

# Interim Report Second quarter of 2018



INTERIM REPORT

# Second quarter of 2018



**Results**

Adjusted Result\* for Q2 2018: USD 4 million (Q2 2017: USD -3 million)

- Dry Operator: USD 8 million
- Dry Owner: USD 3 million
- Tankers: USD -8 million (USD 3 million)

EBIT Q2 2018: USD 8 million (USD -3 million)

\* "Profit/loss for the period" adjusted for "Profit from sale of vessels etc."



**Markets**

- Dry Cargo: Improvements in rates driven by stronger global economic activity combined with lower fleet growth
- Tankers: Oversupply and weak demand growth resulting in one of the most challenging markets in a decade. Basis for significant improvement towards 2020



**Performance**

- Dry Operator: USD 23 million in Adjusted Result after first 12 months as a separate business unit
- Dry Owner: Further focusing the ownership of vessels on Supramax and Panamax – remaining Post-Panamax redelivered
- Tankers: TCE earnings 4% above benchmark



**Vessel values**

Significant investment in scrubbers

- Secured installation of 26 scrubbers representing a cost of app. USD 54 million. Net positive cash flow effect of USD 40 million over the first 5 years.

Vessel values

- Dry Cargo: +2%
- Tankers: +1%



**Guidance**

NORDEN expects the dry cargo market to improve in the fourth quarter. Dry Owner is fully covered for the rest of 2018, as NORDEN's short-term dry cargo exposure is now managed in Dry Operator, which is well positioned to benefit from short-term rate improvements. In Tankers, however, rates have been lower than expected and a significant improvement in rates is not expected until 2019. On that basis, expectations for the Adjusted Result for the year were on 8 August revised to USD 0 to 30 million (previous USD 10 to 50 million).

## WEAK TANKER MARKET AND STRONG PERFORMANCE IN DRY OPERATOR

“Good performance in the dry cargo business cannot make up for the tanker market conditions that are worse than expected. On that basis, the overall expectations for the Adjusted Result for the year were revised downwards on 8 August. In the second quarter of 2018, Dry Operator and Dry Owner together generated a positive result of USD 11 million which outweighs the loss generated by the tanker business operating in one of the most challenging tanker markets in a decade. During the first 12 months since being established as a separate business unit, Dry Operator has now generated a very satisfactory result of USD 23 million, highlighting the potential of this asset light business unit.”

### CEO Jan Rindbo

A telephone conference will be held today at 3:30 p.m. (CET), where CEO Jan Rindbo and CFO Martin Badsted will comment on the interim report. It is requested that all participants have joined the meeting by latest 3:25 p.m. (CET) – international participants please dial in on +44 (0)330 336 9411 or +1 929 477 0324, Danish participants please dial in on +45 3515 8121. The telephone conference will be shown live at [www.ds-norden.com](http://www.ds-norden.com), where the accompanying presentation also will be available. For further information: CEO Jan Rindbo, tel. +45 3315 0451.

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# Key figures and ratios for NORDEN

USD million	2018 Q2	2017 Q2	2018 H1	2017 H1
<b>INCOME STATEMENT</b>				
Revenue	616.4	399.6	1,207.6	839.7
Contribution margin	35.2	19.1	67.0	39.8
EBITDA	21.0	7.4	38.1	17.7
Profit/loss from the sale of vessels, etc., net	-2.7	0.0	6.5	-0.2
EBIT	7.5	-2.8	25.8	-2.7
Profit/loss for the period	0.8	-3.3	18.8	-2.6
Adjusted Result for the period*	3.5	-3.3	12.3	-2.4
	<b>2018 30/6</b>	<b>2017 30/6</b>	<b>2018 30/6</b>	<b>2017 30/6</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
Total assets	1,316.0	1,308.3	1,316.0	1,308.3
Equity	862.2	793.4	862.2	793.4
Liabilities	453.8	514.9	453.8	514.9
Invested capital	916.9	748.1	916.9	748.1
Net interest-bearing assets	-54.7	45.3	-54.7	45.3
Cash and securities	184.5	248.6	184.5	248.6
	<b>2018 Q2</b>	<b>2017 Q2</b>	<b>2018 H1</b>	<b>2017 H1</b>
<b>CASH FLOWS</b>				
From operating activities	16.7	-9.7	-8.6	-19.1
From investing activities – hereof investments in property, equipment and vessels	-6.8	12.7	-26.3	45.7
	-32.1	-8.5	-97.2	-9.7
From financing activities	-5.0	-8.3	17.5	-13.5

USD million	2018 Q2	2017 Q2	2018 H1	2017 H1
<b>SHARE RELATED KEY FIGURES AND FINANCIAL RATIOS:</b>				
Number of shares of DKK 1 each (including treasury shares)	42,200,000	42,200,000	42,200,000	42,200,000
Number of shares of DKK 1 each (excluding treasury shares)	40,467,615	40,467,615	40,467,615	40,467,615
Number of treasury shares	1,732,385	1,732,385	1,732,385	1,732,385
Earnings per share (EPS) (DKK)	0.02 (0.13)	-0.08 (-0.55)	0.46 (3.00)	-0.06 (-0.44)
Diluted earnings per share (diluted EPS) (DKK)	0.02 (0.13)	-0.08 (-0.55)	0.46 (3.00)	-0.06 (-0.44)
Book value per share (excluding treasury shares) (DKK) <sup>1)</sup>	21.31 (136.21)	19.61 (127.76)	21.31 (136.21)	19.61 (127.76)
Share price at end of period (DKK)	113.2	118.3	113.2	118.3
Price/book value (DKK) <sup>1)</sup>	0.83	0.93	0.83	0.93
<b>OTHER KEY FIGURES AND FINANCIAL RATIOS:</b>				
EBITDA-RATIO <sup>2)</sup>	3.4%	1.8%	3.2%	2.1%
ROIC	3.4%	-1.4%	5.9%	-0.7%
ROE	0.4%	-1.6%	4.4%	-0.6%
Equity ratio	65.5%	60.9%	65.5%	60.9%
Total no. of ship days for NORDEN	30,123	22,312	58,852	43,873
USD/DKK rate at end of the period	639.26	651.56	639.26	651.56
Average USD/DKK rate	625.26	675.26	645.17	687.56

1) Converted at the USD/DKK rate at end of period.

2) The ratios were computed in accordance with "Recommendations and Financial Ratios 2015" published by the Danish Society of Financial Analysts. However, "Profits from the sale of vessels, etc." have not been included in EBITDA.

\* Adjusted Result for the period was computed as "Profit/loss for the period" adjusted for "Profit from the sale of vessels, etc." including vessels in joint ventures.

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# Comments on the development of NORDEN in the second quarter of 2018

- Adjusted Result: USD 4 million
- Vessel days increased by 35% to 30,000
- Investing approx. USD 41 million in scrubbers

**Results**

In the second quarter, NORDEN realised an Adjusted Result for the period of USD 4 million (Q2 2017: USD -3 million) in a dry cargo market which continued its gradual improvement and a historically poor tanker market. The Adjusted Result for the first half of 2018 amounted to USD 12 million. The Dry Operator generated an Adjusted Result of USD 8 million, and the business unit has now generated a total of USD 23 million in its first 12 months of existence.

The second quarter result corresponds to an EBIT of USD 8 million (USD -3 million) and is less impacted by utilisation of provisions for onerous contracts (USD 5 million, compared to USD 21 million in the second quarter of 2017). Hence, cash flow from operating activities increased significantly to USD 17 million for the quarter (USD -10 million). Compared to the second quarter of 2017, the overall activity level increased by 35% to 30,000 vessel days. Contribution margin improved to USD 35 million (USD 19 million). Overhead and administration costs increased by USD 2 million to USD 14 million.

The equity increased by USD 13 million within the second quarter of 2018.

**Financial position**

At the end of the quarter, NORDEN’s cash and securities amounted to USD 184 million. To this should be added NORDEN’s share of cash in joint ventures of USD 5 million and undrawn credit facilities which totalled USD 164 million. Combined with the future cash flow from vessel sales of USD 36 million, NORDEN has ample cash to cover the outstanding payments of USD 139 million due for payment 2018-2020 in connection with newbuildings and secondhand purchases. NORDEN’s net commitments, calculated as total bank debt, T/C commitments and outstanding payments on newbuildings less cash and future earnings from coverage, were reduced by USD 1 million during the quarter to USD 778 million.

**Investment in scrubbers**

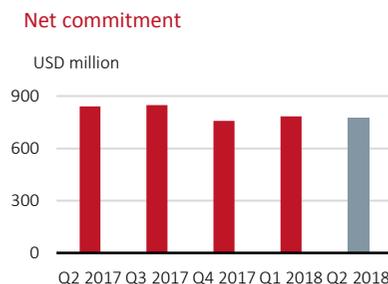
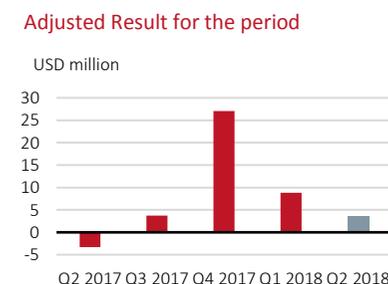
1 January 2020, a global cap of sulphur emissions from bunker fuel will come into effect, reducing the allowed sulphur content from the current level of 3.5% to 0.5%. Compliance with the regulation can be achieved either by switching to low sulphur fuel or by installing an exhaust gas scrubber on vessels enabling continued use of high sulphur fuel oil. Throughout the last 18 months, NORDEN has evaluated how the sulphur cap will affect both the shipping and bunker markets.

The cost difference between low sulphur and high sulphur fuel oil is expected to increase significantly for a sustained period, making scrubbers an attractive choice for compliance.

Therefore, NORDEN has during 2018 secured installation of 26 scrubbers with options for 5 more. Of these, 2 scrubbers will be installed on newbuildings, 16 retrofitted on selected, owned vessels, and the remaining 8 will be installed on long-term chartered tonnage. The costs are estimated to amount to approximately USD 41 million on owned vessels and approximately USD 13 million in increased TC hire over the coming years. Recognising uncertainties, NORDEN considers the investment highly attractive with an estimated financial return of approximately 25% within 5 years on own vessels with significant upside.

**Impairment assessment**

NORDEN has carried out a routine assessment of indicators of impairment. Management has concluded that no impairment test had to be performed for the cash generating units Dry Cargo and Tankers. It is Management’s assessment that at the end of the second quarter 2018 there is no need for impairment of vessels, prepayments on vessels and newbuildings or reversal of previous impairment, and that there is no need for further provisions for onerous contracts or reversal hereof.



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# Selected segment figures Q2 2018

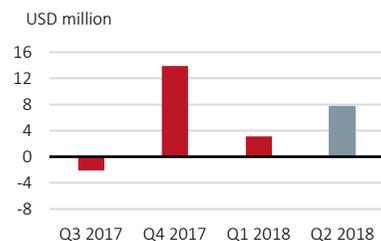
USD million	Dry Operator	Dry Owner	Tankers	Total
Contribution margin	17.7	11.6	5.9	35.2
Profit before depreciation, amortisation and impairment losses etc. (EBITDA)	9.1	9.5	2.4	21.0
Profit/loss from operations (EBIT)	8.9	6.7	-8.1	7.5
Profit/loss for the period	7.9	3.1	-10.2	0.8
<b>Adjusted Result for the period</b>	<b>7.9</b>	<b>3.2</b>	<b>-7.6</b>	<b>3.5</b>

Fleet values

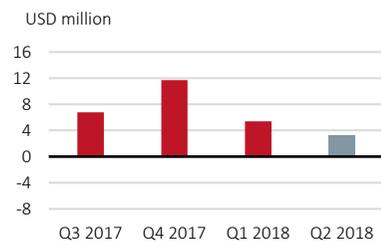
USD million	Dry Owner	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	444	415	859
Broker estimated value of certain charter parties attached to owned vessels	17	0	17
Carrying amount / costs	422	497	919
<b>Value added</b>	<b>40</b>	<b>-83</b>	<b>-43</b>
Theoretical value of purchase and extension options	24	13	37

Adjusted Result for the period

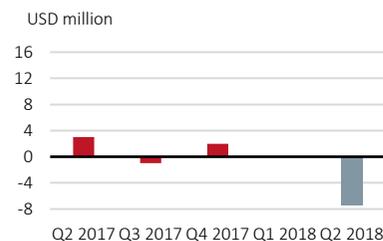
Dry Operator



Dry Owner



Tankers



For further information on the segments see note 2.

Adjusted Result for the period

**USD 4 million**

Market value of owned vessels and newbuildings

**+1%**

**DRY OPERATOR**

# Establishing strong track record during first year of existence

- Adjusted Result for the second quarter: USD 8 million
- Track record of value creation established
- Margin after all costs per vessel day since initiation: 237 USD/day

**Results for the second quarter of 2018**

In the second quarter of 2018, Dry Operator generated a Contribution margin of USD 18 million and an Adjusted Result of USD 8 million for the period. A total of 25,190 vessels days, the equivalent of an average fleet size of 277 vessels, were handled by Dry Operator in the second quarter. This represents an annualised growth of 12% compared to the third quarter of 2017. During the quarter, Dry Operator benefitted from the positioning of vessels into the Atlantic in the first quarter, although this year’s grain season did not create the same second quarter improvements in rates as in previous years.

Average number of vessels operated in the second quarter

**277**

**Track record being established**

Dry Operator was established as a separate business unit on 1 July 2017. Since initiation, focus has been on developing a track record of performance while building a platform that can support substantial growth in the coming years. The results during the first 12 months have been highly satisfactory with a total Contribution margin from Dry Operator of more than USD 57 million equivalent to an Adjusted Result of USD 23 million. Given the low capital requirements of this business unit, the risk adjusted return implied by this result is looking very satisfactory.

In total, 96,306 vessel days have been handled by the operator in the first 12 months with an average Contribution margin per vessel day of USD 595 per day. The margin after inclusion of all costs has been USD 237 per day.

**Outlook**

Looking forward to the second half of 2018, the results for Dry Operator are

expected to at least match the results in first half of 2018. Dry Operator is designed to generate margins in any market condition yet doing best with high volatility.

Focus continues to be on both improving the profitability of each vessel day handled as well as growing the activity to further exploit the potential of the business unit.

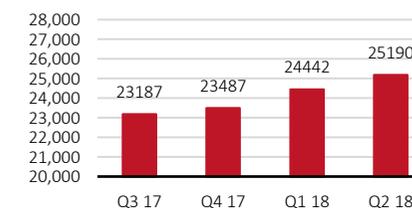
“Full-year Adjusted Result since initiation USD 23 million”

Dry Operator key figures (USD million)

USD million	2017 H2	2018 Q1	2018 Q2	Total
Contribution margin	26.7	12.9	17.7	57.3
O/A costs	-17.2	-8.8	-8.6	-34.6
EBIT	9.3	4	8.9	22.2
Adjusted Result	11.8	3.1	7.9	22.8
Vessel days	46,674	24,442	25,190	96,306
CM per vessel day (USD/day)	572	528	703	595
Adj. result per vessel day (USD/day)	253	127	314	237

Contribution margin (CM) is defined as “Revenue” less “Vessel operating costs” plus “Other operating income, net”

Dry Operator vessel days



**DRY OWNER**

# Positive results in improving markets

- USD 3 million in Adjusted Result
- Continued upward pressure in asset values
- Ownership further concentrated

**Results for the second quarter of 2018**

In the second quarter, Dry Owner realised an Adjusted Result of USD 3 million. This corresponds to an EBIT of USD 7 million. During the four quarters since the launch of the dry owner and dry operator business units on 1 July 2017, Dry Owner has realised an Adjusted Result of USD 27 million corresponding to an EBIT of USD 37 million.

**Dry cargo market**

In the second quarter, the dry cargo market continued to outperform 2017, however, rates did not exhibit the usual improvement over the first quarter, partly due to rates improving already in March this year. The average Baltic earnings for Supramax vessels was 31% USD/day higher than in the second quarter of 2017, and Panamax rates were 20% USD/day higher. The improvements were driven by stronger global economic

activity combined with lower fleet growth. Based on continued low fleet growth NORDEN expects the rates to be higher in the second half of 2018 than in 2017. Global economic conditions continue to support growth in volumes transported. Especially the coal and bauxite volumes have been fairly high during the quarter. A potential trade war poses a downside risk for dry cargo vessel demand if it accelerates from the currently announced tariffs.

**Dry owner fleet and activity**

During the second quarter, NORDEN continued to optimise the dry owner fleet with the sale of a Handysize vessel (NORD AUCKLAND) as part of the efforts to concentrate ownership on Supramax and Panamax. The vessel will be delivered to its new owners during the third quarter along with another Handysize vessel (NORD SEOUL), which was sold during the first quarter of 2018. Finally, NORDEN took delivery of a Supramax newbuilding (NORD COPPER), and the Supramax vessel NORD MARU – sold during the last quarter of 2017 – was successfully delivered to its new owners. The 2 remaining Post-Panamax TC-vessels were redelivered.

**Cover increased**

The Dry Owner has continued to relet an increasing amount of its fleet capacity on fixed market rates to Dry Operator, and as a result has covered 100% of its capacity for 2018. NORDEN still expects the dry cargo market to improve but its short-term exposure will be managed by the Dry Operator while Dry Owner will benefit from a rising market through its ownership position and long-term T/C portfolio.

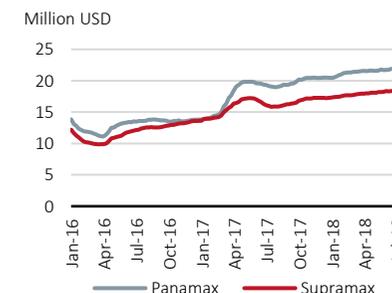
**Fleet value**

Based on the average of 3 independent broker valuations, the market value of NORDEN’s owned vessels and newbuilding orders in the dry cargo segment was estimated at USD 461 million. This is an increase of 2% compared to the end of first quarter 2018 for the vessels owned throughout the period. Additionally, the market forward rates increased during the quarter adding to the value of the portfolio of TC-in contracts. As of the end of second quarter, Dry Owner had chartered in 11,498 and 12,220 vessel days for 2019 and 2020, respectively.

Market value of vessels (USD)

# 461 million

**Asset Values 5-year old**



Source: Baltic Exchange

**Dry Owner TCE**

	Days	USD/day
Post-Panamax	27	8,117
Panamax	1,851	11,888
Supramax	1,972	11,181
Handysize	859	10,391

**Dry Owner key figures (USD million)**

USD million	2017 H2	2018 Q1	2018 Q2	Total
Contribution margin	29.2	7.7	11.6	48.5
O/A costs	-4.3	-2.2	-2.1	-8.6
EBIT	15.7	14.1	6.7	36.6
Adjusted Result	18.5	5.4	3.2	27.1

Contribution margin (CM) is defined as "Revenue" less "Vessel operating costs" plus "Other operating income, net"

**DRY OWNER**

# Capacity and coverage

At 30 June 2018

	2018		ROY			2018		ROY		
	Q3	Q4	2018	2019	2020	Q3	Q4	2018	2019	2020
<b>Own vessels</b>	Ship days									
Panamax	368	363	731	1,376	1,444					
Supramax	690	734	1,424	3,699	4,028					
Handysize	490	365	855	1,448	1,452					
<b>Total</b>	<b>1,548</b>	<b>1,462</b>	<b>3,010</b>	<b>6,523</b>	<b>6,924</b>					
<b>Chartered vessels</b>						Cash costs for T/C capacity (USD per day)				
Panamax	1,477	1,517	2,994	5,996	5,673	12,696	12,547	12,621	13,740	13,990
Supramax	1,002	988	1,990	4,354	5,959	11,588	11,467	11,528	12,064	12,011
Handysize	276	344	620	1,148	588	12,185	11,689	11,910	12,241	11,794
<b>Total</b>	<b>2,755</b>	<b>2,849</b>	<b>5,605</b>	<b>11,498</b>	<b>12,220</b>	<b>12,242</b>	<b>12,069</b>	<b>12,154</b>	<b>12,956</b>	<b>12,920</b>
<b>Total capacity</b>	<b>4,303</b>	<b>4,311</b>	<b>8,614</b>	<b>18,021</b>	<b>19,144</b>	Cash costs for total capacity (USD per day)*				
						<b>9,668</b>	<b>9,710</b>	<b>9,689</b>	<b>10,228</b>	<b>10,210</b>
<b>Coverage</b>						Revenue from coverage (USD per day)				
Panamax	2,024	2,025	4,049	5,262	2,832	12,806	12,796	12,801	13,512	14,482
Supramax	1,849	1,876	3,725	5,986	2,852	11,736	11,799	11,768	12,037	12,469
Handysize	395	460	855	1,933	1,746	11,831	11,555	11,682	11,468	11,630
<b>Total</b>	<b>4,268</b>	<b>4,362</b>	<b>8,630</b>	<b>13,180</b>	<b>7,430</b>	<b>12,252</b>	<b>12,236</b>	<b>12,244</b>	<b>12,542</b>	<b>13,039</b>
<b>Coverage in %</b>										
Panamax	110%	108%	109%	71%	<b>40%</b>					
Supramax	109%	109%	109%	74%	<b>29%</b>					
Handysize	52%	65%	58%	74%	<b>86%</b>					
<b>Total</b>	<b>99%</b>	<b>101%</b>	<b>100%</b>	<b>73%</b>	<b>39%</b>					
<b>Accounting effect of provision (USD million)</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>21</b>	<b>12</b>					

\* Including cash running costs of owned vessels. Costs are excluding O/A.

Since initiation 12 months ago, Dry Owner has generated an Adjusted Result of

## USD 27 million

A considerable part of NORDEN's exposure consists of vessel days from long-term chartered capacity which should be included when the Company's capital structure is evaluated. The full annual details of the portfolio as well as a "ready to use" calculator to estimate the value of the portfolio based on expectations for the long-term rates in dry cargo markets can be found on NORDEN's website [www.ds-norden.com](http://www.ds-norden.com).

**TANKERS**

# One of the most challenging markets in a decade

- Adjusted Result for the period: USD -8 million
- Outperforming market by 4%
- Preparing for improving markets in 2019

**Results for the second quarter of 2018**

In the second quarter of 2018, NORDEN’s tanker business generated an Adjusted Result of -8 million (Q2 2017: USD 3 million), corresponding to an EBIT of USD -8 million (USD 3 million).

NORDEN’s Handysize tankers generated average daily earnings of USD 12,030, while average daily earnings for the MR fleet amounted to USD 12,974. Compared to the average 1-year T/C rate during the last 12 months, NORDEN continued its operational outperformance of the market by 4% corresponding to USD 567 per day.

**Challenging market conditions**

The product tanker market is currently going through one of the most challenging periods in a decade with rates under significant pressure. A couple of years with strong deliveries combined with weak demand growth for transport has resulted in a sizeable overcapacity. In addition to this, imports,

particularly to Latin America, have declined in recent months partly due to increasing oil prices and adverse developments in exchange rates.

The crude market also remains under pressure, which continues to have a negative impact on the product tanker rates as a high ratio of LR1 and LR2s are trading in the clean market.

**Foundation for recovery improving**

Scrapping has continued at high levels, and the first half of 2018 saw more capacity removed than in all of 2016 and 2017 combined. As yard deliveries are also declining, the overall fleet growth for both product and crude tankers is declining significantly. Full-year 2018 total tanker supply growth is expected to be around 1.3%. In combination with the gradual improvement in inventory levels of oil, the foundation for improvements are being formed – albeit slowly. The third quarter of 2018 also looks very challenging and while the current summer slowdown should be over by the fourth quarter, significant improvements in rates are not expected in 2018.

**Tanker fleet and activity**

In line with NORDEN’s strategy of focusing on MRs and reducing exposure in the Handysize segment, 2 secondhand

MR tankers were purchased during the second quarter and delivered during July 2018. At the same time, a Handysize vessel (NORD FARER) was sold during the quarter and will be delivered to its new owners in August.

As TC rates have not followed the spot rates downwards, NORDEN has reduced the short-term time charter-in activity during the first half of 2018 but maintains its view that markets will improve in 2019 and has a sizeable exposure in place for such. For 2019 NORDEN has the equivalent of 9 vessel years of optional capacity.

**Vessel values**

In spite of the current poor spot market conditions, asset values have stayed fairly stable in 2018. This is partly driven by the expectations for market improvements towards 2020 when the global IMO sulphur regulation is expected to create an uplift in demand for product tankers.

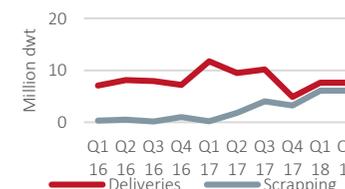
Based on the average of 3 independent broker valuations, the market value of NORDEN’s owned vessels and newbuilding orders in the tanker segment was estimated at USD 415 million. This is an increase of 1% compared to the end of last quarter for the vessels owned throughout the quarter.

Asset Values 5-year old



Source: Baltic Exchange

Tankers deliveries and scrapping



Source: SSY

Tankers key figures (USD million)

USD million	2017	2018	2018	Total
	H2	Q1	Q2	
Contribution margin	20.9	11.2	5.9	38.0
O/A costs	-5.0	-3.7	-3.5	-12.2
EBIT	1.2	0.2	-8.1	-6.7
Adjusted Result	0.6	0.3	-7.6	-6.7

Contribution margin (CM) is defined as “Revenue” less “Vessel operating costs” plus “Other operating income, net”

**TANKERS**

# Position and rates

	2018		ROY			2018		ROY		
	Q3	Q4	2018	2019	2020	Q3	Q4	2018	2019	2020
<b>Owned vessels</b>	Ship days									
MR	1,196	1,190	2,386	4,647	4,681					
Handysize	876	824	1,700	3,229	3,267					
<b>Total</b>	<b>2,072</b>	<b>2,014</b>	<b>4,086</b>	<b>7,876</b>	<b>7,948</b>					
						Cash costs for T/C capacity (USD per day)				
LR1	184	184	368	730	397	18,655	18,655	18,655	18,655	18,655
MR	2,579	2,451	5,031	5,554	4,249	13,701	13,899	13,798	14,478	14,969
Handysize	276	276	552	1,095	552	12,729	12,729	12,729	12,729	12,729
<b>Total</b>	<b>3,039</b>	<b>2,911</b>	<b>5,951</b>	<b>7,379</b>	<b>5,197</b>	<b>13,913</b>	<b>14,089</b>	<b>13,999</b>	<b>14,632</b>	<b>15,012</b>
						Cash costs for total capacity (USD per day)*				
<b>Total capacity</b>	<b>5,111</b>	<b>4,925</b>	<b>10,036</b>	<b>15,255</b>	<b>13,145</b>	<b>10,833</b>	<b>10,877</b>	<b>10,855</b>	<b>10,342</b>	<b>9,734</b>
<b>Coverage</b>						Revenue from coverage (USD per day)				
LR1	-	-	-	-	-	-	-	-	-	-
MR	707	92	799	5	-	11,281	12,888	11,466	12,888	-
Handysize	138	-	138	-	-	10,452	-	10,452	-	-
<b>Total</b>	<b>845</b>	<b>92</b>	<b>936</b>	<b>5</b>	<b>-</b>	<b>11,146</b>	<b>12,888</b>	<b>11,317</b>	<b>12,888</b>	<b>-</b>
<b>Coverage in %</b>										
LR1	-	-	-	-	-					
MR	19%	3%	11%	0%	-					
Handysize	12%	-	6%	-	-					
<b>Total</b>	<b>17%</b>	<b>2%</b>	<b>9%</b>	<b>0%</b>	<b>-</b>					

\* Including cash running costs of owned vessels. Costs are excluding O/A.

## Employment and rates, Tankers, Q2 2018

Vessel type	LR1	MR	Handysize	Total*
NORDEN's ship days	182	3,297	1,179	4,658
NORDEN spot TCE (USD per day, net)	12,514	12,546	10,758	12,064
NORDEN TCE (USD per day, net)	12,514	12,974	12,374	12,804
NORDEN TCE 12 months average (USD per day, net)	12,250	13,969	11,417	13,182
Benchmark 12 months average (USD per day, net)	12,707	13,122	11,380	12,615
NORDEN vs. Benchmark (12 months average)	-4%	6%	0%	4%

Tankers ROY 2018 capacity (ship days)

# 10,036

Tankers coverage ROY 2018

# 9%

\* Weighted average. NORDEN TCE is calculated as freight income less voyage costs (such as broker commission, bunkers and port costs), but before payment of pool management fee

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# Outlook for 2018

## Forward-looking statements

*This report includes forward-looking statements reflecting management’s current perception of future trends and financial performance. The statements for the rest of 2018 and the years to come naturally carry some uncertainty, and NORDEN’s actual results may therefore differ from expectations. Factors that may cause the results achieved to differ from the expectations are, among other things, but not exclusively, changes in the macroeconomic and political conditions – especially in the Group’s key markets – changes in NORDEN’s assumptions of rate development and operating costs, volatility in rates and vessel prices, changes in legislation, possible interruptions in traffic and operations as a result of external events, etc.*

## NORDEN revises expectations

On 8 August NORDEN revised its expectations for the Adjusted Results for the year at USD 0 to 30 million.

The performance of Dry Operator has exceeded expectations, and it is expected that the result of the second half of 2018 will be in line with or higher than that of the first half. The full-year expectation is therefore raised to USD 20 to 30 million (previously USD 10 to 20 million).

The dry cargo market has developed in line with expectations, and due to high coverage the guidance for Dry Owner is narrowed to USD 15 to 20 million (previously USD 15 to 25 million).

The tanker market has worsened throughout the year and is currently at unexpectedly low levels. The expected Adjusted Result for NORDEN’s tanker business is therefore revised down to a range of -35 to -20 million (previously USD -15 to 5 million). The new estimate is based on a continued very poor summer market followed by moderate seasonal improvements in the fourth quarter.

## Risk and uncertainties

The Dry Operator results are sensitive to both market conditions as well as NORDEN’s ability to identify and execute business opportunities. At the end of June, Dry Owner had no material exposure to spot rates in the second half of 2018. Earnings expectations in Tankers primarily depend on the development in the spot market. Based on about 8,000 open vessel days in Tankers at the end of July, a change of USD 1,000 per day in expected T/C equivalents would mean a change in earnings of approximately USD 8 million.

All business units are furthermore sensitive to counterparty risks as well as operational risks.

## Events after the reporting date

No events have occurred after 30 June 2018 which significantly affect the interim report for the period 1 January – 30 June 2018, other than the developments disclosed in the Management Review.

“NORDEN expects an Adjusted Result for the year of USD 0 to 30 million.”

## Expectations for 2018

USD million	New Adjusted Result for the year	Previous
Dry Operator	20 to 30	10 to 20
Dry Owner	15 to 20	15 to 25
Tankers	-35 to -20	-15 to 5
<b>Group</b>	<b>0 to 30</b>	<b>10 to 50</b>

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# Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today reviewed and approved the Interim Report for the period 1 January to 30 June 2018 of Dampskibsselskabet NORDEN A/S.

The interim consolidated financial statements of Dampskibsselskabet NORDEN A/S have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The interim consolidated financial statements have not been subject to audit or review by the Independent Auditors of Dampskibsselskabet NORDEN A/S.

We consider the accounting policies applied to be appropriate and the accounting estimates made to be adequate. Furthermore, we find the overall presentation of the Interim Report to present a true and fair view.

Besides what has been disclosed in the Interim Report, no other significant changes in the Group's risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report for 2017.

In our opinion, the interim consolidated financial statements give a true and fair view of Dampskibsselskabet NORDEN A/S' consolidated assets, equity and liabilities and the financial position at 30 June 2018 as well as the result of Dampskibsselskabet

NORDEN A/S' consolidated activities and cash flows for the period 1 January to 30 June 2018.

Furthermore, in our opinion the Management Review gives a fair representation of the Group's activities and financial position as well as a description of the material risks and uncertainties which the Group is facing.

Hellerup, 15 August 2018

Executive Management

Jan Rindbo  
Chief Executive Officer

Martin Badsted  
Chief Financial Officer

Board of Directors

Klaus Nyborg  
Chairman

Johanne Riegels Østergård  
Vice Chairman

Karsten Knudsen

Thomas Intrator

Susanne Fauerskov  
(employee-elected)

Jesper Svenstrup  
(employee-elected)

Lars Enkegaard Biilmann  
(employee-elected)

# Consolidated income statement

Note	USD million	2018 Q2	2017 Q2	2018 H1	2017 H1	2017 Q1-Q4
2	<b>Revenue</b>	<b>616.4</b>	<b>399.6</b>	<b>1,207.6</b>	<b>839.7</b>	<b>1,808.6</b>
2	Other operating income	0.2	3.1	0.9	6.0	11.1
2	Vessel operating costs	-581.4	-383.6	-1,141.5	-805.9	-1,703.0
2	<b>Contribution margin</b>	<b>35.2</b>	<b>19.1</b>	<b>67.0</b>	<b>39.8</b>	<b>116.7</b>
2, 3	Overhead and administration costs	-14.2	-11.7	-28.9	-22.1	-48.6
	<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>21.0</b>	<b>7.4</b>	<b>38.1</b>	<b>17.7</b>	<b>68.1</b>
2	Profit/loss from the sale of vessels, etc., net	-2.7	0.0	6.5	-0.2	0.9
2, 5	Depreciation, amortisation and impairment losses	-10.9	-10.3	-21.4	-20.9	-42.2
2	Share of profit/loss of joint ventures	0.1	0.1	2.6	0.7	-3.5
	<b>Profit/loss from operations (EBIT)</b>	<b>7.5</b>	<b>-2.8</b>	<b>25.8</b>	<b>-2.7</b>	<b>23.3</b>
2	Financial income	1.2	5.6	5.3	10.6	14.0
2	Financial expenses	-6.6	-5.2	-9.7	-8.6	-14.9
	<b>Profit/loss before tax</b>	<b>2.1</b>	<b>-2.4</b>	<b>21.4</b>	<b>-0.7</b>	<b>22.4</b>
	Tax	-1.3	-0.9	-2.6	-1.9	2.2
	<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>0.8</b>	<b>-3.3</b>	<b>18.8</b>	<b>-2.6</b>	<b>24.6</b>
	Attributable to:					
	<b>Shareholders of NORDEN</b>	<b>0.8</b>	<b>-3.3</b>	<b>18.8</b>	<b>-2.6</b>	<b>24.6</b>
	Earnings per share (EPS), USD	0.02	-0.08	0.46	-0.06	0.61
	Diluted earnings per share, USD	0.02	-0.08	0.46	-0.06	0.61
	<b>Adjusted Result for the period</b>	<b>3.5</b>	<b>-3.3</b>	<b>12.3</b>	<b>-2.4</b>	<b>28.4</b>

## Consolidated statement of comprehensive income

Note	USD million	2018 Q2	2017 Q2	2018 H1	2017 H1	2017 Q1-Q4
	<b>Profit/loss for the period</b>	<b>0.8</b>	<b>-3.3</b>	<b>18.8</b>	<b>-2.6</b>	<b>24.6</b>
	Other comprehensive income to be reclassified to the income statement:					
4	Fair value adjustment for the period, cash flow hedges	11.7	3.5	8.8	-6.5	6.8
	Fair value adjustment for the period, securities	0.0	0.4	-0.1	0.6	0.7
	Tax on fair value adjustment of securities	0.0	0.0	0.0	0.0	0.0
	<b>Other comprehensive income, total after tax</b>	<b>11.7</b>	<b>3.9</b>	<b>8.7</b>	<b>-5.9</b>	<b>7.5</b>
	<b>Total comprehensive income for the period, after tax</b>	<b>12.5</b>	<b>0.6</b>	<b>27.5</b>	<b>-8.5</b>	<b>32.1</b>
	Attributable to:					
	Shareholders of NORDEN	12.5	0.6	27.5	-8.5	32.1

# Consolidated statement of financial position

Note	USD million	2018 30/6	2017 30/6	2017 31/12
	<b>ASSETS</b>			
5	Vessels	713.9	667.6	691.7
	Property and equipment	53.5	50.1	49.6
6	Prepayments on vessels and newbuildings	20.1	22.7	33.9
	Investments in joint ventures	11.3	16.0	11.3
	<b>Non-current assets</b>	<b>798.8</b>	<b>756.4</b>	<b>786.5</b>
	Inventories	75.2	55.2	67.7
	Freight receivables	114.5	127.4	124.0
	Receivables from joint ventures	2.9	10.1	0.0
	Other receivables	25.6	46.0	33.9
	Prepayments	81.5	64.6	79.0
	Securities	4.3	11.6	8.1
	Cash and cash equivalents	180.2	237.0	211.4
		<b>484.2</b>	<b>551.9</b>	<b>524.1</b>
7	Vessels held for sale	33.0	0.0	15.9
	<b>Current assets</b>	<b>517.2</b>	<b>551.9</b>	<b>540.0</b>
	<b>TOTAL ASSETS</b>	<b>1,316.0</b>	<b>1,308.3</b>	<b>1,326.5</b>

Note	USD million	2018 30/6	2017 30/6	2017 31/12
	<b>EQUITY AND LIABILITIES</b>			
	Share capital	6.7	6.7	6.7
	Reserves	15.7	-6.4	7.0
	Retained earnings	839.8	793.1	820.7
	<b>Equity</b>	<b>862.2</b>	<b>793.4</b>	<b>834.4</b>
	Loans	185.0	176.3	195.5
	Provisions	32.4	65.6	42.5
	<b>Non-current liabilities</b>	<b>217.4</b>	<b>241.9</b>	<b>238.0</b>
	Loans	54.2	27.0	26.3
	Provisions	24.5	75.5	36.1
	Trade payables	83.8	53.3	62.6
	Debt to joint ventures	0.0	4.0	1.9
	Other payables	34.6	44.9	74.6
	Deferred income	35.6	63.2	51.3
		<b>232.7</b>	<b>267.9</b>	<b>252.8</b>
	Liabilities relating to vessels held for sale	3.7	5.1	1.3
	<b>Current liabilities</b>	<b>236.4</b>	<b>273.0</b>	<b>254.1</b>
	<b>Liabilities</b>	<b>453.8</b>	<b>514.9</b>	<b>492.1</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,316.0</b>	<b>1,308.3</b>	<b>1,326.5</b>

# Consolidated statement of cash flows

USD million	2018 Q2	2017 Q2	2018 H1	2017 H1	2017 Q1-Q4
Profit/loss for the period	0.8	-3.3	18.8	-2.6	24.6
Reversed depreciation, amortisation and impairment losses, etc.	10.9	10.3	21.4	20.9	42.2
Reversed financial items, net	5.3	-0.4	4.4	-2.0	0.9
Reversed change in provision	-5.2	-21.5	-17.9	-43.2	-83.8
Reversed profit/loss from the sale of vessels etc., net	2.7	0.0	-6.5	0.2	-0.9
Reversed share of profit/loss of joint ventures	-0.1	-0.1	-2.6	-0.7	3.5
Other reversed non-cash operating items	3.6	0.9	2.6	1.0	1.8
Change in working capital	4.2	4.7	-25.1	9.6	25.0
Financial payments, received	-2.1	4.4	2.8	5.6	7.0
Financial payments, made	-3.4	-4.7	-6.5	-7.9	-14.0
<b>Cash flows from operating activities</b>	<b>16.7</b>	<b>-9.7</b>	<b>-8.6</b>	<b>-19.1</b>	<b>6.3</b>
Investments in vessels and vessels held for sale	-4.0	-8.5	-25.3	-7.3	-93.0
Investments in other tangible assets	-4.2	0.0	-4.4	0.0	-0.4
Additions in prepayments on newbuildings	-23.9	0.0	-67.5	-2.4	-13.5
Additions in prepayments received on sold vessels	2.3	-1.9	2.3	-3.1	-3.8
Investments in joint ventures	0.0	0.0	-1.1	0.0	0.0
Proceeds from sale of vessels and newbuildings	-0.4	11.5	52.5	24.7	47.8
Proceeds from sale of other tangible assets	0.4	0.0	0.4	0.0	0.0
Sale of securities	0.0	4.0	4.0	9.5	14.0
Change in cash and cash equivalents with rate agreements of more than 3 months	23.0	7.6	12.8	24.3	48.7
<b>Cash flows from investing activities</b>	<b>-6.8</b>	<b>12.7</b>	<b>-26.3</b>	<b>45.7</b>	<b>-0.2</b>
Proceeds from loans	53.0	0.0	81.0	0.0	30.0
Repayments of loans	-58.0	-8.3	-63.5	-13.5	-27.0
<b>Cash flows from financing activities</b>	<b>-5.0</b>	<b>-8.3</b>	<b>17.5</b>	<b>-13.5</b>	<b>3.0</b>
Change in liquidity for the period	4.9	-5.3	-17.4	13.1	9.1
Liquidity at beginning the of period	92.4	122.0	115.6	100.6	100.6
Exchange rate adjustments	-0.1	0.0	-1.0	2.9	5.9
Change in liquidity for the period	4.9	-5.3	-17.4	13.1	9.1
<b>Liquidity at end period</b>	<b>97.2</b>	<b>116.7</b>	<b>97.2</b>	<b>116.7</b>	<b>115.6</b>
Cash and cash equivalents with rate agreements of more than 3 months	83.0	120.3	83.0	120.3	95.8
<b>Cash and cash equivalents at end period acc. to the statement of financial position</b>	<b>180.2</b>	<b>237.0</b>	<b>180.2</b>	<b>237.0</b>	<b>211.4</b>

# Consolidated statement of changes in equity

USD million	Shareholders of NORDEN			
	Share capital	Reserves	Retained earnings	Total equity
<b>Equity at 1 January 2018</b>	<b>6.7</b>	<b>7.0</b>	<b>820.7</b>	<b>834.4</b>
Total comprehensive income for the period	-	8.7	18.8	27.5
Share-based payment	-	-	0.3	0.3
<b>Changes in equity</b>	<b>-</b>	<b>8.7</b>	<b>19.1</b>	<b>27.8</b>
<b>Equity at 30 June 2018</b>	<b>6.7</b>	<b>15.7</b>	<b>839.8</b>	<b>862.2</b>
<b>Equity at 1 January 2017</b>	<b>6.7</b>	<b>-0.5</b>	<b>795.2</b>	<b>801.4</b>
Total comprehensive income for the period	-	-5.9	-2.6	-8.5
Share-based payment	-	-	0.5	0.5
<b>Changes in equity</b>	<b>-</b>	<b>-5.9</b>	<b>-2.1</b>	<b>-8.0</b>
<b>Equity at 30 June 2017</b>	<b>6.7</b>	<b>-6.4</b>	<b>793.1</b>	<b>793.4</b>

# Notes to the interim consolidated financial statements

## 1. Significant accounting policies, judgements and estimates

### Accounting policies

The interim consolidated financial statements have been prepared in accordance with IAS 34 Interim financial reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reporting of listed companies.

The accounting policies, judgements and estimates are consistent with those applied in the consolidated annual report for 2017, apart from changes described below.

### Changes in accounting policies

As from 1 January 2018, NORDEN has implemented IFRS 15, Revenue from contracts with customers.

According to IFRS 15, revenue is recognised as the customer receives the agreed-upon service. Under IAS 18, freight income was recognised under the discharge-to-discharge method. Under IFRS 15, revenue is recognised over the period of time when the cargo is being transported. At the same time, costs directly attributable to transportation of the vessel to the loading port are capitalised and amortised over the course of the transportation period. The transition to IFRS 15 has had no significant impact on NORDEN.

Due to the implementation of IFRS 15, the accounting policy regarding revenue recognition has amended as follows:

Revenue comprises the present value of services rendered, net of discounts. Services rendered comprise freight income and time charter income. Revenue is recognised in the income statement for the financial year as earned.

All freight income and voyage costs are recognized as the freight services are rendered (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related costs are recognised in the income statement according to the entered charter parties from the vessel's load date to the delivery of the cargo (discharge). The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the next discharge (load to discharge). This applies to all spot transports and transports under Contracts of Affreightment (COAs). Costs directly attributable to relocating the vessel to the load port under the contract are capitalized to the extent that they are recoverable.

Demurrage is recognised if the claim is considered probable.

In addition to IFRS 15, NORDEN has implemented the following standards and interpretations:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Part of annual improvements 2014-2016
- IFRIC 22 - Foreign currency transactions and advance consideration

Implementation of these standards and interpretations has not had any impact on recognition and measurement.

For a complete description of accounting policies other than the accounting policy regarding IFRS 15 above, see the notes to the consolidated financial statements for 2017, pages 71 - 104 in the consolidated annual report for 2017.

# Notes to the interim consolidated financial statements

## 1. Significant accounting policies, judgements and estimates (continued)

### Standards not yet in force

At the end of April 2018, IASB has issued and the EU has endorsed the following new financial reporting standards and interpretations which are estimated to be of relevance to NORDEN and which are expected to have a material impact on the financial statements:

- IFRS 16 Leasing – For the lessee, the distinction between finance and operating leases will be removed. In the future, operating leases must be recognised in the balance sheet as an asset and a corresponding lease commitment. The standard comes into force in 2019.

Please see the annual report 2017 page 73 for an assessment of the potential effect from adoption of IFRS 16.

### Significant accounting estimates and judgements

The accounting estimates and judgments, which Management deems to be significant to the preparation of the consolidated financial statements, are; impairment test, onerous contracts and assessment of control in shared ownership – pool arrangements. Reference is made to note 1.1 on page 72 for a further description in the consolidated annual report for 2017.

# Notes to the interim consolidated financial statements

## 2. Segment Information

USD million	Q2 2018						Q2 2017		
	Dry Operator	Dry Owner	Eliminations	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Revenue - services rendered, external	502.2	15.6	-	517.8	98.6	616.4	353.8	45.8	399.6
Revenue, services rendered, internal	-	38.4	-38.4	-	-	-	-	-	_*
Voyage costs	-205.9	-0.1	-	-206.0	-41.1	-247.1	-162.3	-0.1	-162.4
<b>T/C equivalent revenue</b>	<b>296.3</b>	<b>53.9</b>	<b>-38.4</b>	<b>311.8</b>	<b>57.5</b>	<b>369.3</b>	<b>191.5</b>	<b>45.7</b>	<b>237.2</b>
Other operating income	0.1	0.1	-	0.2	-	0.2	3.1	-	3.1
Charter hire	-278.7	-35.2	38.4	-275.5	-38.9	-314.4	-179.6	-23.0	-202.6
Operating costs owned vessels	-	-7.2	-	-7.2	-12.7	-19.9	-8.2	-10.4	-18.6
<b>Contribution margin</b>	<b>17.7</b>	<b>11.6</b>	<b>-</b>	<b>29.3</b>	<b>5.9</b>	<b>35.2</b>	<b>6.8</b>	<b>12.3</b>	<b>19.1</b>
Overhead and administration costs	-8.6	-2.1	-	-10.7	-3.5	-14.2	-9.4	-2.3	-11.7
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>9.1</b>	<b>9.5</b>	<b>-</b>	<b>18.6</b>	<b>2.4</b>	<b>21.0</b>	<b>-2.6</b>	<b>10.0</b>	<b>7.4</b>
Profit/loss from sale of vessels, etc.	-	-0.1	-	-0.1	-2.6	-2.7	-	-	-
Depreciation, amortisation and impairment losses	-0.2	-3.2	-	-3.4	-7.5	-10.9	-3.2	-7.1	-10.3
Share of profit/loss of joint ventures	-	0.5	-	0.5	-0.4	0.1	-0.3	0.4	0.1
<b>Profit/loss from operations (EBIT)</b>	<b>8.9</b>	<b>6.7</b>	<b>-</b>	<b>15.6</b>	<b>-8.1</b>	<b>7.5</b>	<b>-6.1</b>	<b>3.3</b>	<b>-2.8</b>
Financial income	-	0.7	-	0.7	0.5	1.2	3.5	2.1	5.6
Financial expenses	-	-4.1	-	-4.1	-2.5	-6.6	-3.2	-2.0	-5.2
<b>Profit/loss before tax</b>	<b>8.9</b>	<b>3.3</b>	<b>-</b>	<b>12.2</b>	<b>-10.1</b>	<b>2.1</b>	<b>-5.8</b>	<b>3.4</b>	<b>-2.4</b>
Tax	-1.0	-0.2	-	-1.2	-0.1	-1.3	-0.8	-0.1	-0.9
<b>Profit/loss for the period</b>	<b>7.9</b>	<b>3.1</b>	<b>-</b>	<b>11.0</b>	<b>-10.2</b>	<b>0.8</b>	<b>-6.6</b>	<b>3.3</b>	<b>-3.3</b>
Adjusted for:									
Profit/loss from sale of vessels, etc.	-	-0.1	-	-0.1	-2.6	-2.7	-	-	-
<b>Adjusted Result for the period**</b>	<b>7.9</b>	<b>3.2</b>	<b>-</b>	<b>11.1</b>	<b>-7.6</b>	<b>3.5</b>	<b>-6.6</b>	<b>3.3</b>	<b>-3.3</b>

\* Information is provided on the Group's 3 business segments, Dry Owner, Dry Operator, together the Dry Cargo and Tankers. Previously NORDEN operated two business segments, Dry Cargo and Tankers. In July 2017, Dry Cargo has been split into a Dry Operator and a Dry Owner. Comparative informations for Q2 2017 and H1 2017 is not provided, as it has not been possible to establish this information. Therefore, segment information for Dry Cargo is presented for both Q2 2017 and Q2 2018 and H1 2017 and H1 2018. Certain changes to the line items presented have been made in Q2 and H1 2018 2018 compared to the previously presented line items due to alignment with the internal financial reporting.

\*\* Adjusted Result for the period was computed as "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc." including vessels in joint ventures.

# Notes to the interim consolidated financial statements

## 2. Segment Information (continued)

USD million	H1 2018						H1 2017		
	Dry Operator	Dry Owner	Eliminations	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Revenue - services rendered, external	982.6	24.8	-	1,007.4	200.2	1,207.6	684.8	154.9	839.7
Revenue, services rendered, internal	-	77.7	-77.7	-	-	-	-	-	-*
Voyage costs	-415.0	-0.3	-	-415.3	-82.4	-497.7	-335.3	-56.1	-391.4
<b>T/C equivalent revenue</b>	<b>567.6</b>	<b>102.2</b>	<b>-77.7</b>	<b>592.1</b>	<b>117.8</b>	<b>709.9</b>	<b>349.5</b>	<b>98.8</b>	<b>448.3</b>
Other operating income	0.7	0.2	-	0.9	-	0.9	6.0	-	6.0
Charter hire	-537.9	-69.1	77.7	-529.3	-76.4	-605.7	-330.3	-48.8	-379.1
Operating costs owned vessels	-	-14.0	-	-14.0	-24.1	-38.1	-16.3	-19.1	-35.4
<b>Contribution margin</b>	<b>30.4</b>	<b>19.3</b>	<b>-</b>	<b>49.7</b>	<b>17.3</b>	<b>67.0</b>	<b>8.9</b>	<b>30.9</b>	<b>39.8</b>
Overhead and administration costs	-17.4	-4.3	-	-21.7	-7.2	-28.9	-17.8	-4.3	-22.1
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>13.0</b>	<b>15.0</b>	<b>-</b>	<b>28.0</b>	<b>10.1</b>	<b>38.1</b>	<b>-8.9</b>	<b>26.6</b>	<b>17.7</b>
Profit/loss from sale of vessels, etc.	-	9.1	-	9.1	-2.6	6.5	-	-0.2	-0.2
Depreciation, amortisation and impairment losses	-0.3	-6.4	-	-6.7	-14.7	-21.4	-6.7	-14.2	-20.9
Share of profit/loss of joint ventures	-	3.1	-	3.1	-0.5	2.6	-	0.7	0.7
<b>Profit/loss from operations (EBIT)</b>	<b>12.7</b>	<b>20.8</b>	<b>-</b>	<b>33.5</b>	<b>-7.7</b>	<b>25.8</b>	<b>-15.6</b>	<b>12.9</b>	<b>-2.7</b>
Financial income	-	3.2	-	3.2	2.1	5.3	6.5	4.1	10.6
Financial expenses	-	-5.9	-	-5.9	-3.8	-9.7	-5.2	-3.4	-8.6
<b>Profit/loss before tax</b>	<b>12.7</b>	<b>18.1</b>	<b>-</b>	<b>30.8</b>	<b>-9.4</b>	<b>21.4</b>	<b>-14.3</b>	<b>13.6</b>	<b>-0.7</b>
Tax	-1.8	-0.5	-	-2.3	-0.3	-2.6	-1.7	-0.2	-1.9
<b>Profit/loss for the period</b>	<b>10.9</b>	<b>17.6</b>	<b>-</b>	<b>28.5</b>	<b>-9.7</b>	<b>18.8</b>	<b>-16.0</b>	<b>13.4</b>	<b>-2.6</b>
Adjusted for:									
Profit/loss from sale of vessels, etc.	-	9.1	-	9.1	-2.6	6.5	-	-0.2	-0.2
<b>Adjusted Result for the period**</b>	<b>10.9</b>	<b>8.5</b>	<b>-</b>	<b>19.4</b>	<b>-7.1</b>	<b>12.3</b>	<b>-16.0</b>	<b>13.6</b>	<b>-2.4</b>

\* Information is provided on the Group's 3 business segments, Dry Owner, Dry Operator, together the Dry Cargo and Tankers. Previously NORDEN operated two business segments, Dry Cargo and Tankers. In July 2017, Dry Cargo has been split into a Dry Operator and a Dry Owner. Comparative informations for Q2 2017 and H1 2017 is not provided, as it has not been possible to establish this information. Therefore, segment information for Dry Cargo is presented for both Q2 2017 and Q2 2018 and H1 2017 and H1 2018. Certain changes to the line items presented have been made in Q2 and H1 2018 2018 compared to the previously presented line items due to alignment with the internal financial reporting.

\*\* Adjusted Result for the period was computed as "Profit/loss for the period" adjusted for "Profit/loss from sale of vessels, etc." including vessels in joint ventures.

# Notes to the interim consolidated financial statements

## 3. Overhead and administration costs

USD million	2018 Q2	2017 Q2	2018 H1	2017 H1	2017 Q1Q4
Staff costs, onshore employees	-10.2	-8.3	-21.2	-15.4	-35.5
Other external costs	-4.0	-3.4	-7.7	-6.7	-13.1
<b>Total</b>	<b>-14.2</b>	<b>-11.7</b>	<b>-28.9</b>	<b>-22.1</b>	<b>-48.6</b>

## 4. Fair value adjustment - hedging Instruments

As of 30 June 2018, outstanding hedging contains:

### Bunker hedging

USD million	2018 30/6	2017 30/6	2017 31/12
Movements in the hedging reserve:			
Beginning, 1 January	7.9	0.0	0.0
Fair value adjustments	18.4	0.8	10.3
Realised contracts, reclassified to vessel operating costs (gain)	-12.9	-3.6	-2.4
<b>End</b>	<b>13.4</b>	<b>-2.8</b>	<b>7.9</b>

### FFA hedging

USD million	2018 30/6	2017 30/6	2017 31/12
Movements in the hedging reserve:			
Beginning, 1 January	0.9	0.0	0.0
Fair value adjustments	0.0	1.5	-7.1
Realised contracts, transferred to vessel operating costs (+ = loss, - = gain)	1.0	-4.5	8.0
<b>End</b>	<b>1.9</b>	<b>-3.0</b>	<b>0.9</b>

## 5. Vessels

USD million	2018 30/6	2017 30/6	2017 31/12
Cost at 1 January	1,198.5	1,165.8	1,165.8
Additions	4.0	7.3	61.5
Disposals	-23.5	0.0	0.0
Transferred from prepayments on vessels and newbuildings	84.4	0.0	0.0
Transferred to tangible assets held for sale	-114.3	0.0	-28.8
<b>Cost</b>	<b>1,149.1</b>	<b>1,173.1</b>	<b>1,198.5</b>
Depreciation at 1 January	-323.1	-287.0	-287.0
Depreciation	-20.9	-19.9	-40.4
Reversed depreciation on vessels disposed of	10.3	0.0	0.0
Transferred to tangible assets held for sale	32.5	0.0	4.3
<b>Depreciation</b>	<b>-301.2</b>	<b>-306.9</b>	<b>-323.1</b>
Impairment at 1 January	-183.7	-198.6	-198.6
Impairment	-6.0	0.0	0.0
Reversed impairment on vessels disposed of	6.9	0.0	0.0
Transferred from prepayments on vessels and newbuildings	48.8	0.0	0.0
Transferred to tangible assets held for sale	0.0	0.0	14.9
<b>Impairment</b>	<b>-134.0</b>	<b>-198.6</b>	<b>-183.7</b>
<b>Carrying amount</b>	<b>713.9</b>	<b>667.6</b>	<b>691.7</b>

# Notes to the interim consolidated financial statements

## 6. Prepayments on vessels and newbuildings

USD million	2018 30/6	2017 30/6	2017 31/12
Cost at 1 January	41.4	31.2	31.2
Additions	67.5	2.4	13.6
Transferred to vessels	-84.4	0.0	0.0
Transferred to tangible assets held for sale	0.0	-3.4	-3.4
Transferred to other items	-0.2	0.0	0.0
<b>Cost</b>	<b>24.3</b>	<b>30.2</b>	<b>41.4</b>
Impairment at 1 January	-7.5	-11.3	-11.3
Reversed impairment	3.3	0.0	0.0
Transferred	0.0	3.8	3.8
<b>Impairment</b>	<b>-4.2</b>	<b>-7.5</b>	<b>-7.5</b>
<b>Carrying amount</b>	<b>20.1</b>	<b>22.7</b>	<b>33.9</b>

## 7. Tangible assets held for sale

USD million	2018 30/6	2017 30/6	2017 31/12
Cost at 1 January	15.9	22.2	22.2
Additions to tangible assets held for sale	21.3	3.0	31.5
Additions from prepayments on vessels and newbuildings	0.0	3.4	-0.5
Additions from vessels	33.0	-3.9	9.6
Disposals	-37.2	-24.7	-46.9
<b>Carrying amount</b>	<b>33.0</b>	<b>0.0</b>	<b>15.9</b>
Which can be specified as follows:			
Vessels	33.0	0.0	9.6
Newbuildings	0.0	0.0	6.3
<b>Total</b>	<b>33.0</b>	<b>0.0</b>	<b>15.9</b>

## 8. Related party disclosure

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated annual report for 2017.

## 9. Contingent assets and liabilities

Since the end of 2017, no significant changes have occurred to contingent assets and liabilities other than those referred to in this interim report.

# Notes to the interim consolidated financial statements

## 10. Overview of deliveries of owned vessels and fleet values

### NORDEN's Tanker fleet at 30 June 2018

Vessel type	LR1	MR	Handysize	Total
<b>Vessels in operation</b>				
Owned vessels	0.0	11.0	10.0	21.0
Chartered vessels	2.0	31.0	4.0	37.0
<b>Total active fleet</b>	<b>2.0</b>	<b>42.0</b>	<b>14.0</b>	<b>58.0</b>
<b>Vessels to be delivered</b>				
Owned vessels	0.0	2.0	0.0	2.0
Chartered vessels	0.0	11.0	0.0	11.0
<b>Total vessels to be delivered</b>	<b>0.0</b>	<b>13.0</b>	<b>0.0</b>	<b>13.0</b>
<b>Total gross fleet</b>	<b>2.0</b>	<b>55.0</b>	<b>14.0</b>	<b>71.0</b>

### NORDEN's Tanker fleet values at 30 June 2018 (USD million)

Vessel type	LR1	MR	Handysize	Total
Average age of owned vessels	N/A	6	9	7
Market value of owned vessels and newbuildings*	0	266	149	415
Broker estimated value of certain charter parties attached to owned vessels	0	0	0	0
Carrying amount/cost	0	297	200	497
<b>Value added</b>	<b>0</b>	<b>-32</b>	<b>-51</b>	<b>-83</b>
<b>Value of purchase and extension options on chartered tonnage</b>	<b>0</b>	<b>2</b>	<b>11</b>	<b>12.6</b>

\* Charter free and including joint ventures and assets held for sale, if any.

### NORDEN's Dry Owner fleet at 30 June 2018

Vessel type	Post-Panamax	Panamax	Supramax	Handysize	Total
<b>Vessels in operation</b>					
Owned vessels	0.0	4.0	7.5	6.0	17.5
Chartered vessels	0.0	12.5	14.0	4.0	30.5
<b>Total active fleet</b>	<b>0.0</b>	<b>16.5</b>	<b>21.5</b>	<b>10.0</b>	<b>48.0</b>
<b>Vessels to be delivered</b>					
Owned vessels	0.0	0.0	5.0	0.0	5.0
Chartered vessels	0.0	1.0	8.0	1.0	10.0
<b>Total vessels to be delivered</b>	<b>0.0</b>	<b>1.0</b>	<b>13.0</b>	<b>1.0</b>	<b>15.0</b>
<b>Total gross fleet</b>	<b>0.0</b>	<b>17.5</b>	<b>34.5</b>	<b>11.0</b>	<b>63.0</b>

### NORDEN's Dry Owner fleet values at 30 June 2018 (USD million)

Vessel type	Post-Panamax	Panamax	Supramax	Handysize	Total
Average age of owned vessels	N/A	11.9	4.4	6.5	6.8
Market value of owned vessels and newbuildings*	0	60	304	81	444
Broker estimated value of certain charter parties attached to owned vessels	0	8	0	9	17
Carrying amount/cost	0	59	274	89	422
<b>Value added</b>	<b>0</b>	<b>9</b>	<b>30</b>	<b>1</b>	<b>40</b>
<b>Value of purchase and extension options on chartered tonnage</b>	<b>0</b>	<b>14</b>	<b>10</b>	<b>0</b>	<b>24</b>

\* Charter free and including joint ventures and assets held for sale, if any.

# Notes to the interim consolidated financial statements

## 10. Overview of deliveries of owned vessels and fleet values (cont.)

### Overview of deliveries of owned vessels and fleet values

Name	Vessel type	Delivery quarter
Hull 10867	Supramax	Q4 2018
Hull 10883	Supramax	Q1 2019
Hull 10815	Supramax	Q1 2019
Hull 10887	Supramax	Q1 2020
Hull 10895	Supramax	Q2 2020

## 11. Events after the reporting date

See page 11 in Management Review.

### CAPEX

	2018	2019	2020	Total
Newbuilding payments and secondhand purchases	62	39	38	139
Estimated dockings and BWT etc.	7	36	11	54
Estimated cost of scrubbers and installation	4	33	4	41

Future payments to NORDEN from sold vessels: USD 36 million, all of which will be received in the third quarter of 2018.