

**INTERIM REPORT**

# First quarter of 2017



- ★ **Results**  
Adjusted result for Q1 2017: USD 1 million (Q1 2016: USD -5 million)
  - Dry Cargo: USD -9 million (USD -20 million)
  - Tankers: USD 10 million (USD 15 million)
 Group EBIT Q1 2017: USD 0 million (USD -1 million)
  
- ★ **Markets**
  - Coverage prevented NORDEN from benefitting from a dry cargo market that continued a gradual improvement on the back of strong year-on-year increase in Chinese imports.
  - Tanker fleet well positioned to exploit local and temporary rate spikes in an otherwise challenging tanker market.
  
- ★ **Performance**  
NORDEN TCE vs. benchmark:
  - Dry Cargo +22%\*
  - Tankers +10%
  
- ★ **Capacity and cover rest of year**
  - Dry Cargo: 80% of 26,199 days
  - Tankers: 20% of 9,520 days
  
- ★ **Vessel values and forward rates**  
11% increase in dry cargo values and 5% decrease in tanker values. Increasing forward rates benefitting 62,243 open days in Dry Cargo until 2022.
  
- ★ **Guidance**  
Expectations for the adjusted result for the year maintained at USD -20 to +40 million with a dry cargo market that is expected to offer rates a little higher than in 2016 and a tanker market that still looks challenging throughout 2017.

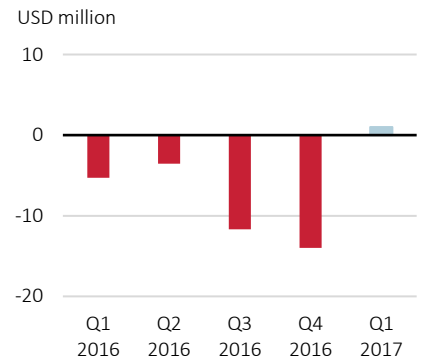
**CEO Jan Rindbo in comment:**

“On the back of strong performance by our Tanker business in a challenging market, we present our first quarterly adjusted profit since 2015. In Tankers, we were able to make the most of regional and temporary market spikes and benefitted from the decision to increase our chartered fleet at relatively low costs at the end of 2016. In Dry Cargo, we did not benefit from the improving rates in the first quarter, but they have increased the value of NORDEN’s forward position in a year that overall still looks challenging in both segments.”

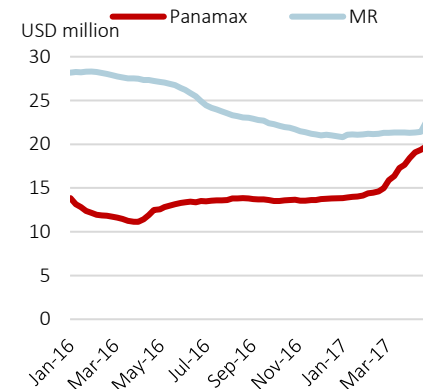
A telephone conference will be held today at 3:30 p.m. (CET), where CEO Jan Rindbo and CFO Martin Badstedt will comment on the report. It is requested that all participants have joined the meeting by latest 3:25 p.m. (CET) – Danish participants please dial in on +45 3271 1660, overseas participants please dial in on +44 (0)20 3427 1915 or +1 646 254 3360. The telephone conference will be shown live at [www.ds-norden.com](http://www.ds-norden.com), where the accompanying presentation will also be available.

For further information: CEO Jan Rindbo, tel. +45 3315 0451.

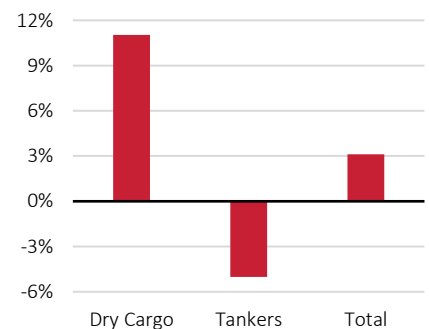
**Adjusted result for the period\*\***



**Secondhand asset values**



**Fleet value development Q1**



\* Benchmark is defined as 50% spot and 50% FFA from the previous 12 months.

\*\*“Result for the period” adjusted for “Profit from sale of vessels etc.”

# Key figures and ratios for the group

| USD million  | 1/1-31/3<br>2017 | 1/1-31/3<br>2016 | Change Q1<br>2016-2017 | 1/1-31/12<br>2016 |
|--|------------------|------------------|------------------------|-------------------|
| <b>Income statement</b>  |                  |                  |                        |                   |
| Revenue  | 440.1            | 296.2            | 49%                    | 1,251.2           |
| Costs  | -429.8           | -284.8           | 51%                    | -1,220.6          |
| Earnings before depreciation, etc. (EBITDA)                          | 10.3             | 11.4             | -10%                   | 30.6              |
| Profit from the sale of vessels, etc.                                | -0.2             | 0.8              | -                      | -45.5             |
| Depreciation and write-downs   | -10.6            | -13.3            | 20%                    | -49.6             |
| Earnings from operations (EBIT)                                      | 0.1              | -1.3             | -                      | -64.5             |
| Fair value adjustment of certain hedging instruments                 | -                | 9.1              | -                      | 34.5              |
| Net financials   | 1.6              | -2.4             | -                      | -12.3             |
| Results before tax   | 1.7              | 5.4              | -69%                   | -42.2             |
| Results for the period   | 0.7              | 4.6              | -85%                   | -45.6             |
| Adjusted result for the period*                                      | 0.9              | -5.3             | -                      | -34.6             |
| <b>Statement of financial position</b>                               |                  |                  |                        |                   |
| Non-current assets   | 761.8            | 943.3            | -19%                   | 767.1             |
| Total assets   | 1,280.7          | 1,545.7          | -17%                   | 1,301.0           |
| Equity   | 792.6            | 858.9            | -8%                    | 801.4             |
| Liabilities  | 488.2            | 686.8            | -29%                   | 499.6             |
| Invested capital   | 739.7            | 777.3            | -5%                    | 753.8             |
| Net interest-bearing assets  | 52.8             | 81.6             | -35%                   | 47.6              |
| Cash and securities  | 264.0            | 375.5            | -30%                   | 263.9             |
| <b>Cash flows</b>  |                  |                  |                        |                   |
| From operating activities  | -9.4             | 6.6              | -                      | -79.7             |
| From investing activities  | 33.0             | 8.1              | -                      | 102.1             |
| - hereof investments in property, equipment and vessels              | -4.2             | -52.0            | -92%                   | -36.8             |
| From financing activities  | -5.1             | -5.5             | -7%                    | -85.3             |
| Change in cash and cash equivalents for the period                   | 18.5             | 9.2              | 80%                    | -62.9             |
| <b>Financial and accounting ratios</b>                               |                  |                  |                        |                   |
| Share-related key figures and financial ratios:                      |                  |                  |                        |                   |
| Number of shares of DKK 1 each (including treasury shares)           | 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        |
| Number of treasury shares  | 1,732,385        | 1,732,385        | -                      | 1,732,385         |
| Earnings per share (EPS)(DKK)  | 0.0 (0)          | 0.1 (1)          | -82%                   | -1.1 (-8)         |
| Diluted earnings per share (diluted EPS) (DKK)                       | 0.0 (0)          | 0.1 (1)          | -82%                   | -1.1 (-8)         |
| Book value per share (excluding treasury shares) (DKK) <sup>1)</sup> | 19.6 (136)       | 21.2 (139)       | -8%                    | 19.0 (134)        |
| Share price at end of period (DKK)                                   | 141.2            | 95.5             | 48%                    | 110.5             |
| Price/book value (DKK) <sup>1)</sup>                                 | 1.0              | 0.7              | 43%                    | 0.8               |
| Other key figures and financial ratios:                              |                  |                  |                        |                   |
| EBITDA-ratio <sup>2)</sup>   | 2.4%             | 3.9%             | -39%                   | 2.4%              |
| ROIC   | 0.0%             | -0.7%            | -                      | -8.4%             |
| ROE  | 0.1%             | 2.1%             | -94%                   | -5.5%             |
| Equity ratio   | 61.9%            | 55.6%            | 11%                    | 61.6%             |
| Total no. of ship days for the Group                                 | 22,093           | 18,217           | 21%                    | 78,765            |
| USD/DKK rate at end of period  | 696.55           | 654.48           | 6%                     | 705.28            |
| Average USD/DKK rate   | 698.27           | 677.30           | 3%                     | 673.27            |

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

<sup>2)</sup> 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." has not been included in EBITDA.

\* Adjusted result for the period was computed as "Results for the period" adjusted for "Profit from the sale of vessels, etc." and until 31/12-2016 "Fair value adjustment of certain hedging instruments".

# Comments on the development of the group for the period

- Adjusted result for the period: USD 1 (USD -5 million)
- Cash and securities at 31 March: USD 264 million (USD 376 million)
- Dry cargo vessel values increased by 11%

## Adjusted result for the period USD 1 million

In the first quarter, NORDEN realised an adjusted result for the period of USD 1 million (Q1 2016: USD -5 million). This corresponds to an EBIT of USD 0 million (USD -1 million).

NORDEN's tanker activities generated an adjusted result for the period of USD 10 million (USD 15 million), corresponding to an EBIT of USD 10 million (USD 16 million). The tanker result was generated in an overall challenging market that, however, also offered significant local spikes in clean product rates. In the dry cargo market, the steady increase in rates that began in the fourth quarter of 2016 continued and rates were significantly higher than in the first quarter of 2016. However, the dry cargo result for the first quarter has not benefited from the increase in market rates, as NORDEN entered the quarter with more than 100% cover and the adjusted result for the period ended at USD -9 million (USD -20 million), corresponding to an EBIT of USD -9 million (USD -17 million).

## Financial position

At the end of the quarter, NORDEN's cash and securities amounted to USD 264 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 250 million at the end of the quarter. In comparison, outstanding yard payments concerning the Company's newbuilding programme constitute USD 237 million and are due for payment in the period 2017-2020. Future payments to NORDEN for assets held for sale amount to USD 54 million.

NORDEN's net commitments, calculated as total bank debt, T/C commitments and outstanding payments on newbuildings less cash and future earnings from coverage, increased by USD 94 million during the quarter to USD 714 million as a result of newly entered short- and long-term T/C commitments. Despite the latest increase in net commitments, the Company has lowered its net commitments by USD 543 million since the end of 2014.

## Increase in short-term capacity

NORDEN has increased both short- and long-term exposure during the first quarter of 2017. In the tanker segment, NORDEN has entered into both short- and long-term charter agreements including two MR tanker newbuildings on long-term T/Cs with delivery in mid-2018. NORDEN will seek to further increase the exposure as opportunities arise.

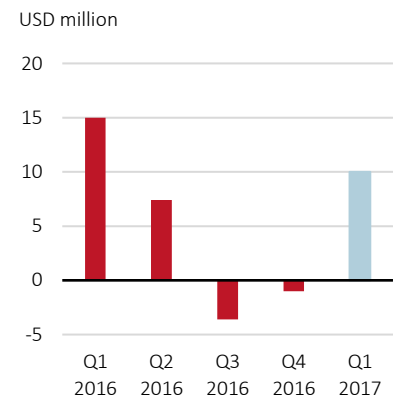
In Dry Cargo, Christian Vinther Christensen has taken up the position as Head of the Dry Cargo Department and has continued the strategic expansion of operator activities with an increase in short-term chartering and a new organisational set-up to support this.

At the end of the first quarter of 2017, NORDEN had 3 vessels held for sale of which the first is scheduled for delivery in April while the remainders will be delivered in the second half of 2017 once they leave the yard.

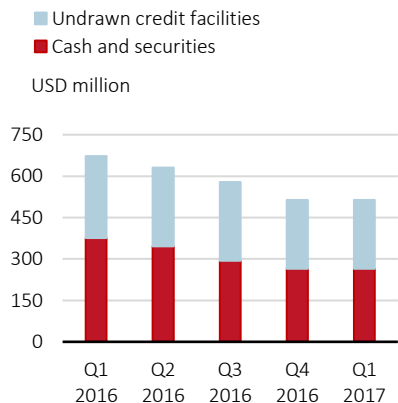
## Dry Cargo Adjusted result for the period



## Tankers Adjusted result for the period



## Available liquidity



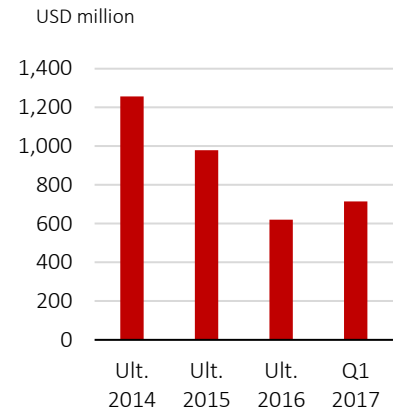
**Development in vessel values**

The value of the vessels which NORDEN owned throughout the quarter increased by 3%. In Dry Cargo, vessel values increased by 11% during the first quarter, whereas tanker vessel values dropped by 5% on average. Based on valuations from 3 independent brokers, the market value of NORDEN's owned vessels and newbuildings (including vessels in joint ventures) is estimated at USD 906 million at the end of the quarter. The theoretical value of NORDEN's purchase and extension options is estimated at USD 40 million at the end of the first quarter.

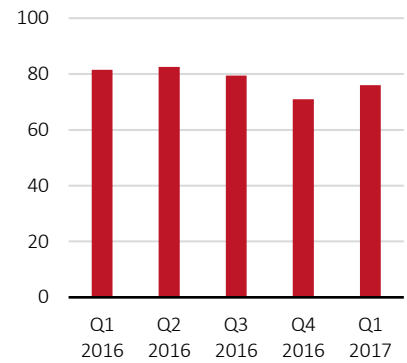
In the second quarter, asset values have continued to increase in Dry Cargo and in Tankers there have also been indications of upward pressure on values.

As usual, the Company has carried out an assessment of the development in the key impairment indicators such as short-term and long-term freight rates, newbuilding prices and fleet values. Based on this, the Company has concluded that there are no changes in the assumptions which indicate a need for an impairment or reversal of previous impairments.

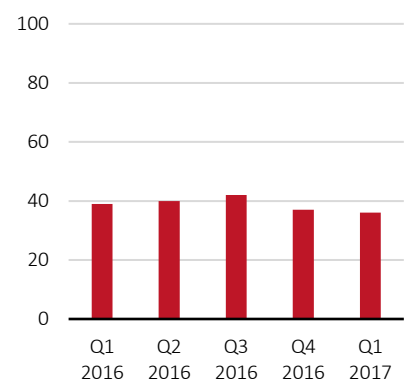
**Total net commitments**



**Active core fleet\* Dry Cargo**



**Active fleet Tankers**



\*Core fleet is defined as owned vessels and vessels chartered for more than 13 months.

# Segment information

USD million

Q1 2017

Q1 2016

|  | Dry Cargo    | Tankers     | Total        | Dry Cargo    | Tankers     | Total        |
|--|--------------|-------------|--------------|--------------|-------------|--------------|
| Revenue – services rendered                          | 331.0        | 109.1       | 440.1        | 192.5        | 103.7       | 296.2        |
| Voyage costs   | -173.0       | -56.0       | -229.0       | -105.4       | -33.8       | -139.2       |
| <b>Contribution margin</b>                           | <b>158.0</b> | <b>53.1</b> | <b>211.1</b> | <b>87.1</b>  | <b>69.9</b> | <b>157.0</b> |
| Other operating income, net                          | 2.9          | 0.0         | 2.9          | 1.8          | 0.0         | 1.8          |
| Vessel operating costs                               | -158.8       | -34.5       | -193.3       | -92.7        | -43.8       | -136.5       |
| Costs  | -8.4         | -2.0        | -10.4        | -8.7         | -2.2        | -10.9        |
| <b>Earnings before depreciation, etc. (EBITDA)</b>   | <b>-6.3</b>  | <b>16.6</b> | <b>10.3</b>  | <b>-12.5</b> | <b>23.9</b> | <b>11.4</b>  |
| Profits from the sale of vessels, etc.               | 0.0          | -0.2        | -0.2         | 0.8          | 0.0         | 0.8          |
| Depreciation and write-downs                         | -3.4         | -7.2        | -10.6        | -5.1         | -8.2        | -13.3        |
| Share of results of joint ventures                   | 0.2          | 0.4         | 0.6          | -0.2         | 0.0         | -0.2         |
| <b>Earnings from operations (EBIT)</b>               | <b>-9.5</b>  | <b>9.6</b>  | <b>0.1</b>   | <b>-17.0</b> | <b>15.7</b> | <b>-1.3</b>  |
| Fair value adjustment of certain hedging instruments | -            | -           | -            | 9.1          | 0.0         | 9.1          |
| Financial income                                     | 3.0          | 2.0         | 5.0          | 0.8          | 0.4         | 1.2          |
| Financial expenses                                   | -2.0         | -1.4        | -3.4         | -2.1         | -1.5        | -3.6         |
| Tax for the period                                   | -0.9         | -0.1        | -1.0         | -0.7         | -0.1        | -0.8         |
| <b>Results for the period</b>                        | <b>-9.4</b>  | <b>10.1</b> | <b>0.7</b>   | <b>-9.9</b>  | <b>14.5</b> | <b>4.6</b>   |
| <b>Adjusted result for the period</b>                | <b>-9.4</b>  | <b>10.3</b> | <b>0.9</b>   | <b>-19.8</b> | <b>14.5</b> | <b>-5.3</b>  |

USD million

Q1 2017

Q1 2016

|  | Dry Cargo    | Tankers      | Total          | Dry Cargo    | Tankers      | Total          |
|--|--------------|--------------|----------------|--------------|--------------|----------------|
| Vessels                                  | 180.4        | 491.5        | 671.9          | 302.4        | 560.9        | 863.3          |
| Prepayments on vessels and newbuildings  | 22.7         | 0.0          | 22.7           | 31.2         | 20.9         | 52.1           |
| Other tangible assets                    | 30.3         | 20.3         | 50.6           | 12.1         | 0.0          | 12.1           |
| Investments in joint ventures            | 15.8         | 0.8          | 16.6           | 14.5         | 1.3          | 15.8           |
| <b>Non-current assets</b>                | <b>249.2</b> | <b>512.6</b> | <b>761.8</b>   | <b>360.2</b> | <b>583.1</b> | <b>943.3</b>   |
| <b>Current assets (operating)</b>        | <b>191.7</b> | <b>63.2</b>  | <b>254.9</b>   | <b>147.5</b> | <b>79.4</b>  | <b>226.9</b>   |
| <b>Cash and securities</b>               | <b>-</b>     | <b>-</b>     | <b>264.0</b>   | <b>-</b>     | <b>-</b>     | <b>375.5</b>   |
| - Of which tangible assets held for sale | 5.6          | 0.0          | 5.6            | 0.0          | 0.0          | 0.0            |
| <b>Total assets</b>                      | <b>440.9</b> | <b>575.8</b> | <b>1,280.7</b> | <b>507.7</b> | <b>662.5</b> | <b>1,545.7</b> |

# Dry Cargo

- Adjusted result for the period USD -9 million (USD -20 million)
- Market improvements driven by significantly higher Chinese imports
- Limited ordering creating foundation for market improvements

In the first quarter of 2017, the Dry Cargo Department realised an adjusted result of USD -9 million, which was an improvement from the first quarter last year when the adjusted result was USD -20 million. T/C earnings in Dry Cargo were 22% above the benchmark. However, the rising spot market actually resulted in a weak start to the year. NORDEN entered the traditionally weak first quarter with more than 100% cover, and the market improvements significantly increased vessel costs for covering these positions. The improved market has, however, also increased the value of NORDEN's portfolio going forward.

### Significant improvement in rates

The dry cargo market maintained the positive sentiment from the second half of 2016 into the first quarter of 2017. Rates in NORDEN's key segments were considerably higher than in the historically weak first quarter of 2016. Within Supramax, the average market rates were 8,171 USD/day, which was 115% higher than last year, and for Panamax rates were 8,285 USD/day, which was 170% higher than last year.

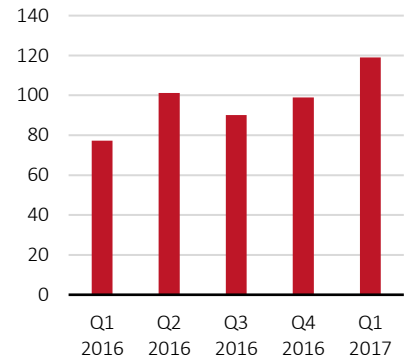
### New policies increased Chinese coal imports

The significant improvement in freight rates was mainly driven by higher Chinese imports of thermal coal and iron ore. Stronger Chinese apparent steel demand increased the demand for iron ore, and Chinese imports grew by 12% in the first 3 months compared to the first 3 months of 2016.

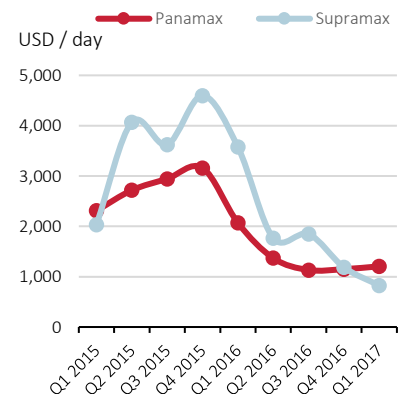
The improved dry cargo trade in the first quarter was also positively influenced by the increase in Chinese coal imports. After new policies limited the domestic coal supply in 2016, the coastal coal power plants returned to the seaborne market for imports. Stronger thermal generation increased the demand for coal, and China imported 65 million tonnes in the first quarter, which was 33% more than the first quarter of last year. Coal policies have, however, been amended, and domestic production has started to edge upwards, which could start to impact import levels negatively going forward.

Besides China, the seaborne coal market continued to be positively impacted by other Asian countries. South Korea, Malaysia and the Philippines continued to contribute to the growth of the global coal trade due to the increased number of coal power plants that began operations in 2016.

**Average number of vessels (non-core)**



**4 quarter rolling NORDEN TCE over benchmark**



### Employment and rates, Dry Cargo, Q1 2017

| Vessel type              | Capesize | Post-Panamax | Panamax | Supramax | Handysize | Total* |
|--------------------------|----------|--------------|---------|----------|-----------|--------|
| NORDEN total days        | 90       | 567          | 8,755   | 7,448    | 2,059     | 18,918 |
| NORDEN core days         | 90       | 359          | 2,855   | 2,803    | 1,834     | 7,940  |
| NORDEN TCE (USD per day) | 10,411   | 9,428        | 7,299   | 7,074    | 7,998     | 7,513  |
| Benchmark                | 6,925    | 6,483        | 6,373   | 6,346    | 5,451     | 6,162  |
| NORDEN vs. Benchmark     | 50%      | 45%          | 15%     | 11%      | 47%       | 22%    |

\* Weighted average.

Benchmark is defined as 50% spot and 50% FFA from the previous 12 months less commissions. NORDEN TCE is calculated as freight income less voyage costs (such as broker commission, bunkers and port costs), but before payment of pool management fees in cases where the vessel type is operated in a pool, see also page 4.

**Increase in asset values**

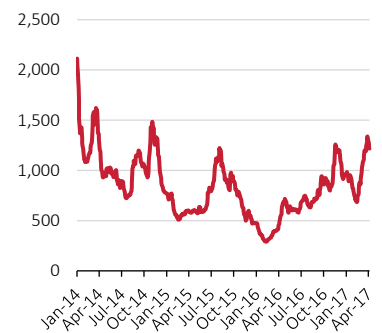
The improvements in the spot market and the FFA market have also spilled over into asset values, where the value of a secondhand Panamax has increased by 28% since the beginning of the year. The improvement has been surprisingly high and is potentially fuelled by a high level of capital currently looking to invest in dry cargo vessels.

**Fleet development and outlook**

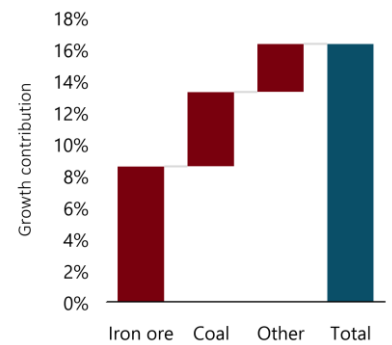
Due to a much lower scrapping level compared to last year and a high number of new deliveries, the dry cargo fleet has grown by 1.5% since the end of 2016. Based on this, NORDEN expects full-year fleet growth of around 3%.

For the rest of 2017, NORDEN expects rates to continue to be higher than in 2016, but the year-on-year improvements will not be as high as seen in the first quarter. While there is downside on demand growth, supply growth continues to decline. There has only been limited ordering activity, and any new orders placed are not expected to be delivered before 2019, which also creates a foundation for market improvements in 2018.

**Baltic Exchange Dry Index**



**Change in China imports Q1 17 vs 16**



**NORDEN's Dry Cargo fleet and values at 31 March 2017**

| Vessel type  | Capesize   | Post-Panamax | Panamax     | Supramax    | Handysize   | Total       |
|--|------------|--------------|-------------|-------------|-------------|-------------|
| <b>Vessels in operation</b>                              |            |              |             |             |             |             |
| Owned vessels  | 0.0        | 0.0          | 4.0         | 5.5         | 8.0         | 17.5        |
| Chartered vessels with a duration of more than 13 months | 1.0        | 4.0          | 20.5        | 24.0        | 9.0         | 58.5        |
| <b>Total active core fleet</b>                           | <b>1.0</b> | <b>4.0</b>   | <b>24.5</b> | <b>29.5</b> | <b>17.0</b> | <b>76.0</b> |
| <b>Vessels to be delivered</b>                           |            |              |             |             |             |             |
| Owned vessels  | 0.0        | 0.0          | 1.0         | 9.0         | 0.0         | 10.0        |
| Chartered vessels with a duration of more than 13 months | 0.0        | 0.0          | 0.0         | 7.0         | 0.0         | 7.0         |
| <b>Total delivery to core fleet</b>                      | <b>0.0</b> | <b>0.0</b>   | <b>1.0</b>  | <b>16.0</b> | <b>0.0</b>  | <b>17.0</b> |
| <b>Dry Cargo fleet values (USD million)</b>              |            |              |             |             |             |             |
| Market value of owned vessels and newbuildings*          | 0          | 0            | 96          | 311         | 114         | 522         |
| Theoretical value of purchase and extension options      | 3          | 2            | 19          | 9           | 3           | 35          |

\* Active vessels and newbuildings including joint ventures, assets held for sale and charter parties, if any.

**Positioning**

At the end of the first quarter, the Dry Cargo Department's coverage for the rest of 2017 was at 80%, which corresponds to 5,292 open ship days.



5,292 open ship days

**Capacity and coverage, Dry Cargo, at 31 March 2017**

|   | Q2 2017          | Q3 2017      | Q4 2017      | 2018          | 2019          | Q2 2017   | Q3 2017      | Q4 2017      | 2018          | 2019          |
|---|------------------|--------------|--------------|---------------|---------------|---|--------------|--------------|---------------|---------------|
| <b>Own Vessels</b>                        | <b>Ship days</b> |              |              |               |               |   |              |              |               |               |
| Panamax                                   | 361              | 364          | 366          | 1,446         | 1,373         |   |              |              |               |               |
| Supramax                                  | 498              | 493          | 503          | 2,743         | 4,002         |   |              |              |               |               |
| Handysize                                 | 594              | 615          | 643          | 2,534         | 2,534         |   |              |              |               |               |
| <b>Total</b>                              | <b>1,453</b>     | <b>1,471</b> | <b>1,512</b> | <b>6,722</b>  | <b>7,909</b>  |   |              |              |               |               |
| <b>Chartered vessels (core fleet)</b>     |                  |              |              |               |               | <b>Costs for T/C core capacity (USD per day)*</b>     |              |              |               |               |
| Capesize                                  | 91               | 31           | -            | -             | -             | 12,445  | 12,445       | -            | -             | -             |
| Post-Panamax                              | 364              | 368          | 368          | 1,460         | 1,460         | 6,693   | 6,682        | 6,672        | 8,715         | 10,383        |
| Panamax                                   | 2,083            | 1,882        | 1,639        | 5,639         | 5,214         | 8,530   | 8,919        | 9,172        | 10,326        | 11,835        |
| Supramax                                  | 1,885            | 1,654        | 1,288        | 4,197         | 4,410         | 7,807   | 7,639        | 7,505        | 9,073         | 10,548        |
| Handysize                                 | 844              | 679          | 486          | 1,464         | 651           | 8,393   | 7,696        | 6,089        | 9,546         | 10,143        |
| <b>Total</b>                              | <b>5,266</b>     | <b>4,614</b> | <b>3,781</b> | <b>12,759</b> | <b>11,734</b> | <b>8,190</b>  | <b>8,126</b> | <b>7,965</b> | <b>9,640</b>  | <b>11,077</b> |
| <b>Chartered Vessels (non-core fleet)</b> |                  |              |              |               |               | <b>Costs for T/C non-core capacity (USD per day)*</b> |              |              |               |               |
| Post-Panamax                              | 12               | -            | -            | -             | -             | 12,604  | -            | -            | -             | -             |
| Panamax                                   | 3,462            | 700          | 285          | 40            | -             | 9,712   | 7,722        | 7,838        | 6,793         | -             |
| Supramax                                  | 2,528            | 603          | 507          | 174           | -             | 9,980   | 8,612        | 8,611        | 7,062         | -             |
| Handysize                                 | 3                | -            | -            | -             | -             | 7,734   | -            | -            | -             | -             |
| <b>Total</b>                              | <b>6,006</b>     | <b>1,303</b> | <b>792</b>   | <b>214</b>    | <b>-</b>      | <b>9,830</b>  | <b>8,134</b> | <b>8,333</b> | <b>7,012</b>  | <b>-</b>      |
| <b>Total capacity</b>                     | <b>12,725</b>    | <b>7,389</b> | <b>6,085</b> | <b>19,695</b> | <b>19,643</b> | <b>8,648</b>  | <b>7,574</b> | <b>7,327</b> | <b>8,099</b>  | <b>8,758</b>  |
| <b>Coverage</b>                           |                  |              |              |               |               | <b>Revenue from coverage (USD per day)</b>            |              |              |               |               |
| Capesize                                  | -                | -            | -            | -             | -             | -   | -            | -            | -             | -             |
| Post-Panamax                              | 194              | 79           | 67           | 78            | -             | 11,028  | 9,296        | 9,366        | 8,529         | -             |
| Panamax                                   | 5,490            | 3,392        | 1,534        | 3,331         | 2,810         | 8,795   | 10,117       | 11,531       | 14,053        | 14,870        |
| Supramax                                  | 4,206            | 1,856        | 1,540        | 2,728         | 1,989         | 9,469   | 8,558        | 7,988        | 10,397        | 11,769        |
| Handysize                                 | 1,243            | 640          | 666          | 1,220         | 945           | 8,985   | 9,945        | 9,610        | 12,997        | 14,456        |
| <b>Total</b>                              | <b>11,133</b>    | <b>5,966</b> | <b>3,808</b> | <b>7,357</b>  | <b>5,744</b>  | <b>9,110</b>  | <b>9,603</b> | <b>9,723</b> | <b>12,463</b> | <b>13,728</b> |
| <b>Coverage in %</b>                      |                  |              |              |               |               |   |              |              |               |               |
| Capesize                                  | -                | -            | -            | -             | -             |   |              |              |               |               |
| Post-Panamax                              | 52%              | 21%          | 18%          | 5%            | -             |   |              |              |               |               |
| Panamax                                   | 93%              | 115%         | 67%          | 47%           | 43%           |   |              |              |               |               |
| Supramax                                  | 86%              | 67%          | 67%          | 38%           | 24%           |   |              |              |               |               |
| Handysize                                 | 86%              | 49%          | 59%          | 31%           | 30%           |   |              |              |               |               |
| <b>Total</b>                              | <b>87%</b>       | <b>81%</b>   | <b>63%</b>   | <b>37%</b>    | <b>29%</b>    |   |              |              |               |               |

\*Costs include the effect of the provisions for onerous contracts made in 2014 and 2015 and cash running costs for owned vessels. A statement excluding the provision can be found on NORDEN's website. Costs are excluding O/A. For segments which are operated in a pool, the TCE is after management fee. With respect to the Dry Cargo pools, NORDEN receives the management fee as "Other operating income".



# Tankers

- Adjusted result for the period USD 10 million (Q1 2016: USD 15 million)
- Overall poor market but with significant local spikes
- High number of deliveries

The overall poor market conditions from the second half of 2016 continued into the first quarter of 2017. Despite that, NORDEN’s tanker business realised an adjusted result of USD 10 million – compared to USD 15 million in the first quarter of 2016. During the quarter, NORDEN has taken in 6 vessels on short-term charter, and the margins created on these have contributed positively to the result.

In the first quarter, NORDEN generated TCE earnings for MR and Handysize of USD 14,941 per day and 15,216 per day, respectively. The Company’s average earnings for the past 4 quarters are thus 13% above the market average for MR, whereas earnings in Handysize have been 5% above the market average. In total, NORDEN’s tanker earnings were 10% above market benchmark.

### Temporary local spikes

Demand growth could not absorb the overcapacity created last year and the many deliveries in the beginning of 2017. There have, however, been periods with local spikes in rates. Most notably at the beginning of the year, where adverse weather conditions, particularly in the Mediterranean and the Black Sea, caused severe delays and congestion at many ports. These spikes only lasted for a couple of weeks, and rates settled down as the operational challenges subsided.

In the last part of the quarter, the MR market in the Atlantic enjoyed another positive period with significant gains in rates. However, this improvement was to a very large degree isolated to the MR segment, and rates for most other tanker segments, especially LR1 and LR2, were quite poor.

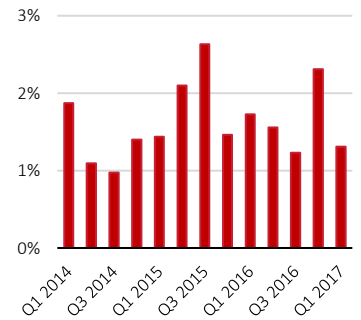
### Oil demand growth on par with 2016

Oil demand growth is expected to be at similar levels as last year according to IEA, but there has been a boost in economic optimism at the beginning of the year with the Global PMIs showing clear expectations of improved economic growth which leads to upside potential for oil demand.

### High refinery maintenance expected

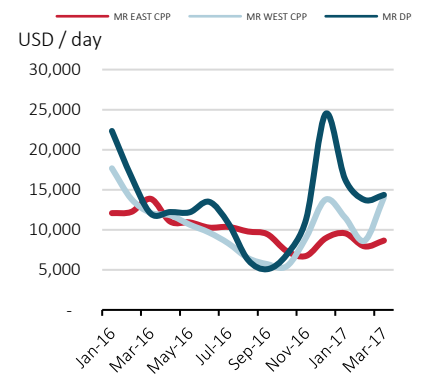
Looking forward, the first half of 2017 will see a very high level of refinery outages which limit the trade in refined products. After 2 years of running at high utilisations, there is increased need for maintenance, and postponed maintenance results in more temporary breakdowns than normal. While the refinery maintenance season for the US is slowly coming to an end, a significant level of outages in Asia can be expected all the way into June.

### IEA – YoY growth in global oil demand (%)



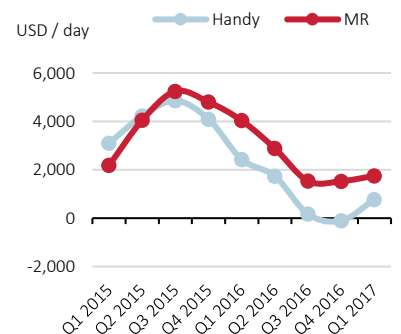
Source: IEA

### MR market rates



Source: ACM

### 4 quarter rolling NORDEN TCE over benchmark



### Employment and rates, Tankers, Q1 2017

| Vessel type                                     | MR     | Handysize | Total * |
|---|--------|-----------|---------|
| NORDEN’s ship days                              | 2,199  | 1,145     | 3,344   |
| NORDEN spot TCE (USD per day, net)              | 14,301 | 15,232    | 14,659  |
| NORDEN TCE (USD per day, net)                   | 14,941 | 15,216    | 15,035  |
| NORDEN TCE 12 months average (USD per day, net) | 15,243 | 13,073    | 14,498  |
| Benchmark 12 months average (USD per day, net)  | 13,495 | 12,419    | 13,126  |
| NORDEN vs. Benchmark (12 months average)        | 13%    | 5%        | 10%     |

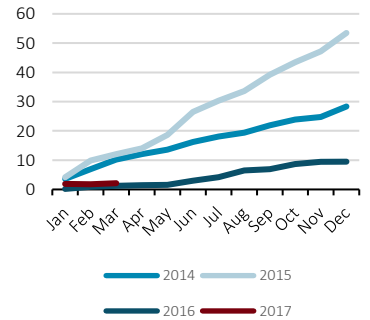
\* Weighted average. NORDEN TCE is calculated as freight income less voyage costs (such as broker commission, bunkers and port costs), but before payment of pool management fee.

**Limited ordering activity**

Deliveries have been fairly high at the beginning of the year with a total of 2.8 million dwt. of product tanker tonnage delivered and 9.0 million dwt. of crude oil tanker tonnage. For product tankers, the delivery pace will gradually decline while many new VLCCs and Suezmaxes are set to be delivered in the coming quarters. Ordering activity is, however, still limited and fleet growth should reach manageable levels in 2018 especially for product tankers.

While the gradual decline in refinery maintenance should help activity levels, the overall fundamentals are expected to continue to be challenging throughout 2017 as supply growth is viewed as excessive. The foundation for improvements in 2018 is, however, still present especially if diesel stocks are reduced on the back of higher demand.

**Accumulated tanker contracting (million dwt.)**



Source: Clarksons Research

**NORDEN's Tanker fleet and values at 31 March 2017**

| Vessel type  | LR1      | MR        | Handysize | Total     |
|--|----------|-----------|-----------|-----------|
| <b>Vessels in operation</b>                              |          |           |           |           |
| Owned vessels  | 0        | 9         | 10        | 19        |
| Chartered vessels with a duration of more than 13 months | 0        | 13        | 0         | 13        |
| <b>Total active core fleet</b>                           | <b>0</b> | <b>22</b> | <b>10</b> | <b>32</b> |
| Chartered vessels with a duration of less than 13 months | 0        | 3         | 1         | 4         |
| <b>Total active fleet</b>                                | <b>0</b> | <b>25</b> | <b>11</b> | <b>36</b> |
| <b>Vessels to be delivered</b>                           |          |           |           |           |
| Owned vessels  | 0        | 0         | 0         | 0         |
| Chartered vessels with a duration of more than 13 months | 2        | 6         | 0         | 8         |
| <b>Total delivery to core fleet</b>                      | <b>2</b> | <b>6</b>  | <b>0</b>  | <b>8</b>  |
| <b>Tanker fleet values (USD million)</b>                 |          |           |           |           |
| Market value of owned vessels and newbuildings*          | 0        | 227       | 158       | 385       |
| Theoretical value of purchase and extension options      | 1        | 4         | 0         | 5         |

\* Active vessels and newbuildings including joint ventures, assets held for sale and charter parties, if any.

**Positioning**

At the end of the first quarter, 20% of ship days for the rest of 2017 had been covered corresponding to 7,603 open ship days. For the second quarter of 2017, 31% of ship days have already been covered at an average level of USD 16,113.



7,603 open ship days

**Capacity and coverage, Tanker, at 31 March 2017**

|                          | Q2 2017          | Q3 2017      | Q4 2017      | 2018          | 2019          | Q2 2017   | Q3 2017       | Q4 2017       | 2018          | 2019          |
|--------------------------|------------------|--------------|--------------|---------------|---------------|---|---------------|---------------|---------------|---------------|
| <b>Own Vessels</b>       | <b>Ship days</b> |              |              |               |               |   |               |               |               |               |
| LR1                      | -                | -            | -            | -             | -             |   |               |               |               |               |
| MR                       | 804              | 814          | 823          | 3,204         | 3,247         |   |               |               |               |               |
| Handysize                | 892              | 898          | 917          | 3,591         | 3,588         |   |               |               |               |               |
| <b>Total</b>             | <b>1,696</b>     | <b>1,712</b> | <b>1,740</b> | <b>6,795</b>  | <b>6,835</b>  |   |               |               |               |               |
| <b>Chartered vessels</b> |                  |              |              |               |               | <b>Costs for T/C core capacity (USD per day)*</b> |               |               |               |               |
| LR1                      | 47               | 165          | 184          | 730           | 730           | 18,655  | 18,655        | 18,655        | 18,655        | 18,655        |
| MR                       | 1,374            | 1,256        | 1,090        | 2,997         | 2,906         | 13,989  | 13,825        | 13,701        | 15,620        | 15,911        |
| Handysize                | 91               | 92           | 74           | -             | -             | 11,088  | 11,088        | 11,088        | -             | -             |
| <b>Total</b>             | <b>1,512</b>     | <b>1,513</b> | <b>1,347</b> | <b>3,727</b>  | <b>3,636</b>  | <b>13,959</b>                                     | <b>14,185</b> | <b>14,235</b> | <b>16,215</b> | <b>16,462</b> |
| <b>Total capacity</b>    | <b>3,208</b>     | <b>3,225</b> | <b>3,087</b> | <b>10,522</b> | <b>10,471</b> | <b>10,013</b>                                     | <b>10,130</b> | <b>9,843</b>  | <b>9,740</b>  | <b>9,795</b>  |
| <b>Coverage</b>          |                  |              |              |               |               | <b>Revenue from coverage (USD per day)</b>        |               |               |               |               |
| LR1                      | -                | -            | -            | -             | -             | -   | -             | -             | -             | -             |
| MR                       | 774              | 388          | 293          | 682           | 5             | 16,533  | 17,333        | 17,438        | 15,210        | 12,844        |
| Handysize                | 226              | 141          | 95           | 219           | -             | 14,676  | 15,240        | 15,654        | 15,660        | -             |
| <b>Total</b>             | <b>1,000</b>     | <b>529</b>   | <b>388</b>   | <b>901</b>    | <b>5</b>      | <b>16,113</b>                                     | <b>16,774</b> | <b>17,001</b> | <b>15,319</b> | <b>12,844</b> |
| <b>Coverage in %</b>     |                  |              |              |               |               |   |               |               |               |               |
| LR1                      | -                | -            | -            | -             | -             |   |               |               |               |               |
| MR                       | 36%              | 19%          | 15%          | 11%           | -             |   |               |               |               |               |
| Handysize                | 23%              | 14%          | 10%          | 6%            | -             |   |               |               |               |               |
| <b>Total</b>             | <b>31%</b>       | <b>16%</b>   | <b>13%</b>   | <b>9%</b>     | <b>-</b>      |   |               |               |               |               |

\* Including cash running costs of owned vessels. Costs are excluding O/A. For segments which are operated in a pool, the TCE is after management fee. With respect to the Dry Cargo pools, NORDEN receives the management fee as "Other operating income".

# Outlook for 2017

## NORDEN maintains expectations

NORDEN maintains its expectations for the adjusted results for the year at USD -20 to 40 million.

In Dry Cargo, the combination of high coverage and a strong spot market has resulted in a weak start to the year, taking full-year estimates down to the lower part of the estimate range. Oppositely, for the Tanker business, a stronger than expected start to the year means that estimates are now in the upper end of the guidance range.

### Expectations for 2017

| USD million                   | Dry Cargo | Tankers   | Group     |
|-------------------------------|-----------|-----------|-----------|
| Adjusted results for the year | -15 to 45 | -15 to 15 | -20 to 40 |

## Risks and uncertainties

At mid-April, Dry Cargo has about 8,000 open ship days, which gives rise to a change in earnings of about USD 8 million at a change of USD 1,000 per day in expected T/C equivalents. Dry Cargo earnings are furthermore sensitive to any counterparty risks and changes in the rate level between regions and vessel types.

Earnings expectations in Tankers primarily depend on the development in the spot market. Based on about 7,200 open ship days in Tankers at mid-April, a change of USD 1,000 per day in expected T/C equivalents would mean a change in earnings of approximately USD 7 million.

### 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 2017 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 Company’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.

# Management's statement

The Board of Directors and the Executive Management today reviewed and approved the interim report for the first quarter of 2017 of Dampskibsselskabet NORDEN A/S.

The interim report is prepared in accordance with the International Financial Reporting Standard IAS 34 on interim reports and the general Danish financial disclosure requirements for listed companies. In line with previous policies, the interim report is not audited or reviewed by the auditors.

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 Company's risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report for 2016.

In our opinion, the interim report gives a true and fair view of the Group's assets, equity and liabilities, the financial position as well as the result of the Group's activities and cash flows for the interim period.

Furthermore, the management commentary 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, 3 May 2017

## Executive Management

Jan Rindbo  
Chief Executive Officer

Martin Badsted  
Executive Vice President & CFO

## Board of Directors

Klaus Nyborg  
Chairman

Johanne Riegels Østergård  
Vice Chairman

Karsten Knudsen

Arvid Grundekjøn

Thomas Intrator

Hans Feringa

Thorbjørn Joensen

Janus Haahr

Lars Enkegaard Billmann

# Income statement

| Note | USD '000   | 2017          | 2016          | 2016           |
|------|--|---------------|---------------|----------------|
|      |  | Q1            | Q1            | Q1-Q4          |
|      | Revenue  | 440,166       | 296,220       | 1,251,187      |
|      | Costs  | -429,822      | -284,784      | -1,220,579     |
|      | <b>Earnings before depreciation, etc. (EBITDA)</b>   | <b>10,344</b> | <b>11,436</b> | <b>30,608</b>  |
|      | Profits from the sale of vessels, etc.               | -221          | 790           | -45,544        |
|      | Depreciation and write-downs                         | -10,618       | -13,315       | -49,589        |
|      | Share of results of joint ventures                   | 590           | -196          | 47             |
|      | <b>Earnings from operations (EBIT)</b>               | <b>95</b>     | <b>-1,285</b> | <b>-64,478</b> |
|      | Fair value adjustment of certain hedging instruments | 0             | 9,146         | 34,520         |
|      | Net financials                                       | 1,603         | -2,492        | -12,260        |
|      | <b>Results before tax</b>                            | <b>1,698</b>  | <b>5,369</b>  | <b>-42,218</b> |
|      | Tax for the period                                   | -988          | -779          | -3,373         |
|      | <b>Results for the period</b>                        | <b>710</b>    | <b>4,590</b>  | <b>-45,591</b> |
|      | Attributable to:                                     |               |               |                |
|      | Shareholders of NORDEN                               | 710           | 4,590         | -45,591        |
|      | Adjusted result for the period                       | 931           | -5,346        | -34,567        |
|      | Earnings per share (EPS), USD                        | 0.0           | 0.1           | -1.1           |
|      | Diluted earnings per share, USD                      | 0.0           | 0.1           | -1.1           |

# Statement of comprehensive income

| Note | USD '000  | 2017          | 2016         | 2016           |
|------|---|---------------|--------------|----------------|
|      |   | Q1            | Q1           | Q1-Q4          |
|      | Results for the period, after tax                           | 710           | 4,590        | -45,591        |
|      | Items which will be reclassified to the income statement:   |               |              |                |
| 2    | Fair value adjustment of hedging instruments                | -9,999        | -651         | 4,483          |
|      | Fair value adjustment of securities                         | 239           | 73           | -12,375        |
|      | Tax on fair value adjustment of securities                  | 0             | 0            | 40             |
|      | Other comprehensive income, total                           | -9,760        | -578         | -7,852         |
|      | <b>Total comprehensive income for the period, after tax</b> | <b>-9,050</b> | <b>4,012</b> | <b>-53,443</b> |
|      | Attributable to:  |               |              |                |
|      | Shareholders of NORDEN                                      | -9,050        | 4,012        | -53,443        |

## Income statement by quarter

| Note   | USD '000 | 2017          | 2016           | 2016           | 2016           | 2016          |
|--|----------|---------------|----------------|----------------|----------------|---------------|
|  |          | Q1            | Q4             | Q3             | Q2             | Q1            |
| Revenue  |          | 440,166       | 329,040        | 314,122        | 311,805        | 296,220       |
| Costs  |          | -429,822      | -326,248       | -309,976       | -299,571       | -284,784      |
| <b>Earnings before depreciation, etc. (EBITDA)</b>   |          | <b>10,344</b> | <b>2,792</b>   | <b>4,146</b>   | <b>12,234</b>  | <b>11,436</b> |
| Profits from the sale of vessels, etc.               |          | -221          | -6,726         | -5,780         | -33,828        | 790           |
| Depreciation and write-downs                         |          | -10,618       | -10,739        | -11,689        | -13,846        | -13,315       |
| Share of results of joint ventures                   |          | 590           | -1,620         | 388            | 1,475          | -196          |
| <b>Earnings from operations (EBIT)</b>               |          | <b>95</b>     | <b>-16,293</b> | <b>-12,935</b> | <b>-33,965</b> | <b>-1,285</b> |
| Fair value adjustment of certain hedging instruments |          | 0             | 8,572          | 3,407          | 13,395         | 9,146         |
| Net financials                                       |          | 1,603         | -3,239         | -3,907         | -2,622         | -2,492        |
| <b>Results before tax</b>                            |          | <b>1,698</b>  | <b>-10,960</b> | <b>-13,435</b> | <b>-23,192</b> | <b>5,369</b>  |
| Tax for the period                                   |          | -988          | -1,012         | -784           | -798           | -779          |
| <b>Results for the period</b>                        |          | <b>710</b>    | <b>-11,972</b> | <b>-14,219</b> | <b>-23,990</b> | <b>4,590</b>  |
| Attributable to:                                     |          |               |                |                |                |               |
| Shareholders of NORDEN                               |          | 710           | -11,972        | -14,219        | -23,990        | 4,590         |
| Adjusted result for the period                       |          | 931           | -13,818        | -11,846        | -3,557         | -5,346        |
| Earnings per share (EPS), USD                        |          | 0.0           | -0.3           | -0.4           | -0.6           | 0.1           |
| Diluted earnings per share, USD                      |          | 0.0           | -0.3           | -0.4           | -0.6           | 0.1           |

## Statement of comprehensive income by quarter

| Note  | USD '000 | 2017          | 2016           | 2016           | 2016           | 2016         |
|---|----------|---------------|----------------|----------------|----------------|--------------|
|   |          | Q1            | Q4             | Q3             | Q2             | Q1           |
| Results for the period, after tax                           |          | 710           | -11,972        | -14,219        | -23,990        | 4,590        |
| Items which will be reclassified to the income statement:   |          |               |                |                |                |              |
| Value adjustment of hedging instruments                     |          | -9,999        | 4,310          | 1,035          | -211           | -651         |
| Fair value adjustment of securities                         |          | 239           | -2,883         | -7,922         | -1,643         | 73           |
| Tax on fair value adjustment of securities                  |          | 0             | 40             | 0              | 0              | 0            |
| Other comprehensive income, total                           |          | -9,760        | 1,467          | -6,887         | -1,854         | -578         |
| <b>Total comprehensive income for the period, after tax</b> |          | <b>-9,050</b> | <b>-10,505</b> | <b>-21,106</b> | <b>-25,844</b> | <b>4,012</b> |
| Attributable to:  |          |               |                |                |                |              |
| Shareholders of NORDEN                                      |          | -9,050        | -10,505        | -21,106        | -25,844        | 4,012        |

# Statement of financial position

| Note | USD '000  | 2017             | 2016             | 2016             |
|------|---|------------------|------------------|------------------|
|      |   | 31/3             | 31/3             | 31/12            |
|      | <b>ASSETS</b>   |                  |                  |                  |
| 3    | Vessels   | 671,888          | 863,360          | 680,247          |
|      | Property and equipment                                | 50,549           | 52,061           | 50,997           |
| 4    | Prepayments on vessels and newbuildings               | 22,732           | 12,079           | 19,880           |
|      | Investments in joint ventures                         | 16,620           | 15,765           | 15,927           |
|      | <b>Non-current assets</b>                             | <b>761,789</b>   | <b>943,265</b>   | <b>767,051</b>   |
|      | Inventories   | 52,139           | 34,071           | 44,062           |
|      | Receivables from joint ventures                       | 13,287           | 0                | 5,030            |
|      | Receivables and accruals                              | 183,935          | 192,831          | 198,869          |
|      | Securities  | 14,091           | 33,950           | 18,668           |
|      | Cash and cash equivalents                             | 249,931          | 341,558          | 245,182          |
|      |   | <b>513,383</b>   | <b>602,410</b>   | <b>511,811</b>   |
| 5    | Tangible assets held for sale                         | 5,564            | 0                | 22,168           |
|      | <b>Current assets</b>                                 | <b>518,947</b>   | <b>602,410</b>   | <b>533,979</b>   |
|      | <b>Total assets</b>                                   | <b>1,280,736</b> | <b>1,545,675</b> | <b>1,301,030</b> |
|      | <b>EQUITY AND LIABILITIES</b>                         |                  |                  |                  |
|      | Share capital   | 6,706            | 6,706            | 6,706            |
|      | Reserves  | -10,269          | 6,765            | -509             |
|      | Retained earnings                                     | 796,139          | 845,410          | 795,209          |
|      | <b>Equity</b>   | <b>792,576</b>   | <b>858,881</b>   | <b>801,406</b>   |
|      | Bank debt   | 184,166          | 257,511          | 190,089          |
|      | Provisions  | 78,827           | 168,483          | 91,952           |
|      | Prepayments received on vessels for resale            | 0                | 5,100            | 0                |
|      | <b>Non-current liabilities</b>                        | <b>262,993</b>   | <b>431,094</b>   | <b>282,041</b>   |
|      | Bank debt   | 27,011           | 36,421           | 26,171           |
|      | Provisions  | 83,913           | 115,501          | 95,217           |
|      | Trade payables  | 52,198           | 45,999           | 42,395           |
|      | Liabilities in joint ventures                         | 0                | 8,512            | 0                |
|      | Other payables, deferred income and company tax       | 55,095           | 49,267           | 48,700           |
|      |   | <b>218,217</b>   | <b>255,700</b>   | <b>212,483</b>   |
|      | Liabilities relating to tangible assets held for sale | 6,950            | 0                | 5,100            |
|      | <b>Current liabilities</b>                            | <b>225,167</b>   | <b>255,700</b>   | <b>217,583</b>   |
|      | <b>Liabilities</b>                                    | <b>488,160</b>   | <b>686,794</b>   | <b>499,624</b>   |
|      | <b>Total equity and liabilities</b>                   | <b>1,280,736</b> | <b>1,545,675</b> | <b>1,301,030</b> |



# Statement of cash flows

| Note  | USD '000 | 2017           | 2016           | 2016           |
|---|----------|----------------|----------------|----------------|
|   |          | Q1             | Q1             | Q1-Q4          |
| Results for the period  |          | 710            | 4,590          | -45,591        |
| Change in provisions  |          | -21,657        | -25,357        | -117,468       |
| Reversal of items without effect on cash flow                                       |          | 8,652          | 6,881          | 73,391         |
| Change in working capital   |          | 4,839          | -22,593        | -17,354        |
| Financial payments received   |          | 1,272          | 1,125          | 4,067          |
| Financial payments paid   |          | -3,194         | -3,215         | -11,475        |
| <b>Cash flows from operating activities</b>   |          | <b>-9,378</b>  | <b>6,617</b>   | <b>-79,722</b> |
| Investments in vessels, etc.  |          | -1,836         | -51,953        | -68,381        |
| Additions in prepayments on newbuildings  |          | -2,375         | -4             | -7,805         |
| Additions in prepayments received on sold vessels                                   |          | 1,850          | -15,056        | -15,056        |
| Investments in joint ventures   |          | 0              | 0              | -5,247         |
| Net proceeds from the sale of vessels, etc.   |          | 13,229         | 73,812         | 172,564        |
| Sale of securities  |          | 5,471          | 3,612          | 9,396          |
| Change in cash and cash equivalents with rate agreements of more than 3 months etc. |          | 16,664         | -2,316         | 16,590         |
| <b>Cash flows from investing activities</b>   |          | <b>33,003</b>  | <b>8,095</b>   | <b>102,061</b> |
| Raising of non-current debt   |          | 0              | 0              | 0              |
| Instalments on/payment of debt  |          | -5,141         | -5,469         | -85,255        |
| <b>Cash flows from financing activities</b>   |          | <b>-5,141</b>  | <b>-5,469</b>  | <b>-85,255</b> |
| <b>Change in cash and cash equivalents for the period</b>                           |          | <b>18,484</b>  | <b>9,243</b>   | <b>-62,916</b> |
| Cash and cash equivalents at beginning of period                                    |          | 100,627        | 167,774        | 167,774        |
| Exchange rate adjustments   |          | 2,929          | 1,080          | -4,231         |
| Change in cash and cash equivalents for the period                                  |          | 18,484         | 9,243          | -62,916        |
| <b>Cash and cash equivalents at the end of the period</b>                           |          | <b>122,040</b> | <b>178,097</b> | <b>100,627</b> |
| Cash and cash equivalents with rate agreements of more than 3 months etc.           |          | 127,891        | 163,461        | 144,555        |
| <b>Cash and cash equivalents according to the statement of financial position</b>   |          | <b>249,931</b> | <b>341,558</b> | <b>245,182</b> |

# Statement of changes in equity

**Note USD '000**

|   | Shareholders of NORDEN |                |                   |                |
|---|------------------------|----------------|-------------------|----------------|
|   | Share capital          | Reserves       | Retained earnings | Group equity   |
| <b>Equity at 1 January 2017</b>                 | <b>6,706</b>           | <b>-509</b>    | <b>795,209</b>    | <b>801,406</b> |
| Total comprehensive income for the period       | 0                      | -9,760         | 710               | -9,050         |
| Adjustment of treasury shares in joint ventures | 0                      | 0              | 0                 | 0              |
| Share-based payment                             | 0                      | 0              | 220               | 220            |
| <b>Changes in equity</b>                        | <b>0</b>               | <b>-9,760</b>  | <b>930</b>        | <b>-8,830</b>  |
| <b>Equity at 31 March 2017</b>                  | <b>6,706</b>           | <b>-10,269</b> | <b>796,139</b>    | <b>792,576</b> |
| <b>Equity at 1 January 2016</b>                 | <b>6,706</b>           | <b>7,343</b>   | <b>842,014</b>    | <b>856,063</b> |
| Total comprehensive income for the period       | 0                      | -578           | 4,590             | 4,012          |
| Share-based payment                             | 0                      | 0              | 351               | 351            |
| Value Adjustment joint ventures                 | 0                      | 0              | -1,545            | -1,545         |
| <b>Changes in equity</b>                        | <b>0</b>               | <b>-578</b>    | <b>3,396</b>      | <b>2,818</b>   |
| <b>Equity at 31 March 2016</b>                  | <b>6,706</b>           | <b>6,765</b>   | <b>845,410</b>    | <b>858,881</b> |
| <b>Equity at 1 January 2016</b>                 | <b>6,706</b>           | <b>7,343</b>   | <b>842,014</b>    | <b>856,063</b> |
| Total comprehensive income for the period       | 0                      | -7,852         | -45,591           | -53,443        |
| Share-based payment                             | 0                      | 0              | 525               | 525            |
| Value Adjustment joint ventures                 | 0                      | 0              | -1,739            | -1,739         |
| <b>Changes in equity</b>                        | <b>0</b>               | <b>-7,852</b>  | <b>-46,805</b>    | <b>-54,657</b> |
| <b>Equity at 31 December 2016</b>               | <b>6,706</b>           | <b>-509</b>    | <b>795,209</b>    | <b>801,406</b> |

# Notes

## 1. Significant accounting policies

### Accounting policies

The interim report has been prepared in accordance with the international financial reporting standard IAS 34 on interim reports and additional Danish disclosure requirements for the financial statements of listed companies.

The consolidated annual report for 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS).

### Changes in accounting policies

As from 1 January 2017, NORDEN has implemented IFRS 9, Financial Instruments. IFRS 9 relaxes the requirements as to when hedge accounting can be applied. The main qualifying criterion under IFRS 9 is that there is an economic relationship between the hedged item and the hedging instrument, whereas the requirement in IAS 39 was that hedges must be expected to be very effective and even meet the 80-125% effectiveness requirement. On that background, Management has assessed that certain hedging activities, which have not previously qualified for hedge accounting, now qualify, and effective from 1 January 2017, hedge accounting has been applied to bunker hedging activities and FFA hedging activities. Please see note 2 for a description of bunker and FFA hedges as of 31 March 2017.

The implementation of IFRS 9 has also entailed that impairment of receivables must be based on expected losses and not incurred losses as under IAS 39. The transition does not significantly affect neither the income statement nor the statement of financial position. IFRS 9 includes revised classification and measurement requirements for securities. NORDEN's bond portfolio, which so far has been classified as securities held for sale, is attributed to the category fair value through other comprehensive income. The accounting treatment of the bond portfolio is thus unchanged.

In addition to IFRS 9, NORDEN has implemented the following standards and interpretations:

- Amendment of IAS 7 on statement of cash flows.
- Amendment of IAS 12 on income taxes.
- Amendment of IFRS 2 on share-based remuneration.
- Annual improvements regarding the years 2014-2016.
- IFRIC 22 regarding prepayments in foreign currencies.

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

For a complete description of accounting policies, see also page 50-52 in the consolidated annual report for 2016.

### Standards not yet in force

At the end of April 2017, IASB has issued the following new financial reporting standards and interpretations which are estimated to be of relevance to NORDEN:

- IFRS 15 on revenue recognition – New common standard on revenue recognition. Revenue is recognised as control is passed to the buyer (EU approved).
- 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 (non-EU approved)

Please see the annual report 2016 page 50 for an assessment of the potential effect.

### *Significant choices and assessments in the accounting policies and significant accounting estimates*

Management's choices and assessments in the accounting policies on vessel leases, impairment test and onerous contracts are significant. For a description of these, see page 51 in the consolidated annual report for 2016.

# Notes

## 2. Fair value adjustment - hedging instruments

As of 1 January 2017, NORDEN has designated financial contracts for bunker purchases as cash flow hedging of highly probable future bunker purchases and Forward Freight Agreements as hedging of highly probable sales of ship days. The hedging contracts cover contracts concluded before as well as after 1 January 2017.

The bunker hedging contracts, which are entered into, are contracts with the listed Rotterdam and Singapore spot prices, respectively, as the underlying price. The actual bunker purchases take place in ports all over the world. Published prices in a selection of the ports used by NORDEN show very high correlation between price changes in the respective ports and the two reference ports. The hedging is therefore considered to be effective.

The FFA hedging contracts, which are entered into, are contracts with the published Baltic Dry spot indices for the respective vessel types (Handysize, Supramax, Panamax) as the underlying index. Actual earnings on a combination of fronthaul and backhaul spot voyages within the respective segments compared to the Baltic Dry indices show a high correlation between the actual average earned spot rates and the respective indices. The hedging is therefore considered to be effective.

As of 31 March 2017, outstanding hedging contains:

| USD '000            | Volume/Amount | Term      | Fair value*    | Recognised in comprehensive income |
|---------------------|---------------|-----------|----------------|------------------------------------|
| Bunker hedging      | 272,035 mts.  | 2017-2024 | -7,502         | -3,994                             |
| FFA hedging         | 1,440 days    | 2017-2018 | -6,786         | -6,074                             |
| Cross Currency Swap | 59,000        | 2017-2025 | -695           | -215                               |
| Interest Rate Swap  | 108,000       | 2017-2019 | 874            | 284                                |
| <b>Total</b>        |               |           | <b>-14,109</b> | <b>-9,999</b>                      |

\*(+ = asset and - = liability)

In the revenue for the period, fair value adjustments of FFA hedging of USD -3.4 million have been recognised, while in vessel operating costs, fair value adjustments of bunker hedging of USD -2.4 million have been recognised.

## 3. Vessels

| USD '000   | 2017             | 2016             | 2016             |
|--|------------------|------------------|------------------|
|  | 31/3             | 31/3             | 31/12            |
| Cost at 1 January  | 1,165,848        | 1,618,772        | 1,618,772        |
| Additions for the period   | 1,811            | 11,945           | 27,961           |
| Disposals for the period   | 0                | 0                | 0                |
| Transferred during the period from prepayments on vessels and newbuildings | 0                | 0                | 0                |
| Transferred during the period to tangible assets held for sale             | 0                | 0                | -480,885         |
| <b>Cost</b>  | <b>1,167,659</b> | <b>1,630,717</b> | <b>1,165,848</b> |
| Depreciation at 1 January  | -286,953         | -377,642         | -377,642         |
| Depreciation for the period  | -10,170          | -12,836          | -47,659          |
| Reversed depreciation of disposed vessels                                  | 0                | 0                | 0                |
| Transferred during the year to tangible assets held for sale               | 0                | 0                | 138,348          |
| <b>Depreciation</b>  | <b>-297,123</b>  | <b>-390,478</b>  | <b>-286,953</b>  |
| Write-downs at 1 January   | -198,648         | -376,879         | -376,879         |
| Write-downs for the period   | 0                | 0                | 0                |
| Transferred during the year to tangible assets held for sale               | 0                | 0                | 178,231          |
| <b>Write-downs</b>   | <b>-198,648</b>  | <b>-376,879</b>  | <b>-198,648</b>  |
| <b>Carrying amount</b>   | <b>671,888</b>   | <b>863,360</b>   | <b>680,247</b>   |

# Notes

## 4. Prepayments on vessels and newbuildings

| USD '000   | 2017          | 2016          | 2016           |
|--|---------------|---------------|----------------|
|  | 31/3          | 31/3          | 31/12          |
| Cost at 1 January  | 31,197        | 23,392        | 23,392         |
| Additions for the period                                       | 2,375         | 4             | 7,805          |
| Transferred during the period to vessels                       | 0             | 0             | 0              |
| Transferred during the period to tangible assets held for sale | 0             | 0             | 0              |
| Transferred during the period to other items                   | -3,369        | 0             | 0              |
| <b>Cost</b>  | <b>30,203</b> | <b>23,396</b> | <b>31,197</b>  |
| Write-downs at 1 January                                       | -11,317       | -11,317       | -11,317        |
| Transferred during the period                                  | 3,846         | 0             | 0              |
| Write-downs  | -7,471        | -11,317       | -11,317        |
| <b>Carrying amount</b>   | <b>22,732</b> | <b>12,079</b> | <b>-11,317</b> |

## 5. Tangible assets held for sale

| USD '000  | 2017         | 2016     | 2016          |
|---|--------------|----------|---------------|
|   | 31/3         | 31/3     | 31/12         |
| Carrying amount at 1 January  | 22,168       | 33,644   | 33,644        |
| Additions for the period to tangible assets held for sale             | 18           | 39,371   | 164,306       |
| Additions for the period from prepayments on vessels and newbuildings | 3,369        | 0        | 0             |
| Additions for the period from vessels                                 | -3,846       | 0        | 39,373        |
| Disposals for the period  | -16,145      | -73,015  | -171,941      |
| Write-downs for the period  | 0            | 0        | -43,214       |
| <b>Carrying amount</b>  | <b>5,564</b> | <b>0</b> | <b>22,168</b> |

## 6. Related party transactions

No significant changes have occurred to closely related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated annual report for 2016.

## 7. Contingent assets and liabilities

Since the end of 2016, no significant changes have occurred to contingent assets and liabilities other than those referred to in this interim report.

# Notes

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

Expected delivery of NORDEN's newbuildings at 31 March 2017

| Vessel type | Delivery quarter |
|-------------|------------------|
| Supramax    | Q3 2017 (sold)   |
| Panamax     | Q4 2017 (sold)   |
| Supramax    | Q1 2018          |
| Supramax    | Q1 2018          |
| Supramax    | Q4 2018          |
| Supramax    | Q4 2018          |
| Supramax    | Q1 2019          |
| Supramax    | Q2 2019          |
| Supramax    | Q1 2020          |
| Supramax    | Q1 2020          |

Payments related to owned vessels at 31 March 2017

| USD million          | 2017 | 2018 | 2019 | 2020 | Total |
|----------------------|------|------|------|------|-------|
| Newbuilding payments | 61   | 117  | 45   | 16   | 237   |

Future payments to NORDEN from assets held for sale: USD 54 million, of which USD 9 million will be received during the second quarter of 2017.

Fleet values at 31 March 2017

| USD million            |             |              |                      |  |   |             |
|------------------------|-------------|--------------|----------------------|--|---|-------------|
|                        | Number      | Average dwt. | Carrying amount/cost | Broker estimated value of owned vessels* | Broker estimated value of charter party | Added value |
| <b>Dry Cargo</b>       |             |              |                      |  |   |             |
| Panamax                | 5.0         | 79,000       | 90                   | 79                                       | 17                                      | 6           |
| Supramax               | 14.5        | 60,000       | 312                  | 311                                      | 0                                       | -1          |
| Handysize              | 8.0         | 37,000       | 110                  | 100                                      | 15                                      | 4           |
| <b>Total Dry Cargo</b> | <b>27.5</b> |              | <b>512</b>           | <b>490</b>                               | <b>32</b>                               | <b>9</b>    |
| <b>Tankers</b>         |             |              |                      |  |   |             |
| MR                     | 9.0         | 50,000       | 276                  | 226                                      | 1                                       | -49         |
| Handysize              | 10.0        | 39,000       | 216                  | 157                                      | 1                                       | -58         |
| <b>Total Tankers</b>   | <b>19</b>   |              | <b>492</b>           | <b>383</b>                               | <b>2</b>                                | <b>-107</b> |
| <b>Total</b>           | <b>46.5</b> |              | <b>1,004</b>         | <b>873</b>                               | <b>34</b>                               | <b>-98</b>  |

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

## 9. Significant events after the reporting date

Between the end of the quarter and the publication of this interim report, other than the developments disclosed in the interim review, no significant events have occurred which have not been recognised and adequately disclosed and which materially affect the results for the period or the statement of financial position.