

DRY CARGO TEAM IN USA STORMS AHEAD

The goal is 65-75% more fixtures this year than in 2010.

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NORDEN calendar

6 February 2012

Naming of 58,000 dwt. Handymax dry cargo vessel
Cebu, the Philippines

8 February 2012

Naming of 33,000 dwt. Handysize dry cargo vessel
Kanda S/Y, Kure, Japan

15 February 2012 – 7 March 2012

Silent period preceding the publication of the annual report

28 February 2012

Deadline for proposals to the agenda of the annual general meeting on 11 April 2012

7 March 2012

Annual report 2011

7 – 9 March 2012

Roadshows following the annual report 2011

Cover photo

NORDEN's Dry Cargo team in the Annapolis office in the USA is storming ahead. The 15 employees have an ambition of increasing the number of fixtures this year by 65-75% compared to 2010. And they are close to reaching their goal.

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WELL PREPARED FOR 2012

Some weeks ago, NORDEN presented the financial statements for the third quarter. In markets still characterised by tough economic crisis and low freight rates, we swam against the tide and managed to show both an increase in operating earnings *and* a minor upwards adjustment for the year as a whole.

Naturally, we are satisfied with this performance. Since, to say the least, it has been an uphill battle throughout the year. Nothing comes on a silver platter for any company these days; not for NORDEN either.

Soon we will be writing 2012. Even though according to a known, now deceased, Danish humorist, it is difficult to make predictions, especially about the future, I think it is safe to say that in 2012 we will not be sailing on smooth waters either.

There are no indications that the financial and debt crisis is about to be replaced by anything remotely similar to the growth rates in the gross domestic products of former times. On the contrary. In Europe, a number of heavily indebted countries are on the verge of or in the middle of an abrupt slowdown at the same time as their banking sectors are burdened by massive bad debt problems. And the outlook is not much better in the USA where growth is disappointing.

Fortunately, NORDEN has most of its business in markets where despite everything there is some growth – China, India, other Asian countries, South and Central America as well as parts of Africa. But the economies of today's world have come to be so closely connected that an ongoing pause in growth in the western hemisphere may have global consequences.

Low demand in Europe and the USA has already made tanker rates plummet, and as it is also a known fact that deliveries to the global dry cargo fleet will peak in 2012, we are preparing for yet another challenging year.

As much as we would like to, we cannot change the markets. But there are many other aspects that we can influence in NORDEN, and we are focusing on these.

In Dry Cargo, we are steadily working on entering into COAs and increasing our long-term coverage. Coverage is actually easily obtainable if only we are willing to lower our price. But we are not. We want quality coverage – contracts with good, solid commodity and mining companies, industrial groups and energy producers who acknowledge that NORDEN must also get a reasonable price taking into account the market levels.

We have become better at making use of our strengths – a solid financial position, modern fleet, flexibility, transparency, and delivering what we promise. This year, we have therefore increased our cargo volumes by 32% whereas the market has only grown by 5-6%. We have satisfying coverage for next year and an interesting pipeline, and the aim is naturally to continue outperforming the market.

In Tankers, we can hope that demand will increase, tonnage will disappear from the market, or a consolidation will take place in a sector with far too many suppliers. But it is no good just hoping, and neither is blaming everything on the market. We must seek new ways, and we must optimise – we must make use of our adaptability, flexibility and craftsmanship to our fingertips. We must do even more of what it is we do best in NORDEN.

It is all about getting down to business. We are not forced to take drastic measures, but there is always something which can be done in a simpler, better and more efficient way. We must maintain high quality and bring costs down. We must avoid unnecessary risks. We must safeguard our strong financial position so that we can counter unforeseen, negative fluctuations and make use of attractive purchase opportunities when or if they present themselves.

So indeed, 2012 will be yet a challenge. But NORDEN is well prepared.

Thank you for this year and happy new year.

CARSTEN MORTENSEN, CEO



NEW TEAM TO OBTAIN NEW CONTRACTS

Vice President Michael Boetius (left) and Senior Business Development Manager Jan Ivarsen are to establish a pipeline with new NORDEN customers. Michael Boetius will continue to be in charge of the Capesize and Post-Panamax team.

NORDEN's strategy for 2011-2013 states that Dry Cargo is to grow its volumes by 15% annually on average. To support the strategy, the Dry Cargo Department has established a new team, Business Development, which will focus on obtaining more long-term contracts with global industrial customers. The team will work across both vessel segments and the organisation.

It is NORDEN's strategic target for the years 2011-2013 to increase cargo volumes within Dry Cargo by 15% annually on average. This is to be done by increasing the market share with global mining and commodity companies, energy producers, building and construction groups, etc. Despite the fact that NORDEN's dry cargo volumes grew by 32% during the first 9 months of the year, and thus much more than the market growth rate of 5-6%, it is necessary to work even more targeted on finding cargoes to transport in future.

That is the reason why Dry Cargo has established a new team with the name Business Development, which consists of Vice President Michael Boetius and Senior Business Development Manager Jan Ivarsen. The task for the two men: extend the pipeline with future NORDEN customers! To do so, they will work across both vessel segments and the organisation.

Busy on the phone

"When you operate in a spot market as NORDEN does, you are on the phone most of the time. Your attention is constantly focused on the current market. It has to be that way. However, at the same time it is important that we become even better at looking deeper into matters and that we get a wider and longer-term perspective – involving business and contracts 1, 2 and 3 years into the future. This is where Business Development will make a difference. We are to ensure that NORDEN becomes even more focused on long-term projects and contracts with the large customers on the market", says Vice President Michael Boetius.

Everything can be improved and with NORDEN's value-based target to be ambitious, it is only natural that the work to obtain large, long-term contracts is now handled within a new fixed framework.

We must ensure that opportunities to obtain a new contract of that calibre will not be missed and that the customers receive the best possible solution that NORDEN can offer.

Structured approach

"It is our responsibility to ensure a structured and completely coordinated approach to existing as well as potential customers. In that connection, Business Development will become a centre of competence with regards to project management, handling of complex contracts and contract negotiations, best practice sharing, etc. We will provide a facilitator and support function. We will ensure improved general knowledge of the dry cargo market – this includes trading patterns, dry cargo types, volumes, customers, competitors, etc. It also includes the entire dry cargo flow – we must be aware of changes. Is backhaul becoming fronthaul? What are the new growth commodities? Which countries/regions are progressing and in terms of what? It is our ambition to be at the forefront within all areas – in other words to be better updated than our competitors," says Michael Boetius.

To begin with, the new team will focus on the customers – existing as well as potential – in the geographical area which is covered by the head office in Hellerup. The overseas offices will continue to be responsible for the customers and projects in their respective geographical areas, but the Business Development team in Hellerup will become involved. This is to both understand and support the projects, but also to learn.

"We will be involved in a large number of projects. But the bottom line responsibility will continue to lie with the NORDEN departments that enter into the new contracts," says Michael Boetius.



Director Mikkel Borresen (left) in dialogue with Assistant Operations Manager Søren Gaarmann.

THE DRY CARGO TEAM IN ANNAPOLIS, USA STORMS AHEAD

Provided that the 15 Dry Cargo employees at NORDEN's office in Annapolis, USA continue at the present pace, they expect the number of fixtures in 2011 to increase by 65-75% compared with 2010. In terms of volume, the increase will be 65-70%. The explanation: more employees combined with a dedicated effort, hard work and great craftsmanship.

When 2011 comes to an end soon, NORDEN's Dry Cargo team in Annapolis outside the American capital Washington has every reason to celebrate. It is the team's ambition to conclude 65-75% more fixtures in 2011 than last year. And they are close to reaching their target, which will lead to an increase in transported volumes of 65-70%.

The larger number of fixtures and consequential larger volumes are primarily within grain products, but coal and scrap as well take up more space in the order book.

The grain cargoes are transported from the American Gulf (the Mississippi River) to Asia – especially Japan and China – but NORDEN also carries grain from the American Gulf, the US West Coast and Argentina to Mexico, Columbia, Venezuela and other countries in the Caribbean. Coal is carried from the Mississippi River and the US East Coast to Asia and Europe. Scrap is carried from the US East Coast to Turkey primarily, fertilizer is carried from Florida to India, and NORDEN carries biomass in the form of wood pellets from Georgia, USA, to Europe.

Handysize in particular contributes to growth. The larger number of Handysize vessels in the Atlantic has been of great importance.

It has also been fruitful that the cooperation between the offices in Copenhagen, Rio de Janeiro and Annapolis has been strengthened. When everyone pulls together, the number of customers and cargoes goes up.

15 employees today

The office has existed for 10 years and presently employs 15 people. And the office has become more American. The office has just taken on a local charterer, Jason Lykens, and a local operator, Ivan Santos, who, although he is Brazilian, has lived in the USA for more than 10 years. Now there are also 3 American trainees at the office, and with Mads Haugaard's transfer from Copenhagen to Annapolis, the office counts 3 Senior Chartering Managers.

"Of course, NORDEN also feels the effects of the increasing American coal and grain exports. Another important explanation to our progress is that there are more of us at the office. It gives us completely different opportunities to both provide better services to existing customers and to establish new customers. Because of the individual employee's contribution, the entire team has strived to deliver a dedicated effort, hard work and great craftsmanship," says head of the Annapolis office, Director Mikkel Borresen.



Head of NORDEN's Dry Cargo team at the Annapolis office, Director Mikkel Borresen: "Our ambition is to step up the activities again next year."



Deputy head of NORDEN's Dry Cargo team at the Annapolis office Jesper W. L. Pedersen in front of the screen.



Operations Manager Henrik Gordon Nielsen discusses a problem with Shipping Trainee Andrea E. Sørensen.

Personal relationships

The customer portfolio is a mix of good, solid, existing customers as well as new customers.

"Personal relationships and having the time to provide a service to customers are important in the USA – and it takes time. We must decide which customers we wish to do business with and put up goals for the business and afterwards we must pursue these specific customers very determinedly. But you will not be doing business with them until you appreciate the customer's needs and are able to adjust your approach to the customer accordingly. Consequently, it is important that we spend the necessary time to obtain a close dialogue with our customers. Our great annual late summer event for customers is a useful facilitator for this purpose," says Mikkel Borresen.

We are accessible

He has no doubts about what makes NORDEN an attractive partner for the American customers.

"We are accessible. We rate our customers' needs on a competitive basis, and we seek to understand the customer's needs. We are honest when it comes to what we can and cannot do – I believe that customers and brokers appreciate this quality. And on top of that, NORDEN has a good name – we perform the way we are supposed to, we are a good and trustworthy partner and we are flexible and understanding towards our customers. In addition, we have a healthy set-up in the entire organisation with competent charterers, operators, port captains and back office functions such as accounting and controlling. But we also understand the market NORDEN operates in and we know how to profit from the volatility in the market. And well, hopefully we are also kind and friendly people," says Mikkel Borresen.

US business will grow

He believes that the USA will constitute a larger part of NORDEN's total business in the future.

Grain products such as wheat, corn and soya will to a larger extent be demanded by China, India and other Asian countries as increasing wealth changes the eating habits in the areas. As global demand for grain products grows, demand for fertilizer will grow along with it and that will lead to increasing fertilizer exports from the USA. To this could be added that the USA, which is one of the world's largest coal producers, can expect growing coal demand from the Asian growth economies.

Now that your own efforts have had such a great influence on your success this year, why do you not hire even more employees?

"We should only grow if it is profitable. Growth in itself is not difficult to obtain but it must contribute positively to the bottom line. Therefore, we are taking one step at a time. But if the growth in Handysize continues, we will consider if we need another employee in chartering in 2012."

What is the target for 2012?

"Our ambition is to step up the activities again next year. However, we will hardly reach the same percentage increase as this year," says head of the Annapolis office, Director Mikkel Borresen.

SUSTAINABILITY STRATEGY

Corporate Social Responsibility, CSR, or merely sustainability has always been part of NORDEN's way of doing business – also long before anybody came up with this term for companies' environmental activities, business ethics, employee considerations (health and safety) and social engagement. In 2012, a CSR strategy will be drawn up.

In 2012, it is NORDEN's ambition to draw up a Corporate CSR Strategy directly in line with our business strategy. It will be followed up by a Code of Conduct which is to describe in detail the norms that apply to NORDEN's way of doing business.

"In relation to this, one of the big tasks is to communicate the strategy and the Code of Conduct to all employees in the company. It is a task with which we must succeed. But we will only be able to do so if all CSR initiatives are tangible, easy to communicate and measurable – three keywords for us," says Director Ulla E. Nielsen, responsible for CSR.

NORDEN has a crystal clear opinion on the activities under the common term Corporate Social Responsibility: not only are they to benefit society – they must also benefit the bottom line. NORDEN's CSR activities are business-driven. An example: when a tanker or a dry cargo vessel slows down – right-steaming – because the vessel has enough time before loading/discharge in the next port, it is not only for the benefit of the environment, NORDEN also saves fuel.

Long before the concept of CSR was invented, it has been part of NORDEN's way of doing shipping to act responsibly, i.e. to aim for sustainability in the broadest sense. And this regardless of whether it is about the environment, business ethics, employee considerations (health and safety) or social engagement. But with the establishment of an actual CSR Department, the activities in the field have been systemised and next year, NORDEN will publish its third CSR report. Since 2008, NORDEN has moreover informed the Carbon Disclosure Project of the Company's reporting methods within its environmental activities – reporting which has even resulted in an impressive top rank position.

Since the signing of the UN Global Compact in 2009, NORDEN has committed itself to respecting human rights and providing decent working conditions, including employee rights, as well as to continuously working towards a reduction of the environmental impact and to fighting corruption.

CSR activities in 2011

A selection of NORDEN's CSR activities in 2011 worth mentioning:

- The so-called MOEPS system, which was developed within our tanker pool, Norient Product Pool, and sets out to optimise fuel consumption to the greatest extent possible by right-steaming, has now been introduced in Dry Cargo as well.
- NORDEN has taken delivery of 2 new Chinese-built Handysize dry cargo vessels, the energy economy of which has been improved by around 17% in total (see page 8).
- NORDEN has established a whistleblowing scheme allowing employees, management and members of the Board of Directors to contact an external investigator if they believe that an employee, a manager, a member of the Board of Directors or one of NORDEN's auditors or lawyers has violated national legislation or NORDEN's own policies and guidelines.
- NORDEN's employees collected DKK 128,000 for purchase of toys for the children affected by the tsunami in the Japanese city Higashi Matsushima, while NORDEN donated DKK 1 million for the operation of school buses in the city. Moreover, on behalf of NORDEN, a closely related fund donated a similar amount for the financing of a new child care center in the same city.

*Director and responsible for CSR, Ulla E. Nielsen:
"When you connect the CSR efforts – which are all about sustainability in a broad sense – directly to the business strategy and thereby to the bottom line, it makes sense to all of us."*



NPP CONQUERS SOUTH AMERICA

Norient Product Pool, NPP, opens an office in Brazil to be physically present in a country that expects to be among the top 5 oil producing countries before 2020. The new office has the dual purpose of growing the existing business in South America and creating new business.

The new president of Brazil, Dilma Rousseff, has ambitions to pick up where his predecessor, Lula de Silva, left off. The vast country of 8.5 million square kilometres and 200 million inhabitants is to become a super economy with a significant boost to the education system, health sector and infrastructure. The money for this is to come from the enormous oil wells – especially offshore. The goal is a daily production of 5 million barrels of oil in 2020, which will make Brazil one of the 5 largest oil countries in the world. Add to this, the fact that Brazil will provide the fields for the FIFA World Cup in 2014, while Rio de Janeiro will be hosting the Olympic Games in 2016.

It is right in the middle of this economic miracle and centre of power, in Rio de Janeiro to be exact, that Norient Product Pool will open its fourth overseas office on 1 April next year – the 3 other offices are located in Singapore, the USA and Cyprus, where the pool partner, Interorient Navigation Company, has its head office.

With a fleet of approximately 75 product tanker vessels, NPP is the world's third largest product tanker pool, and it is NPP's ambition to get its part of the upside when Brazil is ready to really flex its financial muscle. This will happen both by growing the existing business and creating new business. Today, South America accounts for 12-13% of the pool's business. In the period from 1 January to 1 November this year, NPP made 36 port calls (loadings and discharges) in South America, with the two Brazilian ports São Luís and Tramandai being the most visited ports.

NPP already has 2 product tanker vessels on time charter to the state-owned oil company Petrobras. This is business that NPP would like to expand, and at the same time create new and profitable business in the area.

More legs to stand on

"Today, NPP's fleet is so large that it is important to have as many legs as possible to stand on. Therefore, we are aiming at transporting much greater amounts of cargo to and from South America, that is mainly Brazil. Business to and from South America typically means longer voyage distances and thereby a higher utilisation de-



*CEO Søren Huscher:
"It takes time to settle in and establish
the necessary personal relations."*

gree of the fleet. When we furthermore know that Brazil is a country with a spectacular economic development and an oil sector in great expansion to finance it all, we cannot sit on our hands. Here, we have to be in the very front, even though we could still make decent business in South America through brokers in London and the USA. We believe that direct and personal relations with the customers open up for more business," says CEO Søren Huscher, NPP.

Brazil is the most important South American country for NPP, but also Argentina plays a large role. The products transported to and from South America are gasoline, gas oil, diesel oil, naphtha and vegetable oil for the production of bio-fuels. And every second time an NPP vessel discharges in a South American port, there is one return cargo. NPP aims at improving the ratio as the volumes increase.

The right person

To create more business in South America, NPP has employed the 32-year old Tomás Padilla, who comes from a position as Chartering Manager in Nordic Tankers USA. He is an American/Argentinean citizen and has previously worked with Petro Tank in Buenos Aires.

"It is unrealistic to expect a sudden increase in business, because it takes time to settle in and establish the necessary personal relations. But with Tomás Padilla, we get the best starting point one could imagine. He knows the market better than most. On the positive side, it will also play a role that NPP will have their office in the same building as NORDEN's Dry Cargo team. It is not uncommon that Dry Cargo and Tankers share their customers, so hopefully some synergies will develop that we can make use of," says Søren Huscher.

Handysize dry cargo vessel NORD HONG KONG of 32,500 dwt. is the first NORDEN vessel equipped with a larger engine and a larger propeller, resulting in fuel savings of approximately 11%.

SIGNIFICANT DROP IN FUEL CONSUMPTION WITH NEW SHIP DESIGN

With 2 new Handysize dry cargo vessels, NORDEN shows how fuel consumption can be reduced by 17%. As much as 11% of this reduction comes from a simple change in the ship design alone. The design has been changed based on the principle that a larger propeller which turns slower has a greater effect than a smaller propeller turning faster. The same changes will apply to other newbuildings.

As from 1 January 2015, the International Maritime Organization under the UN will begin to take a tough environmental stance against the world's shipping companies. Ships ordered after this date must have fuel consumption, and thereby CO₂ emissions, which is at least 10% lower than the average today. 5 years further ahead, the requirement will be raised to 20%, and as from 1 January 2025, it will be increased to 30%.

Also in light of this prospect, they are extremely satisfied in the Newbuilding Section of the Technical Department that a test voyage by Handysize dry cargo vessel NORD HONG KONG documented in dry figures that efforts to reduce the ship's consumption of bunkers have been successful, reaching a total reduction of approximately 17%. NORDEN's ordinary environmental initiatives account for around 3% and new bottom paint for another 2%. The remaining approximate 11% is a result of the change in the ship design. It has been changed based on the principle that a larger propeller which is turning slower has a greater effect than a smaller propeller turning faster.

The person behind the introduction of the updated ship design of NORD HONG KONG and the sister vessel NORD LONDON – the last 2 in a series of 10 vessels from the Chinese Jiangmen Nanyang shipyard – is Senior Newbuilding Manager Alex Hjortnæs.

"When we are able to obtain improvements this significant by means of such a fairly simple change in the size of engine and propeller, one could rightly ask why we and other shipping companies have not asked for this change many years ago. Because already 40 years ago, when I graduated as an engineer, we learned about the positive effect of a more powerful engine, a larger propeller and a lower rotation speed. However, the ship owners and therefore also the yards,

have lacked the motivation to change the ship design. The price of bunkers was affordable, environmental requirements were not as high up on the global agenda as they are today, and when ship owners presented their ever growing orders to the yards, it was always take it or leave it. The yards had so much work that they had neither reason nor time to change the well-known designs," says Alex Hjortnæs.

Now, the world is different. Bunkers have become a differently heavy expense for all shipping companies, making reductions of costs a daily exercise to stay competitive, and environmental requirements are constantly being tightened – and not only from the part of the government, the international organisations and the still more powerful NGOs. Also the business partners of shipping companies are demanding more environmentally friendly vessels. Consequently, we will see all yards strain every nerve to optimise the fuel consumption of the vessels, expects Alex Hjortnæs.

So far, the updated design of engine and propeller will also be used when building the 4 MR product tankers which NORDEN ordered at the Korean yard STX Offshore & Shipbuilding Co. for delivery in the first and second quarters of 2013. Moreover, these vessels will be equipped with additional fuel-saving measures.

"We consider the expense of the changed design a sound investment which in few years will break even thanks to savings in fuel consumption. We also expect that the investment will increase the market value of the vessels. To me, the changed ship design is a textbook example of how economic and environmental considerations are two sides of the same coin," says Senior Vice President Lars Lundegaard, Head of the Technical Department.

INCREASED ANTI-PIRACY MEASURES

The number of successful vessel hijackings in the Gulf of Aden, the Arabian Sea, the Red Sea, the Indian Ocean, etc. and the surrounding waters have decreased by 50% this year. On the other hand, the pirates have become more brutal – and the number of attempted hijackings has increased. NORDEN continues its high number of anti-piracy measures with the aim of avoiding, detecting and delaying the pirate attacks.

The Technical Department has noted with satisfaction that the number of successful hijackings in the Gulf of Aden, the Arabian Sea, the Red Sea, the Indian Ocean, etc. and the surrounding waters has decreased by 50% this year. But unfortunately, it can also be noted that the Somali pirates are more active and that their attacks have become more brutal – now they do not flee when warning shots are fired at them, they shoot back. Pirates have become desperate in their fight for crews and vessels and thereby ransom money.

“The fact that we have succeeded so markedly in reducing the number of successful hijackings can only be attributable to the fleet efforts in the area and the vessels’ own preventive measures, and in this context I am especially thinking about the armed guards,” says QA Manager Flemming Dahl Jensen, Technical Department, who is responsible for NORDEN’s fight against piracy.

Avoid attacks

The first priority in the fight against pirates is to safeguard the crew and secondly cargo and vessel, and the aim of the comprehensive efforts is to completely avoid attacks and secondly to detect them in time and delay them.

“NORDEN’s anti-piracy measures are twofold. We continuously expand our efforts – now based on the so-called BMP4 standard – which the industry recommends the shipping companies worldwide to follow. At the same time, we always carry out an individual risk assessment when one of our vessels is to enter high risk waters, which is a giant area – typically it will take our vessels 10 days to cross the areas between India and Suez where they risk piracy attacks,” says Flemming Dahl Jensen.

The actual content of the anti-piracy measures is confidential. But in line with other shipping companies, NORDEN does not only safeguard its vessels physically – the Company has also introduced armed guards on board, when it is deemed necessary. In that connection, the Technical Department is very pleased that Denmark too is prepared to grant the shipping companies permanent licenses to arm their vessels, provided that authorised guards are used. The Danish government is also praised for sending not only a navy vessel to the area but now a reconnaissance aircraft as well.

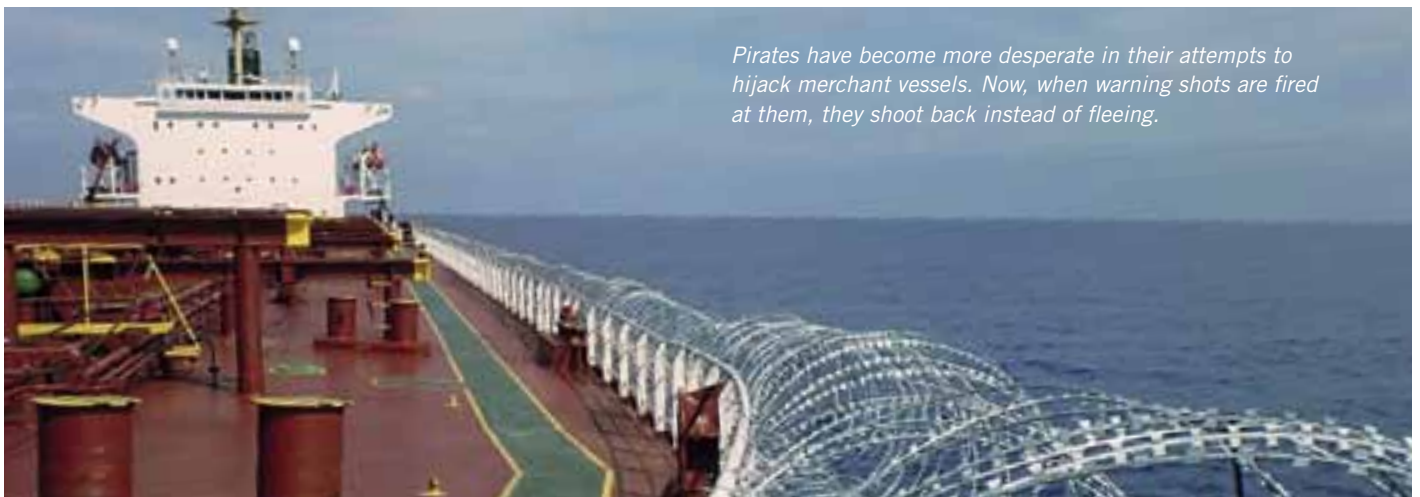
“NORDEN has been subject to 1 actual attack and 2 attempted attacks. This emphasises that our fight against piracy must be given high priority. But we do not wish to convert our vessels into sailing Fort Knoxs. NORDEN’s concern is not just to implement a lot of things. Our concern is to carry out measures that are effective, simple, manageable and cost efficient,” says QA Manager Flemming Dahl Jensen.

Telephonic contact

As long as one of NORDEN’s vessels is in piracy waters, he makes telephonic contact with the crew 2-3 times a day.

“It is my impression that this contact is a contributory reason why our seamen feel safer. They know that they are not left to themselves – we follow them closely during the entire passage,” says Flemming Dahl Jensen.

Unfortunately, 2011 has shown that the international shipping trade is also at threat in the waters outside the West African states Nigeria, Togo and Benin where the pirates have proven to be even more brutal because their goal in these areas is to steal the cargo – typically oil – without consideration of loss of human lives.



Pirates have become more desperate in their attempts to hijack merchant vessels. Now, when warning shots are fired at them, they shoot back instead of fleeing.



The Greek-owned LR1 product tanker vessels Nave Ariadne and Nave Cielo are built in Korea in 2007, they have a deadweight of 75,000 tonnes as well as a capacity of 83,000 cubic metres, and they are 228 meters long.

NORDEN WANTS ITS SHARE OF NEW OIL TRANSPORTS

In Europe and the USA, oil refineries are closing down because of outdated facilities and low efficiency. The production is expected to be replaced especially by newly opened refineries in India and future refineries in the Middle East. NORDEN and Norient Product Pool would like its share of these oil transports. Therefore, NORDEN has just chartered 2 large product tankers of the LR1 type.

NORDEN's Tanker Department has a long-term mindset. Therefore, it has just signed a contract on the charter of 2 large product tankers of the LR1 type. The 2 vessels are expected to be kept very busy when the newly opened refineries in India and the future refineries in the Middle East start in earnest to provide Europe and the USA with the refined oil products which today are sourced from Europe's and the USA's own refineries.

"Indeed, we know that the tanker market is depressed these days. But the charter of the 2 LR1 vessels is a textbook example where rule no. 1 states that you should buy and charter tonnage whenever the market is low, and cancel chartered tonnage/sell tonnage when the market is good," says Senior Vice President Lars Bagge Christensen, Head of NORDEN's Tanker Department.

European and American refineries have either been closed down already or are expected to be within the coming years. Some will disappear completely, whereas others will be transformed into oil storages. The explanation for this is low efficiency and the fact that production facilities of an older date are having more difficulties in producing products that comply with the high specification requirements set forth by European and American legislation today. The reduced refinery capacity means that smaller amounts of crude oil will be imported to Europe and the USA. On the other hand, these areas are left with a significant shortage of the refined oil products that were previously produced at the refineries now closed down. This shortage is expected to be covered in particular by the new refineries already up and running in India and the new refineries soon ready to be used in the Middle East.

Here lies an interesting market for NORDEN and thereby for Norient Product Pool, NPP, which on behalf of NORDEN and the Cypriot shipping company Interorient Navigation Company handles the commer-

cial operation of the world's third largest pool of product tankers – a total of 75 vessels of the MR and Handysize types.

The 2 LR1 vessels are on charter from the Greek shipping company Navios Maritime Acquisition Corporation, listed in New York, from whom NORDEN has chartered dry cargo tonnage several times. The vessels are built at the Korean yard STX Offshore & Shipbuilding in 2007.

"With this charter, NORDEN returns to LR1. We have previously worked with this vessel type, and we believe that the time is better now. We are confident that we can get our share of the new transports of refined oil products from India and the Middle East to Europe and the USA. At the same time, we have a good basis for concluding reasonable business because we have chartered the 2 quality vessels at sound terms – both when it comes to the rates and the period of the charter," says Lars Bagge Christensen.

At NPP, CEO Søren Huscher says that the 2 new product tankers are perfect for the transport of jet fuel and diesel oil from India and the Middle East to Europe and the USA. With a deadweight of 75,000 tonnes and a capacity of 83,600 cubic metres, they are also of an ideal size when transporting naphtha, which is a refined oil product used in the manufacturing of plastic. Finally, the modern vessels are suitable for transporting fuel oil and crude oil when this market segment pays better.

At the time of delivery, the Greek LR1 vessels were located in the Caribbean, where they are transporting crude oil and fuel oil. They are expected to continue with this for now – and until the new transports of refined products from India/the Middle East to Europe/the USA have got off to a good start.

KNOWLEDGE SHARING TO MAKE NORDEN MORE EFFICIENT

NORDEN and Norient Product Pool have drawn up three Golden Rules which are all about communication. Onshore employees should improve on three areas: giving and receiving feedback, ensuring the course towards common goals, and sharing knowledge. The objective is to become a more efficient company.

The employees in NORDEN and Norient Product Pool are right now going through one of the most difficult things you can ask people to do: they are in the process of changing their habits. By the end of March next year, hopefully there should be noticeable signs that the efforts are paying off.

By then it should be part of the daily life at the offices that the around 280 employees are giving and receiving feedback in a constructive way, positive as well as negative. Everybody will have understood that – because of differences between employees – we must ensure that we continue to work towards the same goals. Finally by then, it will be a natural part of the daily work that everybody will share knowledge – meaning that you offer and seek knowledge in a complaisant and empathic manner.

More joy of work

"Every single employee represents a great knowledge base – often very different from that of the other employees. Already today, we are sharing knowledge, but we will become a much more efficient company if everyone increases their focus on knowledge sharing; both by asking colleagues when you are short of particular knowl-

edge, but also by proactively sharing your own knowledge with a colleague who can benefit from it. When we become better at knowledge sharing, we will avoid frustrations and become much better at creating results. And as a bonus, we will see increased joy of work as a result of much greater sense of belonging to a team who is working together and towards the same goals," says Senior Vice President and Head of HR Vibeke Schneidermann.

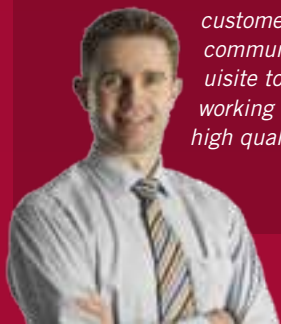
The Golden Rules project originates from a survey among the employees which showed that NORDEN and Norient Product Pool have a great pent-up potential because the communication between employees and departments can be improved.

New habits

"You do not implement the three Golden Rules just by snapping your fingers. Changing habits is very difficult as habits are often deeply ingrained. But the habits must be changed. A great many of us must get out of our comfort zones in order to live the Golden Rules. Merely talking about them is not enough. We must all responsibly," says the head of HR.

Senior Vice President, Head of Finance, Kristian Wærness:

- *In my department, I will take the lead and do my best to live the rules. Instead of just talking about them, I want to show them in the way that I run the department. If I don't do it, asking my colleagues in the department to do it, would be hypocritical.*
- *Golden Rules are important. We must live them in order for NORDEN to be able to continue delivering what our customers demand. Efficient communication is a prerequisite to maintain the good working environment and the high quality of our work.*



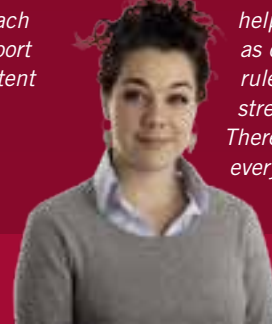
Operations Manager, Frederik Troest Dam, Tankers:

- *As facilitator for Golden Rules in Tankers/ Norient Product Pool, I see it as the main challenge to make the rules tangible. They should be part of the way we work – and not just another project, which many may think we have had in abundance.*
- *Golden Rules prepare the ground for some improvements, and we can become better at i.a. feedback which is so important. Altogether, the rules are about how to get better at supporting each other. And the more we support each other, the more competent and happy we all will be.*



Chartering Manager, Gry Rostrup, Dry Cargo:

- *I have noticed the rule of feedback in particular, and I will make an effort to remember to give feedback – and becoming better at it. I will try to remember also to provide feedback when it relates to something positive. Sometimes it is easy to only mention what is negative.*
- *I think that by means of the Golden Rules project, we can avoid a lot of twaddling. I believe that the rules can help us solve the problems as quickly as possible. The rules can contribute to streamlining the company. Therefore, it is important that everybody supports them.*



NORDEN NOTES

NORDEN wins 5th annual report award

NORDEN has won its 5th annual report award in Denmark.

The latest arrival was presented for NORDEN's Consolidated Annual Report 2010 which, according to the jury, is the best among the annual reports from the 20 most traded listed companies in Denmark to describe a company's value creation, long term goals and operational and financial risks.

The award is instituted by PwC in Copenhagen, but the winners are chosen by an independent and broadly composed jury headed by Professor Thomas Plenborg from Copenhagen Business School.

It is the first time that PwC's annual report award is presented. The 4 previous annual report awards were presented to NORDEN in 2002, 2007 and 2010 (two awards), when the Danish business newspaper Børsen in cooperation with the Institute of State Authorised Public Accountants in Denmark (FSR) awarded annual reports.

The jury's reasons for giving NORDEN's Consolidated Annual Report 2010 an award include the following:

"By reading the annual report from NORDEN, a reader – without previous knowledge about the shipping industry in general and NORDEN in specific – is enabled to understand the company's value creation, long-term goals and the risks taken by the company. This is done really well."

In his acceptance speech, CFO Michael Tønnes Jørgensen described the Consolidated Annual Report as "our informative label".



NORDEN's Online Media Manager Karina Skydt is the person behind the mobile version of www.ds-norden.com

Get NORDEN in the palm of your hand

NORDEN's website – www.ds-norden.com – has thousands of frequent visitors who seek information on accounting figures, fleet, business areas, career opportunities, contract information etc. The website format is of course best fit to be displayed on a computer screen.

To complement the usual version of the website, NORDEN's Online Media Manager Karina Skydt is in the process of developing a special format to accommodate mobile units. The mobile unit will not be as extensive as the www-version, but it will contain the most sought-after information as well as the essential information needed for people on the road who are far away from a pc.

"Our website is an important channel in our efforts to provide information about NORDEN to our external stakeholders. This is the case for investors, customers, business partners, potential new employees, media as well as internal users. For that reason we must of course ensure that the website provides the user with best possible experience on mobile units as well," Karina Skydt says.

Ulla E. Nielsen: "Our efforts to minimise negative environmental impact and our efforts to reduce NORDEN's costs go hand in hand".

GDP Nordic 260 Report 2011

On behalf of 267 Standard with assets of USD 71 billion



NORDEN once again in environment league

Again this year, NORDEN is the transportation company in the Nordic countries with the most professional approach to climate change disclosure practices.

This appears from the independent non-profit organisation Carbon Disclosure Project's yearly assessment. Globally, about 3000 companies from approximately 60 countries report to the Carbon Disclosure Project, which is supported by the world's leading investors. In the Nordic countries, 260 companies have reported on their efforts, risks and options in connection with climate changes. Ranked as number 17, NORDEN is the best positioned transportation company and the only shipping company in Top 20, which includes companies from Sweden, Finland, Norway and Denmark.

Thus, NORDEN is included in the Carbon Performance Leadership Index along with the companies which have displayed the most professional approach to climate change disclosure practices.

In 2010, NORDEN achieved a position as number 18 in the index.

"Our position in the ranking is only based on reporting. But the position very well reflects our efforts to constantly reduce negative environmental impact by lowering vessel fuel consumption. In addition, not only do our efforts benefit the environment, they also benefit our bottom line," says Director, CSR, Ulla E. Nielsen.

Etiquette rules for trainees

The necessary technical knowledge goes a long way in the shipping business, but when you meet customers, partners and colleagues etc. at parties – both at home and abroad – it is not quite enough. You must be familiar with proper etiquette rules. Consequently, a considerable number of NORDEN's trainees participated in the Danish etiquette consultant Inge Correll's evening course in tradition, virtues and good manners which was hosted by the Danish Shipowners' Association. All in all, 52 shipping trainees from Danish shipping companies participated.

"Young trainees need tools to avoid using energy on etiquette considerations when they meet customers and business connections. Previously, etiquette training was part of people's upbringing, but that is not always a given today," says the organizer, Executive Vice President Pia E. Voss from the Danish Shipowners' Association.

One of the NORDEN participants was Morten Westh, who brought home some good advice: "Now I know that you should always reply to an invitation within 24 hours. You should also remember to put your name on a gift enabling the receiver to

know who it is from. And it is important to remember, that you should only say goodbye to the host if you leave a reception or party early. If you say goodbye to everyone, you will generate a negative atmosphere – then everyone else will believe that they should leave too."

During the evening, the trainees were also trained in balancing a glass, a plate and a napkin in one hand, while shaking hands with the other.



Now shipping trainee Morten Westh knows much more about the right way to behave when the job involves parties.

NORDEN PROTECTS ITS CASH BALANCE

NORDEN has entered into 3 loan agreements totalling USD 350 million to finance 13 newbuildings. NORDEN would have been able to finance the newbuildings on its own, but NORDEN wishes to protect the solid cash balance of approximately USD 366 million (end-September) which will enable the Company to withstand market fluctuations and react promptly to opportunities.

It is a fundamental part of NORDEN's business model to have a solid cash balance. At the end of September, the cash balance amounted to approximately USD 366 million. That money will be nice to have should the volatile shipping market present unforeseen, negative fluctuations. The money will also enable the Company to react promptly to potential attractive vessel purchase opportunities.

In CFO Michael Tønnes Jørgensen's own words, NORDEN wishes to continue "to keep the powder dry".

Within the last 12 months, he has consequently signed 3 loan agreements – so-called credit facilities – for an amount of up to USD 350 million in total. NORDEN is able to draw on the facilities to finance a total of 13 newbuildings from Asian yards.

- A French, Chinese and German bank consortium is behind a 10-year loan of up to USD 200 million for the financing of 5 dry cargo vessels and 2 product tankers – all Chinese built – with delivery in 2010-2011.
- A Danish financial institution is behind a loan of USD 100 million for the financing of 4 Korean built product tankers with delivery in 2013.
- A Japanese bank consortium is behind a 12-year loan of USD 50 million for the financing of 2 Japanese built dry cargo vessels with delivery in 2013.

"All loans are made at attractive prices and long-term. At the same time, the long-term US dollar interest rate is historically low. This

means that the total borrowing cost is low, i.e. less than 4% for 10-12 years," says Michael Tønnes Jørgensen, who, on NORDEN's behalf, expresses great contentment with the credit facilities which markedly strengthen the Company's cash resources.

The loan agreements are made at a time where banks take a very careful approach to lending. For that reason, NORDEN has been through a thorough due diligence process, during which the banks have rated NORDEN in every respect. And the result was that the banks accepted to place the credits at the Company's disposal in connection with the extensive newbuilding programme.

"It is my clear understanding that we are regarded as an attractive customer because we have a business model which has proven to be solid in times of upturn as well as slowdown. In addition, they naturally focus on our strong financial position, high coverage of ship days and low unit costs going forward. The banks also attach great importance to our transparency," says Chief Financial Officer Michael Tønnes Jørgensen.

Even though we are only dealing with credit facilities – and not loans, where entire amounts are paid out at once – he expects that NORDEN will fully utilise these. But the newbuildings' final delivery dates may, however, affect the time for utilization of the facilities.

Currently, NORDEN's equity ratio is 88%. If the credit facilities are utilised fully, the equity ratio will still be high at 70-75%. And a debt of USD 350 million corresponds to a loan-to-value ratio of approximately 20% when compared to the fleet's market value. This is low compared with other shipping companies.



From the signing of the Japanese credit facility of USD 50 million: CFO Michael Tønnes Jørgensen (right) and Senior Advisor Klaus Vilstrup.

AROUND THE WORLD TWICE – EVERY DAY

Every day, NORDEN's and NPP's vessels sail around 44,000 nautical miles, corresponding to twice around the world. Distances have increased by 14.7% in one year. The explanation is simply that there are more customers.


NORDEN's dry cargo vessels – owned and chartered – and the product tankers in Norient Product Pool, NPP, had a busy year. Altogether, they sailed 16,029,081 nautical miles. That is 43,915 nautical miles per day – corresponding to twice around the world – and an increase of 14.7% in the number of nautical miles covered compared to last year.

NORDEN and NPP – owned fifty-fifty by NORDEN and the Cypriot shipping company Interorient Navigation Company – made a total of 5,064 port calls during the year. That is 20.6% more than the year before.

The increase in the number of port calls was greatest for NORDEN, where the number increased by 23.7% to 3,202 port calls – or 1 port call every 3 hours. NPP called a port every 5 hours or 1,862 times in one year – an increase of 15.7%.

According to Head of Dry Cargo in NORDEN, Executive Vice President Peter Norborg, the dry cargo vessels are busier simply due to more customers.

"The fact that we have focused much more on long-term relationships with customers has paid off – and it is part of our 2011-2013 strategy. At the same time, we are seeing that the customers to a greater extent are looking to shipping companies which they know are able to deliver the product they demand, today as well as in 5 and 10 years. The want security, and NORDEN is benefitting from this. Whether the customer relationship is based on voyage charter or time charter is not really important to us. What matters in the end is earnings compared to the risk," says Peter Norborg.



According to the latest yearly statement, NORDEN and NPP covered a distance 14.7% longer than the previous year – a total of 16,029,081 nautical miles. Here NORD CETUS on her maiden voyage during loading of iron ore in Port Hedland, Australia.

These figures come from the latest yearly statement covering the period from 1 September 2010 to 31 August 2011.

For NORDEN alone, the figures for covered nautical miles are the following:

- 12,358,078 nautical miles – an increase of 17.9%.
- Per day – 33,858 nautical miles or one and a half time around the world.

The nautical miles covered were divided as follows:

- Voyage charter (where NORDEN is paid per tonne transported):
 - 7,104,531 nautical miles – an increase of 24.5%.
- Time charter (where NORDEN is paid per voyage day):
 - 5,253,547 nautical miles, an increase of 10.0%.

For NPP voyages alone:

- 3,671,003 nautical miles against 3,494,545 – an increase of 5%.
- Per day – 10,058 nautical miles or almost halfway around the world.

The nautical miles covered were divided as follows:

- Voyage charter (where NPP is paid per tonne transported):
 - 2,145,106 nautical miles – an increase of 6.7%.
- Time charter (where NPP is paid per voyage day):
 - 1,525,897 nautical miles – an increase of 2.9%.



From the left, General Manager Minoru Tomita from Marubeni Corporation, President Hiroshi Minami from Oshima Shipbuilding Co., Executive Vice President Peter Norborg from NORDEN and Managing Director Masafumi Okada from Mitsui Engineering & Shipbuilding Co.



From the left, Assistant General Manager Yasunori Hisano from Sumitomo Corporation, Senior Vice President Lars B. Christensen from NORDEN, President & CEO Naoaki Tsuchiya from Yoyo Steamship Co. and President Kazunari Yamawaki from Koyo Line.

HOLE IN ONE!

NORDEN Invitational in Japan featured its first bull's eye.

We did it. During the 8th NORDEN Invitational in Japan, one of the participants made a hole in one. It happened on the 17th hole. And the man who did it was Managing Officer & Chief Operating Officer, Ichizo Kobayashi from Mitsui & Co., who also won the entire tournament. In keeping with tradition, the tournament took place at Sunset Hills Country Club near the city Imabari – and again this year, the professional golfer Anders Hansen was coach.

68 of NORDEN's most important business partners in Japan spent the day at the tournament, which took place in beautiful autumn weather.



Managing Officer & Chief Operating Officer Ichizo Kobayashi from Mitsui & Co. proudly shows off the ball that went into the 17th hole with only one stroke.

Managing Executive Officer, Masafumi Shinohara from Fukujin Kisen Co. came in second, whereas Senior Officer & Division Manager, Shizuhide Mukai from Yuyo Steamship Co. came in third.

All three winners donated their prize money – approx. DKK 100,000 in total – to the earthquake and tsunami victims in Higashi Matsu-shima on the island Honshu in the northeastern part of Japan.

Following the hours on the golf course, the company grew to 120 people who participated in the dinner reception at Imabari Kokusai Hotel where President and CEO Carsten Mortensen from NORDEN acted as host. In his speech, he stated that NORDEN looks forward to further developing the relationships with its Japanese business partners in the future.



From the left, President Takashi Nakabe from Onomichi Dockyard, Managing Officer & Chief Operating Officer Ichizo Kobayashi from Mitsui & Co, Representative Officer, President Katsuya Abe from Nissen Kaiun Co., coach of the day, golfer Anders Hansen and President and CEO Carsten Mortensen, NORDEN.



From the left, President Hirotaka Abe from Eiko Kisen Co., President Kazuki Fukunaga from Keishin Kaiun Co., General Manager Yoshinori Shimane from Mitsui & Co. and President Hirofumi Murakami from Murakami Sekiyo Co.