Dampskibsselskabet "NORDEN" A/S | Annual Report 2006

Annual Report 2006

"We seek excellence through a dedicated team effort from competent and motivated people"

Dampskibsselskabet "NORDEN" A/S

Contents

Company details and group structure

The Company
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Financial year: 1 January – 31 December
Municipality of domicile: Copenhagen, Denmark

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Board of Directors
Mogens Hugo Jørgensen, Chairman
Alison J. F. Riegels, Vice Chairman
Einar K. Fredvik
Erik Gregers Hansen
Erling Højsgaard
Anton Kurt Vendelbo Christensen (employee representative)
Egon Christensen (employee representative)
Ole Clausen (employee representative)

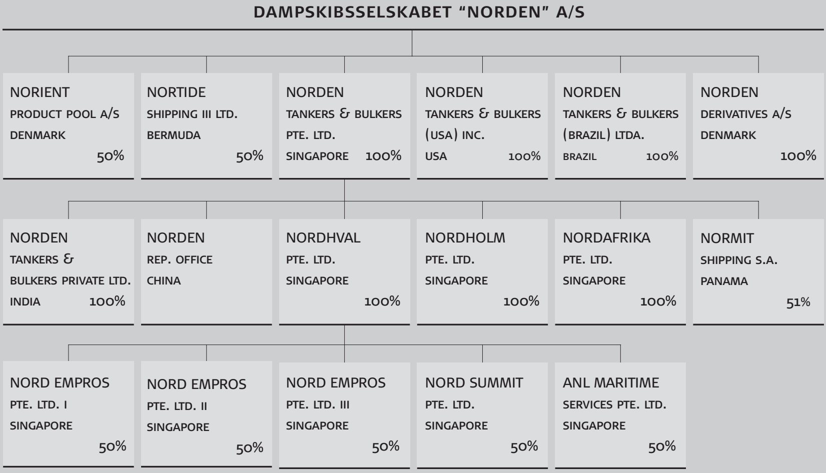
Management
Carsten Mortensen, President & CEO
Jens Fehrn-Christensen, Executive Vice President & CFO

Auditors
KPMG C. Jespersen
Borups Allé 177
DK-2000 Frederiksberg
Denmark

PricewaterhouseCoopers
Strandvejen 44
DK-2900 Hellerup
Denmark

Annual General Meeting
The annual general meeting will be held on Wednesday 25 April 2007 at 11.00 a.m. at Dronningesalen, the Royal Library (Det Kongelige Bibliotek, Diamanten), Søren Kirkegaards Plads 1, DK-1221 Copenhagen K.

Group structure



NORDEN in brief

Dampskibsselskabet “NORDEN” A/S was founded in 1871, making it one of Denmark’s oldest internationally operating shipping companies. NORDEN operates in dry cargo and tankers worldwide.

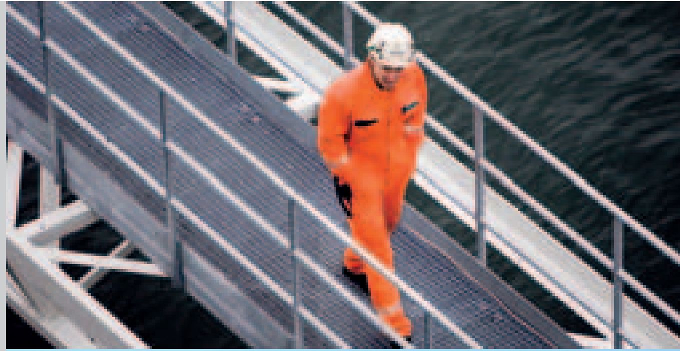
In dry cargo, the Company is one of the world’s largest operators of Handymax bulkcarriers and has significant activities in the Handysize, Panamax and Capesize segments.

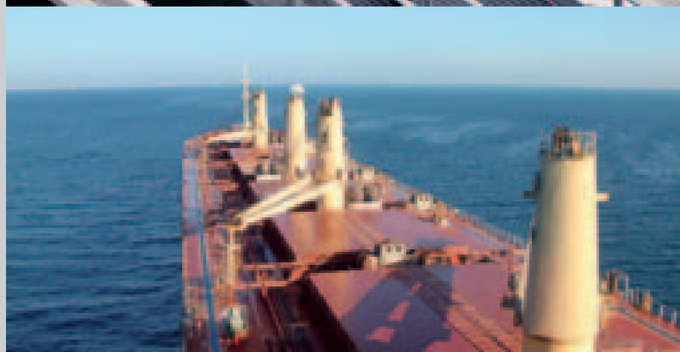
In tankers, the Company is active in the Aframax segment, which transports crude oil, and in the Handysize and MR product tanker segments. The product tanker activities are operated through the Norient Product Pool, which is managed by the 50%-owned Norient Product Pool A/S.

NORDEN’s fleet is among the most modern and competitive players in the industry. At the end of 2006, the Company operated 153 vessels, of which 14 were owned vessels and 29 were on long-term charters with purchase option. The remaining vessels were charters without purchase option. The fleet is continuously being expanded. At year-end, the Company had 14 vessels under construction, while 42 vessels with purchase option had been chartered long-term but had yet to be delivered.

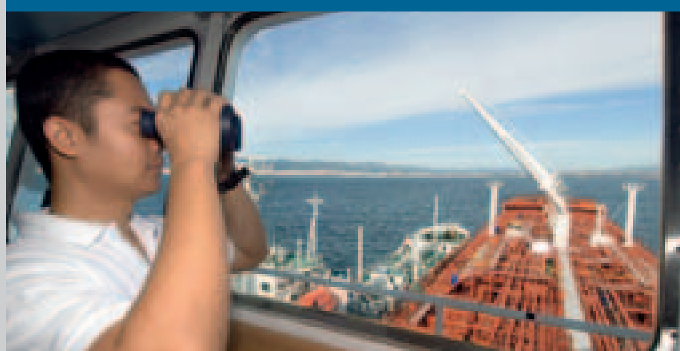
NORDEN has its head office in Copenhagen and offices in Singapore, Shanghai (China), Annapolis (USA), Rio de Janeiro (Brazil) and Mumbai (India). At the end of 2006, the Company had 451 employees, of which 307 were employed on the Company’s owned vessels.

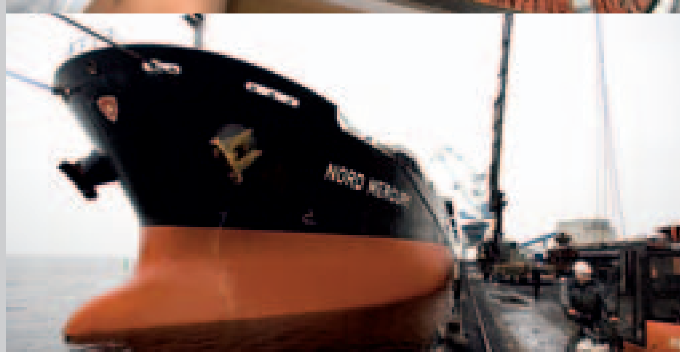
NORDEN’s shares are listed on the Copenhagen Stock Exchange. The market capitalisation at 31 December 2006 was DKK 10.4 billion.





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





Highlights

Highlights of 2006

- The profit for the year was USD 177 million (2005: USD 336 million), equalling DKK 1,050 million (DKK 2,019 million) translated at the average exchange rate for the year. The return on average equity was 27% (71%).

- The principal explanations for the reduced profit for the year are lower profits from the sale of vessels (USD 55 million against USD 128 million), lower fair value adjustment of certain hedging instruments (USD -27 million against USD 26 million) and a USD 50 million drop in EBITDA.

- The Dry Cargo Department's profit before depreciation, etc. (EBITDA) was USD 126 million (USD 165 million), constituting a 24% decrease. The lower performance was mainly due to lower realised T/C equivalents as a result of hedging transactions previously entered into and a weak freight market in the first half-year.

- The Tanker Department's EBITDA dropped by 16% to USD 48 million (USD 57 million). This development was explained by an increased expense level due to a larger proportion of chartered vessels to owned vessels.

- Cash flows from operations amounted to USD 123 million (USD 245 million).

- Equity grew to USD 714 million (USD 611 million).

- The fleet of owned and part owned vessels was expanded from 10 to 14. The fleet and the 14 owned vessels under construction are estimated to have an added value of USD 440 million over the carrying amounts of the vessels and the expected newbuilding prices. The Company's Net Asset Value (NAV) per share was DKK 3,008 per share at the end of the year, excluding the value of the Company's charter parties with purchase option.

- The Company's 71 charter parties with purchase option had a value of USD 1,183 million (USD 533 million) at the beginning of 2007, based on a theoretical valuation. This corresponds to DKK 3,090 per share. Accordingly, at the end of the year, the Company's total theoretical Net Asset Value (NAV) per share was DKK 6,098. The calculation of theoretical value is subject to significant uncertainty, however.

- The Board proposes a dividend of DKK 100 (DKK 200) per share, corresponding to a 23% (22%) payout ratio for the year.

2007

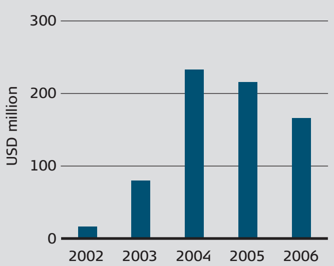
- NORDEN has, to a large extent, secured employment at high freight rates – particularly in the dry cargo segment.

- In dry cargo, NORDEN will increase its activities in Panamax, Handymax as well as Handysize. Focus will remain directed at expanding the long-term core fleet.

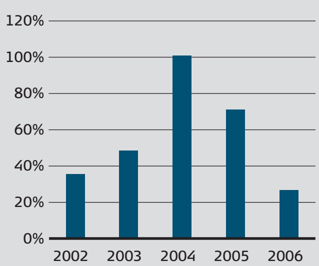
- Tankers will also expand its core fleet in the product tanker segment, while the capital tied up in the Aframax segment will be reduced in favour of an operator activity.

- In 2007, NORDEN expects an EBITDA of USD 290-320 million. A profit after tax in the level of USD 380-410 million is expected, including realised profit of USD 95 million from the sale of vessels and positive fair value adjustments of certain hedging instruments of USD 2 million.

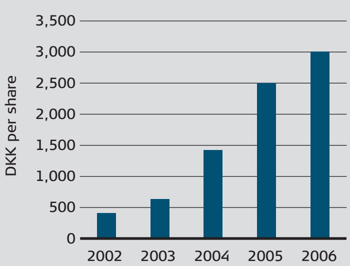
Development in EBITDA



Development in return on equity



Development in Net Asset Value



Key figures and ratios for the Group

KEY FIGURES ARE IN USD MILLION	2006	2005	2004	2003	2002
INCOME STATEMENT					
Revenue	1,234.2	1,296.5	1,166.6	477.7	262.7
Costs	-1,068.1	-1,080.5	-933.7	-397.5	-246.0
Profit before depreciation, etc. (EBITDA)	166.1	215.9	232.9	80.2	16.7
Profits from the sale of vessels, etc.	55.4	120.1	49.8	3.3	0.4
Depreciation	-20.3	-16.3	-13.3	-11.5	-7.3
Share of results of joint ventures	1.4	8.3	0.2	3.3	1.0
Profit from operations (EBIT)	202.6	328.0	269.5	75.3	10.8
Fair value adjustment of certain hedging instruments	-27.0	26.0	-	-	-
Net financials	12.4	-8.0	-2.5	-0.8	3.4
Profit before tax	188.0	345.9	267.1	74.5	14.1
Profit for the year	176.5	336.3	264.1	73.3	35.8
Profit for the year for the NORDEN shareholders	176.4	336.0	263.8	72.0	35.8
BALANCE SHEET					
Non-current assets	482.8	361.6	268.8	258.1	159.0
Total assets	960.6	821.5	521.9	374.8	225.3
Equity at year-end	713.5	611.2	340.1	184.9	111.4
Liabilities	247.0	210.3	181.9	181.5	106.8
Invested capital	556.6	409.6	322.4	278.5	159.8
Net interest-bearing debt	-157.0	-201.6	-17.7	85.2	41.3
Cash and securities	317.7	314.9	135.6	60.4	40.4
CASH FLOWS					
From operating activities	123.1	244.7	191.3	65.3	15.9
From investing activities	-84.3	10.1	13.5	-104.1	-2.3
Of which gross investment in vessels	-94.1	-287.9	-57.8	-110.3	-19.7
From financing activities	-36.3	-76.0	-129.5	59.0	-33.5
Change in cash and cash equivalents for the year	2.6	178.8	75.3	20.2	-19.9
FINANCIAL RATIOS AND PER-SHARE DATA					
No. of shares of DKK 20 each (excluding treasury shares)	2,166,862	2,161,985	2,200,890	2,182,500	2,182,500
Profit per share (DKK)	81.4 (484)	155.4 (933)	119.9 (718)	33.0 (217)	16.4 (129)
Earnings per share (EPS) (DKK)	81.3 (484)	153.3 (921)	117.4 (703)	-	-
Diluted earnings per share (diluted EPS) (DKK)	81.0 (481)	152.2 (914)	115.0 (689)	-	-
ROE	26.7%	71.0%	100.9%	48.6%	35.5%
ROIC	34.5%	90.1%	90.0%	34.3%	7.0%
Dividend per share, DKK	100	200	275	100	10
Dividend for the year (%)	500%	1000%	1375%	500%	50%
Payout ratio (excluding treasury shares) [1]	23%	22%	40%	51%	12%
Intrinsic value per share (book value) (DKK)	328 (1,858)	282 (1,781)	154 (840)	85 (505)	51 (362)
Equity ratio	74.0%	74.1%	64.8%	49.3%	49.5%
Share price at year-end, DKK	4,790	2,959	2,726	1,305	369
Price/intrinsic value	2.58	1.66	3.24	2.59	1.02
Net Asset Value (NAV) per share [2] (DKK)	531 (3,008)	395 (2,500)	260 (1,424)	107 (636)	58 (412)
Theoretical Net Asset Value per share [3] (DKK)	1,077 (6,098)	642 (4,059)	-	-	-
USD rate at year-end	566.14	632.41	546.76	595.76	708.22
Average USD rate	594.70	600.34	598.93	658.99	788.12

The ratios were computed in accordance with the 2005 guidelines issued by the Danish Association of Financial Analysts, entitled "Anbefalinger og nøgletal 2005" except of Theoretical Net Asset Value. Please see the definitions in the section "Definitions of key figures and financial ratios". The figures are adjusted for the Company's holding of treasury shares.The figures for the years 2002-2003 have not been adjusted to reflect the transition to IFRS.

[1] The payout ratio was computed based on proposed dividends for the year, including extraordinary dividends paid during the year.
[2] Excluding purchase options on vessels. Added value of vessels on order was not included for 2002.
[3] Including value of 71 (56) charter parties with extension and purchase option on vessels, declared at the optimum time (before tax). Please see page 4 for a comment on the uncertainty connected with the calculation.

Management's review

Fleet development and corporate values

Fleet development

The Company continued its expansion of the fleet. The gross fleet, which comprises the active fleet as well as vessels for delivery, totalled 220 (174) at the end of 2006. A large number of deliveries and contracted newbuildings both contributed to the growth.

During the year, a total of 27 vessels were delivered to the active core fleet[1] and 4 were sold, as compared to 12 in 2005. As a result, the total active core fleet was increased by more than 50%.

In accordance with the strategy to increase the core fleet, the Company continued to expand the long-term capacity, and during 2006, NORDEN contracted more new vessels for the future core fleet than ever before. The Company contracted a total of 9 owned newbuildings and entered into 19 long-term charters with purchase option.

NORDEN's fleet at 31 December	2006	2005
Active fleet		
Owned vessels	14	10
Chartered vessels (with purchase option)	29	20
Chartered for more than three years	20	10
Total active core fleet	**63**	**40**
Other chartered vessels	90	84
Total active fleet	**153**	**124**
Vessels to be delivered to core fleet		
Newbuildings (owned)	14 [1)]	9
Chartered vessels (with purchase option)	42	36
Chartered for more than three years	11	5
Total for delivery to core fleet	**67**	**50**
Total gross fleet	**220**	**174**
Total chartered with purchase option	71	56
Sales during the year (delivered)	4	12
Newbuildings contracted during the year (owned and chartered with purchase option)	28	21

1) Of which 5 units are 50%-owned.

Value of owned vessels

At year-end, the value of the Company's 14 owned vessels and 14 owned newbuildings as well as one vessel sold but held on finance lease was estimated at USD 1,164 million (USD 771 million). The valuation is based on an average of three independent broker valuations. The added value over the carrying amount of owned vessels and expected newbuilding prices is USD 440 million (USD 246 million).

Value of charter parties with purchase option

At the end of the year, NORDEN had chartered a total of 71 (56) vessels on long-term charters with option to extend the charter period or to purchase the vessel. According to a theoretical valuation, as described below, the charter parties including options, had a value of USD 1,183 million before tax at the beginning of 2007. This corresponds to DKK 3,090 per share. Of the total value, USD 650 million

1 The Company has decided to extend the term "core fleet" to include other charter parties with terms of at least three years, in addition to owned vessels and chartered vessels with purchase option.

is assessed to relate to the fixed charter period, while the remaining USD 533 million relates to the extension and purchase options.

The valuation is based on a Black 76 model, according to which current forward rates and possible alternative developments in freight rates and the prices of vessels are simulated under assumptions of volatility, correlation between freight rates and the prices of vessels and normalised rates and prices around historical levels. This significant input is based on analyses of historical data for each segment. Furthermore, assumptions have been made in respect of interest rates, exchange rates and daily operating costs. Based on these assumptions, the utilisation of extension and purchase options is optimised for each vessel in each scenario.

The valuation does not include the value of the current hedging of charter parties. Purchase options denominated in JPY are translated at the forward USD/JPY rate.

Fleet values (before tax) at 31 December 2006

	Owned (active and newbuildings)			Calculated value of charter parties with purchase option					
	USD million				USD million			Assumed volatility	
	Number	Carrying amount/ cost	Market-value*	Number	Charter party	Purchase option	Total	Freight rates (based on 1-year T/C)	Tonnage values (based on 5-year secondhand prices)
Dry cargo									
Capesize	2	70	140	3	119	56	175	31%	17%
Panamax	2	45	96	21	188	150	338	33%	18%
Handymax	11	260	364	32**	311	261	572	20%	15%
Handysize	4	72	84	2	1	1	2	20%	15%
Tank									
Aframax	2	56	111	0	-	-	-	-	-
MR	0	-	-	13	30	65	95	16%	15%
Handysize	7	221	369	0	-	-	-	15%	14%
Total	**28**	**724**	**1,164**	**71**	**650**	**533**	**1,183**	-	-

* Including charter party, if any.
** Two vessels declared at the end of 2006. These are valued at estimated market value less purchase price.

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

Number of purchase options that can be declared during the year									
Segment	2007	2008	2009	2010	2011	2012+	Total	Other*	Total
Dry cargo									
Capesize	-	1	-	1	-	1	3	-	3
Panamax	2	1	5	1	4	8	21	-	21
Handymax	4	4	4	3	5	10	30	2	32
Handysize	-	-	-	1	-	1	2	-	2
Tankers									
MR	1	1	-	-	-	10	12	1	13
Handysize	-	-	-	-	-	-	-	-	-
Total	**7**	**7**	**9**	**6**	**9**	**30**	**68**	**3**	**71**
Total strike value, USD million	**153.5**	**163.3**	**223.9**	**167.3**	**264.1**	**910.1**	**1,882.2**	**-**	**-**

* Two purchase options declared at the end of 2006 for delivery in 2007; one sold through a future declaration in 2008.

Times of delivery of the Company's own newbuilding programme at 31 December 2006																		
	2007				2008				2009				2010				**Total**	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Units	Adjust. for ownership share
Dry cargo																		
Handymax				1*	1					1*		2			2*		7	5.5
Handysize					1*				1*			2					4	3.0
Tankers																		
Handysize	1						1	1									3	3.0

* Of which 1 unit is 50%-owned.

Strategy

The Company's goal is to be a leading shipping company and the preferred partner in global tramp shipping. To realise this goal, the Company is continuously focusing on the following key areas:

- Organisational development – NORDEN does not distinguish itself from its competitors in terms of physical assets, as vessels are freely available in the market. The distinguishing factors are the competences within the organisation and its ability to employ as well as purchase and sell these assets. NORDEN therefore perceives its ability to retain competent employees and continuously strive to develop the overall competences within the organisation as a key competitive parameter.

- Partner focus – NORDEN is dependent on having good relations with shipyards as well as customers, and the Company is dedicated to treating these as partners. Although marginally better terms might be achieved during certain periods by changing partners, the Company is convinced that building and maintaining lasting relations with long-term partners provides the strongest basis for expanding and employing its fleet.

- Risk management – Active risk management is a key element in the Company's business model. The Company actively manages the primary commercial risks relating to the shipping market: fluctuations in freight rates and prices of vessels. In response to spot market rate fluctuations, the Company fixes a large part of the fleet on long-term charters. NORDEN keeps a close watch of the markets and continually adapts coverage to market conditions and expectations. Other risks not related to the shipping market – bunker prices, exchange rates, etc. – are hedged and minimised in so far as possible.

- Financial strength – NORDEN maintains strong financial resources in order to be able to take advantage of the opportunities arising in more volatile market conditions. The Company's capital structure will also continually reflect the Company's significant liabilities in the form of future timecharter payments and payments to shipyards for future newbuildings, which have not been recognised in the balance sheet.

Dry cargo

The Company aims to be a market leader in the three dry cargo segments Panamax, Supramax (largest Handymax) and Handysize. To realise this goal, the Company is focusing on the following areas:

- Critical mass – Although size is not a goal in itself, it is important to develop critical mass and market profile. This positively affects the Company's ability to attract new customers, maintain a high level of efficiency and exploitation of the fleet. The Company has obtained the greatest economies of scale in the Supramax and Panamax segments and will continue to develop these segments. Also, its establishment in the Handysize segment gives the Company the ability to offer customers a broader,

more complete range of services. The Company aims to expand in this segment as well in order to obtain significant economies of scale.

- Expansion of the core fleet – The increasing freight rate volatility has made it more attractive to control tonnage, as this allows the company to make very attractive earnings in periods when rates are high. On the other hand, shipowners are increasingly demanding higher prices to give up control of a vessel. NORDEN's core fleet has therefore become more attractive, and the Company will increase the core fleet's proportion of the total dry cargo fleet. The increase of the core fleet will in future continue to be effected through contracting and long-term charters.

- Portfolio management – NORDEN controls a large portfolio of owned and chartered tonnage, Contracts of Affreightment (COAs), Forward Freight Agreements (FFAs) and tonnage chartered out. Although NORDEN is a service company, providing effective transport solutions to customers by means of physical tonnage, the Company will strengthen earnings on a current basis by actively managing and positioning this portfolio.

Tankers

NORDEN's goal for the coming years is to establish a greater presence in the tanker market. The tanker market is marked by consolidation of suppliers, driven by large, listed shipping companies. The customers are getting larger and certain customers – primarily global oil traders – are themselves entering the shipping market, which makes it more difficult to charter capacity in the short market as the owners are reluctant to charter out vessels. NORDEN will therefore continue to strengthen its tanker fleet by contracting newbuildings and long-term charters.

- Operator activity in Aframax – It is assessed that the product tanker market will, looking forward, offer a more favourable risk/return ratio than the Company's crude oil segment, Aframax. The Tanker Department therefore began a strategic shift in the Aframax segment in 2006 toward a reduction of capital tied up in owned tonnage in favour of the establishment of an operator activity.

- Product tankers – The product tanker tonnage will be employed through the Norient Product Pool, which aims to be among the three largest pools in the world. Already at the pool's establishment in January 2005, it was the declared goal to reach this position in 2007. As a result of the many deliveries during the period, it is assessed that the goal was already reached at the end of 2006. The pool also maintains its aim of covering 35-40% of its capacity.

- Safety and environment are high on the list of priorities – the Company therefore operates only modern, double-hulled tanker tonnage and is dedicated to continuing developing the quality of the department's organisation and operation.


NORDAMERIKA
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Outlook for 2007

NORDEN expects a profit after tax for 2007 in the region of USD 380-410 million.

For 2007, an EBITDA of USD 290-320 million is expected, which is considerably above the level for 2006, when EBITDA was USD 166 million. The main contributor to the increase will be the Dry Cargo Department, due to the strong freight market and the positioning of the department. In addition to the higher operating profits of the two departments, the sale of vessels in the Tanker Department will contribute considerably to the improved performance. The forecast thus includes a realised profit of USD 95 million from the sale of vessels and positive fair value adjustment of certain hedging instruments of USD 2 million.

Expectations for 2007 in USD million	Dry cargo	Tankers	Total
EBITDA	**250-270**	**40-50**	**290-320**
Realised profits from the sale of vessels	42	53	95
EBIT	**280-300**	**90-100**	**385-405**
Fair value adjustment of certain hedging instruments			2
Profit after tax			**380-410**

Dry cargo

NORDEN expects the average dry cargo rates for 2007 to be below the current high level, but to maintain an attractive level above the average for 2006.

The net increase in the global dry cargo fleet is expected to be 6.6% in 2007, largely in line with the level of growth in demand, which is expected to be 5-6% (source: R.S. Platou).

Expected global increase in fleet capacity and order books, dry cargo

	Net growth 2007 (% growth in dwt)	Order book in % of existing fleet (end of 2006)
Handysize	2.3	9.5
Handymax	7.8	22.4
Panamax	5.8	15.0
Capesize	9.5	31.4
Total dry cargo fleet	**6.6**	**20.5**

Source: R.S. Platou.

Following a slow-down of contracting activity in the first half of 2006, the high rates have again caused shipowners to order newbuildings, and at the beginning of the year, the order book was equal to just over 20% of the active fleet in the Company's segments. When judging the vast order book, the fact that the yard capacity in the years to come is completely booked has to be kept in mind. Scrapping of vessels remains low, and almost 30% of the dry cargo fleet is now more than 20 years old. As long as rates remain high, the amount of scrapping is not expected to increase substantially, but in periods with low rates, many of the old vessels are expected to be scrapped. This will help re-establish the equilibrium of the tonnage supply and demand, which again will have a positive effect on freight rates.

Forward-looking statements

The annual report contains certain forward-looking statements reflecting the management's present judgment of future events and financial results. Statements relating to 2007 and the years ahead are naturally subject to uncertainty, and NORDEN's realised results may therefore differ from the projections. Factors that may cause such variance include, but are not limited to, changes in macro-economic and political conditions – particularly in the Company's principal markets; changes to NORDEN's rate assumptions and operating expenses; volatility in rates and tonnage prices; regulatory changes; any disruptions to traffic and operations as a result of external events, etc. This annual report should not be interpreted as a recommendation to trade shares in Dampskibsselskabet "NORDEN" A/S.

Known capacity in dry cargo at 31 December 2006

	Ship days				NORDEN's avg. T/C equivalents (USD per day)			
	2007	2008	2009	2010+	2007	2008	2009	2010+
Gross capacity					Costs for gross capacity*			
Capesize	1,848	1,830	1,825	12,458	20,289	16,340	16,340	16,482
Panamax	10,184	7,144	6,218	39,161	19,548	13,179	12,475	13,547
Handymax	13,970	11,429	10,242	95,522	13,367	11,273	10,962	11,148
Handysize	2,674	1,838	1,761	26,353	14,023	10,803	10,570	9,920
Total	**28,676**	**22,241**	**20,046**	**173,494**	**16,069**	**12,263**	**11,887**	**11,886**
Coverage					Revenue from coverage			
Capesize	-1,488	-536	-362	0	35,803	30,187	25,212	0
Panamax	-8,023	-439	-151	-998	25,744	21,536	17,421	17,421
Handymax	-9,694	-2,461	-978	0	22,881	16,157	15,013	0
Handysize	-619	-120	0	0	18,719	13,340	0	0
Total	**-19,824**	**-3,556**	**-1,491**	**-998**	**24,879**	**18,841**	**17,733**	**17,421**
Net capacity								
Capesize	360	1,294	1,463	12,458				
Panamax	2,161	6,705	6,067	38,163				
Handymax	4,276	8,968	9,264	95,522				
Handysize	2,055	1,718	1,761	26,353				
Total	**8,852**	**18,685**	**18,555**	**172,495**				
Coverage in %								
Capesize	81%	29%	20%	0%				
Panamax	79%	6%	2%	3%				
Handymax	69%	22%	10%	0%				
Handysize	23%	7%	0%	0%				
Total	**69%**	**16%**	**7%**	**1%**				

* Costs for owned vessels are stated as calculated T/C equivalent.

The rise in demand in the dry cargo market will remain driven by the growth in global economies and global trade.

In 2007, the main contributors to the growth in demand are again expected to come from steel-related products and coal, and especially the Chinese economy will continue to play a central role. China's GDP is expected to rise by 10% in 2007 (source: IMF), and China's iron ore imports are expected to rise by 17% (source: R.S. Platou).

At the end of 2006, the Dry Cargo Department had 28,340 known ship days for 2007 (20,382). The high rate levels at the end of 2006 have been used to increase the coverage of known ship days, which at the end of the year was 70% for this year.

Based on the above market expectations and coverage, the Company expects an EBITDA for the Dry Cargo Department of USD 250-270 million for 2007.

Tankers

NORDEN expects marginally lower average freight rates in 2007 relative to 2006. The balance between supply and demand is assessed to remain very close, and any unforeseen events – strikes, weather conditions, refinery breakdowns, political unrest, etc. – could thus result in temporary rate increases.

The positive development of demand is expected to continue due to general global economic growth and rising global oil consumption and, not least, changed transport patterns. The growth in global oil demand in 2007 is expected to be 1.7%, against 0.9% in 2006 (source: IEA). The growth will be concentrated in North America and countries with rapidly growing economies, particularly China.

Expected increase in oil consumption, 2007

	m bpd	%
North America	0.32	1.3
China	0.38	5.4
Middle East	0.35	5.4
Rest of Asia, Latin America, Africa	0.40	2.3
Other	-0.01	0.0
Total	**1.43**	**1.7**

Source: IEA.

The changed transport patterns which in recent years have led to longer transport routes and thus increased demand for tanker tonnage remain a significant aspect. The most important factors behind the changes are stricter environmental demands of refined products in the USA and the EU and, not least, major bottleneck problems in terms of refinery capacity. Both lead to longer transport routes as the growth in the demand for oil products must be met by refineries which are often located far from the consumer regions.

Known capacity in tankers at 31 December 2006

	Ship days				NORDEN's avg. T/C equivalents (USD per day)			
	2007	2008	2009	2010+	2007	2008	2009	2010+
Gross capacity					Costs for gross capacity*			
Aframax	1,104	969	730	7,466	20,471	19,235	15,750	15,712
MR	2,344	2,764	1,873	17,778	15,466	15,394	14,704	15,593
Handysize	3,657	4,896	5,076	44,256	13,929	15,139	14,579	11,050
Total	**7,105**	**8,629**	**7,679**	**69,500**	**15,453**	**15,681**	**14,721**	**12,713**
Coverage					Revenue from coverage			
Aframax	-784	-603	-365	-699	23,196	21,651	23,206	23,206
MR	-573	-402	0	0	21,900	21,285	0	0
Handysize	-1,486	-1,067	-270	0	22,431	21,581	21,329	0
Total	**-2,843**	**-2,072**	**-635**	**-699**	**22,535**	**21,544**	**22,408**	**23,206**
Net capacity								
Aframax	320	366	365	6,767				
MR	1,771	2,362	1,873	17,778				
Handysize	2,171	3,829	4,806	44,256				
Total	**4,262**	**6,557**	**7,044**	**68,801**				
Coverage in %								
Aframax	71%	62%	50%	9%				
MR	24%	15%	0%	0%				
Handysize	41%	22%	5%	0%				
Total	**40%**	**24%**	**8%**	**1%**				

* Costs for owned vessels are stated as calculated T/C equivalent.

The total net increase in the global tanker fleet in 2007 is assessed to be 6.3% (source: SSY). In historical terms, this is a high growth rate, but it is in line with the increases seen in recent years, when the market has been able to absorb the growth while maintaining attractive rates.

Expected global increase in fleet capacity and order book, tankers

	Net growth 2007 (no.)	Net growth 2007 (% growth in dwt)	Order book in % of existing fleet (end of 2006)
Handysize	32	3.9	18.1%
MR	64	15.2	68.5%
Aframax	39	5.7	38.4%
Other segments	93	5.6	36.0%
Total tanker fleet	**228**	**6.3**	**37.8%**

Source: SSY.

The combination of the highly attractive tanker market experienced in recent years and the IMO rules on the phasing-out of single-hulled tankers by 2010 has caused the order book in the tanker segment to rise to 37.8% of the existing fleet, which is an all-time high. This is, however, partially offset by the fact that the proportion of the fleet consisting of single-hulled tankers, which are thus to be phased out, is 27% (source: Clarksons). A continued large increase in the fleet up to 2010, when the phasing out under IMO takes effect in earnest, may cause freight rates to drop for certain periods of time.

At the end of the year, the Tanker Department had 7,105 known ship days for 2007 (5,409). The department's goal is to continuously be able to maintain a coverage of approximately 35-40%, and at the end of the year the coverage was 40% for 2007.

Based on the above market expectations and coverage, the Company expects an EBITDA for the Tanker Department of USD 40-50 million for 2007.

Events after the balance sheet date

After the balance sheet date, NORDEN has made the following adjustments of its current and future core fleet:

Changes in the core fleet after the balance sheet date

Tankers	**Sale**	**Delivery**
	NORDEUROPA (MR)	Q1 2007
	NORD-ATLANTIC (Aframax)	Q1 2007
Dry cargo	**Sale**	
	NORD PHOENIX (Handymax)	Q1 2007
	NORD SPIRIT (Handymax)	Q1 2007
	Newbuilding (Handymax)	Q1 2008*
	Newbuilding (Handymax) (50%-owned)	Q4 2007*
	Contracted newbuildings	
	Handysize	Q1 2010
	Handysize	Q3 2010
	Handymax (50%-owned)	H2 2011
	Long-term charters with purchase option	
	Post-Panamax	Q4 2010
	Post-Panamax	Q1 2011
	Handysize	Q2 2011
	Handysize	Q4 2008
	Handysize	Q2 2011

* Chartered back for three years.

No other significant events have occurred up to the publishing date of this annual report that have not been included and adequately disclosed in the annual report and that materially affect the income statement or the balance sheet.

Dry cargo

NORDEN operates four vessel types in the dry cargo market: Capesize, Panamax, Handymax and Handysize.

The large bulkcarriers such as Capesize mainly transport iron ore and coal, while the Panamax vessels also carry grain. The Handymax and Handysize vessels additionally transport steel, grain, cement, sugar, fertiliser, etc. These vessels are typically equipped with cranes, which enables them to operate more independently of port facilities.

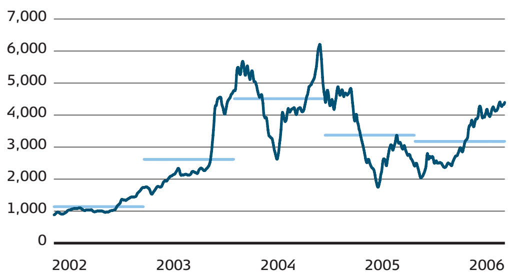
Key figures and ratios USD'000	**2006**	**2005**
Total number of ship days	41,724	39,180
Revenue	1,101,987	1,171,917
EBITDA	125,519	165,082
Profits from the sale of vessels	55,397	79,773
EBIT	170,156	239,317
Non-current assets	287,461	175,072
EBITDA margin, %	11.4	14.1
Average number of employees (incl. seamen)	244	181

NORDEN's dry cargo fleet
At 31 December

Vessel type	Capesize	Panamax	Handymax	Handysize	2006	2005
Size	>100,000	60-100,000	40-60,000	10-40,000		
Vessels in operation						
Owned vessels	2	2	4	-	8	7
Chartered vessels (with purchase option)	2	9	15	-	26	17
Chartered for at least three years	-	3	7	-	10	4
Total active core fleet	**4**	**14**	**26**	**0**	**44**	**28**
Other chartered vessels	-	37	42	10	89	82
Total active fleet	**4**	**51**	**68**	**10**	**133**	**110**
Vessels to be delivered to core fleet						
Newbuildings (owned)	-	-	7	4	11*	3
Chartered vessels (with purchase option)	1	12	17	2	32	30
Chartered for at least three years	-	1	1	4	6	2
Total for delivery to core fleet	**1**	**13**	**25**	**10**	**49**	**35**
Total gross fleet	**5**	**64**	**93**	**20**	**182**	**145**
Total chartered with purchase option	3	21	32	2	58	47
Sales during the year (delivered)	-	-	4	-	4	8**
Contracted newbuildings during the year (owned and chartered)	-	4	14	6	24	15
Global fleet (no.) source: Clarksons	**712**	**1,398**	**1,496**	**2,763**	**6,369**	**3,358**
On order, global fleet (no.) source: Clarksons	**185**	**250**	**309**	**290**	**1,034**	**623**

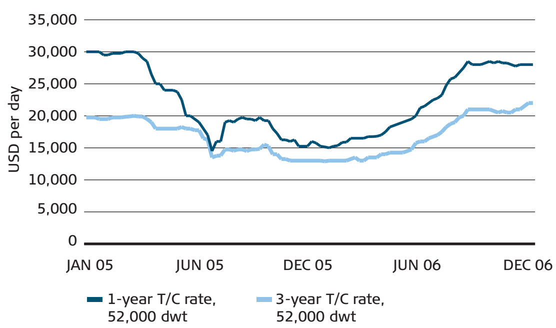
* Of which 5 units are 50%-owned.
** Of which 1 unit is 51%-owned.

Baltic Exchange Dry Index, 2002-2006



Source: Baltic Exchange.

Handymax T/C rates, 2005-2006



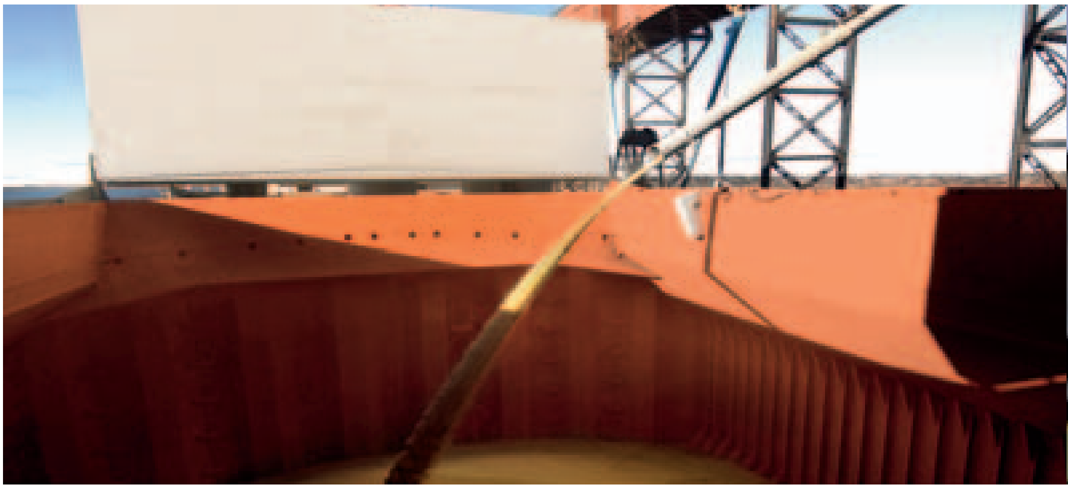
Source: Clarksons.

Market developments

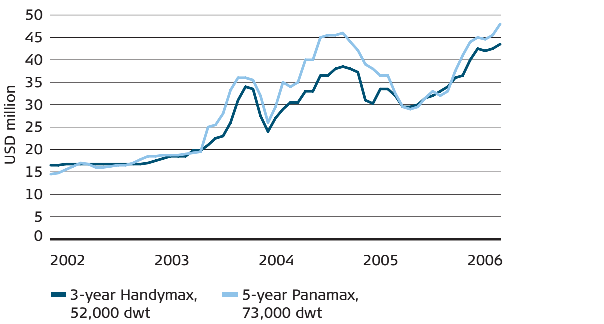
The dry cargo market development in 2006 was very positive. After a weak start in January, the market recovered, maintaining attractive levels until the middle of the second quarter. After this, all segments rose consistently throughout the second half-year, all ending on a high for the year. The Baltic Dry Index thus rose by 83% in the course of the year, although the average was 6% below the 2005 level.

The positive development was not limited to the spot market, but was also strongly reflected in the period timecharter market as well as in the value of secondhand tonnage, which rose significantly during the year. At the end of the year, the 3-year T/C rate for Handymax bulkcarriers was USD 22,000 per day, the highest level seen in the past two years.

The explanations for the positive market development are to be found in supply as well as demand. With regard to supply, the fleet increased by 6.8% in 2006, but the increase was more or less counterbalanced by a 6.4% rise in demand (measured in ton-mile) (source: R.S. Platou). The bottleneck problems in ports, which in the previous two years contributed considerably to the rate hikes, are assessed to have presented a significant problem only toward the end of 2006.



Secondhand Handymax and Panamax prices, 2002-2006



Source: Clarksons.

Indicators of demand, growth in 2006

	%	m Ton
Global sea-borne transport	6.3	154
Global sea-borne iron ore transport	9.4	62
China		
- Iron ore imports	19.0	51
- Coal imports	46.7	12
- Cement exports	62.6	14
- Steel exports	90.1	25

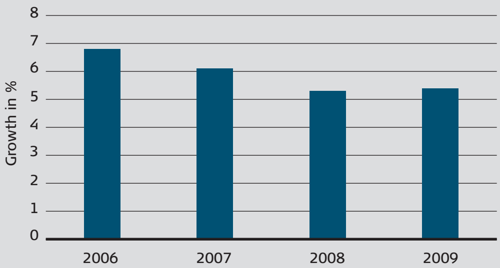
Source: R.S. Platou.

On the demand side, China once again played a key role. The important Chinese iron ore imports, which represent 45% of the global sea-based iron ore trade, rose by 19% (source: R.S. Platou). Brazil (rather than Australia) accounted for an increasing part of imports to China, which also contributed to the longer transport distances. In addition to iron ore transport, other factors took on greater importance. China's internal sea-borne coal transport from North to South increasingly takes place using large vessels, adding to the demand for tonnage in NORDEN's segments.

2006 was also the year in which Chinese exports began to have a noticeable impact on the dry cargo market. Steel products and cement were particularly important in this respect. Exports of these products rose by 63% and 90%, respectively (source: R.S. Platou).

The strong period market and the positive development in the prices of assets were driven by a highly positive outlook. Based on the known order books at the end of the year, everything would indicate that the rise in supply peaked in 2006, and the market can therefore expect a more moderate net fleet increase in the next few years.

Expected net fleet increase for the overall dry cargo fleet (incl. scrapping), 2006-2009



Source: R.S. Platou.

In addition to this, the low scrapping activity has meant that almost 30% of the total dry cargo fleet is now more than 20 years old (source: Clarksons). When these old vessels are eventually scrapped, it will naturally dampen the growth of the fleet.

Financial performance

The Dry Cargo Department realised an EBITDA of USD 126 million (USD 165 million), which was 24% lower than last year's. The principal reason for the drop was lower realised T/C equivalents. Fewer vessels sold meant that the profit from the sale of vessels fell by 31% to USD 55 million (USD 80 million). The total operating profit (EBIT) was DKK 170 million (USD 239 million).

The expansion of fleet capacity continued, and the total activity rose by 6% to 41,724 (39,180) ship days. The main contributors to the increase in capacity were in the Panamax and the newly established Handysize segments.

The Company's realised T/C equivalents were 17% down on the previous year in the two main segments, Handymax and Panamax. Meanwhile, the Capesize segment, in which all vessels were fixed on long-term charters, remained in line with 2005. The reason for the lower realised Handymax and Panamax rates was that a major part of the capacity had been covered earlier in connection with the Company's risk management. In the course of the first half-year, however, the Company assessed that it would be able to obtain more attractive rates by holding off, and only 29% of the known capacity for 2007 had therefore been covered at the beginning of the third quarter. This expectation proved accurate, and the coverage was increased significantly throughout the strong second half-year. The effects of this favourable positioning will, however, for the major part not be felt until 2007.

Business development

2006 was a very active year in terms of business development in the Dry Cargo Department. A new activity in the Handysize segment was established, and a Project Department was set up to develop and handle purchase and sales activities as well as long-term charters. Finally, an actual FFA Department was established. The number of contracted newbuildings and long-term charters for future delivery was the greatest ever, and a large number of deliveries to the active fleet produced the largest number of ship days in the Company's history. This means that the Dry Cargo Department is now more broadly based and better equipped for future expansion.

After requests from customers and a major market analysis, NORDEN established an activity in the Handysize segment in the third quarter. This segment has in recent years seen very limited tonnage growth and a large proportion of the active fleet is ripe for scrapping. For a number of years, the growth in demand has been hampered by the fact that Handysize cargoes were moving to the larger Handymax

Employment and rates, dry cargo

	Number of ship days, NORDEN		T/C equivalent (USD per day)		
	Including single trips	Excluding single trips	NORDEN [1]	Spot [2] market	NORDEN vs. spot
2006					
Capesize	1,511	1,470	38,620	45,139	-14%
Panamax	14,367	12,830	23,076	23,778	-3%
Handymax (Supramax)	24,634	21,185	19,700	22,619	-13%
Handysize	1,212	1,143	20,306	-	-
Total	**41,724**	**36,628**	**21,565**		
2005					
Capesize	1,441	1,410	38,039	50,129	-24%
Panamax	12,674	9,475	27,675	24,701	12%
Handymax	25,065	21,992	23,672	21,419	11%
Handysize	-	-	-	-	-
Total	**39,180**	**32,877**	**25,495**		
2006 vs. 2005					
Capesize	5%	4%	2%	-10%	
Panamax	13%	35%	-17%	-4%	
Handymax	-2%	-4%	-17%	6%	
Handysize	-	-	-	-	
Total	**6%**	**11%**	**-15%**		

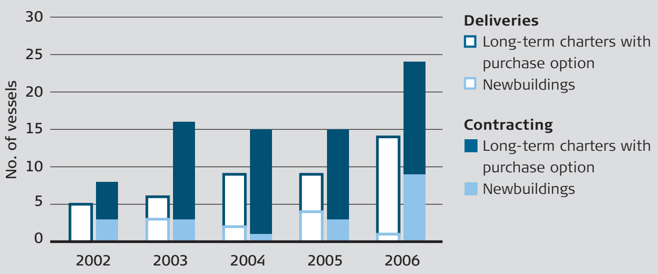
[1] Exclusive of single trips.
[2] Source: Baltic Exchange.

vessels, but this migration is expected to cease now and the growth in demand thus normalise in the segment. Like in the Handymax segment, NORDEN will focus on the most modern part of the Handysize fleet, i.e. vessels of a size of 25-35,000 dwt. With six contracts for owned newbuildings and long-term charters, the Company has started building a future core fleet. In the period until these vessels are delivered, the Company will service its customers with tonnage on short-term charters.

The active fleet as well as the Company's order book were extended significantly in 2006. The Dry Cargo Department's gross fleet thus rose by 26% to 182 vessels, and the active core fleet by 57% to 44 vessels. 18 owned vessels and long-term charters were delivered to the active fleet during the year, while 4 vessels sold were delivered. The continued development of the core fleet contributes to maintaining a competitive cost level for the coming years.

Despite the many deliveries, the Department's order book grew as a record number of contracts were placed. During 2006, 9 owned newbuildings and 15 long-term charters were contracted. 2 of these were long-term charters of Post-Panamax vessels for delivery in 2010 and 2011, and in the first quarter of 2007 the Company has contracted 2 future long-term charters of this type. Post-Panamax is the name of a new segment comprising vessels in the range of 90-120,000 dwt, which will be able to pass through the Panama Canal following its planned expansion in 2015. Already, a real demand for this type of vessel is perceived, and the Company believes that this size of vessel will fill a gap in the dry cargo market between Panamax and Capesize vessels and be commercially attractive for carrying coal, among other things. The Company has high hopes for the Post-Panamax segment in the years to come.

Deliveries and contracting to the Dry Cargo Department's core fleet, 2002-2006




NORDEN

Tankers

NORDEN operates three vessel types in the tanker segment: Aframax, Medium Range (MR) and Handysize product tankers.

Aframax vessels transport crude and fuel oil and primarily sail in the North Sea and the Far East, while MR and Handysize vessels primarily carry refined oil products in the Baltic, the Mediterranean, the Atlantic region and the Far East.

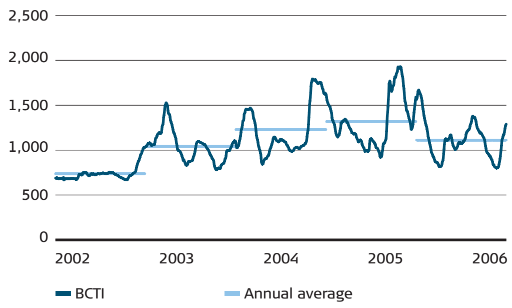
Key figures and ratios USD'000	**2006**	**2005**
Total number of ship days	5,701	5,558
Revenue	132,210	124,540
EBITDA	48,058	57,132
Profits from the sale of vessels	0	40,313
EBIT	41,371	96,687
Non-current assets	188,297	179,037
EBITDA margin, %	36.3	45.9
Average number of employees (incl. seamen)	175	155

NORDEN's tanker fleet
At 31 December

		Product tankers			
Vessel type	Aframax	MR	Handysize	2006	2005
Size	100-120,000	42-60,000	27-42,000		
Vessels in operation					
Owned vessels	2	-	4	6	3
Chartered vessels (with purchase option)	-	3	-	3	3
Chartered for at least three years	1	3	6	10	6
Total active core fleet	**3**	**6**	**10**	**19**	**12**
Other chartered vessels	1	-	-	1	2
Total active fleet	**4**	**6**	**10**	**20**	**14**
Vessels to be delivered to core fleet					
Newbuildings (owned)	-	-	3	3	6
Chartered vessels (with purchase option)	-	10	-	10	6
Chartered for at least three years	-	-	5	5	3
Total for delivery to core fleet	**0**	**10**	**8**	**18**	**15**
Total gross fleet	**4**	**16**	**18**	**38**	**29**
Total chartered with purchase option	-	13	-	13	9
Sales during the year (delivered)	-	-	-	-	4*
Newbuildings contracted during the year (owned and chartered)	-	4	-	4	6
Newbuildings contracted during the year (charters without purchase option)	-	-	4	4	1
Global fleet (no.) source: SSY	**702**	**568**	**648**	**1,918**	**1,741**
On order, global fleet (no.) source: SSY	**250**	**378**	**111**	**739**	**451**

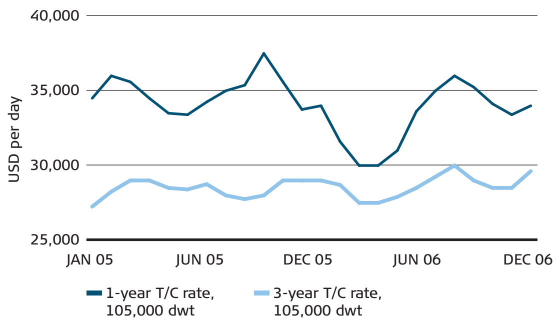
* Of which 2 units are 50%-owned.

Baltic Exchange Clean Tanker Index, 2002-2006



Source: Baltic Exchange.

Aframax T/C rates, 2005-2006

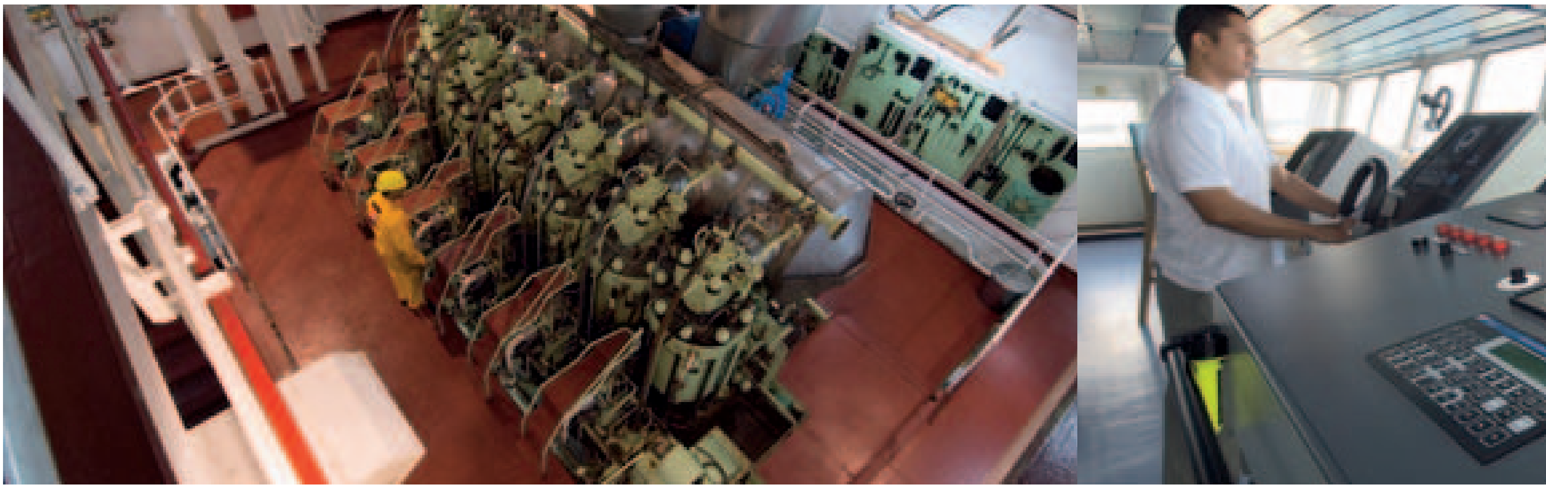


Source: Clarksons.

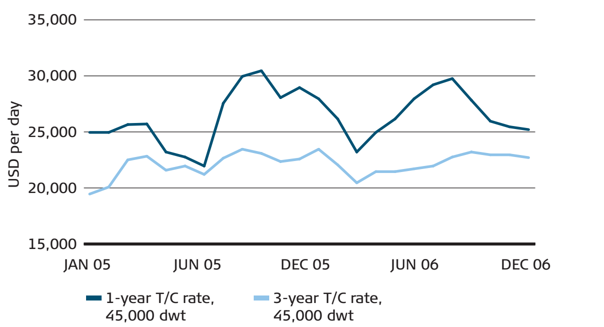
Market developments

The average product tanker rates were high in 2006, but 16% below the very strong level in 2005 (measured on the Baltic Exchange Clean Tanker Index). Throughout the year, the market was highly volatile as a result of the fine balance between supply and demand.

As usual, the end of the winter season in the early part of the year meant large rate decreases. As a result of major maintenance activities in oil refineries the world over and decreasing exports of oil products from Russia, the rate decreases continued until April, when the BCTI reached its low point, almost 50% below the level at the beginning of the year. Rates then started climbing again due to higher demand in connection with the traditional driving season in the USA. Unlike the usual seasonal pattern, the strong market persisted until the end of the third quarter due to stockpiling in preparation for the hurricane season, which last year caused great disruption to the oil production in the Mexican Gulf. The hurricane season proved very mild with no disruptions to oil production, and, in addition, the normally strong winter market failed to materialise due to mild weather. Consequently, rates for the fourth quarter were considerably lower than the previous year.

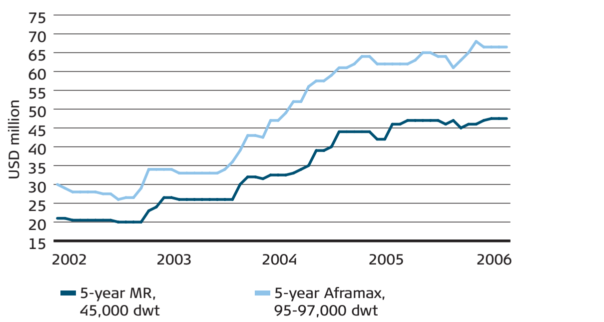


MR T/C rates, 2005-2006



Source: Clarksons.

Secondhand MR and Aframax prices, 2002-2006



Source: Clarksons.

Despite the great spot market fluctuations, the fundamental belief in the tanker market remained strong, and the period market as well as vessel values remained strong.

Overall demand was somewhat weaker than expected at the beginning of the year, although it remained strong enough to absorb the fleet growth and maintain attractive rate levels. The growth in global oil demand was downgraded several times during the year and is now estimated by IEA to have been just 0.9%. As in previous years, the increase in demand for tanker tonnage is estimated to have been considerably higher due to changed transport patterns. According to Lorentzen & Stemoco, sea-based trade in crude oil and oil products thus rose by 2.4% and 12.5%, respectively, in 2006. The principal explanation of the changed transport patterns is that oil refinery activities are increasingly located far from the consumer regions, increasing overall sea transport needs and distances.

Indicators of demand, growth in 2006

Global GDP growth	5.1%
Oil consumption	0.9%
Global sea-borne crude oil transports	2.4%
Global sea-borne oil product transports	12.5%

Source: IMF, IEA, Lorentzen & Stemoco.

On the supply side, SSY estimates the total net addition of new tonnage in 2006 to have been 7.2%, although very unevenly distributed among the segments.

Net increase in supply, 2006	
Aframax	5.9%
MR	12.7%
Handysize	5.2%
Total tanker fleet	**7.2%**

Source: SSY.

Financial performance

The Tanker Department realised an EBITDA of USD 48 million (USD 57 million), which is 16% lower than last year's. The primary reason for the drop is the higher level of expenses as the proportion of chartered vessels to owned vessels rose. Whereas the Company sold several vessels in 2005, the focus in 2006 was on the expansion of future capacity, and no vessels were sold during the period. This was the main reason for the 57% reduction of operating profit (EBIT) to USD 41 million (USD 97 million).

The development of capacity was affected by the sale of Aframax tonnage in 2005 and the focus on expanding product tonnage for employment in the Norient Product Pool. The number of ship days in the Aframax segment dropped by 14%, while it rose by 8% in the product tanker segment. Overall, the number of ship days rose by 3%.

On average, the Company's realised T/C equivalents were 3% lower than last year's although with variations between segments. The most important change happened in the MR segment, in which the realised T/C equivalents for 2006 were 15% below the 2005 level due to a combination of a weaker market and fewer days employed in the spot market. In the Handysize and Aframax segments, the realised T/C equivalents were in line with and slightly above last year's levels, respectively.

Business development

The first priority of the Tanker Department in 2006 remained the expansion of the Norient Product Pool and the strengthening of customer relations in the product market. As part of this process, and as a result of its major activities in the Baltic, NORDEN strengthened its position in ice-class MR/Handysize tonnage, so that the pool is able to service customers in the Northern Baltic throughout the year – even in years with harsh winters.

As part of the Tanker Department's continuous strategic focus on maintaining high security and environmental standards, the Company in 2006 implemented the Tanker Management Self Assessment (TMSA) programme to ensure that procedures and security measures meet the highest international standards.

2006 proved an active year in terms of deliveries to the Tanker Department as well as the Norient Product Pool.

Employment and rates, tankers					
	Number of ship days, NORDEN		T/C equivalent (USD per day)		
	Total number of ship days	Of this, employed in the spot market	NORDEN	12-month T/C [1] market average	NORDEN vs. 12-month T/C
2006					
Aframax	1,197	194	21,032	32,981	-36%
MR (product tankers)	1,878	1,052	24,644	25,817	-5%
Handysize (product tankers)	2,626	1,266	23,533	23,654	-1%
Total	**5,701**	**2,512**	**23,374**		
2005					
Aframax	1,394	0	19,796	34,221	-42%
MR (product tankers)	1,460	1,460	29,084	25,327	15%
Handysize (product tankers)	2,704	1,966	23,826	24,135	-1%
Total	**5,558**	**3,426**	**24,196**		
2006 vs. 2005					
Aframax	-14%	-	6%	-4%	
MR (product tankers)	29%	-28%	-15%	2%	
Handysize (product tankers)	-3%	-36%	-1%	-2%	
Total	**3%**	**-27%**	**-3%**		

[1] Source: ACM Shipbroker Ltd.

The Tanker Department took delivery of 3 owned newbuildings, and the active fleet grew by 30% to 20 vessels. In the Norient Product Pool, this development was even more noticeable as the Company's partner, Interorient Navigation Company Ltd., also took delivery of a large number of newbuildings. The active fleet in the Norient Product Pool more than doubled from 15 to 35 vessels in 2006.

Despite the many deliveries, the order book of future deliveries to the Tanker Department's core fleet increased by 20% to 18 units due to 8 new long-term charters. In 2007, the Tanker Department will take delivery of 8 product tankers, further strengthening the active core fleet in this segment.

Safety and environment

The Company is continuously striving to heighten security for our employees at sea. Protecting the environment is constantly in focus, as well. In 2006, we added computer-based training programmes (CBT) and electronic document handling to our existing procedures, which is particularly helpful in our efforts to meet regulatory requirements and remain best in class among our peers in the shipping industry. We are seeing a positive, dynamic development in the various industry standards and regulatory initiatives – notably OCIMF (Oil Companies International Marine Forum), TMSA (Tanker Management Self Assessment) and EU legislation, which is strengthening our competitiveness. In addition to complying with existing legislation, we will strengthen our focus on meeting future security and environmental requirements in terms of vessel design and operating procedures in order to ensure a higher degree of security for our employees at sea as well as for the surrounding environment.

A growing organisation

The Company's staff increased by 20% during 2006 and stood at 451 at the end of the year. This increase was an element in the expansion of the organisation to handle the Company's growth and increasing business volume.

Attracting and retaining competent employees is becoming ever more of a challenge as there is, in reality, full employment in Denmark as well as a shortage of young people. Furthermore, many companies in the shipping industry internationally have had several good years, and are therefore able to offer attractive salaries and working conditions. On this basis, NORDEN has decided to explore new ways of recruiting employees.

In Denmark, NORDEN is more actively targeting prospective young employees – on its own as well as in connection with the shipping industry's campaign "The Blue Denmark". The Company presents itself at trade shows, institutions of higher education and own meetings, supported by a new film and a dedicated section on the Company's website. In June, NORDEN took on its first six trainees in a new shipping training programme with stricter admission requirements and strengthened theoretical training, comprising the first part of a graduate diploma combined with courses in shipping, maritime law and English. The experience with the new programme is good, and NORDEN expects in future to take on six to eight trainees per year, as well.

NORDEN has outgrown its long-standing headquarters. In order to provide a sound framework for the expected growth in the coming years, the Company will in early 2008 move to its new 5,200 square metres waterfront headquarters in Hellerup, north of Copenhagen.

At the overseas offices, the number of employees rose by 43% to 40. A growing number of local employees are being hired, and they now represent the majority of the employees in Singapore, India and Shanghai. In Shanghai, the close collaboration with Shanghai Maritime University has been extended so that NORDEN is now hiring graduates from this respected university on a more systematic basis, and professors and students are invited on trips to study with NORDEN. This collaboration is important for NORDEN's ability to recruit qualified young employees in China.

At sea, the workforce grew by 18% to 307 at the end of the year, an increase which is mainly due to the expansion of the fleet of owned bulkcarriers. Relatively as well as in absolute figures, the greatest addition of seamen were Philippine. It has become increasingly difficult to hire qualified seamen in the Philippines, and in mid-2006, this prompted NORDEN to enter into close collaboration with a local recruitment company to build a pool of seamen and young officers to be signed on to NORDEN's vessels, exclusively. The seamen are ensured employment for a long period on various vessels with built-in shore leave. This agreement

makes it easier for NORDEN to retain competent seamen who are familiar with the Company's vessels and procedures. The pool will be extended further in 2007 to enable NORDEN to cope with the planned expansion of the fleet.

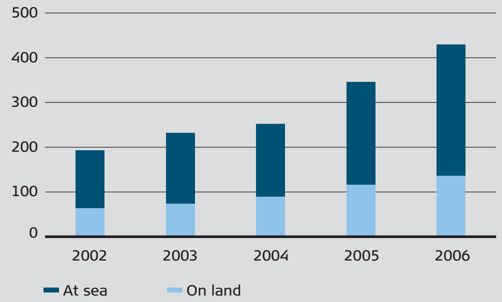
With intensified competition for Danish senior officers, it has also become more difficult to attract and retain this group of employees. In 2006, NORDEN introduced individual contracts among officers, and the Company's salary and employment terms are equal to the standards of other shipping companies. This initiative allowed NORDEN to broaden the system of performance-pegged bonuses to include all senior officers.

In addition to recruiting senior officers from other companies, NORDEN also covered its needs by promoting officers from the Company's own ranks and by increasing long-term investment in producing future senior officers. In 2007, the number of apprentice officers is expected to grow from 19 to 30. In addition to taking on Danish apprentices with the usual background, NORDEN has agreed to take on up to four trainees from the school of machine engineering in Århus (Århus Maskinmesterskole), and the first Philippine cadets will start training on NORDEN's tankers. In the short term, NORDEN must also recruit a number of experienced engineers, who have to undergo a long training programme before being qualified to sign on and cover the particularly acute need for chief engineers and engineers.

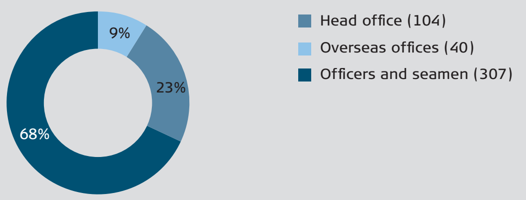
Corporate values

NORDEN's significant growth has enhanced the need to ensure that new as well as existing employees have a common understanding of what the Company stands for and what it means to work for NORDEN. Therefore, 30 of NORDEN's executives worked on updating the Company's vision, mission and values in 2006. The outcome of this work was presented toward the end of the year at a string of meetings, which also marked the beginning of the next phase of the value initiative. In this phase, the employees are to translate the new goals and rules of conduct into concrete action, in terms of the strategic goals as well as the departments' day-to-day procedures, collaboration patterns and internal and external communication. NORDEN's new vision, mission and values can be read at www.ds-norden.com.

Average workforce, 2002-2006



Number of employees at 31 December 2006 in three categories



Remuneration policy

In order to attract and retain the right employees, NORDEN aims to ensure that salaries, bonuses and share-based payment form a competitive package for the Company's employees in combination with its culture and values, short chains of command, tradition of extensive delegation, good career and secondment opportunities, etc.

NORDEN's remuneration policy is based on the long tradition in the shipping industry for incentive pay and the fact that the shipping companies are competing with each other for competent employees. NORDEN does not generally wish to lead in terms of salaries, but it is essential that NORDEN, in addition to competitive basic salaries, is able to reward employees for outstanding performances and extraordinary results. The Company's most important incentives are bonuses, share options and employee shares.

In 2006, NORDEN allotted a total of USD 9.8 million in bonuses (USD 9.2 million), USD 8.4 million of which has been recognised as costs. USD 1.4 million has not been recognised as costs or included under provisions since the bonuses awarded are conditional on employment continuing in 2007-2009 and will be recognised in those years. The vast majority of this amount, USD 5.8 million (USD 7 million), was rewarded as individual bonuses. The remainder was paid out as a collective bonus payment to land-based staff and officers on individual contracts of an amount corresponding to two months' salary, as compared with four months' salary in 2005 and six months' salary in 2004.

52 employees received individual bonuses. Bonuses are rewarded in that the Management fixes a pool for each department. These pools are then allocated by the heads of department, who are deemed the best able to assess who have delivered outstanding performances. The bonuses range between two weeks' salary to just over one year's salary. Bonuses for department managers and the Executive Group are fixed by the Management on the basis of the Company's overall performance and the executives' individual performance. In addition, separate bonus agreements have been established for Carsten Mortensen, President and CEO, whose bonus is pegged to the development of NORDEN's net profit, and for the heads of the Dry Cargo Department and Tanker Department, Jacob Meldgaard and Lars Bagge Christensen, whose bonuses are pegged to the net profits of their respective departments. These three bonus agreements are renegotiated annually.

Overall, the bonuses for 2006 represent approximately 5% of the Company's net profit, as compared with a level of approximately 3% in previous years. The higher level should not be seen as an indication of a permanent shift, but as a reflection of the fact that an extraordinary effort was made in 2006, which will manifest itself in considerably improved earnings in future. The total bonus amount for 2007 is expected to approach the level of 3% again.

Long-term conduct

In order to promote long-term conduct and to align employee and shareholder interests, NORDEN increasingly uses share-based payment.

In December 2005, NORDEN introduced an employee share scheme under which all employees who had, or during 2006 attained, one year's seniority were granted six shares. In February 2007, NORDEN granted a further four employee shares according to the same criteria. In 2007, employees were granted 668 shares all in all with a value of DKK 3.2 million. In both instances, the shares were taken from NORDEN's portfolio of treasury shares. This will also be the case for future grants, the first of which is expected to take place in 2008.

In March 2006, 35 executives and key employees were granted options for 25,000 shares, corresponding to approximately 1% of the share capital. The Management received 7,230 options, eleven other executives received a total of 10,095 options and other employees received 7,675 options. The main criterion for the grant was salary level. The programme was much broader than NORDEN's previous option programme, which ran from 2001 to 2003 and covered only eight employees and seven board members. The options are exercisable from 29 March 2008 to 29 March 2010.

At the adoption of this annual report, the Board of Directors has granted share options for a total of 22,915 shares in NORDEN to 40 employees. The grant is distributed to the Management, executive employees and other employees in the amounts of 4,739, 10,210 and 7,966 options, respectively. The options are subject to the same terms as those in the previous programme and are exercisable from 27 March 2009 to 27 March 2011.

The exercise price is determined as a five-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 the exercise date. This ensures that the options are not in-the-money until after the shareholders are ensured a return on their investment.

A preliminary assessment of the market value of the options granted in 2007 is approximately DKK 16 million, calculated using the Black-Scholes model and based on the assumptions that all options are granted and are exercised at the earliest possible date. The calculation is furthermore based on a volatility of 30.2% and a risk-free interest rate of 4.1%.

NORDEN expects also in future to issue options to key employees when it is deemed appropriate. The redemption price of future programmes will be above the market price at the grant date and the options will be covered by the Company's portfolio of treasury shares.

Remuneration committee

In 2006, the Board of Directors set up a remuneration committee, consisting of the Chairman, the Vice Chairman and Erik Gregers Hansen to discuss and set out a framework for the Company's remuneration and bonus payments in collaboration with the Management. The committee was set up because the recruitment and retention of qualified employees is essential in order to ensure maximum return on the Company's large investments.

Corporate governance

NORDEN's management

NORDEN's vision, mission and values are the cornerstones of the Company's management. The management focus is long-term, and the goal is to ensure that the Company is continuously developing and achieving a high performance within the risk framework set out by the Board of Directors.

The Board of Directors determines strategies, action plans, goals and budgets, appoints the Management and sets out its terms and tasks. In addition, the Board of Directors sets out the framework for financial and market risk management and controls the Management's work and the Company's procedures and responsibilities, policies, etc.

Five members of the Board are elected by the shareholders and three are elected by the employees. All board members elected by the shareholders are independent of NORDEN. They have never been employed by the Company and hold no interests in the Company other than their interests as shareholders or representatives of major shareholders.

Despite the election of new board members in 2006 as well as in 2005, the seniority is high – almost 13 years on average for board members elected by the shareholders and almost 9 years for the Board of Directors overall. The Board has managed NORDEN during recent years' market growth, but it was also at the helm of the Company during times of more difficult economic climates and tougher market conditions. The experience and network of the Board of Directors constitute an important asset in the management of an increasingly large and complex business.

In 2006, the Board of Directors reassessed its role, results, work methods and composition on the basis of a questionnaire. These discussions were conducted by the Chairman with the assistance of a professor of the management institution IMD in Lausanne. This was the first step toward annual, systematic self-assessment of the Board of Directors and its interaction with the Management. The Board of Directors furthermore set up a remuneration committee, which is to set out a framework for the Company's remuneration and bonus payments. The Board of Directors is also planning to set up an audit committee in 2008.

In 2006, the Board of Directors held 17 meetings, including two strategy meetings and one seminar at IMD. The many meetings were held because the Board had to assess a large number of proposed exercises of purchase options on vessels, newbuilding contracts and long-term charters of vessels with purchase option.

Copenhagen Stock Exchange recommendations on best corporate practice

The Copenhagen Stock Exchange has adopted a set of corporate governance recommendations. Companies are required to consider these recommendations and specifically explain areas in which their practice does not comply with the recommendations. NORDEN complies with the vast majority of the recommendations, but has chosen a different practice in a number of areas.

NORDEN has described remuneration (the section ”Remuneration policy”), risk management (note 2), directorships and shareholdings of the Board of Directors (the section ”Board of Directors”).

NORDEN does not, as proposed in the recommendations, have a ceiling on the number of directorships a board member may hold. NORDEN believes that the most important factor is the individual board member’s capacity, competences and contribution to the Company’s management.

The recommendations propose that board members should be up for re-election every year, and that the board should in this connection make efforts to ensure the balance between replacement and continuity, particularly as regards the chairman and vice chairman. In NORDEN, two of the five board members elected at the general meeting are up for re-election every year, and this model was chosen to ensure continuity.

The Copenhagen Stock Exchange recommends that remuneration to the board of directors should not consist of share option schemes, but e.g. bonus schemes and shares at market price are allowed, and that such programmes should be approved at the general meeting. NORDEN’s annual general meeting in 2001 resolved to grant 19,200 options to the Board of Directors in a three-year revolving programme. The last options were granted in 2003, and all options were exercised. NORDEN found the scheme proper in 2001 and does not exclude the possibility in the future of granting the Board of Directors options in order to give them a share in the long-term value creation in the Company which they are partially responsible for.

The recommendations propose that the remuneration of individual members of the board of management should be disclosed. NORDEN believes that what is important is that the shareholders are able to consider the total remuneration of the Management and the development thereof.

Finally, the Copenhagen Stock Exchange proposes that various procedures should be formalised or policies set out, whereas NORDEN seeks to limit bureaucracy. For example, the Copenhagen Stock Exchange recommends that the company prepare a work and task description specifying the tasks of the chairman and of the vice chairman, if required. In NORDEN, the Chairman’s tasks and duties are part of the rules of procedure. The Copenhagen Stock Exchange also recommends that companies adopt a policy on their relationship with their stakeholders as well as an information and communication policy. NORDEN has not adopted such policies, but the Company has a general set of values regulating how all employees interact with all stakeholders. Also, NORDEN has adopted a specific "Investor Relations" policy.

A systematic examination of NORDEN’s corporate governance practice as compared with the Copenhagen Stock Exchange recommendations is shown in the "Corporate Governance" section at www.ds-norden.com.

Board of Directors

Directorships and shareholdings at 1 March 2007

1 **Mogens Hugo Jørgensen,** Managing Director, born in 1943.
Member of the Board and Chairman since 1995.
Most recently re-elected in 2005.
Term expires in 2008.
Number of shares held: 370 (+370).
Directorships, etc. in other companies and organisations in Denmark and abroad: GN Store Nord A/S (CB), Amminex A/S (CB), Danelec Electronics A/S (CB), Nordea Danmark-Fonden (CB) and Twins Consulting ApS (BM).

2 **Alison J. F. Riegels,** Managing Director, born in 1947.
Member of the Board and Vice Chairman since 1985.
Most recently re-elected in 2006.
Term expires in 2009.
Number of shares held: 155 (unchanged).
Directorships, etc. in other companies and organisations in Denmark and abroad: A/S Motortramp (MD, BM).

3 **Einar K. Fredvik,** Managing Director, born in 1938.
Member of the Board since 2005.
Stands for re-election in 2007.
Number of shares held: 0 (unchanged).
Directorships, etc. in other companies and organisations in Denmark and abroad: Nortrans Touring AS (BM).

4 **Erik Gregers Hansen,** Managing Director, born in 1952.
Member of the Board since 1996.
Most recently re-elected in 2005.
Stands for re-election in 2007.
Number of shares held: 8,520 (unchanged).
Directorships, etc. in other companies and organisations in Denmark and abroad: Rigas Invest ApS (MD), DTU Innovation A/S (CB), Investeringsselskabet Energy Holding A/S (CB), enXco Invest A/S (CB), Polaris Management A/S (CB), T.T.I.T. A/S (CB), Bagger-Sørensen & Co. A/S (BM) and PFA Holding A/S (BM).

5 **Erling Højsgaard,** Managing Director, born in 1945.
Member of the Board since 1989.
Most recently re-elected in 2006.
Term expires in 2008.
Number of shares held: 1,850 (+250).
Directorships, etc. in other companies and organisations in Denmark and abroad: A/S Motortramp (VCB), Navision Shipping Company A/S (CB) and Danbulk A/S (BM).

6 **Anton Kurt Vendelbo Christensen,**
Third Engineer, born in 1946.
Elected employee representative since 2006.
Term expires in 2008.
Number of shares held: 260 (+4).

7 **Egon Christensen,** Captain, born in 1952.
Elected employee representative since 2004.
Term expires in 2008.
Number of shares held: 10 (+4).

8 **Ole Clausen,** Senior Claims Manager, born in 1956.
Elected employee representative since 2004.
Term expires in 2008.
Number of shares held: 10 (+4).

CB: Chairman of the Board; VCB: Vice Chairman of the Board;
BM: Board Member; MD: Managing Director.

Numbers in brackets next to number of shares represent the change in holdings of shares since the annual report for 2005. In addition to shares held personally or through companies controlled by them, Alison J. F. Riegels and Erling Højsgaard are associated with A/S Motortramp, which holds 592,562 shares and Einar K. Fredvik is associated with Kristiansands Tankrederi AS, which holds 460,767 shares.

Board remuneration
The ordinary emoluments of the members of the Board of Directors are determined by the shareholders at the general meeting. For 2006, the total emolument is proposed to amount to DKK 3 million (DKK 3 million in 2005).

Board options
The following members of the Board exercised share options in 2006 and subsequently sold the related shares: Mogens Hugo Jørgensen (1,200 options), Alison J. F. Riegels (900 options), Erik Gregers Hansen (1,200 options) and Erling Højsgaard (1,200 options). All the Board's options have thus been exercised. One employee representative on the Board of Directors received options in connection with his employment with the Company.

Executive Group

1 **Carsten Mortensen,** President (CEO), born in 1966. Carsten Mortensen joined NORDEN in 1997 as head of the Dry Cargo Department. He became a member of Management and was appointed COO in 2004. In January 2005, he was appointed President (CEO). Carsten Mortensen was previously employed with A. P. Møller for 11 years, where he received his training. He has a bachelor of commerce degree in international trade from the Copenhagen Business School, and has completed executive training programmes at INSEAD and Wharton Business School. Number of shares held: 1,085 (+804). Number of share options held: 4,601 (of which 4,601 were granted in 2006). Directorships: Danmarks Rederiforening (BM).

2 **Jens Fehrn-Christensen,** Executive Vice President (CFO), born in 1952. Jens Fehrn-Christensen joined NORDEN in 1992 as head of finance and was appointed a member of Management in 2000. Jens Fehrn-Christensen holds an MSc and was previously head of finance at J. Lauritzen A/S and a deputy director of Ove Skou Rederiaktieselskab. Number of shares held: 10 (+4). Number of share options held: 2,629 (of which 2,629 were granted in 2006). Directorships: NCS Holding A/S (CB) and Sun-Air of Scandinavia A/S (BM).

3 **Lars Bagge Christensen,** Senior Vice President and head of the Tanker Department, born in 1963. Lars Bagge Christensen joined NORDEN in 1993 and was appointed Senior Vice President and head of the Tanker Department in 1999. Lars Bagge Christensen was previously employed with A. P. Møller, where he received his training. He has also completed an INSEAD executive training programme. Number of shares held: 16 (-51). Number of share options: 1,841 (of which 1,841 were granted in 2006). Directorships: Intertanko's European Reference Group (CB), North of England P & I Club (BM).

4 **Jacob Meldgaard,** Senior Vice President and head of the Dry Cargo Department, born in 1968. Jacob Meldgaard joined NORDEN in 1997, was appointed General Manager in 2002 and Senior Vice President and head of the Dry Cargo Department in 2004. Jacob Meldgaard was employed for five years with A. P. Møller, where he received his shipping training, and for two years with J. Lauritzen A/S. He also has a bachelor of commerce degree in international trade from the Copenhagen Business School and is a graduate of INSEAD and Wharton Business School. Number of shares held: 2,091 (+1,810). Number of share options: 2,629 (of which 2,629 were granted in 2006).

6 4 2

5 **Lars Lundegaard,** Senior Vice President and head of the Technical Department, born in 1957. Lars Lundegaard joined NORDEN in 2002. His qualifications include a master's certification and an MBA. Lars Lundegaard previously held executive positions in shipping companies in Denmark and abroad, most recently as CEO of ASN Marine. Number of shares held: 10 (+4). Number of share options: 1,104 (of which 1,104 were granted in 2006). Directorships: SIMAC (BM), member of Intertanko's technical committee and of the negotiations committee of the Danish Shipowners' Association.

6 **Kristian Wærness,** Senior Vice President and head of the Finance and Accounting Department, born in 1968. Kristian Wærness holds a MSc in accounting from 1993 and joined NORDEN in 2002. In 2007 he was appointed Senior Vice President and head of the Finance and Accounting Department. Kristian Wærness previously held a position as accountant with PricewaterhouseCoopers. Number of shares held: 10 (+4). Number of share options: 1,018 (of which 1,018 were granted in 2006).

Directorships and shareholdings are stated at 1 March 2007. Figures in brackets represent changes since the annual report for 2005. CB: Chairman of the Board; VCB: Vice Chairman of the Board; BM: Board Member; MD: Managing Director.

Other senior executives:
Jens Christensen, General Manager, Deputy Manager of the Technical Department – 10 shares (+4). Peter Norborg, Vice President, Deputy Manager of the Dry Cargo Department – 10 shares (+4). Martin Badsted, Vice President, Corporate Secretariat – 60 shares (+45). Sture Freudenreich, IT Manager – 16 shares (+4). Vibeke Schneidermann, HR Manager – 10 shares (+4).

Senior executive in Norient Product Pool:
Søren Huscher, CEO, Norient Product Pool – 605 shares (+ 58).

Remuneration of the Management
The Management's total remuneration amounted to USD 3.1 million including share-based payment in 2006, against USD 3.4 million the previous year. The drop is due to smaller bonuses as result of the Company's lower net profit. Of the Management's total remuneration, some 2/3 is bonuses (2/3 in 2005), and bonuses are principally pegged to the performance of NORDEN's earnings. In addition to their bonuses, the President, Carsten Mortensen, and the Executive Vice President, Jens Fehrn-Christensen, have been granted share options (see above) and have exercised 1,139 and 2,093 share options, respectively.

NORDEN offers no pension plan to the Management. The Management's remuneration and employment terms are stated in note 8 to the financial statements (notice of termination and remuneration) and note 39 (share options).

Shareholder information

NORDEN's master data	
Share capital	DKK 46,075,000
Number of shares	2,303,750
Denomination	DKK 20
Classes of shares	1
Voting restrictions	None
Stock exchange	Copenhagen Stock Exchange
Ticker symbol	DNORD
ISIN code	DK0010269844
The Nordic Stock Exchange	Nordic Large Cap
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

It is the Company's goal that the share price reflects the Company's actual and expected ability to create value for its shareholders. The Company is promoting this goal by consistently providing timely, precise and relevant information on the Company's strategy, operation, results and expectations. NORDEN generally seeks open dialogue with its stakeholders within the framework of the Rules of Ethics of the Copenhagen Stock Exchange.

Share price increase, share index and trading volume

The share price opened the year at DKK 2,925 and closed on 29 December 2006 at DKK 4,790. This equals a price increase of DKK 1,865 or 64% since the beginning of the year. The increase mainly took place in the last five months of the year. Including the dividend distributed in May of DKK 200 per share, the return for the year reached 71%. By comparison, the OMX MidCap+ index rose by 49%.

The Company reached a milestone at the end of November, as NORDEN's market cap exceeded DKK 10 billion for the first time. As a result of the subsequent positive development of the share price, NORDEN was on 2 January 2007 admitted to the Copenhagen Stock Exchange's Large Cap index of the largest companies in Denmark measured in terms of market cap. The Company was then among the 90 largest shares on the Nordic Large Cap list with a market cap of DKK 11 billion.

The trading volume is still affected by a relatively low free float. The average monthly trading volume was 27,609 shares, equalling 1.2% of the share capital.

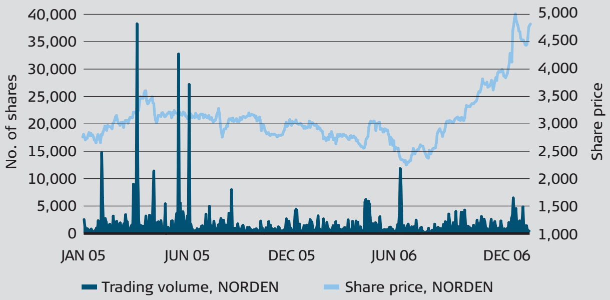
Shareholders

At 31 December 2006, three shareholders had reported ownership of 5% or more of the Company's shares. The three shareholders own a total of 1,805,659, equalling 78.4% of the Company's share capital.

The Board of Directors considers Motortramp and Kristiansands Tankrederi AS to be shareholders with a long-term investment horizon who help NORDEN carry on its strategy and value creation as an independent listed company for the benefit of all shareholders.

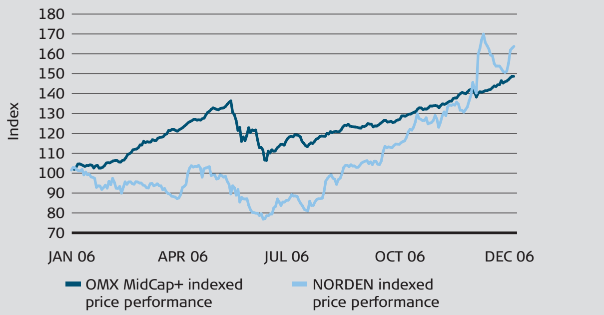
At 31 December 2006, the Company held 136,888 treasury shares, corresponding to 5.9% of the share capital. The Executive Group holds 3,222 shares in the Company in aggregate and the Board of Directors hold 11,175 shares.

Share price performance and trading volume, 2005-2006



Source: OMX.

OMX MidCap+ and NORDEN, 2006



Source: OMX.

Through an active information policy, the Company seeks to ensure open dialogue with its shareholders. All shareholders are therefore advised to have their shares registered in the Company's register of shareholders. At the end of the year, 1,758 shareholders were registered, which constitutes an increase of 20% over the previous year.

Dividends

NORDEN's business model aims to equalise the effect of the cyclical movements inherent in the shipping industry. Strong, long-term earnings are the prerequisite for NORDEN to generate an attractive return for its shareholders through dividends and share price increases.

In line with this objective, the Board of Directors will at the annual general meeting on 25 April 2007 propose an ordinary dividend of DKK 100 per share, or a total of DKK 230.4 million (USD 40.7 million).

The Board of Directors believes that the proposed dividend is a reasonable part of the annual profit and ensures that the Company can maintain the financial latitude to make the investments required to generate a long-term return to its shareholders, also in more turbulent market conditions.

Investor relations

In recent years, NORDEN has increased the depth and volume of information released to the equity market. Since the spring of 2005, the Company has made webcasts of its presentations of interim reports and general meetings available to the general public on its website. The Company will continually strive to improve its information. In addition, the Management regularly holds meetings with analysts, investors and the media. In 2006, NORDEN participated in 45 IR-related meetings in Denmark and abroad.

NORDEN News

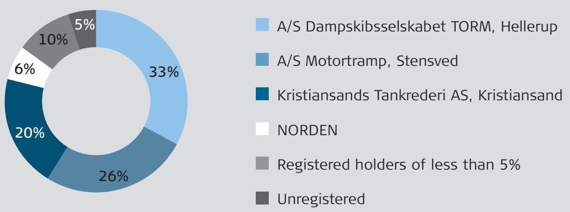
The magazine "NORDEN News" is published four times a year. The magazine gives employees, shareholders and other stakeholders an insight into the human values which are an essential part of NORDEN and is one of the things that make the Company unique. The Company's shareholders can read "NORDEN News" at the Company's website: www.ds-norden.com.

New website

In connection with the interim report for the first quarter of 2007, the Company will launch a new website. This initiative will further improve the Company's communication with its shareholders.

The Management is responsible for the Company's investor relations.
Persons responsible for the day-to-day IR tasks are:
Martin Badsted, Vice President
Peter Sand, Executive Assistant
E-mail: direktion@ds-norden.com
Telephone: +45 3315 0451

Composition of shareholders



Further information available at www.ds-norden.com.

Information about NORDEN, subscription to mailing list and an overview of stock exchange announcements in 2006 are available on www.ds-norden.com.

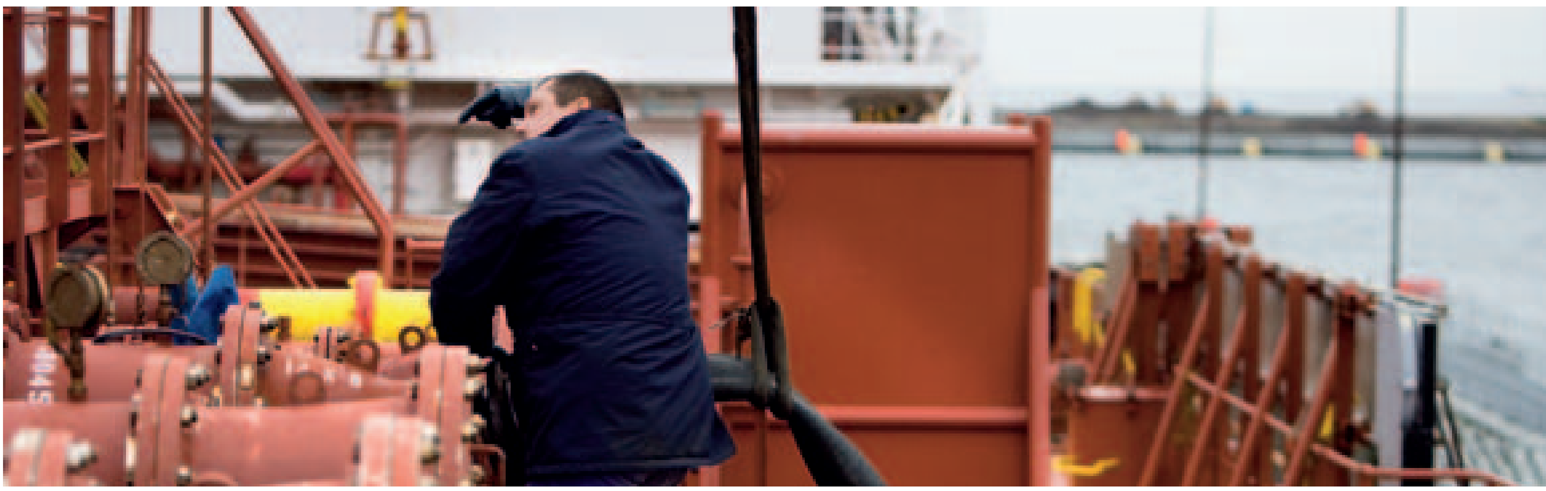
Financial calendar for 2007

25 April: Annual general meeting
1 May: Payment of dividends
24 May: Interim report for the first quarter
23 August: Interim report for the first half
29 November: Interim report for the third quarter

Proposals to be submitted at the 2007 annual general meeting

Among the proposals the Board of Directors intends to submit at the annual general meeting to be held on 25 April 2007 are the following:

- that the denomination of shares be lowered from DKK 20 to DKK 1 in order to enhance the liquidity of the share,
- that the Board of Directors be authorised to allow the Company to acquire up to 10% of the share capital at the market price prevailing at the time of acquisition plus/minus 10%, such authorisation to be valid until next year's annual general meeting,
- that the Company in future appoint only one state-authorised public accountant,
- that the Company's register of shareholder be kept by VP Investor Services A/S (VP Services A/S).



Financial review

The Company presents its financial statements in accordance with the International Financial Reporting Standards (IFRS), approved by the EU, and the additional Danish disclosure requirements for annual reports of listed companies.

No changes have been made to the accounting policies applied last year.

For additional information, please see note 1 “Accounting policies”.

Profit for the year and shareholders' equity

The Company posted a profit for the year after tax of USD 177 million (USD 336 million) including profits from the sale of 4 vessels totalling USD 55 million (USD 120 million) and a negative fair value adjustment of USD 27 million (positive USD 26 million). Before tax, the profit was USD 188 million (USD 346 million).

The result meets the expectations to the annual profit, which was USD 170-190 million including profits from the sale of vessels totalling USD 56 million and a fair value adjustment of certain hedging instruments of USD -21 million.

Equity amounted to USD 714 million (USD 611 million), equalling a 17% increase, which is specified as follows:

Change in equity	USD million
Equity at 1 January 2006	611
Profit for the year	177
Write-down of acquisition of treasury shares	-4
Sale of treasury shares	1
Value adjustment of hedging instruments and securities	3
Dividend paid	-75
Share-based payment	1
Equity at 31 December 2006	**714**

Activities and profitability

Revenue, in the form of freight income, declined by USD 62 million to USD 1,234 million, a 5% decrease, which is attributable to lower freight rates in both of the Company's segments. The activity level measured in ship days was slightly up in both segments.

Dry cargo

In dry cargo, the activity level in terms of ship days was 6% up in 2006. Freight income totalled USD 1,102 million, slightly lower than the previous year.

The Dry Cargo Department's EBIT was USD 170 million including a USD 55 million profit from the sale of vessels (USD 239 million, of which profits from the sale of vessels constituted USD 80 million).

Tankers

The Tanker activity in terms of ship days was up by 3% on the previous year. Tanker freight income rose by USD 8 million to USD 132 million.

The Tanker Department did not sell any vessels in 2006.

The Tanker Department's EBIT was a profit of USD 41 million (USD 97 million). In 2005, the amount included profits from the sale of vessels of USD 48 million, USD 8 million of which are recognised in ”Result of joint venture”.

Financials

Financial income amounted to USD 20 million (USD 4 million). The increase is due to higher interest income as well as exchange rate gains on translation to other currencies than USD, primarily DKK.

Financial expenses amounted to USD 7 million (USD 12 million). The decrease is explained by last year's unrealised exchange rate loss of USD 7 million. Interest expenses increased due to the raising of loans in connection with purchase of vessels.

Fair value adjustment of certain hedging instruments

The fair value adjustment of derivative financial instruments that do not qualify for hedge accounting under IFRS represented a cost of USD 27 million (gain of USD 26 million), of which USD -15 million relates to Forward Freight Agreements (FFAs) and USD -12 million relate to bunker hedging contracts.

The item covers value adjustments of realised contracts in 2006 which were recognised in 2005 and value adjustments of unrealised contracts regarding 2007-2009. For further specification, see note 12 to the financial statements.

Tax on the profit for the year

The Company's taxable income comprises income related to shipping activities as computed in accordance with the Danish Tonnage Tax Act and other income computed in accordance with the general tax rules.

Income calculated in accordance with the Tonnage Tax Act comprises both taxable income calculated on the basis of the tonnage employed by the Company during the year and profits from the sale of vessels.

Other income is based on the taxable income for the individual activity, calculated as the difference between the taxable income and the deductible costs.

Tax on the profit for the year amounted to USD 11 million (USD 10 million), primarily relating to tax on the profits from the sale of vessels.

Vessels

The Company took delivery of 5 owned bulkcarriers and 3 owned tankers in 2006. In 2006, 4 sold vessels were delivered.

Value of vessels

The Company's vessels are recognised in the balance sheet at cost less accumulated depreciation and impairment.

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

To accomodate the evaluation of the carrying amount of the vessels, the Company regularly has its vessels valued by three independent brokers.

Average broker valuations of the Group's fleet and orders for 14 newbuildings were assessed to have an added value, including charter parties, of some USD 440 million at 31 December 2006 over their carrying amounts and the expected newbuilding prices.

Balance sheet

Assets

The Company's total assets at 31 December 2006 amounted to USD 961 million, representing an increase of USD 139 million or 17%.

Non-current assets increased by USD 121 million to USD 483 million, primarily from addition of new tonnage.

Current assets were up by USD 18 million to USD 478 million, primarily as a result of increased funds tied up in freight receivables and inventories. Inventories rose because the number of owned vessels increased during the year.

Tangible assets held for sale amount to USD 18 million and relate to 1 vessel sold for delivery in the first quarter of 2007.

Equity and liabilities

The Company's equity rose by USD 102 million to USD 714 million, or by 17%. In 2006, the Company distributed dividends totalling USD 75 million, consisting of ordinary dividends for 2005 of DKK 200 per share.

The Company's liabilities rose by USD 37 million to USD 247 million.

Non-current liabilities rose from USD 69 million in 2005 to USD 132 million in 2006 as a result of loans raised in connection with purchases of vessels and prepayments on newbuildings.

Prepayments and deferred income

Prepayments amount to USD 52 million (USD 55 million) and mainly consist of prepaid T/C hire, USD 31 million (USD 22 million) and accrued value adjustment of bunker hedging contracts and forward exchange transaction, USD 15 million (USD 19 million).

Deferred income amounts to USD 31 million (USD 28 million) and mainly consist of prepaid freight and hire, USD 19 million (USD 19 million) and accrued value adjustment of bunker hedging contracts, USD 6 million (USD 0 million).

Cash flows

The Company's cash and cash equivalents increased by USD 3 million to USD 315 million in 2006. Cash and cash equivalents at year-end consisted mainly of USD bank deposits.

Operating activities contributed USD 123 million, against USD 245 million in 2005.

In 2006, USD 231 million was invested in vessels and newbuildings, and the profit from the sale of vessels was USD 146 million. Cash flows from investing activities were negative in the amount of USD 84 million.

Cash flows from financing activities were negative in the amount of USD 36 million. Of this amount, shareholder dividends represented an outflow of USD 75 million, purchase/sale of treasury shares an outflow of USD 3 million, net raising of debt an inflow of USD 48 million and other items an outflow of USD 6 million.

Signatures

Statement of the Board of Directors and Management

The Board of Directors and Management have today reviewed and approved the Annual Report of Dampskibsselskabet "NORDEN" A/S for 2006.

The Annual Report was prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies applied to be appropriate. Accordingly, the Annual Report gives a true and fair view of the financial position at 31 December 2006 of the Group and the parent company and of the results of the Group's and the parent company's operations and cash flows for the financial year 2006.

We recommend that the Annual Report be approved at the annual general meeting.

Copenhagen, 27 March 2007

Management

Carsten Mortensen
PRESIDENT

Jens Fehrn-Christensen
EXECUTIVE VICE PRESIDENT

Board of Directors

Mogens Hugo Jørgensen
CHAIRMAN

Alison J. F. Riegels
VICE CHAIRMAN

Einar K. Fredvik

Erik Gregers Hansen

Erling Højsgaard

Anton Kurt Vendelbo Christensen

Egon Christensen

Ole Clausen

Independent auditors' report

To the shareholders of Dampskibsselskabet "NORDEN" A/S
We have audited the Annual Report of Dampskibsselskabet "NORDEN" A/S for the financial year 1 January – 31 December 2006, including highlights, key figures and ratios, management's review as well as consolidated and financial statements. The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the Annual Report
Management is responsible for the preparation and fair presentation of the Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the Annual Report 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 Entity'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 Annual Report.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2006 of the Group and the parent company and of the results of the Group and parent company operations and cash flows for the financial year 1 January – 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 27 March 2007

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Per Nørgaard Sørensen
STATE AUTHORISED
PUBLIC ACCOUNTANT

Bo Schou-Jacobsen
STATE AUTHORISED
PUBLIC ACCOUNTANT

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
STATE AUTHORISED
PUBLIC ACCOUNTANT

Jørgen Skovbæk Johansen
STATE AUTHORISED
PUBLIC ACCOUNTANT


Søfart

Income statement 1 January – 31 December

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
3/4	**Revenue**	**1,234,197**	**1,296,457**	**1,185,229**	**1,239,036**
5	Other operating income	248	46	45	46
6	Vessel operating costs	-1,026,121	-1,044,273	-1,024,897	-1,032,197
7	Other external costs	-10,385	-8,602	-11,456	-10,135
8	Staff costs	-31,874	-27,706	-27,596	-22,954
	Profit before depreciation, etc. (EBITDA)	**166,065**	**215,922**	**121,325**	**173,796**
9	Profits from the sale of vessels, etc.	55,409	120,104	36,610	48,071
10	Depreciation	-20,318	-16,291	-19,022	-13,117
11	Share of results of joint ventures	1,379	8,277	-	-
	Profit from operations (EBIT)	**202,535**	**328,012**	**138,913**	**208,750**
12	Fair value adjustment of certain hedging instruments	-26,986	25,965	-26,986	25,965
13	Financial income	19,722	4,094	31,351	3,305
14	Financial costs	-7,297	-12,178	-7,441	-12,238
	Profit before tax	**187,974**	**345,893**	**135,837**	**225,782**
15	Tax on the profit for the year	-11,468	-9,557	-10,759	-9,206
	PROFIT FOR THE YEAR	**176,506**	**336,336**	**125,078**	**216,576**
	Attributable to:				
	Shareholders of NORDEN	176,394	336,018		
	Minority interests	112	318		
		176,506	**336,336**		
16	**Earnings per share (EPS)**				
	Basic earnings per share	81.33	153.36	57.67	98.85
	Diluted earnings per share	80.95	152.18	57.40	98.09

Balance sheet at 31 December – Assets

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
17	Land and buildings	3,975	4,069	3,975	4,069
18	Vessels	329,166	208,189	297,136	191,984
19	Vessels acquired under finance leases	26,808	26,808	26,808	26,808
20	Fixtures, fittings and equipment	4,177	4,786	3,676	4,420
21	Prepayments on vessels and newbuildings	97,117	95,557	12,511	32,190
	Tangible assets	**461,243**	**339,409**	**344,106**	**259,471**
22	Investments in subsidiaries	-	-	17,967	17,615
23	Investments in joint ventures	17,532	18,338	1,270	3,644
	Financial assets	**17,532**	**18,338**	**19,237**	**21,259**
24	Other receivables	3,981	3,850	3,981	3,850
	Other non-current assets	**3,981**	**3,850**	**3,981**	**3,850**
	Non-current assets	**482,756**	**361,597**	**367,324**	**284,580**
	Inventories	26,091	21,849	25,960	21,779
25	Freight receivables	53,090	35,924	47,644	35,724
25	Receivables from joint ventures	7,320	0	2,460	0
	Company tax	39	26	39	26
25	Other receivables	3,670	13,853	1,785	11,959
	Prepayments	51,890	54,930	49,986	51,704
26	Securities	2,738	2,557	2,738	2,557
27	Cash and bank balances	314,943	312,384	258,687	285,757
		459,781	441,523	389,299	409,506
28	Tangible assets held for sale	18,014	18,411	18,014	18,411
	Current assets	**477,795**	**459,934**	**407,313**	**427,917**
	ASSETS	**960,551**	**821,531**	**774,637**	**712,497**

Balance sheet at 31 December – Equity and liabilities

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
	Share capital	7,321	7,321	7,321	7,321
29	Reserves	1,501	-1,730	1,501	-1,730
	Retained earnings	702,325	603,333	476,301	428,625
	Equity (NORDEN's shareholders)	**711,147**	**608,924**	**485,123**	**434,216**
	Minority interests	2,391	2,279	-	-
30	**Equity**	**713,538**	**611,203**	**485,123**	**434,216**
32	Bank debt	84,748	13,008	63,848	13,008
32	Danmarks Skibskredit	19,177	23,689	19,177	23,689
32	Lease liabilities	23,667	24,442	23,667	24,442
32	Prepayments received on vessels for resale	3,981	3,850	3,981	3,850
32	Deferred income	0	4,271	0	0
	Non-current liabilities	**131,573**	**69,260**	**110,673**	**64,989**
31	Provision for docking costs (bareboat)	200	416	200	416
32	Current portion of non-current debt	13,118	7,689	11,618	7,689
32	Bank debt	20,000	44,553	20,000	44,553
	Prepayments received on vessels for resale	0	3,000	0	3,000
	Trade payables	40,209	39,876	34,068	39,177
	Payables to subsidiaries	-	-	77,267	82,357
	Payables to joint ventures	0	14,552	0	14,552
	Other payables	10,485	3,020	9,943	2,631
	Deferred income	31,428	27,962	25,745	18,917
	Current liabilities	**115,440**	**141,068**	**178,841**	**213,292**
	Liabilities	**247,013**	**210,328**	**289,514**	**278,281**
	EQUITY AND LIABILITIES	**960,551**	**821,531**	**774,637**	**712,497**

Cash flow statement 1 January – 31 December

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
	Profit from operations	202,535	328,012	138,913	208,750
10	Reversed depreciation	20,318	16,291	19,022	13,117
9	Reversed profits on the sale of vessels, etc.	-55,409	-120,104	-36,610	-48,071
31	Reversed change in provision for docking costs	-216	312	-216	312
23	Reversed share of results of joint ventures	-1,379	-8,277	-	-
40	Other adjustments	-1,635	1,444	3,324	2,040
41	Change in working capital	-38,484	38,432	-37,659	153,103
	Financial payments received	16,136	4,094	10,627	3,305
	Financial payments made	-7,242	-5,522	-7,386	-5,582
	Company tax paid	-11,481	-9,996	-10,772	-9,645
	Cash flows from operating activities	**123,143**	**244,686**	**79,243**	**317,329**
18/28	Investments in vessels and vessels held for sale, excluding vessels acquired under finance leases	-94,123	-287,921	-93,994	-191,807
17/20	Investments in other tangible assets	-1,283	-1,656	-940	-1,428
23	Investments in joint ventures	-18,553	-102	-1,226	-1
23	Liquidation of joint ventures	20,738	0	20,738	0
21	Change in prepayments on newbuildings	-136,981	-47,872	-61,617	-3,554
	Proceeds from the sale of vessels	145,683	349,038	89,613	155,919
	Proceeds from the sale of other tangible assets	292	306	222	271
42	Investments in subsidiary	0	0	-352	0
	Acquisition of securities	-36	-1,709	-36	-1,709
	Sale of securities	0	22	0	22
	Cash flows from investing activities	**-84,263**	**10,106**	**-47,592**	**-42,287**
43	Dividend paid to shareholders (excl. dividend on treasury shares)	-74,542	-38,072	-74,542	-38,072
30	Acquisition of treasury shares	-4,527	-34,544	-4,527	-34,544
30	Sale of treasury shares	930	1,245	930	1,245
	Net distribution to shareholders	-78,139	-71,371	-78,139	-71,371
	Bank loans and vessel loans	100,200	29,553	77,800	29,553
	Lease payment, assets acquired under finance leases	-3,286	-3,284	-3,286	-3,284
	Instalments on/repayment of other non-current borrowings	-52,172	-32,353	-52,172	-32,353
	Change in prepayments received on vessels for resale	-2,869	1,441	-2,869	6,850
	Loan financing	41,873	-4,643	19,473	766
	Cash flows from financing activities	**-36,266**	**-76,014**	**-58,666**	**-70,605**
	Change in cash and cash equivalents for the year	**2,614**	**178,778**	**-27,015**	**204,437**
	Cash and cash equivalents at 1 January	312,384	134,982	285,757	82,696
	Exchange rate adjustments	-55	-1,376	-55	-1,376
	Change in cash and cash equivalents for the year	2,614	178,778	-27,015	204,437
27	**Cash and cash equivalents at 31 December**	**314,943**	**312,384**	**258,687**	**285,757**

Statement of changes in equity 1 January – 31 December

GROUP

Note	Amounts in USD'000	Share capital	Reserves	Retained earnings	Total	Minority interests	Total
		SHAREHOLDERS IN NORDEN					
	Equity at 1 January 2005	**7,321**	**-7,619**	**336,694**	**336,396**	**0**	**336,396**
	Changes in accounting policies on transition to IFRS	-	272	1,448	1,720	1,961	3,681
	Restated equity at 1 January 2005	**7,321**	**-7,347**	**338,142**	**338,116**	**1,961**	**340,077**
29	Value adjustment of hedging instruments	-	5,405	-	5,405	-	5,405
29	Fair value adjustment of securities	-	212	-	212	-	212
	Net gains recognised directly in equity	**0**	**5,617**	**0**	**5,617**	**0**	**5,617**
	Profit for the year	-	-	336,018	336,018	318	336,336
	Total recognised income for the year	**0**	**5,617**	**336,018**	**341,635**	**318**	**341,953**
30	Acquisition of treasury shares	-	-	-34,544	-34,544	-	-34,544
30	Sale of treasury shares	-	-	1,245	1,245	-	1,245
43	Distributed dividends	-	-	-40,036	-40,036	-	-40,036
	Dividends, treasury shares	-	-	1,964	1,964	-	1,964
39	Share-based payment	-	-	544	544	-	544
	Changes in equity	**0**	**5,617**	**265,191**	**270,808**	**318**	**271,126**
	Equity at 31 December 2005	**7,321**	**-1,730**	**603,333**	**608,924**	**2,279**	**611,203**
	Equity at 1 January 2006	**7,321**	**-1,730**	**603,333**	**608,924**	**2,279**	**611,203**
29	Value adjustment of hedging instruments	-	3,086	-	3,086	-	3,086
29	Fair value adjustment of securities	-	145	-	145	-	145
	Net gains recognised directly in equity	**0**	**3,231**	**0**	**3,231**	**0**	**3,231**
	Profit for the year	-	-	176,394	176,394	112	176,506
	Total recognised income for the year	**0**	**3,231**	**176,394**	**179,625**	**112**	**179,737**
30	Acquisition of treasury shares	-	-	-4,527	-4,527	-	-4,527
30	Sale of treasury shares	-	-	930	930	-	930
43	Distributed dividends	-	-	-78,284	-78,284	-	-78,284
	Dividends, treasury shares	-	-	3,742	3,742	-	3,742
39	Share-based payment	-	-	737	737	-	737
	Changes in equity	**0**	**3,231**	**98,992**	**102,223**	**112**	**102,335**
	Equity at 31 December 2006	**7,321**	**1,501**	**702,325**	**711,147**	**2,391**	**713,538**

See the parent company's statement of changes in equity for a description of limitations to reserves available for distribution as dividends, as detailed in notes 43 and 30.

Statement of changes in equity 1 January – 31 December

PARENT COMPANY

Note	Amounts in USD'000	Share capital	Reserves	Retained earnings	Total
	Equity at 1 January 2005	**7,321**	**-7,619**	**336,694**	**336,396**
	Changes in accounting policies on transition to IFRS	-	272	-53,818	-53,546
	Restated equity at 1 January 2005	**7,321**	**-7,347**	**282,876**	**282,850**
29	Value adjustment of hedging instruments	-	5,405	-	5,405
29	Fair value adjustment of securities	-	212	-	212
	Net gains recognised directly in equity	**0**	**5,617**	**0**	**5,617**
	Profit for the year	-	-	216,576	216,576
	Total recognised income for the year	**0**	**5,617**	**216,576**	**222,193**
30	Acquisition of treasury shares	-	-	-34,544	-34,544
30	Sale of treasury shares	-	-	1,245	1,245
43	Distributed dividends	-	-	-40,036	-40,036
	Dividends, treasury shares	-	-	1,964	1,964
39	Share-based payment	-	-	544	544
	Changes in equity	**0**	**5,617**	**145,749**	**151,366**
	Equity at 31 December 2005	**7,321**	**-1,730**	**428,625**	**434,216**
	Equity at 1 January 2006	**7,321**	**-1,730**	**428,625**	**434,216**
29	Value adjustment of hedging instruments	-	3,086	-	3,086
29	Fair value adjustment of securities	-	145	-	145
	Net gains recognised directly in equity	**0**	**3,231**	**0**	**3,231**
	Profit for the year	-	-	125,078	125,078
	Total recognised income for the year	**0**	**3,231**	**125,078**	**128,309**
30	Acquisition of treasury shares	-	-	-4,527	-4,527
30	Sale of treasury shares	-	-	930	930
43	Distributed dividends	-	-	-78,284	-78,284
	Dividends, treasury shares	-	-	3,742	3,742
39	Share-based payment	-	-	737	737
	Changes in equity	**0**	**3,231**	**47,676**	**50,907**
	Equity at 31 December 2006	**7,321**	**1,501**	**476,301**	**485,123**

Retained earnings and reserves are available for distribution as dividend, See notes 43 and 30.

Notes to the financial statements

Notes to the financial statements

1 Accounting policies

The Annual Report of Dampskibsselskabet ”NORDEN” A/S for 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) and additional Danish disclosure requirements for annual reports of listed companies.

The accounting policies are unchanged from last year. The standards entering into force for 2006 are not relevant to the Group or the parent company.

The Group's and the parent company's functional currency is USD. USD is used as the functional currency and presentation currency in the preparation of the Annual Report.

New financial reporting standards (IAS/IFRS) and interpretations (IFRIC) approved

The EU has adopted the following new financial reporting standards and interpretations, which will come into force in the Company's next financial year, and which are relevant to the Group or the parent company:

- IFRS 7 "Disclosure of financial instruments" and the changes to IAS 1 on capital disclosures are expected to require a few additional disclosures on the Group's and the parent company's financial risks and capital. The standard is effective for financial years beginning on or after 1 January 2007.

IASB has approved the following new financial reporting standards and interpretations which had not been adopted by the EU at 31 December 2006 and which are deemed to be relevant to the Group or the parent company:

- IFRS 8 "Operating segments", which is effective for financial years beginning on or after 1 January 2009. The Company will conduct a detailed analysis of the resulting changes to segment disclosures.

- IFRIC 11 "Group and treasury share transactions". The interpretation, which is effective for financial years beginning on or after 1 March 2007, is not expected to affect the Group's or the parent company's future results or equity or result in any material changes to disclosures in the annual report.

The following new interpretations (IFRIC), which will come into force in the Company's next financial year, are not relevant to the Group or the parent company:

- IFRIC 7 "Applying the Restatement Approach under IAS 29" which will become effective for financial years beginning on or after 1 March 2006.

- IFRIC 8 "Scope of IFRS 2", which is effective for financial years beginning on or after 1 May 2006.

- IFRIC 9 "Reassessment of Embedded Derivatives", which is effective for financial years beginning on or after 1 June 2006.

- IFRIC 10 "Interim Financial Reporting and Impairment", which is effective for financial years beginning on or after 1 November 2006.

- IFRIC 12 "Service Concession Arrangements", which becomes effective for financial years beginning on or after 1 August 2008.

In general

The Annual Report is prepared on the basis of the historical cost principle. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Revenue is recognised in the income statement for the financial year as earned. The determination of whether income is considered earned is based on the following criteria:

- a binding sales agreement has been made;
- the sales price has been determined;
- delivery has taken place; and
- payment has been received or may reasonably be expected to be received.

Furthermore, all costs incurred to achieve the year's revenues are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals made to reflect changed accounting estimates concerning amounts previously recognised in the income statement.

In the recognition and measurement, all matters are taken into account, including predictable risks and losses occurring prior to the presentation of the Annual Report that evidence conditions existing at the balance sheet date.

Critical choices in the accounting policies

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 on "Tangible assets" for a more detailed description of the Group's and the parent company's accounting policies. The fair value of vessels is disclosed in the note to the item "Vessels".

Significant accounting judgments and estimates

In the preparation of financial statements in accordance with IFRS, the management is required to use judgements, estimates and assumptions that may affect the accounting policies applied as well as the carrying amounts of assets and liabilities, income and expenses. These include, among other things, estimates of the useful lives of tangible assets and their scrap values, finance vs. operating leases and impairment.

Estimates and underlying assumptions are based on historical data and a number of other factors that the management considers relevant under the given circumstances.

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 solely or in the current and future periods if the change affects the current as well as future periods.

Consolidation principles

The Annual Report comprises the parent company, Dampskibsselskabet "NORDEN" A/S, and undertakings in which the parent company controls the operational and financial decisions, usually by directly or indirectly holding the majority of the voting rights (subsidiaries). In the determination of voting rights, share options exercisable by the Group at the balance sheet date are included.

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

The financial statements used in the consolidation are prepared in accordance with the Group's accounting policies. The Group's Annual Report is 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 undertakings are recognised in the consolidated financial statements from the date of acquisition using the purchase method. Undertakings divested or wound up are included in the consolidated income statement until the date of disposal. The comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Undertakings which are contractually operated jointly with one or more other undertakings (joint ventures), and which are thus jointly controlled, are recognised according to the equity method.

Leases

The Group and the parent company as lessee

Agreements to charter vessels and to lease other tangible assets where substantially all risks and rewards of ownership have been transferred to the Group and the parent company (finance leases) are recognised in the balance sheet. 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. Vessels and other tangible assets acquired under finance leases are depreciated and written down for impairment according to the same accounting policy as assets owned by the Group.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement as 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 term of the leases.

The Group and the parent company as lessor

Agreements to charter out vessels on timecharters where substantially all risks and rewards of ownership have been transferred to the lessee (finance leases) are recognised as a receivable in the balance sheet. The receivable is measured in the same way as the lease liability in cases where the Group or the parent company 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 term of the leases.

Foreign currency translation
For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency in the primary economic environment in which the individual 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 costs".

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

Exchange rate adjustments of shares denominated in foreign currencies held for sale are recognised in equity together with unrealised fair value adjustments of shares.

Derivative financial instruments
Derivative financial instruments are recognised in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognised as assets under "Other receivables" or as liabilities under "Other payables", respectively.

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

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

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

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

Determination of fair value
The fair value of listed derivative financial instruments and securities is determined as the quoted market price at the balance sheet date (the market value). Initial recognition is based on the quoted market price at the trade date. The fair value of interest rate swaps is determined as the present value of expected future cash flows. The fair value of forward exchange transactions is determined using the forward exchange rate at the balance sheet date.

In determining the fair value of unlisted derivative financial instruments and other instruments, the Group and the parent company use a variety of methods and make assessments based on market conditions at the balance sheet date. For non-current liabilities, the fair value is based on a discounted value of future cash flows. The zero-coupon rate with the addition of the undertaking's interest margin is used as discount factor. For the remaining instruments, the value of similar listed instruments is used, where possible. Where this is not possible, the fair value is based on the discounted value of future cash flows.

The fair values of financial assets and financial liabilities with a maturity of less than one year are 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 or the parent company for similar financial instruments.

Segment information

Information is specified on the Group's two business segments, tanker and dry cargo. The information is based on the Group's returns and risks and on the Group's organisation and business management, including internal financial management.

Information is not provided by geographical segment because the Group considers the global market as a whole, and the activities of the individual vessels are not limited to specific parts of the world.

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 through both direct and indirect calculation comprise "Staff costs" and "Other external costs". Parts of these items are not attributable, whether directly or indirectly, to a segment and are therefore not allocated. Items allocated by indirect calculation are allocated on the basis of allocation keys that have been defined on the basis of each segment's drawings on key resources.

Non-current segment assets consist of the assets used directly in segment operations, including "Vessels and prepayments on newbuildings" and "Investments in joint ventures". "Land and buildings", "Fixtures, fittings and equipment" and "Software" are not allocated as they are primarily used for the Group's headquarters.

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.

Segment liabilities comprise operating liabilities, including "Provision for docking costs", "Trade payables", "Payables to joint ventures" and "Other payables". Some of the liabilities are either not allocated or allocated solely by indirect allocation.

Income statement

Revenue

Revenue comprises freight income from vessels and management income. Revenue is recognised if it meets the criteria mentioned under "In general". Accordingly, freight income is recognised upon receipt of the services (percentage of completion) in accordance with the charter parties concluded, from the vessel's departure 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). For vessels operating on timecharters, the charter hire is recognised over the term of the agreement. Management income is recognised upon receipt of the services in accordance with the management agreements concluded.

For vessels operating in pools, income is recognised on a timecharter basis, i.e. after set-off of direct voyage costs, including bunker oil consumption, commissions and port charges.

Other operating income

Other operating income comprises items of a secondary nature relative to the Group's and the parent company's principal activity. The item mainly relates to the part of the Group's trading in derivative financial instruments (FFAs) that is not for hedging purposes. The item furthermore comprises rents received.

Vessel operating costs

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

Notes

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

Profits from the sale of vessels
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.

Profits from the sale of other tangible assets are also included.

Income from investments in subsidiaries and joint ventures
In the parent company's income statement, the subsidiaries' and the joint ventures' dividends are recognised in the financial year when they are declared.

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

Net financials
Financial income and costs comprise interest, financing costs of finance leases, realised and unrealised exchange rate adjustments, fair value adjustment of forward exchange contracts, market value adjustments 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 the 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 other activities. Other activities comprise letting of the Company's domicile and management income.

Balance sheet

Tangible assets
Tangible assets are measured at cost less accumulated depreciation and impairment losses. 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.

Interest costs on loans taken up directly to finance the construction of tangible assets are included in cost over the period of construction. All borrowing costs that are indirectly attributable are recognised in the income statement.

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.

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

Buildings	50 years
Vessels, incl. vessels acquired under finance leases	Max. 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.

Vessels held for sale are no longer depreciated when the scrap value (the sales value) of the vessel equals or exceeds its carrying amount.

Docking costs relating to vessels recognised in the balance sheet 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, they are reclassified to the item "Vessels".

Impairment of tangible and financial assets

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

For investments in joint ventures, the cash-generating unit is the individual joint venture, and the recoverable amount is usually determined based on value in use. The same applies to investments in the parent company's subsidiaries.

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 subsidiaries and joint ventures) it is the individual paper or investment. For vessels, the recoverable amount is usually determined based on the selling price including charter parties concluded, assessed by external brokers. For financial assets (other than investments in subsidiaries and joint ventures), the recoverable amount is also determined based on the selling price. In both cases, the selling price is used as a basis because active markets exist.

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures in the parent company financial statements are measured at the lower of cost and recoverable amount.

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

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

Inventories

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

Receivables

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

Securities

Shares and bonds available for sale are recognised under current assets at cost at the trade date and are subsequently measured at market price in respect of listed securities and at cost in respect of unlisted securities. If securities are impaired, they are written down. Value adjustments of shares are recognised in net financials when realised. Until realisation, value adjustments of listed securities are recognised in equity in the reserve for securities.

Cash and bank balances

Cash and bank balances are measured in the balance sheet at nominal value.

Tangible assets held for sale

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

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

Notes

Statement of changes in equity

Dividends

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

Treasury shares

The purchase 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 equity-settled arrangements granted after 7 November 2002 which had yet to be exercised at 1 January 2005, the fair value is measured at the grant date. 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 balance sheet date, the Group or the parent company 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 or the parent company 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".

Deferred tax

The Company entered the Danish tonnage tax regime with binding effect in a period of 10 years as from 2001. Based on NORDEN’s planned use of vessels and recovery of recaptured depreciation, respectively, the tonnage tax regime does not result in a liability, hence it does not result in any deferred tax in the balance sheet. The liability is merely a contingent tax liability. The amount of contingent tax is stated in the note “Company tax”.

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 in the income statement over the term of the loan.

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 and parent company cash flow statement

The cash flow statement shows the Group's and the parent company'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 and the parent company's cash and cash equivalents at the beginning and end of the year.

Positive amounts indicate inflows, whereas negative amounts indicate outflows.

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise marketable securities with a term of less than three months and cash.

Notes

2 Risk management

Active risk management is a cornerstone of NORDEN's strategy to ensure stable, high earnings. The shipping industry is highly sensitive to market fluctuations, which can be seen from the at times severe fluctuations in freight rates and tonnage prices.

The overall risk management objective is to reduce the sensitivity of the Company's earnings to cyclical fluctuations. The overall guidelines for financial and commercial risk management are set out annually by the Board of Directors. The framework for the risk management is conservative and is handled by the Company's Finance Department in collaboration with the commercial departments, which report to the Board of Directors and the Management monthly.

Chartering vessels implies a risk as the Company assumes a liability to pay T/C hire for an agreed period of time. The risk is less than that associated with the purchase of a vessel, however, as the Company charters vessels for a limited period of their economic lives only.

NORDEN's risk management is unchanged from last year.

The Company is particularly sensitive to the following risks:

Commercial risks:
- The risk of fluctuations in the prices of vessels.
- The risk of fluctuations in freight rates and oil prices.

Financial risks:
- Solvency risk – The risk of an undesirable proportion of equity to net liabilities.
- Liquidity risk – The risk of insolvency due to insufficient cash reserves.
- Currency risk – The risk of losses due to changes in exchange rates.
- Interest rate risk – The risk of losses due to changes in interest rates.
- Counterparty risk – The risk of losses due to the default of business counterparts.

Other risks:
- The risk of incidents involving the Company's owned vessels.
- The risk of a lack of IT functionality.
- The risk of not being able to attract and retain key staff.

Commercial risks

Purchase and sales price fluctuations
The ongoing expansion of the fleet of owned vessels is associated with certain risks, particularly in relation to changes in the value of the vessels.

At the end of 2006, the Company held purchase options for 71 vessels (56 vessels). Risk is associated with the exercise of these options, in that the market value of the vessels may drop subsequent to acquisition. The risk is judged to be limited at the time being, however, as the majority of the options were entered into on favourable terms in lower freight markets. The Company's newbuilding programme was also entered into on favourable terms.

Freight rate fluctuations
The Company manages commercial risk from fluctuations in freight rates and imbalances in the ratio of cargo-to-cargo capacity (vessels) on a general level by employing some of its vessels on fixed-term COAs and timecharters.

One way of covering is to enter into COAs, which typically have a term of twelve months, although certain contracts have terms of several years. At the end of 2006, the value of future COAs corresponded to freight income of USD 288 million (USD 228 million). Most of the contracts cover 2007 and 2008, but a few of them run to 2009. For more information, see note 36 "COAs and operating lease income".

NORDEN also uses FFAs to supplement the actual, long-term employment of the vessels. They typically run twelve months forward and are used when physical alternatives are more expensive or unattainable. At the end of 2006, the Company had sold FFAs with a contract value of approximately USD 35 million net up to and including 2007. At year-end 2005, the Company had sold FFAs amounting to USD 47 million net. For further information, see note 37 "Financial instruments".

As mentioned above, the Company uses the FFA market to cover future physical positions, but the Company also sees a potential in using its knowledge of the market to take more controlled positions in the FFA market, independently of the Company's portfolio of vessels.

This new activity is handled by the company NORDEN Derivatives A/S, which is a wholly owned subsidiary of the Company.

The activity will be controlled within clearly defined limits which, among other things, mean that:

- Contracts may only be entered into in the Panamax and Handymax segments.
- Individual contracts may not exceed 6 months' duration.
- The expiry date of the contracts must be within the coming twelve months.
- The maximum net risk may not exceed 36 months.
- The maximum net risk with individual counterparties may not exceed 24 months.
- The company has introduced a stop/loss strategy.

Oil price fluctuations

The Company hedges its expected future bunkers (fuel for the vessels) requirements to eliminate the risk of future oil price fluctuations. The Company uses so-called bunker hedging contracts, which lock in the price of the part of the bunker requirement related to loading contracts for a fixed period. At the end of 2006, NORDEN had purchased bunker hedging contracts for USD 66 million covering the period 2006-2009 (USD 54 million). For further information, see note 37 "Financial instruments".

Financial risks

NORDEN's risk model, which is central to the financial risk management, comprises the following:

Net liabilities

The risk of the Company's net liabilities exceeding the maximum established by the Board of Directors in proportion to equity is measured by current calculation of the net present value of total net liabilities. Net liabilities are defined as the present value of future payments in respect of, among other things, timecharters excluding daily operating costs, lenders and shipyards, less expected known freight payments received excluding daily operating costs and cash and cash equivalents.

Net present values

At 31 December in USD million	2006	2005
Future payments	-1,917	-1,372
Expected known payments received including cash and cash equivalents	936	890
Net liabilities	-981	-482

The unrecognised gross liabilities are disclosed in notes 33 "Operating lease liabilities" and 34 "Other contingent liabilities".

The Board of Directors regularly assesses the Company's net liabilities and defines upper limits based on market outlook. The limit for 2006 was that the present value of total net liabilities was at no time to be more than double the equity. For now, the limit for 2007 is unchanged. At the end of 2006, net liabilities equalled 1.4 times equity (0.8 times).

Cash reserves

In order to ensure a strong buffer, the Company has decided that cash should at all times at least equal the Company's payment obligations one year ahead. The size of these obligations is continuously calculated and adjusted to ensure that the buffer remains intact. At the end of 2006, cash amounted to USD 315 million (USD 312 million).

Foreign exchange risk

The Company's functional currency is USD, as the majority of the Company's transactions are in this currency. Accordingly, the Company records and reports amounts in USD.

The Company endeavours to match expenses against income and liabilities against assets by denominating as many expenses and liabilities as possible in USD. The actual foreign exchange risk is thus limited to those cash flows that are not denominated in USD, primarily administrative expenses (wages and salaries), certain commercial payments and shareholder dividends. For 2007, these payments are expected to total about USD 66 million (excluding dividends). The Company hedges these payments for a period of between 6-24 months, depending on the development of the USD exchange rate. At the end of

2006, the Company had sold USD forward in the total amount of USD 50 million at an average USD/DKK rate of 6.22, equalling approximately twelve months' payments. In addition, the Company has bought JPY 3,648 million in connection with the exercise of purchase options for 2 vessels. For further information, see note 37 "Financial instruments".

Interest rate risks

The shipping industry is capital intensive, and the interest to be paid on the financing of vessels can have a significant impact on earnings. All loans to finance vessels are raised in USD and usually constitute 60-80% of the total investment in a vessel. The repayment profile on loans is usually equivalent to at least half of the expected useful life of the vessel.

As there seems to be no clear correlation between freight rates and vessel prices on the one hand and US interest rates on the other, it is Company policy to lock the interest rate for the entire loan portfolio for a period of between two and six years. The interest rate is normally locked for each vessel loan individually on the basis of the degree and term of financing, the loan repayment profile, the duration of the vessel's fixed employment, anticipated sale, the interest rate level and the yield curve.

The Company's interest rate risk on non-current debt has been hedged for a period of 2.7 years at an interest rate of 4.30% including the lenders' margin.

In recent years, the Company has chosen to purchase vessels for cash and only finance purchases if it is able to obtain highly favourable financing terms. It is the Company's assessment that it is not attractive to mortgage vessels as an investment. This is due to the costs of mortgaging vessels and the risk/return ratio currently prevailing in the financial markets.

In 2006, the Group raised loans on vessels in a nominal amount of USD 80 million (USD 0 million) at highly attractive terms in connection with purchases of vessels.

In 2007, the Company will continue to place excess liquidity in bank deposits and liquid interest-bearing instruments of short duration and low credit risk.

Counterparty risk

The Company's counterparty risk primarily comprises freight receivables, prepaid T/C hire, prepayments to shipyards on newbuildings, cash deposits in bank accounts, forward sales of foreign currencies; interest rate swaps; oil swaps; forward freight agreements and port charges.

These items are included in the balance sheet at amounts corresponding to the maximum credit risk as of the balance sheet date.

The Company's counterparty risks are limited. Financial instruments and commodity instruments are only entered into with major banks with a high credit rating and with large, well-known, reputable partners with a satisfactory credit rating. See also note 37 "Financial instruments". The risk on customers is limited by such measures as systematic assessment of customers' credit rating and reputation and limits as to the size and duration of the Company's engagements with new, unknown customers.

Other risks

Insurance

If an incident involving a vessel causes a spill of environmentally hazardous material, the Company may incur considerable liabilities. The Company minimises this risk by operating a modern fleet and by investing large amounts in the maintenance of the vessels and in the staff's awareness of both external and internal environments. The Company's fleet is insured by recognised international insurance companies at competitive premiums and the vessels are always insured for an amount higher than their market values.

IT

Since mid-2005, the IT Department has established a technical emergency capacity with an IT environment distributed on two locations with twinned critical systems. This emergency capacity is consistent with the management's chosen alert level, which is to be able to ensure emergency operation within 4, 24 or 168 hours, depending on the system.

Also, the Company has established an IT Disaster Recovery Plan involving the entire organisation, which supports the IT Department in setting up emergency operations as soon as possible after a disaster.

Recruiting and retaining key employees

NORDEN relies heavily on key employees and the Company needs to be able to attract and retain competent employees. The Company believes that the packages it offers to its executives and staff are sufficiently attractive to rise to this challenge.

Notes

Note	Amounts in USD'000	Dry cargo	Tankers	Not allocated	Group total
3	**Segment information 2006**				
	Revenue – external	**1,101,987**	**132,210**	**0**	**1,234,197**
	Other operating income	203	0	45	248
	Vessel operating costs	-952,347	-73,774	0	-1,026,121
	Other external costs	-7,171	-1,176	-2,038	-10,385
	Staff costs	-17,153	-9,202	-5,519	-31,874
	Profit before depreciation, etc. (EBITDA)	**125,519**	**48,058**	**-7,512**	**166,065**
	Profits from the sale of vessels, etc.	55,397	0	12	55,409
	Depreciation	-10,686	-8,140	-1,492	-20,318
	Share of results of joint ventures	-74	1,453	0	1,379
	Profit from operations (EBIT)	**170,156**	**41,371**	**-8,992**	**202,535**
	Vessels	180,348	175,626	0	355,974
	Prepayments on newbuildings	88,607	8,510	0	97,117
	Other tangible assets	1,154	0	6,998	8,152
	Investments in joint ventures	17,352	180	0	17,532
	Other receivables	0	3,981	0	3,981
	Non-current assets	**287,461**	**188,297**	**6,998**	**482,756**
	Current assets	**140,490**	**19,624**	**317,681**	**477,795**
	- hereof tangible assets held for sale	18,014	0	0	18,014
	ASSETS	**427,951**	**207,921**	**324,679**	**960,551**
	Non-current liabilities	0	3,981	127,592	131,573
	Current liabilities	73,980	7,135	34,325	115,440
	LIABILITIES	**73,980**	**11,116**	**161,917**	**247,013**
	Investments in tangible assets	39,643	54,480	1,283	95,406
	Investments in joint ventures	17,327	1,226	0	18,553
	Average number of employees, excluding employees on timecharter vessels	244	175	10	429
	Profit margin	15%	31%	-	16%
	Return on assets	40%	20%	-	21%

Material non-cash expenses included in the segment results other than depreciation solely consist in activity-specific fluctuations in trade payables, other payables and do not consist of such non-recurring material expenses as provisions, bonuses, bad debts, etc.

Note	Amounts in USD'000	Dry cargo	Tankers	Not allocated	Group total
3	**Segment information 2005**				
	Revenue – external	**1,171,917**	**124,540**	**0**	**1,296,457**
	Other operating income	0	0	46	46
	Vessel operating costs	-985,643	-58,630	0	-1,044,273
	Other external costs	-6,433	-673	-1,496	-8,602
	Staff costs	-14,759	-8,105	-4,842	-27,706
	Profit before depreciation, etc. (EBITDA)	**165,082**	**57,132**	**-6,292**	**215,922**
	Profits from the sale of vessels, etc.	79,773	40,313	18	120,104
	Depreciation	-5,535	-9,038	-1,718	-16,291
	Share of results of joint ventures	-3	8,280	0	8,277
	Profit from operations (EBIT)	**239,317**	**96,687**	**-7,992**	**328,012**
	Vessels	132,589	102,408	0	234,997
	Prepayments on newbuildings	41,018	54,539	0	95,557
	Other tangible assets	1,367	0	7,488	8,855
	Investments in joint ventures	98	18,240	0	18,338
	Other receivables	0	3,850	0	3,850
	Non-current assets	**175,072**	**179,037**	**7,488**	**361,597**
	Current assets	**107,435**	**37,558**	**314,941**	**459,934**
	- hereof tangible assets held for sale	18,411	0	0	18,411
	ASSETS	**282,507**	**216,595**	**322,429**	**821,531**
	Non-current liabilities	4,271	3,850	61,139	69,260
	Current liabilities	66,438	22,388	52,242	141,068
	LIABILITIES	**70,709**	**26,238**	**113,381**	**210,328**
	Investments in tangible assets	286,244	1,677	1,656	289,577
	Investments in joint ventures	101	1	0	102
	Average number of employees, excluding employees on timecharter vessels	181	155	10	346
	Profit margin	20%	78%	-	25%
	Return on assets	85%	45%	-	40%

Material non-cash expenses included in the segment results other than depreciation solely consist in activity-specific fluctuations in trade payables, other payables and do not consist of such non-recurring material expenses as provisions, bonuses, bad debts, etc.

Notes

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
4	**Revenue**				
	Dry cargo				
	Freight income – owned vessels	56,982	38,622	50,864	27,073
	Freight income – chartered vessels	1,044,855	1,132,848	1,002,155	1,094,002
	Commercial management income	150	447	0	0
		1,101,987	**1,171,917**	**1,053,019**	**1,121,075**
	Tankers				
	Freight income – owned vessels	51,972	48,663	51,972	42,196
	Freight income – chartered vessels	80,238	74,121	80,238	74,121
	Commercial management income	0	1,756	0	1,644
		132,210	**124,540**	**132,210**	**117,961**
		1,234,197	**1,296,457**	**1,185,229**	**1,239,036**
5	**Other operating income**				
	Result of derivatives trading	203	0	0	0
	Rental income	45	46	45	46
		248	**46**	**45**	**46**
	For information on management of risk and financial instruments, see notes 2 and 37, respectively.				
6	**Vessel operating costs**				
	Charter hire for vessels chartered for less than one year	458,530	531,642	544,630	549,053
	Charter hire for vessels chartered for more than one year	272,247	248,602	190,699	225,978
	Bunker oil	136,705	108,627	135,442	106,863
	Other voyage costs	137,639	138,975	135,052	137,166
	Other operating costs	21,000	16,427	19,074	13,137
		1,026,121	**1,044,273**	**1,024,897**	**1,032,197**
7	**Fees to auditors appointed at the annual general meeting**				
	"Other external costs" include total fees to audit firms for the past financial year:				
	KPMG	175	186	117	153
	PricewaterhouseCoopers	271	201	271	201
	Including non-audit services of:				
	KPMG	60	102	50	102
	PricewaterhouseCoopers	177	133	177	133

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
8	**Staff costs**				
	Wages and salaries	28,641	25,098	24,744	20,797
	Pensions, defined contribution plans	1,716	1,318	1,716	1,318
	Other social security costs	780	746	443	295
	Share-based payment	737	544	693	544
		31,874	**27,706**	**27,596**	**22,954**
	Average number of employees, excluding employees on timecharter vessels	429	346	393	266

Salaries for 2006 include two months' extra salary to all employees (2005: four months' salary to a number of employees).

GROUP

	2006			2005		
	Parent company Board of Directors	Parent company Management	Other executives	Parent company Board of Directors	Parent company Management	Other executives
Salaries	504	2,926	3,395	607	3,335	4,349
Pensions – defined contribution plans	0	0	185	0	0	173
Other social security costs	0	1	11	0	0	7
Share-based payment	10	182	254	25	58	73
	514	**3,109**	**3,845**	**632**	**3,393**	**4,602**

PARENT COMPANY

	2006			2005		
	Board of Directors	Management	Other executives	Board of Directors	Management	Other executives
Salaries	504	2,926	2,229	607	3,335	3,197
Pensions – defined contribution plans	0	0	114	0	0	118
Other social security costs	0	1	1	0	0	4
Share-based payment	10	182	236	25	58	59
	514	**3,109**	**2,580**	**632**	**3,393**	**3,378**

Management and a number of executives are covered by bonus and severance schemes. The bonus schemes are tied to predetermined performance targets after tax at group and department level. Parts of the bonuses awarded in 2006 are conditional on employment continuing in 2007-2009 and will be recognised in those years. For a more detailed description of the bonus schemes, see the "Remuneration policy" section of the management's review.

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

See note 39, which comprises a description of share-based payment.

Notes

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
9	**Profits from the sale of vessels, etc.**				
	Profit from the sale of vessels	55,397	94,658	36,594	48,055
	Profit from the sale of newbuildings on delivery	0	25,428	0	0
	Profit from the sale of fixtures, fittings and equipment	12	18	16	16
		55,409	**120,104**	**36,610**	**48,071**
10	**Depreciation**				
	Vessels	18,612	13,492	17,450	10,429
	Vessels acquired under finance leases	0	1,080	0	1,080
	Buildings	94	92	94	92
	Fixtures, fittings and equipment	1,612	1,627	1,478	1,516
		20,318	**16,291**	**19,022**	**13,117**
11	**Share of results of joint ventures**				
	Norient Product Pool A/S, Denmark	-320	-247		
	Nortide Shipping Ltd., Bermuda	1,496	8,527		
	Nortide Shipping Ltd. III., Bermuda	277	-		
	Norient Cyprus Ltd., Cyprus	0	0		
	ANL Maritime Services Pte Ltd., Singapore	14	-3		
	Nord Summit Pte. Ltd., Singapore	-88	-		
	Nord Empros I Pte. Ltd., Singapore	0	-		
	Nord Empros II Pte. Ltd., Singapore	0	-		
	Nord Empros III Pte. Ltd., Singapore	0	-		
		1,379	**8,277**		
	Including profits from the sale of vessels	0	0		

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
12	**Fair value adjustment of certain hedging instruments**				
	Fair value adjustment of derivative financial instruments that do not qualify for hedge accounting amounts to:				
	Bunker hedging:				
	2006	2,384	7,499	2,384	7,499
	2007	-3,765	6,057	-3,765	6,057
	2008	-234	479	-234	479
	2009	-258	655	-258	655
		-1,873	14,690	-1,873	14,690
	Realised fair value adjustment reclassified to "Vessel operating costs"	-9,883	-	-9,883	-
		-11,756	**14,690**	**-11,756**	**14,690**
	Forward Freight Agreements:				
	2006	-13,047	11,275	-13,047	11,275
	2007	-3,955	0	-3,955	0
		-17,002	11,275	-17,002	11,275
	Realised fair value adjustment reclassified to "Revenue"	1,772	-	1,772	-
		-15,230	**11,275**	**-15,230**	**11,275**
	Fair value adjustment at 31 December	**-26,986**	**25,965**	**-26,986**	**25,965**

In addition to the above fair value adjustments, fair value adjustments of hedging instruments entered into before 31 December 2004 relating to 2007 and future years are recognised in equity up to the realisation date in accordance with the transitional provision in IFRS 1. For 2006, the amount is USD 1,652 thousand (2005: USD 524 thousand). See also the description in note 1 "Accounting policies".

13	**Financial income**				
	Dividends	282	5	282	5
	Interest income	13,490	4,089	7,960	3,300
	Exchange rate adjustments	5,950	0	5,971	0
	Dividends from joint ventures	0	0	17,138	0
		19,722	**4,094**	**31,351**	**3,305**
14	**Financial costs**				
	Interest costs, non-current debt, etc.	7,297	4,978	7,441	5,045
	Exchange rate adjustments	0	7,200	0	7,193
		7,297	**12,178**	**7,441**	**12,238**

Notes

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
15	**Taxation**				
	Tax on the profit for the year	12,328	10,253	11,619	9,902
	Adjustment of tax regarding previous years	-860	-696	-860	-696
	Tax for the year	**11,468**	**9,557**	**10,759**	**9,206**
	which is broken down as follows:				
	Profit before tax	187,974	345,893	135,837	225,782
	of which under the tonnage tax scheme	-135,791	-223,790	-135,791	-223,790
		52,183	122,103	46	1,992
	Calculated tax of this, 28% (2005: 28%)	14,611	34,189	13	558
	Higher/lower tax rate in subsidiaries	-13,889	-33,280	0	0
	Profits from the sale of vessels	9,887	7,730	9,887	7,730
		10,609	**8,639**	**9,900**	**8,288**
	Tonnage tax	1,719	1,614	1,719	1,614
		12,328	**10,253**	**11,619**	**9,902**
	The Company joined the tonnage tax scheme on 1 January 2001 for a binding period of 10 years.				
	Contingent tax under the tonnage tax scheme	16,311	16,606	16,311	16,606
	Contingent tax is calculated at 28% (2005: 28%) equalling the current tax rate.				
	If the Company's net investments in vessels decrease noticeably or if the Company is wound up, the contingent tax from before the Company joined the tonnage tax scheme will crystallise.				
16	**Earnings per share (EPS)**				
	Basic				
	Profit for the year for NORDEN's shareholders	176,394	336,018	125,078	216,576
	Weighted average number of shares (thousand)	2,169	2,191	2,169	2,191
	Earnings per share (USD per share)	**81.33**	**153.36**	**57.67**	**98.85**
	Diluted				
	Weighted average number of shares (thousand)	2,169	2,191	2,169	2,191
	Adjusted for:				
	share options (thousand)	10	17	10	17
	Weighted average number of shares for diluted earnings per share (thousand)	2,179	2,208	2,179	2,208
	Diluted earnings per share (USD per share)	**80.95**	**152.18**	**57.40**	**98.09**

		GROUP		PARENT COMPANY	
Note	Amounts in USD'000	2006	2005	2006	2005
17	**Land and buildings**				
	Cost at 1 January	4,436	4,429	4,436	4,429
	Additions for the year	0	7	0	7
	Cost at 31 December	4,436	4,436	4,436	4,436
	Depreciation at 1 January	-367	-275	-367	-275
	Depreciation for the year	-94	-92	-94	-92
	Depreciation at 31 December	-461	-367	-461	-367
	Carrying amount at 31 December	**3,975**	**4,069**	**3,975**	**4,069**
18	**Vessels**				
	Cost at 1 January	237,232	207,263	219,269	160,192
	Transferred during the year from prepayments on vessels and newbuildings	113,389	84,833	80,910	0
	Transferred during the year to tangible assets held for sale	-55,297	-17,638	-37,334	-17,638
	Additions for the year	77,588	198,730	77,459	191,807
	Disposals for the year	-3,141	-235,956	-3,141	-115,092
	Cost at 31 December	369,771	237,232	337,163	219,269
	Depreciation at 1 January	-29,043	-28,015	-27,285	-25,186
	Depreciation for the year	-18,612	-13,492	-17,450	-10,429
	Reversed depreciation on vessels disposed of	3,141	11,362	3,141	7,228
	Reversed depreciation on tangible assets held for sale	3,909	1,102	1,567	1,102
	Depreciation at 31 December	-40,605	-29,043	-40,027	-27,285
	Carrying amount at 31 December	**329,166**	**208,189**	**297,136**	**191,984**
	Amount insured in USD million	814.2	455.3	763.9	415.4
	Brokers' valuations in USD million, including vessels held for sale	654.2	342.4	609.3	317.5
	See note 35 for security provided for vessels.				
19	**Vessels acquired under finance leases**				
	Cost at 1 January	30,000	30,000	30,000	30,000
	Cost at 31 December	30,000	30,000	30,000	30,000
	Depreciation at 1 January	-3,192	-2,112	-3,192	-2,112
	Depreciation for the year	0	-1,080	0	-1,080
	Depreciation at 31 December	-3,192	-3,192	-3,192	-3,192
	Carrying amount at 31 December	**26,808**	**26,808**	**26,808**	**26,808**
	Brokers' valuations in USD million	40.0	42.0	40.0	42.0

Notes

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
20	**Fixtures, fittings and equipment**				
	Cost at 1 January	8,541	7,869	7,964	7,403
	Additions for the year	1,283	1,649	940	1,421
	Disposals for the year	-968	-977	-864	-860
	Cost at 31 December	8,856	8,541	8,040	7,964
	Depreciation at 1 January	-3,755	-2,817	-3,544	-2,633
	Depreciation for the year	-1,612	-1,627	-1,478	-1,516
	Reversed depreciation on assets disposed of	688	689	658	605
	Depreciation at 31 December	-4,679	-3,755	-4,364	-3,544
	Carrying amount at 31 December	**4,177**	**4,786**	**3,676**	**4,420**
21	**Prepayments on vessels and newbuildings**				
	Cost at 1 January	95,557	42,477	32,190	30,511
	Additions for the year	136,981	137,063	61,617	4,793
	Disposals for the year	-21,966	0	-320	-1,239
	Transferred during the year to vessels	-113,389	-82,108	-80,910	0
	Transferred during the year to other items	-66	0	-66	0
	Transferred during the year to tangible assets held for sale	0	-1,875	0	-1,875
	Carrying amount at 31 December	**97,117**	**95,557**	**12,511**	**32,190**
	Brokers' valuations in USD million	432.0	356.7	49.2	181.2

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
22	**Investments in subsidiaries**				
	Cost at 1 January	-	-	17,615	17,615
	Additions for the year	-	-	352	0
	Cost at 31 December	-	-	17,967	17,615
	Carrying amount at 31 December	**-**	**-**	**17,967**	**17,615**
	Consolidated subsidiaries comprise:	Ownership	Ownership		
	"NORDEN" Tankers & Bulkers Pte. Ltd., Singapore	100%	100%		
	"NORDEN" Tankers & Bulkers Inc., USA	100%	100%		
	"NORDEN" Tankers & Bulkers Ltd., Brazil	100%	100%		
	"NORDEN" Tankers & Bulkers Pvt. Ltd., India	100%	100%		
	Nordhval Pte. Ltd., Singapore	100%	100%		
	Nordholm Pte. Ltd., Singapore	100%	100%		
	Nordafrika Pte. Ltd., Singapore	100%	100%		
	Normit Shipping S.A., Panama	51%	51%		
	NORDEN Derivatives A/S, Denmark	100%	-		
	Guarantees relating to subsidiaries	-	-	679,031	283,180
	No significant restrictions apply to distributions from subsidiaries.				
23	**Investments in joint ventures**				
	Cost at 1 January	3,745	3,643	3,644	3,643
	Additions for the year	18,553	102	1,226	1
	Disposals for the year	-3,600	0	-3,600	0
	Cost at 31 December	18,698	3,745	1,270	3,644
	Value adjustments at 1 January	14,593	6,316	-	-
	Share of results for the year	1,379	8,277	-	-
	Reversed value adjustment on disposals for the year	-17,138	0	-	-
	Value adjustments at 31 December	-1,166	14,593	0	0
	Carrying amount at 31 December	**17,532**	**18,338**	**1,270**	**3,644**

Liquidation of joint ventures, USD 20.7 million, of which dividends represent USD 17.1 million.

Notes

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
23	**Investments in joint ventures – continued**				
	The carrying amount is specified as follows:				
	Nortide Shipping II Ltd., Bermuda	-	18,443	-	3,600
	Nortide Shipping III Ltd., Bermuda	-23	-	500	-
	Norient Product Pool A/S, Denmark	202	-204	769	43
	Norient Cyprus Ltd., Cyprus	1	1	1	1
	ANL Maritime Services Pte. Ltd., Singapore	112	98	0	-
	Nord Summit Pte. Ltd., Singapore	11,085	-	0	-
	Nord Empros I Pte. Ltd., Singapore	2,340	-	0	-
	Nord Empros II Pte. Ltd., Singapore	2,340	-	0	-
	Nord Empros III Pte. Ltd., Singapore	1,475	-	0	-
		17,532	**18,338**	**1,270**	**3,644**
	Guarantees regarding joint ventures	50,095	0	0	0
	Liabilities regarding joint ventures	36,365	0	0	0
	Investments in joint ventures comprise:	Ownership	Ownership	Ownership	Ownership
	Nortide Shipping Ltd., Bermuda	-	50%	-	50%
	Nortide Shipping III Ltd., Bermuda	50%	-	50%	-
	Norient Product Pool A/S, Denmark	50%	50%	50%	50%
	Norient Cyprus Ltd., Cyprus	50%	50%	50%	50%
	ANL Maritime Services Pte. Ltd., Singapore	50%	50%	-	-
	Nord Summit Pte. Ltd., Singapore	50%	-	-	-
	Nord Empros I Pte. Ltd., Singapore	50%	-	-	-
	Nord Empros II Pte. Ltd., Singapore	50%	-	-	-
	Nord Empros III Pte. Ltd., Singapore	50%	-	-	-
	Key figures (100%) for joint ventures:				
	Revenue and other income	13,747	24,517	13,493	24,431
	Costs	10,051	7,962	9,642	7,870
	Non-current assets	25,117	2,325	3,005	2,150
	Current assets	7,182	6,414	6,655	6,373
	Non-current liabilities	800	0	800	0
	Current liabilities	6,807	8,717	6,572	8,413

No significant restrictions apply to distributions from joint ventures.

In addition, the Group and the parent company participate in normal profit sharing agreements (joint venture operations). No contingent liabilities or contribution requirements are related to joint ventures or profit sharing agreements.

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
24	**Other receivables**				
	Non-current "Other receivables":				
	Carrying amount	3,981	3,850	3,981	3,850
	Fair value	3,981	3,850	3,981	3,850
	Maturities:				
	Between 1 and 5 years:	3,981	3,850	3,981	3,850
		3,981	**3,850**	**3,981**	**3,850**
	Receivables carry a floating rate of interest.				
25	**Receivables**				
	All receivables are expected to be realised within one year and carry no interest. The receivables have not been written down. The fair value equals the carrying amount.				
26	**Securities**				
	Shares	2,738	2,557	2,738	2,557
		2,738	**2,557**	**2,738**	**2,557**
27	**Cash and bank balances**				
	Current bank deposits	314,858	312,291	258,602	285,664
	Other cash	85	93	85	93
		314,943	**312,384**	**258,687**	**285,757**
	Weighted average interest rate on current bank deposits, year-end	5%	4%	5%	4%
	Current bank deposits at year-end have an average term of	6 days	7 days	6 days	7 days
	As security for current accounts with Norwegian Future and Options Clearing House (NOS) and London Clearing House, cash has been lodged in the amount of	6,177	1,346	6,177	1,346
28	**Tangible assets held for sale**				
	Carrying amount at 1 January	18,411	7,083	18,411	0
	Additions for the year from prepayments on vessels and newbuildings	0	1,875	0	1,875
	Additions for the year to tangible assets held for sale	16,535	0	16,535	0
	Additions for the year from vessels	51,388	16,536	35,767	16,536
	Transferred during the year to vessels	0	-2,725	0	0
	Disposals for the year	-68,320	-4,358	-52,699	0
	Carrying amount at 31 December	**18,014**	**18,411**	**18,014**	**18,411**
	Brokers' valuations in USD million	37.7	29.7	37.7	29.7

Tangible assets held for sale comprise 1 vessel for delivery in the first quarter of 2007.

Notes

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
29	**Reserves**				
	Securities:				
	Fair value adjustment at 1 January	484	272	484	272
	Fair value adjustment for the year	145	212	145	212
	Fair value adjustment at 31 December	**629**	**484**	**629**	**484**
	Hedging instruments:				
	Fair value adjustment at 1 January	-2,214	-7,619	-2,214	-7,619
	Transferred to the income statement	1,352	6,490	1,352	6,490
	Fair value adjustment for the year	1,734	-1,085	1,734	-1,085
	Fair value adjustment at 31 December	**872**	**-2,214**	**872**	**-2,214**
	Fair value adjustment at 31 December	**1,501**	**-1,730**	**1,501**	**-1,730**

Unrealised fair value adjustments of listed securities denominated in foreign currencies are recognised in equity until realised.

Fair value adjustment of hedging instruments entered into before 31 December 2004 relating to 2007 and future years are also recognised in equity until realised.

30 Equity

The share capital consists of 2,303,750 shares of a nominal value of DKK 20 each. No shares are subject to any special rights or restrictions.

Treasury shares

	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	Number of shares		Nominal value (DKK'000)		% of share capital	
1 January	141,765	102,860	2,835	2,057	6.2	4.5
Purchased	10,195	63,718	204	1,274	0.4	2.8
Sold	-15,072	-24,813	-301	-496	-0.7	-1.1
31 December	**136,888**	**141,765**	**2,738**	**2,835**	**5.9**	**6.2**

The Company is authorised by the general meeting to acquire a maximum of 230,375 treasury shares, equal to 10% of the share capital. Treasury shares are among other things acquired for the purpose of share-based payment. See note 39.

In 2006, the Company acquired 10,195 treasury shares, equalling a purchase price of DKK 27,879 thousand (USD 4,527 thousand). Furthermore, the Company sold 15,072 treasury shares equalling a selling price of DKK 5,705 thousand (USD 930 thousand).

In 2005, the Company acquired 63,718 treasury shares, equalling a purchase price of DKK 200,793 thousand (USD 34,544 thousand). Furthermore, the Company sold 24,813 treasury shares equalling a selling price of DKK 7,157 thousand (USD 1,245 thousand).

Of the Company's portfolio of outstanding shares, 26,923 have been lodged as security with Vækstfonden in connection with the employees' exercise of share options comprised by the Company's share option programme. The shares can be released for cash at the share price existing from time to time. Vækstfonden receives dividends as long as the shares are lodged.

The Company has 2,161,985 outstanding shares at 1 January 2006 of DKK 20 each and 2,166,862 shares at 31 December 2006 of DKK 20 each.

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
31	**Provision for docking costs (bareboat)**				
	Balance at 1 January	416	104	416	104
	Provided during the year	654	312	654	312
	Utilised during the year	-870	0	-870	0
		200	**416**	**200**	**416**
	The terms of provisions are expected to be as follows:				
	Within one year	200	416	200	416
		200	**416**	**200**	**416**
32	**Non-current liabilities and current bank debt**				
	Interest-bearing liabilities are included in the following items				
	Non-current liabilities	103,925	36,697	83,025	36,697
	Non-current lease liabilities	23,667	24,442	23,667	24,442
	Current portion of non-current debt	13,118	7,689	11,618	7,689
	Current bank debt	20,000	44,553	20,000	44,553
		160,710	**113,381**	**138,310**	**113,381**

Loan agreements contain a special clause that the market values of vessels are to correspond to a minimum of between 110% and 115% of the outstanding debt (Minimum Value Clause).

Mortgages and security provided in relation to liabilities are disclosed in note 35.

The interest rate risk on the liabilities will be eliminated in connection with the redemption of the debt in the first quarter of 2007.

The Group's floating-rate loans at the balance sheet date carry interest at USD LIBOR. The floating rate of interest is calculated on a quarterly or a six-month basis.

Non-current liabilities and current portions of these, excluding finance lease liabilities, amount to:

	Group 2006	Group 2005	Parent 2006	Parent 2005
Carrying amount:				
- Floating-rate loans	59,098	43,688	36,698	43,688
- Fixed-rate loans	57,170	0	57,170	0
Total	116,268	43,688	93,868	43,688
Fair value:				
- Floating-rate loans	59,098	43,688	36,698	43,688
- Fixed-rate loans	54,673	0	54,673	0
Total	113,771	43,688	91,371	43,688
The terms to maturity are:				
Within one year	12,343	6,990	10,843	6,990
Between 1 – 5 years	49,374	27,960	43,374	27,960
More than 5 years	54,551	8,738	39,651	8,738
	116,268	**43,688**	**93,868**	**43,688**

Notes

Note	Amounts in USD'000

32 Non-current liabilities and current bank debt – continued

Terms to maturity for finance lease liabilities:

	GROUP – 2006			GROUP – 2005		
	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
Within one year	3,285	2,510	775	3,286	2,587	699
Between 1 – 5 years	25,574	1,907	23,667	28,859	4,417	24,442
	28,859	**4,417**	**24,442**	**32,145**	**7,004**	**25,141**
Fair value			**26,668**			**28,741**

	PARENT COMPANY – 2006			PARENT COMPANY – 2005		
	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
Within one year	3,285	2,510	775	3,286	2,587	699
Between 1 – 5 years	25,574	1,907	23,667	28,859	4,417	24,442
	28,859	**4,417**	**24,442**	**32,145**	**7,004**	**25,141**
Fair value			**26,668**			**28,741**

The fair value has been calculated on the basis of discounted cash flows using a discount factor based on the borrowing rate expected by the management at the balance sheet date. The fair values of current loans and current lease liabilities are assumed to be expressed by nominal values.

The lease liability comprises a vessel with a purchase option exercisable in 2008. On this vessel, NORDEN also has a put option against the Company, which is also exercisable in 2008. The purchase option will be exercised in 2008, as the Company has signed an agreement to sell the vessel at that time.

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
32	**Non-current liabilities and current bank debt – continued**				
	Deferred income				
	Non-current deferred income:				
	Carrying amount	0	4,271	0	0
	Fair value	0	4,271	0	0
	Terms:				
	Between 1 – 5 years	0	4,271	0	0
		0	**4,271**	**0**	**0**
	Prepayments received on vessels for resale				
	Non-current prepayments received on vessels for resale:				
	Carrying amount	3,981	3,850	3,981	3,850
	Fair value	3,981	3,850	3,981	3,850
	Terms:				
	Between 1 – 5 years	3,981	3,850	3,981	3,850
		3,981	**3,850**	**3,981**	**3,850**

Notes

Note	Amounts in USD'000	2006	2005

33 Operating lease liabilities, Group

Lease liabilities relating to delivered vessels on timecharter with purchase option

	Number of delivered vessels with purchase option					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	26	2	28	16	2	18
Between 1 – 5 years	23	2	25	14	2	16
More than 5 years	7	0	7	4	0	4

	Charter hire including daily operating costs (excl. value of purchase option)					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	103,021	9,636	112,657	61,267	9,636	70,903
Between 1 – 5 years	273,988	9,913	283,901	154,928	19,589	174,517
More than 5 years	34,975	0	34,975	35,876	0	35,876
Total	**411,984**	**19,549**	**431,533**	**252,071**	**29,225**	**281,296**

Leases have been entered into with a mutually interminable lease period of up to 10 years. As a general rule, leases include an option to renew for one additional year at a time for up to three years. Leases 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.

Lease liabilities relating to delivered vessels on timecharter without purchase option

	Number of delivered vessels without purchase option					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	86	11	97	82	7	89
Between 1 – 5 years	12	10	22	15	5	20
More than 5 years	0	0	0	0	0	0

	Charter hire, vessels on timecharter					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	205,179	55,420	260,599	193,519	23,327	216,846
Between 1 – 5 years	51,674	62,301	113,975	62,683	40,229	102,912
More than 5 years	0	0	0	0	0	0
Total	**256,853**	**117,721**	**374,574**	**256,202**	**63,556**	**31,758**

	Number of vessels on bareboat charter					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	0	1	1	0	1	1
Between 1 – 5 years	0	0	0	0	0	0
More than 5 years	0	0	0	0	0	0

Amounts in USD'000

33 Operating lease liabilities, Group – continued

	Charter hire, vessels on bareboat charter					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	0	153	153	0	3,768	3,768
Between 1 – 5 years	0	0	0	0	0	0
More than 5 years	0	0	0	0	0	0
Total	**0**	**153**	**153**	**0**	**3,768**	**3,768**

Operating lease payments in the form of charter hire including daily operating costs recognised in the income statement for the financial year is disclosed in note 6.

Lease liabilities relating to vessels not delivered

	Number of vessels not delivered					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	20	7	27	14	1	15
Between 1 – 5 years	36	15	51	32	7	39
More than 5 years	33	11	44	28	7	35

	Lease liability on vessels not delivered					
	Dry cargo	Tankers	Total	Dry cargo	Tankers	Total
Within one year	84,765	16,175	100,940	33,752	9,917	43,669
Between 1 – 5 years	460,815	228,897	689,712	441,221	110,888	552,109
More than 5 years	628,454	188,204	816,658	337,702	133,878	471,580
Total	**1,174,034**	**43,276**	**1,607,310**	**812,675**	**254,683**	**1,067,358**

Notes

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
34	**Other contingent liabilities**				
	Guarantee commitments do not exceed	214	327	114	127
	Guarantee provided in respect of bank loan raised by subsidiary	0	0	22,400	0
	The Company has entered into agreements for future delivery of newbuildings, etc. amounting to	411,207	266,800	57,031	97,650
	Cargo claims have been made against the Company. The Company and its legal advisors consider the claims unjustified and do not perceive that the Company will incur any losses as a result of the actions for damages. The maximum risk is assessed to be	11,277	11,277	11,277	11,277
35	**Mortgages and security**				
	As security for non-current liabilities	116,268	43,688	93,868	43,688
	a total number of vessels of	7	3	6	3
	with a carrying amount of	180,849	75,600	148,899	75,600
	have been mortgaged at	191,940	105,960	169,540	105,960
	Finance lease assets with a carrying amount of	26,808	26,808	26,808	26,808
	are provided as security for lease liabilities of	24,442	25,141	24,442	25,141

36 COAs and operating lease income

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

	2006 Dry cargo	2006 Tankers	2006 Total	2005 Dry cargo	2005 Tankers	2005 Total
Within one year	236,964	0	236,964	157,288	0	157,288
Between 1 – 5 years	51,147	0	51,147	71,180	0	71,180
Total	**288,111**	**0**	**288,111**	**228,468**	**0**	**228,468**

The Group has operating lease income amounting to:

	2006 Dry cargo	2006 Tankers	2006 Total	2005 Dry cargo	2005 Tankers	2005 Total
Within one year	170,532	45,761	216,293	104,040	46,551	150,591
Between 1 – 5 years	47,552	56,535	104,087	79,747	80,371	160,118
More than 5 years	12,125	0	12,125	0	7,751	7,751
Total	**230,209**	**102,296**	**332,505**	**183,787**	**134,673**	**318,460**

Note	Amounts in USD'000

37 Financial instruments

To hedge recognised and unrecognised transactions, the Group uses hedging instruments such as forward exchange contracts, interest rate swaps, FFAs and bunker hedging contracts. For more information on the Company's overall risk management, see the description in note 2 to the financial statements.

Recognised transactions and currency exposure

Receivables and payables in other currencies than USD amount to a net payable of USD 4,887 thousand (2005: USD 3,837 thousand), which is not hedged.

Future transactions

The Group's real currency exposure arises on costs not incurred in USD. In 2007, the amount of the exposure is the equivalent value of USD 66 million, excluding dividend (2005: USD 63 million). It is the Group's policy to hedge these costs for a period of 6-24 months, depending on the development of the USD rate.

In addition, the Company has agreed to purchase 2 vessels for delivery in the first quarter of 2007. The purchases are to be settled in JPY. To hedge these transactions, the Company has made an exchange of JPY 3,648 million, the equivalent of USD 32 million.

	2006	2005	2006	2005
	Forward exchange hedges			
	Trading portfolio DKK/USD		Cash flow hedge USD/JPY	
Contractual value	50,000	30,000	32,000	36,510
Market value:				
Contracts with an unrealised gain (asset)	4,955	1,369	952	0
Contracts with an unrealised loss (liability)	0	0	0	2,686
Recognised in equity at 31 December	0	0	952	-2,686

The purpose of the trading portfolio is to hedge the Group's income and expenses denominated in DKK.

All contracts entered into have a term to maturity of less than six months from the balance sheet date.

Gains and losses on hedging transactions taken to the fair value reserve are recognised in the balance sheet at the same time as the hedged item as an addition to/a deduction from cost. Recognition will happen within six months of the balance sheet date.

Interest risk

The Group's surplus cash is accumulated in USD as it is expected to be reinvested in vessels. As the Group wishes to limit its financial exposure, it has adopted the policy of fixing the interest rate for a period varying between two and six years for the Group's total loan portfolio excluding vessels acquired under finance leases.

Note	Amounts in USD'000	2006	2005
37	**Financial instruments – continued**		
	Interest rate swaps – cash flow hedging		
	Contractual value (outstanding debt)	36,698	43,688
	Market value:		
	Contracts with an unrealised gain (asset)	173	57
	Contracts with an unrealised loss (liability)	0	107
	Recognised in equity at 31 December	173	-50

All contracts entered into have a term to maturity of one to two years from the balance sheet date.

At 31 December 2006, the fixed rate of interest is between 4.8% and 5.9% and the floating rate is primarily USD LIBOR.

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

Commodity instruments
In the management of the Group's exposure to fluctuations in freight rates and oil prices, the Group enters into derivative financial instruments to hedge against such exposure. Certain of the derivative financial instruments (FFAs and bunker hedging contracts) are not considered to qualify for hedge accounting under the financial reporting regulation. Changes in the fair value of the hedging instruments are recognised in a separate item, "Fair value adjustment of certain hedging instruments". Accordingly, in equity at the end of 2006 remains only the value at 31 December 2004 of the hedging instruments not yet realised at the end of 2006.

In 2006, the Group established NORDEN Derivatives A/S, which trades in FFAs which do not form part of the Group's risk management.

	2006	2005	2006	2005
	Contractual value		Recognised in equity at 31 December	
Forward Freight Agreements – purchase, hedging	12,392	8,761	0	0
Forward Freight Agreements – sale, hedging	47,724	56,133	0	-2,840
Forward Freight Agreements – purchase, NORDEN Derivatives A/S	8,414	-	0	-
Forward Freight Agreements – sale, NORDEN Derivatives A/S	0	-	0	-
Bunker hedging contracts – purchase, hedging	66,452	54,389	1,652	3,364
Bunker hedging contracts – sale, hedging	0	0	0	0

Credit risk
The Group's credit risk relates primarily to freight receivables, prepaid T/C hire, prepayments to shipyards for newbuildings and cash and bank balances. Generally, the Group's receivables are spread so that there is no concentration of credit exposure on any single customers.

Note	Amounts in USD'000

37 **Financial instruments – continued**

At USD 496 million (USD 466 million), the amount at which the mentioned items are stated in the balance sheet corresponds to the Group's maximum credit exposure.

The Group's credit exposure in relation to derivative financial instruments, including commodity instruments, is limited by the fact that these have been entered into with major Nordic banks with a high credit rating or with major, well-known manufacturers, shippers, consignees and traders with a satisfactory credit rating.

38 **Related party disclosures and transactions with related parties**

The Company has no related parties exercising control.

The Company's related parties exercising a significant influence comprise the companies' Boards of Directors, Managements and executives and their close relatives. Related parties also include companies in which the above persons have significant interests.

Related parties also comprise the related parties of subsidiaries and joint ventures, shown in notes 22 and 23, over which NORDEN exercises either control or a significant influence.

	GROUP		PARENT COMPANY	
	2006	**2005**	**2006**	**2005**
Trading and accounts with related parties comprise:				
Sales of goods and services				
- subsidiaries	-	-	117,102	107,321
- joint ventures	1,265	2,584	604	2,180
Purchases of goods and services				
- subsidiaries	-	-	3,202	3,209
- joint ventures	75	52	75	52
Liquidation proceeds				
- joint ventures	0	0	20,738	0
Interest received from subsidiaries	-	-	0	495
Interest paid to				
- subsidiaries	-	-	409	121
- joint ventures	636	278	636	278

Notes

Note	Amounts in USD'000	GROUP 2006	GROUP 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
38	**Related party disclosures and transactions with related parties – continued**				
	Amounts owed by related parties				
	- subsidiaries	-	-	1,340	3,694
	- joint ventures	59	2,234	59	2,234
	Amounts owed to related parties				
	- subsidiaries	-	-	78,666	86,046
	- joint ventures	2,001	17,000	2,001	17,000
	Dividends paid to related parties				
	- A/S Motortramp	19,354	10,311	19,354	10,311
	- Kristiansands Tankrederi AS	15,049	8,018	15,049	8,018

The stated transactions with subsidiaries are eliminated in the consolidated financial statements.

Guarantees and security are mentioned in notes 22 and 23.

Remuneration and share-based payment for the Board of Directors, Management and other executives are mentioned in notes 8 and 39.

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

39 Share-based payment

Employee shares
At the end of 2005, the Group set up an employee share scheme for its employees. The shares were allotted from the Company's holding of treasury shares. Each employee received six shares, and a total of 888 shares were allotted. The price per share at the allotment date was DKK 2,987.74. The fair value of the allotted employee shares, which were expensed, in 2005 amounted to USD 418 thousand. In 2006, a further 258 shares were allotted at the same price. Their fair value is USD 130 thousand.

Share option programmes
As from 2001, the Company had established an incentive programme by way of share options offered to the Board of Directors (7 persons), the Management (2 persons) and other executives (6 persons). The share option programme was expanded in 2002 by 1,200 share options as a result of an increase of the number of board members, and the share option programme at 31 December 2002 therefore comprises a total of 97,012 share options. Each share option entitles the holder to acquire one share of DKK 20 in the Company. The share option programme corresponds to a right to acquire 4.2% of the share capital if all options are exercised.

The share options were granted in equal portions at four different dates, twice in 2001, once in 2002 and once in 2003. The value of the share options granted to each of the above persons equalled a specified percentage of that person's annual pensionable salary or emolument for 2000.

The share options for 2003 (fourth round) were granted at 24 March 2003. The share options are funded by the Company through the acquisition of treasury shares.

The option prices for the grant dates have been fixed at the average market price (price all deals at 5 p.m.) of the Company's shares listed at the Copenhagen Stock Exchange for the ten days following the Company's announcement of its financial statements for the financial year preceding the respective grant year.

Note	Amounts in USD'000	2006	2005

39 Share-based payment – continued

The share options may be exercised after at least three years and no more than five years from the respective grant dates. The Management and other executives may exercise their options on condition that the person in question is not under notice at the exercise date. Special provisions apply in case of illness or death. The granting of share options to the Board of Directors was approved at the annual general meeting on 2 May 2001.

	Average exercise price in DKK per share	Number of options	Average exercise price in DKK per share	Number of options
Outstanding at 1 January	376.13	18,816	334.23	52,106
Granted during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Exercised during the period	387.12	-18,816	310.54	-33,290
Expired during the period	-	-	-	-
Outstanding at 31 December	-	**0**	**376.13**	**18,816**

For the options exercised in 2006, the average market price at the exercise date was DKK 2,698.80.

Share option programme – 2006

On 29 March 2006, the Board of Directors granted share options comprising a total of 25,000 shares to a number of executives. The options are exercisable from 29 March 2008 to 29 March 2010 and each entitle the holder to acquire one share at an exercise price which will be determined as the five-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.

The change in the number of outstanding shares and their weighted average exercise price is as follows:

	2006 Number of options
Outstanding at 1 January	0
Granted during the period	25,000
Lapsed during the period	-978
Exercised during the period	-
Expired during the period	-
Outstanding at 31 December	**24,022**

Outstanding shares are composed as follows at 31 December 2006:

	Number of shares			
	Management	Executives	Other executives	Total
Granted 29 March 2006	7,230	10,095	6,697	24,022
Outstanding at 31 December 2006	**7,230**	**10,095**	**6,697**	**24,022**

Notes

Note	Amounts in USD'000

39 **Share-based payment – continued**

	Exercise price per option, DKK	Number	Exercise period
Granted 29 March 2006	2,805.69	25,000	29/3 2008 – 29/3 2010
Outstanding at 31 December 2006	**2,763.88**	**24,022**	

The fair value of granted share options in 2003 and 2006 is recognised in the income statement over the vesting period and set off against equity. The expense for the year is USD 607 thousand.

The calculated fair value at the grant date is based on the Black-Scholes' option valuation model. The calculation of the fair values of options granted in 2003 and 2006 was based on the following assumptions:

- That all options are granted and that the options are exercised at the earliest opportunity.
- A volatility of 40.8% (2003) and 39.5% (2006).
- A dividend of 500% (2003) and 750% (2006).
- A risk-free interest rate of 2.5% (2003) and 3.8% (2006).

The expected volatility is based on the historical volatility (calculated at the weighted average remaining term of granted share options) adjusted for expected changes to this resulting from publicly available information.

The expected term is based on the historical term of previously allotted share options.

The expected dividend per share is based on historical dividends.

The risk-free interest rate is based on Danish government bonds.

Total share-based payment
The fair value adjustment for the year of employee shares and share options amounted to USD 737 thousand (USD 544 thousand).

		GROUP		PARENT COMPANY	
Note	**Amounts in USD'000**	**2006**	**2005**	**2006**	**2005**
40	**Other adjustments**				
	Interest on finance leases	2,587	1,493	2,587	1,493
	Share-based payment	737	544	737	544
	Prepaid freight	-4,959	-596	0	0
	Profit from the sale of securities	0	3	0	3
		-1,635	**1,444**	**3,324**	**2,040**
41	**Change in working capital**				
	Inventories on board vessels	-4,176	-6,961	-4,115	-7,110
	Freight and other receivables, etc.	-34,794	12,954	-26,019	58,213
	Trade and other payables, etc.	-2,600	27,034	-10,611	96,595
	Fair value adjustments of hedging instruments taken to equity	3,086	5,405	3,086	5,405
		-38,484	**38,432**	**-37,659**	**153,103**

42 Investments in subsidiaries

Dampskibsselskabet "NORDEN" A/S in 2006 established the company NORDEN Derivatives A/S. The company is wholly owned. The investment amounts to USD 352 thousand.

43 Dividends

The amount available for distribution as dividends comprises:

	2006	2005
Retained earnings	476,301	428,625
Reserves	1,501	-1,730
Available for distribution	**477,802**	**426,895**

Dividends paid in 2006 and 2005 amount to USD 78,284 thousand (DKK 200 per share) and USD 40,036 thousand (DKK 100 per share), respectively. The proposed dividend for 2006 is USD 40,692 thousand (DKK 100 per share). The proposed dividend for 2006 will be considered at the annual general meeting on 25 April 2007. The proposed dividend has not been recognised in the financial statements.

44 Events after the balance sheet date

See the management's review.

Definitions of key figures and financial ratios

The financial ratios were computed in accordance with guidelines issued by the Danish Society of Financial Analysts entitled "Anbefalinger & Nøgletal 2005" ("Recommendations & Financial Ratios 2005"). The ratios listed in the key figures and ratios section were calculated as follows:

Return on invested capital (ROIC)	=	$\frac{\text{Profit or loss before tax and financial items}}{\text{Average invested capital}}$
Return on assets	=	$\frac{\text{Profit or loss from operations x 100}}{\text{Total assets at year-end}}$
Share price at year-end per DKK 20 share	=	The last-quoted average share price on the Copenhagen Stock Exchange for all trade in the Company share at the balance sheet date
Return on equity in % (ROE)	=	$\frac{\text{Profit or loss for the year x 100}}{\text{Average equity, excluding minority interests}}$
Intrinsic value per DKK 20 share	=	$\frac{\text{Year-end equity, excluding minority interests}}{\text{Number of shares at year-end, excluding treasury shares}}$
Invested capital	=	Equity, including minority interests + net interest-bearing debt at year-end
Price/intrinsic value	=	$\frac{\text{Year-end price per DKK 20 share}}{\text{Intrinsic value per DKK 20 share}}$
Net asset value (NAV) per share	=	$\frac{\text{Equity, excluding minority interests + added value of vessels and vessels on order relative to year-end carrying amounts}}{\text{Number of shares, excluding treasury shares at year-end}}$
Net interest-bearing debt	=	Interest-bearing debt minus cash, cash equivalents and securities, at year-end
Profit margin	=	$\frac{\text{Profit or loss from operations x 100}}{\text{Net revenues}}$
Payout ratio	=	$\frac{\text{Dividend x 100}}{\text{Profit or loss for the year, excluding minority interests}}$
Net profit per DKK 20 share	=	$\frac{\text{Profit or loss for the year}}{\text{Number of shares, excluding treasury shares at year-end}}$
Equity ratio	=	$\frac{\text{Equity at year-end, excluding minority interests x 100}}{\text{Total assets}}$
Dividend per DKK 20 share	=	$\frac{\text{Dividend yield x nominal share value}}{100}$
Dividend yield for the year	=	Parent company dividend yield
USD exchange rate at year-end	=	The USD exchange rate quoted on the Copenhagen Stock Exchange at the balance sheet date

Technical terms and abbreviations

A **Aframax** Tankers in the order of 80,000-100,000 dwt, typically vessels with load capacities of 600,000 barrels of crude oil.

B **Baltic Dry Index (BDI)** Index of the rate development for Handysize, Supramax, Panamax and Capesize.

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

Bulk/Dry cargo Expression for bulk commodities. A term for everything stowed in bulk without packaging.

Bulkcarrier (also known as dry cargo vessel) A vessel with no twin-deck, used for bulk transport of grain, coal, ore, sugar and cement.

Bunker Fuel used by the vessel.

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

C **Capesize** An indication of the size of a bulkcarrier in the order of 100,000-200,000 dwt.

Charterer The party chartering a vessel, e.g. a cargo owner leasing the vessel for one voyage or for a short or long period.

Charter Party Lease or freight agreement between shipowner and charterer.

Clarksons Shipbroking company.

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

D **Dry cargo** Transport of non-liquid cargo, for example bulk commodities such as grain, coal, ore, sugar and cement.

Dry cargo vessel See Bulkcarrier.

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

E **EBIT** Earnings Before Interest and Tax.

EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation.

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

H **Handymax** An indication of the size of a bulkcarrier in the order of 40,000-60,000 dwt.

Handysize bulkcarrier An indication of the size of a bulkcarrier in the order of 25,000-40,000 dwt.

Handysize tanker Product tanker in the order of 25,000-35,000 dwt, transporting refined products.

I **IAS** International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

IMD International Institute for Management Development.

IMF International Monetary Fund.

IMO International Maritime Organisation – international shipping organisation under the UN.

L **Loading contract** See COA.

Lorentzen og Stemoco Shipbroking company.

M **MR (medium range) tanker** Product carriers in the order of 42,000-60,000 dwt, transporting refined products.

O **OECD** The Organisation for Economic Co-operation and Development. An association of the most industrialised nations with the main purpose of achieving increased economic growth.

P **Panamax** Bulkcarrier of about 60,000-100,000 dwt. The largest type of vessel able to pass through the Panama Canal.

Pool A group of vessels with similar characteristics, with different owners but commercially operated together.

Post-Panamax A new segment comprising bulkcarriers of about 90,000-120,000 dwt which will be able to pass through the Panama Canal following its planned expansion in 2015.

Product tank The part of the tank segment covering voyages with refined oil products, including jet fuel, naphtha, diesel and gas oils.

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

R **ROE** Return On Equity.

ROIC Return On Invested Capital.

R.S. Platou Shipbroking company.

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

SSY Shipbroking company.

Supramax (or Super Handymax) Sub-segment comprising the largest, most modern Handymax bulkcarriers. Comprises carriers in the order of 50,000-60,000 dwt.

T **Tank** General designation of all vessels transporting oil, both crude oil and refined products.

T/C (timecharter) A lease of a vessel whereby the vessel is hired out for a short or long period.

T/C (timecharter) equivalent Freight revenues reduced by bunker oil consumption, and port charges, stated per day.

Ton – Mile The distance covered by a quantity of cargo.

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