CONSOLIDATED ANNUAL REPORT **2012**

NORDEN

Dampskibsselskabet NORDEN A/S

CONTENTS

MANAGEMENT COMMENTARY

Cover photo:
The MR product tanker NORD GOODWILL
in Kalundborg Fjord.
Photo: Jon Norddahl

COMPANY DETAILS AND GROUP STRUCTURE

The Company
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Financial year: 1 January – 31 December
Municipality of domicile: Gentofte

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Board of Directors
Mogens Hugo, Chairman
Alison J. F. Riegels, Vice Chairman
Erling Højsgaard
Karsten Knudsen
Arvid Grundekjøn
Klaus Nyborg
Benn Pyrmont Johansen (employee representative)
Ole Clausen (employee representative)
Jacob Koch Nielsen (employee representative)

Executive Management
Carsten Mortensen, CEO
Michael Tønnes Jørgensen, CFO
Ejner Bonderup, Executive Vice President
Lars Bagge Christensen, Executive Vice President
Martin Badsted, Executive Vice President

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

Annual General Meeting
The annual general meeting will be held on Wednesday, 24 April 2013 at 3.00 p.m. at Audience, Radisson Blu Falconer Hotel & Conference Center, 9, Falkoner Allé, DK-2000 Frederiksberg.

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.

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 (USA) Inc. – USA 100%
- NORDEN Tankers & Bulkers do Brazil Ltda. – Brazil 100%
- Svalbard Maritime Services AS – Norway 100%
- NORDEN Tankers & Bulkers India Private Ltd. – India 100%
- NORDEN Rep. Office – China
- 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 IN BRIEF

Dampskibsselskabet NORDEN A/S (NORDEN) operates globally in dry cargo and tankers with one of the most modern and competitive fleets in the industry. NORDEN's active fleet consists of a total of 244 vessels.

In addition, vessels from third party are operated in pools – 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 considerable activities in the Handysize and Post-Panamax vessel types as well as activities in Capesize.

In Tankers, NORDEN's activities comprise Handysize and MR product tankers. NORDEN's vessels are operated commercially by Norient Product Pool, which is the second largest product tanker pool 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.

With offices in Denmark, Singapore, China, India, the USA and Brazil, a network of port captains as well as site offices at shipyards in Japan, China and Korea, NORDEN seeks to keep close contact with costumers and business contacts. The Company has 274 employees on shore and 884 on board owned vessels. In addition, Norient Product Pool has 44 employees at its offices in Denmark, Cyprus, Singapore, the USA and Brazil.

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 16,300 registered shareholders.

Numbers are stated at 31 December 2012.

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 2012-13

2012: Target reached in a challenging market
NORDEN's operating earnings (EBITDA) for 2012 amounted to USD 148 million. This is 21% down from 2011, but in the high end of the expectations (USD 110-150 million). The earnings were made in a challenging market, which, as expected, offered low freight rates, high fuel costs and many new vessels at sea.

Dry Cargo generated an EBITDA of USD 131 million, which is 24% down from last year but higher than the expectations announced for 2012 (USD 105-125 million). Market rates (Baltic Dry Index) were 41% lower on average than in 2011 primarily due to the record-high number of newbuilding deliveries. However, Dry Cargo was able to generate daily earnings considerably above the market, and despite the declining market, the Dry Cargo Department achieved USD 22 million in profit from operator activities during the year.

The tanker market started the year positively but was affected by weak demand and, consequently, low rates in the second and third quarters. At the end of the year, the rates improved, which the Tanker Department was well positioned to benefit from, and Tankers thus ended the year with an EBITDA of USD 28 million. The results are in line with 2011 and above the latest announced expectations for the year (USD 15-25 million). Similar to previous years, daily earnings in Tankers were above comparable market rates.

Vessel prices continued decreasing, and at the end of the first quarter 2012, the Company assessed that there was a need for writing down the book value of the vessels by USD 300 million. After additional ordinary depreciation of USD 89 million and loss on vessel sales of USD 24 million, EBIT amounted to a negative USD 265 million.

Cash flows from operating activities were USD 122 million (USD 120 million). Thus, the Company managed to generate positive cash flows even in a challenging year.

Following previous years with substantial investments in especially new tanker vessels, NORDEN adopted a wait-and-see attitude in a decreasing market in 2012. Focus has been on fuel optimisation of the fleet by selling modern vessels of an older design and replacing these with new and more fuel efficient vessels. Cash flows from vessel sales and fleet investments amounted to USD 6 million net.

The Board of Directors has decided to initiate a share buy-back programme over the next 4 quarters of up to USD 30 million and proposes a dividend of DKK 3 per share corresponding to USD 22 million, excluding treasury shares.

Outlook for 2013
The Company still focuses on the strategy plan *Long-term Growth in Challenging Times.*

Continued challenging markets are expected in 2013. However, demand is expected to show good growth rates in both segments, and in Tankers, this development is expected to support a gradual improvement of freight rates. In Dry Cargo, however, demand growth is only expected to be large enough to counterbalance fleet growth and thus stabilise freight rates at a low level.

Dry Cargo entered 2013 with high coverage of 76% for the year and has therefore secured employment at levels significantly above the spot rates in a market where these are likely to be on level with 2012. NORDEN will take advantage of the current weak market by investing in the future. Prices on new dry cargo vessels are at a level which makes it interesting for NORDEN to invest, and based on its strong financial position, the Company will expand the core fleet in Dry Cargo and make it more fuel efficient.

Within Tankers, the market is expected to gradually improve during 2013, and with coverage of 27% at the beginning of the year, NORDEN is positioned to benefit from a rising market. The Company has continued optimising the Tanker fleet, i.a. by investing in fuel efficient vessels for delivery in the first half-year of 2013 and will focus on generating a return on investments already made and further optimising the fleet.

Key figures for the quarters

USD million	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Profit before depreciation, etc. (EBITDA)	62.3	49.6	31.3	22.7	44.3
Profits from the sale of vessels, etc.	0.2	0.2	-0.3	-1.4	-22.4
Depreciation and write-downs	-23.5	-325.2	-21.7	-21.3	-20.3
Profit from operations (EBIT)	38.5	-274.9	9.6	-0.6	0.5
Profit for the period	29.7	-255.9	-31.8	16.1	-7.2
Cash flows from operating activities	-22.1	40.4	31.8	29.1	20.8

Q4 2012: BETTER THAN EXPECTED

NORDEN concluded a challenging 2012 with a fourth quarter, which was the second best of the year earnings-wise. Operating earnings (EBITDA) amounted to USD 44.3 million (USD 62.3 million in the fourth quarter of 2011).

The operating profit (EBIT) amounted to USD 0.5 million (USD 38.5 million). In spite of loss on the sale of vessels of USD 22.4 million (profit of USD 0.2 million) and depreciation of USD 20.3 million (USD 23.5 million), lower costs and non-recurring income meant that results for the period amounted to a loss of USD 7.2 million (profit of USD 29.7 million).

Dry Cargo entered the quarter with coverage of 109% and was thus well protected in a market, which also towards year-end was characterised by low rates. EBITDA in Dry Cargo amounted to USD 35 million (USD 60 million).

In the beginning of the quarter, coverage in Tankers was 31%, and Tankers was therefore well positioned to benefit from the improving market. On this background, Tankers generated an EBITDA of USD 12 million (USD 4 million).

KEY FIGURES AND FINANCIAL RATIOS FOR THE GROUP

AMOUNTS IN USD MILLION	2012	2011	2010	2009	2008
INCOME STATEMENT					
Revenue	2,131.4	2,272.8	2,189.6	1,756.0	4,363.7
Costs	-1,983.5	-2,086.4	-1,950.0	-1,630.3	-3,858.0
Profit before depreciation, etc. (EBITDA)	147.9	186.4	239.6	125.6	505.7
Profits from the sale of vessels, etc.	-23.9	-0.2	28.1	69.6	290.0
Depreciation	-88.5	-81.2	-49.5	-39.5	-31.6
Profit from operations before write-downs	34.6	104.5	222.5	156.7	772.6
Write-downs	-300.0	0	0	0	0
Profit from operations (EBIT)	-265.4	104.5	222.5	156.7	772.6
Fair value adjustment of certain hedging instruments	-10.1	-14.9	30.8	62.2	-81.1
Net financials	1.7	3.7	-2.5	5.6	29.1
Profit before tax	-273.9	93.3	250.8	224.5	720.5
Profit for the year	-278.8	87.8	244.8	217.2	707.8
Profit for the year for the NORDEN shareholders	-278.8	87.8	244.8	217.2	707.8
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1,149.8	1,634.4	1,373.1	1,027.8	922.5
Total assets	2,033.4	2,350.3	2,250.5	2,031.7	2,041.7
Equity (including minority interests)	1,687.2	1,994.4	1,998.1	1,805.0	1,700.4
Liabilities	346.2	355.8	252.4	226.7	341.3
Invested capital	1,314.2	1,752.3	1,443.8	1,133.2	940.4
Net interest-bearing assets	373.0	242.1	554.3	671.8	759.9
Cash and securities	528.6	407.2	612.7	735.4	828.7
CASH FLOWS					
From operating activities	122.1	120.1	298.4	160.2	540.9
From investing activities	7.0	-355.2	-380.1	-80.0	-56.7
– hereof investments in property, plant and equipment	-165.8	-357.7	-565.7	-305.2	-424.9
From financing activities	-37.9	18.4	-65.5	-112.6	-364.9
Change in cash and cash equivalents for the year	91.2	-216.7	-147.2	-32.4	119.3
FINANCIAL AND ACCOUNTING RATIOS					
Share-related key figures and financial ratios:					
No. of shares of DKK 1 each (excluding treasury shares)	41,277,839	41,213,922	42,075,180	42,043,505	42,387,394
Earnings per share (EPS) (DKK)	-6.8 (-39)	2.1 (11)	5.8 (33)	5.2 (28)	16.7 (85)
Diluted earnings per share (diluted EPS) (DKK)	-6.8 (-39)	2.1 (11)	5.8 (33)	5.2 (28)	16.7 (85)
Dividend per share, DKK	3	4	8	7	13
Book value per share (DKK)	40.9 (231)	48.4 (278)	47.5 (267)	42.9 (223)	40.1 (212)
Share price at year-end, DKK	163.1	134.5	202.5	209.5	183.0
Price/book value	0.7	0.5	0.8	0.9	0.9
Net Asset Value (NAV) per share 1) (DKK)	37.6 (213)	43.1 (248)	47.4 (266)	40.5 (210)	43.0 (227)
Other key figures and financial ratios:					
EBITDA ratio	6.9%	8.2%	10.9%	7.2%	11.6%
ROIC	2.3%	6.5%	17.3%	15.1%	89.5%
ROE	-15.1%	4.4%	12.9%	12.4%	47.0%
Payout ratio (excluding treasury shares) 2)	Neg.	35.0%	24.4%	25.3%	14.1%
Equity ratio	83.0%	84.9%	88.8%	88.8%	83.3%
Total no. of ship days for the Group	84,028	78,526	66,044	55,951	77,448
USD rate at year-end	565.91	574.56	561.33	519.01	528.49
Average USD rate	579.72	536.22	562.57	535.45	509.86

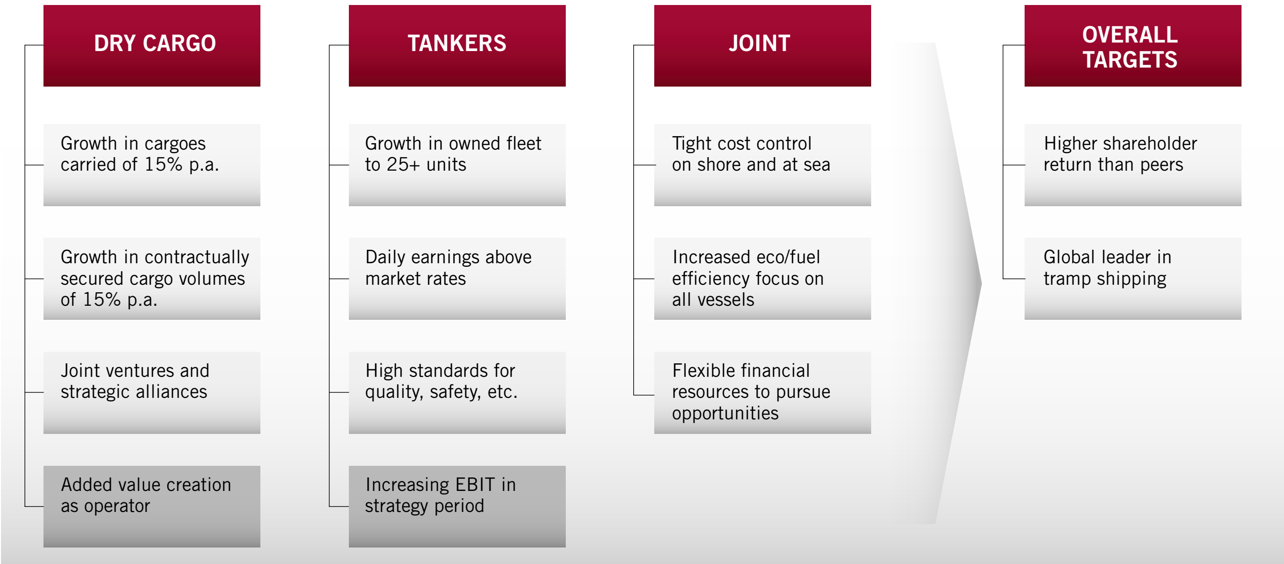
The ratios were computed in accordance with “Recommendations and Financial Ratios 2010” issued by the Danish Association of Financial Analysts. However, “Profits from the sale of vessels, etc.” is not included in EBITDA. Please see definitions in the section “Definitions of key figures and financial ratios”. The figures are adjusted for the Company’s holding of treasury shares.

1) Excluding purchase options on vessels.
2) The payout ratio was computed based on proposed dividends for the year, including extraordinary dividends paid during the year.

STRATEGY UPDATE

- Positioning to gradually improving markets
- Focus on fuel efficiency

Targets and focus areas for the strategy period 2011-13



Status of strategy plan 2011-13

NORDEN is well on its way in meeting the targets in the strategy plan 2011-13 *Long-term Growth in Challenging Times*. The basic targets in the strategy plan include:

- Strengthen the position as preferred partner for cargo contracts in Dry Cargo.
- Double the number of owned product tankers at attractive low acquisition prices.
- Create added value to the shareholders through active operator business and cost focus.

OVERALL GROUP TARGETS 2011-13

The overall objective of the strategy period is to deliver a better shareholder return than that of comparable shipping companies. In 2011, NORDEN performed better than the peer group, and with a total shareholder return of 25.2% (based on share price development and dividend), NORDEN was also in 2012 significantly above the average return of a negative 1.4% generated by 7 peer companies.

Tight cost control

In anticipation of difficult market conditions, NORDEN had decided on ensuring tight cost control both on shore and at sea. Both were realised in 2012. In spite of growth in the number of ship days of 7%, administrative expenses on shore were reduced compared with 2011. On board the vessels, focus has also been on costs, and ongoing budget follow-ups as well as streamlining of purchases have resulted in savings.

In 2013, NORDEN will continue tight cost control both on shore and at sea.

Financial resources

NORDEN continuously works on maintaining financial resources allowing the Company to stand up to hard times, act independently and take advantage of the opportunities in a cyclical market even in times when external bank financing is difficult to obtain.

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

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

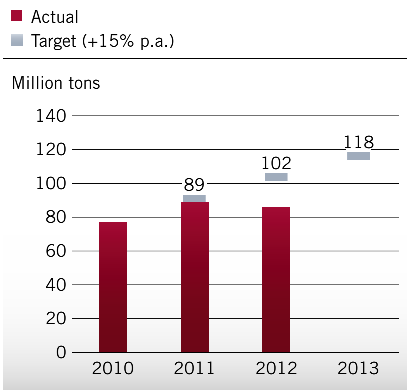
TARGETS FOR DRY CARGO 2011-13

Growth in cargo volumes

The ambition in Dry Cargo is to ensure profitable growth in cargo volumes. The target is 15% in both annual growth in realised volumes and annual growth in contractually secured cargo volumes.

In 2012, NORDEN's transported cargo volumes in Dry Cargo increased by 6%, and following massive growth in 2011, realised growth in cargo volumes for the 2 years collectively thus amounts to 22% p.a. The target for the contractually secured cargo volumes was, however, not reached as annual growth in these volumes was 6% for the first 2 years. The decreasing freight rate development has resulted in significant price pressure also on multi-year cargo contracts, and therefore, the Company has weighted the target of volume growth against counterparty risk and profitability and has decided to give profitability priority. In this connection, the Company has deselected some contracts. Development of customer relations and multi-year cargo

Contractually secured volumes, Dry Cargo



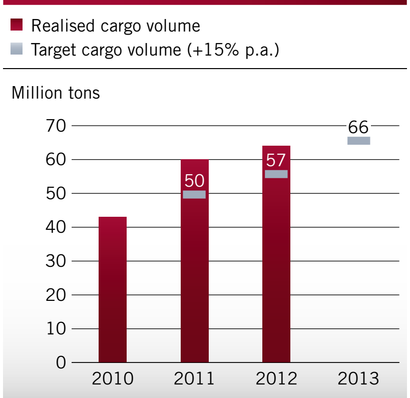
It has not been attractive for NORDEN to enter into a sufficiently large number of future contracts in order to still reach the target of an annual increase of 15%. Following a satisfactory 2011 when the target was reached, contracted volumes decreased in 2012. Instead, the Company has prioritised profitability.

contracts remains an important focus area in Dry Cargo, but it has to be with reasonable profitability.

Added value as operator

As part of the dry cargo business, focus is on added value creation from operator activities, e.g. by optimisation of logistics and fuel consumption in the cargo contracts. In 2012, Dry Cargo created added value of USD 22 million, which is in line with 2011. The added value is calculated as the difference between actual earnings and earnings which NORDEN would have generated if open days had been employed at the forward rates prevailing at the beginning of the year.

Transported volumes, Dry Cargo



In the strategy period, NORDEN has been able to increase cargo volumes by 22% p.a., which surpasses the target of 15% per year. The increase was largest in 2011 and decreased in 2012.

Investments in Dry Cargo – increased exposure

The Dry Cargo gross core fleet consisting of owned and long-term chartered vessels with purchase option – active or for future delivery – is basically unchanged with an increase from 80 to 81 vessels in the past 2 years in accordance with the Company's wait-and-see attitude towards the dry cargo market. In the course of 2013, NORDEN wishes to increase exposure again to an expected improving market. This is to take place primarily by investing in dry cargo vessels with focus on fuel efficient newbuildings or subsidiarily good second-hand vessels at attractive prices.

TARGETS FOR TANKERS 2011-13

Daily earnings above market rates

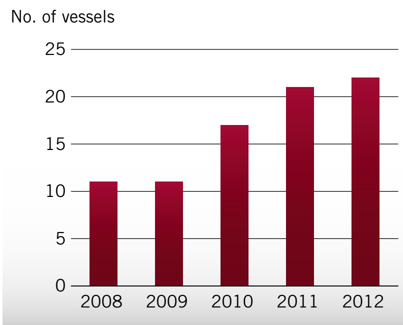
Since 2001, apart from 1 year, the commercial activities in the Tanker Department's 2 primary vessel types, MR and Handysize, have generated better earnings than the 1-year T/C rates. For 2001-2011, NORDEN's earnings within the MR vessel type have thus been 11% above the 1-year T/C rates on average. In 2012, Norient Product Pool, NPP, became the world's second largest product tanker pool in MR and Handysize, and NORDEN's earnings were 3% and 8%, respectively, above the 1-year T/C rates. Compared to the more volatile spot market, NORDEN's earnings were even better.

25+ owned vessels

Since 2009, the Company has increased its fleet of owned product tankers from 11 to 22. In the strategy period, focus has primarily been on investments in fuel efficient tonnage, and the Company has 4 MR vessels for delivery in 2013 and 2 Handysize vessels in 2014. Towards the end of 2012, the Company agreed to sell 3 product tankers and expects to reinvest in 3-4 newbuildings within the same vessel type but with better fuel efficiency in the course of 2013.

NORDEN is thus close to reaching the target of owning at least 25 product tankers.

Owned fleet (incl. vessels on order), Tankers



Since 2009, the number of owned product tankers has doubled from 11 to 22.

High quality

The Company's target of fleet growth is accompanied by ongoing efforts to ensure quality in the form of safety and the working environment being among the best in the business. Though results from Port State Controls and vettings in 2012 have developed somewhat negatively, they are still at satisfactory levels in relation to the Company's overall goal to be among the best.

2013: POSITIONING FOR BETTER MARKETS

The Company's strategic focus is based on assumptions about future macro and market conditions. It is NORDEN's view that the worst pressure from high fleet growth has passed within both segments, but the dry cargo market still depends on large scrapping volumes for yet a period in order to ensure manageable net fleet growth. With continued positive development in demand, a gradual improvement of the freight markets can therefore be expected.

In the coming years, the most significant uncertainty factors other than the general macroeconomic development are expected to be global yard capacity, access to capital as well as global commodity supply. Global yard capacity and access to capital will be crucial to the addition of tonnage in both of the Company's segments. There is still plenty of yard capacity for interested buyers, but it is assessed that the shortage of financing will limit the number of newbuilding orders, which will substantiate the expectation of an improved market.

In both segments, continued positive development in demand is expected, driven by growth in global commodity supply where especially growth in iron ore and oil production will be decisive. In 2012, several of the world's 5 largest iron ore producers reduced their expansion plans, but even these reduced plans indicate relatively high capacity growth of 8-10% per year for the next 2-3 years (source: information from mining companies' websites), and continued high ore prices will support this development.

In the coming years, growth in transported oil products is expected to continue developing at a reasonable level due to the start-up of new, large refineries in the Middle East, Asia and – as something new – the USA (Port Arthur) as well as increasing import demand in emerging countries. Unlike recent years, growth in the OECD countries is not expected to have significant short-term influence on the product tanker market, which is increasingly driven by the economic growth in Africa, Latin America and Asia.

Dry Cargo – new investments

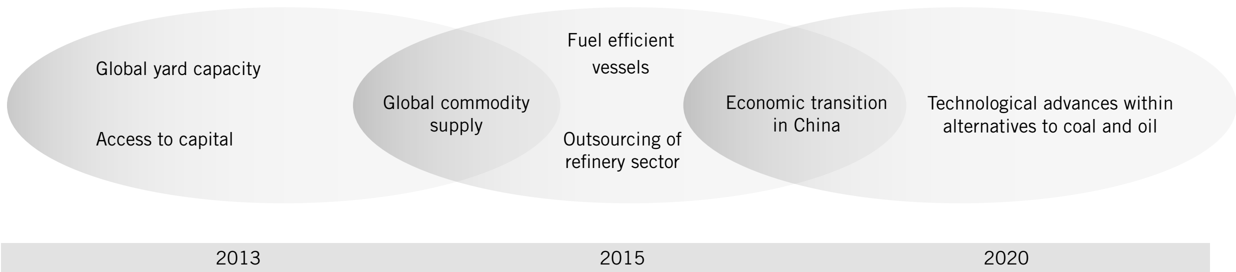
2013 is expected to be yet another difficult year market-wise in Dry Cargo. NORDEN starts the year with high coverage and will take advantage of its financial capacity to primarily order fuel efficient newbuildings and long-term charters with purchase option at attractive price levels.

There will still be focus on strengthening customer relations and increasing cargo volumes to the extent that this can be done at profitable levels.

Tankers – focus on profitable operations

After a number of years with significant investments in the owned Tanker fleet, the Company will chiefly focus on optimising the fleet without expanding it further in 2013. The optimisation will be realised through fuel efficiency and continuous modernisation of the fleet. As part of this, the 3 sold vessels will be replaced by 3-4 fuel efficient newbuildings. Improvement of the freight market has taken a bit longer than expected, and the Company will focus on delivering a return on the vessel acquisitions of recent years before making further investments.

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. This entails optimising earnings under difficult market conditions and taking advantage of the attractive market prices on vessels and purchase options in order to secure long-term profitable growth.

Global yard capacity
High yard capacity may still influence supply in both of NORDEN's markets. In the short term, however, NORDEN expects that the yard industry will be in a phase where it may be considerably reduced.

Access to capital
The supply of loan capital to the shipping industry is expected to be a significantly constraining factor in the short and medium term as the global shipping banks are attempting to reduce their exposure to the industry. At the same time, financing has become more expensive.

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 new vessel designs from 2009/10, which is expected to contribute to significantly increased scrapping during the next 3-5 years.

Outsourcing of refinery sector
Large, efficient refineries are starting up in the Middle East and Asia, whereas old refineries in the OECD countries are expected to close down. This will have a clearly positive effect on the transportation of refined oil products. Access to inexpensive local shale oil in the USA is, however, expected to protect US refineries and even support growth in export.

Economic transition in China
China is in the process of an economic transition towards service trades and more consumption-related growth. As part of this transition, increasing salaries and a strengthened RMB/USD rate are expected, which could result in lower growth in the economy, but also increase the volume of imported commodities at the expense of local mining.

Technological advances within alternatives to coal and oil
Renewable sources of energy are expected only to constitute an actual significant challenge for the demand for transport of coal and oil in the long term. In the short term, shale gas and general energy efficiency improvements represent a greater risk, whereas the tendency of reductions in nuclear power may support the demand for coal and oil.

OUTLOOK FOR 2013

• Lower operating earnings in challenging markets • High coverage in Dry Cargo and high spot exposure in Tankers • Increased investments with focus on Dry Cargo

In 2013, NORDEN expects somewhat lower operating earnings (EBITDA) than in 2012. The decrease is primarily due to expected lower earnings in the Dry Cargo Department where lower rates affect both covered and open ship days. On the other hand, earnings on open ship days in Tankers are expected to be higher than in 2012.

Expected total EBITDA is USD 15-45 million (USD 148 million in 2012). Cash flows from operating activities are expected to reach the same level.

In Dry Cargo, focus will be on taking advantage of the attractive low vessel prices by investing in newbuildings and long-term charters. In Tankers, the target is first and foremost to achieve profitable operations of the current fleet rather than make new investments.

The Company expects profits from the sale of vessels of USD 3 million based on existing agreements on sale of 2 MR product tankers. Acquiring and selling vessels remains an integrated part of NORDEN's business, and NORDEN will therefore also in 2013 consider further acquisition and sale based on price, timing, capacity requirements and opportunities for fleet optimisation.

In 2012, NORDEN took delivery of 15.5 vessels, and in 2013, delivery of 7 newbuildings is scheduled – 5 owned and 2 long-term charters. Based on the current owned fleet, depreciation is expected to amount to approximately USD 80-85 million against USD 89 million in 2012. NORDEN's depreciation period of 20 years for vessels is unchanged. The estimates do not include additional write-downs on owned vessels.

The cash flow effect from known investments (CAPEX) is expected to be USD 70-80 million net, which essentially includes known vessel sales and known newbuilding and docking investments.

Economic outlook

The IMF's expectations for global growth in 2013 were lowered three times in 2012, and in the forecast from January this year, the IMF expects that the global economy will grow by 3.5% in 2013 against 3.2% in 2012. A continued focus on fiscal consolidation and structural reforms, which will only have a positive effect in the long term, are expected to have a negative effect on the economies in the Eurozone in 2013. The growth rate in the Eurozone in 2013 is estimated at close to zero, which is, however, an improvement compared to 2012. Growth in the USA of 2% is expected to be in line with or slightly lower than 2012 provided, however, that negotiations on federal budgets in the spring do not result in significant fiscal tightenings.

Despite derived effects from low growth in the USA and Europe, economies in the emerging markets are expected to grow by 5.5% in 2013 against 5.1% in 2012. China and India, which are important driving forces in both the dry cargo and product tanker markets, are expected to see growth rates of 8.2% and 5.9%, respectively, against 7.8% and 4.5% in 2012. The economies in Latin America will also grow faster in 2013 than in 2012.

The IMF expects that the volume in global trade will increase by 3.8% in 2013, which is significantly above the 2.8% in 2012, but still somewhat below the 20-year average of 6.1%.

Despite the IMF's relatively low growth estimates, they are based on assumptions that fiscal solutions will be found both in the USA and Europe, which will further improve the economic climate in both regions. The uncertainty of the estimates and the risk of yet another reduction of the global growth expectations are therefore still significant.

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

Outlook for Dry Cargo

At the beginning of the year, NORDEN had 35,046 ship days at its disposal, of which 76% was covered at average earnings of USD 12,263 per day. Coverage is 112% and 98%, respectively, in NORDEN's most significant vessel types, Panamax and Handymax, which in total account for 80% 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 fewer attractive coverage opportunities. Capacity and coverage will be adjusted on an ongoing basis in accordance with market conditions.

The dry cargo market particularly weakened towards the end of 2012 partly due to seasonal low volumes and partly due to a continued high number of deliveries to the global fleet. At the beginning of Febru-

Outlook for 2013

USD million	Dry Cargo	Tankers	Group
EBITDA	~ 0	25-45	15-45
Profits from the sale of vessels			3
CAPEX			70-80

The outlook reflects that a challenging dry cargo market is expected in 2013 as well. Lower rates affect both covered and open ship days. On the other hand, Tankers is expected to generate an EBITDA on par with or slightly above the 2012 results.

ary, the Baltic Dry Index was again at a historically low level. Rates in the large vessel types in particular have been affected by the weak market, whereas Handymax and Handysize have done relatively better.

NORDEN's high coverage in 2013 provides some protection in a difficult market where spot rates will continue to be at a low level. The Dry Cargo Department is expected to break even operationally (EBITDA) against USD 131 million in 2012. The decrease in earnings is a result of lower freight rates both on covered capacity and 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:

- The outlook is based on the forward curve at mid-February. If freight rates drop by 10%, Dry Cargo's expected EBITDA would, all other things being equal, be reduced by USD 9 million, and conversely, an increase in rates of 10% would, all other things being equal, increase Dry Cargo's expected EBITDA by USD 12 million.
- Based on a continued weak freight market, it can be expected that a number of shipowners or operators will get into financial difficulties. The Dry Cargo Department's strong focus on solid customers among commodity and mining companies, power plants and major industrial groups has led to a generally high quality of the Company's counterparties. However, it cannot be ruled out that a few counterparties will fail to fulfil agreements.

Outlook for Tankers

In Tankers, NORDEN has decided to maintain high exposure to the market, which is expected to improve gradually. At the beginning of the year, Tankers had 13,121 ship days at its disposal, of which 27% was covered at average T/C earnings of USD 13,533 per ship day.

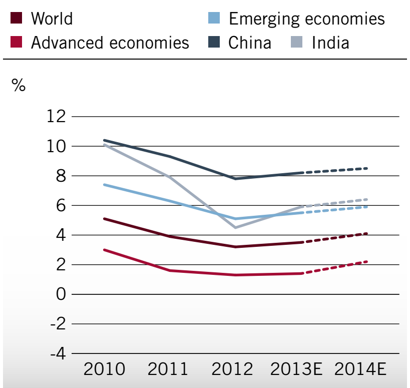
Capacity and coverage will be adjusted on an ongoing basis in accordance with market conditions. The total activity level – measured in ship days – is expected to be on par with 2012.

The relatively good tanker market at the end of 2012 has continued into the beginning of 2013, but is likely to weaken a bit during spring. However, NORDEN still expects the product tanker market to continue the gradual improvement from recent years in 2013 as the increased volumes in the global refinery sector contribute to a positive development in tonnage demand.

Due to higher spot rates and lower fleet costs, the Tanker Department's operating earnings (EBITDA) are expected to be USD 25-45 million against USD 28 million in 2012. The estimate is based on the capacity at NORDEN's disposal at mid-February and is i.a. subject to the following assumptions:

- That open ship days can be employed at average rates in line with or slightly above the 1-year T/C rate at mid-February, i.e. gross USD 13,800 per day in MR and USD 13,100 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.

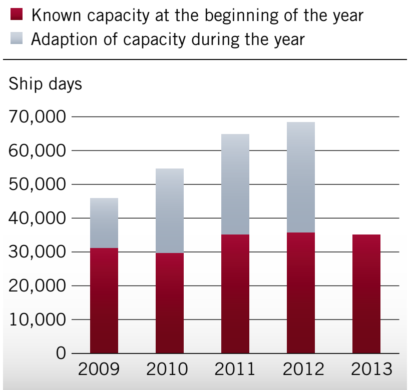
Actual and expected growth in GDP



Source: IMF, January 2013

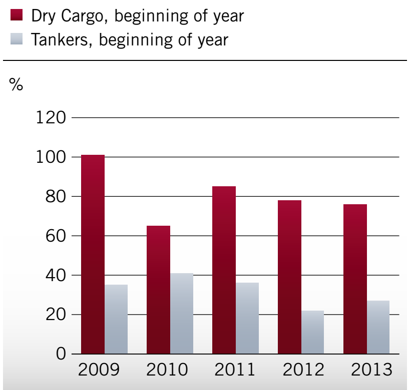
According to the forecast from the IMF, China is expected to continue to be a growth engine in the coming years.

Development in Dry Cargo's capacity



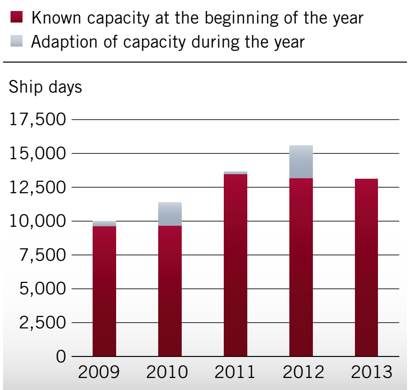
The increase in Dry Cargo's capacity is mainly due to short-term chartered vessels.

Coverage in Dry Cargo and Tankers



Coverage of 76% provides protection against low dry cargo rates. Tankers' coverage of 27% makes it possible to take advantage of increasing rates.

Development in Tankers' capacity



In the period 2009-12, the Tanker Department has increased business by 56%.

NORDEN has positioned itself according to the expectations of another challenging year. This goes especially for dry cargo, which will be affected by overcapacity in the form of too many vessels at sea in 2013 as well. The tanker market is expected to improve gradually.

The outlook is based on the forward curve at mid-February. If freight rates drop by 10%, Tankers' expected EBITDA would, all other things being equal, be reduced by USD 10 million, and conversely, an increase in rates of 10% would, all other things being equal, increase Tankers' expected EBITDA by USD 13 million.

At mid-February, Dry Cargo's capacity for the rest of the year was 32,703 ship days, of which 78% was covered. Correspondingly, Tankers had 12,212 ship days at its disposal for the rest of the year at mid-February, of which 27% was covered.

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.

The IMF expects that the volume in global trade will increase by 3.8% in 2013.

Forward-looking statements

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

Statements relating to 2013 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 2012

Dry Cargo	2013	2014	2015	2013	2014	2015
Owned vessels		Ship days				
Capesize	1,095	1,095	1,095			
Post-Panamax	1,460	1,460	1,460			
Panamax	1,095	1,142	1,460			
Handymax	1,460	1,460	1,460			
Handysize	4,253	4,380	4,380			
Total	**9,363**	**9,537**	**9,855**			
Chartered vessels					Costs of T/C capacity (USD per day)	
Capesize	365	365	365	18,549	18,500	18,500
Post-Panamax	1,460	1,460	1,460	18,693	18,650	18,650
Panamax	8,733	5,018	4,266	10,688	14,068	15,892
Handymax	9,241	6,098	5,449	12,439	12,611	12,945
Handysize	5,884	4,828	3,865	14,160	13,554	12,508
Total	**25,683**	**17,769**	**15,405**	**12,680**	**13,896**	**14,324**
					Costs of gross capacity (USD per day)*	
Total capacity	**35,046**	**27,306**	**25,260**	**10,661**	**10,828**	**10,723**
Coverage					Revenue from coverage (USD per day)	
Capesize	1,249	0	0	26,681	0	0
Post-Panamax	266	0	0	6,008	0	0
Panamax	10,993	5,234	3,381	12,330	14,939	17,098
Handymax	10,483	3,247	1,582	11,526	13,911	15,116
Handysize	3,672	1,500	1,116	9,712	12,115	13,140
Total	**26,663**	**9,981**	**6,079**	**12,263**	**14,180**	**15,856**
Coverage in %						
Capesize	86%	0%	0%			
Post-Panamax	9%	0%	0%			
Panamax	112%	85%	59%			
Handymax	98%	43%	23%			
Handysize	36%	16%	14%			
Total	**76%**	**37%**	**24%**			

To increase the transparency of the chartered fleet, the table now exhibits time charter capacity separately.
Capacity and coverage for the years after 2015 can be found on www.ds-norden.com/investor/reportspresentations/reportsandwebcasts/.

* Including cash running costs of owned vessels.

Capacity and coverage at 31 December 2012

Tankers	2013	2014	2015	2013	2014	2015
Owned vessels		Ship days				
MR	2,165	2,555	2,555			
Handysize	3,961	4,632	4,745			
Total	**6,126**	**7,187**	**7,300**			
Chartered vessels					Costs of T/C capacity (USD per day)	
MR	6,070	4,565	2,965	14,383	14,796	15,754
Handysize	925	0	0	10,908	0	0
Total	**6,995**	**4,565**	**2,965**	**13,924**	**14,796**	**15,754**
					Costs of gross capacity (USD per day)*	
Total capacity	**13,121**	**11,752**	**10,265**	**10,567**	**9,811**	**9,277**
Coverage					Revenue from coverage (USD per day)	
MR	2,253	444	46	13,781	13,221	12,927
Handysize	1,351	248	42	13,119	12,552	12,293
Total	**3,604**	**692**	**88**	**13,533**	**12,981**	**12,623**
Coverage in %						
MR	27%	6%	1%			
Handysize	28%	5%	1%			
Total	**27%**	**6%**	**1%**			

* Including cash running costs of owned vessels.

FLEET DEVELOPMENT

• Fleet renewal with eco focus • Utilisation of low newbuilding prices • Active fleet increased to 244 vessels

Fleet renewal

In 2012, the Company continued to pursue the strategic target of owning and operating an increasingly more fuel efficient fleet. The existing fleet is optimised or sold off in case of sufficiently attractive offers in the market where the proceeds from the sale are invested in new and more fuel efficient tonnage.

The replacement of modern existing vessels with newbuildings is deemed to be attractive as NORDEN gets a newer and significantly more fuel efficient vessel in exchange for a very modest additional investment and, at the same time, reduces the Company's exposure towards the next 1-2 years where there is still a risk of a challenging market.

Development in NORDEN's core fleet 2012

	Dry Cargo	Tankers	Total
Core fleet, beginning 2012	84.0	31.0	**115.0**
Purchase of secondhand tonnage	0.0	0.0	**0.0**
Contracted newbuildings	1.0	2.0	**3.0**
Contracted long-term charters with purchase option	6.0	1.0	**7.0**
Redelivered long-term charters with purchase option	-3.0	-2.0	**-5.0**
Sale and delivery of owned vessels	-7.0	-1.0	**-8.0**
Core fleet, year-end 2012	81.0	31.0	**112.0**

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 2012

Vessels in operation	**2012**	**2011**
Owned vessels	41.0 [A]	43.5
Chartered vessels with purchase option	53.0	48.0
Active core fleet	**94.0**	**91.5**
Chartered vessels without purchase option	150.0	144.0
Active fleet	**244.0**	**235.5**
Vessels to be delivered		
Owned vessels	8.0	10.5
Chartered vessels with purchase option	10.0	13.0
Total for delivery to core fleet	**18.0**	**23.5**
Vessels chartered for more than 3 years without purchase option	0.5	2.0
Total for delivery to active fleet	**18.5**	**25.5**
Total gross fleet	**262.5**	**261.0**
Total chartered with purchase option	63.0	61.0
Total gross core fleet	**112.0**	**115.0**

A Of which 2 units sold.
Note: Vessels which are jointly owned or chartered directly by a pool are adjusted based on ownership share and pool percentage, respectively.

The count methodology has been changed compared to last year so that partly owned vessels are adjusted based on ownership share. This relates to 2 owned vessels and 4 chartered vessels with purchase option. These are all 50% owned and therefore count as 3 vessels instead of 6.

The gross core fleet consisting of owned and chartered vessels with purchase option – both current and for future delivery – counted 112 vessels at the end of 2012, which is a decrease of 3 vessels since the beginning of the year. The decrease is i.a. due to the fact that NORDEN redelivered 5 long-term chartered vessels with purchase option during the year because of expiry of the contract. In addition to this, the Company was active both with new orders and sale of vessels but with an overall neutral effect on the gross core fleet. Thus, NORDEN had an addition of a total of 10 vessels – 3 owned newbuilding orders and 7 long-term chartered vessels with purchase option – while the Company entered into agreements on the sale of 10 vessels, of which 8 vessels were delivered to the new owners at the end of the year, and 2 vessels were delivered in the beginning of 2013.

New contracts

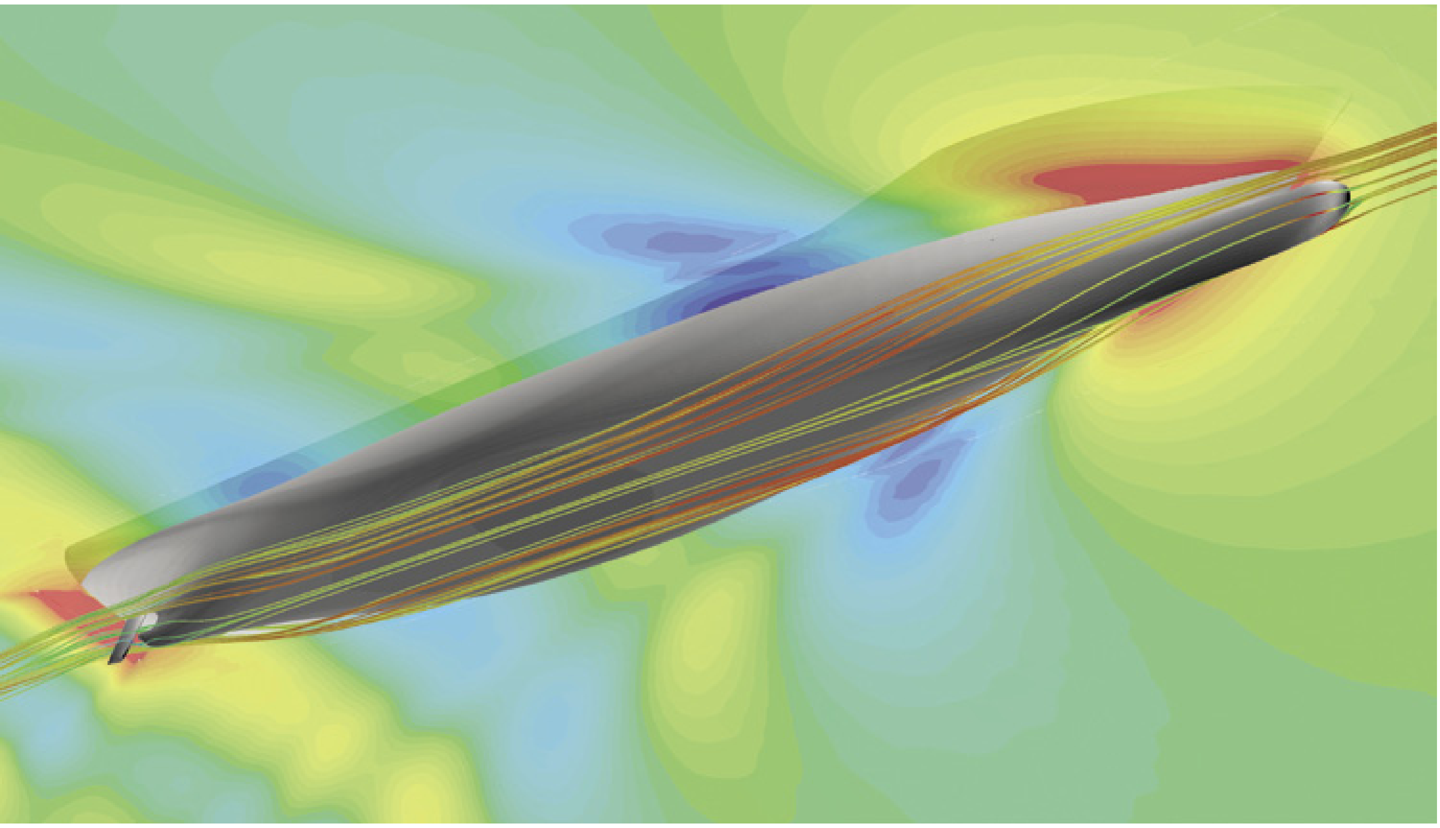
A newbuilding order was added to the Dry Cargo fleet in 2012 in the form of a Japanese built Panamax ice-class vessel, which is significantly more fuel efficient and emits less CO_2 than comparable existing vessels. The vessel is secured employment for 5 years at reasonable rates from the delivery in 2014. The Company has also taken avantage of the low newbuilding prices in Tankers. The Company has contracted 2 Chinese built, fuel efficient product tankers of the Handysize type, which is the vessel type in the global tanker fleet with the greatest scrapping potential and the smallest order book.

Furthermore, NORDEN has ordered 2 Panamax newbuildings (1 owned and 1 long-term charter with purchase option) in the first two months of the year.

In total, the Company now has 18 eco vessels in the gross core fleet.

More vessels at sea

Despite vessel sales and redelivery of chartered vessels with purchase option,



Fuel efficiency is a crucial factor in the optimisation of NORDEN's fleet. New vessel designs can reduce fuel consumption significantly and thus contribute to reducing both costs and CO_2 emissions. The picture shows a computer animation of the water's movements – streamlines – along the hull of a modern vessel.

the active part of the core fleet increased as a result of delivery of 5.5 newbuildings and 10 chartered vessels with purchase option. At the end of the year, the active core fleet thus comprised 94 vessels. In addition to the core fleet, NORDEN had a flexible portfolio of 150 chartered vessels at its disposal, and consequently, NORDEN's total active fleet counted 244 vessels at the end of the year.

Deliveries in 2013

NORDEN's future deliveries to the core fleet amounted to 18 vessels at the end of the year of which 12 are dry cargo vessels and 6 are product tankers. 7 of these vessels will be delivered in 2013 – 3 dry cargo vessels in the Handysize and Panamax class and 4 MR product tankers built at the Korean yard STX. The remaining vessels in the order book will be delivered in the course of 2014-15 (see below table).

On the inside of the cover, a graphic overview of NORDEN's active fleet is available.

Expected deliveries to NORDEN's core fleet at 31 December 2012

	2013				2014				2015				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Dry Cargo													
Panamax			(1.0)			(1.0)	(4.0)	1.0					7.0
Handymax						(2.0)					(1.0)		3.0
Handysize		1.0 (1.0)											2.0
Tankers													
MR	2.0	2.0											4.0
Handysize					1.0	1.0							2.0
Total	**2.0**	**4.0**	**1.0**	**0.0**	**1.0**	**4.0**	**4.0**	**1.0**	**0.0**	**0.0**	**1.0**	**0.0**	**18.0**

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

FLEET VALUES

• Fleet market value estimated at USD 1.2 billion • Carrying amounts written down by USD 300 million • Purchase and extension options estimated at USD 100 million

Development in vessel prices

As a result of lower freight rates, the extensive addition of new tonnage and lack of financing, the market prices for newbuildings and secondhand vessels in the dry cargo market decreased throughout the year. Newbuilding prices in NORDEN's vessel types decreased by 5-15%, and there was also a downward trend in the secondhand market. A 5-year old Panamax vessel was e.g. 32% cheaper at the end of the year than at the beginning of the year, while the price for a 5-year old Handysize vessel was 26% lower (source: Clarksons).

In the product tanker market, the decrease in prices was slightly smaller. The price for a 5-year old MR product tanker thus dropped by 18% (source: Baltic Exchange), while newbuilding prices were at a stable level throughout the year.

Write-downs in the first quarter

Due to the continued drop in vessel prices, management estimated that there was a need for write-downs of a total of USD 300 million at the end of the first quarter. At the end of the first quarter, the market value was USD 361 million below the carrying amounts and costs of newbuildings, and NORDEN therefore performed a routine impairment test in accordance with IAS 36 and following the same principles and methods as previously, however, with a more careful assumption of future rates on open ship days.

The impairment test was performed by comparing the carrying amounts with the value in use of the 3 cash-generating units (CGUs) in the fleet – i.e. Dry Cargo, Tankers and a joint venture. Value in use is calculated as the present value of total expected cash flows over the remaining useful lives of the vessels, including time charter fleet, coverage and estimated rates for uncovered capacity.

The write-downs totalling USD 300 million were distributed with USD 250 million in Dry Cargo, USD 40 million in Tankers and USD 10 million in a joint venture. The write-downs have no effect on EBITDA, cash flows or loan agreements, and NORDEN continues to be in a very strong financial position.

Market values of USD 1.2 billion

Based on assessments from 3 independent brokers, the market value of NORDEN's 41 owned vessels and 8 newbuilding orders was estimated at USD 1,162 million at year-end, which is USD 136 million below the carrying amounts and costs. This corresponds to a negative DKK 18 per share.

Calculated without vessels in joint ventures and sold assets, the market value in Dry Cargo and Tankers is USD 61 million and USD 77 million, respectively, below the carrying amounts and costs. 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 newbuilding prices were significantly higher than today.

Fleet values at 31 December 2012

USD million	Owned (active and newbuildings)				
Dry Cargo	Number	Carrying amount/ cost	Broker estimated value of owned vessels*	Broker estimated value of charter party	Added value
Capesize	3.0	80	69	13	2
Post-Panamax	4.0	133	102		-31
Panamax	4.0	83	75	31	23
Handymax	4.0	90	85		-5
Handysize	12.0	285	224	10	-51
Tankers					
MR	9.0	310	267		-43
Handysize	13.0	317	286		-31
Total	**49.0**	**1,298**	**1,108**	**54**	**-136**

			Sensitivity	
Net Asset Value at 31 December 2012	**USD million**	**DKK per share**	**+10%**	**-10%**
Equity excl. minority interests	1,687	231	231	231
Added value owned vessels	-136	-18	-2	-34
Net Asset Value	**1,551**	**213**	**229**	**197**

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

As the market value was also below the carrying amounts and costs at year-end, NORDEN has performed a routine impairment test following usual principles. On this background, no further indication of impairment of the value of the Company's owned vessels and newbuildings was found. See also the Financial review (page 42) and the section "Impairment test" in note 1 to the financial statements (page 54) where significant accounting estimates are explained.

Net Asset Value
At year-end, NORDEN's Net Asset Value (NAV) was estimated at DKK 213 per share against DKK 248 per share at the end of 2011. This corresponds to a decrease of 14%. NAV comprises book equity of DKK 231 per share and negative DKK 18 per share relating to negative added value of owned vessels.

This year, the Company has decided not to calculate a theoretical NAV but instead publish more detailed information on the Company's chartered fleet and coverage. A complete overview of days, rates and coverage for chartered vessels as well as coverage distributed on year and vessel type can be found at www.ds-norden.com/investor/reportspresentations/reportsandwebcasts/.

In addition, the part of the vessels' market value which is constituted by the attached charter parties is specified in the top right table. As a supplement to NAV, the Company will continue publishing the estimated value of the option element in NORDEN's charter parties with purchase and extension option.

Purchase and extension options
The Company's purchase and extension options are still estimated to represent value despite low period rates in the time charter market. And when markets improve, these flexible contracts are expected to provide NORDEN with an advantageous exposure to the market.

NORDEN has not exercised any purchase options in 2012, but has increased the number of charter parties with purchase and extension option from 61 to 63 in connection with new long-term charters. The value of the options in the contracts was estimated at USD 100 million or USD 1.6 million per contract at the end of the year. The method of calculating the value of the options is unchanged (see box below).

Value of purchase and extention options at 31 december 2012

	Average dwt.	Number of contracts	Value* (USD million)
Dry Cargo			
Capesize	180,230	1.0	2
Post-Panamax	114,987	4.0	1
Panamax	79,106	18.0	28
Handymax	56,750	20.0	56
Handysize	32,054	11.0	7
Tankers			
MR	47,485	9.0	6
Total		**63.0**	**100**

* The values solely concern purchase and extension options, but not the firm charter party period.

Assumptions for calculated value of purchase and extension options at year-end 2012

	Vessel prices and T/C rates		Assumed volatility	
	5-year second-hand prices (USD million)	5-year T/C rate (USD/day)	Freight rates (1-year T/C)	Ship values (5-year second-hand prices)
Dry Cargo				
Capesize	30.3	15,667	87%	20%
Post-Panamax*	26.7	11,333	52%	20%
Panamax	18.6	11,333	52%	20%
Handymax	18.9	10,417	43%	20%
Handysize	15.3	8,550	27%	17%
Tankers				
MR	21.1	15,250	13%	11%

Note: The determination of the theoretical value of the purchase and extension options is subject to uncertainty, the value being dependent on the future development in freight rates and ship 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 limited data available for Post-Panamax.

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 as 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 and 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 running 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.

FLEET COSTS

• Continued strict cost control • Successful phase-in of Indian officers • Focus on fuel efficiency

Operation of owned vessels

Without compromising quality, safety or environment, NORDEN continues to have a sharp focus on the costs which NORDEN is able to influence. In the past year, the running costs of the fleet have been under pressure due to continued additional expenses for anti-piracy initiatives and increasing expenses for crew health insurances.

On the other hand, ongoing budget follow-ups and streamlining of the purchase of stores and spares have resulted in savings. For example, for the second consecutive year, the purchase of lubricating oil has been made more efficient and has led to savings ensuring that this significant expense is 4% below budget.

Build-up of experience

To maintain a high, uniform level of quality in the Tanker fleet, NORDEN is now in charge of the operation of all product tankers. As part of the preparations for the delivery of 4 product tankers from the STX yard and a wish for generally increased flexibility in crewing and lower costs, the Company has hired 39 Indian officers. The phase-in of the many officers has proceeded satisfactorily, and the Company is ready to receive and operate the vessels when they are delivered during the first half-year of 2013.

In the Dry Cargo fleet, the Company has successfully continued the cooperation with external managers, who manage 14 vessels with the same standards and quality requirements as on the vessels managed by NORDEN. External management provides flexibility, and the benchmarking, which is made on an ongoing basis, ensures that NORDEN's own operation is carried out at a competitive cost level.

Chartered fleet

Parallel with improving efficiency on owned vessels, NORDEN continuously seeks to reduce the costs of chartered tonnage either by replacing short-term chartered tonnage as far as possible with vessels with a lower charter hire or by re-negotiating charter parties upon expiry.

Fuel efficiency

The most significant expense in connection with the operation of the fleet is fuel (bunker). Thus, increased fuel efficiency does not only decrease the impact on the environment, but also contributes positively to the bottom line.

NORDEN focuses on fuel efficiency, and since 2007, the Company has successfully followed a climate action plan. This plan includes i.a. continued roll-out of high performance paint, which reduces the vessels' propulsion resistance, frequency controlled cooling pumps, which ensures more economical operation, and not least instruction of the officers on correct, fuel saving sailing – right steaming.

At the same time, IT systems and measuring tools such as flow meters and torque meters allow the Company to directly monitor effect and consumption on vessels equipped with these tools – regardless of where the vessels are positioned. Attention to consumption is thus increased, and valuable experience is gathered.

Initiatives in 2013

Focus on the running costs of NORDEN's fleet will be maintained in 2013 respecting the fact that it is important to maintain and strive for high standards within Tankers and to an increasing extent also within Dry Cargo. The Company will continue the implementation of fuel efficient initiatives and has established a position with focus on supporting these efforts through analyses, new initiatives and follow-up on ongoing activities.

Average cash costs of the known fleet are budgeted at USD 10,661 per day in Dry Cargo and USD 10,567 per day in Tankers in 2013. The figures comprise charter hire for chartered vessels, and for owned vessels, cash costs for operation and manning of the vessels, excluding bunker, docking and port calls. In Tankers, costs for all vessel types are lower than the 1-year T/C rates, whereas in Dry Cargo, this is only the case within Capesize (sources: ACM and Clarksons). To this should be noted that the other vessel types in Dry Cargo, except from Post-Panamax, are also employed at rates significantly above the 1-year T/C rates.

NORDEN continues to focus on costs.

FINANCIAL POSITION

• Cash and securities of USD 529 million • Drop in net commitments • Known newbuilding liabilities of USD 95 million net

Strong capital structure

With a strong financial position and solid financial resources, NORDEN is well positioned to take advantage of opportunities also in challenging markets. At year-end, NORDEN had cash and securities totalling USD 529 million and undrawn credit facilities of USD 161 million.

Cash amounts to USD 454 million (USD 336 million), and to this should be added NORDEN's share of cash and cash equivalents in joint ventures amounting to USD 9 million (USD 6 million). Pursuant to NORDEN's banking policy, cash is mainly placed as short-term deposits with a duration of up to 1 year in major Scandinavian banks which are rated A or higher. Furthermore, NORDEN has securities of USD 75 million (USD 71 million) placed in short-term corporate bonds which are rated BBB or higher.

The increase in total cash is mainly a result of solid cash flows from operations of USD 122 million, while the net effect of vessel sales and newbuilding investments has been positive with USD 13 million. To this should be added dividend payment to the shareholders of USD 29 million. Financial resources have been improved by cash and securities, which now exceed interest-bearing debt by USD 373 million at year-end, equalling DKK 51 per share.

During 2012, NORDEN entered into a new, long-term credit facility totalling USD 36 million with a Nordic bank. At the same time and as planned, USD 25 million has been drawn from the credit facility which was entered into with the Japanese export guarantee fund NEXI and a Japanese bank in 2012. Hereafter, undrawn credit facilities total USD 161 million. If the facilities are fully drawn, debt will only correspond to 29% of the market value of the fleet.

Interest-bearing debt decreased from USD 165 million to USD 156 million as the Company drew USD 25 million on an existing credit facility and, at the same time, repaid USD 34 million on previously obtained loans.

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

	2012	2011	2010
Adjusted net interest-bearing assets*	362	240	542
T/C liabilities**	-1,646	-1,748	-1,925
Payments on newbuildings less proceeds from vessel sales**	-95	-197	-329
Contractually secured inflows of earnings** (T/Cs and COAs)	936	1,078	1,377
Net commitments	**-443**	**-627**	**-335**

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

Drop in net commitments

The adjusted net interest-bearing assets amounted to USD 362 million (USD 240 million) at year-end. Including operating lease liabilities, future payments on newbuildings and contractually secured cash flows, the Company's total net commitments were USD 443 million (USD 627 million) at year-end. Compared to 2011, net commitments have decreased by USD 184 million. The decrease is a result of an increase in cash, lower future operating lease liabilities and a drop in net investments in vessels.

Gearing refers to the ratio of the Company's net commitments to book equity. With the decreasing net commitments, NORDEN's gearing has dropped to 0.26 at the end of 2012 from 0.31 at the end of 2011. Gross gearing refers to the ratio of the Company's net commitments before deduction of contractually secured cash flows to equity. Even when applying the gross gearing measure, NORDEN's gearing is below 1.

Initiatives in 2013

NORDEN has known liabilities in relation to the newbuilding programme totalling USD 95 million net, which essentially fall due in 2013. The amount only includes payments on contracts which had been signed at year-end. Further purchase, sales or contracting agreements could affect the total amount of investments.

In addition, the Board of Directors proposes that NORDEN distributes USD 22 million in dividends and carries out share buy-backs of up to USD 30 million.

NORDEN will draw the remaining USD 25 million regarding the existing Japanese credit facility in 2013, whereas the new facility entered into with a Nordic bank in 2012 is expected to be utilised from 2014. NORDEN's expectations for 2013 of taking advantage of the low vessel prices to invest in newbuildings and long-term charters may result in further incurrence of debt possibly in the form of bond issues. Considering payment of dividends and share buy-backs, the recent decrease in NORDEN's gearing is therefore expected to be temporary.

Gearing

DRY CARGO

MARKET

- Strong demand growth
- Record high number of deliveries to the global fleet
- Scrapping at historically high level

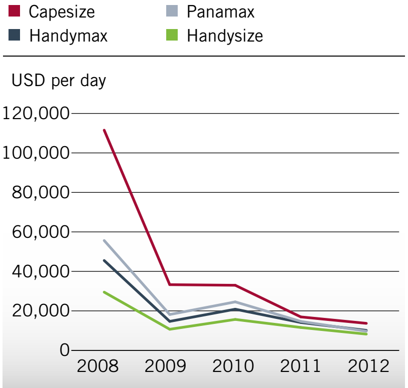
NORDEN

- Higher earnings than expected
- Daily earnings considerably above market rates
- Ready for new investments

Key figures and financial ratios

USD million	2012	2011	2010	2009	2008
Revenue	1,731	1,936	1,946	1,516	4,002
EBITDA	131	171	249	139	455
Profits from the sale of vessels, etc.	-25	0	28	70	247
EBIT	-207	127	260	188	687
Non-current assets	606	1,010	850	646	566
EBITDA margin, %	8%	9%	13%	9%	11%
EBIT margin, %	-12%	7%	13%	12%	17%
Avg. number of employees	535	466	325	329	372
Total number of ship days	68,430	64,851	54,661	45,945	68,172

Development in 1-year T/C rates



Source: Clarksons

After a massive drop immediately after the beginning of the financial crisis, rates have stabilised at low levels.

NORDEN's results

In 2012, NORDEN's Dry Cargo Department generated operating earnings before depreciation and profits from the sale of vessels (EBITDA) of USD 131 million, which is higher than the expectations from the third quarter of USD 105-125 million. All in all, operating earnings were 24% lower than the previous year as a consequence of a difficult market where market rates (Baltic Dry Index) were 41% lower on average than in 2011.

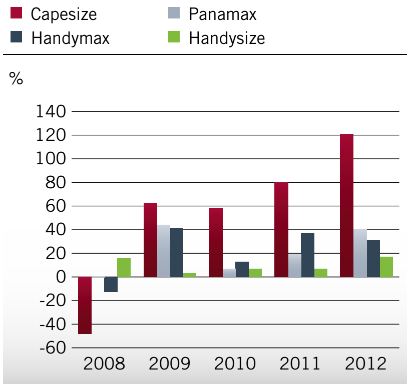
EBIT constituted a loss of USD 207 million in 2012, which is USD 334 million lower than in 2011. The decrease is primarily due to write-downs of USD 260 million in the first quarter, lower operating earnings and a loss of USD 24 million on vessel sales in the fourth quarter. Profit from operations before write-downs was consequently USD 74 million lower than in 2011.

As in 2011, NORDEN's daily earnings were considerably higher than both the spot and the 1-year market. Overall, earnings were 54% higher than the spot market and 33% higher than the 1-year T/C rates. Particularly NORDEN's two primary vessel types, Handymax and Panamax, earned higher rates, 31% and 40% higher than the 1-year T/C rates, respectively (source: Clarksons). The favourable earnings are primarily a result of high rates on cargo contracts made in previous years as well as profitable operator activities. For example, the Post-Panamax vessels generated higher earnings in the spot market than the average spot rates for Capesize and Panamax through efficient operator activites.

NORDEN's business

The volume of global seaborne dry cargo transports increased by 5.5% in 2012.

NORDEN T/C compared to 1-year T/C



Source: Clarksons

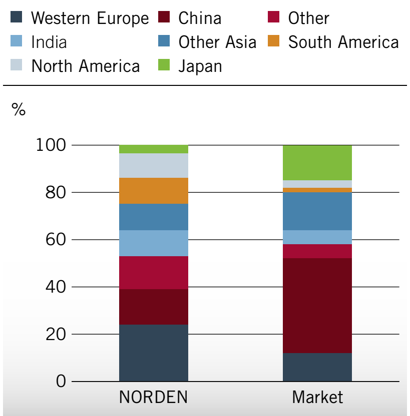
NORDEN beat the 1-year T/C rates by an average of 33% in a weak market.

Employment and rates, Dry Cargo, 2012

Vessel type		Q1	Q2	Q3	Q4	2012	1-year T/C (USD per day)*	NORDEN vs. 1-year T/C
Capesize	Ship days	364	364	368	339	1,435	13,685	+121%
	T/C (USD per day)	34,597	29,898	26,491	30,186	30,284		
Post-Panamax	Ship days	606	646	736	717	2,705	9,929	-21%
	T/C (USD per day)	9,565	10,255	5,746	6,256	7,813		
Panamax	Ship days	6,158	6,727	6,025	6,136	25,046	9,706	+40%
	T/C (USD per day)	15,123	12,808	12,460	13,848	13,548		
Handymax	Ship days	7,016	6,580	8,226	7,671	29,493	10,130	+31%
	T/C (USD per day)	13,916	12,777	13,466	12,730	13,228		
Handysize	Ship days	2,239	2,285	2,525	2,702	9,751	8,234	+17%
	T/C (USD per day)	9,580	10,881	10,315	8,128	9,673		
Total**	Ship days	16,383	16,602	17,880	17,565	68,430	9,771	+33%
	T/C (USD per day)	14,076	12,806	12,632	12,485	12,982		

* Source: Clarksons ** Weighted average

Geographic distribution of imports, 2012



Source: R.S. Platou

China and India remain the largest single destinations for NORDEN's cargoes, but the Company also has a strong position in the Western European market.

Thus, with an increase in volume of 6%, NORDEN has in 2012 maintained its position in the market and added a considerable number of new customers.

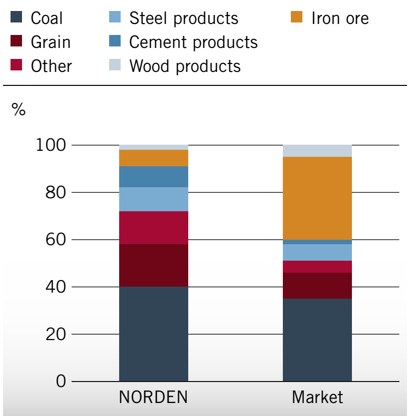
NORDEN's two primary commodities are coal and grain, which are both less sensitive to market fluctuations than the average dry cargo commodity. Out of a total

> The Post-Panamax vessels are designed to pass the widened Panama Canal when it opens in 2015.

transported volume of 64 million tons (excluding cargo on vessels chartered out), coal and grain constituted 40% and 18%, respectively, of NORDEN's transported cargo.

Compared to the market where 80% of the dry cargo commodities are imported by the East, NORDEN has a more even geographical spread in that almost 25% of NORDEN's transported volume was carried to Western Europe. The spread is to a great extent a result of NORDEN's 5-year contract to carry coal from Svalbard

NORDEN's transports compared to the market's



Source: R.S. Platou

The less cyclical commodities coal and grain are still NORDEN's primary commodities with 40% and 18%, respectively.

to Northern Europe as well as Indonesian and Russian coal to Southern and Northern Europe, respectively. In 2012, NORDEN also entered into a large contract to carry biomass/wood products from the USA to Western Europe.

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

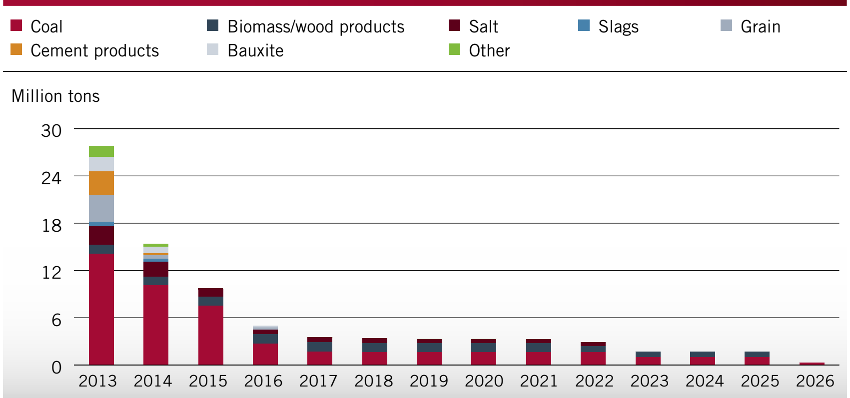
During the recent year, NORDEN has experienced an increasing interest for its Post-Panamax vessels, which fill a gap in the market between the Panamax and Capesize vessel types. On average, more than 100,000 tons of cargo are loaded on these vessels, and thus Post-Panamax vessels compete with – the smaller – Panamax vessels under poor market conditions and with – the larger – Capesize vessels under good market conditions. One of the advantages of the new design is the low draught, which enables transport on e.g. the Mississippi River like a regular Panamax vessel, but with 50% more cargo. In addition, Post-Panamax is built to take advantage of the widened Panama Canal when it opens in 2015.

Market development in 2012

As in previous years, the dry cargo market was characterised by high demand, which was, however, more than counterbalanced by an extensive addition of new vessels. For the year as a whole, the Baltic Dry Index was 41% lower than in 2011 primarily pulled down by the large vessel types (source: Baltic Exchange).

The total volume of commodities transported by sea increased by 5.5% in 2012, which is 0.8% below the level for 2011. Factors such as waiting days in ports, Chinese coastal trade and inefficient trading patterns added to growth in total demand for dry cargo tonnage of approximately 7% compared to 9.6% last year (source: R.S. Platou).

Cargo on future contracts

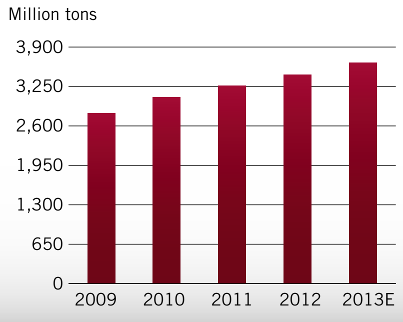


NORDEN focuses on increasing future cargo volumes at profitable levels and has entered into agreements, which extend until 2026.

Also in 2012, China was the primary driving force behind the increased cargo volumes. China's import grew by approximately 135 million tons corresponding to an increase of 12.7% compared to last year. Especially coal and the group of other minor dry cargo commodities contributed to growth with percentage increases of 28% and 12%, respectively (source: China Customs General Administration).

With 745 million tons in 2012, iron ore remains China's most imported commodity. Compared to 2011, Chinese iron ore imports grew by 9% despite a slowdown in the steel production. The market was, however, under pressure due to the fact that the increased imported volume mainly came from nearby Australia instead of Brazil, which experienced a decrease in the level of exports.

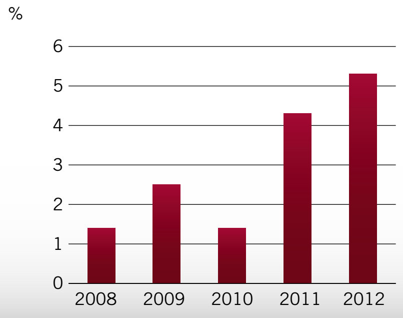
Global seaborne dry cargo transport



Source: R.S. Platou

A good increase of 5.5% could not counterbalance the addition of new vessels, and rates thus came under pressure.

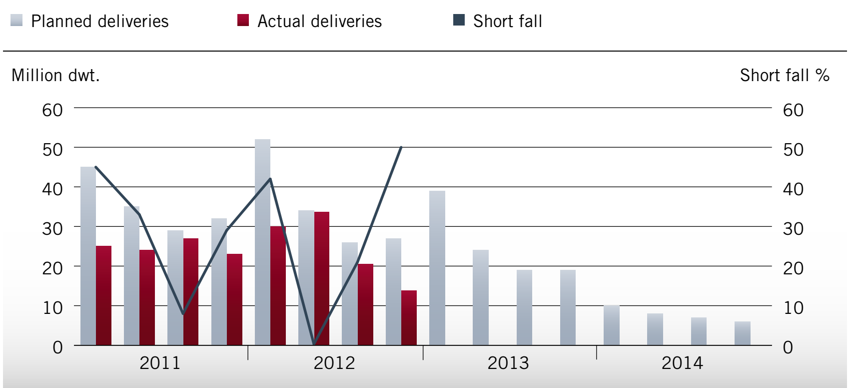
Scrapping as percentage of global fleet



Source: Clarksons

Scrapping rose to 5.3%, and with a total of 33.7 million dwt., 2012 set a new record for scrapping.

Planned vs. actual deliveries



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

The year offered a record high number of deliveries to the global fleet, but towards the end of the year, deliveries dropped significantly as only every second planned delivery was actually launched.

Imports of coal to both India and Japan increased in 2012. The Indian increase forms the basis of a long-term consumption pattern, whereas the Japanese increase is short-lived and primarily due to increased imports of thermal coal as the shutdown of most nuclear power stations after Fukushima necessitated increased use of coal for power supply in 2011.

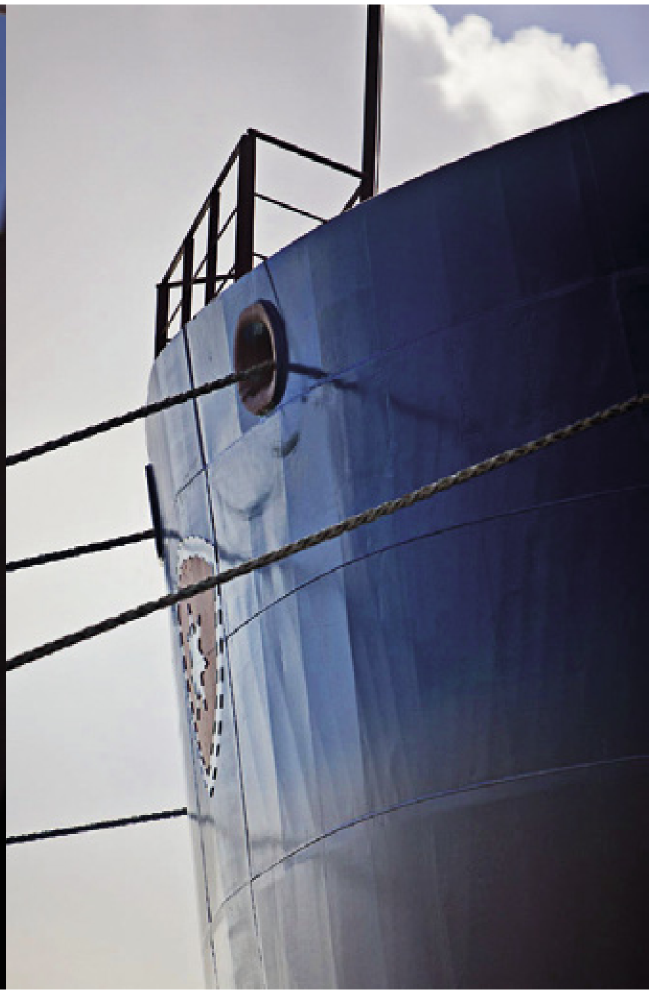
Like previous years, the market was again affected by supply disruptions. For example, at the beginning of the year, Brazil was exposed to severe rainfalls, which negatively affected iron ore exports, whereas the USA experienced periods of drought in the middle of the year, which hit the corn production particularly hard causing a drop in the production of 13% compared to 2011 (source: USDA). Also Indonesia, which is a considerable exporter of commodities to China, reduced its volumes in 2012 as a consequence of an export ban on unprocessed commodities (except from coal). This reduced the export volumes of both nickel ore and bauxite in particular.

2012 offered a record high number of deliveries to the global dry cargo fleet of approximately 60 million dwt. in the first half-year. In contrast, deliveries dropped to a considerably lower level in the second half-year, and thus in the fourth quarter, only approximately 14 million dwt. were delivered, which is the lowest level since the fourth quarter of 2009. In total, a little more than 98 million dwt. were delivered to the dry cargo fleet in 2012.

Despite the record high number of newbuilding deliveries, two factors in particular contributed to reducing the effective supply growth: scrapping and reduction of speed. Scrapping was at a historically high level, and in total, 33.7 million dwt. were scrapped in 2012, of which Capesize constituted the main part. Overall, this resulted in a total net fleet growth rate of 10.3%, which, however, covers large differences between the individual vessel types. Thus, fleet growth is still most significant in the large vessel types, whereas especially Handysize, which is NORDEN's most numerous vessel type, stands out with a net fleet growth rate of only 1.1% (source: Clarksons).

Due to high oil prices and low freight rates, many vessels sail at reduced speed. Slow steaming has contributed to reducing overcapacity and increasing earnings in a weak market. Overall, effective growth in supply was, however, somewhat higher than an otherwise reasonable growth rate in demand of 7%, and rates were thus below the average for 2011.

Vessel prices were also affected by the lower rates and the high overcapacity. Prices for 5-year old tonnage continued the downward trend from 2011 and ended at an approximately 25% lower level across all vessel types. Prices on newbuildings also decreased, but only by approximately 8.5% (source: Clarksons).



Also in 2013, the dry cargo market will see a good increase in demand, but the supply of vessels is too large for this increase to reflect in generally increasing rates.

Market development in 2013

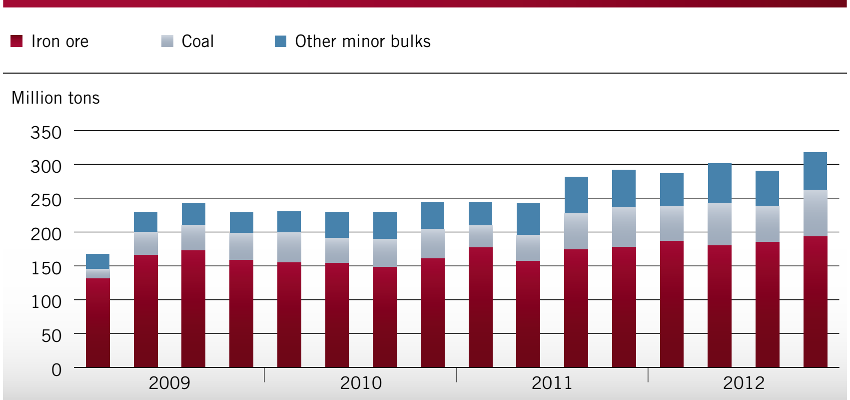
Just as 2012, 2013 is expected to be a very challenging year as a consequence of overcapacity in the market. However, the overcapacity is not expected to increase further during 2013 since growth in supply and demand will start to balance.

R.S. Platou thus expects tonnage demand growth of approximately 7.3%, which is 0.3 percentage points higher than in 2012. As previously, growth is expected to be driven primarily by China's import of commodities as well as longer distances and waiting time.

The order book for 2013 constitutes 101.2 million dwt. in total, which indicates that the world fleet will increase by 14.9% (source: Clarksons). However, it is expect-

> Since 1998, China's import of iron ore has grown from 52 million tons to 745 million tons in 2012.

Development in China's dry cargo imports



Source: China Customs General Administration

Despite a decrease in China's steel production, the import of iron ore increased by 9%, and China was thus also the primary driving force behind the increased cargo volumes in 2012.

ed that a large part will not be delivered just as scrapping is expected to continue at a high level. Provided that between 20-30% of the reported orders are not delivered in 2013 and that scrapping constitutes between 5-6% of the global fleet, net growth of the global fleet will amount to 4-7%, which is in line with tonnage demand.

Long-term market development

Over time, the market is expected to become attractive again. Following a year with balanced supply and demand growth, low fleet growth combined with stable demand growth during 2014-15 and onwards is expected. As a result, the overcapacity is expected to be reduced already from the beginning of 2014.

In coming years, global growth is expected to be driven by emerging markets with a great focus on commodity-intensive industries, infrastructure and energy. In addition, the major mining companies within coal and iron ore are focusing on capacity expansions, which will allow for considerable volume growth. Despite the fact that the major iron ore producers have postponed parts of the capacity expansions, future growth rates continue to look positive. By the end of 2014, the export capacity for coal is expected to increase by almost 140 million tons. The main part of the capacity expansion will be for the benefit of non-OECD countries, which are expected to have a total coal demand increase of 3.9% per year over the next 5 years. Especially India is expected to experience a large increase in demand of more than 6% per year (source: IEA).

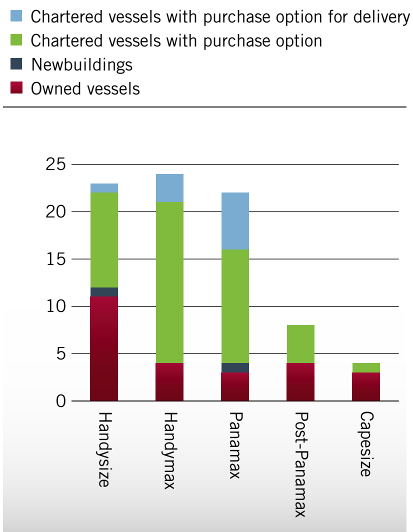
The existing order book in dry cargo for 2014 and onwards is small, while the number of new orders is limited primarily due to reduced financing opportunities.

NORDEN's positioning

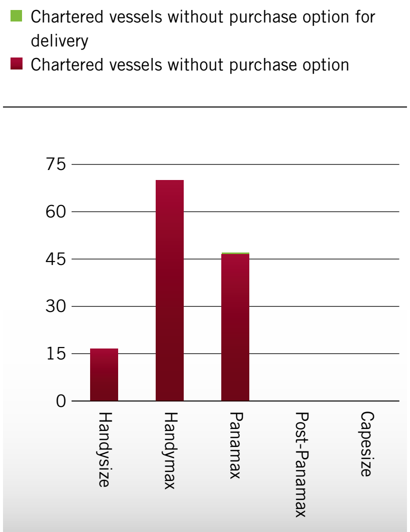
In recent years, NORDEN has positioned itself for a particularly challenging dry cargo market with a large addition of new vessels and lower demand growth. Consequently, at the end of 2012, 76% of NORDEN's capacity for 2013 was covered. The coverage is distributed on 192 counterparties, of which the top 20 accounts for 59% of the total coverage. These 20 enterprises primarily include mining and commodity companies, energy companies and industrial groups, while 4 counterparties are shipping companies. See also the section "Credit risks" on page 62.

After a number of challenging years with decreasing rates and falling vessel prices, during which NORDEN has simultaneously focused on increasing the cargo base and optimising the operator activities, NORDEN is now in a position where investments in the core fleet are assessed to be attractive. The reasons for this are the expectation of a gradually improved balance between supply and demand and the fact that newbuilding prices are close to the shipyards' marginal costs.

Gross core fleet

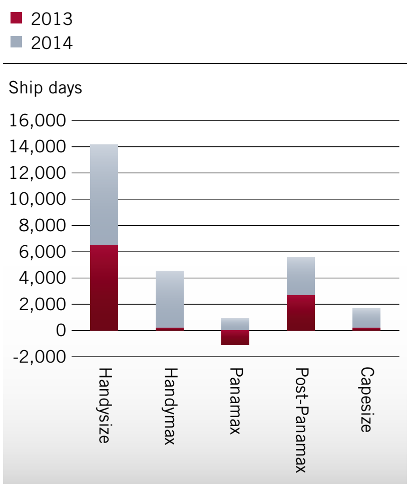


Non-core fleet



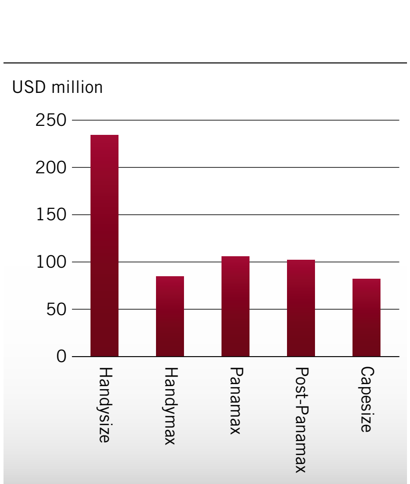
In recent years, NORDEN has adopted a wait-and-see attitude towards investments in new dry cargo vessels, but prices are now at a level which makes it attractive to invest in newbuildings and long-term charters with purchase option.

Open ship days



The approximately 8,000 open ship days in 2013 are primarily within the Handysize vessel type.

Market value of owned vessels



Vessel prices were under pressure throughout the year, and e.g. the value of a 5-year old Panamax vessel dropped by 32% during 2012.

TANKERS

MARKET

- Growth in oil demand primarily driven by Asia
- Significant changes in transport patterns
- Moderate fleet growth

NORDEN

- Norient Product Pool is now the world's second largest product tanker pool
- Daily earnings above market rates
- Mainly exposed towards improving spot market

Key figures and financial ratios

USD million	2012	2011	2010	2009	2008
Revenue	400	336	243	240	362
EBITDA	28	26	0	-4	67
Profits from the sale of vessels, etc.	2	0	0	0	36
EBIT	-44	-8	-25	-18	97
Non-current assets	490	570	469	327	300
EBITDA margin, %	7%	8%	0%	-2%	19%
EBIT margin, %	-11%	-2%	-10%	-8%	27%
Avg. number of employees	449	401	323	241	170
Number of ship days	15,598	13,675	11,383	10,006	9,276

NORDEN's results

NORDEN's Tanker Department generated operating earnings (EBITDA) of USD 28 million in 2012, which is better than the updated expectations level from November of USD 15-25 million and within the expectations announced at the beginning of the year. EBITDA is thus in line with the previous year.

EBIT constituted a loss of USD 44 million in 2012, USD 36 million lower than in 2011. The decrease is primarily due to the writing down of book fleet values by USD 40 million in the first quarter. Profit from operations before write-downs was USD 4 million higher than in 2011.

Similar to previous years, the Tanker Department entered the year with a relatively low coverage of 22% in expectation of a better market in 2012. The first and last quarters of the year developed as expected, but the market was very weak mid-year, and overall, the Baltic Clean Tanker Index was 11% lower than last year. Consequently, NORDEN's earnings were also lower than in 2011, but still remained higher than the 1-year T/C rates in NORDEN's 2 primary tanker vessel types, Handysize and MR.

NORDEN's business

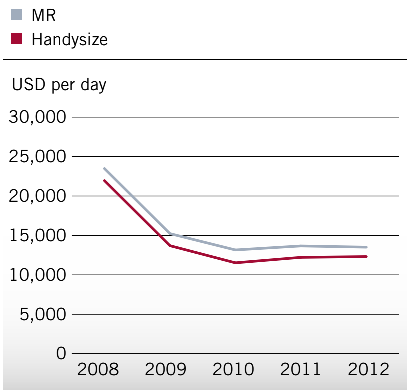
NORDEN continues to employ its product tankers in the pool partnership, Norient Product Pool, which is the second largest product tanker pool in the world. At year-end, Norient Product Pool employed 80 vessels, of which 25 were part of NORDEN's core fleet.

As part of the strategy of renewing the fleet with focus on fuel efficiency, NORDEN ordered 2 Handysize newbuildings during the year for delivery in 2014 and sold 3 MR vessels, of which 2 were delivered in the beginning of 2013.

Norient Product Pool transports both clean petroleum products (CPP), which include products such as gasoline, diesel, naphtha, jet fuel, etc., and dirty petroleum products (DPP), which is primarily fuel oil.

In 2012, cargo volumes in Norient Product Pool increased by 32% to a total of 27.8 million tons distributed with approximately two thirds CPP and one third DPP. Fuel oil remains the largest cargo category ac-

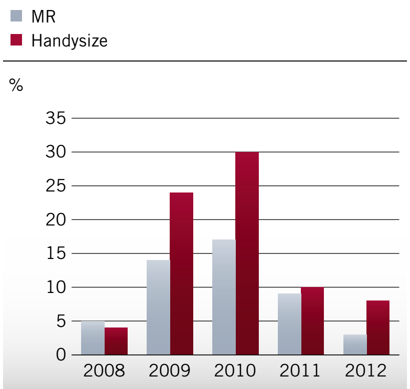
Development in 1-year T/C rates



Source: Clarksons

Also in 2012, the 1-year T/C rates were below USD 15,000 per day.

NORDEN T/C compared to 1-year T/C



Source: Clarksons

NORDEN's earnings were above the 1-year T/C rates again in 2012.

Employment and rates, Tankers, 2012

Vessel type		Q1	Q2	Q3	Q4	2012	1-year T/C (USD per day)*	NORDEN vs. 1-year T/C
LR1	Ship days	182	182	183	101	648	12,995	-7%
	T/C (USD per day)	11,935	14,901	8,472	14,179	12,137		
MR	Ship days	1,982	1,900	2,147	2,252	8,281	13,514	+3%
	T/C (USD per day)	15,477	13,019	12,084	15,060	13,920		
Handysize	Ship days	1,700	1,718	1,689	1,562	6,669	12,317	+8%
	T/C (USD per day)	14,741	12,264	11,768	14,503	13,294		
Total**	Ship days	3,864	3,800	4,019	3,915	15,598	12,981	+5%
	T/C (USD per day)	14,986	12,768	11,787	14,816	13,579		

* Source: Clarksons ** Weighted average

counting for 32% of all cargo. The main part of the fuel oil was transported from the Baltic Sea and the Black Sea to Northern and Southern Europe, respectively.

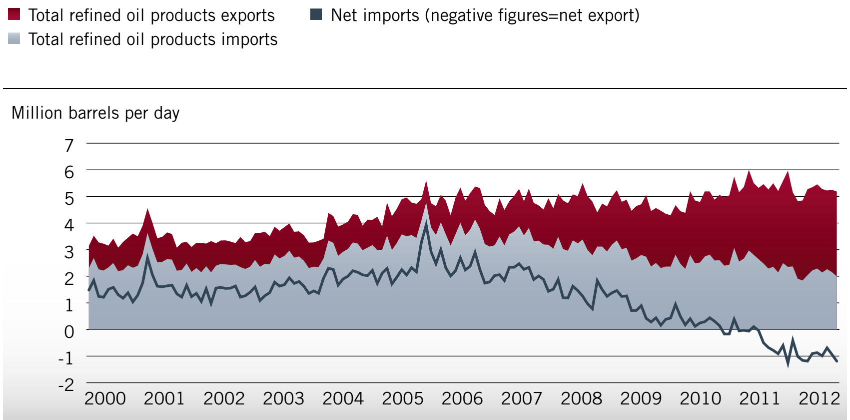
Gasoline, diesel/gas oil and naphtha, which in total accounted for 56% of all cargo, followed fuel oil as the largest product types transported by Norient Product Pool in 2012. The main part was transported on the traditional routes such as diesel from North America to South America and Europe and gasoline from Europe to North America. Europe and North America thus remain the largest markets for Norient Product Pool.

In 2012, the USA became a net exporter of refined oil products.

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

	2008	2009	2010	2011	2012
Ship days, laden	9,982	9,648	9,705	12,376	14,839
Ship days, ballast	2,054	2,020	2,570	2,795	3,699
Total number of ship days	**12,036**	**11,668**	**12,275**	**15,171**	**18,538**
Capacity utilisation	83%	83%	79%	82%	80%

US trade in refined oil products



Source: IEA

The high oil prices have made it attractive to extract oil from shale, which has led to growth in the refinery sector. On this basis, the USA has become a net exporter of refined oil products.

Market development in 2012

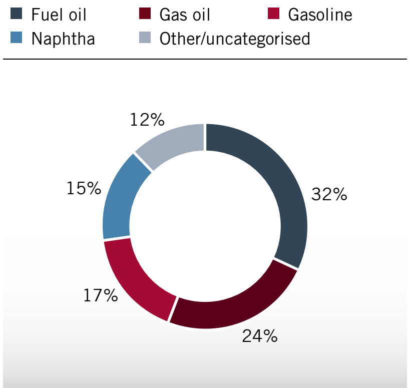
In 2012, global oil demand was negatively affected by the macroeconomic slowdown, and thus, the market only increased by 1.0 million barrels per day, much less than the expected 1.3 million barrels per day forecasted by the IEA in December 2011.

Similar to last year, the main driving force of growth in oil demand was the non-OECD countries led by Asia with an average growth rate of 3.6%. On the other hand in the OECD countries, demand fell by 0.9% on average corresponding to 0.4 million barrels per day (source: IEA). Despite the fact that global oil demand only increased by 1.1%, product tanker demand increased by 4.3% in 2012 as larger volumes were transported across greater distances (ton/mile) e.g. on the routes from the US Gulf to Europe and on intra-regional Far East routes (source: Clarksons).

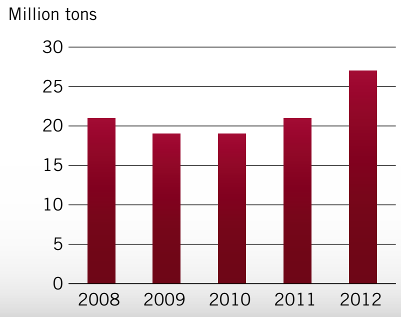
During the year, growth in US shale oil production impacted the Atlantic market significantly. On one hand, the added supply of shale oil resulted in larger export volumes of refined products from the US Gulf to Latin America and Europe. Consequently, the USA went from being a net importer to a net exporter of refined oil products in 2012. On the other hand, the added supply of low-sulphur crude oil made it profitable for refineries on the US East Coast and in Europe to continue operations locally, and thus, the expected refinery capacity reductions did not materialise. Consequently, the expected surge in refined product imports into these regions did not take place either.

After three years of increasing MR spot rates, the rates decreased in 2012. Up until the end of the third quarter, MR spot rates were thus 17.4% lower than in the same period in 2011. However, in the wake of several supply disruptions, such as hurricane Sandy and the refinery fire in Venezuela, MR rates improved signifi-

NPP transports, 2012

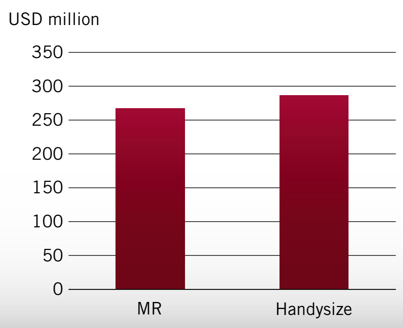


NPP total transported volumes



4 MR product tankers built at the STX yard in South Korea will be delivered during 2013. The vessels are significantly more fuel efficient than vessels built just a few years ago.

Market value of owned vessels



The market value of the Tanker fleet was USD 553 million at the end of 2012.

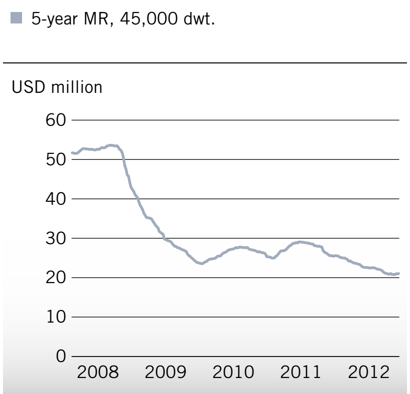
cantly in the fourth quarter. Overall, MR rates were 7.9% below the level in 2011 (source: Baltic Exchange).

Supply growth continued to be moderate in NORDEN's two primary tanker vessel types. A total of 2.7 million dwt. were delivered to the global fleet, equivalent to a net fleet growth of 2.4%, distributed with 4.0% in MR and a reduction of 1.3% in Handysize. Total product tanker fleet growth was approximately 2.9%, where especially LR2 contributed with many deliveries and limited scrapping. NORDEN is not active within LR2.

Due to low freight rates and limited access to vessel financing, new contracting has been limited. As a result, the MR and Handysize order books constituted 14% of the total fleet at year-end, or a total of 195 vessels, of which the majority were MRs (source: SSY).

Market prices on newbuildings were fairly stable over the year with an MR priced at approximately USD 32-35 million. In May, there was a slight surge in prices as market optimism returned and several newbuildings were contracted. The market, however, soon returned to the lower levels, and this trend continued throughout the year (source: Clarksons). On the other hand, secondhand prices were under pressure and decreased continuously throughout the year. Overall, the price of a 5-year old MR vessel dropped by approximately 18% during the year (source: Baltic Exchange).

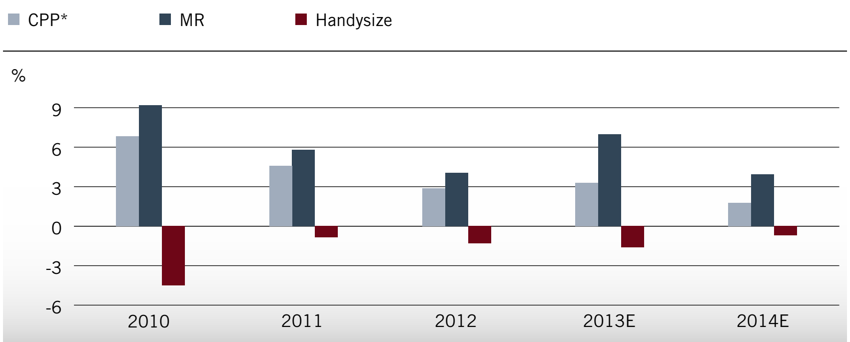
Price development of a modern MR vessel



Source: Baltic Exchange

While newbuilding prices were relatively stable, secondhand prices of an MR vessel dropped by approximately 18% during the year.

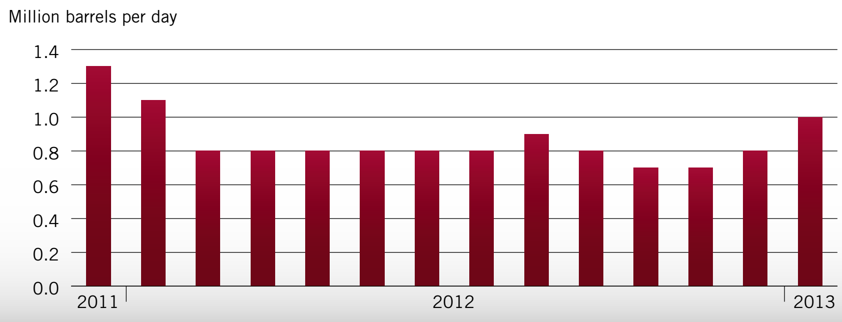
Global fleet growth, net



Source: SSY

* An aggregate of all vessels able to carry clean petroleum products i.e. a proportion of all Handysize, MR, LR1 and LR2 vessels.

Development in world oil demand growth projections for 2012



Source: IEA

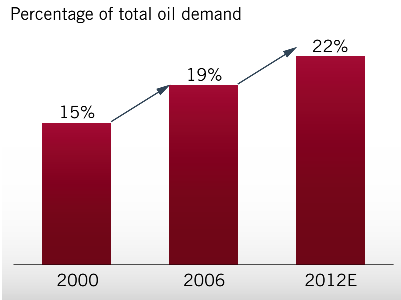
The expected gradual improvement in product tanker rates did not materialise in 2012. A contributory factor was that global oil consumption grew slower than expected. The graph shows how the IEA expected an increase of 1.3 million barrels per day in December 2011, whereas the result ended at 1.0 million.

Market development in 2013

Following a very challenging 2012, the market in 2013 is expected to gradually improve.

Global oil demand is expected to increase by approximately 1.0%, which is in line with 2012. The primary driving forces are Asia and the Middle East, whereas the OECD countries, Europe in particular, are expected to experience a continued drop in oil demand. This development implies that consumption in the non-OECD countries is expected to surpass that of the OECD countries already by the second half of 2013. Combined with increasing competition from new, advanced refineries in Asia and the Middle East, this is expected to put renewed pressure on the profitability of old refineries, e.g. in Europe, Japan and Australia, which will result in more shutdowns.

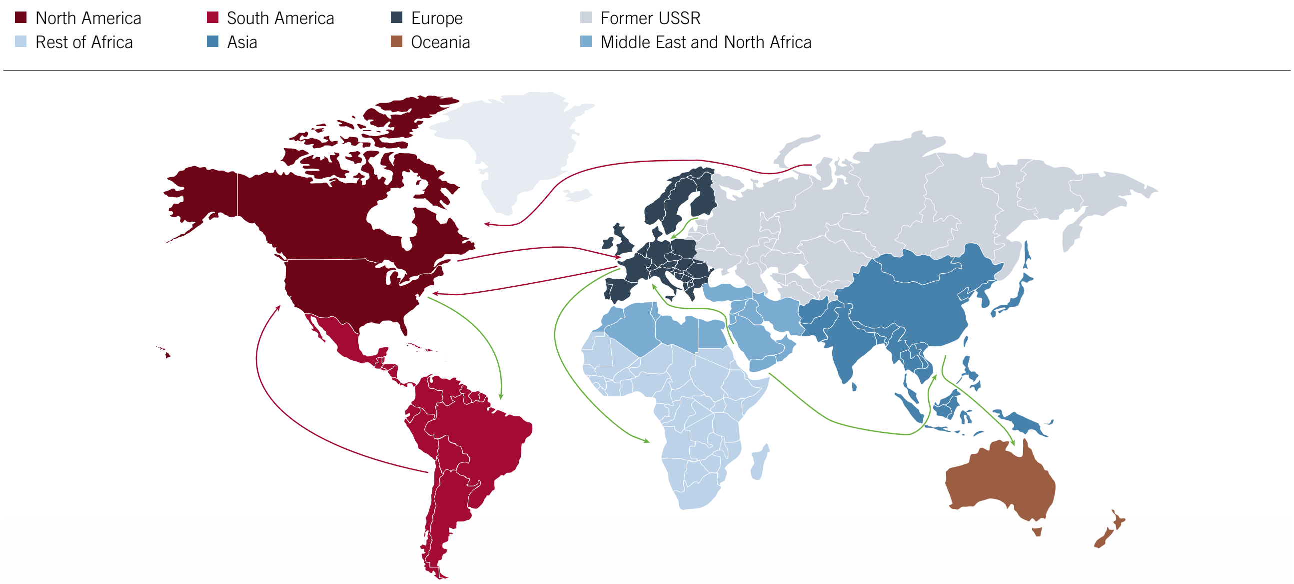
Seaborne product volumes



Source: MSI

An increasing amount of the oil products consumed globally is transported at sea, and in the period 2012-17, oil demand is expected to grow by 1.3% on average per year.

Changed trading patterns lead to increased transport with oil products



The map shows the tendencies from 2012-16 in relation to the main oil product trading routes. The red arrow indicates an expected decrease in transported volumes in the period, whereas the green arrow indicates an increase.

Overall, increased trade in oil products across regions is expected, but some regions are expected to see a sustained drop in the import of oil products. This is the case for e.g. the USA, where the refinery industry is blossoming as a result of easier access to large quantities of crude oil. Several regions are expected to increase both imports and exports, which will strengthen demand for product tanker tonnage. This will especially be the case for Europe, which will be in need of diesel imports, whereas the gasoline production from local refineries must be sold on the export markets. In addition, due to its high quality demands, Europe is better off importing its oil products from regions with a more advanced refinery sector. Regions such as Latin America and Asia are expected to increase imports as a result of increasing consumption of oil products, while Australia's imports will increase due to future refinery shutdowns.

> According to the forecasts, 2013 will be the year where the non-OECD countries' oil consumption surpasses the OECD countries'.

As stated, significant contribution to the increase in global oil demand is expected to come from Asia, which is expected to experience a considerable increase in the regional sea-based trade in oil products in spite of expansions of the local refinery capacity. To this can be added that due to delayed local refinery expansions, the expected demand growth in South America will require imports from other regions. Not least from the USA where the Port Arthur refinery is expected to be back in operation following some starting-up difficulties in 2012.

The low spot rates in 2012 have implied that several ship owners and operators have problems financing operations, and combined with the limited access to external bank financing, newbuilding contracting will continue at a low level. Fleet growth in 2013 is expected to remain at a low level of approximately 4% in total for Handysize and MR (source: SSY).

Long-term market development

Overall, oil demand is expected to increase by 1.3% per year in the period 2012-17. This growth will primarily be driven by Asia and the Middle East with increases of 2.0% and 3.5%, respectively, per year from 2012-17. During the same period, Europe will experience a drop in demand of 0.6% per year (source: IEA).

Significant expansions of the refinery capacity in Asia and the Middle East, e.g. with the start-up of the export-oriented Saudi refineries Jubail and Yanbu, are expected to have great influence on the product tanker market. Partly, they will lead to increasing exports of refined oil products to the Asian countries and Europe, and partly, they are likely to outcompete old and less advanced refineries.

Japan and Australia have already taken the consequence of this development and decided to shut down several refineries within a number of years. The same is expected to take place in parts of the European refinery sector. Overall, this will lead to increasing imports and thus increasing demand for product tanker tonnage.

NORDEN's positioning

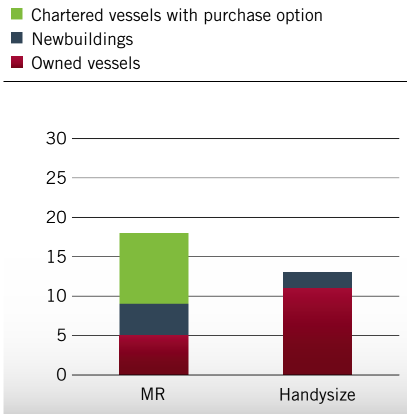
Throughout recent years, NORDEN and Norient Product Pool have positioned themselves to be the preferred partner for global and regional oil companies and oil traders.

To achieve this position, NORDEN has developed critical mass within Handysize and MR through the pool partnership, Norient Product Pool, to ensure the flexibility and capacity required to service the oil companies.

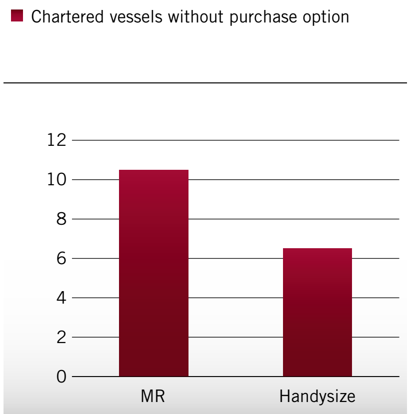
NORDEN prioritises to comply with the increasing number of standards and rules required from the tanker industry by the oil companies, and at the end of the year, NORDEN is approved for time charter by all oil majors.

Norient Product Pool has ongoing focus on risk management and is continuously searching the market for long-term contracts but remains mainly exposed to the spot market with the expectation of an increasing freight market. At the beginning of the year, Norient Product Pool had coverage of 27% and target coverage for the whole year of 35%.

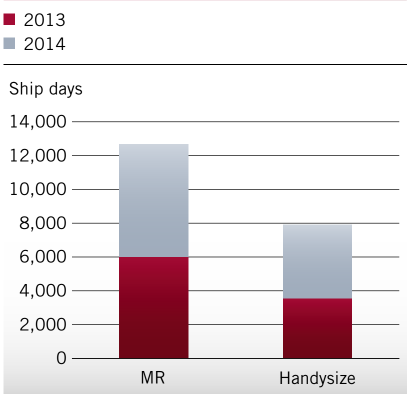
Gross core fleet



Non-core fleet



Open ship days



ORGANISATION, COMPETENCES AND SYSTEMS

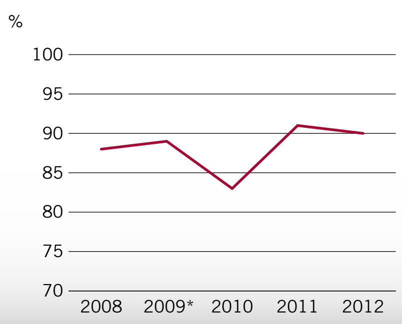
• More employees – lower administrative expenses • New shipping system rolled out

Highly educated and motivated employees, ongoing competency development and efficient systems are vital for the Company's success. In spite of an increasing number of employees and activities, the administrative expenses have decreased. The decrease is due to both a favourable dollar rate and a sharp cost focus.

During the year, the number of NORDEN employees on shore increased from 259 to 274, while Norient Product Pool employed 44 people at the end of the year against 47 people in 2011. The increase in NORDEN's workforce on shore corresponds to 5.8%, which should be seen in proportion to an increase in activities in the number of ship days of 7%.

Average workforce

Retention rate on shore



** Excluding collective redundancies in 2009.*

The retention rate has been stable at approximately 90%, and also in 2012, the Company was able to recruit new and qualified employees. Not least within chartering, the Company has experienced growing interest from experienced charterers to work at NORDEN.

As part of the efforts to operate an even more fuel efficient fleet, a new position at the head office in Hellerup has been created with focus on this.

Trainees graduated and employed

9 shipping trainees and 1 IT trainee graduated in the summer and have subsequently all been employed on a permanent basis with the Company. 10 other young people have started on NORDEN's trainee programme – 6 at the head office in Hellerup, 1 in the USA (Annapolis), 2 in Singapore and 1 in China (Shanghai). The recruitment campaign for 2013 is again aimed at attracting more female applicants in order to ensure more female employees at NORDEN. This way, a basis for a more equal distribution between genders is created, which may also apply to the Company's management levels in the long term.

Development at sea

At the end of the year, the Company had 884 employees at sea against 793 in 2011. 122 of these were directly employed by the Company (Danish officers and cadets), while the remaining were vessel-employed on a non-permanent basis. The increase in the number of employees at sea reflects i.a. that the Company has built up a large and flexible pool of experienced officers, who can manage the operation of the Company's vessels. 39 new vessel-employed officers are thus Indian, who have joined the Company as part of the preparations to take delivery of 4 product tankers as well as a wish for increased flexibility in crewing and lower costs.

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. These pools are managed by dedicated NORDEN teams at recruitment offices in Manila and Mumbai.

In-house management of wages accounts

During the year, the office in Manila was expanded by 2 employees, who under management from the head office in Hellerup are responsible for payment of wages to all employees on board NORDEN vessels – a task which was previously handled by external bureaus. In addition to quicker and more accurate payments, in-house management of these accounts has led to annual savings.

Educational involvement

In 2012, NORDEN hired 13 apprentices from Svendborg International Maritime Academy (SIMAC), Marstal Navigationsskole (MARNAV) and Danish schools of marine engineering as well as 10 apprentices from Holy Cross of Davao College in Manila. Thus at year-end, NORDEN had 37 apprentices from Danish institutions and 50 Philippine apprentices enrolled in education as part of the efforts to attain qualified employees for the growing fleet.

Apprentice 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 remains under pressure. For instance, NORDEN has continued sponsoring the apprentices at Holy Cross of Davao College, who upon graduation are expected to sign on to the Company's vessels. In 2012, the retention rate for sea-based staff was stable at approximately 81%.

COMPETENCES

More officer seminars

The Company is currently rolling out the competency system NORDEN Officer Career Program (NOCaP), which draws up a development plan for each fleet officer's competences and outlines uniform criteria for each position. Thus, it becomes simpler to train newly employed officers, to offer existing officers career development and to document progress. Relevant parts of NOCaP have been integrated in Safety Management System, and NOCaP is expected fully rolled out in the course of 2013.

The number of officer seminars at which the fleet officers are gathered physically for further training and competency development has gone up. During the year, 3 officer seminars were held in Denmark, 2 in the Philippines and 1 in India.

On shore, the Company continued courses in negotiation technique to support business, just as competency development of all employees was promoted by mid-year evaluations and appraisals in 2012.

SYSTEMS

New shipping system

On the systems side, 2012 was characterised by the introduction and roll-out of the new shipping system IMOS, Integrated Maritime Operations System. IMOS 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 i.a. capacity and coverage.

The roll-out of IMOS took place gradually and was planned so that the nuisances connected with a change of the primary business system could be minimised. Following a short period where the business ran parallel on IMOS and NORDEN's former shipping system, the Company has now completely transferred to IMOS,

NORDEN has built up a large and flexible pool of experienced officers, who can manage the operation of the Company's vessels.

which is expected to make work more efficient.

New fleet management system

Simultaneously with IMOS, the Company has prepared for the introduction of the fleet management system Consultas, which collects all data on planned maintenance, vetting, inspections, performance and purchase. Today, this data is reported in different systems.

The consolidation into one system will provide a better overview of 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 land. Consultas is expected to be rolled out and implemented in the course of 2013.

On board NORDEN's owned vessels, investments in better internet and telephone connections have been made with a view to improving the crews' possibilities of communicating with family and friends.

Furthermore, the Company has launched a mobile version of the website during the year.

Initiatives in 2013

The challenging market conditions put great demands on the abilities and competences of the employees. Therefore, the Company will put renewed focus on performance throughout 2013 to ensure that all employees have the opportunity to realise their full potential.

2013 will also imply continued sharp focus on costs, and only a small number of new appointments is expected, and these will be directly related to business growth. Again, NORDEN aims at hiring 8-10 trainees, of which 1 will be a finance trainee. The final number will be determined in April.

Internal communication is expected to be supported and strengthened by a new intranet, which will smoothen and streamline knowledge sharing across departments.

At sea, the organisation will be expanded as the fleet grows, and NORDEN gets more vessels under technical management.

NORDEN targets to recruit more women for the trainee programme.

REMUNERATION

Remuneration policy

Remuneration at NORDEN is determined based on a remuneration policy presented at and adopted by the general meeting. The policy, which can be read on the website, aims for NORDEN to attract and retain qualified managers and employees, thus securing the basis for long-term value creation for the shareholders.

Elements of the remuneration policy include: competitive base salary and pension scheme, cash bonuses, share options and the possibility of 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 from a remuneration committee under the Board of Directors, which in cooperation with the Executive Management ensures that remuneration matches NORDEN's needs, results and challenges. Again in 2012, the challenge has been to ensure that NORDEN's remuneration enables the Company to recruit and retain competent managers and employees, but at the same time, it is important that NORDEN maintains a competitive level of costs – not least in times with challenging market conditions.

Implementation of policy

In January 2012, the Company granted all employees with at least one year's seniority 161 shares each. A change in legislation has eliminated the possibility of granting employees shares which are tax-free for the recipients. Therefore, this was as for now the last time NORDEN could make employees co-owners of the Company in this way.

In March 2012, the Board of Directors granted 350,000 share options to selected managers and employees. In determining the exercise price, a 20% margin was added to the market price at the grant date so that the employees only profit once the shareholders have received a 20% return. The theoretical market value of the options has been calculated at USD 2.4 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 2 years.

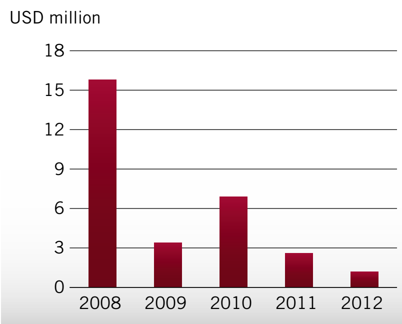
On land, fixed salaries were raised by approximately 2-3% at the head office and 4-5% at the overseas offices of which several are placed in countries with higher inflation and wage drift. At sea, wages and salaries for Danish officers rose by approximately 1.2% whereas the wage drift for Philippine and Indian officers was 3%. The total payroll cost on land and at sea was also affected by new recruitments.

Adjustment of remuneration policy

At the general meeting in April, the Company will present a proposal for an adjusted remuneration policy offering more flexibility with regard to bonus allotment for employees who are not part of the Executive Management and the Board of Directors.

Though it is not a legal requirement or included in the recommendations on corporate governance, NORDEN's current remuneration policy also covers employees who are not part of the Executive Management and the Board of Directors. This implies that it is not possible to reward employees who have performed particularly well in their department in spite of difficult conditions if the Company's total results are neutral or negative. This was never the intention, and it is considered to be contrary to the purpose of attracting and retaining qualified employees. Therefore, the Company will present a proposal for an adjusted remuneration policy at the general meeting.

Bonus allotted



If the shareholders adopt the new remuneration policy, bonus will be granted to a number of employees who have performed particularly well. The bonus allotment will continue to reflect the wish for restraint in difficult markets, and both the level of individual bonuses as well as the number of receiving employees will be lowered significantly. Subject to adoption at the general meeting, a total of USD 1.2 million will be granted in individual bonuses against USD 2.6 million in 2011. The cost is fully recognised in the income statement for 2012. No one in the Executive Management will be awarded a bonus on this basis.

Initiatives in 2013

In March 2013, the Board of Directors will grant 400,000 share options to the Executive Management and selected managers and employees. In determining the exercise price, a 10% margin is added to the market price at the grant date so that the employees only profit once the shareholders have received a 10% return. The terms are otherwise unchanged. The theoretical market value of the options has been calculated at USD 1.6 million according to the Black-Scholes model.

To keep costs low in difficult markets, modest regulations of fixed salaries for employees on land and at sea have been made at the same level as that of 2012. Possible bonus allotment will be determined at the end of the year. Bonus and remuneration for the Executive Management is described on page 36.

Option programmes

Year of grant	No. of people	No. of options	Exercise period	Executive Management's portion
2013	62	400,000	2016-19	41%*
2012	68	350,000	2015-18	23%
2011	65	350,000	2014-17	23%
2010	59	350,000	2013-16	25%
2009	59	379,185	2012-15	27%

** In 2012, the Executive Management was extended from 2 to 5 members.*

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 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).

NORDEN has a two-tier management structure consisting of a Board of Directors and an Executive 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 Executive Management and sets out its responsibilities and conditions. The Executive 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 Board of Directors and the Executive Management is chiefly handled by the Chairman and the CEO. In addition, the Executive Management participates in the board meetings, just as other selected executives participate in the strategy meetings.

The work of the Board of Directors

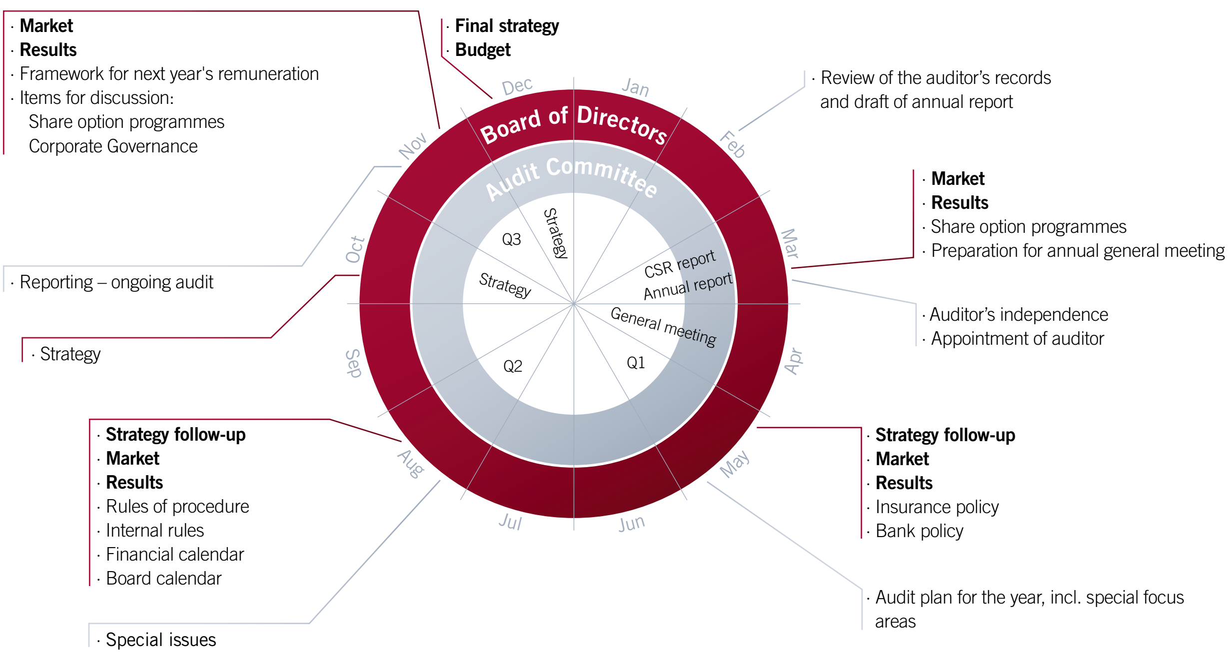
In 2012, the Board of Directors held 14 meetings – 9 physical meetings and 5 teleconferences. Attendance was 97% for the shareholder-elected board members while the figure was 69% for the employee-elected board members. To this should be added that the figure for the employee-elected board members includes seafaring staff, who might be at sea during meetings and therefore is unable to attend.

The Board of Directors sets out a work schedule 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 first discussed at a seminar in October/November, while final adoption takes place at a meeting in December.

4 of the meetings in 2012 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 impairment test and write-downs as well as counterparty and credit risks. An explanation of control and risk management in connection with the financial reporting can be seen at www.ds-norden.com/investor/corporategovernance/riskmanagement.

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.

Annual calendar of the Board of Directors and the audit committee



During 2012, the Board of Directors has built on the recommendations which appeared from the evaluation of its work, composition and interaction with the Executive Management, which was conducted in 2011 with impartial consultancy support. The evaluation found that the cooperation and interaction within the Board of Directors and with the Executive Management is very satisfactory.

Composition of the Board of Directors
In 2012, the composition of the Board of Directors was changed. In March, employee election for the Board of Directors was held and resulted in re-election of Benn Pyrmont Johansen and new election of Ole Clausen and Jacob Koch Nielsen. In addition, the Board of Directors was extended by one person at the general meeting as Klaus Nyborg was elected as part of the planned gradual generational change, while Mogens Hugo and Arvid Grundekjøn were re-elected for the Board of Directors. The Board of Directors thus has 9 members – 6 elected by the shareholders and 3 elected by the employees.

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 Executive 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 generational change of the Board of Directors, special emphasis is placed on shipping knowledge and international management experience.

The voter turnout at the employee election in March 2012 was 81.7% for onshore staff and 69.8% for sea-based staff.

Board remuneration
Each member receives a base fee, and the Chairman and Vice Chairman receives a supplement fee. Due to the extension of the Board of Directors, the total annual remuneration for the 9 board members has increased by approximately 9% to DKK 5,750,000 or a total of just above 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 systematically responds to all recommendations at www.ds-norden.com/public/dokumenter/StatutoryStatementCorporateGovernance2012.pdf. NORDEN complies with the vast majority of the recommendations, but has chosen a different and for the Company more suitable practice in some areas.

- It is recommended that companies set measurable objectives for diversity at management level. NORDEN has not introduced 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.
- 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 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 of the Executive Management. The work and performance of the Executive Management are assessed on an ongoing basis and always in connection with the annual negotiation with regard to remuneration of the Executive Management. A continuous dialogue on priorities, performance and results is deemed more important than mechanical yearly criteria. NORDEN does, however, have fixed criteria for the CEO.
- Severance payments to the Executive 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 Executive 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 2013
The Board of Directors has planned 11 meetings, 4 of which are teleconferences in connection with the annual and interim reports. To this should 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.

In the first quarter, the Board of Directors will set target figures for the share of the underrepresented gender on the Board and formulate a policy to increase the share of the underrepresented gender on the other management levels of the Company.

At the general meeting, it will be proposed that Alison J. F. Riegels and Karsten Knudsen be re-elected to the Board of Directors.

BOARD OF DIRECTORS

1 **Mogens Hugo**
Managing Director, born in 1943, 69 years. Board member and Chairman since 1995. Most recently re-elected in 2012. Term expires in 2015. Other directorships: Nordea-Fonden (CB), Nordea Bankfonden (CB), Capidea Management ApS (CB), Aagaard Kranz & Ziegler Holding A/S (CB), Dan Technologies A/S (CB), Fonden Tietgenkollegiet (CB), H.C. Ørsteds Fond (BM), Twins ApS (BM), Ejendomsselskabet BROGADE 19 (MD) and HUGO INVEST 2 ApS (MD). Relevant skills: experience in operational and strategic management of listed international groups, strategic development, finance, risk management and considerable shipping knowledge.

2 **Alison J. F. Riegels**
Managing Director, born in 1947, 65 years. Board member and Vice Chairman since 1985. Most recently re-elected in 2010. Term expires in 2013. 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, 67 years. Board member since 1989. Most recently re-elected in 2011. Term expires in 2014*. Other directorships: Continental Shipping ApS (CB), Navision Shipping Company 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 i.a. NORDEN's Board of Directors.

4 **Karsten Knudsen**
Group Managing Director, born in 1953, 59 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, 57 years.
Board member since 2009. Most recently re-elected in 2012. Term expires in 2014. Other directorships: 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 **Klaus Nyborg**
Managing director, born in 1963, 49 years. Board member since 2012. Term expires in 2015. Other directorships: Omni Fondsmæglerselskab A/S (CB), Green Mobility A/S (CB), A/S United Shipping & Trading Company incl. 9 subsidiaries (VCB), Sixt A/S (BM), Karen og Poul F. Hansens Familiefond (BM) and Ipsa Capital, Singapore (MD). Relevant skills: experience in management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management.

7 **Benn Pyrmont Johansen**
Captain, born in 1974, 38 years.
Board member since 2008. Most recently re-elected in 2012. Term expires in 2015. Elected by the employees.

8 **Ole Clausen**
Senior Claims Manager, born in 1956, 56 years.
Board member since 2012. Term expires in 2015. Elected by the employees.

9 **Jacob Koch Nielsen**
Operations Manager, born in 1979, 33 years.
Board member since 2012. Term expires in 2015. 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 2012. The directorships do not include positions within the NORDEN Group.

* As the term expires for more than 2 board members in 2013, it has been determined by lot that Erling Højsgaard will not be up for re-election until 2014.

Shareholdings of the Board of Directors

No. of shares	At 31/12 2012	Changes in 2012
Mogens Hugo	11,000	-
Alison J. F. Riegels	3,100	-
Erling Højsgaard	45,770	-
Karsten Knudsen	800	-
Arvid Grundekjøn	5,000	-
Klaus Nyborg	1,700	+1,700
Benn Pyrmont Johansen	603	+161
Ole Clausen	723	+161
Jacob Koch Nielsen	723	+161
Total	**69,419**	

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

In May, Executive Vice President Peter Norborg resigned from his position at his own request, and the Executive Management was in this connection extended and strengthened. This was done partly by the appointment of Ejner Bonderup as new head of the Dry Cargo Department and partly by the appointment of Lars Bagge Christensen and Martin Badsted to the Executive Management as at 1 July 2012.

After the extension, the Executive Management consists of Carsten Mortensen, President and CEO, Michael Tønnes Jørgensen, Executive Vice President and CFO, Ejner Bonderup, head of the Dry Cargo Department and Executive Vice President, Lars Bagge Christensen, head of the Tanker Department and Executive Vice President, and Martin Badsted, head of the Corporate Secretariat and Executive Vice President.

The Executive Management and the Company's 4 Senior Vice Presidents form the Senior Management. The Senior Management was expanded at the end of the year as Vice President Mikkel Fruergaard was appointed Senior Vice President in December.

Next management level is the Group Management, which includes Senior Management and the Company's 8 Vice Presidents. Group Senior Vice President and head of NORDEN Shipping (Singapore) Pte. Ltd. Peter Borup resigned from his position in 2012. Jakob Bergholdt, Director Accounts & Finance, NORDEN Shipping (Singapore) Pte. Ltd., replaced Peter Borup and was appointed Group Vice President in December 2012.

Terms and remuneration

The Executive Management's remuneration consists of a combination of fixed salary, variable bonuses and share-based payment (options and employee shares). The members of the Executive Management have the usual benefits such as company car, but no pension plan paid by the Company.

Expensed remuneration (including bonuses, options and employee shares) of the Executive Management totalled USD 3 million in 2012 against USD 3 million in 2011. As a result of the extension of the Executive Management, the fixed salary for the 5 members totalled USD 2.8 million in 2012.

Carsten Mortensen had a bonus agreement for 2012, under which a bonus would be payable corresponding to 1% of the share of NORDEN's operating profit (EBIT) which was above 4% of the Company's market capitalisation (excluding treasury shares) at the beginning of the year, limited, however, to DKK 10 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 has not triggered a bonus for Carsten Mortensen for 2012, and the other members of the Executive Management have neither received a discretionary bonus for 2012. In addition, Carsten Mortensen had a conditional retention agreement, which could have triggered USD 0.3 million in 2012. Due to the results of the year, the amount was not paid to Carsten Mortensen, and the agreement has been discontinued.

Share-based remuneration to the Executive Management for 2012 was primarily composed of options with a value of USD 0.7 million (USD 0.7 million in 2011). At the grant date, the theoretical value of the options corresponded to 18% of the fixed salary of the Executive Management whereas the limit according to NORDEN's remuneration policy is 150%. The value of granted employee shares in 2012 was DKK 22,770 for each member.

Options granted in 2013

Carsten Mortensen	70,562
Michael Tønnes Jørgensen	26,398
Ejner Bonderup	28,225
Lars Bagge Christensen	20,753
Martin Badsted	16,603
Senior Management, other	44,787
Other executives and employees	192,672

Termination and retention

The collective terms for the Executive Management and executives, including remuneration and termination and retention schemes, serve to motivate and retain NORDEN's management group. In connection with the extension of the Executive Management, the newly-appointed members of the Executive Management were included in termination and retention terms, which essentially correspond to the terms of the former Executive Management.

The Executive 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 Executive Management is 12 months. NORDEN's terms of notice vis-à-vis the Senior Management (excluding the Executive Management) are 5-9 months, while the executives' terms of notice vis-à-vis the Company are 1-4 months.

If members of the Executive 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 between 12 and 24 months' salary. For parts of the Senior Management, there are similar change of control rights in the form of severance payment equalling 12 months' salary in addition to their normal salary in the notice period.

Senior Management's shareholdings

	Shares		Share options				
	At 31/12/2012	Change in 2012	At 31/12/2012	Granted in 2012	Granted in 2011	Granted in 2010	Granted in 2009
Carsten Mortensen	49,763	+6,561	234,177	57,376	53,582	57,213	66,006
Michael Tønnes Jørgensen	853	+311	118,376	24,328	26,214	31,831	36,003
Ejner Bonderup	-	-	-	-	-	-	-
Lars Bagge Christensen	2,843	+161	76,430	16,249	17,167	19,972	23,042
Martin Badsted	1,723	+161	45,626	10,282	10,764	11,859	12,721
Lars Lundegaard	723	+161	48,893	10,466	11,169	12,857	14,401
Kristian Wærness	4,223	+161	45,266	10,034	10,600	11,671	12,961
Vibeke Schneidermann	723	+161	37,599	8,262	8,790	9,986	10,561
Mikkel Fruergaard	723	+161	25,549	8,304	7,860	4,525	4,860
Total	**61,574**	**+7,838**	**631,916**	**145,301**	**146,146**	**159,914**	**180,555**

The Senior Management is subject to a duty of notification, and pursuant to section 28A 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.

Any bonuses to selected executives are typically payable in instalments subject to continued employment and future earnings of the Company. Where relevant, NORDEN also grants bonuses, which are subject only to continued employment.

Selected members of the Executive Management and Senior Management have agreements on stay-on bonuses, which may entail payment of a total of USD 0.4 million in 2014 and USD 0.5 million in 2015.

The Executive Management, parts of the Senior Management and selected Vice Presidents are subject to non-competition clauses of 6-12 months. The Company will pay out compensation corresponding to the full base salary of the person in question, in some cases with certain supplements, during the period in which the clauses apply.

Initiatives in 2013
In March 2013, NORDEN has granted the Executive Management 162,541 share options with a theoretical value of USD 0.7 million. The Executive Management's share of the total option programme amounts to 41%.

The performance and results of the members of the Executive Management are assessed in the first quarter, and any adjustment of salary will take effect from 1 April.

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), A/S Dampskibsselskabet Orients Fond (BM), Tietgen Fonden (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 **Ejner Bonderup**, Executive Vice President and head of the Dry Cargo Department. Born in 1966. Employed in NORDEN since 2012. Trained in shipping, holds an Academy Profession Degree in Financial Management from Niels Brock Copenhagen Business College and has completed executive training programmes at IESE Business School and IMD. Directorships: Arås ApS (MD).

4 **Lars Bagge Christensen**, Executive 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 Association (VCB) and INTERTANKO Council (BM).

5 **Martin Badsted**, Executive 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.

6 **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: INTERTANKO's Council (BM), INTERTANKO's technical committee (VCB), SeaMall ApS (BM) and the Negotiation Committee of the Danish Shipowners' Association.

7 **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.

8 **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 Relief Foundation of the Danish Shipowners' Association and the Foundation for the Benefit of Mariners and the Maritime Industry.

9 **Mikkel Fruergaard**, Senior Vice President and head of the Panamax chartering section. Born in 1978. Employed in NORDEN since 2004. Trained in shipping and has completed executive training programmes at IMD.

CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director. Directorships, etc. are stated at 31 December 2012 and do not include positions within the NORDEN Group.

Vice Presidents
Jakob Bergholdt, CEO at NORDEN Shipping (Singapore) Pte. Ltd.
Michael Boetius, head of NORDEN's Post-Panamax Pool and the Capesize chartering section.
Jens Christensen, head of the Dry Cargo operations section.
Christian Danmark, finance manager.
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.

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
The overall strategic goal of the strategy plan *Long-term Growth in Challenging Times* is for NORDEN to ensure its shareholders a higher return over the 3-year strategy period 2011-13 than that of comparable shipping companies. The Total Shareholder Return is measured by the total value of dividend payments, buy-back of treasury shares and share price increases. In 2012, the return amounted to 25.2% and was thus significantly above the negative return of 1.4%, which was the weighted average of the return generated by a group of 7 comparable dry cargo and product tanker companies. This year, NORDEN has chosen another and smaller peer group compared to last year. This is due to the fact that NORDEN wishes to ensure comparability in relation to both financial and business related conditions. If the change had not been made, the peer group would have generated a negative return of 29% in 2012.

The share price development contributed substantially to the shareholder return in 2012. In January, the share price was at DKK 134.50, and it closed at DKK 163.10 at year-end.

In April, the general meeting adopted a dividend of DKK 4 per share, corresponding to approximately 35% of the net profit for 2011. The Board of Directors regularly assesses how cash flows are best distributed between the Company and shareholders. This assessment is based on actual and expected earnings, cash, market outlook, risks, investment opportunities and liabilities on and off the balance sheet.

Trading volume
The share's trading volume decreased by 55% relative to 2011 to an average of DKK 10.2 million per day. On average, 66,018 shares were traded on a daily basis.

At the end of 2012, NORDEN was the 26th most traded share on NASDAQ OMX Copenhagen A/S based on the trading volume in the previous month.

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. NORDEN regularly provides relevant information on strategy, operations, results, expectations, markets and other matters affecting the assessment of the expected value creation in the Company.

In January 2012, NORDEN received the Information Prize from the Danish Society of Financial Analysts, and in connection with the award of the Annual Report Award 2012 from the Confederation of Danish Industry and the Institute of State Authorized Public Accountants in Denmark in September, NORDEN received the special prize in the category "the Future" for the Company's segment information and description of the company's business areas.

In June, a well-attended Capital Markets Day was held where the Company provided insight into a number of operational elements in the business model as well as additional perspectives on the strategic targets. Content and presentations from the Capital Markets Day are available on the Company's website.

NORDEN strives to maintain an open, external communication, and in the course of the year, NORDEN has had an ongoing dialogue with analysts and investors and participated in a number of investor conferences and seminars. The share continues to be monitored by 13 share analysts, and coverage remains largest in Denmark and Norway.

In 2012, the Company issued 18 company announcements, 4 of which concerned insiders' transactions with the NORDEN share.

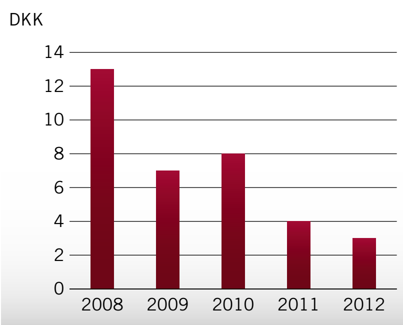
Financial calendar for 2013	
6 March	Annual report 2012
13 March	Final deadline for any shareholder proposals to the agenda for the annual general meeting
24 April	Annual general meeting
1 May	Payment of dividends
15 May	Interim report for the first quarter of 2013
14 August	Interim report for the first half of 2013
13 November	Interim report for the third quarter of 2013

Total Shareholder Return 3 years (1/1 2010 = 100)

The Total Shareholder Return of the peer group is calculated based on 4 dry cargo companies (Pacific Basin, Golden Ocean, Diana Shipping and Safe Bulkers) and 3 product tanker companies (Scorpio, Teekay Tankers and d'Amico), the average return of which is weighted on a 60/40 basis in favour of the dry cargo companies.

The Board of Directors proposes that a dividend of DKK 3 per share be paid out corresponding to a total of USD 22 million. Furthermore, the Board of Directors has decided to initiate a share buy-back programme, which will entail the buy-back of NORDEN shares at a value of up to USD 30 million over the next four quarters.

Dividend per share



Capital and shareholders

The share capital is DKK 43 million. All shares remain listed, and no changes have been made to their rights and transferability.

> Every quarter, CEO Carsten Mortensen presents the latest results in a 5-minute long film on NORDEN's website.

The number of registered shareholders decreased by approximately 7% during the year to a total of 16,297 registered shareholders at year-end, in aggregate owning 91.4% of the share capital (89.2% in 2011).

2 shareholders have announced that they own 5% or more of the Company's shares. They are A/S Motortramp and POLYSHIPPING AS. 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 1,722,161 treasury shares used mainly to cover share option programmes. The holding of treasury shares decreased from 4.2% to 4.0% in connection with the distribution of employee shares.

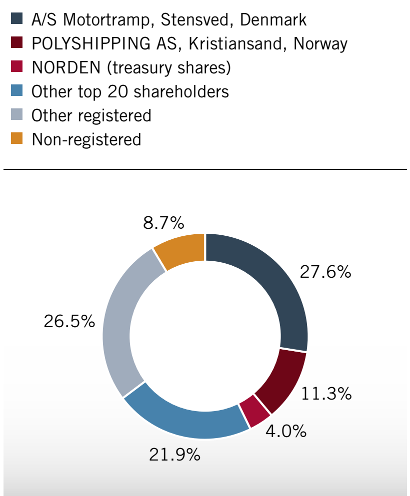
Other large shareholders are especially investors from Denmark, Norway, the USA and Great Britain. During the year, the international ownership share has increased from 35% to 40%, and at year-end, the Company had 693 registered shareholders outside Denmark.

Initiatives in 2013

The Board of Directors recommends for approval by the annual general meeting that NORDEN for 2012 pays a dividend of DKK 3 per share, or an expected distribution of DKK 124 million (excluding treasury shares). The dividend corresponds to a dividend yield of 2% based on the share price at the end of 2012.

As mentioned in the sections "Highlights 2012-13" and "Financial position", NORDEN will initiate a share buy-back in 2013 at a value of up to USD 30 million.

Composition of shareholders



CORPORATE SOCIAL RESPONSIBILITY

• Development of CSR strategy and Employee Code of Conduct • Updated anti-corruption policy

This section provides a brief overview of NORDEN's focus areas within Corporate Social Responsibility (CSR). The Company's statutory CSR statement in accordance with section 99 of the Danish Financial Statements Act can be found in NORDEN's *Corporate Social Responsibility Report 2012 – On the right course,* which functions as the Company's Communication on Progress (COP) report. The report provides a more detailed outline of the Company's CSR efforts, results and future targets and is available at www.ds-norden.com/profile/csr/csrreports/.

CSR strategy

NORDEN focuses on the areas within CSR which are directly connected with the business. In 2012, the Company adopted a CSR strategy under the headline *On the right course*, which sets a clear course for CSR in NORDEN in the period 2013-15. The strategy supports the Company's business strategy and identifies 7 focus areas:

- CO_2 efficiency
- Vessel safety
- Employee conditions
- Transparency
- Anti-corruption
- Environmental management
- Responsible supply chain management

CO_2 efficiency

NORDEN wishes to reduce CO_2 emissions as reduction not only benefits the environment but is also directly connected with the vessels' fuel consumption and thus fuel costs. NORDEN aims to reduce CO_2 emissions from owned vessels, excluding vessels on contract to third parties, by 25% by 2020 compared to the 2007 level. This target is level with the target set by the Danish Shipowners' Association. To reach this target, the Company focuses on three areas: *technical improvements* such as implementing the 10 initiatives in NORDEN's climate action plan, *speed optimisation* such as right steaming, which implies that speed is adjusted to external conditions and time of call and *continued operation of a new, modern and fuel efficient fleet* by investing in new fuel efficient vessels and optimising existing vessels.

The reductions have been calculated according to the Cargo Energy Efficiency Operational Indicator (Cargo EEOI) of the International Maritime Organisation (IMO) under the UN, which makes it possible to compare the yearly CO_2 reduction regardless of changes in fleet size. It is defined as the amount of CO_2, which is emitted per each ton of cargo being transported 1 nautical mile[1]. NORDEN uses Cargo EEOI as this focuses on laden voyages and excludes voyages in ballast.

Since 2007, the Cargo EEOI has decreased as NORDEN has reduced CO_2 emissions from owned tankers, excluding vessels on contract to third parties, by 14.2%. In the same period, CO_2 emissions from owned and operated tankers, excluding vessels on contract to third parties, have been reduced by 11.3%. CO_2 emissions from owned dry cargo vessels, excluding vessels on contract to third parties, have been reduced by 18.3%, whereas CO_2 emissions from owned and operated dry cargo vessels, excluding vessels on contract to third parties, have been reduced by 4.4%. NORDEN's owned vessels are more fuel efficient than some of the chartered vessels i.a. due to the Company's climate initiatives, which explains the difference in the above dry cargo data.

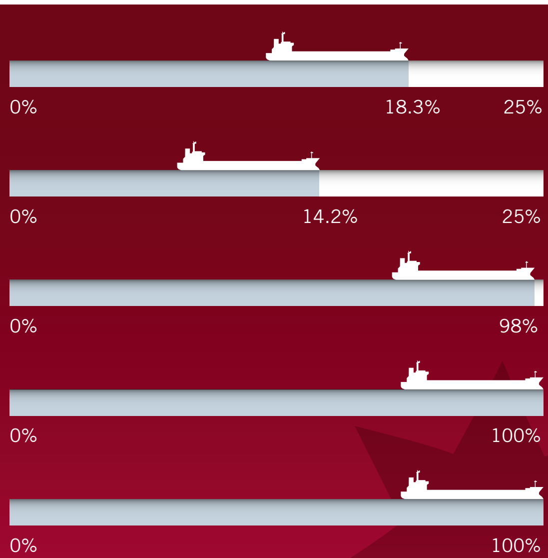
Reduce CO_2 emissions by 25% from 2007 to 2020 from owned dry cargo vessels, excluding vessels on contract to third parties (Cargo EEOI)

Reduce CO_2 emissions by 25% from 2007 to 2020 from owned tanker vessels, excluding vessels on contract to third parties (Cargo EEOI)

Pass all Port State Controls (PSC) without detentions in 2012

Zero incidents of piracy on owned vessels in 2012

Reduction of weighted average sulphur content in total bunker purchased of 2.45% in 2012



[1] NORDEN only calculates EEOI for voyages where NORDEN controls the operation of the vessel. Time charter voyages are excluded from EEOI as NORDEN does not control the operation of the vessel and therefore has no influence on various parameters affecting EEOI, including cargo utilisation and speed orders. See NORDEN's CSR report for further information.

Vessel safety
In 2012, NORDEN continued its vetting efforts and had an average of 5.33 vetting remarks per inspection compared to an industry average of 5.90[2]. In 2011, NORDEN had 4.76 remarks per vetting inspection. One of the reasons for the increasing number of remarks is changes in the fleet and newly appointed seamen, who have to be familiarised with NORDEN's systems and procedures.

NORDEN had an average of 1.61 deficiencies per vessel per Port State Control in 2012, which means that the Company's target of no more than 0.8 deficiencies per vessel was not met. There is no clear indication of the overrun of the target, but an action plan has been initiated in order to reduce the number of deficiencies. The Company experienced 2 detentions in connection with the 85 Port State Controls, which took place during the year.

NORDEN has continued its efforts against piracy, and there were no incidents of piracy on NORDEN's vessels in 2012, just like no incidents or accidents leading to environmental pollution occurred during the year.

Employee conditions
NORDEN wants to offer the employees a working environment where they feel challenged, motivated and safe. The Company focuses on maintaining a high retention rate both at sea and on shore.

Vessel operations must be as safe as possible, and an important part of this work is the reporting of near-misses. Near-miss refers to situations, which could have led to an accident if they had further developed. The goal is to receive as many reports as possible as these reflect the employees' focus on safety. In 2012, NORDEN had an average of 1.44 reports per vessel per week, thus meeting the target of minimum 1 report per vessel per week.

Transparency
NORDEN wants to communicate openly and relevantly to its stakeholders through its general CSR reporting and by making data available for the independent British non-profit organisation Carbon Disclosure Project (CDP), who assesses enterprises' reporting practice in connection with climate changes. In 2012, the Company improved its CDP ranking going from number 17 to number 7 and is the only shipping company in the Nordic top 10. The Company's whistleblower system has neither been used in 2012.

Anti-corruption
During 2012, NORDEN continued its work in the Maritime Anti-Corruption Network (MACN) and was admitted to MACN's steering committee. The Company's anti-corruption policy from 2009 has been updated so that it now reflects the current work and focus within anti-corruption. In addition, NORDEN is in the process of developing registration procedures for facilitation payments – small payments made for services to which a party is entitled legally or otherwise. Registration will enable the Company to monitor and estimate the extent of facilitation payments, and it is therefore an important element in pursuing the target of reducing facilitation payments.

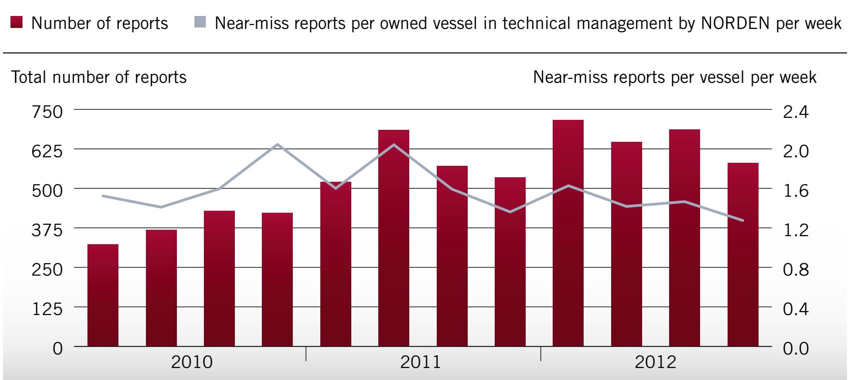
Environmental management
NORDEN's business has an impact on the environment, and therefore, the Company focuses on reducing its environmental footprint. The aim is to reduce emissions of SO_x by purchase of bunker with reduced sulphur content as emissions of SO_x are harmful to people and the environment. In 2012, NORDEN's weighted average sulphur content was 2.31% for bunker purchased for operated vessels, thus reaching the target of 2.45%. Upon recommendation by Det Norske Veritas (DNV), who verifies the Company's environmental data, NORDEN has gone from reporting on simple average sulphur content to weighted average sulphur content as weighted average sulphur content provides a more fair depiction of the SO_x emissions.

In 2012, the IMO's regulations concerning garbage (MARPOL) have been updated, and to comply with the new requirements, NORDEN has updated the Company's procedures. NORDEN reduced waste (excluding category 4 – i.e. cargo waste)[3] from owned vessels in technical management by NORDEN by 8%. The target was 5%.

Responsible supply chain management
NORDEN has commenced its work within responsible supply chain management by entering into an industry cooperation and developing a common industry toolbox for responsible supply chain management. The work is based on the UN Guiding Principles on Business and Human Rights.

Initiatives in 2013
The CSR strategy will be rolled out and implemented in the organisation in the beginning of 2013. For the purpose of increasing transparency, the Company has also developed an Employee Code of Conduct providing the employees with instructions on how to handle different everyday situations. The Code of Conduct will also be rolled out in the beginning of 2013.

Near-miss reporting



An important step towards better safety on board the vessels is attention towards situations which could have gone wrong. NORDEN has a target of minimum 1 report on such incidents per vessel per week and also reached this target in 2012.

[2] The Tanker Safety Forum's benchmark is used as industry benchmark (end-October 2012).
[3] NORDEN sorts waste on the vessels in 6 categories according to IMO's MARPOL convention.

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, see note 1 to the financial statements "Significant accounting policies".

RESULTS FOR THE YEAR AND EQUITY

The Group's profit from operations before write-downs amounted to USD 35 million (USD 104 million), including loss on the sale of vessels of USD 24 million (USD 0 million). The fleet has been written down by USD 300 million in 2012. For further information, see below and the section "Fleet values".

EBIT constituted a loss of USD 265 million (profit of USD 104 million).

Results for the year after tax was a loss of USD 279 million (profit of USD 88 million), including a negative fair value adjustment of USD 10 million (USD 15 million). The results provide earnings per share (EPS) of a negative USD 6.8 (a positive USD 2.1).

Equity decreased to USD 1,687 million (USD 1,994 million). The drop is specified as follows:

Changes in equity, USD million	
Equity at 1 January 2012	**1,994**
Total comprehensive income for the year	-282
Distributed dividends	-29
Share-based payment	4
Equity at 31 December 2012	**1,687**

The distributed dividend amounted to DKK 4 per share equalling a total of DKK 165 million or USD 29 million, excluding treasury shares.

Significant accounting choices

Vessels chartered by NORDEN, but 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 2012, the Group had operating lease liabilities (undiscounted) in the amount of USD 1,878 million (USD 2,007 million), which are recognised in the income statement when incurred over the period 2013-22.

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 write-downs.

The carrying amount of the vessels is continually compared with earnings opportunities and value indicators of the vessels. If there is indication 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 estimates

Receivables are measured at amortised cost less provisions for impairment losses. Estimates of provisions for bad debt 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 2012, NORDEN's revenue (freight income) decreased by 6% to USD 2,131 million in spite of increased activity in terms of a 7% increase in the number of ship days. This was primarily due to lower freight rates.

Dry Cargo

In Dry Cargo, the activity level in terms of ship days was up 6% in 2012. Freight income amounted to USD 1,731 million (USD 1,936 million) equalling a drop of 11%. The drop was due to lower freight rates.

EBIT after write-downs of USD 260 million constituted a loss of USD 207 million (a profit of USD 127 million), including loss on the sale of vessels of USD 25 million (USD 0 million). Due to the extensive addition to the owned Dry Cargo fleet in 2011 and 2012, depreciation increased to USD 50 million (USD 45 million).

Tankers

The Tanker activity in terms of ship days was up 14% compared to last year. Freight income amounted to USD 400 million (USD 336 million), and the increase was chiefly attributable to the higher activity.

EBIT after write-downs of USD 40 million constituted a loss of USD 44 million (a loss of USD 8 million).

Financials

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

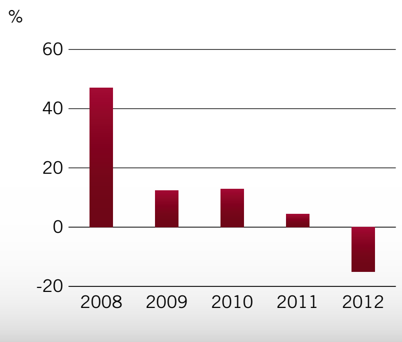
Financial expenses amounted to USD 8 million (USD 6 million), consisting of interest on and other expenses relating from loans. The increase is a result of further borrowing of USD 25 million. For further specification of interest rate risks, see note 2 to the financial statements.

Fair value adjustment of certain hedging instruments

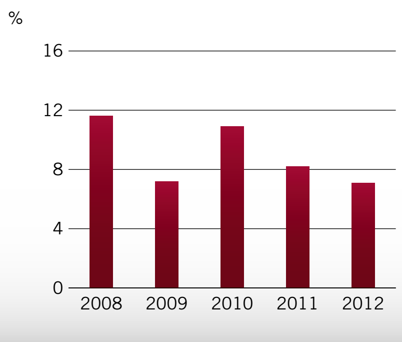
Fair value adjustment of derivative financial instruments which did not qualify for hedge accounting under IFRS relates to Forward Freight Agreements (FFAs) and bunker hedging contracts. The cost of USD 10 million (USD 15 million) relates to bunker hedging contracts.

The net cost of USD 10 million comprises reclassifications of a negative USD 32 mil-

Return on equity



EBITDA ratio



lion and value adjustments of unrealised contracts of USD 22 million. The reclassifications cover value adjustments from previous financial years of contracts realised in 2012. Due to increasing bunker prices and decreasing freight rates, the Company had recognised USD 32 million in unrealised gains from these contacts. As the contracts are realised during the period, 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 19 million relating to bunker contracts and USD 13 million relating to freight income.

Value adjustments in the amount of USD 22 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 results 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 activities, including net financial income, computed in accordance with the general tax rules. Tax on the results for the year amounted to USD 5 million (USD 6 million), of which tonnage tax constitutes USD 3 million and tax on other activities constitutes USD 2 million. Other activities primarily relate to subsidiaries as well as technical and commercial management.

STATEMENT OF FINANCIAL POSITION

Assets

The Company's total assets at 31 December 2012 amounted to USD 2,033 million (USD 2,350 million) equalling a 13% decrease. The decrease was due to a combination of write-downs and disposals of tangible assets in the form of vessels and newbuildings, increasing freight receivables and inventories as well as interest-bearing assets.

Vessels

At the end of 2012, the Group had 41 owned vessels at sea, which was a net decrease of 2.5 vessels compared to the previous year. The net decrease constitutes addition of 5.5 newbuildings and delivery of 8 sold vessels, including joint ventures.

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 1,088 million at the end of 2012, which was USD 138 million below the carrying amounts. The cash generating units (CGUs) Dry Cargo and Tankers were USD 61 million and USD 77 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, value in use of the 2 CGUs is estimated by applying 20-year historical average rates with the 3 and 4, respectively, highest/lowest observations removed.

The carrying amounts of Dry Cargo and Tankers, excluding joint ventures and assets held for sale, were USD 644 million and USD 581 million, respectively. Applying 20-year average rates – with the 3 and 4, respectively, highest/lowest observations removed – to uncovered days and a discount factor of 8%, value in use for Dry Cargo is USD 2 million and negative USD 44 million, respectively, and for Tankers negative USD 12 million and negative USD 36 million, respectively, compared to the carrying amounts.

In the short term, the dry cargo market is affected by a large number of deliveries to the global fleet in 2012 and some 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. Already in 2013, net growth in the global dry cargo fleet is expected to drop to 4-7% against 10.4% in 2012. The long-term rates are expected to outperform the adjusted 20-year average rates.

In the long term, the tanker market is expected to improve from the current, very low levels, and the rates are also expected to outperform the adjusted 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 away from the countries with the largest oil consumption.

Against this background, management assesses that value in use of both the Dry Cargo as well as the Tanker fleet corresponds to the carrying amounts as a minimum, and, accordingly, there is no need for further write-downs.

Financial assets

Financial assets comprising investments in joint ventures amounted to USD 13 million (USD 21 million). The decrease is primarily due to write-downs on vessels in joint ventures constituting USD 10 million.

Inventories

The Group's inventories, which include bunker inventories on board owned vessels, amounted to USD 111 million (USD 89 million). The increase is due to a change in the proportion of cross over voyages between single voyages and time charters. With time charters, inventories are owned by the customer during the voyage which is not the case with single voyages.

Freight receivables and trade payables

Total finance contribution from freight receivables and trade payables decreased by USD 33 million. The change comprises an increase in freight receivables of USD 15 million and a decrease in trade payables of USD 18 million.

The Group's freight receivables increased to USD 126 million (USD 111 million), which is due to more cross over voyages and the fact that customers to a greater extent withhold cash flows to hedge NORDEN's payment of bunker inventories on redelivery from the customers of time charter vessels. Freight receivables totalling USD 6 million (USD 5 million) are subject to uncertainty, and a write-down of USD 5 million has therefore been made in this respect. Both receivables subject to uncertainty and write-downs hereof are thus in line with 2011.

Securities

The portfolio of securities amount to USD 75 million (USD 71 million). Investing in securities is part of NORDEN's optimisation of the return on liquidity at low risk. All bonds have high credit ratings.

CASH FLOWS

The Group's cash represents total liquidity at 31 December 2012. All cash is at the Company's disposal within 3 months.

The Group's cash increased by USD 118 million to USD 454 million in 2012. Cash consists mainly of USD and DKK bank deposits.

Operating activities contributed with USD 122 million (USD 120 million) and are thus in line with last year in spite of lower earnings. Compared to 2011, net funds tied up in working capital (bunker inventories, freight receivables, trade payables) have not increased to the same extent.

In 2012, USD 168 million (USD 358 million) was invested in vessels and newbuildings, etc., and proceeds from the sale of vessels amounted to USD 174 million (USD 28 million). Cash flows from investing activities were a net inflow of USD 7 million (outflow of USD 355 million).

Cash flows from financing activities amounted to an outflow of USD 38 million (an inflow of USD 18 million). Of this, shareholder dividends represented an outflow of USD 29 million, repayments of debt represented an outflow of USD 34 million and incurrence of ship financing represented an inflow of USD 25 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 Executive Management and auditor's report:

Statement by the Board of Directors and Executive Management
The Executive 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 2012.

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 2012 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 2012.

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 general meeting.

Copenhagen, 6 March 2013

Executive Management

Carsten Mortensen
President & CEO

Michael Tønnes Jørgensen
Executive Vice President & CFO

Ejner Bonderup
Executive Vice President

Lars Bagge Christensen
Executive Vice President

Martin Badsted
Executive Vice President

Board of Directors

Mogens Hugo
Chairman

Alison J. F. Riegels
Vice Chairman

Erling Højsgaard

Karsten Knudsen

Arvid Grundekjøn

Klaus Nyborg

Benn Pyrmont Johansen

Ole Clausen

Jacob Koch Nielsen

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 2012. 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 2012 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2012 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 2012 and of the results of the parent company's operations for the financial year 1 January – 31 December 2012 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, 6 March 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard State Authorised Public Accountant	Rasmus Friis Jørgensen State Authorised Public Accountant

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2012	2011
3	**Revenue**	**2,131,439**	**2,272,819**
3	Other operating income, net	6,380	5,213
	Vessel operating costs	-1,940,213	-2,038,816
4	Other external costs	-13,031	-16,215
5	Staff costs, onshore employees	-36,644	-36,555
	Profit before depreciation, etc. (EBITDA)	**147,931**	**186,446**
	Profits from the sale of vessels, etc.	-23,944	-242
11	Depreciation	-88,535	-81,185
12	Share of results of joint ventures	-841	-530
	Profit from operations before write-downs	**34,611**	**104,489**
12	Write-downs on joint ventures	-10,000	0
11	Write-downs on vessels and newbuildings	-290,000	0
	Profit from operations (EBIT)	**-265,389**	**104,489**
6	Fair value adjustment of certain hedging instruments	-10,132	-14,897
7	Financial income	9,570	9,504
8	Financial expenses	-7,908	-5,762
	Profit before tax	**-273,859**	**93,334**
9	Tax for the year	-4,990	-5,541
	PROFIT FOR THE YEAR	**-278,849**	**87,793**
	Attributable to:		
	Shareholders of NORDEN	-278,847	87,795
	Minority interests	-2	-2
		-278,849	**87,793**
10	**Earnings per share (EPS), USD**		
	Basic earnings per share	-6.76	2.13
	Diluted earnings per share	-6.76	2.13

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2012	2011
	Profit for the year, after tax	-278,849	87,793
	Items which will be reclassified to the income statement:		
17	Value adjustment of hedging instruments	-5,285	-12,026
17	Fair value adjustment of securities	2,607	11,720
17	Tax on fair value adjustment of securities	-473	0
	Other comprehensive income, total	-3,151	-306
	Total comprehensive income for the year, after tax	**-282,000**	**87,487**
	Attributable to:		
	Shareholders of NORDEN	-281,998	87,489
	Minority interests	-2	-2
		-282,000	**87,487**

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER – ASSETS

Note	Amounts in USD'000	2012	2011
11	Vessels	967,219	1,387,189
11	Property and equipment	55,801	55,937
11	Prepayments on vessels and newbuildings	113,817	170,025
	Tangible assets	**1,136,837**	**1,613,151**
12	Investments in joint ventures	12,915	21,275
	Financial assets	**12,915**	**21,275**
	Non-current assets	**1,149,752**	**1,634,426**
	Inventories	110,783	89,280
13	Freight receivables	125,517	110,886
13	Receivables from joint ventures	4,953	6,317
	Company tax	0	63
13	Other receivables	21,197	54,136
	Prepayments	46,697	47,955
14	Securities	74,876	71,324
15	Cash	453,738	335,868
		837,761	715,829
16	Tangible assets held for sale	45,879	0
	Current assets	**883,640**	**715,829**
	ASSETS	**2,033,392**	**2,350,255**

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER – EQUITY AND LIABILITIES

Note	Amounts in USD'000	2012	2011
	Share capital	6,833	6,833
17	Reserves	3,547	6,698
	Retained earnings	1,676,787	1,980,822
	Equity (NORDEN's shareholders)	1,687,167	1,994,353
	Minority interests	64	66
18	**Equity**	**1,687,231**	**1,994,419**
19	Bank debt	138,240	135,017
	Non-current liabilities	**138,240**	**135,017**
19	Bank debt	17,385	30,043
	Trade payables	117,536	135,672
	Company tax	857	0
	Other payables	46,676	36,172
	Deferred income	20,620	18,932
		203,074	220,819
20	Liabilities relating to tangible assets held for sale	4,847	0
	Current liabilities	**207,921**	**220,819**
	Liabilities	**346,161**	**355,836**
	EQUITY AND LIABILITIES	**2,033,392**	**2,350,255**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

Note	Amounts in USD'000	2012	2011
	Profit from operations before write-downs	34,611	104,489
11	Reversed depreciation	88,535	81,185
	Reversed profits from the sale of vessels, etc.	23,944	242
12	Reversed share of results of joint ventures	841	530
	Other adjustments	6,897	4,141
29	Change in working capital	-21,470	-63,639
	Financial payments received	1,889	10,131
	Financial payments made	-8,627	-12,768
	Company tax paid, net	-4,543	-4,188
	Cash flows from operating activities	**122,077**	**120,123**
11	Investments in vessels and vessels held for sale	-11,134	-59,960
11	Investments in other tangible assets	-4,877	-4,367
12	Investments in joint ventures	-2,500	0
11	Additions in prepayments on newbuildings	-149,791	-293,354
	Additions in prepayments received on sold vessels	4,847	-7,324
	Proceeds from the sale of vessels and newbuildings	168,863	35,095
	Proceeds from the sale of other tangible assets	321	114
	Acquisition of securities	-46,922	-35,010
	Sale of securities	48,173	9,595
	Cash flows from investing activities	**6,980**	**-355,211**
30	Dividend paid to shareholders (excluding dividend on treasury shares)	-29,146	-63,706
18	Acquisition of treasury shares	0	-31,556
	Net distribution to shareholders	-29,146	-95,262
	Incurrence of bank debt	25,240	161,738
	Instalments on/repayment of bank debt	-33,956	-48,095
	Loan financing	-8,716	113,643
	Cash flows from financing activities	**-37,862**	**18,381**
	Change in cash and cash equivalents for the year	**91,195**	**-216,707**
	Cash at 1 January, non-restricted	335,868	574,571
	Exchange rate adjustments	26,675	-21,996
	Change in cash and cash equivalents for the year	91,195	-216,707
15	**Cash at 31 December, non-restricted**	**453,738**	**335,868**

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 2012	**6,833**	**6,698**	**1,980,822**	**1,994,353**	**66**	**1,994,419**
	Total comprehensive income for the year	-	-3,151	-278,847	-281,998	-2	-282,000
30	Distributed dividends	-	-	-30,368	-30,368	-	-30,368
	Dividends, treasury shares	-	-	1,222	1,222	-	1,222
27	Share-based payment	-	-	3,958	3,958	-	3,958
	Changes in equity	**0**	**-3,151**	**-304,035**	**-307,186**	**-2**	**-307,188**
	Equity at 31 December 2012	**6,833**	**3,547**	**1,676,787**	**1,687,167**	**64**	**1,687,231**

Note		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**

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

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 2012 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 2012 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 2012 have been prepared in accordance with the Danish Financial Statements Act.

In general

The financial statements are 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, except for crew wages which are now included in the item "Vessel operating costs" instead of the item "Staff costs". This change was made based on a wish to show the vessels' total operating costs in the income statement. Comparable figures have been adjusted to this new presentation, and USD 32,459 thousand has thus been reclassified in 2011.

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 2012. This includes IFRS 7 on changes to rules on disclosures on financial instruments. Changes to IAS 1 with regard to presentation of items under other comprehensive income have been adopted earlier.

Implementation of the changes in standards and interpretations has not had any monetary effect on NORDEN.

Most recently approved financial reporting standards (IFRS) and interpretations (IFRIC)

At the end of January 2013, 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 IFRS 10, 11 and 12 – Specification of implementation (transition rules).
- IFRS 13 – General standard specifying the principles for fair value measurement.
- Amendment of IFRS 7 and IAS 32 – The amendment provides further guidance on offsetting and information in this regard.
- 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 ac-

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cording to IFRS 11 are recognised under the standard's equity method. SIC 13 on non-monetary contributions from enterprises is written into the standard.

- Annual minor amendments of current IFRS comprising:
  - o IAS 1 – Specification of comparable information when balance sheets for 3 years are presented.
  - o IAS 16 – Spare parts and servicing equipment for land, buildings, vessels and equipment are no longer to be carried as inventory, but as land, building and equipment when the definition hereof is met.
  - o IAS 32 – Specification of tax in the income statement and equity, respectively.
  - o IAS 34 – Specification with regard to assets in the segment information in interim financial statements.

Other financial reporting standards and interpretations issued by the IASB, but which are currently irrelevant to NORDEN, comprise: IFRS 1, IAS 12, IAS 19, and IFRIC 20. The quoted standards and interpretations have been adopted by the EU, except for IFRS 9, amendments to IFRS 10, 11 and 12 with regard to transition rules as well as the annual minor amendments to current IFRS.

NORDEN expects to implement the new standards and interpretations as 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 and assessments
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 has made 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 and write-downs, 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 write-downs 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.

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 2012, the carrying amount of these items (tangible assets) was USD 1,137 million (USD 1,613 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 2012, the carrying amount of Group receivables was USD 152 million (USD 171 million). In addition, see note 13.

Deferred tax
At 1 January 2011, NORDEN joined the tonnage tax scheme for a binding 10-year period. The contingent tax disclosed in note 9 may crystallise as current tax if the Company leaves the tonnage tax scheme, 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 or 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).

On consolidation, intra-group income and expenses, shareholdings, dividends and accounts as well as unrealised intra-group 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.

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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.

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 zero-coupon rate with the addition of an interest margin is used as discount factor corresponding to NORDEN's credit risk. Vessels and other tangible assets acquired under finance leases are depreciated and written down 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 through other comprehensive income 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 through other comprehensive income 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 equity under "Reserves". 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.

Fair value measurement

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 measuring 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. A zero-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, Dry Cargo and Tankers. 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 Executive Management and the Board of Directors in union. The Executive 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 Executive Management. The Executive 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 for segment information for the financial year under review are consistent with those for the previous financial year.

The presentation is changed for the financial year under review so that crew wages are now included in the item "Other vessel operating costs" instead of the item "Staff costs". Comparable figures have been adjusted.

Presentation of 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 I". 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 Dry Cargo and Tankers 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.

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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:

- 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, 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, crew wages 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. Shipping activities are taxed on the basis of the net tonnage (vessels) which the Company has at its disposal.

Statement of financial position

Tangible assets
Tangible assets are measured at cost less accumulated depreciation and write-downs. 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. Write-down 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".

Write-down 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 indication of 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 write-down 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 on board vessels. Inventories are measured at the lower of cost according to the FIFO method and net realisable 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

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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 through other comprehensive income 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 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 scheme for shipping enterprises for a new binding 10-year period as from 2011. Based on the parent company’s planned use of vessels and recovery of reversed depreciation, respectively, the tonnage tax scheme 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 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 or loss from operations before write-downs adjusted for non-cash operating items such as depreciation, 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 payments 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.

2. Risk management

Active risk management plays a central role in NORDEN's strategy to ensure stable earnings. It is NORDEN's policy to only assume material risks in relation to the freight markets and related risks (commercial 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 Executive 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.

Overall risk profile
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 ship values and earnings from vessel capacity.
- Credit risk on customers in relation to cargo and T/C contracts as well as banks and yards in relation to deposits and prepayments on newbuildings, respectively.

The current low freight rates reduce the earnings capacity while the drop in the fleet value has a negative impact on the Company's equity. As some of the Company's contracts are entered into with other shipping companies, the credit risk in relation to these increases due to the poor market. In addition, it is assessed that the operational risk has increased due to the low freight rate level as many ship owners economise on maintenance. Overall, it is assessed that the markets in which NORDEN operates have become riskier in general.

In spite hereof, NORDEN's overall risk – measured as the sensitivity in case of a 10% drop in freight rates and vessel prices compared to the Net Asset Value (NAV) – is lower at the end of 2012 compared to year-end 2011. This is due to the Company's low financial gearing and high coverage. Through the sale of vessels and by entering into cargo contracts, the Company has sought to limit the risk throughout the year.

Commercial risks
Fluctuations in freight rates
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

NOTES TO THE FINANCIAL STATEMENTS

freight market. To limit the uncertainty relating to earnings, the future open ship days are covered by cargo contracts, T/C contracts and Forward Freight Agreements (FFAs).

At the end of 2012, coverage for 2013 constituted a total value of USD 373 million (USD 489 million) for Dry Cargo and Tankers, corresponding to 76% (78%) and 27% (22%) coverage of capacity, respectively. Earnings from the remaining 24% and 73% of capacity in Dry Cargo and Tankers, respectively, are directly exposed to the future level of freight rates. A 10% drop in the forward rates compared to the level at the beginning of 2013 would, all other things being equal, result in a drop in expected future earnings for 2013 of a negative USD 20 million (a negative USD 26 million).

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

Fluctuations in ship values

Changes in ship values have a significant impact on the Company's NAV. Throughout the year, market prices on vessels have dropped, which has affected NAV negatively. As a number of shipping companies have financial difficulties, more vessels may come up for sale in the market and thus put further pressure on prices. In addition, it is assessed that newbuildings are considerably more fuel efficient than the existing fleet. This could put further downwards pressure on the value of older vessels.

NORDEN is continuously focusing on how to optimise the portfolio of owned vessels; be it in relation to fuel efficiency improvement of the current fleet or the possibility of exchanging older vessels with newbuildings.

At the end of 2012, the Company had 49 (54) owned vessels and newbuildings as well as 63 (61) charter parties with purchase option. The change in the value of owned vessels will directly affect the Company's estimated NAV. A drop in vessel prices of 10% would, all other things being equal, result in a decrease in NAV of USD 116 million (USD 155 million).

Credit risks

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 is subsequently used for determining the allowed scope of the commitment.

The internal ratings are based both on 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 AAA rating, which typically comprises counterparties with attractive ownership structures, production based business models, good reputations and strong financial ratios.

At the end of 2012, the 20 largest counterparties in Dry Cargo included 6 (7) mining companies, 1 (3) energy company, 6 (4) industrial enterprises, 3 (5) shipping companies, 2 (1) coal distributors and 2 (0) financial institutions. In Tankers, the 5 largest counterparties included 4 (3) oil and gas companies and 1 (2) shipping company. The Company's commercial credit exposure totalled USD 1,096 million (USD 1,291 million) at the end of 2012 with USD 988 million (USD 1,189 million) in Dry Cargo and USD 108 million (USD 102 million) in Tankers.

As a large part of the exposure is related to few counterparties, a concentration risk arises. In Dry Cargo, coverage of known ship days involved 192 (190) counterparties, of which the 20 largest accounted for 85% (78%) of the covered revenue in the segment. In Tankers, coverage was distributed on 33 (41) counterparties, of which the 5 largest accounted for 82% (85%) of the covered revenue in the segment. It is assessed that the main part of the 192 and 33 counterparties, respectively, are solid, and NORDEN keeps updated on the performance and activities of these companies on a regular basis.

In connection with newbuilding contracting, the credit risk in relation to prepayments to the yard is reduced through repayment guarantees issued by banks with good credit ratings.

Bunker price risk

The Company's largest variable cost is fuel in the form of bunker, and the total costs of the Company will therefore depend on the market price for bunker.

The Company uses bunker swaps to hedge future consumption of bunker when entering into COAs in case there is no bunker adjustment clause in the agreement. As the value of these is adjusted on an ongoing basis through the income statement, a timing mismatch between the hedging and the earnings impact of the underlying asset will occur. All bunker swaps are entered into with bunker of the IFO type as the underlying asset. Parts of the actual consumption are, however, of different types, e.g. low sulphur bunker. There is therefore a risk should the price differential between the different bunker types change.

The consumption of bunker in connection with future open ship days is not hedged. It is estimated that changes in expected bunker costs over time will be reflected in the freight rates as a result of a gradual adjustment in the market. In addition, there is significant uncertainty as to volume and type of bunker to be hedged on future open ship days.

In connection with charter agreements, the Company has a bunker price risk in relation to the volume of bunker with which the vessel must be redelivered. Due to the uncertainty of the size of this volume, this exposure is not hedged.

Operational risks

Operational risk is defined as the risk of loss due to insufficient or failed internal procedures, human error or faulty systems or caused by external events.

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 staff awareness of both external and internal environments. In general, an increased operational risk is seen in the market due to the poor market conditions, which e.g. causes many ship owners to economise on maintenance. Therefore, NORDEN has great focus on the condition of the vessels in connection with short-term charters.

In a global company like NORDEN, it is crucial that the Company's IT systems are always available. The IT Department has established a technical emergency capacity with an IT environment distributed on 2 locations with mirrored critical systems. 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.

Financial risks

The financial risk of the Company is the risk of lacking financing or liquidity as well as the risk of adverse movements in the Company's portfolio of financial instruments.

Interest rate risk

The part of the Company's loans which have been entered into at floating rates have been 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. In addition, the cash balance exceeds the interest-bearing debt, and the Company will therefore be negatively affected net by decreasing interest rates. Excess liquidity is placed in short-term deposits with fixed interest rates and to a smaller extent in securities. Overall, the interest rate risk of the Company is assessed as being minimal.

Currency risk

The Company's functional currency is USD. Since administrative expenses and dividends are paid in DKK, there is a currency risk in this connection. The Company hedges expected administrative expenses payable in DKK for a period of 6-24 months. In connection with newbuilding payments, typically in JPY, CNY or KRW, there is also a currency risk. This is hedged by forward contracts in connection with newbuilding orders. The strike price in some of the Company's purchase options is determined in JPY, and it is the Company's policy only to hedge these if the option is exercised and only upon exercise.

Liquidity risks

In order to ensure sufficient cash reserves, liquidity is calculated and reported in a stressed scenario on a monthly basis. In the scenario, the Company's liquidity is calculated after a year with large drops in freight rates, bunker prices and vessel prices while costs and investments are maintained at the expected level.

When entering into financial contracts, including bunker swaps, FFAs and interest rate swaps, margin is paid on an ongoing basis in proportion to the market value of the instrument. This is to ensure that the Company's credit risk in connection with these is kept small. As there is a timing mismatch between the underlying exposure and the market value of the financial contract, changes in liquidity may arise as a result of demands for further margins. In order to monitor this risk, monthly calculations are made as to how much NORDEN risks having to place as margin after a week with great stress in the financial markets.

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 83% (85%) at the end of 2012. 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 on 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 2012, the ratio was not to exceed 1.50. At year-end 2012, the ratio of net commitments to equity was 0.26 (0.31). Please see 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.

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Overview of financial risks

	Nominal value		
Credit	**2012**	**2011**	**Comments on NORDEN's policy**
Freight receivables	USD 126 million	USD 111 million	The credit rating of counterparties is assessed on an ongoing basis.
Bank deposits	USD 445 million	USD 312 million	The Company's liquidity is strictly placed with financial institutions with a Moody's rating of at least A or equivalent.
Bonds	USD 59 million	USD 56 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 127 million	USD 170 million	Newbuilding contracts with shipyards are mainly entered into with repayment guarantees issued by banks with good credit ratings. Of prepayments to yards of USD 127 million (USD 170 million), guarantees of USD 118 million (USD 160 million) have been obtained.
FFAs	Sold net USD 20 million	Sold net USD 5 million	To limit credit risk, the Company's FFAs are only entered into through established clearing houses as these have daily margin settlement.
Bunker swaps	USD 211 million	USD 196 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.

	Nominal value			
Market	**2012**	**2011**	**Sensitivity**	**Comments on NORDEN's policy**
Freight rate risks (FFAs)	Sold net USD 20 million	Sold net USD 5 million	A 10% drop in freight rates at year-end would impact net profit by USD 2 million (USD 0 million).	The Company only uses FFAs 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 211 million	USD 196 million	A 10% drop in bunker prices at year-end would negatively impact net profit by USD 21 million (negative impact of USD 21 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 33 million	USD 16 million	A 10% change in the DKK and JPY exchange rates at year-end 2012 would impact net profit by USD 4 million (USD 2 million) and USD 0 million (USD 0 million), respectively, and equity by USD 0 million (USD 0 million) and USD 0 million (USD 0 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 2012, a 1% increase in interest rates would, all other things being equal, impact profit before tax by USD 5 million (USD 4 million), and equity by USD 9 million (USD 10 million).	The Company's interest rate risks relate to interest-bearing assets and non-current debt liabilities. At the end of 2012, the majority of the Company's excess liquidity was placed in short-term fixed interest deposits. The part of the Company's loans which have been entered into at floating rates have been 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 mainly placed in floating-rate bonds.

Note	Amounts in USD'000	Dry Cargo	Tankers	Unallocated	Total
3	**Segment information 2012**				
	Revenue – services rendered, external	1,731,318	400,121	0	2,131,439
	Voyage costs	-805,553	-191,642	0	-997,195
	Contribution margin I	**925,765**	**208,479**	**0**	**1,134,244**
	Other operating income, net	6,279	101	0	6,380
	Charter hire for vessels	-716,176	-132,891	0	-849,067
	Other vessel operating costs	-51,859	-42,092	0	-93,951
	Other external costs	-8,778	-1,574	-2,679	-13,031
	Staff costs, onshore employees	-24,683	-4,427	-7,534	-36,644
	Profit before depreciation, etc. (EBITDA)	**130,548**	**27,596**	**-10,213**	**147,931**
	Profits from the sale of vessels, etc.	-25,489	1,664	-119	-23,944
	Depreciation	-50,478	-33,689	-4,368	-88,535
	Write-downs, including joint ventures	-260,000	-40,000	0	-300,000
	Share of results of joint ventures	-1,530	689	0	-841
	Loss from operations (EBIT)	**-206,949**	**-43,740**	**-14,700**	**-265,389**
	Fair value adjustment of certain hedging instruments	-10,132	0	0	-10,132
	Financial income	0	0	9,570	9,570
	Financial expenses	0	0	-7,908	-7,908
	Tax for the year	-3,602	-459	-929	-4,990
	Results for the year	**-220,683**	**-44,199**	**-13,967**	**-278,849**
	Vessels	586,872	380,347	0	967,219
	Prepayments on vessels and newbuildings	8,008	105,809	0	113,817
	Property and equipment	1,439	0	54,362	55,801
	Investments in joint ventures	9,450	3,465	0	12,915
	Non-current assets	**605,769**	**489,621**	**54,362**	**1,149,752**
	Current assets	**231,457**	**112,167**	**540,016**	**883,640**
	– hereof tangible assets held for sale	0	45,879	0	45,879
	Assets	**837,226**	**601,788**	**594,378**	**2,033,392**
	Investments in non-current assets for the year	101,721	61,704	4,877	168,302
	Average number of employees, excluding employees on T/C vessels	535	449	20	1,004
	EBIT margin	-12%	-11%	-	-12%
	Return on assets	-25%	-7%	-	-13%

Material non-cash expenses included in the segment results other than depreciation and write-downs 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 8 million resulting from compensation received from counterparties regarding terminated T/C agreements and COAs is included in evenue.

NOTES TO THE FINANCIAL STATEMENTS

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	-51,212	-41,146	0	-92,358
	Other external costs	-11,002	-1,951	-3,262	-16,215
	Staff costs, onshore employees	-24,630	-4,222	-7,703	-36,555
	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
	Results 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
	EBIT 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 revenue.

Note	Amounts in USD'000	2012	2011
4	**Fees to auditor appointed at the annual general meeting**		
	"Other external costs" include the following fees to PricewaterhouseCoopers:		
	Audit	292	318
	Other assurance services	21	40
	Tax consultancy	111	59
	Other services	214	259
	Total	**638**	**676**
5	**Staff costs**		
	Onshore staff:		
	Wages and salaries	29,160	28,949
	Pensions – defined contribution plans	1,533	1,539
	Other social security costs	1,993	1,926
	Share-based payment	3,958	4,141
	Total	**36,644**	**36,555**
	Seamen – the amount is included in "Vessel operating costs":		
	Wages and salaries	38,562	29,836
	Pensions – defined contribution plans	1,892	2,154
	Other social security costs	1,247	469
	Total	**41,701**	**32,459**
	Total	**78,345**	**69,014**
	Average number of employees, onshore staff	255	241
	Average number of employees, seamen	749	647
	Total	**1,004**	**888**

Staff costs and average number of employees exclude employees on T/C vessels.
Salaries for seamen include salaries for seamen employed on all owned vessels in external management.

		2012			**2011**	
	Parent company Board of Directors	Parent company Executive Management	Other executives	Parent company Board of Directors	Parent company Executive Management	Other executives
Wages and salaries	936	2,571	2,376	979	2,231	3,743
Pensions – defined contribution plans	0	0	167	0	0	215
Other social security costs	0	1	6	0	1	10
Share-based payment	0	862	516	0	726	891
Total	**936**	**3,434**	**3,065**	**979**	**2,958**	**4,859**

The Executive Management has been extended from two to five members in 2012. The Executive Management and a number of executives are covered by bonus and severance schemes. For a more detailed description of bonus schemes, see the section "Remuneration" in the management commentary.

If members of the Executive Management or 1 executive 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 1-2 years' salary in addition to the usual salary.

See also note 27 for a description of share-based payment.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2012	2011
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:		
	2011	0	31,440
	2012	8,314	6,746
	2013	-870	370
	2014	1,264	41
	2015 – 2018	204	-165
		8,912	38,432
	Realised fair value adjustment reclassified to "Vessel operating costs"	-18,952	-39,636
		-10,040	**-1,204**
	Forward Freight Agreements:		
	2011	0	32,193
	2012	9,731	1,979
	2013	2,642	474
	2014	526	0
		12,899	34,646
	Realised fair value adjustment reclassified to "Revenue"	-12,991	-48,339
		-92	**-13,693**
	Total	**-10,132**	**-14,897**
7	**Financial income**		
	Dividends	225	11
	Interest income	5,838	6,320
	Hedging instruments	1,463	923
	Securities	78	374
	Exchange rate adjustments	1,966	1,876
	Total	**9,570**	**9,504**
8	**Financial expenses**		
	Interest costs, non-current debt, etc.	7,908	5,762
	Total	**7,908**	**5,762**

Note	Amounts in USD'000	2012	2011
9	**Taxation**		
	Tax on the results for the year	5,544	6,095
	Adjustment of tax regarding previous years	-554	-554
	Total	**4,990**	**5,541**
	Tax on the results for the year is broken down as follows:		
	Results before tax	-273,859	93,334
	of which results from Danish tonnage activity	20,395	-3,289
		-253,464	90,045
	Calculated tax of this, 25%	-63,366	22,511
	Tax effect from:		
	– Higher/lower tax rate in subsidiaries	64,712	-20,929
	– Other	768	997
		2,114	**2,579**
	Tonnage tax	3,430	3,516
	Total	**5,544**	**6,095**
	The Company decided to continue under the tonnage tax scheme as of 1 January 2011 for a binding 10-year period.		
	If the Company's net investments in vessels decrease significantly or if the Company is liquidated, 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:		
	Results for the year for NORDEN's shareholders	-278,847	87,795
	Weighted average number of shares (thousand)	41,278	41,199
	Earnings per share (USD per share)	**-6.76**	**2.13**
	Diluted:		
	Weighted average number of shares (thousand)	41,278	41,199
	Adjusted for share options (thousand)	0	0
	Weighted average number of shares for diluted earnings per share (thousand)	41,278	41,199
	Diluted earnings per share (USD per share)	**-6.76**	**2.13**

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

11 Tangible assets

2012	Vessels	Property and equipment	Prepayment on vessels and new-buildings	Total
Cost at 1 January	1,566,925	73,556	170,025	1,810,506
Additions for the year	11,134	4,877	149,791	165,802
Disposals for the year	-275,669	-1,700	0	-277,369
Transferred during the year	168,525	0	-168,525	0
Transferred during the year to other items	-55,769	0	-24,574	-80,343
Cost at 31 December	1,415,146	76,733	126,717	1,618,596
Depreciation at 1 January	-179,736	-17,619	0	-197,355
Depreciation for the year	-83,916	-4,619	0	-88,535
Reversed depreciation on vessels disposed of	16,545	1,306	0	17,851
Transferred during the year to tangible assets held for sale	9,890	0	0	9,890
Depreciation at 31 December	-237,217	-20,932	0	-258,149
Write-downs at 1 January	0	0	0	0
Write-downs for the year	-258,371	0	-31,629	-290,000
Transferred during the year	-18,729	0	18,729	0
Reversed write-downs on vessels disposed of	66,390	0	0	66,390
Write-downs at 31 December	-210,710	0	-12,900	-223,610
Carrying amount at 31 December	**967,219**	**55,801**	**113,817**	**1,136,837**

Capitalised borrowing costs on vessels USD 0 million. Amount insured on vessels USD 1,253 million.

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.

See note 23 for security provided for vessels.

Note Amounts in USD'000

11 Tangible assets – continued

Write-downs in the first quarter of 2012
Based on estimates from 3 independent brokers, the market value of NORDEN's fleet (net selling price excluding COAs), including vessels in joint venture, was estimated at USD 361 million below the carrying amounts at the end of the first quarter of 2012. The difference was divided between NORDEN's 3 CGUs, Dry Cargo, Tankers and a joint venture, with negative USD 270 million, negative USD 81 million and negative USD 10 million, respectively.

Accordingly, an impairment test was conducted for all 3 CGUs by estimating the value in use, where the long-term values are assessed. Value in use is calculated as the present value of total expected cash flows over the remaining useful lives of the vessels with a discount rate of 8%. The principles behind the impairment test are described in note 1 "Significant accounting policies".

Value in use is particularly sensitive towards fluctuations in the expected future freight rates and the rate applied for discounting to net present value.

The result of the analyses of the vessels' value in use was that certain scenarios of future freight rate levels still supported the carrying amounts, whereas in other scenarios, the recoverable amount was not sufficiently high in order to justify the carrying amounts. Based on a total assessment, management therefore concluded that there was need for write-downs.

The main reasons for the revised conclusion compared to the analysis conducted at the turn of the year could be summarised to:

- Broker valuations dropped by 11% during the quarter. The drop in ship values during the first quarter of 2012 was the largest since the fourth quarter of 2008.
- The newbuilding prices also dropped, while the quality of these vessels in relation to fuel efficiency continued to increase.
- Forward rates in dry cargo for the next 3-5 years decreased significantly since the turn of the year.
- The very attractive coverage concluded by the Company in the high markets of 2007 and 2008 is continuously converted into operating earnings and does not contribute to the future earnings of the CGUs to the same extent as earlier. For NORDEN as a whole, it is positive that coverage is converted to cash, but for the individual CGU, this has a negative effect on the calculation of value in use.

The write-downs totalling USD 300 million based on value in use were distributed with USD 250 million in Dry Cargo, USD 40 million in Tankers and USD 10 million in a joint venture. After the write-down, the carrying amounts were USD 61 million above broker valuations.

In connection with the sale of vessels in 2012, the vessel-related write-downs have been written off together with cost and depreciation in determining sales profits/losses. In total, write-downs in Dry Cargo were hereby reduced by USD 66 million, which is included under the item "Profits from the sale of vessels, etc." in the income statement, and accordingly, the write-downs amount to USD 184 million in Dry Cargo. In Tankers and the joint venture, write-downs remain unchanged at USD 40 million and USD 10 million, respectively, at the end of the financial year.

Impairment test at the end of the financial year
At the end of the financial year, the market value of the fleet (excluding joint ventures and assets held for sale) were USD 138 million below the carrying amounts, and the difference was divided between the 2 CGUs, Dry Cargo and Tankers, with negative USD 61 million and negative USD 77 million, respectively.

Accordingly, an impairment test was also conducted for the CGUs by determining the value in use, where the long-term values are assessed.

Due to the large number of open ship days at the end of the financial year, the value in use calculation was very sensitive even to minor fluctuations in freight rates. As an indication of this sensitivity, a fluctuation of USD 1,000 per day in long-term freight rates would change the CGU values by USD 193 million in Dry Cargo and USD 135 million in Tankers.

For a more detailed description of the impairment test at the end of the financial year, see the section "Financial review" in the management commentary.

Management assesses that the long-term values at the close of the financial year (value in use) of both the Dry Cargo and Tanker fleet at least matches the carrying amounts, and accordingly, there is no indication of further impairment.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2012	2011
12	**Investments in joint ventures**		
	Cost at 1 January	16,676	22,771
	Additions for the year	2,500	0
	Disposals for the year	0	-6,095
	Cost at 31 December	19,176	16,676
	Value adjustments at 1 January	4,599	12,454
	Share of results for the year	-841	-530
	Reversed value adjustment on disposals for the year	0	-331
	Dividends paid	-19	-6,994
	Value adjustments at 31 December	3,739	4,599
	Write-downs at 1 January	0	0
	Write-downs for the year	-10,000	0
	Write-downs at 31 December	-10,000	0
	Carrying amount at 31 December	**12,915**	**21,275**

Investments comprise:	**Ownership**	**Share of results of joint ventures**		**Carrying amount**	
		2012	**2011**	**2012**	**2011**
Norient Product Pool ApS	50%	660	-341	3,443	2,783
Norient Cyprus Ltd.	50%	29	12	22	12
ANL Maritime Services Pte. Ltd.	50%	-21	-15	95	116
Nord Summit Pte. Ltd.	50%	-735	-171	7,629	18,364
Nord Empros I Pte. Ltd.	50%	0	-5	0	0
Nord Empros II Pte. Ltd.	50%	0	-5	0	0
Nord Empros III Pte. Ltd.	50%	0	-5	0	0
Polar Navigation Pte. Ltd.	50%	-774	0	1,726	0
Total		**-841**	**-530**	**12,915**	**21,275**
Hereof profits from the sale of vessels		0	103		

	2012	**2011**
Guarantees regarding joint ventures	0	0
Liabilities regarding joint ventures	0	16,065
Key figures (100%) for joint ventures:		
Revenue and other income	22,486	12,000
Costs	24,169	13,060
Write-downs	20,000	0
Non-current assets	55,753	44,037
Current assets (including write-downs)	23,069	15,605
Non-current liabilities	40,350	0
Current liabilities	14,298	18,745

No significant restrictions apply to distributions from joint ventures.

Note	Amounts in USD'000	2012	2011
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 ApS		
	Norient Short Term Tank Pool		
	Norient LR1 Pool		
	NORDEN Post-Panamax Pool		
	NORDEN Handysize Pool		
	NORDEN acts as manager of the 2 latter pools.		
	The following is an overview of NORDEN's total liabilities and coverage in respect of jointly controlled 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	**10,814**	**10,556**
	Future operating lease liabilities:		
	Within 1 year	8,101	2,585
	Total *	**8,101**	**2,585**
	Future COAs:		
	Within 1 year	23,789	39,169
	Between 1 and 5 years	33,423	18,244
	More than 5 years	52,777	58,323
	Total *	**109,989**	**115,736**
	Future operating lease income:		
	Within 1 year	109,578	74,474
	Between 1 and 5 years	19,296	35,813
	Total *	**128,874**	**110,287**

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 4 (29) vessels where profit sharing for the vessels is 50%. No contribution requirements or significant contingent liabilities are related to the agreements.

NOTES TO THE FINANCIAL STATEMENTS

Note	Amounts in USD'000	2012	2011
13	**Receivables**		
	Freight receivables	130,822	115,106
	Provisions for bad debts	-5,305	-4,220
	Freight receivables, net	125,517	110,886
	Receivables from joint ventures	4,953	6,317
	Other receivables	21,197	54,136
	Total	**151,667**	**171,339**
	The fair value of receivables amounts to:		
	Freight receivables	125,517	110,886
	Receivables from joint ventures	4,953	6,317
	Other receivables	21,197	54,136
	Total	**151,667**	**171,339**
	Development in write-downs on freight receivables:		
	Write-downs at 1 January	-4,220	-7,215
	Applied during the year	350	825
	Reversed	1,925	4,325
	Additions during the year	-3,360	-2,155
	Total	**-5,305**	**-4,220**
	Freight receivables which have been written down in provision for bad debts amount to:	5,743	4,747
	Freight receivables due which have not been written down in provision for bad debts amount to:		
	– due in less than 3 months	1,424	3,561
	Total	**1,424**	**3,561**
	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	151,667	151,930
	DKK	0	13,682
	Other currencies	0	5,727
	Total	**151,667**	**171,339**
14	**Securities**		
	Shares	15,891	14,836
	Bonds	58,985	56,488
	Total	**74,876**	**71,324**

See also the management commentary page 17 for ratings.

Note	Amounts in USD'000	2012	2011
15	**Cash**		
	Demand deposits and cash balance	42,942	32,023
	Money market investments	402,114	279,918
	Other cash	8,682	23,927
	Cash according to the statement of financial position	**453,738**	**335,868**
	– Hereof restricted cash	0	0
	Cash according to the statement of cash flows	**453,738**	**335,868**
	Money market investments at year-end have maturities of up to	266 days	191 days
	In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Norwegian Future and Options Clearing House (NOS) and UBS Limited in the form of cash. At 31 December, cash held in margin accounts placed as security amounted to	3,813	3,767
16	**Tangible assets held for sale**		
	Carrying amount at 1 January	0	35,377
	Additions for the year to tangible assets held for sale	0	12
	Additions for the year from vessels	45,879	0
	Disposals for the year	0	-35,389
	Carrying amount at 31 December	**45,879**	**0**
	Which can be specified as follows:		
	Vessels	45,879	0
	Total	**45,879**	**0**
17	**Reserves**		
	Securities:		
	Fair value adjustment at 1 January	11,444	-276
	Fair value adjustment for the year, net	2,056	11,346
	Transferred to net financials	78	374
	Fair value adjustment at 31 December	13,578	11,444
	Cash flow hedges:		
	Fair value adjustment at 1 January	-4,746	7,280
	Fair value adjustment for the year, net	-5,285	-4,746
	Transferred to vessels	0	-7,280
	Fair value adjustment at 31 December	-10,031	-4,746
	Total	**3,547**	**6,698**

NOTES TO THE FINANCIAL STATEMENTS

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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
1 January	1,786,078	2,524,820	1,786	2,524	4.15	5.66
Acquired	0	906,800	0	907	0.00	2.11
Distributed/sold	-63,917	-45,542	-64	-45	-0.15	-0.11
Cancelled	0	-1,600,000	0	-1,600	0.00	-3.72
31 December	**1,722,161**	**1,786,078**	**1,722**	**1,786**	**4.00**	**4.15**

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 hedging liabilities in connection with share-based payment, see note 27.

In 2012, the Company distributed 63,917 employee shares from the holding of treasury shares with an average value of DKK 16,938 thousand (USD 3,040 thousand).

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).

At 1 January 2012, the Company had a total of 41,213,922 outstanding shares of DKK 1 each, and at 31 December 2012, a total of 41,277,839 outstanding shares of DKK 1 each.

		2012	2011
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	17,385	30,043
	Non-current liabilities between 1 and 5 years	70,833	61,505
	Non-current liabilities over 5 years	67,407	73,512
	Total	**155,625**	**165,060**
	Mortgages and security provided in relation to liabilities are disclosed in note 23.		
	Interest-bearing liabilities amount to:		
	Carrying amount:		
	– Fixed-rate loans	12,620	14,667
	– Floating-rate loans	149,844	157,399
	– Borrowing costs	-6,839	-7,006
	Total	**155,625**	**165,060**
	Fair value:		
	– Fixed-rate loans	13,363	14,984
	– Floating-rate loans	149,844	157,399
	Total	**163,207**	**172,383**
20	**Liabilities relating to tangible assets held for sale**		
	Prepayments received on sold vessels and newbuildings	4,847	0
	Total	**4,847**	**0**

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 originally been entered into with a mutually interminable lease period of up to 10 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.

	2012			2011		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	338,835	105,454	444,289	360,468	99,819	460,287
Between 1 to 5 years	857,210	189,469	1,046,679	870,877	206,574	1,077,451
More than 5 years	374,008	12,689	386,697	443,409	26,334	469,743
Total	**1,570,053**	**307,612**	**1,877,665**	**1,674,754**	**332,727**	**2,007,481**

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

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

	2012	2011
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 not certain that it is an asset.	13,900	11,349
Contingent liabilities		
Guarantee commitments do not exceed	145	152
Claims have been made against the Group, primarily 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	3,800
Contractual liabilities		
The Company has entered into agreements for future delivery of newbuildings and purchase options, etc. The remaining contract amount is payable as follows:		
Within 1 year	90,300	103,974
Between 2 and 3 years	50,550	69,160
Total	**140,850**	**173,134**
23 Mortgages and security		
As security for bank debt	155,625	165,060
a total number of vessels of	8	10
with a carrying amount of	249,263	372,499
have been mortgaged at	291,796	285,580

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

24 COAs and operating lease income

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

	2012			2011		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	164,982	0	164,982	228,915	6,135	235,050
Between 1 to 5 years	207,086	0	207,086	217,386	0	217,386
More than 5 years	146,501	0	146,501	134,998	0	134,998
Total	**518,569**	**0**	**518,569**	**581,299**	**6,135**	**587,434**

The Group has operating lease income amounting to:

	2012			2011		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	152,891	46,051	198,942	163,041	26,604	189,645
Between 1 to 5 years	162,934	9,445	172,379	180,407	14,541	194,948
More than 5 years	119,931	0	119,931	107,403	0	107,403
Total	**435,756**	**55,496**	**491,252**	**450,851**	**41,145**	**491,996**

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.

	2012	**2011**
Interest rate swap – cash flow hedging:		
Contractual value (outstanding debt)	263,464	282,642
Market value:		
Contracts with an unrealised loss (liability)	-10,031	-4,746
Recognised in equity at 31 December	**-10,031**	**4,746**

All contracts have been entered with a remaining term of up to 7 years on 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.

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

	2012			2011		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Bunker hedging	5,875	-3,832	2,043	14,198	-2,116	12,082
Forward Freight Agreements	3,643	0	3,643	3,735	0	3,735
Credit default swaps	0	-110	-110	0	-506	-506
Dual currency deposit	0	0	0	0	-80	-80
Cross currency swaps	0	-2,290	-2,290	130	-900	-770
Forward exchange contracts	170	-9,094	-8,924	15,355	0	15,355
Interest rate swaps	0	0	0	0	-938	-938

Note Amounts in USD'000

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, the Executive 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 considerable influence through shareholdings.

In addition, related parties include joint ventures, see note 12.

	2012	2011
Trading and accounts with related parties comprise:		
Sale of goods and services		
– joint ventures	7,902	3,556
Purchase of goods and services		
– joint ventures	5,014	0
Dividends from		
– joint ventures	19	6,994
Interest expenses		
– joint ventures	9	66
Receivables from related parties		
– joint ventures	4,953	6,317
Debt to related parties		
– Board of Directors, Executive Management and executives	415	1,366
Dividends paid to related parties		
– Board of Directors, Executive Management and executives	88	170
– A/S Motortramp	8,429	18,892
– POLYSHIPPING AS	3,463	7,763
– A/S Dampskibsselskabet Orients Fond	315	707

Guarantees to joint ventures are mentioned in note 12.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note Amounts in USD'000

27 Share-based payment

Employee shares

In connection with the employee share scheme for 2012, NORDEN granted 161 shares to all employees who either had or, during the course of 2012, would attain at least 1 year's seniority. A total of 63,917 shares were granted. The price per share at the grant date was DKK 141.43. The fair value of the granted employees shares, which were expensed, amounted to USD 1,689 thousand (USD 1,409 thousand) in 2012.

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 Executive 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. Exercise of the share options by the members of the Executive 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 Executive 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. Exercise of the share options by the members of the Executive 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 the 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 Executive 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. Exercise of the share options by the members of the Executive Managment and other executives is subject to their continued employment with the Company at the exercise date. Special terms apply in case of death and illness.

Share option programme – 2012

On 7 March 2012, the Board of Directors granted share options comprising a total of 350,000 shares to a number of executives. The options are exercisable from 7 March 2015 to 7 March 2018, 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 a fee of 20% in proportion to the market price at the date of grant. Upon exercise, the Executive 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. Exercise of the share options by the members of the Executive Managment and other executives is subject to their continued employment with the Company at the exercise date. Special terms apply in case of death and illness.

Note Amounts in USD'000

27 Share-based payment – continued

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

	2012	2011
	Number of options	Number of options
Outstanding at 1 January	1,406,545	1,508,269
Granted during the period	350,000	350,000
Lapsed during the period	-185,340	-43,984
Expired during the period	-359,880	-407,740
Total at 31 December	**1,211,325**	**1,406,545**

Outstanding share options are composed as follows:

	Number of shares			
	Executive Management	Other executives	Others	Total
Granted 9 March 2009	102,009 *	119,584	89,510	311,103
Granted 9 March 2010	89,044	120,169	85,069	294,282
Granted 2 March 2011	79,796	112,054	108,466	300,316
Granted 7 March 2012	81,704	109,696	114,224	305,624
Outstanding at 31 December	**352,553**	**461,503**	**397,269**	**1,211,325**

* The division into employee categories is based on the title of the employee at the grant date. For a more detailed specification of the share options distributed within the management group at the end of the year, see the section "Management Group" in the management commentary.

	Per option, DKK			
	Exercise price at 31 December 2012	Allotment price	Number of options	Exercise period
Granted 9 March 2009	168.64	155.03	311,103	9/3 2012 - 9/3 2015
Granted 9 March 2010	277.52	241.13	294,282	9/3 2013 - 9/3 2016
Granted 2 March 2011	210.39	222.39	300,316	2/3 2014 - 2/3 2017
Granted 7 March 2012	190.70	194.70	305,624	7/3 2015 - 7/3 2018
Outstanding at 31 December	**211.01**		**1,211,325**	

The fair value of granted share options in 2009, 2010, 2011 and 2012 amounts to USD 2.9 million, USD 3.3 million, USD 3.4 million and USD 2.4 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 2,269 thousand (USD 2,733 thousand).

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

	2009	2010	2011	2012
Volatility	59.4%	50.4%	58.4%	54.8%
Rate of yield	500%	500%	500%	400%
Risk-free interest rate	2.21%	1.67%	2.38%	0.69%
Revaluation of exercise price	8% p.a.	8% p.a.	20%	20%

All options are granted and exercised at the earliest opportunity, however, 3.25 years for the grant in 2011 and 2012.

The expected volatility is based on the historical volatility (calculated as 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 3,958 thousand (USD 4,141 thousand).

NOTES TO THE FINANCIAL STATEMENTS

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 maturities. 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 zero-coupon rate structure. All cash flows are undiscounted.

	2012				
	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)]	7,237	2,368	81	9,686	9,686
Derivative financial instruments with a negative market value [1)]	-13,789	-2,303	-269	-16,361	-16,026
Cash flow hedging with a negative market value [1)]	-2,373	-6,027	-2,041	-10,441	-10,031
Loans and receivables measured at amortised cost					
Cash	453,738	0	0	453,738	453,738
Freight receivables	125,517	0	0	125,517	125,517
Receivables from joint ventures	4,953	0	0	4,953	4,953
Other receivables	15,152	0	0	15,152	15,152
Total	599,360	0	0	599,360	599,360
Financial liabilities measured at amortised cost					
Bank debt *	-18,517	-37,310	-109,997	-165,824	-155,625
Trade and other payables	-138,155	0	0	-138,155	-138,155
Total	-156,672	-37,310	-109,997	-303,979	-293,780
Financial assets which do not constitute a part of the cash resources					
Financial assets available for sale:					
Shares [2+3)]	15,891	0	0	15,891	15,891
Bonds [2)]	13,324	41,149	13,523	67,996	58,985
Total	29,215	41,149	13,523	83,887	74,876

Note Amounts in USD'000

28 Liquidity risk – continued

	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]	47,877	15,539	0	63,416	56,488
Total	62,713	15,539	0	78,252	71,324

NOTES TO THE FINANCIAL STATEMENTS

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 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 Danish unlisted shares where the fair value is based on published financial statements. The fair value adjustment for the year amounts to USD 984 thousand (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 163,207 thousand (USD 172,383 thousand). As discount rate at the calculation of present value, a zero-coupon rate with similar maturities has been used. The fair value of other items corresponds to the carrying amount. Bank debt relates to loans from BNP Paribas, which are repayable over 10 years from conclusion with an interest rate of LIBOR plus 1.75%, and loans from NEXI, which are repayable over 12 years from conclusion with an interest rate of LIBOR plus 0.75%.

29 Change in working capital

	2012	**2011**
Inventories on board vessels	-21,161	-42,308
Freight and other receivables, etc.	19,674	-36,793
Trade and other payables, etc.	-14,698	27,488
Fair value adjustments of cash flow hedging instruments taken to equity	-5,285	-12,026
Total	**-21,470**	**-63,639**

30 Dividends

The amount available for distribution as dividends is:	813,326	859,283

Dividends paid in 2012 and 2011 amount to USD 30,368 thousand (DKK 4 per share) and USD 68,946 thousand (DKK 8 per share), respectively. The proposed dividend for 2012 is USD 22,795 thousand incl. treasury shares (DKK 3 per share). The proposed dividend for 2012 will be considered at the general meeting on 24 April 2013. The proposed dividend has not been recognised in the financial statements.

31 Subsidiaries

Consolidated subsidiaries comprise:	Ownership	Ownership
NORDEN Shipping (Singapore) Pte. Ltd., Singapore	100%	100%
NORDEN Tankers & Bulkers (USA) Inc., USA	100%	100%
NORDEN Tankers & Bulkers do Brazil Ltda., Brazil	100%	100%
NORDEN Tankers & Bulkers India Pvt. Ltd., India	100%	100%
Svalbard Maritime Services AS, Norway	100%	100%
Normit Shipping S.A., Panama	51%	51%

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 or loss 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 revenue
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 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 based 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 Clean Tanker Index (BCTI) Index of the product tanker rate development on selected routes for Handysize, MR and LR1.

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

Bareboat charter Agreement to charter only the vessel.

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/cargo contract) 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.

Consultas Shipping system used by the Technical Department in connection with maintenance of the vessels, purchase, voyage reporting, etc.

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 which has secured employment

CSR (Corporate Social Responsibility) Companies' social responsibility.

D

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.

EEOI (Energy Efficiency Operational Indicator) Calculation and analysis system used when measuring CO_2 emissions from the vessels.

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.

Forward rate Market expectations for future rate levels.

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.

IMOS Shipping system which supports chartering, operations and accounting related functions for NORDEN and Norient Product Pool's fleet of dry cargo and product tanker vessels.

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.

LR2 (long range) tanker Product tanker of 70,000-100,000 dwt. capacity.

M

MACN Maritime Anti-Corruption Network.

MARPOL IMO's international regulations for the prevention of pollution by garbage from ships.

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

MSI Maritime Strategies International Ltd.

O

OECD Organisation for Economic Cooperation 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 such as fuel oil, gas oil, gasoline, naphtha and jet fuel.

Profit from operator activities Added value compared to earnings through employment at forward rates at the beginning of the year.

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 shipping 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

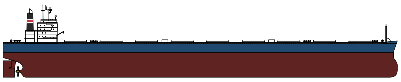
Vetting An audit of the safety and performance status of a tanker vessel made by all oil majors prior to entry into a charter party.

Design and graphic production: Meyer & Bukdahl as

NORDISK MILJØMÆRKNING Svanemærket tryksag 541-751

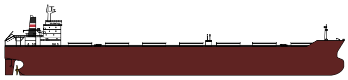
NORDEN'S ACTIVE FLEET

Dry Cargo



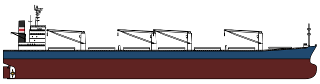
Capesize

Number of vessels	4
Owned vessels	3
Chartered vessels with purchase option	1
Chartered vessels without purchase option	0
Year of construction, core fleet	2001-2007
Average age, core fleet	8.3 years
Length	289 metres
Width	45 metres
Cargo carrying capacity (deadweight)	171,199-180,310 tons
Main cargoes	Iron ore and coal
Customers	Steelworks, mining companies and power stations
Global fleet – number of vessels	1,403
Average age of the global fleet	8 years



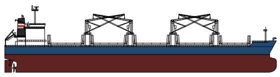
Post-Panamax

Number of vessels	8
Owned vessels	4
Chartered vessels with purchase option	4
Chartered vessels without purchase option	0
Year of construction, core fleet	2010-2012
Average age, core fleet	1.9 years
Length	240-250 metres
Width	43 metres
Cargo carrying capacity (deadweight)	110,925-119,504 tons
Main cargoes	Iron ore and coal
Customers	Steelworks, mining companies and power stations
Global fleet – number of vessels	456
Average age of the global fleet	4.4 years



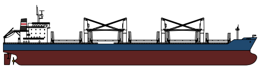
Panamax

Number of vessels	61.5
Owned vessels	3
Chartered vessels with purchase option	12
Chartered vessels without purchase option	46.5
Year of construction, core fleet	2002-2012
Average age, core fleet	5 years
Length	218-229 metres
Width	32 metres
Cargo carrying capacity (deadweight)	75,318-83,684 tons
Main cargoes	Iron ore, coal, grain, bauxite, cement and slags
Customers	Steelworks, mining companies, power stations, producers of cement, grain traders and trading houses
Global fleet – number of vessels	1,867
Average age of the global fleet	9.5 years



Handymax

Number of vessels	91
Owned vessels	4
Chartered vessels with purchase option	17
Chartered vessels without purchase option	70
Year of construction, core fleet	2000-2012
Average age, core fleet	3.2 years
Length	190-200 metres
Width	32 metres
Cargo carrying capacity (deadweight)	53,482-61,654 tons
Main cargoes	Iron ore, coal, grain, cement, sugar and fertiliser
Customers	Steelworks, mining companies, energy companies, grain traders, trading houses, producers of cement, sugar and fertiliser
Global fleet – number of vessels	2,608
Average age of the global fleet	9.7 years



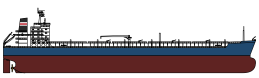
Handysize

Number of vessels	37.5
Owned vessels	11
Chartered vessels with purchase option	10
Chartered vessels without purchase option	16.5
Year of construction, core fleet	2010-2012
Average age, core fleet	1.6 years
Length	169-186 metres
Width	27-30 metres
Cargo carrying capacity (deadweight)	28,204-38,204 tons
Main cargoes	Iron ore, coal, grain, steel, cement, sugar and fertiliser
Customers	Steelworks, mining companies, energy companies, grain traders, trading houses, producers of cement, sugar and fertiliser
Global fleet – number of vessels	2,534
Average age of the global fleet	13.5 years

Notes:

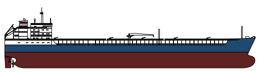
- The fleet list is per 31 December 2012.
- Global fleet data/Dry Cargo: R.S. Platou.
- Global fleet data/Tankers: SSY.
- The list does not include vessels from the pool partner Interorient Navigation Company Ltd. in the common pools within Dry Cargo and Tankers – the Post-Panamax Pool, the Handysize Pool and Norient Product Pool.

Tankers



MR

Numbers of vessels	24.5
Owned vessels	5
Chartered vessels with purchase option	9
Chartered vessels without purchase option	10.5
Year of construction, core fleet	2007-2012
Average age, core fleet	3 years
Length	180-183 metres
Width	32 metres
Cargo carrying capacity (deadweight)	45,997-50,500 tons
Main cargoes	Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers	Oil majors and oil traders
Global fleet – number of vessels	1,026
Average age of the global fleet	7.5 years



Handysize

Number of vessels	17.5
Owned vessels	11
Chartered vessels with purchase option	0
Chartered vessels without purchase option	6.5
Year of construction, core fleet	2005-2009
Average age, core fleet	5.4 years
Length	176-183 metres
Width	27-31 metres
Cargo carrying capacity (deadweight)	37,159-40,000 tons
Main cargoes	Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers	Oil majors and oil traders
Global fleet – number of vessels	567
Average age of the global fleet	11.5 years

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