

## Interim Report Third quarter of 2018



*NORD COLORADO, 2017 built Supramax vessel calling Melbourne, Australia*

INTERIM REPORT

# Third quarter of 2018



**Results**

- Adjusted Result\* for Q3 2018:  
USD -12 million (Q3 2017: USD 4 million)
- Dry Operator: USD 2 million (USD -2 million)
  - Dry Owner: USD 4 million (USD 7 million)
  - Tankers: USD -18 million (USD -1 million)

EBIT Q3 2018:  
USD -7 million (USD -2 million)

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



**Markets**

- Dry Cargo: Continued improvements in rates driven by stronger global economic activity combined with lower fleet growth
- Tankers: Continued oversupply and weak demand growth. Foundation for improvement towards 2020 still in place.



**Performance**

- Dry Operator: Adjusted Result of USD 27 million over last 4 quarters. Contribution margin significantly higher than in Q3 2017.
- Dry Owner: Year on year market improvements continue. Cover for 2019 increased and further focus of ownership on Supramax and Panamax vessels
- Tankers: Despite very weak spot market performance almost on par with 1-year T/C



**Values**

- Vessel values
- Dry Cargo: -1%
  - Tankers: -4%



**Guidance**

Expectations for the Adjusted Result for the year are maintained at USD 0 to 30 million.

The Board of Directors has decided to initiate a share buy-back programme of up to a total of USD 10 million

**WEAK TANKER MARKET OVERSHADOWING GOOD PERFORMANCE IN HEALTHY DRY CARGO MARKET**

“Good performance in Dry Operator delivering another positive result cannot make up for the severe headwinds, we are facing in the tanker market. Dry Operator has responded well to changing trade flows following trade tensions between US and China and has during the third quarter protected value in positions that will benefit results in the fourth quarter. Dry Owner continues to benefit from an improving market and has increased cover. In tankers a gradual improvement in 2019 is expected as the market prepares for the IMO sulphur regulation. With a modern fleet, NORDEN is well prepared for this.”

**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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3
<b>INCOME STATEMENT</b>				
Revenue	621.9	460.0	1,829.5	1,299.7
Contribution margin	17.3	23.7	84.3	63.3
EBITDA	2.6	12.0	40.7	29.6
Profit/loss from the sale of vessels, etc., net	2.3	1.1	8.8	0.9
EBIT	-6.5	-2.2	19.4	-5.0
Profit/loss for the period	-9.3	0.1	9.5	-2.5
Adjusted Result for the period*	-11.6	3.7	0.7	1.3
	<b>2018 30/9</b>	<b>2017 30/9</b>	<b>2018 30/9</b>	<b>2017 30/9</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
Total assets	1,312.4	1,280.9	1,312.4	1,280.9
Equity	851.4	801.3	851.4	801.3
Liabilities	466.0	479.6	466.0	479.6
Invested capital	919.6	834.9	919.6	834.9
Net interest-bearing assets	-68.2	-33.6	-68.2	-33.6
Cash and securities	164.8	190.8	164.8	190.8
	<b>2018 Q3</b>	<b>2017 Q3</b>	<b>2018 Q1-Q3</b>	<b>2017 Q1-Q3</b>
<b>CASH FLOWS</b>				
From operating activities	4.6	-16.0	-4.0	-35.1
From investing activities	-22.7	-25.8	-49.0	20.0
– hereof investments in property, equipment and vessels	-50.3	-83.3	-146.9	-93.1
From financing activities	-6.2	19.5	11.3	6.0

USD million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3
<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)	-0.23 (-1.48)	0.00 (0.02)	0.23 (1.47)	-0.06 (-0.41)
Diluted earnings per share (diluted EPS) (DKK)	-0.23 (-1.48)	0.00 (0.02)	0.23 (1.47)	-0.06 (-0.41)
Book value per share (excluding treasury shares) (DKK) <sup>1)</sup>	21.04 (135.51)	19.80 (124.82)	21.04 (135.51)	19.80 (124.82)
Share price at end of period (DKK)	97.6	134.5	97.6	134.5
Price/book value (DKK) <sup>1)</sup>	0.72	1.08	0.72	1.08
<b>OTHER KEY FIGURES AND FINANCIAL RATIOS:</b>				
EBITDA-RATIO <sup>2)</sup>	0.4%	2.6%	2.2%	2.3%
ROIC	-2.9%	-1.0%	2.9%	-0.8%
ROE	-4.4%	0.1%	1.5%	-0.4%
Equity ratio	64.7%	62.6%	64.7%	62.9%
Total no. of ship days for NORDEN	31,343	24,289	90,195	68,162
USD/DKK rate at end of the period	644.13	630.38	644.13	630.38
Average USD/DKK rate	641.15	633.43	624.35	668.75

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 third quarter of 2018

- Adjusted Result: USD -12 million
- USD 10 million share buy-back programme to be initiated
- New candidates to the board of directors

**Results**

In the third quarter, NORDEN realised an Adjusted Result for the period of USD -12 million (Q3 2017: USD 4 million) in a historically poor tanker market, which overshadowed a healthy dry cargo market. The third quarter result corresponds to an EBIT of USD -7 million (USD -2 million) and is less impacted by utilisation of provisions for onerous contracts (USD 5.2 million, compared to USD 21.0 million in the third quarter of 2017).

**Cash flow and activity**

Cash flow from operating activities amounted to USD 5 million for the quarter, a significant improvement compared to the same period last year (USD -16 million). Contribution margin amounted to USD 17 million (USD 24 million).

Overhead and administration costs increased by USD 3 million to USD 15 million compared to the third quarter of 2017 primarily due to investment to support the gradual expansion of Dry Operator. Equity increased by USD 50 million compared to the third quarter of 2017 while the book value per share increased to DKK 135,5 (DKK 124,8)

**Financial position**

At the end of the quarter, NORDEN's cash and securities amounted to USD 165 million. Combined with NORDEN's share of cash in joint ventures of USD 4 million and undrawn credit facilities totalling USD 189 million, liquidity amounted to USD 358 million. NORDEN has sufficient cash to cover the outstanding payments of USD 94 million due in 2018-2020 in connection with newbuilding instalments. 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 63 million during the quarter to USD 715 million partly due to reduced short-term exposure in Tankers.

**Share repurchase programme**

The Board of Directors has approved to initiate a share buy-back programme of USD 10 million which will be announced separately later today.

**New candidates to the board of directors**

The board of directors proposes election of 2 new candidates to the board:

*Helle Østergaard Kristiansen*, female, Danish citizen, CFO in Danske Commodities, which was recently sold to Equinor. Danske Commodities is an energy trading house, trading power, gas and certificates throughout Europe. Helle Østergaard Kristiansen has comprehensive experience with finance, risk

management, optimising processes and digitalisation.

*Stephen John Kunzer*, male, British citizen, former CEO of Eastern Pacific. An accomplished shipping Chief Executive with 30 years' experience, of which the last 20 years in Asia latterly running one of the world's largest private family ship owners with crude and product tankers, containerships, bulk carriers, PCTCs, stainless steel chemical tankers and LPG tankers.

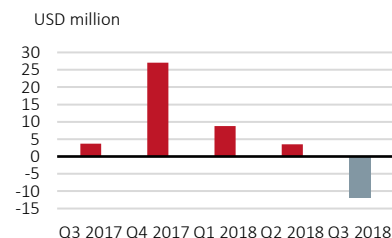
An Extraordinary General Meeting with the sole agenda item of conducting election to the board of directors will be held at 12 December 2018. Separate announcement with further details will follow.

**Impairment assessment**

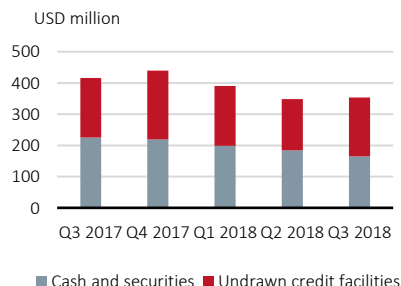
NORDEN has carried out a routine assessment of indicators of impairment. Based on this, the Company has assessed that in the cash generating unit Dry Cargo there is no indication of a need for impairment or reversal of previous impairment, and that there is no need for further provisions for onerous contracts or reversal hereof.

For the cash generating unit Tankers, Management has deemed it necessary to carry out an impairment test. Based on this, Management has assessed that the long-term values of the tanker fleet continue to support the carrying amounts. The assessment is obviously subject to uncertainty. For a more detailed description, please see note 5.

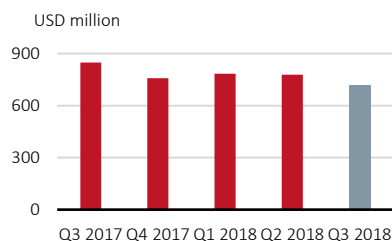
Adjusted Result for the period



Available liquidity (update)



Net commitment



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# Selected segment figures Q3 2018

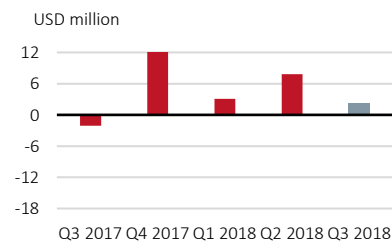
USD million	Dry Operator	Dry Owner	Tankers	Total
Contribution margin	11.5	10.9	-5.1	17.3
Profit before depreciation, amortisation and impairment losses etc. (EBITDA)	2.7	8.7	-8.8	2.6
Profit/loss from operations (EBIT)	2.6	8.0	-17.1	-6.5
Profit/loss for the period	2.3	6.4	-18.0	-9.3
<b>Adjusted Result for the period</b>	<b>2.3</b>	<b>4.0</b>	<b>-17.9</b>	<b>-11.6</b>

Fleet values

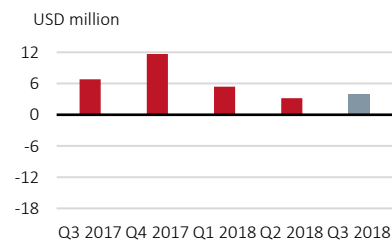
USD million	Dry Owner	Tankers	Total
Market value of owned vessels and newbuildings (charter free)	417	422	839
Broker estimated value of certain charter parties attached to owned vessels	16	0	16
Carrying amount / costs	389	520	909
<b>Market value vs. book value</b>	<b>43</b>	<b>-98</b>	<b>-54</b>
Theoretical value of purchase and extension options	24	12	36

Adjusted Result for the period

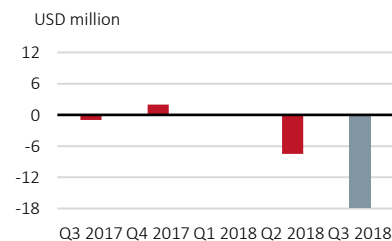
Dry Operator



Dry Owner



Tankers



For further information on the segments see note 2.

Adjusted Result for the period

**USD -12 million**

Change in value of owned vessels and newbuildings – Dry Cargo

**-1%**

Change in value of owned vessels and newbuildings - Tankers

**-4%**

**DRY OPERATOR**

# Focus on profitability

- Adjusted Result for the third quarter: USD 2 million
- USD 66 million generated in the last 4 quarters before overheads
- Adjusted Result per vessel day last 4 quarters: 280 USD/day

**Results for the third quarter of 2018**

In the third quarter of 2018, Dry Operator generated a Contribution margin of USD 11.5 million and an Adjusted Result of USD 2.3 million for the period.

The result is an improvement compared to the same period in 2017, where the Adjusted Result amounted to USD -2.1 million.

Over the last 4 quarters the Dry Operator has generated an Adjusted Result of USD 27 million which is considered as a highly attractive risk-adjusted result given the low capital requirements of this business unit. In total, 96,952 vessel days have been handled by the operator in the latest 4

Average number of vessels operated in the third quarter

**264**

quarters with an average Contribution margin per vessel day of USD 679 per day. The Adjusted Result per vessel day was USD 280.

**Activity in the third quarter**

A total of 23,833 vessels days, the equivalent of an average fleet size of 264 vessels, were operated by Dry Operator in the third quarter of 2018. This is an increase of 3% compared to the same quarter last year, but lower than the high activity levels in the second quarter of 2018.

During the third quarter, Dry Operator focused on inter basin employment of vessels and chose not to charter in a large number of vessels and position them into the Atlantic. NORDEN had more moderate expectations to the North American grain season than in previous years – partly as a result of trade tariffs – and rates on period vessels from the Pacific were relative expensive.

**Well positioned for fourth quarter**

Despite the strategy of a continued expansion of Dry Operator, NORDEN decided to temporarily reduce the number of chartered vessels

to protect the value creation during the quarter and to optimise the positioning for the fourth quarter of 2018. As a consequence, the results for Dry Operator are expected to be significantly higher in the fourth quarter than in third quarter.

Looking further ahead Dry Operator continues to expand its research and risk management capabilities while improving margins from the logistical operation. The focus will be on profitable growth taking advantage of the scalability of the model.

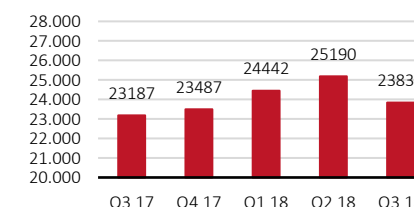
**“Adjusted Result latest 4 quarters: USD 27 million”**

Dry Operator key figures (USD million)

USD million	2017 Q3	2018 Q3	Last 4 Quarters
Contribution margin	3.0	11.5	65.8
O/A costs	-7.6	-8.8	-35.8
EBIT	-5.0	2.6	29.6
Adjusted Result	-2.1	2.3	27.1
Vessel days	23,187	23,833	96,952
CM per vessel day (USD/day)	129	483	679
Adj. Result per vessel day (USD/day)	-91	96	280

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

Dry Operator vessel days



**DRY OWNER**

# Continued gradual market improvement

- USD 4 million in Adjusted Result in the third quarter
- Ownership further concentrated

**Results for the third quarter of 2018**

In the third quarter, Dry Owner realised an Adjusted Result of USD 4 million. This corresponds to an EBIT of USD 8 million. For the first three quarters of 2018, Dry Owner has realised an Adjusted Result of USD 13 million corresponding to an EBIT of USD 29 million.

**Dry cargo market**

In the third quarter, the dry cargo market was stronger than in the same period of 2017. The average Baltic earnings for Supramax vessels was 25% higher than in the third quarter of 2017, and Panamax rates were 20% higher. The improvements were driven by an overall strong global demand growth and fairly low fleet growth.

Based forecasts of continued low fleet growth, NORDEN expects rates in 2019 to resemble the rate environment seen in 2018. Global macro-economic conditions will likely be slightly weaker than in 2018,

but fleet growth continues to be at manageable levels – especially for Supramax and Panamax vessels.

Growth in Chinese economic activity and commodity imports are slowing down compared to the levels seen over the last 2 years. The Chinese government, however, has taken initial steps to stimulate the economy which are expected to lead to improved growth levels in imports in 2019.

**Dry owner fleet and activity**

NORDEN continues to concentrate the Dry Owner fleet on Supramax and Panamax vessels. During the third quarter, the 2 Handysize vessels which were sold during the second quarter of 2018 were delivered to their new owners.

Additionally, NORDEN entered into agreements with Japanese tonnage providers to charter in 2 Panamax, (82,000 tdw.) over a 5-year duration with delivery in 2020 and purchase option and attractive optionality. The vessels will be of eco design and fitted with scrubbers.

**Cover increased**

The Dry Owner has continued to increase the cover for 2019 and has covered 100%

of its capacity the next 6 months. NORDEN still expects a healthy dry cargo market in 2019, leaving the short-term exposure to be managed by the Dry Operator while Dry Owner will benefit from locked-in revenue.

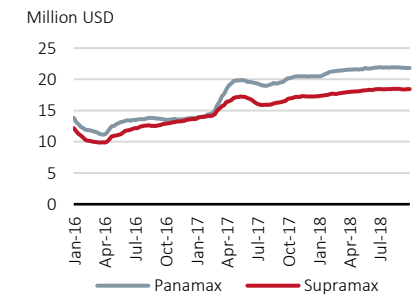
**Fleet value**

Based on the average of 3 independent broker valuations, the market value of NORDEN’s owned dry cargo vessels and newbuilding orders was estimated at USD 432 million. This is a decrease of 1 % compared to the end of the second quarter 2018 for the vessels owned throughout the period. As of the end of the third quarter, Dry Owner had chartered in 11,250 and 12,866 vessel days for 2019 and 2020, respectively.

**Market value of dry cargo vessels (USD)**

## 432 million

**Asset Values 5-year old**



Source: Baltic Exchange

**Dry Owner TCE**

	Days	USD/day
Panamax	1,841	12,160
Supramax	2,061	11,402
Handysize	745	9,499

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

USD million	2017	2018	2018
	Q3	Q3	YTD
Contribution margin	12.0	10.9	30.1
O/A costs	-1.9	-2.2	-6.5
EBIT	3.4	8.0	28.8
Adjusted Result	6.8	4.0	12.6

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

**DRY OWNER**

# Capacity and coverage

At 30 September 2018

	Q4 2018	2019	2020	Q4 2018	2019	2020
<b>Own vessels</b>	Ship days					
Panamax	368	1,376	1,444			
Supramax	746	3,694	4,028			
Handysize	368	1,448	1,452			
<b>Total</b>	<b>1,482</b>	<b>6,518</b>	<b>6,924</b>			
<b>Chartered vessels</b>				Cash costs for T/C capacity (USD per day)		
Panamax	1,504	5,996	6,405	12,554	13,415	13,413
Supramax	1,069	4,106	5,873	11,528	12,064	12,011
Handysize	344	1,148	588	11,689	12,241	11,796
<b>Total</b>	<b>2,917</b>	<b>11,250</b>	<b>12,866</b>	<b>12,076</b>	<b>12,802</b>	<b>12,700</b>
<b>Total capacity</b>	<b>4,399</b>	<b>17,768</b>	<b>19,790</b>	Cash costs for total capacity (USD per day)*		
				<b>9,716</b>	<b>10,099</b>	<b>10,160</b>
<b>Coverage</b>				Revenue from coverage (USD per day)		
Panamax	2,105	5,514	3,633	12,824	13,540	14,090
Supramax	2,096	7,357	4,784	11,882	12,105	12,292
Handysize	462	1,933	1,746	11,568	11,467	11,629
<b>Total</b>	<b>4,663</b>	<b>14,803</b>	<b>10,163</b>	<b>12,276</b>	<b>12,556</b>	<b>12,821</b>
<b>Coverage in %</b>						
Panamax	112%	75%	46%			
Supramax	116%	94%	48%			
Handysize	65%	74%	86%			
<b>Total</b>	<b>106%</b>	<b>83%</b>	<b>51%</b>			
<b>Accounting effect of provision (USD million)</b>	<b>5</b>	<b>21</b>	<b>12</b>			

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

Year to date, Dry Owner has generated an Adjusted Result of

## USD 13 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**

# Weak third quarter market – improvement expected in the fourth quarter

- Adjusted Result for the period: USD -18 million
- Improvement expected in the fourth quarter

**Results for the third quarter of 2018**

In the historically weak third quarter of 2018, NORDEN’s tanker business generated an Adjusted Result of -18 million (Q3 2017: USD -1 million), corresponding to an EBIT of USD -17 million.

The Company’s Handysize tankers generated daily earnings of an average of USD 9,062, while daily earnings in the MR fleet amounted to USD 10,347. Compared to the average 1-year T/C rate during the last 12 months the NORDEN result was 1% lower corresponding to USD -161 per vessel day.

**Severe headwind**

The product tanker market suffered severe headwinds during the quarter and spot rates were the lowest seen in a decade. The main factors pushing the market down were declining product imports in Asia, South America and Middle East in combination with

significant competition from crude vessels due to low rates in that market.

**Improvement in fourth quarter**

While high oil prices continue to dampen oil demand growth, slowing supply growth and normal seasonality imply that rates are expected to improve in the fourth quarter. At the beginning of the fourth quarter rates for crude vessels have improved and there have also been positive signs for product tanker rates in the Atlantic.

in 2019, additions to refinery capacity, low fleet growth and a better crude tanker market are expected to lead to improving product tanker rates. In addition, the introduction of the IMO sulphur cap on emissions from bunker fuel is expected to further support the market balance starting in the second half of 2019.

**Tanker fleet and activity**

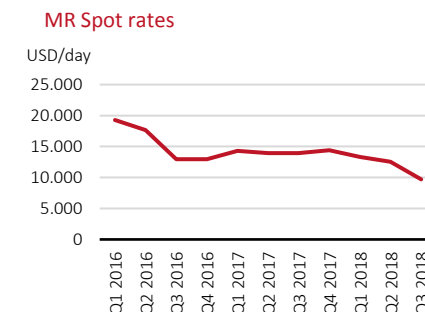
At the end of the third quarter 2018, NORDEN owned a total of 22 tanker vessels – 13 MR’s and 9 Handysize tankers. During the quarter, NORDEN took delivery of 2 MR vessels acquired during the second quarter and

delivered a previously sold Handysize tanker to her new owners. In the third quarter, period rates were not aligned with spot rates and NORDEN utilized the gap to cover part of its exposure for the next 6 months while not taking in new short-term capacity. With 38 % of MR capacity covered for the fourth quarter of 2018 at 12,310 USD/day NORDEN expects the Tanker result to improve compared to the third quarter result.

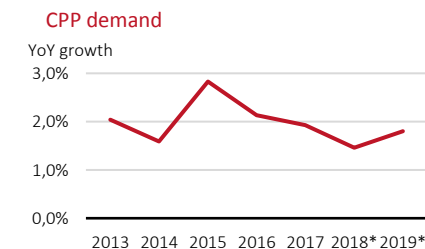
**Vessel values**

NORDEN has carried out an impairment test for the Tanker cash generating unit. Based on this, Management has assessed that the long-term values of the tanker fleet continue to support the carrying amounts. The assessment is obviously subject to uncertainty. For a more detailed description, please see note 5.

Tankers key figures (USD million)



Source: NORDEN spot



Source: Energy Aspects

\*Expected

Tankers key figures (USD million)

USD million	2017 Q3	2018 Q3	2018 YTD
Contribution margin	8.7	-5.1	12.2
O/A costs	-2.2	-3.7	-10.9
EBIT	-0.6	-17.0	-24.7
Adjusted Result	-1.0	-17.9	-25.1

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

**TANKERS**

# Position and rates

At 30 September 2018

	Q4 2018	2019	2020	Q4 2018	2019	2020
<b>Own vessels</b>	Ship days					
MR	1,196	4,544	4,683			
Handysize	828	3,204	3,267			
<b>Total</b>	<b>2,024</b>	<b>7,748</b>	<b>7,950</b>			
<b>Chartered vessels</b>				Cash costs for T/C capacity (USD per day)		
LR1	184	730	397	18,655	18,655	18,655
MR	2,382	5,591	4,234	13,866	14,470	14,868
Handysize	276	1,095	530	12,729	12,729	12,729
<b>Total</b>	<b>2,842</b>	<b>7,416</b>	<b>5,161</b>	<b>14,066</b>	<b>14,625</b>	<b>14,940</b>
<b>Total capacity</b>	<b>4,866</b>	<b>15,164</b>	<b>13,111</b>	<b>10,783</b>	<b>10,568</b>	<b>9,858</b>
				Cash costs for total capacity (USD per day)*		
<b>Coverage</b>				Revenue from coverage (USD per day)		
LR1	-	-	-	-	-	-
MR	1,348	1,185	366	12,310	14,212	16,145
Handysize	77	-	-	3,789	-	-
<b>Total</b>	<b>1,425</b>	<b>1,185</b>	<b>366</b>	<b>11,852</b>	<b>14,212</b>	<b>16,145</b>
<b>Coverage in %</b>						
LR1	-	-	-			
MR	38%	12%	4%			
Handysize	7%	-	-			
<b>Total</b>	<b>29%</b>	<b>8%</b>	<b>3%</b>			

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

**Employment and rates, Tankers, Q3 2018**

Vessel type	LR1	MR	Handysize	Total*
NORDEN's ship days	184	3,640	1,115	4,939
NORDEN spot TCE (USD per day, net)	10,368	9,635	8,624	9,424
NORDEN TCE (USD per day, net)	10,368	10,347	9,062	10,058
NORDEN TCE 12 months average (USD per day, net)	11,219	12,861	11,415	12,420
Benchmark 12 months average (USD per day, net)	12,644	12,982	11,494	12,582
NORDEN vs. Benchmark (12 months average)	-11%	-1%	-1%	-1%

Tankers Q4 2018 capacity (ship days)

# 4,866

Tankers coverage Q4 2018

# 29%

\* 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

THE GROUP

# 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 maintains expectations

NORDEN maintains the expectations for the Adjusted Result for the year at USD 0-30 million.

### Tankers

An expected seasonal improvement in tanker rates have been observed in recent weeks – especially in the Atlantic region where NORDEN currently has the greatest spot exposure. The full year expectations for Tankers is maintained on that basis – although in the lower part of the guidance range.

### Dry Operator

Dry Operator continues to perform well and the expectations for the full year results are maintained.

### Dry Owner

The dry cargo market has developed in line with expectations, and due to high coverage, there is limited uncertainty around the 2018 result for Dry Owner and the guidance is maintained.

## 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 September, 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 3,400 open vessel days in Tankers at the end of September, a change of USD 1,000 per day in expected T/C equivalents would mean a change in earnings of approximately USD 3.4 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 September 2018 which significantly affect the interim report for the period 1 January – 30 September 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	Adjusted Result for the year
Dry Operator	20 to 30
Dry Owner	15 to 20
Tankers	-35 to -20
<b>Group</b>	<b>0 to 30</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 September 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 September 2018 as well as the result of Dampskibsselskabet

NORDEN A/S' consolidated activities and cash flows for the period 1 January to 30 September 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, 7 November 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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4
2	<b>Revenue</b>	<b>621.9</b>	<b>460.0</b>	<b>1,829.5</b>	<b>1,299.7</b>	<b>1,808.6</b>
2	Other operating income	0.9	2.8	1.8	8.8	11.1
2	Vessel operating costs	-605.5	-439.1	-1,747.0	-1,245.2	-1,703.0
2	<b>Contribution margin</b>	<b>17.3</b>	<b>23.7</b>	<b>84.3</b>	<b>63.3</b>	<b>116.7</b>
2, 3	Overhead and administration costs	-14.7	-11.7	-43.6	-33.7	-48.6
	<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>2.6</b>	<b>12.0</b>	<b>40.7</b>	<b>29.6</b>	<b>68.1</b>
2	Profit/loss from the sale of vessels, etc., net	2.3	1.1	8.8	0.9	0.9
2, 5	Depreciation, amortisation and impairment losses	-11.6	-10.7	-32.9	-31.5	-42.2
2	Share of profit/loss of joint ventures	0.2	-4.6	2.8	-4.0	-3.5
	<b>Profit/loss from operations (EBIT)</b>	<b>-6.5</b>	<b>-2.2</b>	<b>19.4</b>	<b>-5.0</b>	<b>23.3</b>
2	Financial income	2.9	1.3	5.3	11.9	14.0
2	Financial expenses	-5.3	-3.2	-12.2	-11.8	-14.9
	<b>Profit/loss before tax</b>	<b>-8.9</b>	<b>-4.1</b>	<b>12.5</b>	<b>-4.9</b>	<b>22.4</b>
	Tax	-0.4	4.2	-3.0	2.4	2.2
	<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-9.3</b>	<b>0.1</b>	<b>9.5</b>	<b>-2.5</b>	<b>24.6</b>
	Attributable to:					
	<b>Shareholders of NORDEN</b>	<b>-9.3</b>	<b>0.1</b>	<b>9.5</b>	<b>-2.5</b>	<b>24.6</b>
	Earnings per share (EPS), USD	-0.23	0.00	0.23	-0.06	0.61
	Diluted earnings per share, USD	-0.23	0.00	0.23	-0.06	0.61
	<b>Adjusted Result for the period</b>	<b>-11.6</b>	<b>3.7</b>	<b>0.7</b>	<b>1.3</b>	<b>28.4</b>

## Consolidated statement of comprehensive income

Note	USD million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4
	<b>Profit/loss for the period</b>	<b>-9.3</b>	<b>0.1</b>	<b>9.5</b>	<b>-2.5</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	-1.7	7.0	7.1	0.5	6.8
	Fair value adjustment for the period, securities	0.0	0.5	-0.1	1.1	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>-1.7</b>	<b>7.5</b>	<b>7.0</b>	<b>1.6</b>	<b>7.5</b>
	<b>Total comprehensive income for the period, after tax</b>	<b>-11.0</b>	<b>7.6</b>	<b>16.5</b>	<b>-0.9</b>	<b>32.1</b>
	Attributable to:					
	Shareholders of NORDEN	-11.0	7.6	16.5	-0.9	32.1

# Consolidated statement of financial position

Note	USD million	2018 30/9	2017 30/9	2017 31/12
	<b>ASSETS</b>			
5	Vessels	744.3	710.6	691.7
	Property and equipment	53.0	49.7	49.6
6	Prepayments on vessels and newbuildings	28.2	26.5	33.9
	Investments in joint ventures	11.2	10.7	11.3
	<b>Non-current assets</b>	<b>836.7</b>	<b>797.5</b>	<b>786.5</b>
	Inventories	69.6	66.6	67.7
	Freight receivables	140.9	113.4	124.0
	Other receivables	26.4	43.6	33.9
	Prepayments	79.0	69.0	79.0
	Securities	4.2	12.0	8.1
	Cash and cash equivalents	160.6	178.8	211.4
		480.7	483.4	524.1
7	Vessels held for sale	0.0	0.0	15.9
	<b>Current assets</b>	<b>480.7</b>	<b>483.4</b>	<b>540.0</b>
	<b>TOTAL ASSETS</b>	<b>1,317.4</b>	<b>1,280.9</b>	<b>1,326.5</b>

Note	USD million	2018 30/9	2017 30/9	2017 31/12
	<b>EQUITY AND LIABILITIES</b>			
	Share capital	6.7	6.7	6.7
	Reserves	14.0	1.1	7.0
	Retained earnings	830.7	793.5	820.7
	<b>Equity</b>	<b>851.4</b>	<b>801.3</b>	<b>834.4</b>
	Loans	178.8	172.4	195.5
	Provisions	26.0	52.4	42.5
	<b>Non-current liabilities</b>	<b>204.8</b>	<b>224.8</b>	<b>238.0</b>
	Loans	54.3	52.0	26.3
	Provisions	25.5	67.1	36.1
	Trade payables	92.8	66.0	62.6
	Debt to joint ventures	4.7	0.4	1.9
	Income tax payable	1.8	0.0	0.0
	Other payables	36.8	36.0	74.6
	Deferred income	45.3	33.3	51.3
		261.2	254.8	252.8
	Liabilities relating to vessels held for sale	0.0	0.0	1.3
	<b>Current liabilities</b>	<b>261.2</b>	<b>254.8</b>	<b>254.1</b>
	<b>Liabilities</b>	<b>466.0</b>	<b>479.6</b>	<b>492.1</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,317.4</b>	<b>1,280.9</b>	<b>1,326.5</b>

# Consolidated statement of cash flows

USD million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4
Profit/loss for the period	-9.3	0.1	9.5	-2.5	24.6
Reversed depreciation, amortisation and impairment losses	11.6	10.7	32.9	31.5	42.2
Reversed financial items, net	2.4	1.9	6.9	-0.1	0.9
Reversed change in provision	-5.3	-21.0	-23.2	-64.2	-83.8
Reversed profit/loss from the sale of vessels etc., net	-2.3	-1.1	-8.8	-0.9	-0.9
Reversed share of profit/loss of joint ventures	-0.2	4.6	-2.8	4.0	3.5
Other reversed non-cash operating items	-0.6	-1.8	2.0	-0.7	1.8
Change in working capital	11.8	-6.2	-13.3	3.3	25.0
Financial payments, received	2.9	-0.2	5.7	5.4	7.0
Financial payments, paid	-5.2	-3.0	-11.7	-10.9	-14.0
Income tax paid	-1.2	0.0	-1.2	0.0	0.0
<b>Cash flows from operating activities</b>	<b>4.6</b>	<b>-16.0</b>	<b>-4.0</b>	<b>-35.1</b>	<b>6.3</b>
Investments in vessels and vessels held for sale	-41.3	-53.2	-66.6	-60.6	-93.0
Investments in other tangible assets	-0.4	0.0	-4.2	0.0	-0.4
Additions in prepayments on newbuildings	-8.6	-30.1	-76.1	-32.5	-13.5
Additions in prepayments received on sold vessels	-3.6	-2.1	-1.3	-5.1	-3.8
Investments in joint ventures	0.0	0.0	-1.1	0.0	0.0
Proceeds from sale of vessels and newbuildings	35.9	21.2	88.4	46.0	47.8
Proceeds from sale of other tangible assets	0.2	0.0	0.0	0.0	0.0
Sale of securities	0.0	0.0	4.0	9.5	14.0
Change in cash and cash equivalents with rate agreements of more than 3 months	-4.9	38.4	7.9	62.7	48.7
<b>Cash flows from investing activities</b>	<b>-22.7</b>	<b>-25.8</b>	<b>-49.0</b>	<b>20.0</b>	<b>-0.2</b>
Proceeds from loans	25.0	25.0	106.0	25.0	30.0
Repayments of loans	-31.2	-5.5	-94.7	-19.0	-27.0
<b>Cash flows from financing activities</b>	<b>-6.2</b>	<b>19.5</b>	<b>11.3</b>	<b>6.0</b>	<b>3.0</b>
Change in liquidity for the period	-24.3	-22.3	-41.7	-9.1	9.1
Liquidity at beginning the of period	97.2	116.7	115.6	100.6	100.6
Exchange rate adjustments	-0.4	2.5	-1.4	5.4	5.9
Change in liquidity for the period	-24.3	-22.3	-41.7	-9.1	9.1
<b>Liquidity at end period</b>	<b>72.5</b>	<b>96.9</b>	<b>72.5</b>	<b>96.9</b>	<b>115.6</b>
Cash and cash equivalents with rate agreements of more than 3 months	88.1	81.9	88.1	81.9	95.8
<b>Cash and cash equivalents at end period acc. to the statement of financial position</b>	<b>160.6</b>	<b>178.8</b>	<b>160.6</b>	<b>178.8</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	-	7.0	9.5	16.5
Share-based payment	-	-	0.5	0.5
<b>Changes in equity</b>	<b>-</b>	<b>7.0</b>	<b>10.0</b>	<b>17.0</b>
<b>Equity at 30 September 2018</b>	<b>6.7</b>	<b>14.0</b>	<b>830.7</b>	<b>851.4</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	-	1.6	-2.5	-0.9
Share-based payment	-	-	0.8	0.8
<b>Changes in equity</b>	<b>-</b>	<b>1.6</b>	<b>-1.7</b>	<b>-0.1</b>
<b>Equity at 30 September 2017</b>	<b>6.7</b>	<b>1.1</b>	<b>793.5</b>	<b>801.3</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	Q3 2018						Q3 2017		
	Dry Operator	Dry Owner	Eliminations	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Revenue - services rendered, external	495.3	12.4	-	507.7	114.2	621.9	358.3	101.7	460.0
Revenue, services rendered, internal	-	38.0	-38.0	-	-	-	-	-	-*
Voyage costs	-205.7	-0.2	-	-205.9	-66.7	-272.6	-157.8	-50.4	-208.2
<b>T/C equivalent revenue</b>	<b>289.6</b>	<b>50.2</b>	<b>-38.0</b>	<b>301.8</b>	<b>47.5</b>	<b>349.3</b>	<b>200.5</b>	<b>51.3</b>	<b>251.8</b>
Other operating income	0.2	0.6	-	0.8	0.1	0.9	2.8	-	2.8
Charter hire	-278.3	-33.0	38.0	-273.3	-40.8	-314.1	-180.1	-30.3	-210.4
Operating costs owned vessels	-	-6.9	-	-6.9	-11.9	-18.8	-8.2	-12.3	-20.5
<b>Contribution margin</b>	<b>11.5</b>	<b>10.9</b>	<b>-</b>	<b>22.4</b>	<b>-5.1</b>	<b>17.3</b>	<b>15.0</b>	<b>8.7</b>	<b>23.7</b>
Overhead and administration costs	-8.8	-2.2	-	-11.0	-3.7	-14.7	-9.5	-2.2	-11.7
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>2.7</b>	<b>8.7</b>	<b>-</b>	<b>11.4</b>	<b>-8.8</b>	<b>2.6</b>	<b>5.5</b>	<b>6.5</b>	<b>12.0</b>
Profit/loss from sale of vessels, etc.	-	2.4	-	2.4	-0.1	2.3	1.1	0.0	1.1
Depreciation, amortisation and impairment losses	-0.1	-3.6	-	-3.7	-7.9	-11.6	-3.4	-7.3	-10.7
Share of profit/loss of joint ventures	-	0.5	-	0.5	-0.3	0.2	-4.8	0.2	-4.6
<b>Profit/loss from operations (EBIT)</b>	<b>2.6</b>	<b>8.0</b>	<b>-</b>	<b>10.6</b>	<b>-17.1</b>	<b>-6.5</b>	<b>-1.6</b>	<b>-0.6</b>	<b>-2.2</b>
Financial income	-	1.7	-	1.7	1.2	2.9	0.8	0.5	1.3
Financial expenses	-	-3.2	-	-3.2	-2.1	-5.3	-1.9	-1.3	-3.2
<b>Profit/loss before tax</b>	<b>2.6</b>	<b>6.5</b>	<b>-</b>	<b>9.1</b>	<b>-18.0</b>	<b>-8.9</b>	<b>-2.7</b>	<b>-1.4</b>	<b>-4.1</b>
Tax	-0.3	-0.1	-	-0.4	0.0	-0.4	3.8	0.4	4.2
<b>Profit/loss for the period</b>	<b>2.3</b>	<b>6.4</b>	<b>-</b>	<b>8.7</b>	<b>-18.0</b>	<b>-9.3</b>	<b>1.1</b>	<b>-1.0</b>	<b>0.1</b>
Adjusted for:									
Profit/loss from sale of vessels, etc.	-	2.4	-	2.4	-0.1	2.3	3.6	-	3.6
<b>Adjusted Result for the period**</b>	<b>2.3</b>	<b>4.0</b>	<b>-</b>	<b>6.3</b>	<b>-17.9</b>	<b>-11.6</b>	<b>4.7</b>	<b>-1.0</b>	<b>3.7</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	Q1-Q3 2018						Q1-Q3 2017		
	Dry Operator	Dry Owner	Eliminations	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Revenue - services rendered, external	1,477.9	37.3	-	1,515.2	314.3	1,829.5	1,043.1	256.6	1,299.7
Revenue, services rendered, internal	-	115.6	-115.6	-	-	-	-	-	-*
Voyage costs	-620.7	-0.4	-	-621.1	-149.1	-770.2	-493.1	-106.5	-599.6
<b>T/C equivalent revenue</b>	<b>857.2</b>	<b>152.5</b>	<b>-115.6</b>	<b>894.1</b>	<b>165.2</b>	<b>1,059.3</b>	<b>550.0</b>	<b>150.1</b>	<b>700.1</b>
Other operating income	0.9	0.9	-	1.8	-	1.8	8.8	-	8.8
Charter hire	-816.1	-102.4	115.6	-802.9	-117.0	-919.9	-510.4	-79.2	-589.6
Operating costs owned vessels	-	-20.9	-	-20.9	-36.0	-56.9	-24.5	-31.5	-56.0
<b>Contribution margin</b>	<b>42.0</b>	<b>30.1</b>	<b>-</b>	<b>72.1</b>	<b>12.2</b>	<b>84.3</b>	<b>23.9</b>	<b>39.4</b>	<b>63.3</b>
Overhead and administration costs	-26.2	-6.5	-	-32.7	-10.9	-43.6	-27.2	-6.5	-33.7
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>15.8</b>	<b>23.6</b>	<b>-</b>	<b>39.4</b>	<b>1.3</b>	<b>40.7</b>	<b>-3.3</b>	<b>32.9</b>	<b>29.6</b>
Profit/loss from sale of vessels, etc.	-	11.5	-	11.5	-2.7	8.8	1.1	-0.2	0.9
Depreciation, amortisation and impairment losses	-0.5	-9.9	-	-10.4	-22.5	-32.9	-9.9	-21.6	-31.5
Share of profit/loss of joint ventures	-	3.6	-	3.6	-0.8	2.8	-4.9	0.9	-4.0
<b>Profit/loss from operations (EBIT)</b>	<b>15.3</b>	<b>28.8</b>	<b>-</b>	<b>44.1</b>	<b>-24.7</b>	<b>19.4</b>	<b>-17.0</b>	<b>12.0</b>	<b>-5.0</b>
Financial income	-	3.2	-	3.2	2.1	5.3	7.2	4.7	11.9
Financial expenses	-	-7.4	-	-7.4	-4.8	-12.2	-7.1	-4.7	-11.8
<b>Profit/loss before tax</b>	<b>15.3</b>	<b>24.6</b>	<b>-</b>	<b>39.9</b>	<b>-27.4</b>	<b>12.5</b>	<b>-16.9</b>	<b>12.0</b>	<b>-4.9</b>
Tax	-2.1	-0.5	-	-2.6	-0.4	-3.0	2.1	0.3	2.4
<b>Profit/loss for the period</b>	<b>13.2</b>	<b>24.1</b>	<b>-</b>	<b>37.3</b>	<b>-27.8</b>	<b>9.5</b>	<b>-14.8</b>	<b>12.3</b>	<b>-2.5</b>
Adjusted for:									
Profit/loss from sale of vessels, etc.	-	11.5	-	11.5	-2.7	8.8	3.6	0.2	3.8
<b>Adjusted Result for the period**</b>	<b>13.2</b>	<b>12.6</b>	<b>-</b>	<b>25.8</b>	<b>-25.1</b>	<b>0.7</b>	<b>-11.2</b>	<b>12.5</b>	<b>1.3</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

## 3. Overhead and administration costs

USD million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Q1- Q4
Staff costs, onshore employees	-11.9	-9.9	-33.1	-25.3	-35.5
Other external costs	-2.8	-1.8	-10.5	-8.4	-13.1
<b>Total</b>	<b>-14.7</b>	<b>-11.7</b>	<b>-43.6</b>	<b>-33.7</b>	<b>-48.6</b>

## 4. Fair value adjustment - hedging Instruments

As of 30 September 2018, outstanding hedging contains:

### Bunker hedging

USD million	2018 30/9	2017 30/9	2017 31/12
Movements in the hedging reserve:			
Beginning, 1 January	7.9	0.0	0.0
Fair value adjustments	-14.4	0.4	10.3
Realised contracts, transferred to vessel operating costs (gain)	19.3	2.3	-2.4
<b>End</b>	<b>12.8</b>	<b>2.7</b>	<b>7.9</b>

### FFA hedging

USD million	2018 30/9	2017 30/9	2017 31/12
Movements in the hedging reserve:			
Beginning, 1 January	0.9	0.0	0.0
Fair value adjustments	-2.6	5.1	-7.1
Realised contracts, transferred to vessel operating costs (+ = loss, - = gain)	2.3	-6.8	8.0
<b>End</b>	<b>0.6</b>	<b>-1.7</b>	<b>0.9</b>

## 5. Vessels

USD million	2018 30/9	2017 30/9	2017 31/12
Cost at 1 January	1,198.5	1,165.8	1,165.8
Correction of cost at 1 January	-65.2	-	-
Additions	130.2	60.4	61.5
Disposals	-136.7	0.0	0.0
Transferred to tangible assets held for sale	0.0	0.0	-28.8
<b>Cost</b>	<b>1,126.8</b>	<b>1,226.2</b>	<b>1,198.5</b>
Depreciation at 1 January	-323.1	-287.0	-287.0
Correction of cost at 1 January	53.5	-	-
Depreciation	-32.3	-30.0	-40.4
Reversed depreciation on vessels disposed of	41.8	0.0	0.0
Transferred to tangible assets held for sale	0.0	0.0	4.3
<b>Depreciation</b>	<b>-260.1</b>	<b>-317.0</b>	<b>-323.1</b>
Impairment at 1 January	-183.7	-198.6	-198.6
Correction of cost at 1 January	11.5	-	-
Impairment	-3.2	0.0	0.0
Reversed impairment on vessels disposed of	53.0	0.0	0.0
Transferred to tangible assets held for sale	0.0	0.0	14.9
<b>Impairment</b>	<b>-122.4</b>	<b>-198.6</b>	<b>-183.7</b>
<b>Carrying amount</b>	<b>744.3</b>	<b>710.6</b>	<b>691.7</b>

### Financial Comment - Tankers

The combination of broker values for the Tanker fleet being USD 98 mill. below carrying amounts at the end of third quarter 2018 and an expectation of a negative result for the year, made Management conclude that there are indications of impairment. NORDEN has therefore conducted a calculation of the discounted cash flow (value-in-use, VIU) of the Tanker fleet, where the long-term values were assessed. The CGU, Tankers, is assessed on a portfolio basis, meaning that it is defined as NORDEN's Tanker fleet including chartered vessels and agreed coverage (revenue). A WACC of 8% was used for the calculation. The VIU calculation showed that the long-term values of the Tanker fleet support the carrying amounts. Accordingly, there is no cause for impairment of the Group's Tanker fleet, just as there is no basis for provisions for onerous time charter contracts for the CGU, Tankers. The VIU calculation is particularly sensitive to changes in expected long term future freight rates and the WACC.

# Notes to the interim consolidated financial statements

## 6. Prepayments on vessels and newbuildings

USD million	2018 30/9	2017 30/9	2017 31/12
Cost at 1 January	41.4	31.2	31.2
Additions	76.1	6.2	13.6
Transferred to vessels	-84.9	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>32.4</b>	<b>34.0</b>	<b>41.4</b>
Impairment at 1 January	-7.5	-11.3	-11.3
Reversed impairment on vessels disposed of	3.3	0.0	0.0
Transferred to tangible assets held for sale	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>28.2</b>	<b>26.5</b>	<b>33.9</b>

## 7. Vessels held for sale

USD million	2018 30/9	2017 30/9	2017 31/12
Cost at 1 January	15.9	22.2	22.2
Additions to tangible assets held for sale	21.3	29.2	31.5
Additions from prepayments on vessels and newbuildings	0.0	3.4	-0.5
Additions from vessels	35.7	0.0	9.6
Disposals	-72.9	-54.8	-46.9
<b>Carrying amount</b>	<b>0.0</b>	<b>0.0</b>	<b>15.9</b>
Which can be specified as follows:			
Vessels	-	-	9.6
Newbuildings	-	-	6.3
<b>Total</b>	<b>-</b>	<b>-</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 September 2018

Vessel type	LR1	MR	Handysize	Total
<b>Vessels in operation</b>				
Owned vessels	0.0	13.0	9.0	22.0
Chartered vessels	2.0	28.0	5.0	35.0
<b>Total active fleet</b>	<b>2.0</b>	<b>41.0</b>	<b>14.0</b>	<b>57.0</b>
<b>Vessels to be delivered</b>				
Owned vessels	0.0	0.0	0.0	0.0
Chartered vessels	0.0	9.0	0.0	9.0
<b>Total vessels to be delivered</b>	<b>0.0</b>	<b>9.0</b>	<b>0.0</b>	<b>9.0</b>
<b>Total gross fleet</b>	<b>2.0</b>	<b>50.0</b>	<b>14.0</b>	<b>66.0</b>

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

Vessel type	LR1	MR	Handysize	Total
Average age of owned vessels	N/A	6.4	9.1	7.5
Market value of owned vessels and newbuildings*	0	294	128	422
Broker estimated value of certain charter parties attached to owned vessels	0	0	0	0
Carrying amount/cost	0	333	187	520
<b>Value added</b>	<b>0</b>	<b>-39</b>	<b>-59</b>	<b>-98</b>
<b>Value of purchase and extension options on chartered tonnage</b>	<b>0</b>	<b>1</b>	<b>11</b>	<b>12</b>

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

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

Vessel type	Panamax	Supramax	Handysize	Total
<b>Vessels in operation</b>				
Owned vessels	4.0	7.5	4.0	15.5
Chartered vessels	12.5	15.0	4.0	31.5
<b>Total active fleet</b>	<b>16.5</b>	<b>22.5</b>	<b>8.0</b>	<b>47.0</b>
<b>Vessels to be delivered</b>				
Owned vessels	0.0	5.0	0.0	5.0
Chartered vessels	3.0	7.0	1.0	11.0
<b>Total vessels to be delivered</b>	<b>3.0</b>	<b>12.0</b>	<b>1.0</b>	<b>16.0</b>
<b>Total gross fleet</b>	<b>19.5</b>	<b>34.5</b>	<b>9.0</b>	<b>63.0</b>

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

Vessel type	Panamax	Supramax	Handysize	Total
Average age of owned vessels	12.0	4.7	6.3	7.0
Market value of owned vessels and newbuildings*	61	299	57	417
Broker estimated value of certain charter parties attached to owned vessels	5	0	10	16
Carrying amount/cost	58	265	66	389
<b>Value added</b>	<b>8</b>	<b>33</b>	<b>2</b>	<b>43</b>
<b>Value of purchase and extension options on chartered tonnage</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

USD million	2018	2019	2020	Total
Newbuilding payments and secondhand purchases	20	39	38	97
Estimated dockings and BWT etc.	1	32	7	40
Estimated cost of scrubbers and installation	0	33	7	40