:					
No. of shares of DKK 1 each (excluding treasury shares)	41,213,922	42,075,180	42,043,505	42,387,394	41,897,860
Earnings per share (EPS) (DKK)	2.1 (11)	5.8 (33)	5.2 (28)	16.7 (85)	16.5 (90)
Diluted earnings per share (diluted EPS) (DKK)	2.1 (11)	5.8 (33)	5.2 (28)	16.7 (85)	16.2 (88)
Dividend per share, DKK	4	8	7	13	35
Book value per share (DKK)	48.4 (278)	47.5 (267)	42.9 (223)	40.1 (212)	31.3 (159)
Share price at year-end, DKK	134.5	202.5	209.5	183.0	564.0
Price/book value	0.5	0.8	0.9	0.9	3.6
Net Asset Value (NAV) per share 1) (DKK)	43.1 (248)	47.4 (266)	40.5 (210)	43.0 (227)	57.3 (291)
Theoretical Net Asset Value per share 2) (DKK)	44.9 (258)	54.9 (308)	51.6 (268)	54.3 (279)	121.0 (614)
Other key figures and financial ratios:					
EBITDA ratio	8.2%	10.9%	7.2%	11.6%	18.0%
ROIC	6.5%	17.3%	15.1%	89.5%	101.9%
ROE	4.4%	12.9%	12.4%	47.0%	69.5%
Payout ratio (excluding treasury shares) 3)	35.0%	24.4%	25.3%	14.1%	43.7%
Equity ratio	84.9%	88.8%	88.8%	83.3%	81.5%
Total no. of ship days for the Group	78,526	66,044	55,951	77,448	67,393
USD rate at year-end	574.56	561.33	519.01	528.49	507.53
Average USD rate	536.22	562.57	535.45	509.86	544.56

The ratios were computed in accordance with "Recommendations and Financial Ratios 2010" issued by the Danish Association of Financial Analysts except for Theoretical Net Asset Value. Moreover, "Profits from the sale of vessels, etc." is not included in EBITDA. Please see definitions in the section "Definitions of key figures and financial ratios". The figures are adjusted for the Company's holding of treasury shares.

1) Excluding purchase options on vessels.
2) Including value of 63 (58) charter parties with extension and purchase option on vessels declared at the optimum time (before tax). The basis of calculation has been changed in 2009, and 2008 figures have been changed accordingly. Comparative figures for 2007 have not been changed. Please see page 15 for a comment on the uncertainty connected with the calculation.
3) The payout ratio was computed based on proposed dividends for the year, including extraordinary dividends paid during the year.

STRATEGY UPDATE

• Considerable increase in cargo volumes in Dry Cargo • Improvement of earnings in Tankers • Significant market uncertainties in 2012

Targets and focus areas for the strategy period 2011-13

DRY CARGO	TANKERS	JOINT	OVERALL TARGETS
Growth in cargoes carried of 15% p.a.	Growth in owned fleet to 25+ units	Tight cost control on shore and at sea	Higher shareholder return than peers
Growth in contractually secured cargo volumes of 15% p.a.	Daily earnings above market rates	Increased eco/fuel efficiency focus on all vessels	Global leader in tramp shipping
Joint ventures and strategic alliances	High standards for quality, safety, etc.	Flexible financial resources to pursue opportunities	
Added value creation as operator	Increasing EBIT in strategy period		

Status of strategy plan 2011-13
In 2011, NORDEN got off to a good start in meeting the targets in the strategy plan for 2011-13 *Long-term Growth in Challenging Times,* which was introduced in the annual report for 2010. The strategy is designed to secure balanced growth based on 1- and 3-year operational and financial targets through which the Company will be strengthened compared to its competitors. At the end of the strategy period, NORDEN's goals are:

- to be one of the globally preferred partners in the market for cargo contracts in Dry Cargo
- to have doubled the owned fleet of product tankers at low cost in historical terms
- to have created added value to the shareholders through active operator business and sharp focus on costs

SHAREHOLDER RETURN

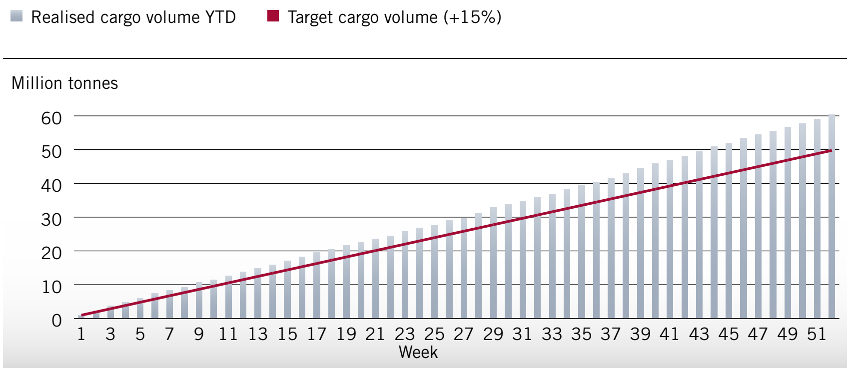
The overall goal of the strategy plan is for NORDEN to ensure its shareholders a higher return over the 3 years than its peers through dividends, share buy-backs and share price increases. In 2011, the total shareholder return was a negative 31.9% (based on share price and dividend), and this was not satisfactory, however, significantly above the average return of a negative 59.0% generated by 11 peer companies within dry cargo and product tankers.

TARGETS FOR DRY CARGO 2011-13

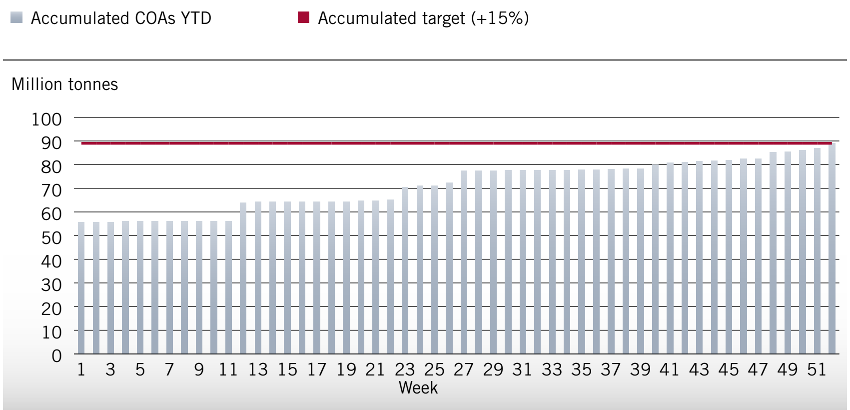
Growth in cargo base
In Dry Cargo, the target is profitable growth in cargo volumes. NORDEN consistently aims to enter into new cargo contracts with mining and commodity companies, energy producers, construction groups, commodity-intensive industries, etc. In part, this ensures more predictable cash flows, and at the same time, it enables the Company to optimise logistics and utilise the fleet more efficiently. In addition, it allows NORDEN to create new activity and earnings as operator in connection with the known routes in the cargo programme.

In 2011, NORDEN transported approximately 40% more cargo than in 2010 and at the same time, increased the contractu-

Transported volumes, Dry Cargo



Contractually secured cargo volumes, Dry Cargo, 2012+



ally secured cargo volumes by 16%. The target for both transported and contractually secured cargo is an average annual growth rate of 15% in the period.

Core fleet growth

Growth in the cargo base will be promoted by expansion of the core fleet. The active core fleet grew by 21 to 67 vessels during the year, and NORDEN also entered into long-term charter agreements of 5 additional new vessels with purchase option. Thus, 19 vessels are on order for the core fleet in Dry Cargo.

Strategic alliances

Another target is to enter into joint ventures and strategic alliances with core customers to strengthen the ties to them and to meet the request of certain customers who would like to strategically participate in the transports themselves. In cooperation with a significant customer, NORDEN has agreed to share selected cargoes and vessels through a joint company, which will start up in 2012. In 2011, NORDEN also took delivery of the first of 2 Handymax vessels owned in separate joint ventures with Japanese partners. The next vessel will follow in 2012. Finally, NORDEN is having 2 Handysize bulk carriers built, which are specially designed for a global mining company, which will long-term charter the vessels at delivery in 2012-13. NORDEN and the mining company already have a similar partnership concerning 2 ice-class Panamax vessels.

Added value as operator

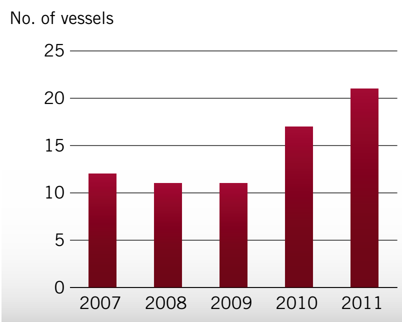
In the period, Dry Cargo will generate stable earnings as operator on both non-covered and new ship days and on optimisation of logistics in existing cargo contracts. In 2011, earnings from operator activities amounted to USD 22 million calculated as the difference between actual earnings and earnings which NORDEN could have generated if the open days were employed at the forward rates at the beginning of the year. Earnings from operator activities contributed to a total EBITDA of USD 171 million.

TARGETS FOR TANKERS 2011-13

25+ owned vessels

In Tankers, NORDEN will benefit from low asset prices and invest in quality vessels at favourable prices and, thus, increase the number of owned vessels. A larger owned fleet will produce economies of scale, and NORDEN will also be in a better position to meet oil majors' tightened demands on quality and safety on board vessels which

Owned fleet (incl. vessels on order), Tankers



the Company itself controls and has in technical management.

In 2011, NORDEN benefited from the low newbuilding prices by taking over a newbuilding order at a Korean yard and converting the order to 4 fuel efficient MR vessels with delivery in 2013. The owned fleet in Tankers then counts 21 units, 17 of which are active. By doing so, NORDEN has taken a significant step towards the target of owning at least 25 vessels at the end of 2013.

High quality

The fleet growth is accompanied by persistent efforts to ensure that NORDEN remains one of the best tanker companies in terms of quality, safety as well as internal and external environment. In 2011, the results of vettings and Port State Controls have been under pressure, however, the results are still satisfactory.

Daily earnings above spot rates

Strict cost control, optimisation of systems and processes, cultivation of new business and great operator workmanship are factors which will help ensure that NORDEN's daily earnings will be above market rates at a steady level during the period. In 2011, average daily earnings in MR were 40% and 9%, respectively, higher than the spot rates and the 1-year T/C rates (source: Clarksons).

Increasing EBIT

Combined with higher freight rates, good daily earnings will contribute to an improved profit from operations (EBIT) in Tankers for the period. In 2011, EBIT amounted to a negative USD 8 million due to difficult market conditions and increasing depreciation. This is still not satisfactory, yet a significant improvement from a negative USD 25 million the previous year.

2012: GREAT UNCERTAINTY

NORDEN's strategic planning is not only based on assumptions of future macro and market aspects, but also on a thorough analysis of the factors which may affect the Company's earnings and development in the period in the short, medium and long term (see figure on next page).

In 2012, 3 factors will especially affect the markets. One factor is the high growth rate in the supply of dry cargo tonnage, where the world fleet is expected to grow by 15% gross and 11% after scrapping (source: Clarksons), whereas demand is expected to increase by approximately 9% (source: R.S. Platou). This imbalance may result in a very challenging market with lower spot rates than in 2011. The second factor is stagnant economic growth in the OECD area, which reduces both global economic growth and oil consumption thereby directly affecting the tanker market. Finally, access to financing will be limited by the banks' wish to reduce loans to shipping.

These factors create very low transparency in the markets. With this great uncertainty in mind, NORDEN will tightly control both administrative expenses on shore and operating costs at sea, and there will be continued focus on improving efficiency and simplifying working procedures and systems. Special focus will also be given to optimising fleet operations and keeping down fuel costs. In addition, NORDEN will investigate whether it is possible to optimise the fleet by disposing of vessels or newbuildings and instead re-investing in tonnage with better specifications.

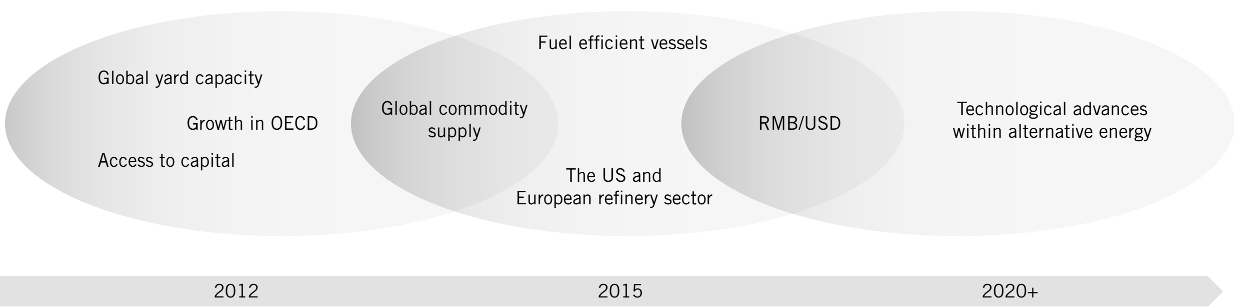
Dry Cargo: Strengthened cargo focus

With the prospect of lower market rates and a difficult market where financially strained shipping companies may face problems, focus in Dry Cargo will to an even greater extent be on cargo contracts with solid global mining and commodity companies, energy producers and industrial customers. The growth rate in the cargo base will be dictated by profitability and quality of the counterparties. Growth may therefore be lower than in 2011. NORDEN will also still create value as an operator and works on establishing binding alliances with core customers.

Tankers: Profitable fleet expansion

In Tankers, the aim remains unchanged at generating daily earnings above the market rates. Focus will also be on expanding the fleet through acquisition, contracting or takeover of non-performing newbuilding orders if this is possible at attractive prices and without compromising the efforts to increase the operating profit. Finally, NORDEN will continue to invest in meeting the oil majors' demand for quality and safety.

Uncertainty factors in 3 horizons



A number of uncertainties are expected to have an impact on NORDEN's market conditions in the short, medium and long term. The purpose of the strategy plan 2011-13 is to position NORDEN according to these uncertainties. In the short term, the aim is to optimise earnings under difficult market conditions. In the medium term, NORDEN is working on creating long-term strategic alliances and a pipeline of cargo contracts. In the long term, the aim is to position the Company ideally to benefit from the historically low market prices on vessels and purchase options.

Global yard capacity

High yard capacity has facilitated high supply growth in dry cargo and will continue to affect supply in both markets. However, NORDEN expects that in the short term, the yard industry will be in a phase where capacity may be considerably reduced.

Access to capital

As the global shipping banks attempt to reduce their exposure to the shipping industry, the supply of loan capital to the industry is expected to be limited. This will curb supply growth and presumably also vessel prices.

Growth in the OECD

Growth in the OECD countries directly influences oil consumption and indirectly influences demand for commodities especially in the Asian emerging countries.

Global commodity supply

A possible constraining factor will be whether the supply of commodities from mines and oil fields can follow demand. The supply from especially iron ore mines is, however, expected to increase significantly during the next 3-5 years.

Fuel efficient vessels

New fuel efficient vessels will be considerably more competitive even compared with vessel designs from 2009/2010. This is expected to contribute significantly to scrapping during the next 3-5 years.

The US and European refinery sector

A large part of the refinery sectors in the USA and Europe is expected to close down, which will have a positive effect on the transportation of refined oil products.

RMB/USD

A strengthening of RMB against USD will increase the purchasing power in China, which is the world's largest consumer and importer of e.g. coal and iron ore. This would be a positive factor for the dry cargo market.

Technological advances within alternative energy

Technological advances within alternative energies may have an impact on the demand for coal and oil in particular and thus also for the demand for freight of these commodities – however, primarily in the long term.

OUTLOOK FOR 2012

• Lower operating earnings in challenging markets • Continued high cash contribution from operations • Great acquisition potential in both Dry Cargo and Tankers

In 2012, NORDEN expects somewhat lower operating earnings (EBITDA) than in 2011. The decrease is attributable to the poor dry cargo market where high growth in the addition of new vessels to the world fleet is expected in 2012 as well. Though NORDEN has secured high coverage at reasonable rates in anticipation of weaker markets, earnings on both open and covered ship days are expected to be lower than in 2011. In Tankers, NORDEN expects earnings in line with or above the 2011 level.

Expected total EBITDA is USD 110-150 million (USD 186 million in 2011), and cash flows from operating activities are expected to reach the same level. This will enable the Company to cover the majority of known investments with cash from operations and thus maintain its strong financial position.

At EBIT level, earnings for 2012 will furthermore be negatively affected by increasing depreciation, and the Group expects an overall EBIT for 2012 of USD 10-50 million (USD 104 million), corresponding to a return on invested capital at the beginning of the year of 1-3%.

In Dry Cargo, focus will be on optimising the portfolio, securing long-term cargo contracts and exploring interesting investment opportunities. In Tankers, the target is also long-term growth, and the Company will continue to invest in more vessels in a market with more sellers than buyers, if investing supports the aim to improve profit from operations.

The Company has not entered into any agreements for the sale of vessels, and expectations do therefore not include profits from the sale of vessels. It is NORDEN's assessment that the current vessel price level to a greater extent motivates investing in rather than selling off assets. In Tankers, the Company has invested approximately USD 300 million in acquiring and contracting 10 modern vessels for the last 2 years, and the investment programme is expected to continue in 2012. In Dry Cargo, the Company has sold several vessels in recent years, but with the severe pressure on asset prices in 2011, focus is to a greater extent on finding the right time for making new investments in order for the Company to be ideally positioned when the market recovers. However, NORDEN will still consider further acquisition and sale based on price, timing, capacity requirements and opportunities to optimise the fleet.

Following a historically active delivery year for NORDEN in 2011, the rate will slow down somewhat in 2012 when the Company expects to take delivery of 12 newbuildings – 6 owned vessels and 6 vessels on long-term charter. Even if NORDEN should decide on vessel sales, the owned fleet and thus depreciation is expected to increase. Based on the assumption that the order book is delivered as planned and that NORDEN does not enter into any sales agreements during the year, depreciation is expected to increase to approximately USD 100-105 million against USD 81 million in 2011.

As a result of the macro-economic uncertainty and lack of ship financing, vessel prices can become subject to further pressure, particularly within dry cargo. However, the estimates above do not include any write-downs for impairment on owned vessels and newbuilding contracts, based on an expectation that the earnings expected to be generated during the economic life of the vessels in both segments will still justify the carrying amounts.

Due to a lower cash balance and larger drawings on credit facilities, net financials are expected to be negative at a level of USD 5 million (excluding fair value adjustments of certain hedging instruments).

The cash flow effect of capital expenditure (CAPEX) is expected to be USD 140-160 million net. Essentially, CAPEX consists of known investments in newbuildings. To this can be added, along with the increasing number of owned vessels, investments relating to dockings.

Economic outlook

In 2012, the global economy is expected to still be affected by the substantial slowdown which took place in the second half of 2011. Though there have been indications at the beginning of the year that the worst is possibly over, uncertainty remains significant.

In its most recent forecast from January, the IMF lowered its expectations and now foresees a global economic growth rate of 3.3% against 3.8% in 2011. The slowdown is chiefly caused by the crisis in the EU and the global spillover effects hereof, but the tightening of monetary policies in important emerging countries also plays a significant role. It is, however, important to note that growth in China and India, where NORDEN has 25% of its dry cargo business, will continue at levels of 8.2% and 7.0%, respectively, according to the IMF. The Japanese economy, which is also important in terms of the dry cargo market and which was paralysed for most of 2011, is expected to increase by 1.7%.

Outlook for 2012

USD million	Dry Cargo	Tankers	Group
EBITDA	85-125	25-45	110-150
Profits from the sale of vessels	0	0	0
EBIT			10-50
CAPEX			140-160

Parallel to the global slowdown, the IMF expects global trade to drop by 3 percentage points to 3.8%, measured in terms of volume. This is 40% below the 20-year average of 6.2% growth.

Even though growth estimates for both global GDP and global trade have thus been considerably reduced, significant uncertainties remain. Especially in the EU area, there is a risk that the debt crisis cannot be solved politically, but continuous high inflationary pressure in a number of emerging countries may also give rise to the need for further tightening of monetary policies. On the other hand, the American property and labour markets show signs of recovery, which could provide the global economy with a much needed push forward. At the same time, loosening of the monetary policy in China could neutralise some of the economic headwind which hit the world in 2011.

For market-specific outlook, see the sections on Dry Cargo and Tankers.

Outlook for Dry Cargo

At the beginning of the year, NORDEN had more than 35,646 ship days at its disposal. 78% of these – or 27,879 ship days – are covered at average gross earnings of USD 4,802 per day. Coverage is above 100% in NORDEN's most significant vessel types, Panamax and Handymax, which in total account for 60% of the ship days at the Company's disposal. Coverage is lower in the vessel types Capesize, Post-Panamax and Handysize as there have generally been few attractive coverage opportunities within these vessel types. Capacity and coverage will be adjusted on an ongoing basis, based on an evaluation of the market conditions.

In the first 2 months of the year, the dry cargo market plummeted, and at the beginning of February, the Baltic Dry Index was below the record low level of December 2008. The beginning of 2011 was also very weak, but while it was primarily Capesize rates, which were affected by a number of weather-related problems, the drop has affected all vessel types this year. The drop is mainly caused by the high, continued fleet growth and a temporary slowdown in China's import of iron ore due to build-up of large stocks.

NORDEN's high coverage offers sound protection in a market which is expected to be very difficult and where spot rates are likely to be below the level from 2011. Operating earnings (EBITDA) in Dry Cargo are expected to be approximately USD 85-125 million against USD 171 million in 2011. The decrease in earnings is essentially caused by lower freight rates, partly on covered capacity and partly on open ship days. The estimate is based on the capacity at NORDEN's disposal at mid-February, and it is assumed that open ship days can be employed at average rates corresponding to the forward rates in each vessel type at mid-February.

The most significant uncertainties are linked to the freight rate level and counterparties' ability to pay:

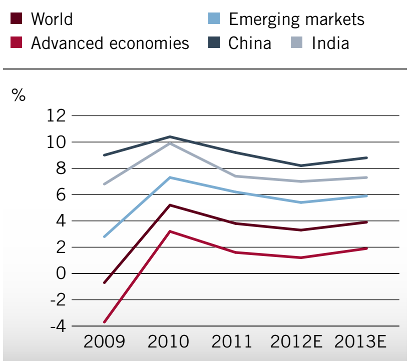
- As rates dropped sharply at the beginning of the year, an increasing number of operators report financial difficulties. The Dry Cargo Department's strong focus on solid customers among commodity and mining companies, energy companies and major industrial groups has led to significant strengthening of the quality of the Company's counterparties. However, it cannot be ruled out that a few counterparties will fail to perform on contracts or try to renegotiate existing contracts. A Chinese shipping company has neglected to fulfil its obligations in connection with a 3-year charter agreement for a Handysize vessel from NORDEN. Consequently in January, NORDEN initiated legal proceedings against the counterparty with a claim of USD 5 million. In the outlook, it is assumed that NORDEN will employ the vessel at market terms, and income from the counterparty case is not included in the outlook for 2012.
- Based on the forward curve at mid-February, an immediate 10% freight rate drop would, all other things being equal, reduce Dry Cargo's expected EBITDA by USD 8 million, and conversely, a 10% increase in freight rates would, all other things being equal, increase expected EBITDA by USD 8 million.

At mid-February, Dry Cargo's capacity for the rest of the year was 30,155 ship days, 86% of which are covered.

Outlook for Tankers

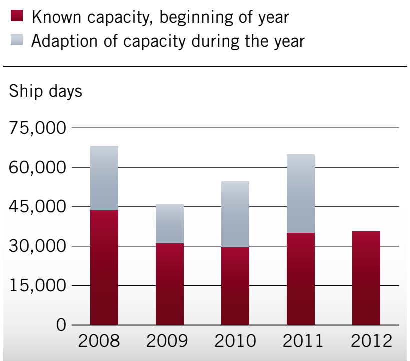
In Tankers, NORDEN has decided to maintain relatively high exposure to the market, which is expected to improve

Actual and expected growth in GDP

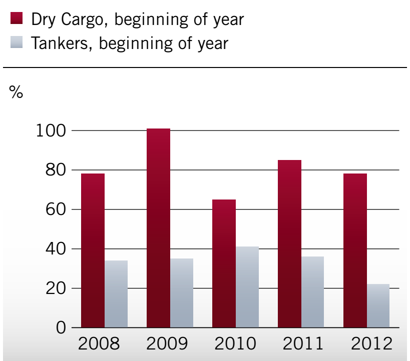


Source: IMF, January 2012

Development in Dry Cargo's capacity



Coverage in Dry Cargo and Tankers



gradually. At the beginning of the year, the Company had more than 13,155 ship days at its disposal. Only 22% of these – or 2,884 ship days – were covered at average gross earnings of USD 2,364 per ship day. Coverage is 33% in Handysize, 15% in MR and 5% in LR1 where NORDEN, however, only has 2 vessels at its disposal.

Capacity and coverage will be adjusted on an ongoing basis, subject to an evaluation of the market conditions. But the total activity level – measured in ship days – is expected to exceed the 2011 level as NORDEN has expanded its fleet by acquiring vessels and taking delivery of long-term chartered vessels with purchase option.

In the first 2 months of the year, the tanker market has been very volatile, but on average slightly above the level in the same period last year. In 2012, NORDEN still expects the spot rates in product tankers to continue the gradual improvement from 2010 and 2011 as the expected restructuring of the global refinery sector produces a positive development in the demand for tonnage, which will then gradually balance out the surplus in the fleet, which has been accumulated since 2008.

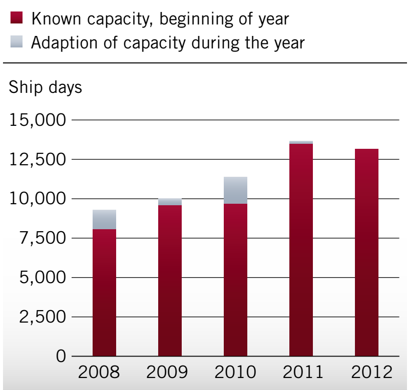
Due to higher spot rates, larger capacity and lower fleet costs, the Tanker Department's operating earnings (EBITDA) are expected to be approximately USD 25-45 million against USD 26 million in 2011. The estimate is based on the capacity at NORDEN's disposal at mid-February and is subject to, among other things, the following assumptions:

- That open ship days can be employed at average rates somewhat above the 1-year T/C rate at mid-February, i.e. gross USD 15,600 per day in MR and gross USD 14,000 per day in Handysize.
- That agreements to charter out vessels are fulfilled and that counterparty risks in general will not constitute a problem owing to Norient Product Pool's focus on solid oil companies and international oil traders.

Based on the forward curve at mid-February, an immediate 10% freight rate drop would, all other things being equal, reduce Tankers' expected EBITDA by USD 13 million, and conversely, a 10% increase in freight rates would, all other things being equal, increase expected EBITDA by USD 14 million.

At mid-February, Tankers' capacity for the rest of the year was 11,246 ship days, 25% of which are covered.

Development in Tankers' capacity



Events after the reporting date
No significant events have occurred between the reporting date and the publication of this annual report that have not already been included and adequately disclosed in the annual report and that materially affect the Company's results of operations or financial position.

Forward-looking statements
This annual report contains certain forward-looking statements reflecting management's present judgment of future events and financial results.

Statements relating to 2012 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from the projections.

Factors that may cause NORDEN's realised results to differ from the projections in this annual report include, but are not limited to: Changes in macroeconomic and political conditions – particularly in the Company's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risk; any disruptions to traffic and operations as a result of external events, etc.

Capacity and coverage, at 31 December 2011

Dry Cargo	Ship days				Costs for gross capacity (USD per day)			
	2012	2013	2014	2015+	2012	2013	2014	2015+
Gross capacity								
Capesize	1,464	1,460	1,460	10,548	8,974	8,974	8,974	6,878
Post-Panamax	2,787	2,920	2,920	31,897	11,461	11,841	11,841	9,055
Panamax	9,244	5,703	5,787	38,261	12,217	11,704	12,287	10,199
Handymax	11,972	8,704	7,066	34,281	12,781	11,724	11,088	8,216
Handysize	10,179	10,950	10,227	114,927	9,334	9,034	8,275	5,363
Total	**35,646**	**29,737**	**27,460**	**229,914**	**11,391**	**10,606**	**10,261**	**7,175**
Coverage					Revenue from coverage (USD per day)			
Capesize	829	553	0	0	43,205	45,263	0	0
Post-Panamax	153	0	0	0	14,156	0	0	0
Panamax	10,790	5,030	3,519	9,164	16,574	17,002	17,229	19,858
Handymax	12,112	3,782	2,052	5,218	15,651	13,388	13,141	14,429
Handysize	3,995	1,555	792	9,086	11,281	12,851	13,554	12,716
Total	**27,879**	**10,920**	**6,363**	**23,468**	**16,193**	**16,590**	**15,453**	**15,886**
Coverage in %								
Capesize	57%	38%	0%	0%				
Post-Panamax	5%	0%	0%	0%				
Panamax	117%	88%	61%	24%				
Handymax	101%	43%	29%	15%				
Handysize	39%	14%	8%	8%				
Total	**78%**	**37%**	**23%**	**10%**				

Capacity and coverage, at 31 December 2011

Tankers	Ship days				Costs for gross capacity (USD per day)			
	2012	2013	2014	2015+	2012	2013	2014	2015+
Gross capacity								
LR1	592	0	0	0	11,900	0	0	0
MR	7,135	7,540	7,046	64,249	12,669	11,620	11,148	7,780
Handysize	5,428	4,015	4,015	50,216	8,198	6,842	6,842	6,843
Total	**13,155**	**11,555**	**11,061**	**114,465**	**10,790**	**9,960**	**9,585**	**7,369**
Coverage					Revenue from coverage (USD per day)			
LR1	28	0	0	0	12,569	0	0	0
MR	1,086	576	134	0	13,309	13,672	14,890	0
Handysize	1,770	200	151	0	13,069	13,300	13,300	0
Total	**2,884**	**776**	**285**	**0**	**13,154**	**13,576**	**14,049**	**0**
Coverage in %								
LR1	5%	0%	0%	0%				
MR	15%	8%	2%	0%				
Handysize	33%	5%	4%	0%				
Total	**22%**	**7%**	**3%**	**0%**				

FLEET DEVELOPMENT

- 25 vessels delivered to the core fleet • 57% more owned vessels at sea
- Eco focus when contracting newbuildings

Many deliveries

As planned, 2011 became a year with many deliveries to the core fleet, which counts both owned vessels and vessels on long-term charter with purchase option. A total of 25 vessels were delivered to the core fleet whereas NORDEN only delivered 1 dry cargo vessel in accordance with previously entered sales agreement. Thus, the active core fleet grew from 70 to 94 units.

Growth in the core fleet was driven by 17 new owned vessels, of which 1 was a product tanker purchased at the end of 2010. The other vessels were all newbuildings in accordance with the Company's order book. At the end of the year, NORDEN owned 44 vessels, the largest number ever.

At the same time, the number of active long-term chartered vessels with purchase option increased by 8 to 50 units, and thus, the total core fleet was also larger than ever.

NORDEN has followed the market for sale and purchase of tonnage closely. In contrast to previous years, the Company has not entered into any new sales agreements due to low prices on dry cargo vessels and product tankers. NORDEN has not acquired any secondhand vessels either, but has utilised the low market prices to take over and renegotiate a newbuilding contract in Tankers and to long-term charter new dry cargo vessels.

In addition to the core fleet, NORDEN has a flexible portfolio of chartered vessels. At the end of the year, this fleet counted 144 vessels. In total, the active fleet thus counted 238 vessels at year-end, an increase of 14% which is chiefly a result of growth in the cargo programme in Dry Cargo.

Development in NORDEN's core fleet 2011

	Dry Cargo	Tankers	Total
Core fleet, beginning of 2011	82	28	**110**
Purchase of secondhand tonnage	0	0	**0**
Contracted newbuildings	0	4	**4**
Contracted long-term charters with purchase option	5	0	**5**
Sale and delivery of owned vessels	-1	0	**-1**
Core fleet, year-end 2011	86	32	**118**

Note: The table shows the development in NORDEN's total core fleet, which includes active vessels as well as vessels to be delivered

NORDEN's fleet at 31 December 2011

Vessels in operation	**2011**	**2010**
Owned vessels	44 C	28 A
Chartered vessels with purchase option	50	42
Total active core fleet	**94**	**70**
Chartered vessels without purchase option	144	139
Total active fleet	**238**	**209**
Vessels to be delivered		
Owned vessels	11 C	24 B
Chartered vessels with purchase option	13	16
Total for delivery to core fleet	**24**	**40**
Vessels chartered for more than 3 years without purchase option	2	6
Total for delivery to active fleet	**26**	**46**
Total gross fleet	**264**	**255**
Total chartered with purchase option	63	58
Sales during the year (delivered)	1	10
Contracted newbuildings during the year (owned and chartered with purchase option)	9	6

A Of which 1 unit sold
B Of which 2 units in 50%-owned joint venture
C Of which 1 unit in 50%-owned joint venture

Build-up in Handysize and MR

In Dry Cargo, the active core fleet grew by 21 units to 67 vessels in 2011. Two-thirds of the increase were owned vessels. Growth was most significant in Handysize where the core fleet grew from 7 to 19 units whereas the total operated fleet grew from 18 to 30 vessels. NORDEN has chosen to invest in Handysize to build critical mass and because it is the vessel type with the largest scrapping potential and the smallest order book. Measured in number of operated units, NORDEN's most important vessel types are still Panamax and Handymax.

In Tankers, the core fleet grew from 24 to 27 units – 17 owned vessels and 10 long-term chartered vessels with purchase option. In addition, the Tanker Department operates 16 chartered vessels without purchase option. MR is now the vessel type with most vessels followed by Handysize. Moreover, NORDEN chartered 2 LR1 vessels in the fourth quarter and thus re-entered this vessel type. Vessels were chartered at very favourable rates and with good exposure to an expected increasing tanker market.

Eco focus when contracting

In May, NORDEN took over a newbuilding contract at the Korean shipyard STX and renegotiated the order to include 4 MR product tankers with delivery in 2013. In cooperation with the yard, NORDEN has modified the vessels to achieve lower fuel consumption and less CO_2 emissions. The contract is part of NORDEN's strategy to build up a modern owned fleet of at least 25 vessels in Tankers.

Fuel efficiency was also a focal point in the agreements that were entered at the beginning of the year to long-term charter 4 Panamax dry cargo vessels with purchase option. The vessels are built at Japanese Imabari Shipbuilding. In addition, NORDEN contracted 1 Handysize vessel on long-term charter with purchase option from Onomichi Dockyard in Japan.

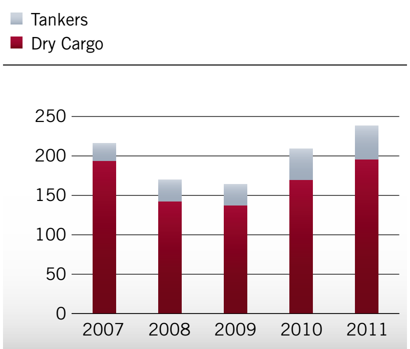
Deliveries in 2012

NORDEN's order book counts 19 dry cargo vessels, of which 8 are Handysize vessels and 7 are Panamax vessels. In Tankers, all 5 vessels in the order book are MR product tankers.

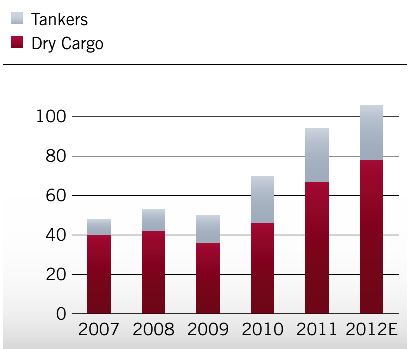
Of the total order book of 24 vessels, 12 vessels are scheduled for delivery in 2012. 11 of these are dry cargo vessels, whereas the last vessel is an MR product tanker on long-term charter with purchase option. The rest of the current order book is expected to be delivered in 2013-14 (see below table).

MR has become the vessel type with the most vessels in NORDEN's Tanker Department. Here, the product tanker NORD SOUND.

Active fleet at year-end



Active core fleet at year-end



Expected delivery of the Company's core fleet at 31 December 2011

	2012				2013				2014				Total	Adjusted for ownership share
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Dry Cargo														
Post-Panamax		(1)											1	1
Panamax	1			(1)				(1)		(2)	(2)		7	7
Handymax		1 (1)				(1)							3	2.5
Handysize	1	1 (1)	1 (1)	1		1			(1)				8	8
Tankers														
MR	(1)				3	1							5	5
Handysize													0	0
Total	**3**	**5**	**2**	**2**	**3**	**3**	**0**	**1**	**1**	**2**	**2**	**0**	**24**	**23.5**

Note: Figures in brackets are deliveries of chartered vessels with purchase option, whereas deliveries from the Company's newbuilding programme are stated without brackets. Totals have been calculated for the core fleet as a whole.

FLEET VALUES

• Fleet market value estimated at USD 1.55 billion • Charter parties with options estimated to hold values of USD 74 million • Theoretical NAV of DKK 258 per share

Development in vessel prices
Market prices for newbuildings and secondhand vessels in the dry cargo market decreased over the year. Thus, newbuilding prices in NORDEN's vessel types decreased by 9-16%, and in the secondhand market, the price for e.g. a 5-year old Capesize vessel decreased by 28% while the price for a 5-year old Handysize vessel was 16% lower than at the beginning of the year (source: Clarksons). The development was a result of lower freight rates, the extensive addition of new vessels and lack of financing.

In the product tanker market, the decrease in asset prices was more moderate. The newbuilding price for an MR product tanker thus only dropped by 3%, whereas the price for a 5-year old MR product tanker was at the same level as at the beginning of the year (source: Clarksons).

The drop in vessel prices has affected the market value of NORDEN's fleet. During the year, independent brokers estimated the market value of the fleet to be below the carrying amounts and costs of newbuildings. But NORDEN still believes that the vessel investments in Dry Cargo and Tankers will contribute considerably to the value creation in the long term as demand increases in the tanker market and the dry cargo market absorbs the supply growth.

Market values of USD 1,554 million
Based on assessments from 3 independent brokers, the market value of NORDEN's 44 owned vessels and 11 newbuildings on order was estimated at USD 1,554 million at year-end, of which 40% is in the tanker segment. The value is USD 217 million below the carrying amounts and costs of newbuildings. This corresponds to a negative DKK 30 per share, and when this is deducted from the book value of equity of DKK 278 per share, the Net Asset Value (NAV) (excluding the value of charter parties with purchase option) is calculated at DKK 248 per share against DKK 266 per share at the end of 2010.

In comparison, the market value of the fleet was USD 5 million below the carrying amounts and costs of newbuildings at the end of 2010 whereas the figure was USD 103 million at the end of 2009.

Calculated without vessels in joint ventures, the market value in Dry Cargo and Tankers was USD 175 million and USD 36 million, respectively, below the carrying amounts and costs of newbuildings. As it appears from the table below, the negative market values in Dry Cargo are primarily placed in Post-Panamax and Handysize where NORDEN contracted the largest number of new vessels in 2006-08 when the newbuilding prices were significantly higher than today. In Tankers, the 6 vessels which NORDEN purchased in 2010 are still estimated to hold an additional value of USD 20 million.

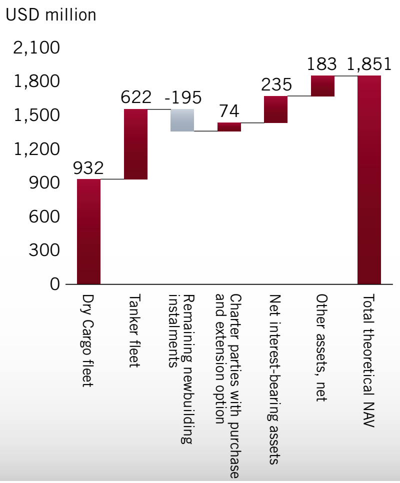
Fleet values at 31 December 2011

USD million	Owned (active and newbuildings)				Calculated value of charter parties with purchase and extension option			
Dry Cargo	Number	Carrying amount/ cost	Market value*	Added value	Number	Charter party	Purchase and extension option	Value of charter party and purchase option
Capesize	3	96	118	22	1	1	1	2
Post-Panamax	4	198	142	-56	4	-31	6	-25
Panamax	5	154	140	-14	17	8	38	46
Handymax	5	122	113	-9	20	13	50	63
Handysize	17	544	419	-125	10	-15	3	-12
Tankers								
MR	10	360	337	-23	11	-8	8	0
Handysize	11	297	285	-12	0	0	0	0
Total	**55**	**1,771**	**1,554**	**-217**	**63**	**-32**	**106**	**74**

NAV at 31 december 2011	USD million	DKK per share	Sensitivity +10%	Sensitivity -10%
Equity excl. minority interests	1,994	278	278	278
Added value owned vessels	-217	-30	-9	-52
NAV	**1,777**	**248**	**269**	**226**
Calculated value of charter parties with purchase and extension option	74	10	34	-12
Total theoretical NAV	**1,851**	**258**	**303**	**214**

* Including joint ventures, assets held for sale and charter party, if any.

Theoretical Net Asset Value



Impairment test

As the market value is below the carrying amounts and costs of newbuildings, NORDEN has tested the vessels for impairment in accordance with IAS 36 following usual principles. In this test, the carrying amounts and costs are compared to the estimated cash flows for the remaining useful lives of the vessels. On this background, the values of the Company's owned vessels and newbuildings were not found to be impaired. See also the financial review (page 44) and the section "Impairment test" in note 1 to the financial statements (page 56) where significant accounting estimates are explained.

Theoretical NAV of DKK 258 per share

Despite low period rates in the T/C market, the Company's purchase and extension options are still assessed to be of value. And when the markets improve, these flexible contracts will provide NORDEN with a favourable exposure to the market.

NORDEN has not exercised any purchase options in 2011, but has increased the number of charter parties with purchase and extension option from 58 to 63 by new long-term charters. At year-end, the 63 charter parties are estimated at a value of USD 74 million in total, corresponding to DKK 10 per share (DKK 42 per share in 2010). The options in the contracts are valued at USD 106 million or USD 1.7 million per contract, but the total value is reduced by the value of the non-optional period, which amounts to a negative USD 32 million.

Thus, at year-end, NORDEN's total theoretical NAV, including the value of charter parties with purchase option, was estimated at DKK 258 per share against DKK 308 per share the previous year. This decrease is primarily due to lower period rates and vessel prices in both Dry Cargo and Tankers. The theoretical NAV is positively affected by an increase in the USD/DKK rate of 2.4% during the year.

It must be emphasised that the valuations of fleet and charter parties with purchase option are subject to uncertainty. Based on the portfolio of owned vessels and charter parties with purchase option as well as market prices at the end of 2011, a simultaneous 10% decline in both vessel prices and the freight rate curve would cause the Company's theoretical NAV to drop by USD 318 million (DKK 44 per share). In contrast, a 10% rise in prices and rates would cause the theoretical NAV to increase by USD 324 million (DKK 45 per share).

Valuation methods for calculating theoretical NAV

Valuation of the core fleet

NORDEN determines the value of its core fleet as the sum of the portfolio of owned vessels, including the value of any related charter parties, plus the value of charter parties with purchase option. The value of owned vessels is based on 3 independent broker valuations, while the value of chartered vessels is calculated as the present value of earnings from the fixed part of the charter party (based on the T/C rate curve) plus the value of related purchase and extension options.

Calculation of the value of options

NORDEN's valuation of purchase and extension options follows standard pricing of American options, which simulates future scenarios for T/C rates and vessel prices under assumptions of price volatility and correlation between the change in T/C rates and the change in vessel prices. In each segment, the volatility in vessel prices and the correlation between vessel prices and T/C rates are assumed to be constant over time and are estimated based on historical data. The volatility in T/C rates is assumed to vary over time and differs for each segment. The 1-year T/C volatility for Dry Cargo is determined at the implicit volatility in options on FFA contracts. For Tankers, the 1-year T/C volatility is calculated based on historical data. The 20-year T/C volatility is equal to the vessel price volatility, whereas the other points are determined by interpolation.

An important input to the model is the T/C rate curve for each vessel type. The curve consists of the following elements: expected market rates for the first 5 years, a long-term T/C rate (20 years), calculated as the implicit rate used to equate the discounted value of future cash flows with the market price for a secondhand 5-year old vessel. Between year 5 and year 20, the T/C curve is determined by interpolation. In addition, market prices are used for interest rates, exchange rates and operating costs. On the basis of the future scenarios for T/C rates and vessel prices, the optimum value of the purchase and extension option for each vessel is determined. Purchase options under which the price for the vessel is stated in JPY are translated at the forward JPY/USD rate before the pricing.

Assumptions for calculated value of charter parties with purchase option, at year-end 2011

	Vessel prices and T/C rates		Assumed volatility	
	Secondhand prices 5-year old vessel (USD million)	5-year T/C-rate (USD/day)	Freight rates (1-year T/C)	Vessel values (5-year second-hand prices)
Dry Cargo				
Capesize	37.0	18,167	67%	20%
Post-Panamax*	34.5	14,667	34%	21%
Panamax	26.3	14,000	34%	21%
Handymax	25.2	12,800	29%	21%
Handysize	20.2	10,500	25%	17%
Tankers				
MR	25.5	15,500	14%	10%

Note: The determination of the theoretical value of the charter parties including purchase option is subject to uncertainty, the value being dependent on the future development in freight rates and tonnage values as well as deviations in other assumptions.

* The Post-Panamax price is a re-sale price for a newbuilding with prompt delivery. The volatilities for the vessel type are assumed equal to the volatilities for Panamax as there is very limited data available for Post-Panamax.

FLEET COSTS

• Efforts break upward expenses trend • More vessels with external technical managers • Changes in crewing in 2012

Operation of owned vessels
Operating costs on owned vessels were under pressure the entire year. The pressure was particularly due to extra expenses related to the fight against piracy, higher than expected pay to international seamen and increased expenses related to vetting efforts. Therefore, NORDEN made a number of initiatives, which broke the upward expenses trend over the summer, and for the year as a whole, fleet costs were marginally under budget.

The initiatives were established in cooperation with the officers in areas where safety, quality and environment would not be compromised. Examples include comparison of procedures and operating figures for the individual vessels, improved stock management, stricter follow-up on budgets, new procedures for change of crew to reduce travel and subsistence expenses and streamlining of purchases, etc. The Company e.g. succeeded in reducing a significant expense such as lubricating oil by 3% compared to budget.

To handle growth in the fleet, an additional 8 vessels were outsourced to external managers, who technically managed 12 of NORDEN's vessels. Experience gained from this is predominantly good, but 2 of the externally managed vessels have not constantly met NORDEN's requirements, and therefore, the Company will technically manage these vessels from 2012.

Chartered fleet
Parallel with improving efficiency on owned vessels, NORDEN seeks to reduce the costs of chartered tonnage. This is done continuously either by replacing short-term chartered tonnage with vessels with a lower charter hire or by renegotiating charter parties upon expiry.

Fuel efficiency
On all vessels operated by NORDEN, there is a strong focus on reducing fuel consumption. This is done partly through the Company's climate action plan and partly through efficient route planning and right steaming, where operators closely monitor the vessels' actual speed and consumption. In Tankers, there is also focus on correct heating of products which must maintain a certain temperature. Finally, efforts on monitoring fuel levels at delivery and redelivery of short-term chartered vessels have also resulted in savings.

Initiatives in 2012
Strict cost control on owned vessels is increasingly important in weak markets with low rates. To reduce expenses of product tankers, NORDEN has to dismiss 10 Danish senior officers and change the conditions for 14 Danish junior officers so that they will not automatically be employed by NORDEN upon attainment of agreed sea service. The senior officers will especially be replaced by Indian officers with relevant experience and certificates, and the junior officers will be replaced by Philippine officers. In practice, the majority of senior officers on DIS-registered product tankers will still be Danish.

To ensure a uniform, high level of quality, NORDEN will be in charge of the technical management of all product tankers – both the 17 current vessels and the 4 vessels to be delivered in 2013. In this perspective, it is also important to create a pool of skilled Indian senior officers who can attain the experience with the Company which is required by oil majors in connection with long-term charters.

NORDEN will continue cooperating with selected external managers, who will be managing dry cargo vessels with the same standards and quality requirements as on the vessels managed by NORDEN.

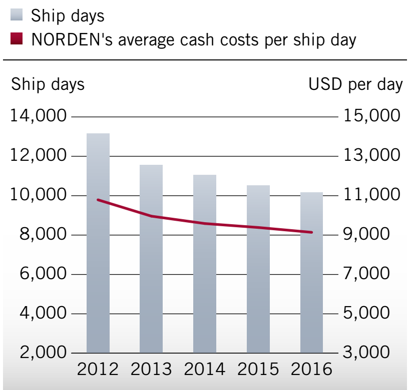
Strict cost control is continued on owned vessels. At the same time, the growing fleet is expected to provide additional economies of scale in connection with e.g. purchasing and docking. In the total operated fleet, energy efficient operation will become even more important.

Average cash costs of the known fleet are budgeted at USD 11,391 per day in Dry Cargo and USD 10,790 per day in Tankers in 2012. The figures comprise charter hire for chartered vessels, and for owned vessels, cash costs for operation and manning of the vessels, excluding bunkers, docking and port calls. In Tankers, costs for all vessel types are lower than the 1-year period rates (source: ACM), and this is also the case in Dry Cargo (source: Clarksons), except in the vessel type Handymax. However, NORDEN has covered all known ship days in Handymax in 2012.

Estimated average costs of the known fleet will decrease by 14% in Dry Cargo and 15% in Tankers from 2012 to 2016.

Capacity and costs, Dry Cargo

Capacity and costs, Tankers



FINANCIAL POSITION

• Cash and securities of USD 407 million • Expansion of core fleet increases gearing • Known investments of USD 140-160 million in 2012

Strong capital structure
With a strong financial position and solid financial resources, NORDEN is still in a sound position to take advantage of the opportunities in the challenging markets. At year-end, NORDEN had cash and securities totalling USD 407 million and undrawn credit facilities of USD 150 million.

Cash amounts to USD 336 million (USD 575 million), and to this should be added NORDEN's share of cash in joint ventures amounting to USD 6 million (USD 35 million). The majority of cash is placed as short-term deposits with major Scandinavian banks, which are rated A or higher, whereas a minor part is tied up as guarantees. Liquidity is placed in accordance with NORDEN's bank policy, and practice has been tightened further in 2011 due to the problems in the financial sector.

In addition, NORDEN has securities of USD 71 million (USD 38 million), in particular short-term corporate bonds issued by companies which have at least an investment grade rating and Danish mortgage credit bonds maturing in 2012. The share of bonds issued by banks has decreased during the year.

The decrease in total cash is a result of planned investments of USD 358 million in newbuildings, etc. and distribution of USD 95 million to the shareholders through share buy-backs and dividends. However, financial resources remain significant. Cash and securities exceed net interest-bearing debt by USD 242 million at year-end, equalling DKK 34 per share.

Greater flexibility
NORDEN has decided to increase flexibility by entering into 2 new long-term credit facility agreements of a total of USD 150 million. This is partly an agreement with a Danish financial institution regarding USD 100 million for the product tankers, which the Company is having built in Korea, and partly an agreement with Japanese banks regarding USD 50 million for dry cargo vessels from Japanese yards. At year-end, the 2 new facilities had not yet been utilised.

Interest-bearing debt has increased from USD 58 million to USD 165 million as a result of the Company drawing USD 162 million on the credit facility, which was entered into with the Chinese export guarantee fund SINOSURE and an international bank consortium in 2010. In contrast, NORDEN has made credit payments of USD 43 million on a previously obtained loan for 4 product tankers. The remaining debt on this loan – USD 15 million – falls due in 2012.

NORDEN's 3 credit facilities have terms of 10-12 years, and the interest rate is locked in for 5-12 years at an average below 4% including margins. Even if the facilities are fully utilised, debt will only correspond to 20% of the market value of the fleet.

Increasing net commitments
The adjusted net interest-bearing assets amounted to USD 240 million at year-end.

Net commitments (at year-end), present values, USD million

	2011	2010	2009
Adjusted net interest-bearing assets*	240	542	679
T/C liabilities**	-1,748	-1,925	-2,199
Payments for newbuildings less proceeds from vessel sales**	-197	-329	-456
Contractually secured inflows of earnings** (T/Cs and COAs)	1,078	1,377	1,203
Net commitments	**-627**	**-335**	**-773**

* Adjusted for prepayments on vessel purchases and currency swaps
** Present values

Gearing

Net commitments in proportion to booked equity

Including operating lease liabilities, future payments on newbuildings and contractually secured cash flows, the Company's total net commitments were USD 627 million at year-end. Net commitments have increased by USD 292 million due to new investments in the core fleet, distribution to shareholders and lower rates on new coverage during the year. Increasing net commitments have resulted in a rise in NORDEN's gearing from 0.2 to 0.3.

Initiatives in 2012
In 2012, NORDEN has expected net investments of USD 140-160 million, which mainly comprise known liabilities on the newbuilding programme. The amount only includes payments on newbuilding contracts which had been signed at year-end. Further purchase, sales or contracting agreements could affect the total amount of investments.

Furthermore, the Board of Directors proposes dividends of USD 29 million.

NORDEN will start drawing on the new Japanese credit facility, whereas the new Danish facility is expected to be utilised from 2013. There are no plans to obtain any further debt for known investments, but if NORDEN decides to make new investments, loan financing may be a possibility. The conservative cash management continues.

DRY CARGO

MARKET:

- Continued strong demand growth
- High supply growth, but declining from 2012
- Very challenging conditions in 2012

NORDEN:

- Higher earnings than expected in 2011
- Considerable growth in business scope
- 90 million tonnes of cargo in the book from 2012

Key figures and financial ratios

USD million	2011	2010	2009	2008	2007
Revenue	1,936	1,946	1,516	4,002	2,743
EBITDA	171	249	139	455	497
Profits from the sale of vessels, etc.	0	28	70	247	59
EBIT	127	260	188	687	548
Non-current assets	1,010	850	646	566	369
EBITDA margin, %	9%	13%	9%	11%	18%
EBIT margin, %	7%	13%	12%	17%	20%
Avg. number of employees	466	325	329	372	269
Total number of ship days	64,851	54,661	45,945	68,172	60,425

NORDEN's results

With an EBITDA of USD 171 million, operating earnings in Dry Cargo were higher than expected. In March, NORDEN expected an EBITDA of USD 125-155 million, and the most recent projection from November was USD 150-170 million.

Earnings turned out better than expected since the Dry Cargo Department entered into a number of short-term cargo contracts at attractive rates and was generally well positioned with many backhaul voyages to the Atlantic. Optimisation of logistics in connection with cargo contracts was also a contributory factor in earnings turning out better than expected.

Non-recurring income amounted to USD 12 million net against USD 78 million in 2010. Adjusted for non-recurring income, operating earnings were 7% lower than the previous year. This is a solid result in light of the fact that market rates (Baltic Dry Index) were on average 44% worse than the previous year.

Thanks to revenue from coverage at the beginning of the year and the profitable operator activity, NORDEN's daily earnings were on average 30% better than the spot rates and 26% above the 1-year T/C rates (source: Clarksons). In Handymax and Panamax – the vessel types where NORDEN has most ship days – the Company's earnings were 37% and 19%, respectively, above the 1-year T/C rates.

Under the difficult market conditions, which have been the order of the day since the autumn of 2008, NORDEN's approach to the market has produced daily earnings above the 1-year T/C rates in all vessel types.

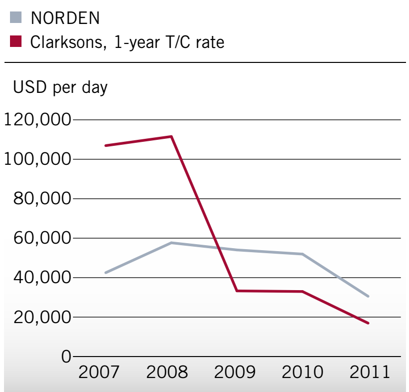
NORDEN's business

In 2011, Dry Cargo's business scope grew considerably with 19% more ship days and a 40% increase in transported cargo. NORDEN carried a total of 60.5 million tonnes of cargo (excluding cargo on vessels chartered out), and the growth rate of 40% thus surpassed market growth as well as the strategy plan's target to achieve an average growth rate of 15% p.a.

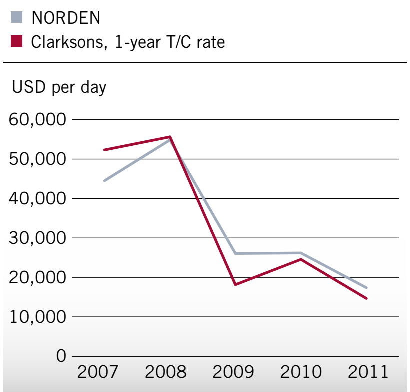
NORDEN is a large operator in the very fragmented dry cargo market with a market share of just under 2% of the globally transported cargo in 2011. NORDEN's market share is higher within less cyclical commodities such as coal and grain, and the same applies for i.a. cement and slags.

China and India remained NORDEN's largest single markets and imported 25% of the Company's cargo. Approximately every other day throughout the year, the Company called at a Chinese port primarily with ore and coal from Australia, grain from North America and coal from Indonesia and Canada. Coal was also a major commodity into India especially from Indonesia and Australia. Other large import markets counted the USA, where the largest single commod-

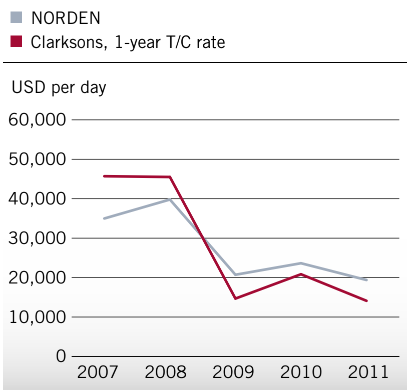
Capesize T/C rates



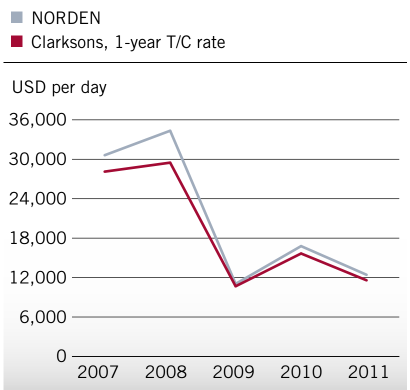
Panamax T/C rates



Handymax T/C rates



Handysize T/C rates



Employment and rates, Dry Cargo, 2011

Vessel type	Capesize	Post-Panamax	Panamax	Handymax	Handysize	Total**
NORDEN ship days	1,460	2,282	29,198	25,884	6,027	**64,851**
NORDEN T/C (USD per day)	30,548	14,854	17,387	19,385	12,426	**17,930**
1-year T/C (USD per day)*	16,938	13,879	14,663	14,108	11,587	**14,179**
NORDEN vs. 1-year T/C	+80%	+7%	+19%	+37%	+7%	**+26%**

* Source: Clarksons ** Weighted average

ity was salt, as well as Italy and England (both with coal as the largest commodity). NORDEN's largest loading countries were the USA, Australia, Indonesia, Canada and Brazil.

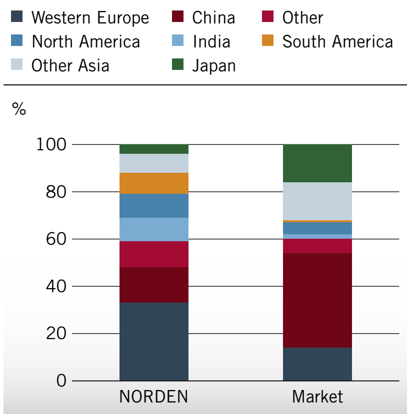
Compared with the market composition, NORDEN is overrepresented in India, South America, the Middle East, Africa, Europe and the USA, and in contrast, underrepresented in China, Japan and other parts of Asia. The traffic patterns are to a high extent dictated by NORDEN's large cargo contracts and close customer relationships on both sides of the Atlantic.

NORDEN has entered into a number of cargo contracts which have increased coverage from 2012 onwards by approximately 23,000 ship days. The largest contracts include a 5-year contract to carry coal from Indonesia (option South Africa) to India from 2012, a 10-year contract to carry salt from Chile to the USA beginning in 2013 and a 5-year contract to carry coal from Svalbard to Northern Europe under which the first shipments took place in 2011. The total cargo volume to be carried under the 3 contracts amounts to more than 20 million tonnes and results in approximately 330 Handymax and Panamax shipments.

Market development in 2011

The dry cargo market was characterised by an extensive addition of new vessels, and the increase in supply was too high to be absorbed by the otherwise considerable increase in demand.

Geographic distribution of imports, 2011

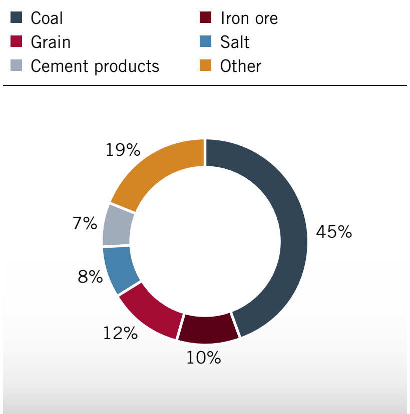


It is assumed that total demand for dry cargo tonnage has increased by approximately 9.6% (source: R.S. Platou), against 13.4% in 2010. According to R.S. Platou, total seaborne transport of commodities increased by 6% (8.8% in 2010), and additionally, factors such as waiting days in ports, inefficient trading patterns (longer transport distances) and Chinese coastal trade added to growth.

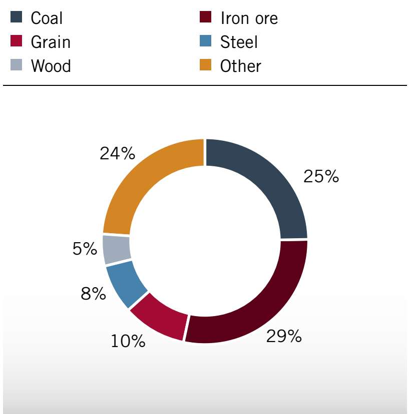
Iron ore and coal remain the most important commodities, and together, they constitute more than 60% of the carried volumes. According to R.S. Platou, transports of iron ore grew by 8.5% and were primarily driven by China, which, according to the Chinese customs authorities, imported 10.9% more iron ore in 2011 against a decline in imports of 1.4% in 2010. The impact on total demand for dry cargo tonnage was more significant since ore was carried over longer distances as a result of China's increased import of ore from Brazil and Australia at the expense of India.

Growth in coal transports was on par with other commodities. This was also driven by

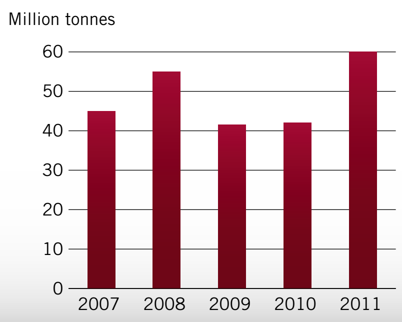
NORDEN's dry cargo transports, 2011



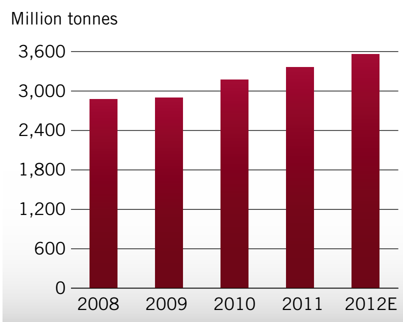
Global dry cargo transports, 2011



NORDEN's transported volumes



Global seaborne dry cargo transport



Source: R.S. Platou

China, which increased the coal import by 10.2% in order to i.a. compensate for the fact that energy production from water power was periodically affected by drought. In general, China's industrial production remained strong despite the unstable financial markets in the USA and Europe.

Some events interrupted demand periodically. For example, the earthquake and tsunami decimated Japan's coal and iron ore imports for several months, just as flooding of mines and railways reduced the important coal export from Australia in the first half of the year.

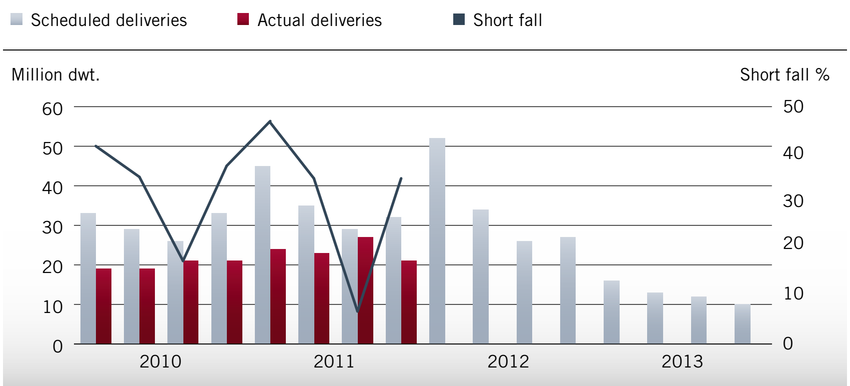
The number of newbuilding deliveries was at a historically high level, but also scrapping of old tonnage increased. After scrapping of 22.2 million dwt. (6.4 million dwt. in 2010), the global fleet grew by 73.7 million dwt. net or 15.3%, whereas the growth rate in 2010 was 13.4% (source: Clarksons). This increase reflects large differences between the individual vessel types, and the global fleet thus grew by net 18.8% in Capesize, 8.8% in Panamax, 17.1% in Handymax and 5.7% in Handysize (source: Clarksons).

Even though fleet growth was well below the known order book as expected, 68% of the planned vessels had been delivered by the end of the year (source: R.S. Platou). As a result of the high number of deliveries and the lower number of contracted newbuildings than in 2010, the order book totalled 33% of the global fleet at year-end against 54% in 2010. The vessel types varied considerably in this respect. The order book totalled 33% of the global fleet in Capesize, 39% in Panamax, 28% in Handymax and 21% in Handysize (source: Clarksons).

The high increase in supply put pressure on market rates, which were considerably lower than in 2010. On average, spot rates were 53% lower in Capesize, 44% lower in Panamax and 36% lower in Supramax and Handysize (source: Baltic Exchange). For the entire year, the Baltic Dry Index was 44% lower than in 2010.

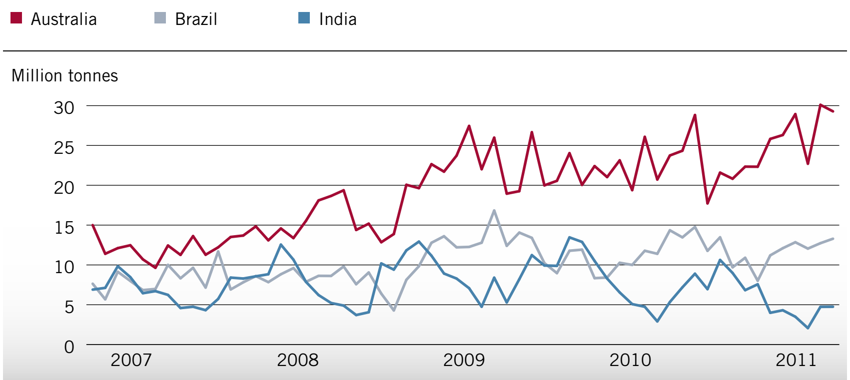
Vessel prices were also affected by lower rates, high supply and lack of financing. Prices on secondhand vessels began to decrease at the end of the first quarter, and this trend continued throughout the year. In total, prices dropped by approximately 20% across all vessel types, and newbuilding prices also decreased.

Scheduled vs. actual deliveries



Sources: R.S. Platou (historical figures) and Clarksons (future deliveries)

Development in China's import of iron ore



Source: The Chinese customs authorities

Market development in 2012

The market is expected to be very challenging in 2012, and spot rates are expected to decrease further due to continued imbalance between demand and supply.

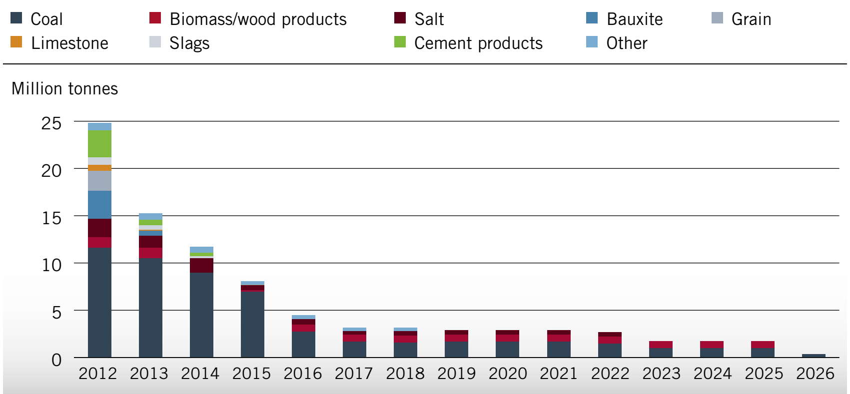
Demand for dry cargo tonnage is expected to remain at a good level. R.S. Platou thus expects a growth rate of approximately 9.3%, just below the level from 2011. Growth will primarily be driven by China's import of commodities such as coal and iron ore, but factors such as longer distances and waiting time in ports are also expected to contribute positively to demand.

The order book of 2012 deliveries to the global dry cargo fleet counts a total of 139 million dwt. This indicates that the global fleet will grow by 23% (source: Clarksons). However, also in 2012, a large part of the order book will not be delivered, and if it is assumed like in previous years that 35% of the reported orders are not delivered, the global fleet will grow by 15% gross. After expected scrapping of approximately 25 million dwt. of old tonnage, a net growth rate in the global fleet of approximately 11% is expected, which is somewhat lower than in 2011. Growth is expected to be highest during the first half of the year whereupon it is expected to decline.

Long-term market development

In the long term, the Company estimates that the market will again become attractive as the export oriented mines in i.a. South America, Australia and Africa are

Cargo on future contracts



expanding the raw material production, and fleet growth declines as a result of a lower inflow of newbuildings and large scrapping volumes. Furthermore, market development will to a high extent be linked to the economic development in Asia as well as structural changes in the global trading patterns.

At the end of 2011, the total order book reportedly amounted to 201 million dwt. of which approximately 70% will be delivered in 2012 according to the brokers' order books (source: Clarksons). It is expected that a large part of the order book will not be delivered, and increased scrapping over the next 3-5 years is also expected to contribute to net fleet growth reaching a normal level in historical terms from 2013. This will help the market regain balance faster.

Scrapping is partly driven by the challenging market with low freight rates and partly by high fuel prices and the emergence of new fuel efficient designs, which entail that older tonnage is no longer competitive. NORDEN's core fleet is considerably younger than the global fleet, which, all other things being equal, is a competitive advantage (see the schedule on page 23)

NORDEN's positioning

In recent years, NORDEN has prepared for a challenging dry cargo market. The strategic targets to increase the cargo base by 15% are a direct result of these preparations, and thus, NORDEN is, to a higher extent than earlier, directly exposed towards major, solid mining and commodity companies, energy companies and commodity-intensive industries, where the counterparty risk is generally lower than for shipping companies. NORDEN's coverage includes 190 counterparties, of which the top 20 accounts for 78% of the Company's covered revenue. In the top 20, there is a majority of commodity and mining companies, energy companies and in-

Coal is the largest cargo type in NORDEN's future contracts. Here, coal is loaded at Svalbard.

dustrial groups while 5 of the counterparties are shipping companies. See also "Credit risks" on page 64.

At the beginning of 2012, NORDEN had secured future contracts for a total of 90 million tonnes of cargo. The most important cargo types under these contracts are coal, biomass/wood products and salt. Biomass is to an increasing extent used by particularly North European power stations instead of coal.

The Company is often short-listed when large and long-term cargo contracts are put out to tender. Customers give priority to stability and security when finding solutions to their long-term transport needs, and in this context, NORDEN holds a great advantage thanks to its financial strength and transparency, its brand, the size and quality of the fleet as well as the tradition for partnerships. The Company's strategic focus is unchanged, i.e. profitable increase in the contract portfolio combined with profitable growth as an operator.

NORDEN's Dry Cargo fleet at 31 December 2011

Vessel type	Capesize	Post-Panamax	Panamax	Handymax	Handysize	2011	2010
Size (dwt.)	>120,000	85-120,000	65-85,000	40-65,000	20-40,000		
Length (meter)	289	245	225	190	170		
Main cargoes	Iron ore, coal	Iron ore, coal	Iron ore, coal, grain, bauxite	Iron ore, coal, bauxite, steel, cement, alumina	Cement, steel, salt, petcoke, alumina		
Vessels in operation							
Owned vessels	3	4	4	4 [A]	12	27	14
Chartered vessels with purchase option	1	3	11	18	7	40	32
Total active core fleet	**4**	**7**	**15**	**22**	**19**	**67**	**46**
Chartered vessels without purchase option	-	-	61	56	11	128	123
Total active fleet	**4**	**7**	**76**	**78**	**30**	**195**	**169**
Vessels to be delivered							
Owned vessels	-	-	1	1 [A]	5	7	21
Chartered vessels with purchase option	-	1	6	2	3	12	15
Total for delivery to core fleet	**-**	**1**	**7**	**3**	**8**	**19**	**36**
Vessels chartered for more than 3 years without purchase option	-	-	1	-	1	2	6
Total for delivery to active fleet	**-**	**1**	**8**	**3**	**9**	**21**	**42**
Total gross fleet	**4**	**8**	**84**	**81**	**39**	**216**	**211**
Total chartered with purchase option	1	4	17	20	10	52	47
Average age, active owned fleet	8.2	1.6	6.2	2.9	0.5	2.7	4.1
Average age, active core fleet	7.2	1.3	4.2	2.7	1.0	2.7	2.8
Global fleet (no.)	1,292	372	1,545	2,647	2,611	8,467	7,659
Average age, global fleet	9.0	4.8	10.4	10.9	16.1	11.8	13.6
On order, global fleet (no.)	**368**	**184**	**623**	**619**	**504**	**2,298**	**2,670**

A Of which 2 units in 50%-owned joint venture (1 delivered during 2011)

Source: R.S. Platou

TANKERS

MARKET

- Shutdown of refineries in the OECD area
- Addition of new vessels is declining
- Gradual improvement of the market in 2012

NORDEN

- Higher operating earnings in a difficult market
- Daily earnings above market rates
- Growth in capacity and business volume

Key figures and financial ratios

USD million	2011	2010	2009	2008	2007
Revenue	336	243	240	362	243
EBITDA	26	0	-4	67	53
Profits from the sale of vessels, etc.	0	0	0	36	104
EBIT	-8	-25	-18	97	149
Non-current assets	570	469	327	300	212
EBITDA margin, %	8%	0%	-2%	19%	22%
EBIT margin, %	-2%	-10%	-8%	27%	61%
Avg. number of employees	401	323	241	170	164
Number of ship days	13,675	11,383	10,006	9,276	6,968

NORDEN's results

Operating earnings (EBITDA) in Tankers of USD 26 million were on level with an expected EBITDA of USD 20-30 million. Compared to the 0 result in 2010, this was a great improvement, which increased the EBITDA ratio to 8%.

The improvement is particularly due to larger capacity with more ship days covered at reasonable rates. Furthermore, earnings were lifted by operational improvements, more owned vessels and redelivery of more expensive chartered tonnage, which put a strain on earnings the previous year.

The operating profit was also improved in line with the target in the strategy plan for 2011-13. But as depreciation increased from USD 25 million to USD 33 million as a result of growth in the owned fleet, the operating profit was still negative in the amount of USD 8 million (negative USD 25 million).

Tankers entered the year with a relatively low coverage of 36% as it was estimated that there was more to gain from employing most of the vessels in the spot market than from chartering out vessels on long-term charters due to the weak forward market. The strategy was maintained throughout the year, and approximately two-thirds of the ship days were employed on spot voyages.

Daily earnings in Tankers were on average 40% higher than spot rates in MR (source: Baltic Exchange) and collectively 9% higher than the 1-year T/C rates. In Handysize and MR – the vessel types in which the Company has the absolute most ship days – earnings were above the 1-year T/C rates (source: Clarksons). This was not the case in the vessel type LR1 where the termination of 1 vessel in the beginning of the year and the start up of 2 new vessels at the end of the year had a significantly negative effect on daily earnings. However, the Company only had 153 ship days in LR1.

When using 1-year T/C rates as benchmark, NORDEN has consistently outperformed the market in MR and Handysize during the last 5 years. One of the targets in the strategy plan for 2011-13 is to sustain this trend.

NORDEN's business

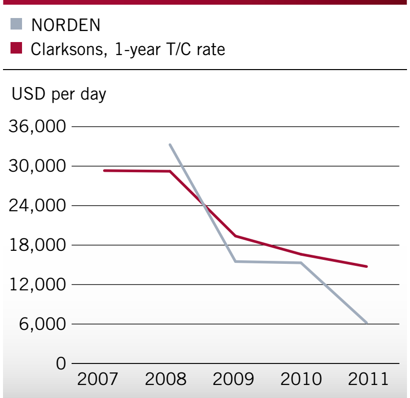
During the year, the Company experienced sound growth in the business volume with 20% more ship days and increasing cargo volumes. Norient Product Pool – which employs and operates vessels from NORDEN and the partner INC – transported approximately 21 million tonnes of cargo, an increase of 12%. NORDEN's vessels transported 57% of the pool's cargoes.

Employment and rates, Tankers, 2011

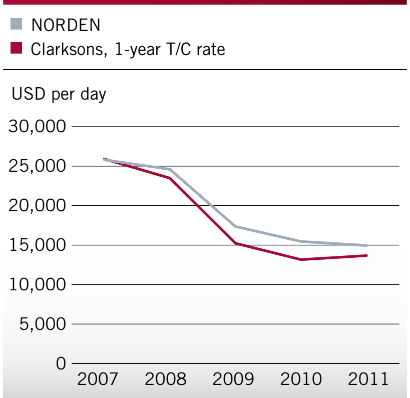
Vessel type	LR1	MR	Handysize	Total**
NORDEN ship days	153	6,518	7,004	13,675
NORDEN T/C (USD per day)	6,195	14,947	13,470	14,093
1-year T/C (USD per day)*	14,745	13,668	12,221	12,939
NORDEN vs. 1-year T/C	-58%	+9%	+10%	+9%

* Source: Clarksons ** Weighted average

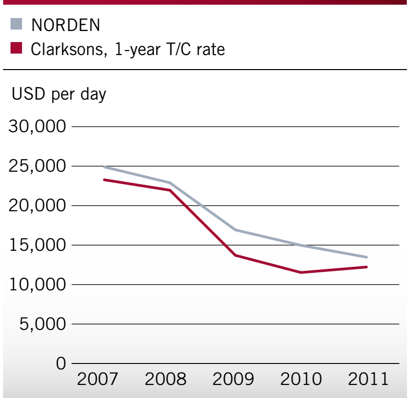
LR1 T/C rates



MR T/C rates



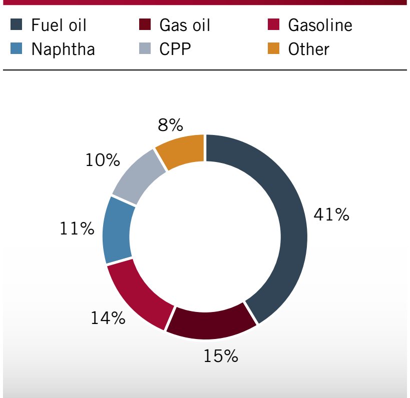
Handysize T/C rates



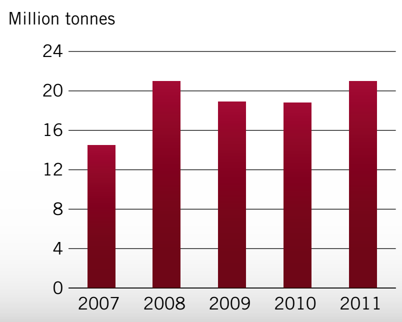
The largest type of cargo in Norient Product Pool is still fuel oil, which accounts for 41% of total cargoes (48% in 2010) followed by gas oil with 15% (17%). The share of gasoline, naphtha and various clean petroleum products (CPP) is growing, and Norient Product Pool is furthermore working on cultivating business with delicate cargoes which entails special demands on handling, storing, monitoring, etc. Examples of these cargoes include ethanol, molasses and caustic soda. Other types of niche cargoes are canola oil and urea. The pool's amount of niche cargoes is still modest but is expected to grow.

At the end of the year, Norient Product Pool employed 74 vessels and continued to be the third largest product tanker pool in the world. 43 of the vessels came from NORDEN, an increase of 3. Growth took place in NORDEN's core fleet – 2 newbuildings in Handysize and MR, respectively, and 1 secondhand Handysize vessel – while the number of chartered vessels without purchase option was unchanged.

NPP transports, 2011



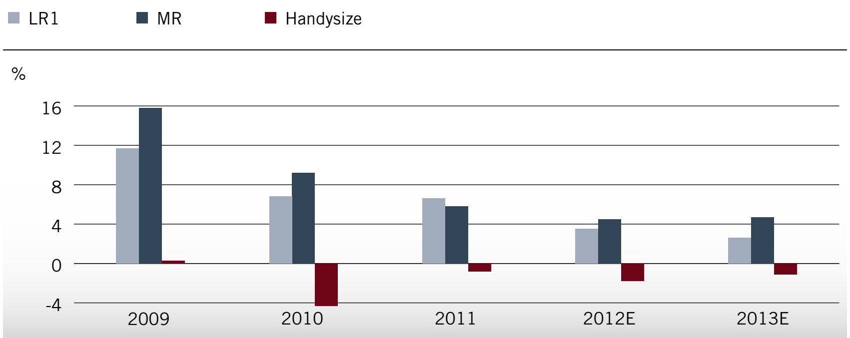
NPP total transported volumes



Capacity utilisation in Norient Product Pool (excl. vessels chartered out)

	2007	2008	2009	2010	2011
Ship days, laden	7,328	9,982	9,648	9,705	12,376
Ship days, ballast	1,747	2,054	2,020	2,570	2,795
Total number of ship days	**9,075**	**12,036**	**11,668**	**12,275**	**15,171**
Capacity utilisation	81%	83%	83%	79%	82%

Global fleet growth, net



Source: SSY

As expected, MR overtook Handysize as the vessel type in which NORDEN has the largest number of units. The third vessel type is LR1, which NORDEN temporarily exited in the first quarter when the charter of the last and relatively expensive LR1 vessel was cancelled. At the end of the year, NORDEN re-entered LR1 with 2 quality vessels chartered on significantly more favourable terms.

The pool's largest markets remain to be Europe and North America where approximately 60% of the pool's cargoes are transported to. But activities outside the traditional main markets continue to grow, i.a. in Africa and South America. The pool has approximately 12% of its business in the growing market in South America, especially in Brazil and to a lesser extent Argentina, and to support business in the region, the pool will open an office in Brazil in 2012.

Throughout the year, focus was given to operational improvements with optimal planning of voyages, continuous follow-up on the speed and consumption of the vessels, etc. The effective capacity utilisation on the vessels employed in the spot market was increased from 79% to 82%, which is a good result in a market under pressure.

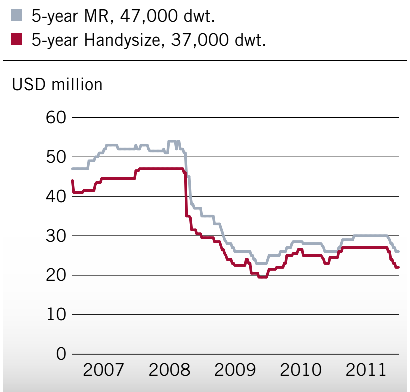
Market development in 2011

In 2011, global oil demand grew by 1.5%, while the market for transport of refined oil products in general increased by 2.9% (source: Clarksons).

The largest increase in the transport of refined oil products was on the routes in Asia, where the growth rate was 7.4% (source: Clarksons). Growth was driven by China and to some extent also Japan, where parts of the refineries were periodically put out of operation following the tsunami in March, and for that reason, Japan had to import several refined products. In contrast, the growth rate on the transatlantic routes, which are typically important for the MR vessels, was only 1.5% against 12.2% in 2010. Demand on both sides of the Atlantic was generally negatively affected by the European debt crisis and in the USA by weak economic growth and moderate demand for gasoline.

Structural conditions in the European and North American refinery sector developed

Prices, modern MR and Handysize tankers



Source: Clarksons

as expected as it was planned to close down refineries with a total capacity of approximately 1.8 million barrels per day in the OECD area (source: IEA). This will have a positive effect on demand as the production will be replaced by export from the Middle East and Asia.

Supply growth continued to be moderate. 113 new product tankers of 6.6 million dwt. in total were delivered from the yards. On the other hand, 35 vessels of 1.5 million dwt. were scrapped (source: SSY). Fleet growth declined in LR1 and MR, and in Handysize, growth was once again negative due to phasing out and scrapping of tonnage.

The squeezed freight rates and the banks' reluctance to finance new vessels have led to a low number of contracted newbuildings. For the past 3 years, the order book has been reduced considerably, and at year-end, it only counted 9.2 million dwt. for delivery in 2012-14. This corresponds to 160 product tankers (source: SSY).

Market rates for MR tankers increased by 9.5% compared with 2010. Especially good rates in the second quarter as well as a solid end to the year pulled up the average for the year and resulted in average MR spot earnings of USD 10,652. The highest level was USD 18,436 per day (source: Baltic Exchange).

Market prices on vessels were fairly stable. Though prices on 5-year MR tonnage increased during the year to the highest level since April 2009, they decreased again, and at the end of the year, they were at the same level as at the beginning of the year, i.e. approximately USD 26 million. Newbuilding prices largely remained the same throughout most of the year but ended with a small decline to USD 35.5 million for an MR product tanker (source: Clarksons).

Market development in 2012

The product tanker market is expected to improve gradually, but it will continue to be very challenging at times. It is expected that the capacity of European and North American refineries will be reduced, but globally, the refineries' capacity is expected to grow by 9.6 million barrels per day until 2016, and 95% of the planned expansions will take place outside the OECD area (source: IEA). The transports on the routes from the Middle East and Asia to Europe and North America will therefore increase, and this will contribute positively to demand since the products will be transported over longer distances from producer to consumer.

Global oil demand is assumed to increase by 1.5% in 2012 and 1.4% in 2013, but will vary greatly from region to region (source: IEA). Asia and South America are expected to be the key demand drivers, whereas the OECD countries are expected to reduce demand by 0.3 million barrels per day in 2012.

After 3 years with squeezed freight rates and poor market conditions, several owners and operators struggle to finance their operations. In the short term, several shipping companies may come under pressure, and since it will still be difficult to obtain external funding, contracting of new vessels is expected to remain limited. The fleet growth rate in 2012-13 is thus expected to be approximately 4.5% per year in MR, whereas the global Handysize fleet will be reduced due to scrapping of old tonnage (source: SSY).

Long-term market development

Market earnings have gradually improved as greater demand and longer distances have enabled the market to absorb the many deliveries of new vessels from the active delivery years in 2008-09.

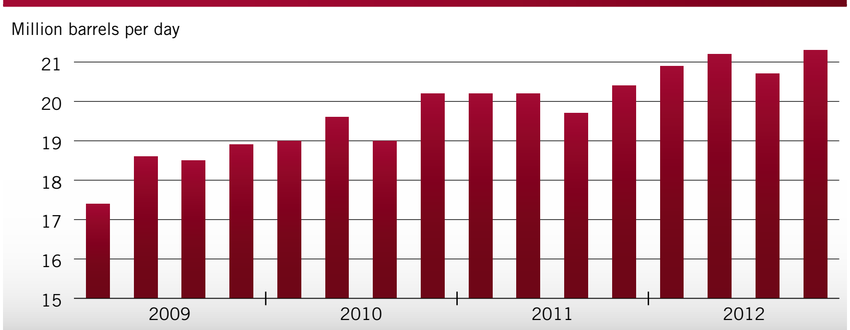
In the long term, the geographic position of refineries is expected to become a key factor in the market. In 2006, the utilisation rate of refineries within the OECD was approximately 87%, but it is expected to drop to approximately 75% in 2015. If the refineries within the OECD are to increase profitability as well as the utilisation rate in order to reach the average from 2006-11, additional capacity of 4 million barrels must be shut down in the OECD (source: IEA). This will enforce the impression that Europe and North America to a greater extent import oil products from the refineries in the Middle East and Asia.

Growth in oil demand will be driven by countries outside the OECD, and total demand is expected to reach 95.3 million barrels per day in 2016. This corresponds to an increase of 6.7% from 2011 (source: IEA).

NORDEN's positioning

NORDEN's and Norient Product Pool's target is to remain positioned as a first-class

Oil demand in Asia (excl. OECD countries)



Source: IEA

shipping company/operator and thus as a preferred partner for global oil majors, large regional oil companies and traders.

Increasing focus on operators' and owners' technical conditions are expected to become decisive competitive parameters, and NORDEN will persistently seek to be among the best tanker companies in terms of parameters such as quality, safety and internal and external environment, etc. With an average age of 2.7 years in MR and 4.5 years in Handysize, NORDEN's core fleet is considerably younger than the global fleet (see below schedule), and NORDEN will continue to renew the fleet with modern quality vessels in order to ensure both the technical performance of the fleet as well as the Tanker Department's earnings capacity.

Norient Product Pool has i.a. a position of strength within ice sailing as approximately 40% of the pool's vessels are ice-class vessels.

In recent years, Norient Product Pool has chiefly done spot business but continuously searches the market for long-term contracts to achieve the best possible balance between short and long-term coverage of earnings.

NORDEN's Tanker fleet at 31 December 2011

Vessel type	LR1	MR	Handysize	2011	2010
Size (dwt.)	60-85,000	42-60,000	27-42,000		
Length (meter)	230	180	170		
Main cargoes	Fuel and heating oil, gasoline, diesel, jet fuel, naphtha	Fuel and heating oil, gasoline, veg. oil, diesel	Fuel- og heating oil, gasoline, veg. oil, diesel		
Vessels in operation					
Owned vessels	-	6	11	17	14
Chartered vessels with purchase option	-	10	-	10	10
Total active core fleet	**-**	**16**	**11**	**27**	**24**
Chartered vessels without purchase option	2	5	9	16	16
Total active fleet	**2**	**21**	**20**	**43**	**40**
Vessels to be delivered					
Owned vessels	-	4	-	4	3
Chartered vessels with purchase option	-	1	-	1	1
Total for delivery to core fleet	**-**	**5**	**-**	**5**	**4**
Vessels chartered for more than 3 years without purchase option	-	-	-	-	-
Total for delivery to active fleet	**-**	**5**	**-**	**5**	**4**
Total gross fleet	**2**	**26**	**20**	**48**	**44**
Total chartered with purchase option	-	11	-	11	11
Average age, active owned fleet	-	2.8	4.5	3.9	3.3
Average age, active core fleet	-	2.7	4.5	3.4	2.6
Global fleet (no.)*	439	991	576	2,006	1,956
Average age, global fleet*	6.5	6.3	10.3	7.5	-
On order, global fleet (no.)*	**43**	**121**	**33**	**197**	**239**

* excluding chemical tankers

Source: SSY

Handysize product tanker NORD SNOW QUEEN in the English Channel.

ORGANISATION

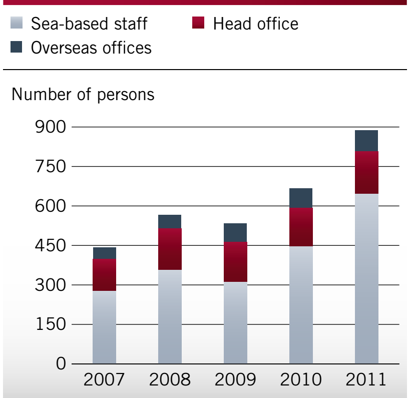
- Organisational growth
- Business scope grew more than number of employees
- Higher retention rate

Development on shore

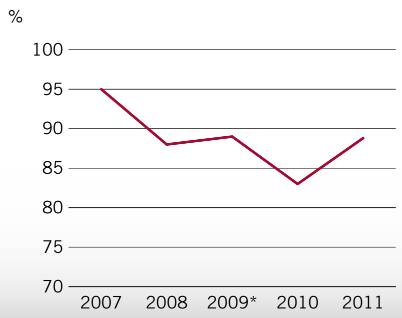
In 2011, new employees were hired at the offices to handle the planned growth in the Company's activities. At the end of the year, the workforce at NORDEN had increased from 233 to 259 employees, and Norient Product Pool had 47 employees (+3).

While the workforce at NORDEN had increased by 11% at year-end, the Company's business scope increased by 19% measured in number of ship days. This growth rate is higher if third party vessels operated in pools managed by NORDEN are included, or if cargo volumes are used as benchmark for the business scope. The figures show that the business is scalable and can grow efficiently.

Average workforce



Retention rate on shore



* excluding collective redundancies in 2009

The retention rate on shore returned to a level, normal to NORDEN, at 88.0% after an unexpected drop to 82.5 % in 2010. The drop in 2010 added importance to the continuous efforts to improve job satisfaction, career development, additional training, etc.

Recruitment of new, qualified and often more experienced employees has not presented any problems. The group of key employees is intact, and overall, the Company's core competences are estimated to have been maintained.

Recruitment of trainees

On 1 August, 9 shipping trainees from Denmark, Singapore, China and the USA initiated NORDEN's own training programme together with 1 Swedish finance trainee. The programme has been further directed towards the skills which are required of trainees at NORDEN. In addition, mentors – experienced employees – have been given a more significant role in the practical part of the programme, i.a. regular follow-ups on the goals set for each trainee.

In China, Singapore and the USA, shipping trainees are recruited directly from maritime training institutions, whereas recruitment in Denmark is broader. 3 shipping trainees graduated in 2011. NORDEN then had 18 shipping trainees, 1 finance trainee and 1 IT trainee at year-end. The trainee programme is an important tool in creating a pool of talent, and 3 of the managers of NORDEN's overseas offices are thus former NORDEN shipping trainees.

Development at sea

At the end of the year, the Company had 793 seamen and officers, against 570 at the end of 2010. 163 were employed with the Company (Danish officers), whereas the remaining seamen and officers were hired on a contractual basis. At year-end, the workforce at sea had increased by 39% while the number of vessels in NORDEN's fleet had increased by 57%, but operation and crewing of several of the new vessels were outsourced to external technical managers, whose seamen are not employed by NORDEN.

In addition to the employees on board, there are pools of seamen in India and the Philippines, who only sign on to NORDEN's vessels. According to local collective agreements, they only receive a service contract when they sign on a vessel.

NORDEN has hired 13 new apprentice officers from Svendborg International Maritime Academy (SIMAC) and Marstal Navigationsskole (MARNAV) and 10 cadets from Holy Cross of Davao College in Manila. Thus at year-end, NORDEN had 34 apprentice officers from Danish institutions and 50 Philippine cadets.

Cadet programmes and scholarships together with health care insurance, additional training, bonus and wellbeing offers are some of the means which NORDEN uses to attract and retain officers from the Philippines where the maritime job market is under significant pressure. The retention rate for Philippine seamen was increasing, and in general, the retention rate in the fleet remained largely unchanged at approximately 81%.

Initiatives in 2012

On shore, tight wage cost control will take place, and only a small number of new employees will be hired. These recruitments are directly linked to growth in the business. In addition, NORDEN will recruit 1 finance trainee and 7-9 shipping trainees in Denmark, the USA, Singapore and China. The exact number will be determined in April, and this time, recruitment has been adjusted to be more appealing to women.

At sea, focus is also on costs, but the organisation will be expanded in line with fleet growth and the increasing number of vessels under NORDEN's technical management. As mentioned under the section "Fleet costs" (page 16), the Company will especially recruit Indian and Philippine officers. NORDEN will also offer fixed-term positions to Danish junior officers.

COMPETENCES AND SYSTEMS

- Scalable business • Upgrading critical systems • Competence development

In order to achieve a more efficient and scalable business, NORDEN enhances systems, processes and employee competences on a regular basis. In 2011, it was decided to significantly upgrade several critical systems.

New shipping system

NORDEN has chosen a new shipping system which supports all processes in connection with chartering and operation of the vessels, delivers data for invoicing of voyages and settlements as well as collects business critical information on e.g. capacity and coverage. Following thorough assessment and testing, NORDEN decided on the system IMOS. The decision was i.a. based on the fact that IMOS is developed for shipping companies and that the system has been thoroughly tested.

IMOS will be combined with a new version of the financial management system Navision. Parts of Norient Product Pool's operations system MOEPS will also be integrated into IMOS.

On the systems side, the Company has also worked on upgrading the CRM (Customer Relationship Management) and HR systems and on increasing the mobility of the employees. In addition, the IT emergency preparedness has also been developed.

New fleet management system

In the interaction between the fleet and the Technical Department, significant improvement will also take place on the systems side. NORDEN has decided to implement a new fleet management system from Norwegian Jotron Consultas. The system will collect all data on planned maintenance, vetting, inspections, performance and purchase. Today, this data is available in different systems, and some data is reported by email. The consolidation into one system will provide a better overview of the fleet performance, and it will be easier for both vessels and the Technical Department to report data and follow up on this in a system in which data is automatically synchronised between vessels and shore.

Competence development

In the fleet, the competence system NORDEN Officer Career Program (NOCaP) was developed following a pretesting period. The system draws up a development plan for each officer's competences and outlines uniform criteria for each position, thus making it more simple to train newly employed officers and to offer existing officers career development, while documenting the progress. Relevant parts of NOCaP have been integrated in Safety Management System.

On shore, training of newly appointed and newly employed managers has taken place. In addition, in order to improve the communication with customers in general and to support the increased focus on contracts with industrial customers in Dry Cargo in particular, approximately 100 employees have completed seminars in negotiation technique. Activities related to the Golden Rules of Communication have taken place in all departments with the aim of developing knowledge sharing and improve cooperation.

Initiatives in 2012

The shipping system IMOS will be introduced through a process which will initially involve IT, user representatives and external consultants after which training of all users will take place. To reduce risks during the transitional phase, IMOS will run parallel with NORDEN's current shipping system for some time. Concurrently, the new Navision system will be implemented. The new fleet management system will be introduced in 2012 after pretesting and thorough training of both officers and the technical organisation on shore.

On shore, the work with Golden Rules of Communication will continue, and a new initiative to improve cross-departmental communication is a new Intranet. NORDEN will again measure the employees' job satisfaction through the Cultural Performance Drivers survey, which is conducted every second year most recently in 2010. In addition, focus will remain on negotiation technique and on general competence development of both Senior Management and of other executives and employees.

Competence development of officers is systematised – here, the crew on board NORD DORADO.

REMUNERATION

New remuneration policy

A revised remuneration policy for the Board of Directors, Board of Management and other employees was adopted by the annual general meeting in April. Purpose and principles were not altered, but specification of amounts, limits and reporting was i.a. made. The new policy is available at www.ds-norden.com/investor/corporategovernance/remuneration/.

The most crucial tools remain: competitive basic salary and pension scheme, cash bonuses, share options and employee shares. The share-based programmes are particularly designed to promote the long-term conduct of managers and employees and ensure the community of interests between shareholders and employees.

The Board of Directors decides on the implementation of the remuneration policy upon recommendation of the remuneration committee, which in corporation with the Board of Management particularly ensures that remuneration matches NORDEN's needs, results and challenges. In 2011, the challenge has been to ensure that on the one hand, NORDEN's remuneration enables the Company to recruit and retain competent managers and employees, but on the other hand, the poor market conditions call for restraint from all employees.

Implementation of policy

In January, NORDEN again granted employee shares, which are tax-exempt for employees in Denmark. All employees with at least one year's seniority received 122 shares each, and during the year, shares were granted to employees when they had attained the required seniority. NORDEN granted a total of 44,774 shares with a market value of USD 1.4 million. The shares were taken from the Company's portfolio of treasury shares.

In March, the Board of Directors granted 350,000 share options to 65 managers and employees. It has always been the objective that employees will only profit once the shareholders have received a return. This objective was previously reached by adding an 8% annual interest margin from the grant date to the exercise date. However, in 2011, NORDEN adopted a non-recurring margin of 20% to simplify the share option scheme. The exercise price is now determined by adding 20% to the market price at the grant date and deducting paid out dividends in the period.

The theoretical market value of the options has been calculated at USD 3.4 million according to the Black-Scholes model. Senior Management is required to reinvest 25% of any gain on their options in NORDEN shares and to keep these shares for two years.

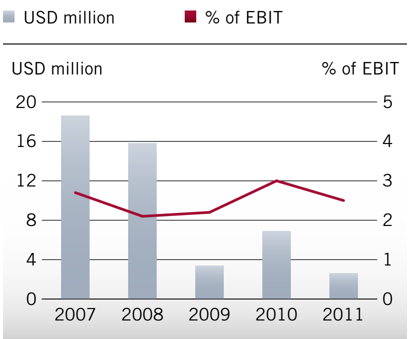
On land, fixed salaries were raised by approximately 2-3% at the head office and 8-10% at the overseas offices of which several are placed in countries with higher inflation and wage drift. At sea, wages and salaries for Danish officers rose by approximately 1%, whereas the rise in wages and salaries for Philippine and Indian officers was 6-7% due to large demand for these groups. The total payroll cost was also affected by new recruitments.

The bonus allotment at the end of the year very much reflected the wish for restraint in difficult markets. No collective bonus was allotted in contrast to 2010 when all onshore employees who met certain requirements and officers employed by the company received a collective bonus. The level of individual bonuses was also significantly lowered, and the number of people receiving bonuses was reduced. The allotment of individual bonuses amounted to USD 2.6 million in total against USD 6.9 million in 2010. The allotted bonuses equal 2.5% of NORDEN's EBIT. Maximum is 3% of EBIT according to the remuneration policy.

Option programmes

Year of grant	No. of people	No. of options	Exercise period	Board of Management's portion
2012	68	350,000	2015-2018	23%
2011	65	350,000	2014-2017	23%
2010	59	350,000	2013-2016	25%
2009	59	379,185	2012-2015	27%
2008	50	446,100	2010-2012	26%

Bonus allotted



The total bonus allotment includes stay-on bonuses of USD 0.5 million (USD 0.6 million) for 5 managers.

Managers' bonuses are determined by the Board of Directors upon recommendation from the Board of Management. Bonuses for other employees are awarded by the Board of Management in collaboration with the heads of department within the framework set by the Board of Directors.

Initiatives in 2012

In January 2012, NORDEN again granted employee shares. All employees with at least one year's seniority received 161 shares each. As the new government has abolished this scheme, this was unfortunately the last time that NORDEN can make use of this opportunity to make employees co-owners of the Company.

In March 2012, the Board of Directors will grant 350,000 share options to selected managers and employees. The theoretical market value has been calculated at USD 2.4 million according to the Black-Scholes model, provided that all options are granted and exercised after 3.25 years. The calculation presupposes a volatility of 54.8%, an annual dividend of DKK 4 per share, a risk-free interest rate of 0.7% and a USD/DKK exchange rate of 5.50.

To keep costs low in difficult markets, modest regulations of fixed salaries for employees on land have been made, typically in connection with promotions. At sea, wage development is expected to be slightly below the level for 2011. Possible bonus allotment will be determined at the end of the year.

Bonus and remuneration for the Board of Management is described on page 36.

CORPORATE GOVERNANCE

Principles

NORDEN's vision, mission and values are the cornerstone of the Company's management. The management focus is long-term, and the goal is for the Company to continuously develop for the benefit of its stakeholders and – also in volatile markets – to achieve reasonable and fairly predictable earnings within the risk framework set out by the Board of Directors (i.a. see note 2 to the financial statements).

As customary in Denmark, NORDEN has a two-tier management structure consisting of a Board of Directors and a Board of Management. There is no duality between the two bodies. The majority of the members of the Board of Directors are elected by the shareholders at the general meeting, the rest is elected by the employees. The general meeting is the supreme authority, and resolutions are adopted by simple majority of votes, unless otherwise provided by legislation or by NORDEN's articles of association.

The Board of Directors determines strategies, policies, goals and budgets. In addition, it sets out the risk management framework and supervises the work, procedures, etc. carried out by the daily management. The Board of Directors has the authority to distribute extraordinary dividends and a 1-year authority to authorise the Company's acquisition of treasury shares. The Board of Directors is, however, not authorised to increase NORDEN's share capital.

The Board of Directors appoints the Board of Management and sets out its responsibilities and conditions. The Board of Management is responsible for the daily management, organisation and development of NORDEN, for managing assets, liabilities and equity, accounting and reporting, and it also prepares and implements the strategies. The ongoing contact between the two boards is chiefly handled by the Chairman. In addition, the Board of Management and other executives participate in the board meetings.

The work of the Board of Directors

In 2011, the Board of Directors held 13 meetings – 8 physical meetings and 5 teleconferences. Attendance was 93% for the shareholder-elected board members, while the figure was 36% for the employee-elected board members. To this should be added, however, that the employee-elected board members are all officers, who might be at sea during meetings and therefore are not able to attend.

The Board of Directors sets out a work schedule (see below) to ensure that all relevant issues are discussed during the year and that important policies, rules of procedure, internal rules, etc. are discussed at least once a year. The strategy and budget process is initiated at a seminar in November, while final adoption takes place at a meeting in December. In natural continuation of the fact that NORDEN has strengthened its focus on cargo customers, the Board of Directors went to Svalbard from 21-23 August to visit the mining company Store Norske Spitsbergen Grubekompagni AS, with whom NORDEN has entered into a major COA, which i.a. has resulted in the formation of a Norwegian subsidiary.

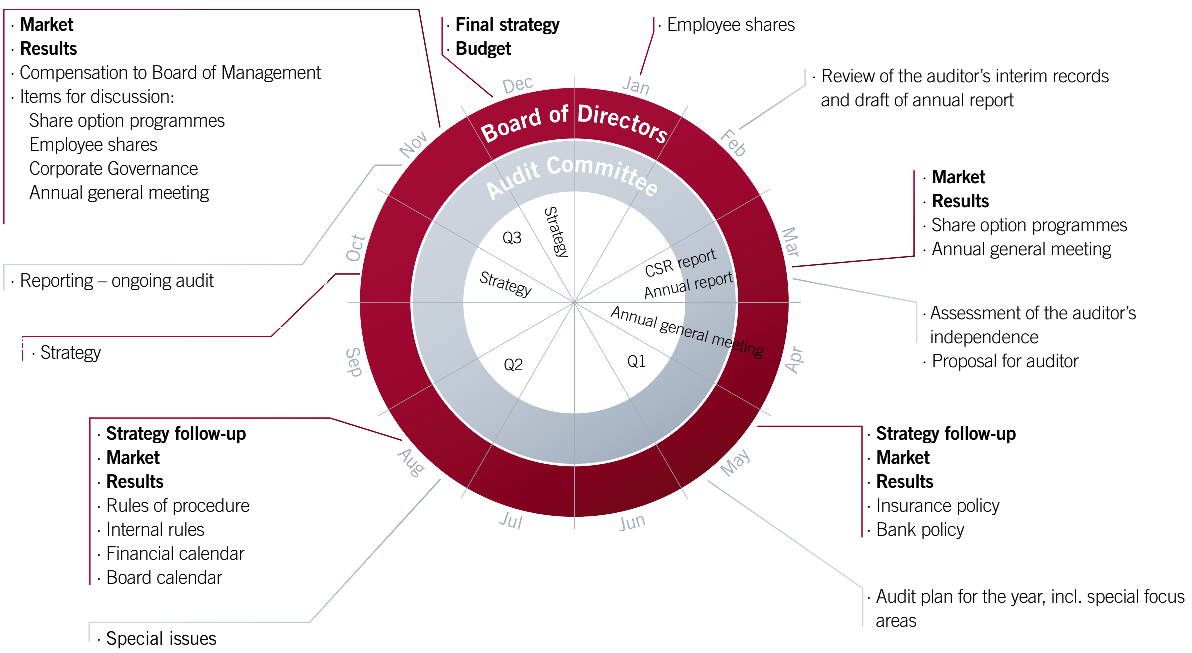
4 of the meetings in 2011 have also included the tasks which the Board of Directors undertakes as audit committee. These responsibilities include supervision of control and risk management systems, audits, financial reporting, etc. Its terms of reference are available on the website. The audit committee has placed special focus on discussing counterparty and credit risks as well as impairment test. An explanation of control and risk management in connection with the financial reporting can be seen at www.ds-norden.com/public/dokumenter/ControlfinancialreportingUK2011.pdf.

The remuneration committee under the Board of Directors held 3 meetings. The members of the committee are Mogens Hugo (Chairman), Karsten Knudsen and Arvid Grundekjøn, and their responsibility is to oversee the implementation of NORDEN's remuneration policy. Its terms of reference are available on the website.

Self-evaluation

In 2011, as in previous years, the Board of Directors evaluated its work, composition and interaction with the Board of Management, and this year, the evaluation was performed with assistance from an independent, international consultant. All members of the Board of Directors and the Executive Management as well as the secretary to the Board of Directors completed a written questionnaire of 67 ques-

Annual calendar of the Board of Directors and the audit committee



tions, and this was followed up by personal interviews. The consultant presented its report for the Board of Directors in December.

The report proved great satisfaction with the teamwork in the Board of Directors and the interaction between the 2 management bodies. In few areas, there is need for further clarification of the division of labour between the two boards, and additional formalisation of the Board of Directors' consideration about successor planning for the Board of Management will also take place.

The results will also be included in the discussions of the ongoing changes which the Board of Directors plans to take place in the Board of Directors in the coming years.

Composition of the Board of Directors

The Board of Directors currently has 8 members – 5 elected by the shareholders and 3 elected by the employees. At the annual general meeting in 2011, Erling Højsgaard and Karsten Knudsen were re-elected.

In order for the Board of Directors to be able to both perform its managerial and strategic tasks and act as a good sparring partner to the Board of Management, the following skills are deemed particularly relevant: insight into shipping (specifically within dry cargo and tankers), general management, strategic development, risk management, investment, finance/accounting as well as international experience. The current Board of Directors is considered to possess these skills. In the changes of the Board of Directors, special emphasis will be placed on shipping knowledge and international management experience.

Board remuneration

Each member receives a base fee, and the Chairman and Vice Chairman receives a supplement fee. It is recommended for approval by the annual general meeting that the total remuneration for 2011 remains unchanged at USD 1 million.

Corporate governance

The Board of Directors has revisited the discussion of the recommendations from the Danish Committee on Corporate Governance (www.corporategovernance.dk) and responds to all recommendations at www.ds-norden.com/public/dokumenter/StatutoryStatementforCorporateGovernanceinNORDENUKfor2011.pdf. NORDEN complies with the vast majority of the recommendations, but has chosen a different and more suitable practice in some areas.

- According to a new recommendation, companies should set measurable objectives for the diversity at management level. NORDEN will not introduce quotas in terms of gender, nationality, age or the like as the candidate deemed best qualified for the specific function will be chosen in each case. This in itself will create diversity.
- No members of the Board of Directors elected by the shareholders are former employees of the Company, have received remuneration from the Company (apart from directors' remuneration), have directly or indirectly done business with NORDEN or have been employed by the Company's auditor. Still according to the recommendations, 3 members (Mogens Hugo, Alison J. F. Riegels and Erling Højsgaard) cannot be considered independent as they have been members of the board for more than 12 years, and 2 of them are associated with a major shareholder. NORDEN believes that it is a valuable asset to have a nucleus of members who are highly experienced in managing a growing and complex business in a special industry like shipping. To this should be added that the Board of Directors is continuously renewed, and this process will continue as mentioned.
- According to the recommendations, all board members elected by the shareholders should stand for re-election every year, but at NORDEN, the 2 board members elected by the shareholders with the longest term retire every year. This model ensures continuity.
- The entire Board of Directors makes up the audit committee because matters such as financial conditions, risks, accounting policies, audit and accounting estimates are of such importance that they must be discussed by the entire Board. In addition, the Board is of a size which warrants discussions of these matters to be efficient. Since the audit committee is made up by the entire Board of Directors, the Chairman of the Board is also Chairman of the audit committee, although this is not in compliance with the recommendations.
- Currently, NORDEN does not have a nomination committee even though this is in the recommendations. The Chairman of the Board ensures that ongoing discussions are held and decisions are made by the entire Board.
- According to the recommendations, performance criteria should be established for the variable remuneration to the Board of Management. NORDEN has fixed criteria for the CEO, but not for the CFO due to the special function held by this position.
- Severance payments to the Board of Management constitute 1 year's salary, but in case of a merger/takeover, etc., an additional severance payment of 2 years' salary is provided. The recommendations prescribe a maximum of 2 years' salary.
- NORDEN discloses the total amount of remuneration for the Board of Management and the Board of Directors, not the remuneration of each member. The important thing is for the shareholders to be able to consider the total amount of remuneration and its reasonableness.

Initiatives in 2012

The Board of Directors has planned 11 meetings, 4 of which are teleconferences in connection with the annual and interim reports. To this can be added 4 planned chairmanship meetings as well as meetings in the remuneration committee. As previously, the Board of Directors will discuss strategy and budget at 2 meetings at the end of the year.

At the annual general meeting, election of a new board member with the right competence profile, background and age will be proposed. At the same time, it will be proposed that Mogens Hugo and Arvid Grundekjøn be re-elected to the Board of Directors.

The employees will elect 3 members to the Board of Directors for a 3-year term (previously 4 years). The election is expected to take place at the end of March.

The Board of Directors' immediate opinion is for the base fee to remain unchanged also in 2012, however, the total remuneration will increase as a new member is expected to be added to the Board of Directors. At the end of the year, the Board of Directors will assess the remuneration in light of workload, requirements, market level, etc. and present its final position at the annual general meeting in 2013.

BOARD OF DIRECTORS

1 **Mogens Hugo**,
Managing Director, born in 1943, 68 years. Board member and Chairman since 1995. Most recently re-elected in 2010. Term expires in 2012*. Other directorships: Nordea-Fonden (CB), Nordea Bankfonden (CB), Capidea Management ApS (CB), Aagaard-Bræmer Holding A/S (CB), Dan Technologies A/S (CB), GN Store Nord Fondet (CB), Amminex A/S (BM), Twins ApS (BM), Ejendomsselskabet BROGADE 19 (MD) and HUGO INVEST 2 ApS (MD). Relevant skills: experience in operational and strategic management of several listed international groups, strategic development, finance, risk management and shipping knowledge.

2 **Alison J. F. Riegels**,
Managing Director, born in 1947, 64 years. Board member and Vice Chairman since 1985. Most recently re-elected in 2010. Term expires in 2012*. Other directorships: A/S Motortramp (MD, BM), Stensbygaard Holding A/S (MD, BM), Aktieselskabet af 18. maj 1956 (BM), Ejendomsselskabet Amaliegade 49 A/S (BM) and A/S Dampskibsselskabet Orients Fond (BM). Relevant skills: general management and considerable shipping knowledge from her long-standing engagement in NORDEN and other companies.

3 **Erling Højsgaard**,
Managing Director, born in 1945, 66 years. Board member since 1989. Most recently re-elected in 2011. Term expires in 2013. Other directorships: Continental Shipping ApS (CB), Navision Shipping Company A/S (CB), Navision Chartering Co. A/S (CB), Dubai Commercial Investment A/S (CB), A/S Motortramp (VCB), K/S Danskib 46 (BM), A/S Dampskibsselskabet Orients Fond (BM), Marinvest ApS (MD), Højsgaards Rederi ApS (MD) and Højsgaards Rederi II ApS (MD). Relevant skills: general management and long-standing experience in shipping, especially dry cargo, from management of own companies and his position as member of NORDEN's Board of Directors.

4 **Karsten Knudsen**,
Group Managing Director, born in 1953, 58 years.
Board member since 2008. Most recently re-elected in 2011. Term expires in 2013. Other directorships: Nykredit Bank A/S (CB), Ejendomsselskabet Kalvebod A/S (CB), Nykredit Realkredit A/S (MD) and Nykredit Holding A/S (MD). Relevant skills: general management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks.

5 **Arvid Grundekjøn**,
Mayor, Managing Director, born in 1955, 56 years.
Board member since 2009. Term expires in 2012*. Other directorships: Norwegian Property ASA (CB), Creati Estate AS (CB), Sigma Fondene AS (CB), Cardid AS (MD, CB), Agrundco AS (MD, CB) and Citi Bank (Nordic Advisory BM). Relevant skills: general management, strategic and operational management of international shipping groups, strategy, financial and legal issues.

6 **Benn Pyrmont Johansen**,
Captain, born in 1974, 37 years.
Board member since 2008. Term expires in 2012. Elected by the employees.

7 **Bent Torry Kjæreby Sørensen**,
Chief Engineer, born in 1953, 58 years.
Board member since 2008. Term expires in 2012. Elected by the employees.

8 **Lars Enkegaard Biilmann**,
Captain, born in 1964, 47 years.
Board member since 2008. Term expires in 2012. Elected by the employees.

CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director. Age, directorships and shareholdings are stated at 31 December 2011. The directorships do not include positions within the NORDEN Group.

* If the term expires for more than 2 board members at the same time, lots are drawn to determine who will first be up for re-election the following year.

Shareholdings of the Board of Directors

At 31.12.2011	
Mogens Hugo	11,000
Alison J. F. Riegels	3,100
Erling Højsgaard	45,770
Karsten Knudsen	800
Arvid Grundekjøn	5,000
Benn Pyrmont Johansen	442
Bent Torry Kjæreby Sørensen	562
Lars Enkegaard Biilmann	562
Total	**67,236**

The only change in the shareholdings in 2011 is that the 3 employee-elected members have been granted 122 employee shares each. In addition to the shares held personally by Alison J. F. Riegels and Erling Højsgaard or through their related parties, both are associated with A/S Motortramp, which holds 11,851,240 shares in NORDEN.

MANAGEMENT GROUP

The Board of Management is unchanged and consists of Carsten Mortensen, President and CEO, and Michael Tønnes Jørgensen, Executive Vice President and CFO. Together with Peter Norborg, head of the Dry Cargo Department, who was appointed Executive Vice President on 1 January 2011, they form the Executive Management.

Together with 6 Senior Vice Presidents, the Executive Management forms the Senior Management. Next management level is the Group Management, which also includes the Company's 10 Vice Presidents.

Remuneration and terms

The Board of Management's remuneration consists of a combination of fixed salary, variable bonuses and share-based payment (options and employee shares). The members of the Board of Management have the usual benefits such as company cars, but no pension plan paid by the Company. If the members of the Board of Management wish to participate in NORDEN's insurance and pension scheme, their pension contribution will be deducted from their gross salary.

Remuneration (including bonuses, options and employee shares) of the Board of Management totalled USD 3 million in 2011 against USD 4 million in 2010. The decrease is due to the fact that the Board of Management was not granted a bonus. The fixed salary increased to a total of USD 2.0 million against USD 1.7 million in 2010.

Carsten Mortensen had a bonus agreement for 2011, under which a bonus would be payable corresponding to 1% of the share of NORDEN's operating profit (EBIT) which was beyond 6% of the Company's market capitalisation (excluding treasury shares) at the beginning of the year, limited, however, to DKK 12.5 million. According to the agreement, 50% of the earned bonus would be payable when an audited annual report was available, and 25% in each of the two following years subject to Carsten Mortensen's continued employment with the Company. The agreement did not trigger a bonus for Carsten Mortensen for 2011. In 2010, Carsten Mortensen had a similar agreement, which triggered a bonus of USD 1 million. In addition, the Board of Directors awarded Carsten Mortensen an extraordinary bonus of USD 0.5 million in 2010 for his performance during the financial crisis.

For 2011, Michael Tønnes Jørgensen was not awarded a bonus as the difficult market conditions called for wage restraint, whereas he received a bonus payment in 2010 of USD 0.2 million.

Share-based remuneration to the Board of Management for 2011 was primarily composed of options with a value of USD 0.7 million (USD 0.6 million in 2010). At the grant date, the theoretical value of the options corresponded to 23% of the fixed salary of the Board of Management where the limit according to NORDEN's remuneration policy is 150%. The value of granted employee shares in 2011 was DKK 45,562 for both members of the Board of Management.

Termination and retention

The terms of termination and retention for the Board of Management and the Senior Management remain unchanged. The Board of Management's term of notice vis-à-vis the Company is 6 months, while NORDEN's term of notice vis-à-vis the members of the Board of Management is 12 months. If the members of the Board of Management step down following a change of control (merger, takeover, etc.), they will receive a special severance payment in addition to their normal salary in the notice period. This severance payment equals 24 months' salary.

4 other members of the Senior Management have similar terms under which special severance payment corresponding to 12 months' salary is paid following a change of control in addition to their normal salary in the notice period. NORDEN's terms of notice with respect to the Senior Management (excluding the Board of Management) are 6-12 months, while the executives' terms of notice vis-à-vis the Company are 4-6 months.

Options granted in 2012

CEO Carsten Mortensen	57,376
CFO Michael Tønnes Jørgensen	24,328
EVP Peter Norborg	23,410
Senior Management, other	68,346
Other executive and employees	176,540

Any bonuses to selected executives are typically payable in instalments subject to continued employment with and future earnings of the Company. Actual retention agreements have been made with Michael Tønnes Jørgensen and 4 other executives, who will each receive a stay-on bonus of USD 0.1 million if they are still employed by NORDEN in 2014.

In addition, the Board of Management, some members of the Senior Management and selected Vice Presidents are subject to non-competition clauses of 12 months. The Company will pay 50-100% of the salaries of the persons in question during the period in which the clauses apply.

All terms for the Board of Management and executives serve to motivate and retain NORDEN's management group. No changes have been made in the Senior Management or Group Management in 2011.

Initiatives in 2012

In March 2012, NORDEN has granted the Board of Management share options with a theoretical value of USD 0.4 million to Carsten Mortensen and USD 0.2 million to Michael Tønnes Jørgensen.

For 2012, Carsten Mortensen has received a bonus agreement according to the same principles as in 2011. EBIT is, however, measured compared to 4% of the Company's market capitalisation against 6% in 2011. Any bonus for Michael Tønnes Jørgensen will be determined at the discretion of the Board of Directors at the end of the year.

Senior Management's shareholdings

	Shares		Share options				
	At 31.12.2011	Change in 2011	At 31.12.2011	Granted in 2011	Granted in 2010	Granted in 2009	Granted in 2008
Carsten Mortensen	43,202	+12,712	249,241	53,582	57,213	66,006	72,440
Michael Tønnes Jørgensen	542	+446	94,048	26,214	31,831	36,003	-
Peter Norborg	562	+122	95,837	24,730	23,405	26,402	21,300
Lars Bagge Christensen	2,682	+122	88,001	17,167	19,972	23,042	27,820
Lars Lundegaard	562	+122	55,807	11,169	12,857	14,401	17,380
Kristian Wærness	4,062	+1,362	50,872	10,600	11,671	12,961	15,640
Vibeke Schneidermann	562	+122	34,997	8,790	9,986	10,561	5,660
Martin Badsted	1,562	+122	49,244	10,764	11,859	12,721	13,900
Peter Borup	0	-442	67,002	13,453	16,227	18,722	18,600
Total	**52,736**	**+14,688**	**785,049**	**176,469**	**195,021**	**220,819**	**192,740**

The Senior Management is subject to a duty of notification, and pursuant to section 29 of the Danish Securities Act, NORDEN shall report transactions in the Company's shares conducted by the members of the Senior Management and their closely related parties.

Senior Management

1 **Carsten Mortensen**, President and CEO, born in 1966. Employed in NORDEN since 1997. Trained in shipping, holds a graduate diploma in International Business and has completed executive training programmes at INSEAD and Wharton Business School. Directorships: the Danish Shipowners' Association (CB), the International Chamber of Shipping (BM), A/S Dampskibsselskabet Orients Fond (BM) and CAMO Shipping ApS (MD).

2 **Michael Tønnes Jørgensen**, Executive Vice President and CFO, born in 1966. Employed in NORDEN since 2009. Trained in shipping, holds a graduate diploma in Financial and Management Accounting and an M.Sc. in accounting. Has completed executive training programmes at INSEAD and IMD and holds an Executive MBA from IMD.

3 **Peter Norborg**, Executive Vice President and head of the Dry Cargo Department, born in 1966. Employed in NORDEN since 1998. Trained in shipping and holds an Executive MBA from IMD. Directorships: NOR Invest ApS (MD).

4 **Lars Bagge Christensen**, Senior Vice President and head of the Tanker Department, born in 1963. Employed in NORDEN since 1993. Trained in shipping and has completed executive training programmes at INSEAD and Wharton Business School. Directorships: the Business Committee of the Danish Shipowners' Association (CB), North of England P&I Club (VCB) and INTERTANKO Council (BM).

5 **Lars Lundegaard**, Senior Vice President and head of the Technical Department, born in 1957. Employed in NORDEN since 2002. Holds a master's certificate and an MBA from Henley. Directorships: the technical committee of INTERTANKO (VCB), SeaMall ApS (BM) and the Negotiation Committee of the Danish Shipowners' Association.

6 **Kristian Wærness**, Senior Vice President and head of the Finance and Accounting Department, born in 1968. Employed in NORDEN since 2002. Holds an M.Sc. in accounting.

7 **Vibeke Schneidermann**, Senior Vice President and head of Human Resources, born in 1962. Employed in NORDEN since 2005. Holds a graduate diploma in Organisation and Management. Directorships: the shipping committee of the Danish Shipowners' Association, the Relief Foundation of the Danish Shipowners' Association and the Foundation for the Benefit of Mariners and the Maritime Industry.

8 **Martin Badsted**, Senior Vice President and head of the Corporate Secretariat and IR, born in 1973. Employed in NORDEN since 2005. Holds an M.Sc. in international business.

9 **Peter Borup**, Senior Vice President and head of the Dry Cargo Department in Asia, born in 1968. Employed in NORDEN since 2002. Trained in shipping, holds an MBA from IMD and has completed an executive training programme at Wharton Business School. Directorships: member of the Advisory Panel of the Singapore Maritime Foundation and adjunct professor at Shanghai Maritime University.

CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director. Directorships, etc. are stated at 31 December 2011 and do not include positions within the NORDEN Group.

Vice Presidents

Michael Boetius, head of NORDEN's Post-Panamax Pool and the Capesize chartering section.
Hans Bøving, head of Corporate Communications & CSR.
Jens Christensen, deputy manager of the Technical Department.
Christian Danmark, finance manager.
Mikkel Fruergaard, head of the Panamax chartering section.
Christian Ingerslev, head of NORDEN's Handysize Pool.
Thomas Jarde, head of the Handymax chartering section.
Morten Ligaard, head of the Legal Department.
Henrik Lykkegaard Madsen, head of the Projects Department.
Dorte Nielsen, head of the Dry Cargo operations section.

Senior employees in Norient Product Pool

Søren Huscher, CEO.
Jens Christophersen, Vice President.

SHAREHOLDER ISSUES

Master data

Share capital	DKK 43 million
Number of shares	43,000,000 of DKK 1
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen A/S
Ticker symbol	DNORD
ISIN code	DK00600083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

Return to the shareholders

A chief target of the strategy plan *Long-term Growth in Challenging Times* is for NORDEN to ensure a shareholder return better than that of comparable shipping companies covering the whole period 2011-13. The return is to be generated through dividends, buy-backs of treasury shares and share price increases. In the first year of the period, NORDEN's Total Shareholder Return amounted to negative 31.9% (share price and dividend), which is not satisfactory. It is, however, substantially better than the average return of negative 59.0% generated by NORDEN's peer universe of 11 comparable dry cargo and product tanker companies.

In January-March, NORDEN distributed DKK 170 million to the shareholders through buy-back of treasury shares according to the Safe Harbour method. The Company acquired 906,800 treasury shares with a view to reducing the share capital by cancellation of these and other treasury shares. At the general meeting in April, it was accordingly adopted to cancel 1.6 million shares and reduce the share capital to DKK 43 million. The capital reduction was completed in June.

In addition, the general meeting adopted a dividend of DKK 8 per share and consequently distributed DKK 337 million to the shareholders (excluding treasury shares). The Board of Directors regularly assesses how cash flows are best distributed between the Company and the shareholders. This assessment is based on actual and expected earnings, cash, market outlook, risks, investment prospects and the Company's liabilities on and off the balance sheet. In light of this, the Board of Directors proposed the mentioned dividend which meant that approximately a fourth of the net profit for 2010 was distributed to the shareholders.

On the other hand, the share price did not contribute to the shareholder return for the year. The share price opened the year at DKK 203.5 and closed at DKK 134.5 at the end of the year. In spite of the drop in the share price of 34%, NORDEN was more solid than comparable shares. The dry cargo shares in the Bloomberg DRYSHIP Index thus dropped 40%, and the tanker shares in the Bloomberg TANKER Index dropped 53% due to poor market conditions in most shipping segments and the global economic crisis.

Trading volume

The share's trading volume declined by 53% relative to 2010 to an average of DKK 22.3 million per day. The decline is due partly to less trading in the share and partly to the dropping share price. 129,733 shares were traded on a daily basis, and the trading was greatest in the first quarter.

From June to December, NORDEN was included in the OMXC20 Index of the 20 most traded and liquid shares on NASDAQ OMX Copenhagen A/S. At the semi-annual revision in December, NORDEN was not reelected for the index, but the Company is still included in the Nordic Large Cap Index covering the largest shares on the Nordic stock exchanges.

Investor Relations

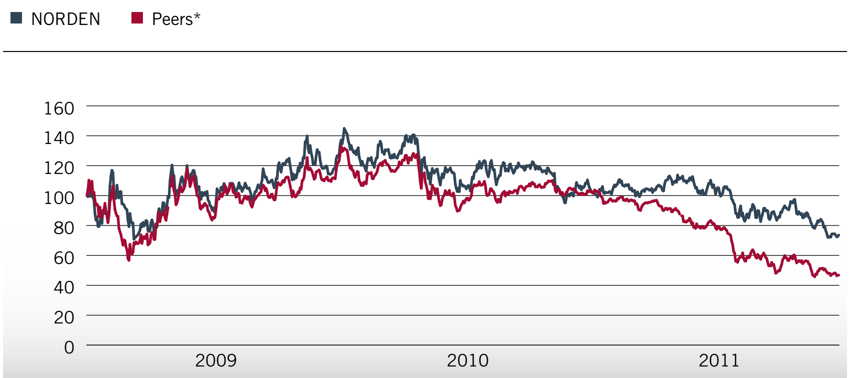
It is NORDEN's goal that the share price reflects the Company's actual and expected ability to create value for its shareholders. For this reason, NORDEN seeks to consistently provide timely, precise and relevant information on strategy, operations, results, expectations, markets and other matters affecting the assessment of the share.

In October, NORDEN was presented with the C20 Annual Report Award 2011 for being the company which best describes its value creation, long-term goals as well as operating and financial risks. The award is instituted by PwC, but is awarded by a committee of independent experts and readers of financial statements.

In January 2012, NORDEN was awarded the Information Prize from the Danish Society of Financial Analysts for the second time. The financial analysts call the Company "a Pioneer" and notes i.a. that "in spite of exceedingly volatile market conditions, NORDEN has improved its information level on an ongoing basis and even publishes focus for future improvements in its annual report."

NORDEN strives to maintain an open dialogue with its stakeholders within the framework of the stock exchange rules of ethics. In the course of the year, NORDEN held more than 100 individual meetings with

Total Shareholder Return 3 years (1/1/2009 = 100)

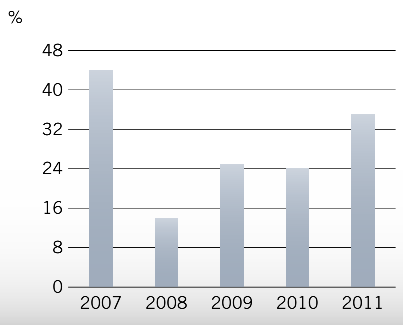


* Average of 11 comparable dry cargo and product tanker companies

Financial calendar for 2012

7 March	Annual report 2011
11 April	Annual general meeting
13/16 April	Payment of dividends
15 May	Interim report for the first quarter of 2012
15 August	Interim report for the first half of 2012
14 November	Interim report for the third quarter of 2012

Payout ratio excl. treasury shares



analysts and investors. In addition to this are presentations and conferences as well as teleconferences each quarter. Coverage of the share has been somewhat increased, and at the turn of the year, NORDEN was monitored by analysts from 13 banks. The coverage remains largest in Denmark and Norway, where two-thirds of NORDEN's shareholders are located.

The efforts towards private shareholders have been intensified, i.a. by participation in more meetings and by further targeting NORDEN's magazine and quarterly films at this group. All material, announcements, press releases, reports, teleconferences, presentations, etc. can be found on the website, and those interested can also sign up for a newsletter at www.ds-norden.com/investor. In 2011, the website was developed and changed in order to make it easier for shareholders to obtain information.

In 2011, the Company issued 35 company announcements, 7 of which concerned insiders' transactions in the Company's share. The number of announcements was higher than usual due to the weekly reporting on share buy-backs in January-March.

Capital and shareholders

As mentioned above, the share capital was reduced in June from DKK 44.6 million to DKK 43 million by cancellation of 1,600,000 shares. All shares remain listed, and no changes have been made to their rights or transferability.

The number of registered shareholders decreased by approximately 3% during the year to a total of 17,492 registered shareholders at year-end, in aggregate owning 89.2% of the share capital (87% in 2010). 2 shareholders have announced that they own 5% or more of the Company's shares. They are A/S Motortramp and POLYSHIPPING AS. During the year, the 2 shareholders have not acquired new shares, but their total shareholding in NORDEN increased from 37.7% to 38.9% when NORDEN reduced the share capital. The 2 shareholders have entered into a shareholder agreement, which was most recently updated in 2010 (see Company announcement no. 10/2010).

The third largest shareholder is NORDEN with 1,786,078 treasury shares used mainly to cover share option programmes. The holding of treasury shares decreased from 5.7% to 4.2% at the cancellation of treasury shares.

Other large shareholders are mainly investors from Denmark, Norway, the USA and Great Britain. During the year, the international ownership interest has increased from 30% to 35%, and at year-end, the Company had 704 registered shareholders outside Denmark.

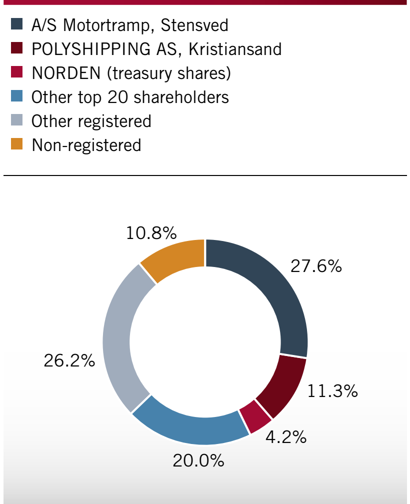
Other than what is stated in note 5 to the financial statements, NORDEN has not entered into any significant agreements with contract partners, management or other employees which become effective, are altered or expire if the control of the Company is changed as a result of a completed takeover bid.

Initiatives in 2012

The Board of Directors recommends for approval by the annual general meeting that NORDEN for 2011 pays a dividend of DKK 4 per share, or an expected distribution of DKK 165 million (excluding treasury shares). The dividend will provide the shareholders with a reasonable dividend yield, at the same time as NORDEN maintains its financial strength which is especially needed this year with a challenging market outlook. The dividend corresponds to a dividend yield of 3% based on the share price at the end of 2011.

NORDEN will strengthen its information channels and activities where appropriate, i.a. by introducing a new website for smart phones. The Company will improve its meeting efforts with regard to private shareholders, and with regard to analysts and institutional investors, a capital market day is i.a. being planned.

Composition of shareholders



The shareholders (here at the annual general meeting) received DKK 337 million in dividends and DKK 170 million from the buy-back of shares.

CORPORATE SOCIAL RESPONSIBILITY

• Climate impact of owned vessels reduced by 9-14% since 2007 • Increased efforts against pirate attacks • Whistleblowing and other initiatives to increase transparency

NORDEN's CSR report with a detailed description of policies and efforts is available at www.ds-norden.com/profile/csr/csrreports/.

Corporate social responsibility

In 2011, NORDEN also focused its CSR efforts on areas directly linked to the business and where NORDEN has either challenges or opportunities. Common to these business-driven CSR efforts is that they should strengthen the Company while at the same time being beneficial to the society and to the Company's stakeholders.

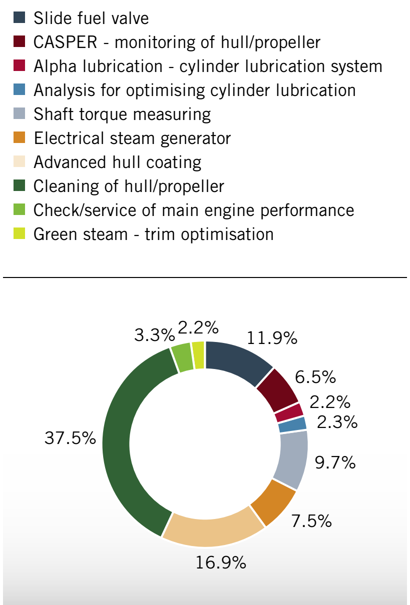
CLIMATE AND ENVIRONMENT

NORDEN has stepped up the climate and environmental efforts. The Company wishes to reduce the impact on climate and environment, and high fuel prices and low freight rates further motivate efforts.

NORDEN supports the Danish Shipowners' Association's target for the shipping industry to reduce CO_2 emissions from owned vessels by 25% from 2007 to 2020. With the IMO's Energy Efficiency Operational Indicator (EEOI) as benchmark, NORDEN has reduced emissions from owned and chartered dry cargo vessels by 3% since 2007 – and by 14% from owned vessels alone. The difference between owned and chartered dry cargo vessels is partly due to NORDEN's climate action plan on owned vessels and the fact that the Company's owned vessels also have better opportunities to right steam. Emissions from the tanker fleet have been reduced by 14% in total and 9% from owned vessels since 2007. The difference is particularly due to the fact that NORDEN did not utilise the full cargo load on 5 out of 7 voyages by MR tankers in the fourth quarter of 2011.

EEOI is emission per transported tonne of cargo per nautical mile sailed for vessels operated by NORDEN (excluding vessels chartered out to third party), and thus, EEOI is not influenced by changes in fleet size or cargo volumes. The figures show that NORDEN is making headway with the existing fleet, but the fulfilment of the 2020 target will only be secured by new and far more fuel efficient vessels which are not yet at sea.

Effects of NORDEN's climate action plan



The effect depends on how many vessels the measure has been implemented on.

NORDEN's climate action plan

The climate action plan was launched in 2007 to reduce fuel consumption and thus emission of greenhouse gases. The plan is evaluated on an annual basis, and focus is currently on 10 initiatives of which propeller cleaning contributes the most (see the figure). In total, the climate action plan is estimated to have reduced emissions from owned vessels by 5.4% at the end of 2011. The effect has been calculated based on guidelines from IMO and Intertanko. In absolute figures, emissions from owned vessels grew by 42% in 2011, while the owned fleet grew by 57%.

Fuel efficiency

In the project ECO Vessel of the Future, NORDEN collects knowledge about fuel efficient technologies, systems, equipment and designs. The ambition is to design a commercially viable vessel with a reduction in fuel consumption of at least 25% at competitive prices.

Knowledge from this project was applied in connection with the contracting of 4 MR product tankers from the Korean yard STX for delivery in 2013. In addition to changes to engine and propeller, systems and equipment will be fitted on board the vessels, which are expected to reduce fuel consumption by 15-18% compared to standard designs. This is expected to result in daily savings of approximately USD 3,000 (at fuel prices at 30 December 2011).

NORDEN has also optimised the main engine and propeller of 2 Handysize vessels where sea trials indicate fuel savings of 12-13% in addition to the 5% produced by the standard initiatives in the climate action plan on board newbuildings. Fuel efficiency is also in focus when making new long-term charters, and this has also been the case in connection with the agreements concerning 4 new Panamax vessels entered into by NORDEN at the beginning of the year.

Right steaming

In light of the low freight rates, focus in daily operations has been on the reduction of fuel consumption through effective routing and close follow-up on vessel speed and consumption. In Norient Product Pool, the system MOEPS has helped to reduce the vessels' fuel consumption, and the Dry Cargo Department has also employed a version of MOEPS to monitor speed and consumption.

Sulphur reduction

Another focus area is to reduce sulphur content in bunkers on board vessels operated by NORDEN and Norient Product Pool. In 2011, the content was reduced from 2.09% to 2.06% (simple average), but due to increased traffic activity in areas where bunkers with low sulphur content is difficult to obtain, NORDEN did not reach the target of 2.0%. In 2012, the target is 1.95%.

As from January 2012, the IMO has reduced the global limit values for sulphur content from 4.5% to 3.5%. This does not affect NORDEN. In August 2012, the USA and Canada will be classified as Emission

Control Areas with sulphur limits of 1.0%, and this may cause fuel prices to increase in the short term until low sulphur fuel becomes more available in North American ports. In 2015, North America and other Emission Control Areas will further reduce the limit to 0.1%, and the effect of this will depend on availability and price of the distillates.

Ballast water

NORDEN is closely watching the work on the UN's convention on ballast water, which can potentially impose additional costs on all shipping companies. The effect depends i.a. on when the convention is ratified and becomes effective and on the technological development in the area such as price development in connection with mass production of systems.

Onshore initiatives

Even though the environmental footprint on shore is minor, initiatives have also been made in 2011 to reduce energy consumption and introduce recyclable materials. NORDEN has entered into a partnership with the Danish energy group DONG Energy which i.a. includes an energy inspection of the Company's head office in 2012.

MARITIME SAFETY

In the fleet, high standards for safety and quality as well as regular optimisation of systems and processes will reduce and ideally eliminate the risk of incidents which may impact crew or environment. This includes e.g. personal injuries, grounding, shipwreck and spill. In addition, high quality is an important parameter for NORDEN, especially within Tankers, as oil majors are constantly tightening their requirements on the shipping companies' technical conditions, safety, quality, maintenance, systems and employee qualifications.

In 2011, one of the Company's vessels was involved in an incident which had a minor impact on the external environment. During bunkering of the product tanker NORD GOODWILL in an American port, 4-8 litres of bunker ran into the ocean. The bunkering company cleaned up the spill to the satisfaction of the port authorities. Apart from this one incident, developments were satisfactory as the number of incidents without environmental impact decreased by 34%.

Vetting inspections

Also in 2011, NORDEN allocated a lot of resources in connection with the vettings conducted on the Company's vessels by oil companies. NORDEN's efforts are to ensure high, documented quality on board the vessels and a limited number of remarks per inspection. The target for the year was to have the oil companies approve all vessels, and this target was reached. On the other hand, the target to bring down the average number of remarks per inspection to 4 was not reached as the score amounted to 4.76. The fleet growth was partly to blame for this, as the growth also meant that a larger number of newly employed seamen are to be acquainted with NORDEN's systems. However, NORDEN is still well below the industry average of 5.96 remarks per inspection (source: Tanker Safety Forum 2011).

Port State Control (PSC)

In 2011, the Company's vessels were inspected 71 times by the port authorities at Port State Controls. One time, the inspection resulted in the short detention of a vessel. The vessel detained was NORD DORADO where the first inspection after delivery from the yard proved a failure of the emergency generator. The generator was repaired, and the vessel was released after 2 days. Following this incident, NORDEN has implemented weekly and monthly testings of the fleet's emergency generators. The number of deficiencies per inspection per vessel was 0.9.

Prevention

A core element in the prevention of accidents and injuries is reporting on near-misses – incidents which could have turned into accidents. The incidents are evaluated on an ongoing basis on each vessel, and reports of a more fundamental nature are made available to the entire fleet. In addition, the Q&A section of the Technical Department analyses the reports in order to determine in which areas to focus actions to prevent accidents and injuries. The target is to receive as many near-miss reports as possible, as this is a great indicator of the employees' interest in prevention. Following a large safety campaign, the Company succeeded in getting 1.6 reports per vessel per week. This was well above the target of 1 report per vessel per week.

Vetting – Remarks per vessel

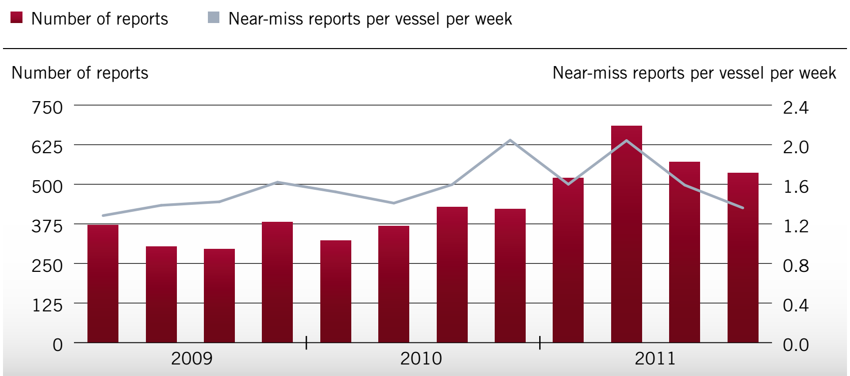
Occupational injuries

The Lost Time Injury Frequency Rate (LTI frequency) increased slightly from 0.9 to 1.2, which is still below the industry average of 1.65 (source: Tanker Safety Forum 2011). The LTI frequency rate is work-related incidents per 1 million working hours causing absence from work for more than 24 hours due to illness. Nor in 2011, were there any serious occupational injuries on board NORDEN's vessels, and TRCF (Total Recordable Case Frequency) on incidents which have required medical treatment was more than halved to 2.23 incidents per 1 million working hours. On shore, there were no work-related incidents.

PIRACY

Piracy remains a major problem for the shipping industry and international trade. Though the number of hijacks nearly halved in 2011 in the Gulf of Aden, the Red Sea, the Arabian Sea and the Indian Ocean according to the International Maritime Bureau, the number of attacks by Somali pirates remains at an unchanged high level. And at the same time, the piracy problem is

Near-miss reporting



growing in the Gulf of Guinea by Nigeria, Benin and Togo in West Africa.

The lower number of hijacks by Somali pirates off the Horn of Africa is probably due to the international navy patrolling the area and the decision of many shipping companies to employ armed guards on board. In 2011, NORDEN also began employing armed guards on board when transiting risk zones. A risk assessment is made for each individual voyage.

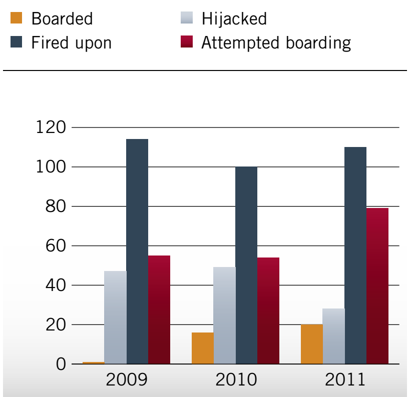
Intensified efforts

In other areas, NORDEN has also intensified efforts to protect crew, cargoes and vessels. New safety measures have been implemented, and the practices on board all vessels transiting the Gulf of Aden and the Indian Ocean have been raised to the Best Management Practice 4 (BMP4) standard. In some areas, NORDEN surpasses the standard. In addition, NORDEN has implemented BMP4 on board vessels transiting the Gulf of Guinea. In general, threatened areas are monitored, and risk zones are transited after a case-by-case analysis.

Increasing expenses

In 2011, the expenses of piracy combating on board NORDEN's owned vessels in the Gulf of Aden and the Indian Ocean are estimated to amount to approximately USD 7 million. The amount covers installations on vessels, risk premiums for the crew members, external risk evaluations, guards as well as extra fuel consumption either when sailing at full speed through risk areas or when rerouting. The amount does not cover insurance premiums, derived costs in the Technical Department on shore or costs on chartered vessels.

Actual and attempted attacks by Somali pirates



Data is based on ICC International Maritime Bureau's report from 2011 on "Piracy and armed robbery against ships". Data covers the following areas: Somalia, the Gulf of Aden, the Red Sea, the Arabian Ocean and the Indian Ocean.

Boarded = boarded, but not hijacked

However, the expenses for NORDEN are smaller as it is normal practice in connection with new contracts and new voyages that the charterer (customer) covers the expenses attributable to the individual voyage including guards and extra insurance. Previously, customers paid a premium to shipping companies transiting risk zones. After it has become generally accepted to have armed guards on board, this premium has shrunk considerably.

In 2011, none of NORDEN's vessels were exposed to actual attacks, but in two cases vessels were followed by presumed pirates who, however, gave up. In contrast to what is applicable for Singaporean flagged vessels, the authorities' permission to have guards on board the Company's Danish flagged vessels has been rather complicated to obtain in 2011, but the Danish government will smoothen the process in 2012.

SANCTIONS

In 2011, Denmark, the EU and in some cases the UN as well have passed or extended sanctions against regimes in selected countries. This has had a certain impact on NORDEN's business. Examples include the Ivory Coast where NORDEN was briefly unable to perform on a large cargo contract due to EU sanctions, which shut down the ports. However, when sanctions were lifted in April, NORDEN could resume the transports under the contract. In Libya during the sanctions against Gadaffi's regime, NORDEN had a number of voyages to ports controlled by the Transitional Council. The voyages were made according to UN resolutions and under NATO supervision.

NORDEN regards itself as a guest in the approximately 100 countries where the Company operates. NORDEN does not engage in foreign policy but acts according to Danish, EU and UN legislation. From time to time, there is also open communication with investors and NGOs about areas which for some other reason are in the public eye.

COMMUNITY ACTIVITIES

NORDEN has continued to sponsor Shanghai Maritime University (China), Holy Cross of Davao College (the Philippines) and Nanyang Technological University (Singapore). The sponsorships are to promote both knowledge sharing and familiarity with NORDEN in order to e.g. simplify the process of recruiting trainees and cadets from these institutions.

In addition, NORDEN decided to aid in the rebuilding after the tsunami in Japan based on the special ties to Japan.

TRANSPARENCY

NORDEN wishes to be as transparent as possible without negatively affecting customer relationships, safety or trade secrets. Examples of the ongoing work with transparency include the financial reporting, the reporting to UN Global Compact and the reporting on green house gases to the Carbon Disclosure Project, where NORDEN once again in 2011 was the best transportation enterprise in the Nordic countries and was again included in Carbon Disclosure Leadership. In addition, NORDEN has taken other initiatives in 2011 to increase transparency.

Whistleblowing

The whistleblower scheme SafeLine was launched in September and provides all employees access to report any violations of laws and regulations, NORDEN's policies and other irregularities. An independent, external investigator (a lawyer) investigates filings and reports back to NORDEN's Board of Directors. In 2011, no filings were made to SafeLine.

Code of conduct

NORDEN is also formalising a code of conduct which will compile the Company's views on business ethics based on existing policies and guidelines.

Anti-corruption

NORDEN participates in the network Maritime Anti-Corruption Network (MACN) along with shipping companies from 6 countries. NORDEN has a zero tolerance policy on bribery determined as any action with the purpose of gaining a wrongful advantage. On the other hand, NORDEN and other shipping companies are occasionally met with wishes for facilitation payments – minor gratuities in connection with services which the Company is entitled to or have a right to. NORDEN would prefer to eliminate facilitation payments, but a single shipping company can not eliminate something which is custom in some countries. Therefore, open talks in collegial forums are important.

CSR strategy

In 2012, NORDEN will continue working on a new CSR strategy and a detailed action plan.

FINANCIAL REVIEW

The Group presents its financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements relating to the presentation of financial statements by listed companies. The Group's accounting policies are unchanged from last year.

The financial statements of the parent company, Dampskibsselskabet NORDEN A/S, are presented in accordance with the Danish Financial Statements Act.

For additional information, please see note 1 to the financial statements, "Significant accounting policies".

PROFIT FOR THE YEAR AND EQUITY

The Group's EBIT for 2011 amounted to USD 104 million (USD 223 million), including profits from the sale of vessels of USD 0 million (USD 28 million). These earnings were better than the latest announced EBIT forecast, which was USD 80-100 million.

Profit after tax was USD 88 million (USD 245 million) including a negative fair value adjustment of USD 15 million (positive of USD 31 million). This provides earnings per share (EPS) of USD 2.1 (USD 5.8).

Equity decreased to USD 1,994 million (USD 1,998 million). The drop is specified as follows:

The distributed dividend amounted to DKK 8 per share, equalling a total of DKK 337 million, excluding treasury shares.

Changes in equity, USD million	
Equity at 1 January 2011	**1,998**
Profit for the year	88
Impairment at acquisition/sale of treasury shares, net	-32
Distributed dividends	-64
Share-based payment	4
Equity at 31 December 2011	**1,994**

Significant accounting choices

Vessels chartered by NORDEN in relation to which the risks and rewards of ownership based on an overall assessment of the individual lease have not been transferred to the Group, are accounted for as operating leases and recognised in the income statement on a straight-line basis over the term of the lease. As shown in note 21 to the financial statements at 31 December 2011, the Group had operating lease liabilities (undiscounted) in the amount of USD 2,007 million (USD 2,246 million) which are to be recognised in the income statement over the period 2012-22.

The lease liabilities do not represent the Group's net exposure since liabilities are hedged on an ongoing basis in accordance with the Group's risk management policy, see note 2 to the financial statements.

The Group's vessels are recognised in the statement of financial position at cost less accumulated depreciation and impairment.

The carrying amount of the vessels is continually compared with earnings opportunities and value indicators of the vessels. If there are indications of impairment exceeding the annual depreciation, the vessels are written down to the lower recoverable amount.

Other accounting decisions are described in note 1 to the financial statements, "Significant accounting policies".

Significant accounting estimates

Receivables are measured at amortised cost less provisions for impairment losses. Provisions for bad debts are determined on the basis of an evaluation of the customers' ability and willingness to pay, including credit rating and received collateral. For further specification of receivables, see note 13 to the financial statements.

Revenue

In 2011, NORDEN's revenue (freight income) increased by 4% to USD 2,273 million as a result of increased activity in terms of a 19% increase in the number of ship days.

Dry Cargo

In Dry Cargo, the activity level in terms of ship days was up 19% in 2011. Freight income amounted to USD 1,936 million (USD 1,946 million), equalling a drop of under 1%.

Operating profit (EBIT) was USD 127 million (USD 260 million), and no profits from the sale of vessels are included (USD 28 million). Due to the extensive addition to the owned dry cargo fleet, depreciation increased considerably to USD 45 million (USD 22 million).

Tankers

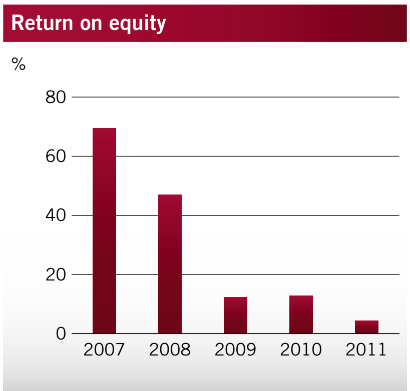
The Tanker activity in terms of ship days was up 20% compared to 2010. Freight income amounted to USD 336 million (USD 243 million), and the 38% increase is chiefly attributable to higher activity.

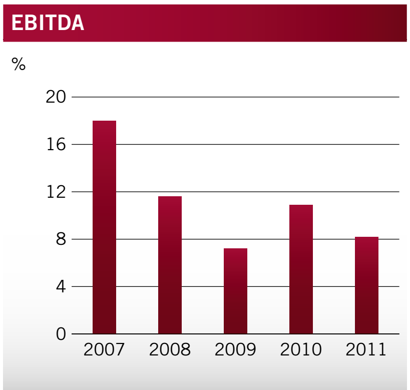
EBIT constituted a loss of USD 8 million (a loss of USD 25 million). Depreciation increased from USD 25 million to USD 33 million.

Net financials

Financial income amounted to USD 10 million (USD 6 million) and primarily related to interest income on demand deposits with banks and foreign exchange gains mainly relating from cash in DKK.

Financial expenses amounted to USD 6 million (USD 9 million) and consist of interest on and other expenses relating from loans. The drop in financial expenses is due to foreign exchange losses of USD 6 million net last year, and the same does not apply for 2011.





Fair value adjustment of certain hedging instruments

Fair value adjustment of derivative financial instruments which did not qualify for hedge accounting under IFRS constituted cost of USD 15 million (income of USD 31 million), of which a negative amount of USD 1 million related to bunker hedging contracts and a negative amount of USD 14 million related to Forward Freight Agreements (FFAs).

The net cost of USD 15 million comprises reclassifications of a negative USD 88 million and value adjustments of unrealised contracts of USD 73 million. The reclassifications cover value adjustments from previous financial years of contracts realised in 2011. Due to increasing bunker prices and decreasing freight rates, the Company had recognised USD 88 million in unrealised gains from these contacts. As the contracts are realised, these gains are reclassified (as income) under operating items. In doing so, NORDEN achieves the intended coverage of the increasing costs relating from the period's physical bunker purchase and of the decreasing freight income from the physical ship capacity. The reclassification is allocated with USD 40 million relating to bunker contracts and USD 48 million relating to freight income.

Value adjustments in the amount of USD 9 million of unrealised contracts relate to coverage of bunker prices and freight rates regarding 2012-18. For further specification, see note 6 to the financial statements.

Tax on profit for the year

The Company's taxable income comprises income related to shipping activities as computed in accordance with the Danish Tonnage Tax Act and other income, including net financial income, computed in accordance with the general tax rules. Tax on the profit for the year amounted to USD 6 million (USD 6 million).

STATEMENT OF FINANCIAL POSITION

Assets

The Company's total assets at 31 December 2011 amounted to USD 2,350 million (USD 2,250 million), equal to a 4% increase. The increase was due to a combination of addition of tangible assets in the form of vessels and newbuildings rising by approximately 21% and increasing freight receivables and inventories, while interest-bearing assets have declined by 34%.

Vessels

At the end of 2011, the Group had 44 owned vessels, which was an increase of 16 vessels compared to the previous year. The additions were 3 tankers and 13 dry cargo vessels, including 1 vessel in joint venture. The number of newbuildings was reduced from 23 to 11 due to a combination of deliveries to the fleet and new contracting of 4 tankers.

Impairment test

Expressed as the average of 3 independent broker valuations, the net selling price of the Group's fleet and newbuildings, excluding vessels in joint ventures and assets held for sale, totalled USD 1,523 million at the end of 2011, which was USD 211 million below the carrying amounts. The cash generating units (CGUs) Dry Cargo and Tankers were USD 175 million and USD 36 million, respectively, below the carrying amounts.

Consequently, impairment tests were performed for both CGUs. Impairment tests are conducted by comparing the recoverable amounts obtainable from continued operation of the fleets of the 2 CGUs, calculated as the present value of total estimated cash flows over the remaining useful lives of the vessels, including COAs entered into, T/C coverage and estimated rates for uncovered capacity.

As part of the basis for the evaluation of long-term values, the value in use of the 2 CGUs is estimated by applying 10-year and 20-year historical average rates.

The carrying amounts of Dry Cargo and Tankers excluding joint ventures and assets held for sale were USD 1,076 million and USD 657 million, respectively. Applying 10-year average rates to uncovered days and a discount factor of 8%, value in use exceeds the carrying amounts of the CGUs Dry Cargo and Tankers by USD 1,100 million and USD 135 million, respectively.

In a similar calculation applying 20-year average rates, value in use exceeds the carrying amounts by USD 189 million for Dry Cargo and by USD 21 million for Tankers.

In the short term, the dry cargo market is affected by a large number of deliveries to the global fleet in 2012 and slowdown in the world economy. In the long term, the dry cargo market is expected to improve due to increased scrapping of old tonnage as well as increasing demand, i.a. as a result of a recovering world economy.

In the long term, the tanker market is expected to improve from the current, very low levels, and the rates are expected to outperform the 20-year average rates. The order book is relatively small, and demand is expected to grow partly due to increasing consumption and partly due to longer transport distances, as new refineries are typically being established in areas further from the countries with the largest oil consumption.

Against this background, management assesses that value in use at least corresponds to the carrying amounts based on the long-term expected rates in both the Dry Cargo fleet and the Tanker fleet, and accordingly, there is no indication of impairment.

Financial assets
Financial assets comprising investments in joint ventures amounted to USD 21 million (USD 35 million). The decrease is due to distribution of cash flows from 3 joint ventures in connection with the winding up of these.

Inventories
The Group's inventories, which include bunker inventories on board owned vessels, almost doubled to USD 89 million (USD 46 million). The massive increase is due to a combination of the Company's owned fleet growing from 28 to 44 units at the same time as bunker prices soared.

Freight receivables and trade payables
Total finance contribution from freight receivables and trade payables increased by USD 18 million. The change comprises an increase in freight receivables of USD 28 million and in increase in trade payables of USD 46 million.

The Group's freight receivables increased to USD 111 million (USD 83 million), which is primarily due to changed payment patterns as customers to a greater extent withhold cash flows to cover NORDEN's payment of bunker inventories on redelivery from the customers of timecharter vessels. This should be seen in light of the increasing oil prices combined with low freight rates. The increase in the Group's trade payables is the result of the same change in payment pattern, only reversed, i.e. it is money which NORDEN withholds to secure sale of bunkers on redelivery of timecharter vessels. In addition, debt to bunker suppliers has grown due to increasing bunker purchases for the growing fleet.

Freight receivables totalling USD 5 million (USD 9 million) were subject to uncertainty, and a write-down of USD 4 million was therefore made in this respect. Both receivables subject to uncertainty and write-downs hereof were thus reduced in 2011.

Securities
The increase in the portfolio of securities from USD 38 million to USD 71 million is a result of the fact that NORDEN, as part of optimising return on cash and cash equivalents, has acquired low risk Danish mortgage credit bonds with a maturity of maximum 6 months.

CASH FLOWS

The Group's cash represents total liquidity at 31 December 2011. All cash is at the Company's disposal within 3 months.

The Group's cash decreased by USD 239 million in 2011 to USD 336 million. Cash consists mainly of USD and DKK bank deposits.

Operating activities contributed with USD 120 million (USD 298 million). The decrease is mainly due to lower earnings, but is also influenced by increased funds tied up in bunker inventories and higher freight receivables.

In 2011, USD 358 million (USD 663 million) was invested in vessels and newbuildings, etc., and proceeds from the sale of vessels amounted to USD 28 million (USD 296 million). Cash flows from investing activities amounted to a negative USD 355 million net (negative of USD 380 million).

Cash flows from financing activities amounted to an inflow of USD 18 million (an outflow of USD 65 million). Of this shareholder dividends represented an outflow of USD 64 million, purchase of treasury shares represented an outflow of USD 32 million, repayments of debt represented an outflow of USD 48 million and incurrence of ship financing represented an inflow of USD 162 million.

SIGNATURES

Consolidated annual report

This consolidated annual report is an extract of the Company's annual report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, NORDEN has chosen to issue a consolidated annual report that excludes the financial statements of the parent company, Dampskibsselskabet NORDEN A/S.

The financial statements of the parent company are an integral part of the full annual report, which is available from the Company on request, and the complete annual report is also available at and can be downloaded from www.ds-norden.com/investor. After approval at the annual general meeting, the full annual report is also available on request from the Danish Business Authority.

The appropriation of the profit for the year and the proposed dividend in the parent company are disclosed in note 30 to the consolidated financial statements.

The full annual report has the following statement by the Board of Directors and Board of Management and auditor's report:

Statement by the Board of Directors and Board of Management

The Board of Management and the Board of Directors have today considered and adopted the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January – 31 December 2011.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company are prepared in accordance with the Danish Financial Statements Act. Moreover, the consolidated financial statements and the financial statements of the parent company are prepared in accordance with additional Danish disclosure requirements for listed companies. The management commentary is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at 31 December 2011 of the Group and the parent company and of the results of the Group's and the parent company's operations and the Group's consolidated cash flows for the financial year 2011.

In our opinion, the management commentary provides a fair review of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty, which the Group and the parent company are facing.

We recommend that the annual report be adopted at the annual general meeting.

Copenhagen, 7 March 2012

Board of Management

Carsten Mortensen
President

Michael Tønnes Jørgensen
Executive Vice President

Board of Directors

Mogens Hugo
Chairman

Alison J. F. Riegels
Vice Chairman

Erling Højsgaard

Karsten Knudsen

Arvid Grundekjøn

Benn Pyrmont Johansen

Bent Torry Kjæreby Sørensen

Lars Enkegaard Biilmann

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dampskibsselskabet NORDEN A/S

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and the parent company financial statements of Dampskibsselskabet NORDEN A/S for the financial year 1 January – 31 December 2011. The consolidated financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes. The financial statements of the parent company comprise income statement, balance sheet, statement of changes in equity and notes. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared under the Danish Financial Statements Act. Moreover, the consolidated financial statements and the parent company financial statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for preparing parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2011 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's assets, liabilities and financial position at 31 December 2011 and of the results of the parent company's operations for the financial year 1 January – 31 December 2011 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

STATEMENT ON MANAGEMENT COMMENTARY

We have read the management commentary in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the parent company financial statements. On this basis, in our opinion, the information provided in the management commentary is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 7 March 2012

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard
State Authorised Public Accountant

Bo Schou-Jacobsen
State Authorised Public Accountant

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2011	2010
3	**Revenue**	**2,272,819**	**2,189,606**
3	Other operating income, net	5,213	3,456
	Vessel operating costs	-2,006,357	-1,884,085
4	Other external costs	-16,215	-12,975
5	Staff costs	-69,014	-56,442
	Profit before depreciation, etc. (EBITDA)	**186,446**	**239,560**
	Profits from the sale of vessels, etc.	-242	28,148
11	Depreciation	-81,185	-49,537
12	Share of results of joint ventures	-530	4,372
	Profit from operations (EBIT)	**104,489**	**222,543**
6	Fair value adjustment of certain hedging instruments	-14,897	30,771
7	Financial income	9,504	6,328
8	Financial expenses	-5,762	-8,867
	Profit before tax	**93,334**	**250,775**
9	Tax for the year	-5,541	-5,973
	PROFIT FOR THE YEAR	**87,793**	**244,802**
	Attributable to:		
	Shareholders of NORDEN	87,795	244,804
	Minority interests	-2	-2
		87,793	**244,802**
10	**Earnings per share (EPS), USD**		
	Basic earnings per share	2.13	5.83
	Diluted earnings per share	2.13	5.82

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2011	2010
	Profit for the year, after tax	87,793	244,802
17	Value adjustment of hedging instruments	-12,026	4,339
17	Fair value adjustment of securities	11,720	429
	Total	-306	4,768
	Total comprehensive income for the year, after tax	**87,487**	**249,570**
	Attributable to:		
	Shareholders of NORDEN	87,489	249,572
	Minority interests	-2	-2
		87,487	**249,570**

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER – ASSETS

Note	Amounts in USD'000	2011	2010
11	Property and equipment	55,937	55,626
11	Vessels	1,387,189	880,330
11	Prepayments on vessels and newbuildings	170,025	401,884
	Tangible assets	**1,613,151**	**1,337,840**
12	Investments in joint ventures	21,275	35,225
	Financial assets	**21,275**	**35,225**
	Non-current assets	**1,634,426**	**1,373,065**
	Inventories	89,280	45,861
13	Freight receivables	110,886	82,567
13	Receivables from joint ventures	6,317	726
	Company tax	63	1,416
13	Other receivables	54,136	44,722
	Prepayments	47,955	54,026
14	Securities	71,324	38,150
15	Cash	335,868	574,571
		715,829	842,039
16	Tangible assets held for sale	0	35,377
	Current assets	**715,829**	**877,416**
	ASSETS	**2,350,255**	**2,250,481**

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER – EQUITY AND LIABILITIES

Note	Amounts in USD'000	2011	2010
	Share capital	6,833	7,087
17	Reserves	6,698	7,004
	Retained earnings	1,980,822	1,983,894
	Equity (NORDEN's shareholders)	1,994,353	1,997,985
	Minority interests	66	68
18	**Equity**	**1,994,419**	**1,998,053**
19	Bank debt	135,017	14,666
	Non-current liabilities	**135,017**	**14,666**
19	Bank debt	30,043	43,757
	Trade payables	135,672	90,068
	Debt to joint ventures	0	35,896
	Other payables	36,172	29,189
	Deferred income	18,932	31,528
		220,819	230,438
20	Liabilities relating to tangible assets held for sale	0	7,324
	Current liabilities	**220,819**	**237,762**
	Liabilities	**355,836**	**252,428**
	EQUITY AND LIABILITIES	**2,350,255**	**2,250,481**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2011	2010
	Profit from operations (EBIT)	104,489	222,543
11	Reversed depreciation	81,185	49,537
	Reversed profits from the sale of vessels, etc.	242	-28,148
12	Reversed share of results of joint ventures	530	-4,372
	Other adjustments	4,141	3,741
29	Change in working capital	-63,639	73,982
	Financial payments received	10,131	7,245
	Financial payments made	-12,768	-17,687
	Company tax paid, net	-4,188	-8,453
	Cash flows from operating activities	**120,123**	**298,388**
11/16	Investments in vessels and vessels held for sale	-59,960	-395,675
11	Investments in other tangible assets	-4,367	-2,982
11	Additions in prepayments on newbuildings	-293,354	-264,343
	Change in additions in prepayments received on sold vessels	-7,324	-31,101
	Hereof change in restricted cash and cash equivalents held	0	8,300
	Proceeds from the sale of vessels and newbuildings	35,095	318,882
	Proceeds from the sale of other tangible assets	114	39
	Acquisition of securities	-35,010	-14,207
	Sale of securities	9,595	970
	Cash flows from investing activities	**-355,211**	**-380,117**
30	Dividend paid to shareholders (excluding dividend on treasury shares)	-63,706	-52,705
18	Acquisition of treasury shares	-31,556	-7,566
	Net distribution to shareholders	-95,262	-60,271
	Incurrence of non-current debt	161,738	0
	Instalments on/repayment of non-current debt	-48,095	-5,187
	Loan financing	113,643	-5,187
	Cash flows from financing activities	**18,381**	**-65,458**
	Change in cash and cash equivalents for the year	**-216,707**	**-147,187**
	Cash at 1 January, non-restricted	574,571	702,584
	Exchange rate adjustments	-21,996	19,174
	Change in cash and cash equivalents for the year	-216,707	-147,187
15	**Cash at 31 December, non-restricted**	**335,868**	**574,571**

STATEMENT OF CHANGES IN EQUITY

Note	Amounts in USD'000	Shareholders of NORDEN					
		Share capital	Reserves	Retained earnings	Total	Minority interests	Total
	Equity at 1 January 2011	**7,087**	**7,004**	**1,983,894**	**1,997,985**	**68**	**1,998,053**
	Total comprehensive income for the year	-	-306	87,795	87,489	-2	87,487
18	Acquisition of treasury shares	-	-	-31,556	-31,556	-	-31,556
	Capital reduction	-254	-	254	0	-	0
30	Distributed dividends	-	-	-68,946	-68,946	-	-68,946
	Dividends, treasury shares	-	-	5,240	5,240	-	5,240
27	Share-based payment	-	-	4,141	4,141	-	4,141
	Changes in equity	**-254**	**-306**	**-3,072**	**-3,632**	**-2**	**-3,634**
	Equity at 31 December 2011	**6,833**	**6,698**	**1,980,822**	**1,994,353**	**66**	**1,994,419**

		Shareholders of NORDEN					
		Share capital	Reserves	Retained earnings	Total	Minority interests	Total
	Equity at 1 January 2010	**7,087**	**2,236**	**1,795,620**	**1,804,943**	**70**	**1,805,013**
	Total comprehensive income for the year	-	4,768	244,804	249,572	-2	249,570
18	Acquisition of treasury shares	-	-	-7,566	-7,566	-	-7,566
30	Distributed dividends	-	-	-55,621	-55,621	-	-55,621
	Dividends, treasury shares	-	-	2,916	2,916	-	2,916
27	Share-based payment	-	-	3,741	3,741	-	3,741
	Changes in equity	**0**	**4,768**	**188,274**	**193,042**	**-2**	**193,040**
	Equity at 31 December 2010	**7,087**	**7,004**	**1,983,894**	**1,997,985**	**68**	**1,998,053**

See note 30 for a description of reserves available for distribution as dividends and note 17 for specification of distribution of reserves on securities and cash flow hedging.

NOTES TO THE FINANCIAL STATEMENTS – CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Dampskibsselskabet NORDEN A/S with its subsidiaries is one of Denmark's oldest internationally operating shipping companies. NORDEN operates in dry cargo and tankers worldwide.

Dampskibsselskabet NORDEN A/S is a public limited company incorporated in Denmark and is listed on NASDAQ OMX Copenhagen A/S.

The consolidated financial statements of Dampskibsselskabet NORDEN A/S for 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The additional Danish disclosure requirements are set out in the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act and NASDAQ OMX Copenhagen A/S regulations. The consolidated financial statements and this additional information comprise the consolidated annual report.

The annual report for the period 1 January – 31 December 2011 with comparative figures comprises the consolidated financial statements of Dampskibsselskabet NORDEN A/S and its subsidiaries (the Group) and the financial statements of the parent company.

The financial statements of the parent company, Dampskibsselskabet NORDEN A/S, for 2011 have been prepared in accordance with the Danish Financial Statements Act.

In general
The annual report is prepared on the basis of the historical cost principle, with the exception of the following assets and liabilities:

- Derivative financial instruments and financial instruments classified as available for sale, which are measured at fair value.
- Non-current assets and groups of assets held for sale are measured at the lower of carrying amount before the changed classification and fair value less selling costs.

USD is the functional currency of all enterprises in the Group as well as the parent company. In the annual report, the presentation currency is USD, and amounts are presented rounded off to the nearest USD 1,000.

Changes in accounting policies, including presentation and implementation of financial reporting standards
The accounting policies for NORDEN, including presentation, are unchanged compared to last year.

NORDEN has implemented all new and amended financial reporting standards issued by IASB and adopted by the EU as well as the interpretations that are effective for the financial year 2011. These comprise the following financial reporting standards:

- IAS 24 on amendment of the rules on related party disclosures.
- IAS 32 on the change in presentation of financial instruments.
- The annual improvements 2010 to existing IFRSs and the interpretations IFRIC 14 and IFRIC 19.

Implementation of these changes in standards and interpretations has not had any impact on NORDEN.

Most recently approved financial reporting standards (IFRS) and interpretations (IFRIC)
At the end of January 2012, IASB issued the following new financial reporting standards and interpretations, which are estimated to be of relevance to NORDEN:

- IFRS 9 – The number of categories of financial assets is reduced to two; amortised cost category or fair value.
- IFRS 10 – Specification of the definition of control of another enterprise. Control exists when the following circumstances are present:
  - o Power of the enterprise
  - o Risk exposure or rights to variable returns
  - o The ability to use power over the enterprise to affect the amount of returns
- IFRS 11 – Joint arrangements require agreement between the parties and can be divided into two types: joint operations and joint ventures. Joint operations provide the parties (joint operators) with direct rights to the assets and direct obligations for the liabilities. Each joint operator recognises its part of assets, liabilities, income and costs. In joint ventures, the parties (joint venturers) do not have direct share in assets and liabilities, etc., but solely share in the net profit or loss and equity. Each joint venturer recognises its share under the equity method, see IAS 28.
- IFRS 12 – Disclosure requirements of interests in other entities, including subsidiaries, joint operations, joint ventures and associates.
- Amendment of IAS 1 – This change implies a requirement of presenting items separately under other comprehensive income as items to be recycled to the income statement and items not to be recycled.
- Amendment of IAS 27 – The consolidation rules are replaced by IFRS 10 and the standard hereafter includes the rules for the financial statements of the parent company from the current IAS 27.
- Amendment of IAS 28 – Joint arrangements classified as joint ventures according to IFRS 11 are recognised under the standard's equity method. SIC 13 on non-monetary contributions from enterprises is written into the standard.

Other financial reporting standards and interpretations issued by the IASB, but which are irrelevant to NORDEN, com-

NOTES TO THE FINANCIAL STATEMENTS

prise: IFRS 1, IFRS 7, IFRS 13, IAS 12, IAS 19 and IFRIC 20. The quoted standards and interpretations are not adopted by the EU.

NORDEN expects to implement the new standards and interpretations as and when they become mandatory.

Significant accounting choices in accounting policies and significant accounting estimates
In preparing the financial statements, NORDEN's management makes a number of accounting choices and estimates. These are the basis for recognition and measurement of the Group's assets, liabilities, income and expenses. The most significant accounting choices and estimates are described below.

Significant choices
Tangible assets
The Group's choice of historical cost rather than fair value as the basis for measuring tangible assets – vessels – has a material impact on the calculation of the Group's and the parent company's results and equity. See the below section "Tangible assets" for a more detailed description of the Group's accounting policies.

Leases
Management's judgments of whether leases regarding vessels should be classified as finance leases or operating leases are based on an overall assessment of the individual leases. A finance lease is recognised as a non-current asset and as a liability. For leases classified as operating leases, lease payments are generally recognised in the income statement as they are paid. See the below section "Leases" for a more detailed description of the Group's accounting policies.

Recognition of revenue and voyage costs
On recognition of freight income and voyage costs, including net income from pool arrangements, management makes choices as to the start and end dates of voyages, etc. See the below section "Revenue" for a more detailed description of the Group's accounting policies.

Significant accounting estimates
The determination of the carrying amounts of certain assets and liabilities requires judgments, estimates and assumptions about future events.

The applied estimates are based on historical data and other factors that management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Risk factors specific to the NORDEN Group are described in note 2.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events.

Estimates and underlying assumptions are reassessed on a regular basis. Changes to accounting estimates are recognised in the period when the estimate is changed if the change affects this period only, or in the current and future periods if the change affects the current as well as future periods.

Estimates material to the financial reporting are made, among other things, in the calculation of depreciation, amortization and impairment, the value of receivables, provisions as well as contingent liabilities and assets. The most significant estimates are:

Tangible assets, including vessels and prepayments on vessels and newbuildings
Significant accounting estimates include, among other things, estimates of useful lives, scrap values and impairment on tangible assets.

Impairment test
Management's assessment of indication of impairment on vessels and prepayments on newbuildings is based on the cash-generating units (CGUs) in which vessels, etc. are included. This is usually the total fleet within NORDEN's 2 segments, Dry Cargo and Tankers.

If there are indications that the carrying amount of assets exceeds the value of future cash flows from assets (recoverable amount), an impairment test must be carried out. The recoverable value is calculated as the highest value of the net selling price (fair value less selling costs) and the value in use at continued use.

If the net selling price of the Company's vessels and newbuildings, expressed by the average of 3 broker valuations, is lower than the carrying amounts and cost of newbuildings, an impairment test must be carried out. The impairment test is carried out within NORDEN's 2 CGUs, Dry Cargo and Tankers, as the vessels within these 2 segments can usually be handled on a portfolio basis. The impairment test is done by estimating the recoverable amount at value in use calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives including entered COAs, time charters and by using estimated rates on the basis of historical data for uncovered capacity. If the value in use is lower than the carrying amounts, the asset is written down for impairment.

Onerous contracts
In assessing the need for provisions for onerous contracts, management has emphasised that contract performance can usually be achieved through substitution of vessels within the fleet in the segment concerned, and that this is reflected by the disposal of the fleet. For this reason, provisions for each of NORDEN's CGUs, Dry Cargo and Tankers, are stated in aggregate.

At 31 December 2011, the carrying amount of these items (tangible assets) was USD 1,613 million (USD 1,338 million). In addition, see note 11.

Receivables
Receivables are measured at amortised cost less provisions for impairment losses. Provisions for bad debts are determined on the basis of customers' ability to pay, considering historical information about payment patterns, doubtful debts, customer concentrations, customer creditworthiness and collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

The financial uncertainty attached to provisions for bad and doubtful debts is considered to have increased due to the economic trends. It is estimated that the provisions made are sufficient to cover any bad debts.

At 31 December 2011, the carrying amount of Group receivables was USD 171 million (USD 128 million). In addition, see note 13.

Deferred tax
At 1 January 2001, NORDEN joined the tonnage tax regime for a binding 10-year period. Based on NORDEN's business plans, it has been decided to continue under the tonnage tax regime in 2011 for a new binding 10-year period as of this year. The contingent tax disclosed in note 9 may crystallise as current tax if the Company leaves the tonnage tax regime, if the Company's net investment in vessels is reduced significantly, or if the Company is wound up.

Contingent assets and liabilities
Information on contingent assets and liabilities and when recognition should be made as asset and liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in considerable claims also include assessments obtained from external advisors including lawyers, among others.

Assets are recognised when it is practically certain that the claim will have a positive outcome for the Group. A liability is recognised if it is likely that the claim will have a negative outcome and when the amount is estimable. If this is not the case, the matter is stated in the notes to the financial statements. Rulings in connection with such matters may in coming accounting periods produce realised gains or losses which may differ considerably from the recognised amounts or information.

The financial uncertainty tied to the information and the recognised amounts is considered to have significantly increased due to the current economic trends.

In addition, see note 22.

Consolidation principles
The consolidated financial statements comprise the parent company, Dampskibsselskabet NORDEN A/S, and enterprises in which the parent company controls the operational and financial decisions, usually by directly or indirectly holding the majority of the voting rights (subsidiaries). In the determination of voting rights, share options exercisable by the Group at the reporting date are included.

On consolidation, intra-group income and expenses, shareholdings, dividends and accounts as well as unrealised intragroup gains and losses on transactions between the consolidated enterprises are eliminated.

The financial statements used in the consolidation are prepared in accordance with the Group's accounting policies. The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by aggregating items of a uniform nature.

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition using the purchase method. Enterprises divested or wound up are included in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Participation in pool arrangements
NORDEN's shipping activities are to some extent conducted through pool arrangements. In pools, revenue and related costs are recognised according to criteria corresponding to those applied by NORDEN. The below principles for the recognition of freight income and related costs also apply to pool arrangements. See the section "Revenue".

For vessels operating in pools, the pool's profit is allocated to the pool participants on the basis of an agreed formula. The agreed formula may differ from pool to pool. Generally, the pool profit is allocated to the participants according to the number of days the vessels have been at the pool's disposal, but weighted for the capacity and characteristics of the individual vessels.

Pool arrangements are considered joint operations. Accordingly for vessels operating in pools, the proportionate share of income and costs is presented as gross amounts in the income statement. For example, the share of revenue in pools is recognised in "Revenue", while the proportionate share of costs in pools, such as direct voyage costs (e.g. bunker oil consumption, commissions and port charges) and charter hire for chartered pool tonnage, is recognised in "Vessel operating costs". Similarly, NORDEN's share of assets and liabilities in pools is recognised, and NORDEN's share of other liabilities, etc. is disclosed in the notes to the financial statements.

NORDEN operates a few pools. As pool operator, NORDEN receives charter commissions to cover its costs in this respect. Commission income is calculated as a fixed percentage of charter/freight income for each individual agreement. The commission income is recognised in the income statement in the item "Other operating income" as the underlying charter/freight agreement is recognised.

NOTES TO THE FINANCIAL STATEMENTS

Leases

The Group as lessee

Agreements to charter vessels and to lease other tangible assets where all substantial risks and rewards of ownership have been transferred to the Group (finance leases) are recognised in the statement of financial position. Vessels and other tangible assets are recognised at the delivery date at a value corresponding to the present value of the finance charges set out in the agreements, including any purchase options expected to be exercised. For the purpose of calculating the present value, the 0-coupon rate with the addition of an interest margin is used as discount factor. Vessels and other tangible assets acquired under finance leases are depreciated and written down for impairment according to the same accounting policies as assets owned by the Group.

The capitalised residual lease liability is recognised in the statement of financial position as a liability, and the interest element of the lease payment is charged to the income statement when incurred.

Other agreements to charter vessels and other leases are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

The Group as lessor

Agreements to charter out vessels on time charters where substantially all risks and rewards of ownership have been transferred to the lessee (finance leases) are recognised as a receivable in the statement of financial position. The receivable is measured in the same way as the lease liability in cases where the Group is the lessee, as described above.

Other agreements to charter out vessels are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

Foreign currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Transactions in foreign currencies during the year are translated at the exchange rates at the transaction date. Gains and losses arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as “Financial income” or “Financial expenses”.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the reporting date are translated at the exchange rates at the reporting date. Differences between the exchange rates at the transaction date and the exchange rates at the reporting date are recognised in the income statement as “Financial income” or “Financial expenses”.

Exchange rate adjustments of shares denominated in foreign currencies held for sale are recognised in equity together with unrealised fair value adjustments of shares. Exchange rate adjustments of bonds denominated in foreign currencies held for sale are recognised in the income statement under net financials.

Derivative financial instruments

Derivative financial instruments are recognised in the statement of financial position at fair value at the date of transaction. Positive and negative fair values of derivative financial instruments are recognised as assets under “Other receivables” or as liabilities under “Other payables”, respectively.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement in the same item as any changes in the carrying amount of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as hedges of expected future transactions are recognised in the comprehensive income and are accumulated as a reserve in equity under “Reserve for hedge transactions”. Where the expected future transaction results in the acquisition of non-financial assets, any amounts deferred under equity are transferred from equity to the cost of the asset. Where the expected future transaction results in income or expense, amounts deferred under equity are transferred from equity to the income statement in the same item as the hedged transaction.

The majority of the Group’s derivative financial instruments provide effective financial hedging in accordance with the Group’s risk management policy. Certain of the derivative financial instruments (Forward Freight Agreements (FFAs) and bunker hedging contracts) are not considered to qualify for hedge accounting according to accounting regulations. Changes in the fair value of derivative financial instruments not considered to qualify for hedge accounting are recognised in the income statement in a separate item under financials called “Fair value adjustment of certain hedging instruments”. As the hedging instruments are realised, the accumulated fair value adjustments are reclassified to the same item as the hedged transaction.

Some of the Group’s derivative financial instruments in the form of FFAs which were not entered into for hedging purposes are classified as held for trading and recognised at fair value. Fair value adjustments are recognised under “Other operating income” in the income statement.

Determination of fair value

Listed derivative financial instruments and securities traded in an active market are measured at fair value at the reporting date using the selling price. Initial recognition is based on the fair value at the trade date.

In determining the fair value of unlisted derivative financial instruments and other financial instruments for which there is no active market, fair value is determined using generally accepted valuation techniques. Market-based parameters such as market-based yield curves and forward exchange prices are used for the valuation. For bunker contracts the price is based on observable stock markets, e.g. Rotterdam and Singapore. The value of FFAs is assessed on the basis of daily recorded prices from the Baltic Exchange. For non-current liabilities and other interest rate-based financial instruments, the fair value is based on a discounted value of future cash flows. The 0-coupon rate with the addition of the enterprises' interest margin is used as discount factor.

The fair value of financial assets and financial liabilities with a maturity of less than 1 year is assumed to approximate their face values less any estimated credit adjustments. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

Segment information
Information is provided on the Group's 2 business segments, Tankers and Dry Cargo. The information is based on the Group's organisation, business management and management control, including financial reporting to NORDEN's operative management.

NORDEN's operative management function comprises the Board of Management and the Board of Directors in union. The Board of Management is responsible for the day-to-day management. The Board of Directors approves strategy, action plans, targets and budgets and limits for financial and market risks, and it supervises the Board of Management. The Board of Management's and Board of Directors' functions and responsibilities are described in further detail in the section "Corporate governance" in the management commentary.

The services offered by NORDEN's Tanker segment comprise transport of crude oil or refined oil products, and the Dry Cargo segment offers transport of bulk commodities such as grain, coal, ore and sugar. NORDEN's segments generate revenue consisting of freight income from owned and chartered vessels and management income. Information is not provided by geographical segment because the global market is a unit, and the activities of the individual vessels are not limited to specific parts of the world. Nor does the internal financial reporting for the operative management provide such information. It is therefore not possible to provide geographical segment information on revenue from external customers or non-current assets.

The accounting policies for recognition and measurement of the segments are consistent with the policies described for NORDEN in this note. The accounting policies and presentation of segment information for the financial year under review are consistent with those for the previous financial year.

The segment income statement items and their order are consistent with NORDEN's consolidated income statement, except for voyage costs, which are not included in the item "Vessel operating costs" but presented as a separate item, and the segment income statement therefore comprises the subtotal "Contribution margin". The names and contents of segment assets are consistent with the consolidated statement of financial position. In the internal financial reporting to the operative management, liabilities are not allocated to segments.

There are no inter-segment transactions.

The methods of allocating related assets, liabilities and equity and income statement items to segments are consistent.

The allocation between Tankers and Dry Cargo is as follows:

- The items included in the segment profit, including the share of results of joint ventures, are allocated to the extent that the items are directly or indirectly attributable to the segments. Items that are allocated by both direct and indirect calculation comprise "Staff costs" and "Other external costs". Parts of these items are not attributable, either directly or indirectly, to a segment and are therefore unallocated. For the items allocated by indirect calculation, the allocation keys are defined on the basis of each segment's drawings on key resources. Financial income and expenses are unallocated as they are considered to relate to NORDEN in general. Tax relating to financials is unallocated. Other unallocated tax relates to unallocated non-current assets.
- Non-current segment assets consist of the assets used directly in segment operations, including "Vessels" and "Prepayments on newbuildings" and "Investments in joint ventures".
- Current assets are allocated to segments to the extent that they are directly attributable to these, e.g. "Inventories" and "Freight receivables". Some of the freight receivables cannot be allocated directly, and allocation is therefore based on an estimate.

Unallocated items are primarily income and expenses and assets relating to the Group's administrative functions, investment activity and similar activities.

Income statement

Revenue
Revenue comprises the present value of services rendered, net of discounts. Services rendered comprise freight income, time charter income and management income. Revenue is recognised in the income statement for the financial year as earned. The determination of whether revenue and other operating income is considered earned is based on the following criteria:

NOTES TO THE FINANCIAL STATEMENTS

- a binding sales agreement has been made;
- the selling price has been determined;
- the service has been rendered before the end of the financial year;
- payment has been received or may reasonably be expected to be received;
- costs incurred or to be incurred in respect of the transaction can be measured reliably and, in respect of freight income other than time charter income, the percentage of completion can be reliably determined.

All freight income and voyage costs are recognised as the freight services are rendered (percentage of completion). The percentage of completion is determined using the discharge-to-discharge method. According to this method, freight income and related costs are recognised in the income statement according to the charter parties from the vessel's departure date to the delivery of the cargo (discharge). The departure date is defined as the date of the most recent discharge, and the voyage ends at the date of the next discharge (discharge to discharge). This applies to all spot transports and transports under Contracts of Affreightment (COAs). For voyages in progress at the end of an accounting period that will conclude in a subsequent accounting period, freight income and related costs are recognised according to the percentage of the estimated duration of the voyage concluded at the reporting date.

Demurrage is recognised if the claim is considered probable.

For vessels on time charters, that is operating leases, charter hire is recognised on a straight-line basis over the term of the lease.

Management income is recognised upon receipt of the services in accordance with the management agreements concluded.

Other operating income
Other operating income comprises items of a secondary nature relative to the Group's principal activity. The item mainly relates to management income in connection with the administration of pool arrangements.

Vessel operating costs
Vessel operating costs comprise the expenses, excluding depreciation and staff costs, incurred to generate the revenue for the year. Vessel operating costs therefore include charter hire for chartered vessels (operating leases), bunker oil consumption, other voyage costs such as commissions and port charges, repair and maintenance costs, insurance costs and other operating expenses. Like revenue, vessel operating costs are recognised upon receipt of services in accordance with the charter parties concluded.

Other external costs
Other external costs comprise costs of properties, office expenses, external assistance, etc.

Profits from the sale of vessels, etc.
Profits from the sale of vessels are stated as the difference between the sales price for the vessel less selling costs and the carrying amount of the vessel in question at the time of delivery. Furthermore, any gains and losses upon repayment of related loans are included.

Profit from the sale of other tangible assets is also included.

Share of results of investments in joint ventures
In the Group's income statement, the Group's shares of the joint ventures' results after tax are included in the item "Share of results of joint ventures".

Net financials
Financial income and expenses comprise interest, amortisation of financial assets and liabilities, including finance lease liabilities, realised and unrealised exchange rate adjustments, fair value adjustment of forward exchange contracts, market value adjustment of securities and dividends received on shares recognised in securities.

Fair value adjustment of certain hedging instruments
Fair value adjustment of certain hedging instruments comprises changes in the fair values of derivative financial instruments that are used to hedge future bunker purchases and freight income but do not qualify for hedge accounting. As the hedging instruments are realised, the accumulated fair value adjustments are reclassified to the same income statement item as the hedged transaction.

Tax on profit for the year
The Company's current tax consists of tax paid according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income and other activities. Other activities comprise letting of the Company's domicile and management income.

Statement of financial position

Tangible assets
Tangible assets are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

Borrowing costs concerning either specific or general borrowing directly related to assets with an extended production period are included in cost over the period of construction.

The basis of depreciation is calculated as the excess of cost over the estimated scrap value. The scrap value of vessels is determined based on the market price per lightweight ton for scrapping of the vessel.

The basis of depreciation is allocated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Vessels, including vessels acquired under finance leases	20 years
Fixtures, fittings and equipment	3-10 years

The depreciation period for secondhand vessels is determined on the basis of the condition and age of the vessels at the time of acquisition, but the depreciation period does not exceed 20 years from delivery from the shipyard.

Depreciation is not provided for vessels held for sale if the scrap value (the selling price) of the vessels equals or exceeds their carrying amounts. Impairment is made to the selling price if this is lower than the carrying amount. Docking costs relating to vessels recognised in the statement of financial position are added to the carrying amounts of the vessels when incurred. Docking costs are allocated on a straight-line basis over the estimated useful lives of the improvements.

Useful lives and scrap values are reassessed annually.

Prepayments on newbuildings are recognised in assets as vessels under construction as payments are made. At the delivery of the vessel, it is reclassified to the item "Vessels".

Impairment of tangible and financial assets

The carrying amounts of tangible and financial assets are analysed annually to determine whether there are any indications of impairment in excess of the amount provided for by normal depreciation. An impairment test is conducted if there is an indication that the carrying amount of an asset may exceed the expected future cash flows from the asset. If there is such an indication, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. If a recoverable amount for the individual assets cannot be determined, the smallest group of assets for which it is possible to determine the recoverable amount (cash-generating unit) is analysed for impairment.

For investments in joint ventures, the cash-generating unit is the individual joint venture, and the recoverable amount is usually determined based on value in use.

For vessels, the cash-generating unit is usually the total fleet within the Group's individual segments, and for financial assets (other than investments in joint ventures), it is the individual paper or investment. For vessels, the recoverable amount is usually determined based on the estimated selling price assessed by external brokers. For financial assets (other than investments in joint ventures), the impairment is based on the selling price. Shares are written down when the decline in value is substantial or long term. Bonds are written down when there are objective indications of loss (suspension of payments, bankruptcy, etc.). In both cases, the selling price is used as a basis because active markets exist.

Investments in joint ventures

Enterprises which are contractually operated jointly with one or more other enterprises (joint ventures) and which are thus jointly controlled are recognised in the consolidated financial statements according to the equity method.

In the Group's statement of financial position, the Group's share of the net asset value of joint ventures is thus included in the item "Investments in joint ventures", calculated on the basis of the Group's accounting policies and after deduction or addition of the Group's share of any unrealised intra-group gains or losses.

Joint ventures with negative net asset values are valued at USD 0 million. If the Group has a legal or constructive obligation to cover the enterprises' negative balance, such obligation is recognised under liabilities.

Inventories

Inventories primarily comprise bunker oil kept on board vessels. Inventories are measured at the lower of cost according to the FIFO method and net realizable value.

Receivables

Receivables are measured in the statement of financial position at the lower of amortised cost and net realisable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Securities

Shares and bonds available for sale are recognised under current assets at fair value at the trade date and are subsequently measured at market price in respect of listed securities and at fair value applying a valuation method in respect of unlisted securities.

If securities are impaired, they are written down. Value adjustments of shares and bonds are recognised in net financials when realised. Until realisation, value adjustments of listed shares and bonds are recognised in equity in the reserve for securities, except exchange rate adjustments of bonds denominated in foreign currencies, which are recognised in the income statement under net financials.

Cash

Cash is measured in the statement of financial position at nominal value.

Tangible assets held for sale and related liabilities

Tangible assets held for sale comprise vessels which will be sold within 12 months of the reporting date and prepayments on newbuildings under construction which will be sold on delivery within 12 months of the reporting date.

Vessels and prepayments on vessels held for sale are measured at the lower of carrying amount and fair value less selling

NOTES TO THE FINANCIAL STATEMENTS

costs and are recognised under current assets.

Vessels classified as held for sale are not depreciated.

Assets and directly related liabilities are recognised in separate items in the statement of financial position. The items are specified in the notes to the financial statements.

Gains and losses are included in the income statement in the item “Profits from the sale of vessels, etc.” and are recognised on delivery.

Statement of changes in equity

Dividend
Dividend is recognised as a liability at the time of adoption by the shareholders in general meeting. Dividend proposed by management in respect of the year is stated under equity. Dividend is not paid in respect of treasury shares.

Treasury shares
The acquisition and sale of treasury shares and dividends thereon are taken directly to retained earnings under equity.

Share-based incentive programme
The value of services rendered by employees as consideration for share-based incentive payments is measured at the fair value of the granted options and employee shares. For options, this fair value is recognised in the income statement over the vesting period. The fair value of employee shares is recognised at the grant date. A corresponding increase is recognised in equity.

The fair value of the options is determined using the Black-Scholes valuation model, taking into account the terms of the grant and the actual number of vested options. On recognition, the number of options expected to vest is estimated. The estimate is adjusted over the vesting period to the actual number of vested options. The fair value of the employee shares is the quoted price (all trades at 5 p.m.) at the grant date.

Provisions
Provisions are recognised when, as a consequence of an event that has occurred before or on the reporting date, the Group has a legal or constructive obligation, and it is likely that economic benefits will flow from the Company to meet the obligation.

Provisions for docking costs are recognised for bareboat chartered vessels where the agreement entails a commitment on the part of the Group to bring vessels into dock regularly. Provisions are made on a current basis at an amount equal to a pro rata share of the estimated cost of the next docking of each individual vessel, as the value of the liability increases continuously. The provisions are recognised in the income statement in the item “Vessel operating costs”.

Provisions for onerous contracts are recognised when it is inevitable that a loss will be incurred on performance of the contract. In each of the 2 CGUs, Dry Cargo and Tankers, the vessels are operated collectively. The CGUs are identical to the reporting segments. Contract performance can usually be achieved by substitution of vessels in the fleet within the 2 CGUs, Dry Cargo and Tankers. The inevitable loss is assessed in consideration of this possibility. The provision is measured at the lower of the net cost of contract performance and damages payable on termination of the contract. Provisions for onerous contracts are recognised in the income statement in the item “Vessel operating costs”.

Deferred tax
The parent company entered the Danish tonnage tax regime for shipping enterprises with binding effect for a period of 10 years initially as from 2001. As from 2011, the parent company has entered the Danish tonnage tax regime for a new binding 10-year period. Based on the parent company ’s planned use of vessels and recovery of reversed depreciation, respectively, the tonnage tax regime does not result in a liability, hence it does not result in any deferred tax in the statement of financial position. The liability is merely a contingent liability. The amount of contingent tax is stated in the note 9.

Other activities of the Group and the parent company are not subject to deferred tax.

Financial liabilities
Bank debt is recognised at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, such loans are recognised at amortised cost, equivalent to the capitalised value applying the effective rate of interest at the inception of the loan, to the effect that the difference between the proceeds and the nominal value is recognised as interest expense in the income statement over the term of the loan. Commission paid to set up a credit facility is recognised as transaction costs to the extent that it is probable that the facility will be utilised. To the extent that it is not probable that the facility will be partially or fully utilised, commission is recognised as a prepayment for making the facility available and amortised over the term of the credit facility.

The capitalised residual lease liability under finance leases is also considered a financial liability.

Other liabilities, comprising trade payables, prepayments received on vessels for resale, payables to joint ventures and other payables are measured at amortised cost, corresponding substantially to nominal value.

Prepayments and deferred income
Prepayments comprise costs incurred relating to subsequent financial years such as charter hire, rent, insurance premiums, subscription fees and interest.

Deferred income comprises payments received relating to revenue in subsequent years, such as freight income, charter hire, interest and insurance premiums.

Prepayments and deferred income are measured at nominal value.

Consolidated statement of cash flows

The statement of cash flows shows the Group's cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Positive amounts indicate inflows, whereas negative amounts indicate outflows.

Cash flows from operating activities
Cash flows from operating activities are stated as the profit/loss adjusted for non-cash operating items such as depreciation and impairment, profits from the sale of vessels, provisions, fair value adjustments of certain hedging instruments and exchange rate adjustments of non-current liabilities, changes in working capital, interest received and paid and plus or minus corporation tax paid or received. Working capital includes current assets less current liabilities, excluding the items included in cash and cash equivalents.

Cash flows from investing activities
Cash flows from investing activities comprise cash flows from the acquisition and sale of non-current assets.

Cash flows from financing activities
Cash flows from financing activities comprise cash flows from the raising and repayment of non-current liabilities as well as payment of dividends to and from shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise marketable securities with a term of less than 3 months and cash not subject to significant limits to its availability.

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2. Risk management

Active risk management plays a central role in NORDEN's strategy to ensure stable earnings. The Company's risk management efforts are aimed at minimising potential negative effects on earnings from commercial and financial activities and to limit risks to acceptable levels.

It is NORDEN's policy to only assume material risks in relation to the freight markets and related risks. Other risks are reduced to the greatest possible extent either through diversification, guarantees or by hedging the exposure when future risks are known.

The framework and objectives governing NORDEN's risk management are set out and approved annually by the Board of Directors. The framework covers commercial risks, financial risks and capital management risks. The Board of Management is responsible for identifying material risks and developing the Company's risk management. Exposures and the utilisation of the framework are reported to the Board of Directors on a monthly basis.

NORDEN's overall risk management policies are unchanged from last year.

Commercial and financial risks
NORDEN's activities expose the Company to a number of risk factors, the most significant of which are assessed to be:

- Freight rate volatility, affecting vessel values and earnings from vessel capacity
- Credit risk on customers in relation to cargo and T/C contracts
- Credit risk on banks and yards in relation to deposits and prepayments on newbuildings, respectively

As the first two of these risk factors relate to future earnings and therefore do not have any direct impact on the Company's financial position at year-end 2011, these risks are discussed below in the section "Commercial risks". Risk factors relating to items already included in the financial position at year-end 2011 are discussed in the section "Financial risks".

Commercial risks
Freight rate risks (commercial)
Purchasing and chartering vessels imply a risk as the Company assumes a financial liability in expectation of an inflow of income which is dependent on the freight market. To limit the uncertainty relating to earnings, the future open ship days are covered by cargo contracts, T/C contracts and financial instruments.

At the end of 2011, coverage for 2012 constituted a total value of USD 489 million for Dry Cargo and Tankers, corresponding to 78% and 22% coverage of capacity, respectively. Earnings from the remaining 22% and 78% of capacity in Dry Cargo and Tankers, respectively, are directly exposed to the future level of freight rates. A 10% drop in freight rates at the end of 2011 would, all other things being equal, result in a drop in expected future earnings for 2012 of a negative USD 26 million (a negative USD 19 million).

For further information, see the section on capacity and coverage in the management commentary.

Vessel price risks (commercial)
One of NORDEN's most material risks relates to fluctuations in freight rates and vessel prices and the resulting changes to the value of the Company's owned vessels and charter parties with purchase options. At the end of 2011, the Company had 55 owned vessels and newbuildings and 63 charter parties with purchase option. The change in the value of owned vessels will directly affect the Company's estimated Net Asset Value (NAV), while a change in the value of charter parties with purchase options will only affect the Company's theoretical NAV.

Based on the portfolio of owned vessels and charter parties with purchase options as well as market prices at the end of 2011, a simultaneous 10% decline in vessel prices and the freight rate curve would cause the Company's theoretical NAV to drop by USD 318 million (USD 359 million). In contrast, a 10% increase in prices and freight rates would cause the theoretical NAV to increase by USD 324 million (USD 364 million).

The value of the purchase options and the assumptions applied in the calculations are set out in the sections "Fleet development" and "Fleet values" in the management commentary.

Credit risks (commercial)
NORDEN reduces its credit risks through systematic credit assessment of counterparties and through regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on external credit rating agencies and publicly available information. Each analysis results in an internal rating, which subsequently is used in determining the allowed scope of the commitment.

The internal ratings are based both a financial and a non-financial assessment of the counterparty's profile. Each category receives a rating from A to D, A being the highest achievable score. The highest total score is an AA rating, which typically comprises counterparties with attractive ownership structures, production based business models, good reputations and strong financial ratios.

At the end of 2011, the 20 largest counterparties in Dry Cargo included 7 mining companies, 3 energy companies, 4 industrial enterprises, 5 shipping companies and 1 coal distributor. In Tankers, the 5 largest counterparties included 3 oil majors, 1 shipping company and 1 oil distributor.

The Company's commercial credit exposure totalled USD 1,291 million at the end of 2011 with USD 1,189 million in Dry Cargo and USD 102 million in Tankers. In Dry Cargo, coverage of known ship days involved 190 counterparties, of which the 20 largest accounted for 78% of the covered revenue in the segment. In Tankers, coverage was distributed on 41 counterparties, of which the 5 largest accounted for 85% of the covered revenue in the segment.

Financial risks
The table on page 66 provides an overview of financial credit and market risks, including market risks associated with fluctuations in foreign exchange rates and interest rates.

Liquidity risks
In order to ensure sufficient cash reserves, it is the Company's policy that cash should at least equal the Company's payment obligations 1 year ahead. The size of these obligations is calculated on an ongoing basis and adjusted according to the profit forecast for the year and profit projections for subsequent years, market outlook, the availability of attractive investment opportunities and the Company's future liabilities on and off the statement of financial position. See also the section on capital management below.

Capital management risks
The Company's formal external capital requirement is limited to the contributed capital of the parent company and the subsidiaries, which is significantly lower than the Group's equity.

The Group's equity ratio (excluding minority interests) was 85% (89%) at the end of 2011. This significant equity ratio should be considered relative to the Company's future payment obligations in the form of operating lease liabilities (T/C contracts) and payments for newbuildings not recognised in the statement of financial position.

As part of the management of NORDEN's capital structure, the Company's gearing, defined as net commitments relative to equity, is monitored on a monthly basis. The Board of Directors sets out a limit for this ratio, and in 2011, the ratio was not to exceed 1.5. At year-end 2011, the ratio of net commitments to equity was 0.3 (0.2). Please see the statement on page 17 in the management commentary.

Net commitments are measured as the difference between the present value of total future T/C liabilities, payments to shipyards, instalments on loans less expected contractual freight and T/C payments received and cash and securities.

Other operational risks (commercial)
Operating risks
The operation of vessels is exposed to a number of risks. In terms of value, the most material events covered by insurance are oil spills and total loss (lost value of owned vessels, value of purchase options and charter parties). The Company covers these risks by taking out insurances with recognised international insurance companies. The Company further minimises these risks by operating a modern fleet and by investing in the maintenance of the vessels and in the staff awareness of both external and internal environments.

IT
The IT Department has established a technical emergency capacity with an IT environment distributed on 2 locations with twinned critical systems. This emergency capacity is consistent with the management's chosen alert level, which is to be able to ensure emergency operation within 4, 24 or 168 hours, depending on the system. Also, the Company has established an IT Disaster Recovery Plan involving the entire organisation and supporting the IT Department in setting up emergency operations as soon as possible after a disaster.

NOTES TO THE FINANCIAL STATEMENTS

Overview of financial risks

Credit	Nominal value 2011	Nominal value 2010	Comments on NORDEN's policy
Freight receivables	USD 111 million	USD 83 million	The credit rating of counterparties is assessed on an ongoing basis.
Bank deposits	USD 332 million	USD 558 million	The Company's liquidity is strictly placed with financial institutions with a Moody's rating of at least A or equivalent.
Bonds	USD 56 million	USD 36 million	A minor part of the Company's free capital is invested in securities, which as a minimum have a BBB rating in accordance with S&P ("investment grade") or a Moody's rating of Baa3.
Prepayments to yards	USD 170 million	USD 400 million	Newbuilding contracts with shipyards are mainly entered into with repayment guarantees issued by banks with good ratings. Of prepayments to yards of USD 170 million (USD 400 million) guarantees of USD 160 million (USD 383 million) have been obtained.
FFAs	Sold net USD 5 million	Sold net USD 83 million	To limit credit risk, the Company's FFA contracts are only entered into through established clearing houses as these have daily margin settlement.
Bunker swaps	USD 196 million	USD 159 million	The Company's bunker swaps are entered into with financial institutions and with major, recognised business partners with good credit ratings. ISDA agreements are also entered into, ensuring continuous collateral.

Market	Nominal value 2011	Nominal value 2010	Sensitivity	Comments on NORDEN's policy
Freight rate risks (FFAs)	Sold net USD 5 million	Sold net USD 83 million	A 10% drop in freight rates at year-end would impact net profit by USD 0 million (USD 7 million).	The Company only uses FFA contracts to cover physical ship days. Regardless that they provide effective financial hedging, FFAs do not qualify for hedge accounting and are therefore recognised separately in the income statement.
Bunker price risks	USD 196 million	USD 159 million	A 10% drop in bunker prices at year-end would negatively impact net profit by USD 21 million (negative impact of USD 17 million).	The Company only uses bunker swaps to cover its future known bunker consumption when entering into COAs. Regardless that they provide effective financial hedging, the swaps do not qualify for hedge accounting and are therefore recognised separately in the income statement.
Currency risks	USD 16 million	USD 84 million	A 10% change in the DKK and JPY exchange rates at year-end 2011 would impact net profit by USD 2 million (USD 9 million) and USD 0 million (USD 0 million), respectively, and equity by USD 0 million (USD 0 million) and USD 0 million (USD 1 million), respectively.	The Group's functional currency is USD. Currency risks therefore arise in connection with transactions in currencies other than USD, including administrative expenses in DKK, dividends in DKK, consideration paid for vessels purchased, typically in JPY, and investment of excess liquidity in DKK. The Company's exposure to other currencies than DKK and JPY is insignificant.
Interest rate risks			Based on the Group's liquidity and debt at year-end 2011, a 1 percentage point increase in interest rates would, all other things being equal, impact profit before tax by USD 4 million (USD 6 million), and equity by USD 10 million (USD 0 million).	The Company's interest rate risks relate to interest-bearing assets and non-current debt liabilities. At the end of 2011, the majority of the Company's excess liquidity was placed in short-term fixed interest deposits. The Company's loans were entered at floating rates, but are converted into fixed rates for the entire or part of the term of the loan by means of interest rate swaps, and the Company's interest rate risks are therefore limited. A minor share of the Company's liquidity is placed mainly in floating rate bonds.

Note	Amounts in USD'000	Dry Cargo	Tankers	Unallocated	Total
3	**Segment information 2011**				
	Revenue – services rendered, external	1,936,341	336,478	0	2,272,819
	Voyage costs	-762,883	-136,843	0	-899,726
	Contribution margin I	**1,173,458**	**199,635**	**0**	**1,373,093**
	Other operating income, net	5,036	177	0	5,213
	Charter hire for vessels	-920,359	-126,373	0	-1,046,732
	Other vessel operating costs	-37,032	-22,867	0	-59,899
	Other external costs	-11,002	-1,951	-3,262	-16,215
	Staff costs	-38,810	-22,501	-7,703	-69,014
	Profit before depreciation, etc. (EBITDA)	**171,291**	**26,120**	**-10,965**	**186,446**
	Profits from the sale of vessels, etc.	194	-449	13	-242
	Depreciation	-44,657	-32,920	-3,608	-81,185
	Share of results of joint ventures	-200	-330	0	-530
	Profit from operations (EBIT)	**126,628**	**-7,579**	**-14,560**	**104,489**
	Fair value adjustment of certain hedging instruments	-14,897	0	0	-14,897
	Financial income	0	0	9,504	9,504
	Financial expenses	0	0	-5,762	-5,762
	Tax for the year	-4,459	-601	-481	-5,541
	Profit for the year	**107,272**	**-8,180**	**-11,299**	**87,793**
	Vessels	878,872	508,317	0	1,387,189
	Prepayments on vessels and newbuildings	111,459	58,566	0	170,025
	Property and equipment	1,323	0	54,614	55,937
	Investments in joint ventures	18,480	2,795	0	21,275
	Non-current assets	**1,010,134**	**569,678**	**54,614**	**1,634,426**
	Current assets	**242,610**	**38,710**	**434,509**	**715,829**
	– hereof tangible assets held for sale	0	0	0	0
	Assets	**1,252,744**	**608,388**	**489,123**	**2,350,255**
	Investments in non-current assets for the year	218,273	135,029	4,367	357,669
	Average number of employees, excluding employees on T/C vessels	466	401	21	888
	Profit margin	7%	-2%	-	5%
	Return on assets	10%	-1%	-	4%

Material non-cash expenses included in the segment results other than depreciation solely consist of activity-specific fluctuations in trade payables, other payables and recurring material expenses such as provisions, bonuses, bad debts, etc.

NORDEN has no single customer with whom the external revenue exceeds 10% of total revenue. In addition, see note 1 – section on segment information.

USD 14 million resulting from compensation received from counterparties regarding terminated T/C agreements and COAs is included in the revenue.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	Dry Cargo	Tankers	Unallocated	Total
3	**Segment information 2010**				
	Revenue – services rendered, external	1,946,160	243,446	0	2,189,606
	Voyage costs	-530,496	-86,816	0	-617,312
	Contribution margin I	**1,415,664**	**156,630**	**0**	**1,572,294**
	Other operating income, net	3,316	140	0	3,456
	Charter hire for vessels	-1,107,957	-118,703	0	-1,226,660
	Other vessel operating costs	-22,649	-17,464	0	-40,113
	Other external costs	-8,628	-1,713	-2,634	-12,975
	Staff costs	-30,395	-18,685	-7,362	-56,442
	Profit before depreciation, etc. (EBITDA)	**249,351**	**205**	**-9,996**	**239,560**
	Profits from the sale of vessels, etc.	28,150	0	-2	28,148
	Depreciation	-21,750	-25,145	-2,642	-49,537
	Share of results of joint ventures	4,163	209	0	4,372
	Profit from operations (EBIT)	**259,914**	**-24,731**	**-12,640**	**222,543**
	Fair value adjustment of certain hedging instruments	30,771	0	0	30,771
	Financial income	0	0	6,328	6,328
	Financial expenses	0	0	-8,867	-8,867
	Tax for the year	-5,549	-381	-43	-5,973
	Profit for the year	**285,136**	**-25,112**	**-15,222**	**244,802**
	Vessels	472,555	407,775	0	880,330
	Prepayments on vessels and newbuildings	344,281	57,603	0	401,884
	Property and equipment	1,554	0	54,072	55,626
	Investments in joint ventures	31,306	3,919	0	35,225
	Non-current assets	**849,696**	**469,297**	**54,072**	**1,373,065**
	Current assets	**215,094**	**20,494**	**641,828**	**877,416**
	– hereof tangible assets held for sale	35,377	0	0	35,377
	Assets	**1,064,790**	**489,791**	**695,900**	**2,250,481**
	Investments in non-current assets for the year	394,784	167,957	2,982	565,723
	Average number of employees, excluding employees on T/C vessels	325	323	19	667
	Profit margin	13%	-10%	-	10%
	Return on assets	24%	-5%	-	10%

Material non-cash expenses included in the segment results other than depreciation solely consist of activity-specific fluctuations in trade payables, other payables and recurring material expenses such as provisions, bonuses, bad debts, etc.

NORDEN has no single customer with whom the external revenue exceeds 10% of total revenue. In addition, see note 1 – section on segment information.

USD 78 million resulting from compensation received from counterparties regarding terminated T/C agreements and COAs is included in revenue.

Note	Amounts in USD'000	2011	2010
4	**Fees to auditor appointed at the annual general meeting**		
	"Other external costs" includes the following fees to PricewaterhouseCoopers:		
	Audit	318	283
	Other assurance services	40	36
	Tax consultancy	59	74
	Other services	259	361
	Total	**676**	**754**
5	**Staff costs**		
	Onshore employees:		
	Wages and salaries	28,949	27,927
	Pensions – defined contribution plans	1,539	1,565
	Other social security costs	1,926	1,591
	Share-based payment	4,141	3,741
	Total	**36,555**	**34,824**
	Seamen:		
	Wages and salaries	29,836	19,599
	Pensions – defined contribution plans	2,154	1,506
	Other social security costs	469	513
	Total	**32,459**	**21,618**
	Total	**69,014**	**56,442**
	Average number of employees, onshore employees	241	222
	Average number of employees, seamen	647	445
	Total	**888**	**667**

The average number of employees excludes employees on T/C vessels.

	2011			**2010**		
	Parent company Board of Directors	Parent company Board of Management	Other executives	Parent company Board of Directors	Parent company Board of Management	Other executives
Wages and salaries	979	2,231	3,743	933	3,313	4,730
Pensions – defined contribution plans	0	0	215	0	0	338
Other social security costs	0	1	10	0	1	9
Share-based payment	0	726	891	0	651	969
Total	**979**	**2,958**	**4,859**	**933**	**3,965**	**6,046**

The Board of Management and a number of executives are covered by bonus and severance schemes. Parts of the bonuses awarded in 2010 and 2011 are subject to continued employment with NORDEN in 2012-2014 and future earnings and will be recognised in those years. For a more detailed description of the bonus schemes, see the section "Remuneration policy" in the management commentary.

If members of the Board of Management or 4 executives resign in connection with a takeover of the Company, e.g. if the Company merges with or in any other way is combined with one or more companies outside NORDEN, a special severance payment will be paid for a 1-year notice period, corresponding to 1 year's salary (2 years' salary for the Board of Management) in addition to the usual salary.

See also note 27, which comprises a description of share-based payment.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2011	2010
6	**Fair value adjustment of certain hedging instruments**		
	Fair value adjustment of derivative financial instruments which do not qualify for hedge accounting amounts to:		
	Bunker hedging:		
	2010	0	-4,290
	2011	31,440	4,609
	2012	6,746	2,144
	2013	370	343
	2014	41	158
	2015	-32	0
	2016	-41	0
	2017	-44	0
	2018	-48	0
		38,432	2,964
	Realised fair value adjustment reclassified to "Vessel operating costs"	-39,636	-5,138
		-1,204	**-2,174**
	Forward Freight Agreements:		
	2010	0	764
	2011	32,193	15,149
	2012	1,979	1,282
	2013	474	0
		34,646	17,195
	Realised fair value adjustment reclassified to "Revenue"	-48,339	15,750
		-13,693	**32,945**
	Total	**-14,897**	**30,771**
7	**Financial income**		
	Dividends	11	3
	Interest income	6,320	6,293
	Hedging instruments	923	0
	Securities	374	32
	Exchange rate adjustments	1,876	0
	Total	**9,504**	**6,328**
8	**Financial expenses**		
	Interest costs, non-current debt, etc.	5,762	2,565
	Hedging instruments	0	609
	Exchange rate adjustments	0	5,693
	Total	**5,762**	**8,867**

Note	Amounts in USD'000	2011	2010
9	**Taxation**		
	Tax on the profit for the year	6,095	5,930
	Adjustment of tax regarding previous years	-554	43
	Total	**5,541**	**5,973**
	Tax on the profit for the year is broken down as follows:		
	Profit before tax	93,334	250,775
	of which under the tonnage tax scheme	-3.289	-76,810
		90,045	173,965
	Calculated tax of this, 25%	22,511	43,491
	Tax effect from:		
	– Higher/lower tax rate in subsidiaries	-20,929	-41,520
	– Profits from the sale of vessels	0	1,069
	– Other	997	0
		2,579	**3,040**
	Tonnage tax	3,516	2,890
	Total	**6,095**	**5,930**
	The Company has decided to continue under the tonnage tax regime as of 1 January 2011 for a binding 10-year period.		
	If the Company's net investments in vessels decrease noticeably or if the Company is wound up, the contingent tax from before the Company joined the tonnage tax scheme will be released.		
	Contingent tax under the tonnage tax scheme	18,544	18,544
	Contingent tax is calculated at 25% equalling the current tax rate.		
10	**Earnings per share (EPS)**		
	Basic:		
	Profit for the year for NORDEN's shareholders	87,795	244,804
	Weighted average number of shares (thousand)	41,199	41,985
	Earnings per share (USD per share)	**2.13**	**5.83**
	Diluted:		
	Weighted average number of shares (thousand)	41,199	41,985
	Adjusted for share options (thousand)	0	85
	Weighted average number of shares for diluted earnings per share (thousand)	41,199	42,070
	Diluted earnings per share (USD per share)	**2.13**	**5.82**

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

11 Tangible assets

2011	Vessels	Property and equipment	Prepayment on vessels and new-buildings	Total
Cost at 1 January	982,875	69,403	401,884	1,454,162
Additions for the year	59,948	4,367	293,354	357,669
Disposals for the year	0	-214	0	-214
Transferred during the year	524,102	0	-524,102	0
Transferred during the year to other items	0	0	-1,111	-1,111
Cost at 31 December	1,566,925	73,556	170,025	1,810,506
Depreciation at 1 January	-102,545	-13,777	0	-116,322
Depreciation for the year	-77,191	-3,994	0	-81,185
Reversed depreciation on vessels disposed of	0	152	0	152
Depreciation at 31 December	-179,736	-17,619	0	-197,355
Carrying amount at 31 December	**1,387,189**	**55,937**	**170,025**	**1,613,151**

Capitalised borrowing costs on vessels USD 0 million. Amount insured on vessels USD 1,440 million.

2010	Vessels	Property and equipment	Prepayment on vessels and new-buildings	Total
Cost at 1 January	569,023	66,606	442,526	1,078,155
Additions for the year	298,398	2,982	264,343	565,723
Disposals for the year	0	-185	-87	-272
Transferred during the year	249,902	0	-249,902	0
Transferred during the year to tangible assets held for sale	-134,448	0	-54,996	-189,444
Cost at 31 December	982,875	69,403	401,884	1,454,162
Depreciation at 1 January	-71,410	-10,765	0	-82,175
Depreciation for the year	-46,379	-3,158	0	-49,537
Reversed depreciation on vessels disposed of	0	146	0	146
Transferred during the year to tangible assets held for sale	15,244	0	0	15,244
Depreciation at 31 December	-102,545	-13,777	0	-116,322
Carrying amount at 31 December	**880,330**	**55,626**	**401,884**	**1,337,840**

Capitalised borrowing costs on vessels USD 0 million. Amount insured on vessels USD 1,235 million.

See note 23 for security provided for vessels.

Note	Amounts in USD'000	2011	2010
12	**Investments in joint ventures**		
	Cost at 1 January	22,771	22,771
	Disposals for the year	-6,095	0
	Cost at 31 December	16,676	22,771
	Value adjustments at 1 January	12,454	8,999
	Share of results for the year	-530	4,372
	Reversed value adjustment on disposals for the year	-331	0
	Dividends paid	-6,994	-917
	Value adjustments at 31 December	4,599	12,454
	Carrying amount at 31 December	**21,275**	**35,225**

Investments comprise:	Ownership share	Share of results of joint ventures		Carrying amount	
		2011	**2010**	**2011**	**2010**
Norient Product Pool ApS	50%	-341	199	2,783	3,889
Norient Cyprus Ltd.	50%	12	9	12	29
ANL Maritime Services Pte. Ltd.	50%	-15	45	116	131
Nord Summit Pte. Ltd.	50%	-171	4,157	18,364	18,535
Nord Empros I Pte. Ltd.	50%	-5	-10	0	2,471
Nord Empros II Pte. Ltd.	50%	-5	-9	0	2,477
Nord Empros III Pte. Ltd.	50%	-5	-19	0	7,693
Polar Navigation Pte. Ltd.	50%	0	0	0	0
Total		**-530**	**4,372**	**21,275**	**35,225**
Hereof profits from the sale of vessels		103	4,276		

	2011	2010
Guarantees regarding joint ventures	0	0
Liabilities regarding joint ventures	16,065	29,232
Key figures (100%) for joint ventures:		
Revenue and other income	12,000	19,242
Costs	13,060	10,497
Non-current assets	44,037	14,115
Current assets	15,605	60,800
Current liabilities	18,745	5,780

No significant restrictions apply to distributions from joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2011	2010
12	**Investments in joint ventures – continued**		
	Joint operations		
	The Group participates in joint operations in the form of pool arrangements. See note 1.		
	Joint operations comprise the following pools:		
	Norient Product Pool		
	Norient Short Term Tank Pool		
	Norient Post-Panamax Pool		
	Norient Handysize Pool		
	NORDEN acts as manager of the 2 last-mentioned pools.		
	The following is an overview of NORDEN's total liabilities and coverage in respect of joint operations in the event that other pool partners are unable to meet their obligations.		
	Share of unrecognised liabilities for which the partners are jointly and severally liable	**10,556**	**5,591**
	Future operating lease liabilities:		
	Within 1 year	2,585	5,519
	Total*	**2,585**	**5,519**
	Future COAs:		
	Within 1 year	39,169	35,800
	Between 1 and 5 years	18,244	28,772
	More than 5 years	58,323	67,545
	Total*	**115,736**	**132,117**
	Future operating lease income:		
	Within 1 year	74,474	131,479
	Between 1 and 5 years	35,813	65,296
	Total*	**110,287**	**196,775**

There are no other contribution requirements or significant contingent liabilities in relation to joint operations.

* Note 21 and 24 "Operating lease liabilities" and "COAs and operating lease income" include NORDEN's expected share hereof.

In addition, the Group participates in normal profit sharing agreements concerning 29 (28) vessels where profit sharing for the vessels is 50%. No contribution requirements or significant contingent liabilities are related to the profit sharing agreements.

Note	Amounts in USD'000	2011	2010
13	**Receivables**		
	Freight receivables	115,106	89,782
	Provisions for bad debts	-4,220	-7,215
	Freight receivables, net	110,886	82,567
	Receivables from joint ventures	6,317	726
	Other receivables	54,136	44,722
	Total	**171,339**	**128,015**
	The fair value of receivables amount to:		
	Freight receivables	110,886	82,567
	Receivables from joint ventures	6,317	726
	Other receivables	54,136	44,722
	Total	**171,339**	**128,015**
	Development in write-downs on freight receivables:		
	Write-downs at 1 January	-7,215	-4,470
	Applied during the year	825	2,620
	Reversed	4,325	300
	Addition during the year	-2,155	-5,665
	Total	**-4,220**	**-7,215**
	Freight receivables which have been written down in provision for bad debts amount to:	4,747	8,515
	Freight receivables due which have not been written down in provision for bad debts amount to:		
	– due in less than 3 months	3,561	7,108
	Total	**3,561**	**7,108**
	Loss on other receivables and receivables from joint ventures is not expected, and thus, no write-downs have been made.		
	Regarding freight receivables, the Company usually has the opportunity to use the cargo as security. See also note 2.		
	The carrying amount of receivables is distributed on the following currencies:		
	USD	151,930	123,343
	DKK	13,682	1,510
	Other currencies	5,727	3,162
	Total	**171,339**	**128,015**
14	**Securities**		
	Shares	14,836	2,633
	Bonds	56,488	35,517
	Total	**71,324**	**38,150**

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2011	2010
15	**Cash**		
	Demand deposits and cash balance	52,141	44,758
	Money market investments	279,918	508,940
	Other cash	3,809	20,873
	Cash according to the statement of financial position	**335,868**	**574,571**
	– Hereof restricted cash	0	0
	Cash according to the statement of cash flows	**335,868**	**574,571**
	Money market investments at year-end have maturities of up to	191 days	269 days
	In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Norwegian Future and Options Clearing House (NOS), UBS Limited and Danske Bank in the form of cash. At 31 December, cash held in margin accounts placed as security amounted to	3,767	16,197
16	**Tangible assets held for sale**		
	Carrying amount at 1 January	35,377	54,547
	Additions for the year to tangible assets held for sale	12	97,277
	Additions for the year from prepayments on vessels and newbuildings	0	54,996
	Additions for the year from vessels	0	119,203
	Disposals for the year	-35,389	-290,646
	Carrying amount at 31 December	**0**	**35,377**
	Which can be specified as follows:		
	Vessels	0	35,377
	Total	**0**	**35,377**
17	**Reserves**		
	Securities:		
	Fair value adjustment at 1 January	-276	-705
	Fair value adjustment for the year	11,346	397
	Transferred to net financials	374	32
	Fair value adjustment at 31 December	11,444	-276
	Cash flow hedges:		
	Fair value adjustment at 1 January	7,280	2,941
	Fair value adjustment for the year	-4,746	5,009
	Transferred to vessels	-7,280	-670
	Fair value adjustment at 31 December	-4,746	7,280
	Total	**6,698**	**7,004**

Note Amounts in USD'000

18 Equity

The share capital consists of 43,000,000 shares of a nominal value of DKK 1 each. No shares are subject to any special rights or restrictions.

Treasury shares	Number of shares		Nominal value (DKK'000)		% of share capital	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
1 January	2,524,820	2,556,495	2,524	2,556	5.66	5.73
Acquired	906,800	0	907	0	2.11	0.00
Distributed/sold	-45,542	-31,675	-45	-32	-0.11	-0.07
Cancelled	-1,600,000	0	-1,600	0	-3.72	0.00
31 December	**1,786,078**	**2,524,820**	**1,786**	**2,524**	**4.15**	**5.66**

The Company is authorised by the general meeting to acquire a maximum of 4,300,000 treasury shares, equal to 10% of the share capital. Treasury shares are i.a. acquired for the purpose of share-based payment. See note 27.

In 2011, the Company acquired 906,800 treasury shares equal to a purchase price of DKK 169,982 thousand (USD 31,556 thousand) and distributed 45,542 employee shares from the holding of treasury shares with an average value of DKK 7,176 thousand (USD 1,235 thousand). Furthermore, the Company cancelled 1,600,000 treasury shares equal to a nominal value of DKK 1,600 thousand (USD 254 thousand).

In 2010, the Company distributed 31,675 employee shares with an average value of DKK 4,991 thousand (USD 859 thousand). Furthermore, Vækstfonden released 188,460 shares against payment of DKK 43,647 thousand (USD 7,566 thousand).

At 1 January 2011, the Company had a total of 42,075,180 outstanding shares of DKK 1 each, and at 31 December 2011, a total of 41,213,922 outstanding shares of DKK 1 each.

Note		2011	2010
19	**Bank debt**		
	Interest-bearing liabilities include bank debt, which is included in the following items:		
	Current portion of non-current debt within 1 year	30,043	43,757
	Non-current liabilities between 1 and 5 years	61,505	14,666
	Non-current liabilities over 5 years	73,512	0
	Total	**165,060**	**58,423**
	Mortgages and security provided in relation to liabilities are disclosed in note 23.		
	Interest-bearing liabilities amount to:		
	Carrying amount:		
	– Fixed-rate loans	14,667	58,423
	– Floating-rate loans	157,399	0
	– Borrowing costs	-7,006	0
	Total	**165,060**	**58,423**
	Fair value:		
	– Fixed-rate loans	14,984	60,313
	– Floating-rate loans	157,399	0
	Total	**172,383**	**60,313**
20	**Liabilities relating to tangible assets held for sale**		
	Prepayments received on sold vessels and newbuildings	0	7,324
	Total	**0**	**7,324**

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

21 Operating lease liabilities

Operating lease payments in the form of charter hire including daily operating costs recognised in the income statement are disclosed in note 3.

Leases have been entered into with a mutually interminable lease period of up to 12 years. Some leases include an option to renew for 1 additional year at a time for up to 3 years. Leases may also include purchase options, typically exercisable as from the end of the third year to the expiry of the period of renewal. Exercise of the purchase option on the individual vessel is based on an individual assessment. None of the leases comprise contingent lease payments.

	2011			2010		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	360,468	99,819	460,287	439,398	114,080	553,478
Between 1 to 5 years	870,877	206,574	1,077,451	948,464	214,219	1,162,683
More than 5 years	443,409	26,334	469,743	457,679	72,585	530,264
Total	**1,674,754**	**332,727**	**2,007,481**	**1,845,541**	**400,884**	**2,246,425**

For information on ship days distributed on years, please see capacity and coverage in the management commentary. For information on the Company's charter parties with purchase option, see "Fleet development" and "Fleet values" in the management commentary.

The above includes NORDEN's expected share of jointly controlled COAs and operating lease income. See note 12.

		2011	2010
22	**Unrecognised contingent assets and liabilities**		
	Contingent assets		
	The Group has raised claims against third party regarding non-performance of cargo contracts, etc. The Group and its legal advisors consider the claims to be justified and probable. There is uncertainty as to when the claims will be settled as well as the financial result hereof. No recognition hereof has been made as the existence of the assets is dependent on several uncertain future events that are beyond the control of the Group, and therefore, it is virtually certain that it is not an asset.	11,349	10,600
	Contingent liabilities		
	Guarantee commitments do not exceed	252	244
	The Company has entered into agreements for future delivery of newbuildings and purchase options, etc. The total contract amount is payable as follows:		
	Within 1 year	103,974	276,558
	Between 2 and 3 years	69,160	92,339
	Total	**173,134**	**368,897**
	Claims have been made against the Group concerning responsibility of redelivery and broker fees, etc. The Group and its legal advisors consider the claims unjustified and do not perceive that the Group will incur any losses as a result of the actions for damages. The maximum risk is assessed to be	3,800	1,300
23	**Mortgages and security**		
	As security for bank debt	165,060	58,423
	a total number of vessels of	10	4
	with a carrying amount of	372,499	86,430
	have been mortgaged at	285,580	85,580

Note Amounts in USD'000

24 COAs and operating lease income

At 31 December, the Group had entered into COAs with customers amounting to:

	2011			2010		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	228,915	6,135	235,050	253,128	10,242	263,370
Between 1 to 5 years	217,386	0	217,386	248,587	2,301	250,888
More than 5 years	134,998	0	134,998	120,896	0	120,896
Total	**581,299**	**6,135**	**587,434**	**622,611**	**12,543**	**635,154**

The Group has operating lease income amounting to:

	2011			2010		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	163,041	26,604	189,645	202,056	55,199	257,255
Between 1 to 5 years	180,407	14,541	194,948	312,688	15,433	328,121
More than 5 years	107,403	0	107,403	133,485	0	133,485
Total	**450,851**	**41,145**	**491,996**	**648,229**	**70,632**	**718,861**

The above includes NORDEN's expected share of COAs and operating lease income. See note 12.

25 Financial instruments

Hedge accounting:

For more information on the Company's overall risk management, see the description in note 2.

	Contractual value		Recognised in equity at 31 December	
	2011	2010	2011	2010
Cash flow hedging, purchase of vessels in JPY				
Forward exchange contracts, gain/loss	0	22,289	0	5,180
Fixed-term deposits, gain/loss	0	0	0	2,100
Total	**0**	**22,289**	**0**	**7,280**

Gains and losses on cash flow hedging transactions regarding forward exchange contracts taken to the fair value reserve are recognised in the statement of financial position at the same time as the hedged item as addition to/a deduction from cost.

For the use of future payments in JPY, the Group has exchanged USD and placed JPY in fixed-term deposits. The money is dedicated as coverage of single payments in relation to the purchase of vessels.

	2011	2010
Interest rate swap – cash flow hedging:		
Contractual value (outstanding debt)	282,642	0
Market value:		
Contracts with a realised loss (liability)	-4,746	0
Recognised in equity at 31 December	**-4,746**	**0**

All contracts have been entered into with a remaining term of up to 8 years at the reporting date.

Gains and losses on hedging transactions taken to the fair value reserve are recognised in the income statement at the same time as payment of interest on the underlying loans.

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

25 Financial instruments – continued

Financial hedging:

At 31 December, the Group had entered into hedging transactions, which do not qualify for hedge accounting and are recognised in assets and liabilities with the following amounts:

	2011			2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Commodities:						
Bunker hedging	14,198	-2.116	12,082	14,487	-1,201	13,286
Forward Freight Agreements	3,735	0	3,735	13,911	0	13,911
Credit default swaps	0	-506	-506	0	-1,835	-1,835
Dual currency deposits	0	-80	-80	40	0	40
Cross currency swaps	130	-900	-770	0	-1,376	-1,376
Currency:						
Forward exchange contracts	15,355	0	15,355	0	-9,749	-9,749
Interest rates:						
Interest rate swaps	0	-938	-938	0	0	0

26 Related party disclosures and transactions with related parties

The Group has no related parties controlling NORDEN. Subsidiaries are shown in note 31.

Related parties include the Board of Directors, Board of Management and executives as well as their close relatives. Related parties also include companies in which the above persons have significant interests as well as companies and foundations which have direct or indirect significant influence through shareholdings.

In addition, related parties include joint ventures in which NORDEN has significant influence, see note 12.

	2011	2010
Trading and accounts with related parties comprise:		
Sale of goods and services		
– joint ventures	3,556	2,211
Dividends from		
– joint ventures	6,994	917
Interest expenses		
– joint ventures	66	56
Amounts owed by related parties		
– joint ventures	6,317	726
Debt to related parties		
– joint ventures	0	35,896
– Board of Directors, Board of Management and executives	1,366	2,727
Dividends paid to related parties		
– Board of Directors, Board of Management and executives	170	125
– A/S Motortramp	18,892	14,772
– POLYSHIPPING AS	7,763	6,070
– D/S Orients Fond	707	553

Guarantees are disclosed in notes 12 and 22.

Accounts with joint ventures are related to operations, unsecured and with usual interest rates.

Remuneration and share-based payment of the Board of Directors, Board of Management and other executives are disclosed in notes 5 and 27.

No other transactions took place during the year with the Board of Directors, Board of Management, executives, major shareholders or other related parties.

Note Amounts in USD'000

27 Share-based payment

Employee shares

In connection with the employee share scheme for 2011, NORDEN granted 122 shares to all employees who either had, or during the course of 2011, would attain at least 1 year's seniority. A total of 44,774 shares were granted. The price per share at the grant date was DKK 186.73. The fair value of the granted employee shares, which was expensed, amounted to USD 1,408 thousand (USD 1,306 thousand) in 2011.

Share option programme – 2008

On 10 March 2008, the Board of Directors granted share options comprising a total of 446,100 shares to a number of executives. The options are exercisable from 10 March 2010 to 10 March 2012 and each entitles the holder to acquire one share at an exercise price which will be determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date and plus an effective interest rate of 8% p.a. until any exercise. Upon exercise, the Board of Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already owns shares, this can be included in the determination of the investment amount.

The share options may be exercised after at least 2 years and no more than 4 years from the grant date. The exercise of share options by the members of the Board of Management and other executives is subject to their continued employment with the Company at the exercise date. Special terms apply in case of illness and death.

Share option programme – 2009

On 9 March 2009, the Board of Directors granted share options comprising a total of 379,175 shares to a number of executives. The options are exercisable from 9 March 2012 to 9 March 2015 and each entitles the holder to acquire one share at an exercise price which will be determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date and plus an effective interest rate of 8% p.a. until any exercise. Upon exercise, the Board of Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already owns shares, this can be included in the determination of the investment amount.

The share options may be exercised after at least 3 years and no more than 6 years from the grant date. The exercise of share options by the members of the Board of Management and other executives is subject to their continued employment with the Company at the exercise date. Special terms apply in case of illness and death.

Share option programme – 2010

On 9 March 2010, the Board of Directors granted share options comprising a total of 350,000 shares to a number of executives. The options are exercisable from 9 March 2013 to 9 March 2016 and each entitles the holder to acquire one share at an exercise price which will be determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date and plus an effective interest rate of 8% p.a. until any exercise. Upon exercise, the Board of Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already owns shares, this can be included in the determination of the investment amount.

The share options may be exercised after at least 3 years and no more than 6 years from the grant date. The exercise of share options by the members of the Board of Management and other executives is subject to their continued employment with the Company at the exercise date. Special terms apply in case of illness and death.

Share option programme – 2011

On 2 March 2011, the Board of Directors granted share options comprising a total of 350,000 shares to a number of executives. The options are exercisable from 2 March 2014 to 2 March 2017, and each entitles the holder to acquire one share at an exercise price, which will be determined as a 5-day average of the market price following the grant, less all dividend payments after the grant date and plus a fee of 20% in proportion to the market price at the date of grant. Upon exercise, the Board of Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already owns shares, this can be included in the determination of the investment amount.

The share options may be exercised after at least 3 years and no more than 6 years from the grant date. The exercise of share options by the members of the Board of Managment and other executives is subject to their continued employment with the Company at exercise date. Special terms apply in case of death and illness.

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

27 Share-based payment – continued

The change in the number of outstanding share options is as follows:

	2011	2010
	Number of options	Number of options
Outstanding at 1 January	1,508,269	1,203,655
Granted during the period	350,000	350,000
Lapsed during the period	-43,984	-45,386
Expired during the period	-407,740	0
Total	**1,406,545**	**1,508,269**

Outstanding share options are composed as follows at 31 December 2011:

	Number of shares			
	Board of Management	Other executives	Others	Total
Granted 10 March 2008	72,440	166,320	121,120	359,880
Granted 9 March 2009	102,009	171,009	88,429	361,447
Granted 9 March 2010	89,044	159,988	89,438	338,470
Granted 2 March 2011	79,796	158,690	108,262	346,748
Outstanding at 31 December 2011	**343,289**	**656,007**	**407,249**	**1,406,545**

	Per option, DKK			
	Exercise price at 31 December 2011	Allotment price	Number of options	Exercise period
Granted 10 March 2008	565.95	478.86	359,880	10/3 2010 - 10/3 2012
Granted 9 March 2009	160.05	155.03	361,447	9/3 2012 - 9/3 2015
Granted 9 March 2010	260.86	241.13	338,470	9/3 2013 - 9/3 2016
Granted 2 March 2011	214.39	222.39	346,748	2/3 2014 - 2/3 2017
Outstanding at 31 December 2011	**301.56**		**1,406,545**	

The fair value of granted share options in 2008, 2009, 2010 and 2011 amounts to USD 7.8 million, USD 2.9 million, USD 3.3 million and USD 3.4 million, respectively, and is recognised in the income statement over the vesting period and set off against equity. The expense for the year is USD 2,733 thousand (USD 2,435 thousand).

The calculated fair value at the grant date is based on the Black-Scholes option value model. The calculation of the fair values of options at the grant date is based on the following assumptions:

– That all options are granted and that the options are exercised at the earliest opportunity, however, 3.25 years for the grant in 2011.
– A volatility of 42.3% (2008), 59.4% (2009), 50.4% (2010) and 58.4% (2011).
– A dividend of 3500% (2008), 500% (2009), 500% (2010) and 500% (2011).
– A risk-free interest rate of 3.70% (2008) 2.21% (2009), 1.67% (2010) and 2.38% (2011).
– A revaluation of the exercise price of 8% p.a. for the programmes 2008-2010, and a total revaluation of 20% p.a. for the programme 2011, so that it is only the increase in value in addition to this which will be rewarded.

The expected volatility is based on the historical volatility (calculated at the weighted average remaining term of granted share options) adjusted for expected changes hereto as a result of publicly available information.

The expected term is based on the historical term of previously granted share options.
The assumed dividend per share is based on historical dividends.
The risk-free interest rate is based on Danish government bonds.

Total share-based payment

The recognised costs for the year of employee shares and share options amount to USD 4,141 thousand (USD 3,741 thousand).

Note	Amounts in USD'000
28	**Liquidity risk**

The terms to maturity of financial assets and liabilities are disclosed by category and class, distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined based on a 0-coupon interest structure. All cash flows are undiscounted.

2011	Maturities				
	Within 1 year	Between 1-3 years	More than 3 years	Total	Carrying amount
Derivative financial instruments					
Derivative financial instruments with a postive market value[1)]	30,826	2,034	551	33,411	33,418
Derivative financial instruments with a negative market value[1)]	-4,990	-744	-753	-6,487	-4,537
Cash flow hedging with a negative market value[1)]	-1,600	-4,059	-246	-5,905	-4,746
Loans and receivables measured at amortised cost					
Cash	335,868	0	0	335,868	335,868
Freight receivables	110,886	0	0	110,886	110,886
Receivables from joint ventures	6,317	0	0	6,317	6,317
Other receivables	20,718	0	0	20,718	20,718
Total	473,789	0	0	473,789	473,789
Financial liabilities measured at amortised cost					
Bank debt*	-31,158	-16,174	-125,051	-172,383	-165,060
Trade and other payables	-162,561	0	0	-162,561	-162,561
Total	-193,719	-16,174	-125,051	-334,944	-327,621
Financial assets which do not constitute a part of the cash resources					
Financial assets available for sale:					
Shares[2 + 3)]	14,836	0	0	14,836	14,836
Bonds[2)]	48,000	16,000	0	64,000	56,488
Total	62,836	16,000	0	78,836	71,324

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

28 Liquidity risk – continued

	2010				
	Maturities				
	Within 1 year	Between 1-3 years	More than 3 years	Total	Carrying amount
Derivative financial instruments					
Derivative financial instruments with a postive market value[1)]	26,211	6,374	359	32,944	28,439
Derivative financial instruments with a negative market value[1)]	-11,163	-4,739	-813	-16,715	-14,160
Cash flow hedging with a positive market value[1)]	5,180	0	0	5,180	5,180
Loans and receivables measured at amortised cost					
Cash	574,571	0	0	574,571	574,571
Freight receivables	82,567	0	0	82,567	82,567
Receivables from joint ventures	726	0	0	726	726
Other receivables	11,103	0	0	11,103	11,103
Total	668,967	0	0	668,967	668,967
Financial liabilities measured at amortised cost					
Bank debt*	-45,260	-15,053	0	-60,313	-58,423
Payables to joint ventures	-35,896	0	0	-35,896	-35,896
Trade and other payables	-105,097	0	0	-105,097	-105,097
Total	-186,253	-15,053	0	-201,306	-199,416
Financial assets which do not constitute a part of the cash resources					
Financial assets available for sale:					
Shares[2 +3)]	2,633	0	0	2,633	2,633
Bonds[2)]	10,000	19,300	8,000	37,300	35,517
Total	12,633	19,300	8,000	39,933	38,150

Note Amounts in USD'000

28 Liquidity risk – continued

Financial instruments measured at fair value are divided in accordance with the following accounting hierarchy:
– Level 1: Observable market prices of identical instruments.
– Level 2: Valuation models primarily based on observable prices or trading prices of comparable instruments.
– Level 3: Valuation models primarily based on non-observable prices.

1) The fair value of NORDEN's forward exchange contracts and other derivative financial instruments (commodity instruments) is considered for fair value measurement at level 2 as the fair value can be determined directly on the basis of the published exchange rates and forward interest rates and prices at the reporting date.
2) Fair value measurement of shares and bonds is at level 1 as the fair value is determined on the basis of share prices.
3) Level 3 includes unlisted shares where the fair value is based on published financial statements. The fair value adjustment for the year amounts to USD 12,799 thousand.

* The fair value of bank debt calculated as the present value of expected future repayments and interest payments amounts to USD 172,383 thousand (USD 60,313 thousand). As discount rate at the calculation of present value, a 0-coupon interest with similar maturities has been used. The fair value of other items corresponds to the carrying amount. Bank debt relates to loans from Export-Import Bank of China/Nordea, which are repayable over 5 years from conclusion with an interest rate of 3.96% p.a., including guarantee commission, and loans from BNP Paribas, which are repayable over 10 years from conclusion with an interest rate of libor plus 1.75%.

29 Change in working capital

	2011	**2010**
Inventories on board vessels	-42,308	-14,357
Freight and other receivables, etc.	-36,793	30,791
Trade and other payables, etc.	27,488	53,209
Fair value adjustments of hedging instruments taken to equity	-12,026	4,339
Total	**-63,639**	**73,982**

30 Dividends

The amount available for distribution as dividends comprises:	859,283	939,752

Dividends paid in 2011 and 2010 amount to USD 68,946 thousand (DKK 8 per share) and USD 55,621 thousand (DKK 7 per share), respectively. The proposed dividend for 2011 is USD 29,936 thousand (DKK 4 per share). The proposed dividend for 2011 will be considered at the annual general meeting on 11 April 2012. The proposed dividend has not been recognised in the financial statements.

31 Subsidiaries

Consolidated subsidiaries comprise:	Ownership	Ownership
Norden Shipping Pte. Ltd., Singapore	100%	100%
NORDEN Tankers & Bulkers Inc., USA	100%	100%
NORDEN Tankers & Bulkers Ltd., Brazil	100%	100%
NORDEN Tankers & Bulkers Pvt. Ltd., India	100%	100%
Svalbard Maritime Services AS, Norway	100%	-
Normit Shipping S.A., Panama	51%	51%
Nortide Shipping III Ltd., Bermuda – liquidated	-	100%

32 Events after the reporting date

See page 10 in the management commentary.

DEFINITIONS OF KEY FIGURES AND FINANCIAL RATIOS

Key figures and financial ratios are computed in accordance with "Recommendations and Financial Ratios 2010" issued by the Danish Society of Financial Analysts. However, NORDEN deviates from the recommendation in the calculation of EBITDA as the Company does not recognise gains and losses from sale of vessels in EBITDA. This item is included in the operating profit (EBIT).

The ratios listed in the key figures and financial ratios section were calculated as follows:

Book value per DKK 1 share	=	Year-end equity, excluding minority interests / Number of shares at year-end, excluding treasury shares
Dividend yield	=	Dividend per share x 100 / Share price
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDA ratio	=	EBITDA x 100 / Net revenues
Equity ratio	=	Equity at year-end, excluding minority interests x 100 / Total assets
Invested capital	=	Equity, including minority interests + net interest-bearing debt at year-end
Net Asset Value (NAV) per share	=	Equity, excluding minority interests + added value of vessels and vessels on order relative to year-end carrying amounts / Number of shares at year-end, excluding treasury shares
Net interest-bearing debt	=	Interest-bearing debt less cash and securities, at year-end
Net profit per DKK 1 share	=	Profit or loss for the year / Number of shares at year-end, excluding treasury shares
Payout ratio	=	Dividend, excluding treasury shares x 100 / Profit or loss for the year, excluding minority interests
Price/book value	=	Share price at year-end per DKK 1 share / Book value per DKK 1 share
Profit margin (EBIT margin)	=	Profit or loss from operations x 100 / Net revenues
Return on assets	=	Profit or loss from operations x 100 / Total assets at year-end
Return on equity in % (ROE)	=	Profit or loss for the year, excluding minority interests x 100 / Average equity, excluding minority interests
Return on invested capital (ROIC)	=	Profit or loss from operations x 100 / Average invested capital
Share price at year-end per DKK 1	=	The last-quoted average price on NASDAQ OMX share Copenhagen A/S for all trade in the Company share at the reporting date
Total shareholder return	=	The total return of a share to an investor from capital gains on share price performance and dividends. Dividends are assumed to have been reinvested in the share. Return is based on USD
USD exchange rate at year-end	=	The USD exchange rate quoted by the National Bank of Denmark at year-end

TECHNICAL TERMS AND ABBREVIATIONS

A

ACM Shipbroking company.

B

Baltic Exchange Clean Tanker Index (BCTI) Index of the product tanker rate development on selected routes for Handysize, MR and LR1.

Baltic Exchange Dry Index (BDI) Index of the dry cargo rate development on selected routes for Handysize, Supramax, Panamax and Capesize.

Bloomberg Provider of financial news and data.

Bunker Fuel used by the vessel.

Bunker hedging Forward agreement to purchase or sell bunker oil at a predetermined price.

C

Capesize Bulk carrier of more than 120,000 dwt. capacity.

Carbon Disclosure Project Organisation registering company data, particularly on CO_2.

Cargo contract See COA.

Charter party Lease or freight agreement between shipowner and charterer for a long period of time or for a single voyage.

Clarksons Shipbroking company.

CO_2 Carbon dioxide.

COA (Contract of Affreightment) Agreement to transport one or more cargoes at a predetermined price per ton.

Commercial management Agreement on operating a vessel for the account and risk of the shipowner.

Contract of Affreightment See COA.

Core fleet Owned vessels and vessels on long-term charters with purchase option.

Coverage Percentage indicating the part of ship days that are employed.

CSR (Corporate Social Responsibility) Companies' social responsibility.

D

Double-hulled vessel Vessel with both an outer and an inner hull. Gives extra protection in case of collision, for example.

Dry cargo vessel (bulk carrier) Vessel used for bulk transport of grain, coal, ore, sugar and cement etc.

Dwt. Deadweight ton. A measure of a vessel's carrying capacity.

E

EBIT Earnings Before Interest and Tax.

EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation.

F

FFA (Forward Freight Agreement) Forward agreement to purchase or sell the transport of cargo for a particular type of vessel and route at a predetermined price.

H

Handymax Bulk carrier of 40,000-65,000 dwt. capacity.

Handysize Bulk carrier of 25,000-40,000 dwt. capacity or product tanker of 27,000-42,000 dwt. capacity.

I

IAS International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

IMF International Monetary Fund.

IMO International Maritime Organisation – shipping organisation under the UN.

K

KPI Key Performance Indicator.

L

Liner shipping Voyages with fixed routes.

Long-term charter Agreement to charter a vessel for a period of more than 3 years.

LR1 (long range) tanker Product tanker of 60,000-85,000 dwt. capacity.

M

MOEPS Master's Operations Environmental Performance System.

MR (medium range) tanker Product tanker of 42,000-60,000 dwt. capacity.

MSI Maritime Strategies International Ltd.

N

NO_x The nitrogen oxides NO and NO_2.

O

OECD Organisation for Economic Co-operation and Development.

P

Panamax Bulk carrier of 65,000-85,000 dwt. capacity – largest vessel type to pass the Panama Canal.

Pool Group of vessels with different owners but commercially operated together.

Port State Control The countries' right to technically inspect foreign vessels.

Post-Panamax Bulk carrier of 85,000-120,000 dwt. capacity.

Product tank Transport of refined oil products, including gasoline, jet fuel, naphtha, diesel and gas oils.

Propulsion resistance The effect required by the main engine to push the vessel through the water.

Purchase option A right, but not an obligation, to purchase a vessel at an agreed price.

R

ROE Return on equity.

ROIC Return on invested capital.

R.S. Platou Shipbroking company.

S

Ship days Total number of days with available vessel capacity.

Short-term charter Agreement to charter a vessel for a period of less than 3 years.

SO_x The sulphur dioxides SO and SO_2.

Spot market Market in which vessels are contracted for a single voyage for immediate delivery.

SSY Shipbroking company.

T

Tanker Vessel transporting liquid cargo such as crude oil and refined oil products.

T/C (time charter) Lease of a vessel whereby the vessel is hired out for a short or long period.

T/C (time charter) equivalent Freight revenues minus bunker consumption and port charges.

Technical management Agreement to manage a vessel's technical operations and crew for the account and risk of the shipowner.

Ton-mile A measure of demand for capacity. Calculated as the amount of freight times the transport distance in nautical miles.

Tramp trading Voyages without fixed routes – NORDEN's business area.

U

UN Global Compact The UN's social charter for enterprises, etc.

USDA United States Department of Agriculture.

V

Vetting An audit of the safety and performance status of a tanker vessel made by all major oil companies prior to entry into a charter party.

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NORDISK MILJØMÆRKNING
Svanemærket tryksag 541-751

Dampskibsselskabet NORDEN A/S
52, Strandvejen
DK-2900 Hellerup
Denmark

Telephone: +45 3315 0451
Fax: +45 3315 6199
www.ds-norden.com
CVR no. 67 75 89 19

24*7 seas

www.ds-norden.com