NORDEN

ANNUAL REPORT 2018

DIGITALISATION IS AN EVER MORE INTEGRATED PART OF NORDEN

— CUSTODIANS OF SMARTER GLOBAL TRADE —

DAMPSKIBSSELSKABET NORDEN A/S

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Disclosure of quarterly financial information
In the Annual Report, quarterly financial information is presented. Such quarterly financial information is un-audited.

NORDEN – enabling smarter global trade

With 10 offices across 5 continents, NORDEN is an integrated part of the global commodity trade delivering reliable, safe transport solutions to customers all over the world.

Founded and listed on the stock exchange in 1871, NORDEN offers its shareholders earnings from industry-leading operator activities generated by a highly skilled organisation in addition to cyclical exposure to dry cargo and product tanker markets.

Major commodities transported by NORDEN include:

Grain | Soybean | Salt | Wood pellets | Coal | Alumina | Naphtha | Gasoline/gasoil/diesel/jet fuel

VESSELS

~330

CUSTOMERS

>500

OFFICES

10

NUMBER OF NATIONALITIES

30

YEARS OF HISTORY AND INTEGRITY

148

2018 HIGHLIGHTS

Business units key figures

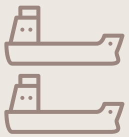
USD million	Dry Operator	Dry Owner	Tankers	Total
Contribution margin	68.9	41.2	22.1	132.2
EBITDA	33.0	32.2	7.2	72.4
EBIT	32.3	34.3	-27.3	39.3
Profit/loss for the period	29.8	29.5	-30.5	28.8
Adjusted Result for the year	**29.8**	**17.9**	**-27.7**	**20.0**

Adjusted result by business areas

DRY OPERATOR

30

USD MILLION



DRY OWNER

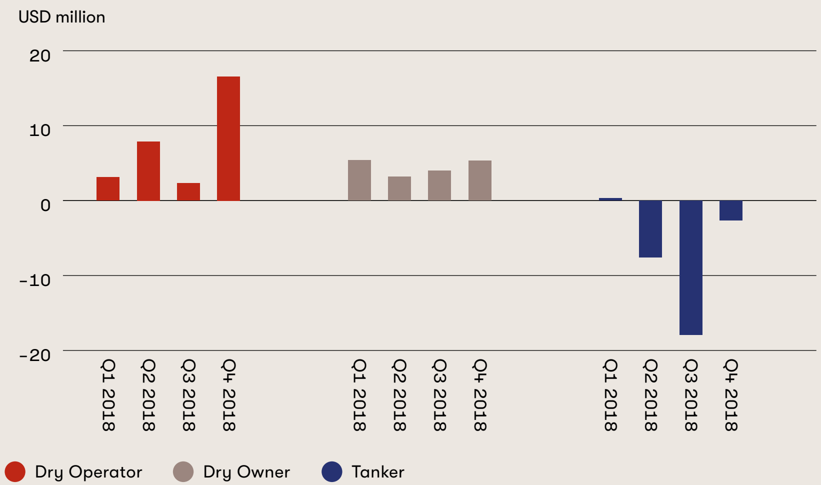
18

USD MILLION

TANKERS

-28

USD MILLION



FULL YEAR AND FOURTH QUARTER 2018

With a strong finish to the year, the Adjusted Result for the year amounted to USD 20 million.

The Adjusted Result for NORDEN in 2018 amounted to USD 20 million in line with the latest announced expectations of USD 0 to 30 million. The profit/loss for the year was USD 29 million, which includes profit from sale of vessels of USD 9 million.

The result was, among other things, driven by a strong Adjusted Result of USD 19 million in the fourth quarter.

With agile position management, Dry Operator generated an Adjusted Result in the quarter of USD 17 million – the best quarterly result so far.

Similarly, Dry Owner benefited from attractive cover in a softening dry cargo market in the fourth quarter and generated an Adjusted Result of USD 5 million.

During the quarter, the product tanker market headwind reversed, however, the spike in rates towards the end of the year came too late to significantly affect the result during the quarter, and the Adjusted Result came to -3 million.

Key figures for the quarters

USD million	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total 2018
EBITDA	38.5	17.1	21.0	2.6	31.7	72.4
Profit and loss from sale of vessels, etc.	0.0	9.2	-2.7	2.3	0.0	8.8
Depreciation and write-downs	-10.7	-10.5	-10.9	-11.6	-11.3	-44.3
EBIT	28.2	18.4	7.5	-6.5	19.9	39.3
Profit/loss for the period	27.1	18.0	0.8	-9.3	19.3	28.8
Cash flows from operating activities	41.4	-25.3	16.7	4.6	-21.0	-25.0
Adjusted Result	27.1	8.8	3.5	-11.6	19.3	20.0

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

KEY FIGURES AND FINANCIAL RATIOS

USD million	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	2,451.4	1,808.6	1,251.2	1,653.4	2,038.1
Contribution margin	132.3	116.8	76.1	70.9	-205.6
EBITDA (excl. provision)	72.4	68.1	30.6	165.5	-31.3
Provision (excl. joint ventures)	0.0	0.0	0.0	-145.0	-230.2
EBITDA	72.4	68.1	30.6	20.5	-261.5
Profit/loss from sale of vessels etc.	8.8	0.9	-45.5	-31.0	0.0
Depreciation, amortisation and impairment losses	-44.3	-42.2	-49.6	-248.6	-68.2
EBIT	39.3	23.3	-64.5	-282.0	-335.5
Profit/loss for the year	28.8	24.6	-45.6	-284.9	-415.6
Adjusted Result for the year [1]	20.0	28.4	-34.6	-263.0	-350.2
STATEMENT OF FINANCIAL POSITION					
Total assets	1,464.4	1,326.5	1,301.0	1,604.7	1,778.0
Equity	826.8	834.4	801.4	856.1	1,139.3
Liabilities	637.6	492.1	499.6	748.6	638.7
Invested capital	970.2	836.7	753.8	788.7	1,131.6
Net interest-bearing debts/assets	-143.4	-2.3	47.6	67.3	7.7
Cash and securities	188.6	219.4	263.9	365.7	238.3
CASH FLOWS					
From operating activities	-24.7	6.3	-79.7	76.9	-46.0
From investing activities	-78.4	-0.2	102.1	-112.9	66.2
- hereof investments in property, plant and equipment	-181.4	-75.4	-36.8	-131.6	-110.4
From financing activities	104.5	3.0	-85.3	67.5	-79.4

USD million	2018	2017	2016	2015	2014
SHARE RELATED KEYFIGURES					
No. of shares of DKK 1 each (including treasury shares)	42,200,000	42,200,000	42,200,000	42,200,000	42,200,000
No. of shares of DKK 1 each (excluding treasury shares)	39,923,933	40,467,615	40,467,615	40,467,615	40,460,055
No. of treasury shares	2,276,067	1,732,385	1,732,385	1,732,385	1,739,945
Earnings per share (EPS) (DKK)	0.7 (4)	0.6 (4)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)
Diluted earnings per share (diluted EPS) (DKK)	0.7 (4)	0.6 (4)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)
Dividend per share, DKK	2	0	0	0	0
Book value per share (DKK)	20.7 (135)	20.6 (128)	19.8 (140)	21.2 (144)	28.2 (172)
Share price at year-end, per share DKK 1	92.4	116.5	110.5	122.1	131.4
OTHER KEY FIGURES AND FINANCIAL RATIOS					
EBITDA RATIO	3.0%	3.8%	2.4%	1.2%	-12.8%
ROIC	4.4%	2.9%	-8.4%	-10.6%	-26.7%
ROE	3.5%	3.0%	-5.5%	-28.6%	-30.3%
Payout ratio (excluding treasury shares) [2]	34.8%	0.0%	0.0%	0.0%	0.0%
Equity ratio	56.5%	62.9%	61.6%	53.3%	64.1%
Price/book value	0.7	0.9	0.8	0.8	0.8
Total no. of ship days for the Group	122,852	93,738	79,060	75,763	83,866
USD rate at year-end	651.94	620.77	705.28	683.00	612.14
Average USD rate	631.74	659.53	673.27	672.69	561.90

The ratios were computed in accordance with "Recommendations and Financial Ratios 2018" issued by the Danish Association of Financial Analysts. However, "Profit and loss from the sale of vessels, etc." is not included in EBITDA. Please see definitions in the section "Definitions of key figures and financial ratios". The figures are adjusted for the Company's holding of treasury shares.

[1] "Adjusted Result" for the year is computed as "profit/loss for the period" adjusted for "Profit and loss from sale of vessels, etc." and "Fair value adjustment of certain hedging instruments". Including adjustment for sale of vessels in Joint Ventures.

[2] The payout ratio was computed based on proposed dividends for the year, including extraordinary dividends paid during the year.

Skills at the centre of the value creation

The true value of NORDEN is more than the market value of the owned vessels. Today, NORDEN owns less than 15% of the operated fleet, and thus a substantial part of the value generation stems from our asset light dry cargo and tanker operations. This value creation is based on our strong organisational capabilities including the use of advanced systems providing analytics and risk systems, which enables the skilled employees of NORDEN to make market calls and deliver industry-leading execution of voyages and thus generating better results.

And in 2018, the positive development of NORDEN continued. Despite historically weak tanker markets, which resulted in a loss of nearly USD 28 million, NORDEN presents a profitable overall result for the Company. The Adjusted Result for the year amounts to USD 20 million which is in line with the latest announced guidance of USD 0 to 30 million. The result represents a return on equity of 3.5% and a step in the right direction in making NORDEN more profitable in the coming years as we transition towards a more asset light business.

With the USD 10 million share buy-back programme initiated in November 2018, NORDEN has already returned value to the shareholders. On top of this, the Board of Directors proposes that a dividend of DKK 2 per share is paid to the shareholders, bringing the total returns paid to shareholders to USD 23 million.

"The result represents a step in the right direction in making NORDEN more profitable in the coming years."

Klaus Nyborg

The results for 2018 were the outcome of initiatives and contributions from all corners of the organisation. While it is impossible to list them all, we mention some of the milestone initiatives below, which have contributed to increased transparency in NORDEN's value creation and building a more asset light business:

- 2018 marked the first full calendar year of our Dry Operator business unit - and it has been a very successful first year. The Adjusted Result for the year for Dry Operator amounted to USD 30 million
- Our Dry Owner business unit increased the value of the portfolio on the back of an improved dry cargo market and with favourable timing of transactions, which has reduced our market exposure but also significantly increased the optionality in the portfolio.
- In Tankers, we utilised the very weak market to buy 4 MR tankers and charter in additional tonnage, creating the prerequisites for good returns when the market balance improves as expected. 60% of the NORDEN tanker fleet is now chartered.
- During the year, we secured installation of 26 scrubbers in 2019 and into 2020 with an estimated net positive cash flow effect of USD 40 million over the first 5 years.
- We introduced a highly advanced Fuel Efficiency module, which helps the organisation to identify and charter in the best performing vessels based on 730 million data points and the use of artificial intelligence.
- We further strengthened the Board of Directors with the election of 2 new members.

Klaus Nyborg
Chairman of
the Board of Directors

Jan Rindbo
CEO

- We implemented a value at risk system in Dry Operator and are on track to implement the system in our other business units.

- We adopted a new CSR strategy focusing on the United Nations' Sustainable Development Goal 9 – building resilient infrastructure – in line with our overall purpose of enabling smarter global trade.

- And recognising the need for action on the important climate agenda, we tested the use of biofuel on one of our vessels and intend to offer CO_2 neutral transport to a selected group of customers in the future.

Together with a constant focus on safety, these initiatives and many more have positioned NORDEN well for the upcoming challenges and opportunities in 2019. Among these are the IMO 2020 sulphur regulation taking effect as of 1 January 2020 with the aim to reduce sulphur emissions drastically. The regulation will influence the entire industry: The product tanker fleet stands to benefit as new types of compliant fuel oil will be transported to new destinations, which is expected to increase transport demand. In both tankers and dry cargo, the regulation is likely to increase the number of dockings and thereby temporarily reduce capacity as vessels are preparing by installing scrubbers and cleaning tanks.

NORDEN is well prepared in both segments. With investments in scrubbers on selected vessels, we expect to obtain a significant competitive advantage, and with advanced data systems, we identify the best vessels to charter both on short and longer term. With intensive market research and knowledge, we constantly monitor and adjust our market exposure, and with skilled and passionate employees, we offer our customers logistical and operational optimisation and industry-leading execution.

> "In 2019, NORDEN will continue the transition towards a more asset light business to generate higher returns on equity."
>
> Jan Rindbo

These are skills and capabilities that will come into good use as NORDEN navigates markets affected by increasing geopolitical uncertainty and lower long-term demand growth. And they are skills that allow us to look forward with confidence and optimism, knowing that all employees will do their utmost to increase the value created by the entire NORDEN organisation.

In 2019, NORDEN will continue the transition towards a more asset light business to generate higher returns on equity while becoming less dependent on uncertain markets. The Adjusted Result for 2019 is expected to be in the range of USD 25 to 60 million aiming for the third consecutive profitable year.

Klaus Nyborg
Chairman of the Board of Directors

Jan Rindbo
CEO

The NORDEN business

NORDEN
– more than physical assets

The true value of NORDEN is much more than the market value of vessels. With an increased focus on short-term operator activities and agile management of tradable positions, NORDEN is becoming less dependent on long-term cyclical market exposure. Instead, a major contributor to the value generation is built on highly sophisticated systems providing advanced analytics and risk systems. This enables the skilled employees of NORDEN to focus on relationships, make the right market calls and deliver industry-leading execution of voyages.

All in a company anchored in 148 years of history and strong values with transparency and well-established corporate governance.

THE NORDEN BUSINESS

DRY OPERATOR

Global transport solutions to dry cargo customers.

Generates a margin by:

- Logistical and operational optimisation, matching cargoes and vessels
- Utilising scale, market knowledge and access to customers and tonnage providers
- Taking short-term market positions

DRY OWNER

Cyclical market exposure to the dry cargo market.

Generates superior long-term returns by:

- Timing and negotiating transactions of owned vessels and long-term charter contracts
- Utilising access to off-market deals through long-term relationships with shipyards and shipowners
- Enabling portfolio of long-term cargo contracts

TANKERS

Transport services and cyclical market exposure in the product tanker market transporting gasoline, diesel, naphtha, etc.

Generate superior long-term returns by:

- Maximising earnings through positioning and voyage optimisation
- Safe, reliable and cost-efficient technical management of the owned fleet
- Utilising access to off-market deals through long-term relationships with shipyards and shipowners
- Timing and negotiating transactions of owned vessels and long-term charter contracts

THE VALUE OF NORDEN

NAV +

NAV (value of vessels – net debt)

\+

Value of contracts

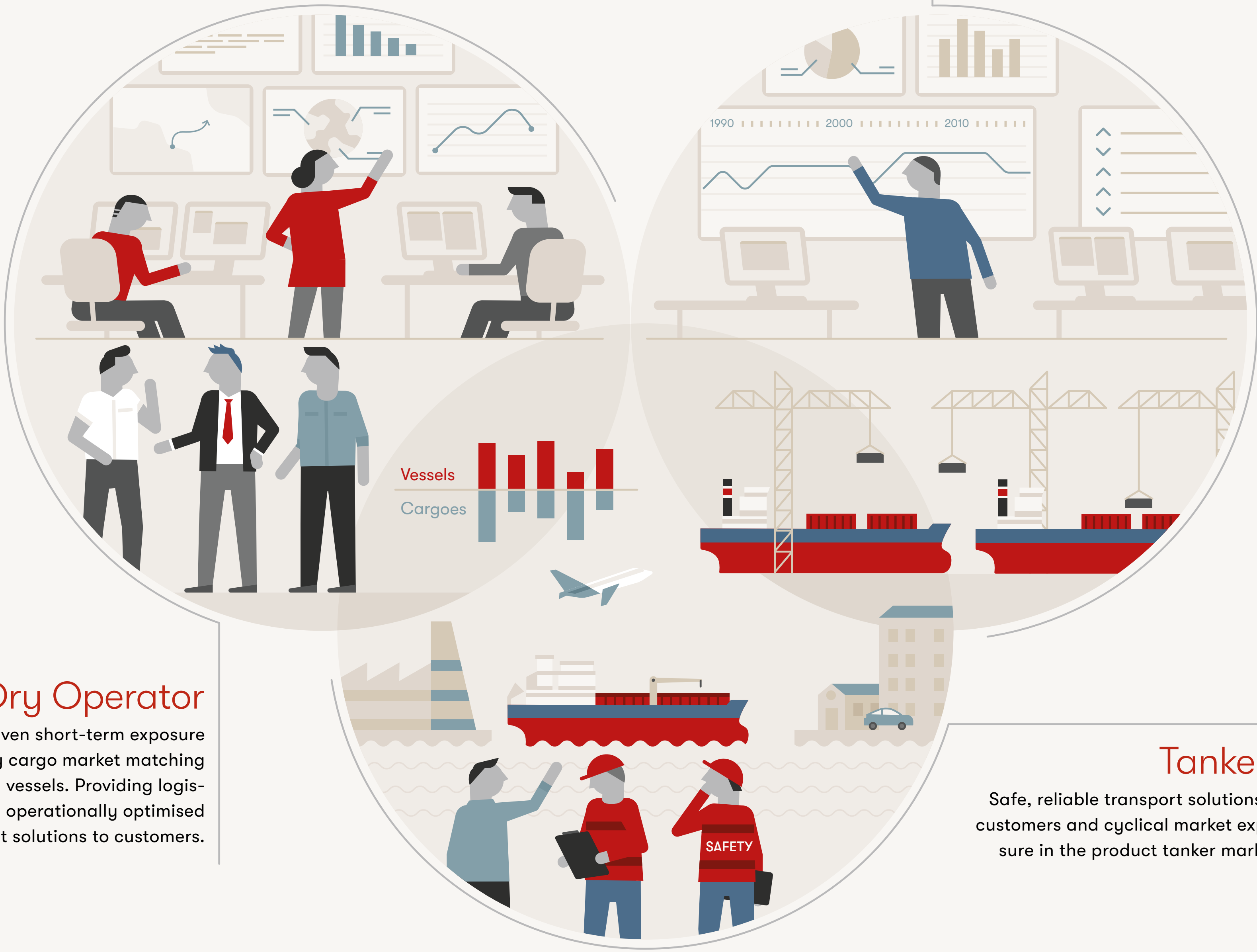
\+

Value of margin generation as operator

Business units

Dry Owner

Cyclical exposure to the dry cargo market through ownership and long-term chartering of vessels.



Dry Operator

Data-driven short-term exposure to the dry cargo market matching cargoes with vessels. Providing logistically and operationally optimised transport solutions to customers.

Tankers

Safe, reliable transport solutions to customers and cyclical market exposure in the product tanker market.

Strategy

NORDEN is transitioning towards a more asset light business to generate higher returns on equity.

The Company is increasingly focusing on the shorter-term operator activities and agile management of tradable positions while reducing the long-term cyclical exposure as we believe the risk/return opportunity is higher for NORDEN with shorter term activities than managing a large asset position.

As part of this transition, NORDEN has:

- established the Dry Operator business unit
- reduced long-term T/C exposure to the dry cargo market
- increased short-term chartering activities in Tankers

Long-term demand growth in both dry cargo and product tankers is expected to be lower going forward than experienced in the last 15-20 years. This will, among other things, result in shorter shipping cycles requiring a more agile business approach and use of digital solutions to increase efficiency and capture value. With several initiatives - most notably the establishment of a focused operator platform in Dry Operator - NORDEN has positioned the Company to create higher risk-adjusted returns from operating activities through its strong organisational capabilities and close customer contact and interaction.

BUSINESS AREAS

DRY OPERATOR

Utilising the strong platform built and close customer relations, Dry Operator will increase the value generation through an increase in both activity and profitability per vessel day. The objective is to build a platform able to generate an annual Adjusted Result of USD 40 to 60 million from 2021 onwards.

DRY OWNER

Focus is on asset trading, building optionality and constant adjustment of the market exposure. At the same time, Dry Owner will be expanding the number and magnitude of long-term cargo contracts (COAs), which will enable NORDEN to utilise the strong relationship with tonnage providers without increasing the long-term market exposure significantly.

TANKERS

With increased short- and long-term exposure to expected market improvements, focus is on utilising the strong commercial performance in Tankers and increase the activity within short-term T/C in/out.

Outlook for 2019

Based on improved market conditions in the tanker market and limited exposure to an uncertain dry cargo market NORDEN expects an Adjusted Result for the year of USD 25 to 60 million in 2019 including the effect from IFRS 16.

The IFRS 16 accounting standard will be applied from 1 January 2019 onwards. The standard will have material impact on NORDEN's capital structure as off-balance operating leases will be capitalised. The expected impact of IFRS 16 in 2019 is a decrease of USD 14 million on the Adjusted Result (see more on page 15).

Dry Operator

In Dry Operator, the platform continues to be improved with advanced analytics, decision support systems and capabilities of the organisation. The ambition is to grow both activity levels and margins, however, 2018 was a very successful year, and the realised USD 30 million in Adjusted Result was ahead of the original expectations for the year. On that basis, an Adjusted Result of USD 20 to 30 million is expected for 2019.

Dry Owner

Dry Owner is expected to deliver an Adjusted Result of USD 0 to 10 million. While the locked-in rates for 2019 are higher than the realised rates in 2018, the implementation of IFRS 16 impacts the Adjusted Result negatively by USD 12 million. With 89% of the capacity already covered, the market developments during the year will have limited impact on the results.

Tankers

NORDEN expects the Tanker business to deliver an Adjusted Result for 2019 of USD 5 to 20 million, which is significantly above 2018. The implementation of IFRS 16 impacts the expected Adjusted Result negatively by USD 2 million. With only 24% of the capacity covered, results will be highly dependent on market developments. Overall, market conditions are expected to improve compared to the very difficult 2018, and 2019 has already started with significantly higher rates than in the early parts of 2018.

"NORDEN expects an Adjusted Result for the year of USD 25 to 60 million."

Events after the reporting date

No significant events have occurred between the reporting date and the publication of this Annual Report that have not already been included and adequately disclosed in the annual report and that materially affect the assessment of the Company's and Group's results of operations or financial position.

Outlook for 2019

USD million	Adjusted Result for the year
Dry Operator	20 to 30
Dry Owner	0 to 10
Tankers	5 to 20
Group	**25 to 60**

Financial calendar for 2019

28 February	Final deadline for shareholders to submit specific issues to be included on the agenda for the annual general meeting
5 March	Annual report 2018
11 April	Annual general meeting
7 May	Interim report – first quarter 2019
14 August	Interim report – second quarter and first half-year 2019
6 November	Interim report – third quarter 2019

Forward-looking statements

This annual report contains certain forward-looking statements reflecting Management's present judgement of future events and financial results. Statements relating to 2019 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from projections. Factors that may cause NORDEN's realised results to differ from the projections in this annual report include, but are not limited to: Changes to macroeconomic and political conditions – particularly in the Company's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risks; any disruptions to traffic and operations as a result of external events, etc.

Risk management

In a volatile market, active and smart management of freight and asset price risks is a core part of the value creation in NORDEN.

Our market presence, combined with strong relationships with customers all over the world, gives access to market liquidity and insight that our competitors do not have.

This access to market liquidity and insight, combined with in-house research and sophisticated trading models, is used to create further margins by taking calculated risk where we take positions in the market by booking vessels and cargoes.

Active risk management plays a key role in NORDEN's goal for the Company to generate attractive risk-adjusted returns in fluctuating markets. An important element is NORDEN's diversification of its business by being active in 2 segments: Dry Cargo and Tankers.

It is NORDEN's policy to only assume material risks within the commercial aspects of its shipping operations, i.e. freight and asset values. Other risk factors are mitigated by hedging the exposure or robust business procedures.

All NORDEN's third-party contacts are screened daily on a number of potential risk factor issues, including sanctions lists, global law enforcement lists, vessel information and politically exposed persons.

Risk Management in NORDEN
NORDEN's risk management capabilities have been significantly strengthened in recent years with the establishment of both a Risk Committee under the Board of Directors and a separate Risk Management team.

The Risk Committee is responsible for assisting the Board of Directors in its oversight of the Company's risk management including developing frameworks for risk measuring, hedging and risk capital allocation. The exact amount of risk capital allocated to specific activities is determined by the Board of Directors based on a recommendation from the Executive Management.

Value and risks reported on a daily basis
The Risk Management team consists of 6 people with background within mathematics, physics, finance and shipping. The responsibility of the Risk Management team is to identify, quantify, monitor and report risk use and limits to the Board of Directors, Executive Management and Senior Management.

During the year, the Risk Management team has together with the management and the Risk Committee defined a new and robust risk framework for Dry Operator which has significantly improved risk monitoring and formalised the connection between risk capital and risk limits. Based on an in-house developed risk system, accurate overviews of positions, market values and relevant risk measures are reported on a daily basis. Due to the dynamics of shipping markets, several risk measures are used, for example Value at Risk, stress tests and P&L flags. Similar risk frameworks will be established for Dry Owner and Tankers during 2019.

To make sure that the Risk Management team is an integrated part of daily business, it is situated directly on the trading floor with the freight traders enabling the team to challenge their positions, provide regular and ad hoc analysis and advise on risk optimisation and reduction.

Risk management principles

The Board of Directors' Risk Committee assists the Board of Directors in its oversight of the Company's overall risk-taking while the Executive Management is responsible for identifying and analysing material risks and developing the Company's risk management. Exposures and the utilisation of the framework are reported to the Board of Directors on a monthly basis.

Material commercial risks

Below is a review of the material commercial risks.
For a review of the financial risks, please see note 2 on page 61 as well as the section "Financial position" on page 14.

	Risk	NORDEN management
RISKS ACTIVELY TAKEN		
Freight rate risks	Chartering vessels imply a risk as the Company assumes financial liability in expectation of generating earnings which are dependent on the freight market.	To control the uncertainty relating to earnings, future open ship days are covered by cargo contracts, T/C contracts and Forward Freight Agreements (FFAs) to the extent to which Management finds it attractive.
Fluctuations in vessel values	Changes in vessel values have a significant impact on the value of the Company, both directly on the value of the owned fleet and indirectly through the value of purchase options.	With a prudent capital structure, NORDEN is continuously focusing on how to allocate capital to optimise the risk-adjusted return on vessels.
OTHER RISK FACTORS		
Bunker price risk	The Company's largest variable cost is fuel in the form of bunkers, and the total costs of the Company will therefore depend on the market price for bunkers.	The Company uses bunker swaps to hedge future consumption of bunkers when entering into COAs in case there is no bunker adjustment clause in the agreement. In connection with charter agreements, the Company has a bunker price risk in relation to the quantity of bunkers with which the vessel must be redelivered. Due to the uncertainty of the size of this quantity, this exposure is not hedged.
Credit risks	NORDEN engages with a significant number of counterparties covering suppliers, tonnage providers, cargo owners, etc.	NORDEN reduces its credit risks through systematic credit assessment of counterparties and regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on input from external credit rating agencies and publicly available information. Each analysis results in an internal rating, which is subsequently used in NORDEN's determination of the allowed scope of the commitment. In connection with newbuilding contracting, it is assessed whether the credit risk in relation to prepayments to the yard should be reduced through repayment guarantees issued by banks with good credit ratings.
Oil spill and total loss	In terms of value, the most material events are oil spills and total loss (lost value of owned vessels, purchase options and charter parties).	The Company covers these risks by taking out insurances with recognised international insurance companies. In addition, risks are minimised by operating a modern fleet and by investing in the maintenance of the vessels and in staff awareness of both external and internal environments. In general, an increased operational risk is seen in the market due to recent years' poor market conditions, which e.g. cause some shipowners to economise on maintenance. Therefore, NORDEN has increased focus on the condition of the vessels in connection with short-term charters.
Piracy	Even though the number of piracy attacks has declined, the threat still persists.	The safety of the crew is ensured by means of updated procedures, heightened focus and repeated drills. The Company follows Best Management Practices (BMP) with regards to the threat of piracy, and during 2018, no pirate attacks or attempted attacks were made against NORDEN vessels.
IT security	In a global company like NORDEN, it is crucial that the Company's IT systems are always available.	The IT Department has established a technical emergency capacity with an IT environment distributed on 2 locations with mirrored critical systems. In addition, the Company has established an IT Disaster Recovery Plan involving the entire organisation and supporting the IT Department in setting up emergency operations as soon as possible after a disaster.

Financial position

In 2018, NORDEN has invested in increasing the product tanker capacity, Dry Operator growth and scrubber installation.

Net commitments
In recent years, the cash flow generating abilities of NORDEN's time chartered fleet have increased as the Company has replaced expiring unprofitable contracts with a new low-cost T/C-in portfolio. At the same time, the Company has increased both short- and long-term coverage.

In 2018, in spite of an Adjusted Result of USD 20 million, cash flows from operating activities amounted to USD -25 million. This is primarily due to higher working capital as a result of an increased activity level and declining oil prices leading to margin calls on bunker hedging instruments. The latter effect mainly occurred towards the end of the year, and in the fourth quarter of 2018 alone, cash flows from operating activities amounted to USD -21 million.

The optimised T/C portfolio has freed up cash previously reserved for servicing unprofitable contracts and has allowed the Company to initiate a considerable product tanker capacity expansion, continue the growth of Dry Operator and launch a scrubber installation programme on a large part of the owned and long-term chartered fleet.

At the end of the year, the Company's total net commitments amounted to USD 676 million, which is a reduction of 11% compared to the year before.

Cash position
At the end of the year, NORDEN's available cash amounted to USD 273 million with USD 192 million in cash and securities supplemented by USD 81 million in undrawn credit facilities. In comparison, outstanding payments in connection with newbuildings constitute USD 76 million due for payment in 2019-2020. As of 31 December 2018, no future payments for vessel sales or secondhand purchases are outstanding.

During the fourth quarter of 2018, NORDEN used credit facilities of USD 108 million to finance the deliveries of 2 newbuildings and expand the product tanker fleet through the purchase of 2 secondhand MR vessels.

At year-end, the market value of NORDEN's fleet was USD 863 million while interest-bearing debt amounted to USD 405 million. NORDEN's overall balance sheet is sufficient to both finance the ongoing investments in scrubbers and ballast water

Net commitments, USD million

	2018	2017	2016
Adjusted net interest-bearing assets*	-176	-59	12
T/C liabilities**	-1,250	-1,226	-1,142
Payments for newbuildings less proceeds from vessel sales**	-73	-149	-163
Contractually secured T/C revenue** (T/Cs and COAs)	823	676	672
Net commitments**	**-676**	**-758**	**-620**

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

treatment systems (BWTS) as well as funding the growth of Dry Operator.

For a detailed overview of CAPEX with regards to scrubber and BWTS, see page 36.

NORDEN estimates that the total costs of dockings and the acquisition and installation of the Ballast Water Treatment Systems and the scrubber programmes will incur CAPEX of USD 75 million in 2019. These investments are expected to be financed through the remaining undrawn credit facilities.

New accounting regulations regarding lease obligations - IFRS 16
New accounting regulations (IFRS 16) regarding capitalisation of off-balance lease obligations will be implemented as of 1 January 2019 and will have material impact on NORDEN's capital structure. Thus, as assets and liabilities will increase by USD 308 million, the equity ratio will decline from 57% to 47%.

NORDEN will apply IFRS 16 retrospectively without restating comparative figures by determining the lease liability as of 1 January 2019 and measure the right of use asset at the same amount. The majority of the Group's lease contracts are time charter contracts on vessels. For these contracts, the daily running cost element will be excluded from the lease liability.

The income statement will be impacted by a reduction of operating costs and an increase of depreciation, amortisation and interest expenses.

Applying an unchanged lease portfolio as of 1 January 2019, profit/loss from operations (EBIT) will increase by approximately USD 3 million, and profit/loss for the year will decrease by USD 14 million, see note 37.

The estimated 2019 opening balance restatement effect is disclosed below:

	As reported 31 December 2018	Change	IFRS 16 1 January 2019
Total non-current assets	881,800	317,610	1,199,410
Total current assets	582,628	-9,750	572,878
Total non-current liabilities	227,805	218,217	446,022
Total current liabilities	409,822	89,643	499,465
Equity	826,801	0	841,000
Equity ratio	56,5%		46,7%

Future newbuilding instalments, USD million

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Newbuilding payments and secondhand purchases	34	0	3	2	0	5	33	0	77
Other CAPEX*	5	20	33	17	2	0	0	0	77

Future payments to NORDEN from sold vessels: USD 0 million

* CAPEX includes ordinary dockings, acquisition and installation of scrubbers and ballast water treatment systems

DRY OPERATOR

263 VESSELS

AVERAGE NUMBER OF VESSELS IN THE DRY OPERATOR FLEET IN 2018

USD 30 MILLION

ADJUSTED RESULT

DRY OPERATOR

Capturing value in volatile markets

2018 was the first full calendar year as a separate business unit for Dry Operator, and it has been a highly successful year.

2018 result

Dry Operator delivered both a strong financial result and continued to fine-tune the sophisticated platform for future profitable growth.

The 2018 Adjusted Result was USD 30 million. This is at the high end of the Dry Operator guidance, which was revised upwards in August 2018 to USD 20 to 30 million. The result was the outcome of a total of 96,123 vessel days operated with an average contribution margin of USD 717 per vessel day. After inclusion of all costs, the average Adjusted Result per vessel day amounted to USD 310.

Profiting from volatility

Dry Operator generated the result in a year where the usual seasonal patterns in market rates were less pronounced, but significant short-term volatility created opportunities that were well captured by Dry Operator.

Strong result in fourth quarter

Dry Operator delivered its best result so far in the fourth quarter of 2018 with a total Adjusted Result of USD 17 million. The result proves the strength and shows some of the potential of the Dry Operator business unit. In a quarter where overall market rates were lower than anticipated by many, NORDEN created significant value through agile exposure management based on advanced analytics.

Dry Operator key figures (USD million)

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Last 4 quarters
Contribution margin	3.0	23.7	12.9	17.7	11.5	26.8	68.9
O/A costs	-7.6	-9.6	-8.8	-8.6	-8.8	-9.8	-36.0
EBIT	-4.6	14.1	4.0	8.9	2.6	16.8	32.3
Adjusted Result	-2.1	13.9	3.1	7.9	2.3	16.5	29.8
Vessel days	23,187	23,487	24,442	25,190	23,833	22,658	96,123
CM per vessel day (USD/day)	129	1,009	528	703	483	1,191	717
Adjusted Result per vessel day (USD/day)	-91	592	127	314	96	732	310

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

Despite a decrease in activity in the fourth quarter, Dry Operator delivered the best quarterly result so far as the business unit during the third quarter had adjusted the exposure and locked in profit.

DRY OPERATOR

Creating value

The value creation in Dry Operator is based on 3 components: average contribution margin generated per vessel day, costs of the organisation and number of vessel days. It is NORDEN's ambition to improve all 3 components during the coming years, and the target for Dry Operator is to create an Adjusted Result of USD 40 to 60 million per year from 2021 onwards.

Due to the seasonality in results (see box), the value creation of Dry Operator is best evaluated on 4 quarters rolling basis. With 6 quarters since initiation, there has been a positive trend in the results primarily driven by improvements in the margin created per vessel day as a result of i.a. better execution in the physical market and superior portfolio management based on advanced analytics and risk management.

Improving the foundation

The value creation of Dry Operator is driven by the capabilities of the organisation.

The platform is built on highly sophisticated systems and processes delivering transparency and speed, which enables the skilled employees of NORDEN to focus on building personal relationships, taking the right market calls and industry-leading execution. All of this will essentially enable Dry Operator to deliver better and more competitive service to clients.

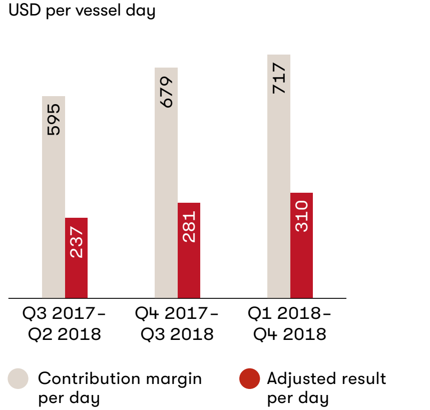
In 2018, NORDEN has continued to strengthen the foundation for growth and value creation through a number of initiatives:

- Strengthened voyage optimisation capabilities through development of an automated dynamic weather routing application
- Developing an in-house risk management system providing support to commercial teams and management
- Opened a new office in Vancouver and expanded the North American business and global reach
- Developed and implemented sophisticated AI-based vessel fuel performance evaluation system
- Specialist capabilities within legal, risk and market research integrated with commercial teams
- Implemented an automated market assessment tool to share market insights across global teams
- Initiated targeted growth initiative to improve tonnage access by strengthening vessel owner relations
- Increased the FFA activity by more than 100% to offer more competive freight to clients
- Increased retention of staff in our efforts to become first choice of employees
- Established partnership on AIS-based analytics tool

2019

Looking ahead, the focus in 2019 will continue to be on creating, adding and delivering value to our clients and shareholders.

Average contribution margin per day - 4 quarters rolling



Seasonality in results

The Dry Operator business is subject to seasonality, which is also reflected in the results of the first 6 quarters. The seasonality does, however, not come from the normal rate seasonality that exists in dry cargo. Rather, it comes from the regional positioning of vessels in NORDEN's key vessel types Supramax and Panamax.

Together with coal, the key commodity for these vessel types is grain, and here, the seasonal trading patterns are highly driven by the harvest seasons in the North and South Atlantic.

During Q1 and Q3, NORDEN will position vessels to the relevant areas. This will often be done with low-paying cargoes or even in ballast. In Q2 and Q4, the vessels will then execute fronthaul voyages with grain at high-paying rates. Therefore, the results of a given quarter should not be evaluated by itself – rather in connection with related quarters.

DRY OPERATOR

Activity

NORDEN Dry Operator is a highly sophisticated business model and unique among the peer group of stock listed dry cargo companies.

The operator activity entails constant matching of cargoes with vessels or vice versa and adjustment of the exposure to market conditions. The activity is based on cargo bookings and an ever-changing fleet of short-term chartered vessels from third party tonnage providers as well as vessels transferred from NORDEN Dry Owner. In 2018, Dry Operator thus chartered in an average of nearly 20 third party vessels per week.

While the set-up can be seen as independent, the Dry Operator platform is also able to benefit from NORDEN's overall company set-up to enter into e.g. long-term COAs – contracts where owned and long-term chartered vessels are often a prerequisite. The long-term cargo contracts form part of the foundation for the constant optimisation of trading patterns together with approximately 24 new cargoes secured per week.

NUMBER OF THIRD PARTY VESSELS CHARTERED IN 2018

1,026

Value levers

REGIONAL EXPOSURE

Taking a view on regional rate developments

OVERALL MARKET EXPOSURE

Taking a view on the short-term market direction

CLIP DEALS

Securing margin on a single voyage performed on a third party vessel with a minimum of market risk

EMPLOYMENT ARBITRAGE

Choosing between cargoes, T/C-out and FFAs to fix income

VESSEL SELECTION

Evaluating earnings capacity of available T/C-in tonnage

OPTIONS

Securing and realising value of option periods on T/C vessels using FFAs, cargoes and COAs or T/C options

VESSEL OPERATION

Speed setting, cargo handling and port operations

MINIMISING BALLAST

Matching COAs and market cargoes with owned and market vessels

DRY OWNER

21

OWNED VESSELS

40

LONG-TERM CHARTERED VESSELS

USD 18 MILLION

ADJUSTED RESULT IN 2018

DRY OWNER

Reducing exposure

With a number of initiatives and transactions, Dry Owner increased both cover and optionality of the fleet in 2018.

2018 results

Benefitting from a healthy dry cargo market and good coverage, Dry Owner generated an Adjusted Result of USD 18 million in 2018.

Furthermore, Dry Owner utilised the market to reduce forward exposure significantly for the next couple of years by securing both short- and long-term cover. At the same time, Dry Owner has focused on increasing the optionality of the portfolio further to secure significant value generating potential. At year-end, the number of optional days in the portfolio had increased by 16%, bringing it to a total of 35,000 optional days from 2019 to 2026. Compared to the number of open days, the optionality in the T/C portfolio thereby stands at 1:8. Furthermore, Dry Owner is in possession of 35 purchase options on vessels providing the Company with the ability to expand the number of fleet days in strong market periods. At the end of the year, the market value of Dry Owner's purchase and extension options was USD 18 million.

Market 2018

As expected, the dry cargo market continued its gradual improvement in 2018. Driven by strong global economic growth and limited supply growth, the Baltic Dry Index improved by 4.2% compared to 2017. The improvements were most pronounced in the first quarters of 2018 while the fourth quarter rate level was on par with the levels in 2017. Despite overall less seasonality in rates in 2018, the market still offered considerable volatility with significant regional differences.

Demand

The demand for dry cargo transports in 2018 grew by 2.7% in tonne-miles (source: TRACS) even though lower growth in demand for iron ore and soybeans transports reduced the average distances by 1%. The key driver of the growth was the transport of coal and minor bulks while iron ore transports only grew marginally. These developments favoured NORDEN's core vessel types Supramax and Panamax. In addition to growth in tonne-miles, vessels were also increasingly occupied with waiting in ports for unloading operations as a result of generally higher activity levels and a number of independent events.

China

The general economic activity levels in China were very healthy in the first part of 2018 but slowed gradually during the year. This impacted the commodity imports, and

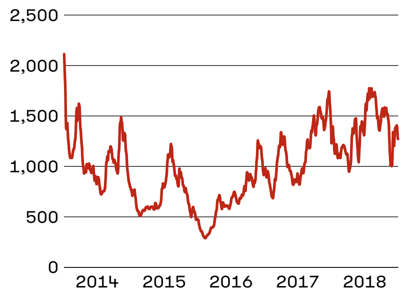
Dry Owner key figures (USD million)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Last 4 quarters
Contribution margin	7.7	11.6	10.9	11.0	41.2
O/A costs	-2.2	-2.1	-2.2	-2.5	-9.0
EBIT	14.1	6.7	8.0	5.5	34.3
Adjusted Result	5.4	3.2	4.0	5.3	17.9

Employment and rates, Dry Owner, 2018

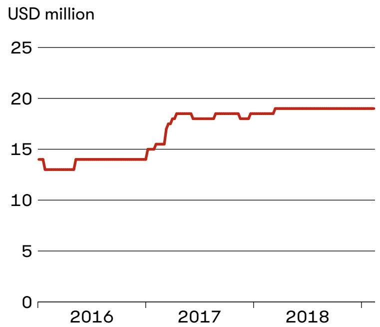
Dry Owner TCE, 2018	Days	USD/day
Post-Panamax	298	8,306
Panamax	7,552	12,027
Supramax	8,026	11,049
Handysize	3,211	10,229

Baltic Dry Index, BDI



Source: Baltic Exchange

Panamax vessel value



Source: Clarksons

DRY OWNER

after 5.7% growth Y/Y in the first half of 2018, import growth declined to 1.6% in the second half of the year. The important iron ore imports did not grow in 2018 as there were significant draws from port inventories that had reached record levels in the first quarter. In the second half of the year, the trade war with the USA impacted the grain and soybean imports negatively.

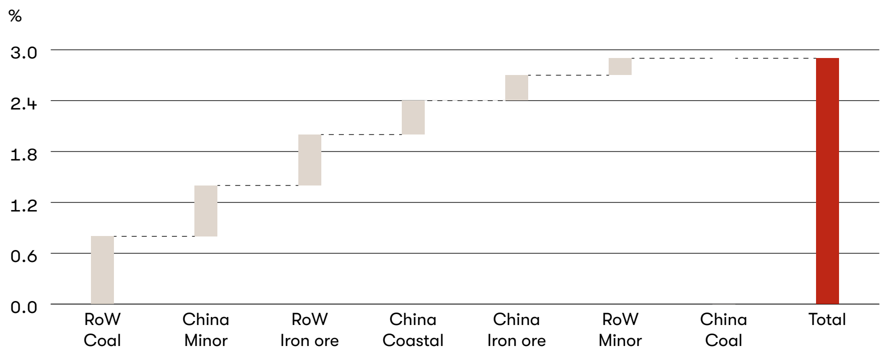
Supply

The global dry cargo fleet grew by 3.4% in 2018. Deliveries slowed down to 3.8%, which is the lowest activity level seen in many years. However, due to the general market improvements, the scrapping activity was also significantly reduced to a mere 0.5%.

Market 2019

At the beginning of 2019, the dry cargo market has been weak, and in 2019, rate levels are not expected to continue the trend from the last 3 years of overall gradual improvement. While global economic growth is expected to be lower, it is still expected to continue at reasonable levels in a historic perspective. The uncertainties for dry cargo demand in 2019 are primarily centred around China where general activity levels are slowing down. The Chinese government has clearly recognised the slower pace and has initiated new economic stimulus, which should eventually benefit the import levels of various commodities. However, this improvement in demand will probably not occur until the second half of 2019.

Demand growth



The key driver of demand growth was the transport of coal and minor bulks which favoured NORDEN's core vessel types Supramax and Panamax.

The reasonable low supply growth of 2-3% will continue in 2019 with deliveries expected to amount to 3-4% of the current fleet. Scrapping is expected to increase in the coming years due to both the costly installation of ballast water treatment systems (BWTS) and the new higher fuel costs as a result of the IMO 2020 low sulphur regulation. The share of the fleet tied up in dry docking is also expected to increase significantly in 2019 as many vessels will go in for lengthy dry docks to install both BWTS and scrubbers. This could reduce the vessel availability by around 1% in 2019, which should have a measurable positive impact on rate levels.

A long-term portfolio

Dry Owner manages NORDEN's long-term exposure to the dry cargo market while leaving the short-term exposure to be managed by Dry Operator. Dry Owner's portfolio consists of owned vessels and long-term chartered vessels as well as long-term coverage contracts.

The portfolio of owned vessels gives NORDEN the possibility to generate value through asset plays by using the significant volatility of asset prices to buy and sell vessels at opportune moments through the market cycles. To achieve the best results and execute with speed, the owned fleet must be in a tradable position both in terms of the condition and size of the fleet.

The long-term chartered vessel portfolio is paired with the portfolio of long-term coverage to either lock in fixed cash flows or reduce downside risk while keeping upside through the considerable optionality attached to these charters. The value of the Dry Owner portfolio is therefore driven by both asset valuations as well as the development in mark-to-market of the portfolio of chartered vessels and coverage.

Activity during the year

During 2018, the Company has actively been optimising the portfolio of both the time chartered and owned fleet with a total of 16 transactions, generating a profit from opportune timing of sales of vessels and ensuring a long-term cost-effective T/C portfolio.

In 2018, Dry Owner has:

- expanded the Dry Owner T/C capacity by entering into 6 new charter agreements, scheduled for delivery in the second half of 2019 and during 2020. All charters have a duration between 3-5 years and come with both extension and purchase options.

DRY OWNER

- negotiated hire prepayments at attractive terms on 3 long-term chartered vessels improving the cost structure of the time chartered portfolio.
- utilised the appreciating asset prices during the first half of 2018 to sell 1 Supramax and 2 Handysize vessels.
- taken delivery of 4 Supramax newbuildings previously ordered.
- increased coverage significantly for especially 2019 and 2020 bringing coverage for 2019 to 89% as of 31 December 2018.

Owned fleet value

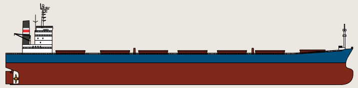
By year-end, Dry Owner owned a total of 20.5 vessels of which 4 are newbuildings for delivery in early 2019 and 2020, and 1.5 vessels were owned through a joint venture.

Based on the average of 3 independent broker valuations, the market value of NORDEN's owned dry cargo vessels and newbuilding orders including joint ventures and assets held for sale at year-end was estimated at USD 415 million. Compared to the end of 2017, the market value of vessels owned throughout the year was unchanged.

Average daily operating costs amounted to USD 5,529 and USD 4,591 for Panamax and Supramax, respectively, which is a reduction compared to last year. In addition to strong cost focus, the decline in Supramax operating costs is impacted by a favourable fleet mix where an old vessel has been sold and 4 newbuildings delivered.

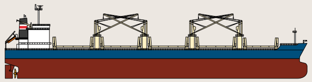
Daily OPEX by vessel type, Dry Owner

	2017	2018	Change
Panamax	5,425	5,529	2%
Supramax	5,300	4,591	-13%



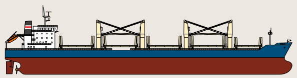
PANAMAX

Length	215-230 metres
Width	32 metres
Cargo capacity (deadweight)	75,000-93,000 tonnes
Average age – owned vessels	12.3 years
Average age of Panamax in the global fleet	9.5 years



SUPRAMAX

Length	190-200 metres
Width	32 metres
Cargo capacity (deadweight)	50,000-64,000 tonnes
Average age – owned vessels	4.4 years
Average age of Supramax in the global fleet	9.3 years



HANDYSIZE

Length	170-190 metres
Width	27-30 metres
Cargo capacity (deadweight)	28,000-39,000 tonnes
Average age – owned vessels	6.5 years
Average age of Handysize in the global fleet	10.4 years

Cargoes	Coal, grain, cement, sugar, fertiliser and wood pellets
Customers	Mining companies, power companies, grain traders, trading houses and producers of cement, sugar, fertiliser and wood pellets

DRY OWNER

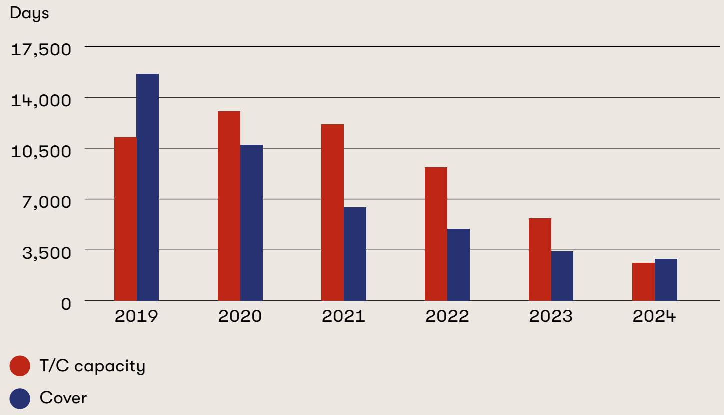
Fleet values & T/C in and cover portfolio

Dry Owner fleet and values at 31 December 2018 (USD million)

Vessel type	Panamax	Supramax	Handysize	Total
Vessels in operation				
Owned vessels	4.0	8.5	4.0	16.5
Chartered vessels	12.5	12.0	4.0	28.5
Total active fleet	**16.5**	**20.5**	**8.0**	**45.0**
Vessels to be delivered				
Owned vessels	0.0	4.0	0.0	4.0
Chartered vessels	3.0	7.0	1.0	11.0
Total vessels to be delivered	**3.0**	**11.0**	**1.0**	**15.0**
Total gross fleet	**19.5**	**31.5**	**9.0**	**60.0**
Dry Owner's fleet values at 31 December 2018				
Average age of owned vessels	12	4	7	7
Market value of owned vessels and newbuildings* (charter free)	58	302	56	415
Broker estimated value of certain charter parties attached to owned vessels	6	0	7	13
Carrying amount / costs	57	264	65	386
Market value vs. book value	**6**	**37**	**-1**	**42**
Value of purchase and extension options on chartered tonnage	**7**	**11**	**0**	**18**

* Active vessels and newbuildings including joint ventures and assets held for sale, if any

T/C capacity and cover



The long-term T/C-in and cover portfolio at year-end consisted of 56,983 vessel days, and of these 81% were covered at fixed rates.

Assessment of indicators of impairment and provisions for onerous contracts

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 a more detailed description, please see note 11 to the financial statements.

DRY CARGO

Dry Owner positioning

Capacity and coverage in cash, Dry Owner, at 31 December 2018

	2019	2020	2021	2019	2020	2021
Owned vessels		Ship days				
Panamax	1,360	1,452	1,421			
Supramax	3,517	4,085	4,493			
Handysize	1,443	1,452	1,431			
Total	**6,320**	**6,989**	**7,345**			
Chartered vessels					Cash costs for T/C core capacity (USD per day)	
Panamax	5,941	6,405	5,480	13,111	13,115	13,224
Supramax	4,057	5,653	6,169	11,905	11,625	11,795
Handysize	1,232	954	471	12,115	11,319	11,125
Total	**11,230**	**13,012**	**12,120**	**12,566**	**12,336**	**12,415**
Total capacity	**17,550**	**20,001**	**19,465**			
Coverage					Revenue from coverage (USD per day)	
Panamax	6,341	3,958	2,208	13,360	13,464	13,231
Supramax	7,334	4,917	2,542	12,062	11,754	11,214
Handysize	1,923	1,849	1,671	11,472	10,350	10,489
Total	**15,598**	**10,724**	**6,421**	**12,517**	**12,143**	**11,719**
Coverage in %						
Panamax	87%	50%	32%			
Supramax	97%	50%	24%			
Handysize	72%	77%	88%			
Total	**89%**	**54%**	**33%**			

Dry Cargo

FULL YEAR COMPARISON

In mid-2017, NORDEN's Dry Cargo business was split into Dry Operator and Dry Owner. The split marked an important step in NORDEN's ambitious plan to increase both profitability transparency and scale of its Dry Operator activities.

The split has allowed NORDEN to better adjust exposure to freight rate volatility and thereby secure a positive result regardless of the overall market level.

In 2018, NORDEN realised an Adjusted Result for Dry Cargo of USD 48 million which is an improvement of USD 34 million compared to the Adjusted Result from the previous year. The result is attributable to the strong performance of Dry Operator as well as a healthy Dry Cargo market throughout the year.

As reflected in the Annual report, 2018 was the first full year with the 2 independent business units. The table shows a comparison of the full year results for the former Dry Cargo Business.

USD million	2017	2018
EBITDA	26	65
EBIT	9	67
Adjusted Result	14	48

TANKERS

USD -28 MILLION

ADJUSTED RESULT FOR THE YEAR

TANKERS

Increased exposure

In 2018, NORDEN continued the gradual expansion of tanker exposure through purchase of 4 MR vessels and an increase in both short- and long-term activity.

2018 results

In a historically poor tanker market during the first 3 quarters of 2018, NORDEN's tanker business realised an Adjusted Result for the year of USD -28 million. The Company's Handysize tankers generated daily earnings at an average of USD 11,768, while daily earnings in the MR fleet amounted to USD 12,497.

During the fourth quarter of 2018, product tanker rates increased significantly in stark contrast to the rest of the year due to seasonal demand increases and positive spill-over effects from the crude tanker market.

Tanker market 2018

2018 was a very challenging year in the product tanker market, and for most of the year, rates were at levels significantly lower than seen in the last 5 years, culminating in the third quarter with the worst quarter in a decade. However, everything changed in the last couple of months of the year, with rates spiking to above USD 20,000 per day for product tankers.

Global oil demand grew at a healthy pace of 1.2%, but for most of the year, parts of this demand was met by draws from inventories, which limited the overall demand for tanker vessels to 2.3% for crude and 3.4% for product Y/Y (source: TRACS) when measured in tonne-miles.

In spite of deliveries continuing at fairly high levels, the overall tanker fleet only grew by 1.4 % during 2018 as scrapping of especially VLCC increased as the market continued to deteriorate. The tonnage available for transport, however, grew more as vessels previously occupied in floating storage were gradually released and entered the active trading fleet.

During the third quarter, the global oil production grew significantly as Saudi Arabia increased their production prior to the Iranian production decreasing due to new sanctions. This growth in oil production in the Middle East led to a strong demand for vessels in the fourth quarter and eventually also a strong push in rates for crude vessels. With improved market conditions in the crude market, a number of LR1 and LR2 vessels switched from trading in the product tanker markets into the crude markets effectually reducing the fleet supply for product tankers. In addition to this fundamental shift in the oil market, there were also a number of individual events that in combination accelerated the rate improvements such as weather delays and congestion of vessels waiting to unload in Nigeria.

Tanker key figures (USD million)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	2017
Contribution margin	11.2	5.9	-5.1	10.1	22.1	51.8
O/A costs	-3.7	-3.5	-3.6	-4.1	-14.9	-9.3
EBIT	0.2	-8.1	-16.9	-2.5	-27.3	14.1
Adjusted Result	0.3	-7.6	-17.9	-2.5	-27.7	14.2

The O/A cost increased in 2018 as a result of new internal distribution of costs in NORDEN

TANKERS

Tankers 2018

Key figures and financial ratios

USD million	2016 Total	2017 Total	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Total
Revenue	330	338	102	99	114	96	411
EBITDA	55	43	8	2	-9	6	7
Profit and loss from sale of vessels, etc.	-7	0	0	-3	0	0	-3
EBIT	15	14	0	-8	-17	-2	-27
EBITDA margin, %	17%	13%	7%	2%	-8%	6%	2%
EBIT margin, %	5%	4%	0%	-8%	-15%	-2%	-7%
Total number of ship days	14,850	15,256	4,648	4,658	4,939	4,967	19,212
Adjusted result for the year	17	14	0	-7	-18	-3	-28

Employment and rates

Vessel type		Q1	Q2	Q3	Q4	2018	Benchmark*	NORDEN vs. benchmark
LR1	Ship days	180	182	184	183	729	12,646	-4%
	NORDEN spot TCE (USD per day)	12,714	12,514	10,368	12,759	12,083		
	NORDEN TCE (USD per day)	12,714	12,514	10,368	12,759	12,083		
MR	Ship days	3,196	3,297	3,640	3,727	13,860	12,803	-2%
	NORDEN spot TCE (USD per day)	13,333	12,546	9,635	12,973	12,078		
	NORDEN TCE (USD per day)	13,700	12,974	10,347	13,145	12,497		
Handysize	Ship days	1,272	1,179	1,115	1,052	4,618	11,296	4%
	NORDEN spot TCE (USD per day)	12,207	10,758	8,624	13,453	11,256		
	NORDEN TCE (USD per day)	12,183	12,374	9,062	13,453	11,768		
Total**	Ship days	4,648	4,658	4,939	4,962	19,207	12,434	-1%
	NORDEN spot TCE (USD per day)	12,966	12,064	9,424	13,074	11,864		
	NORDEN TCE (USD per day)	13,247	12,804	10,058	13,196	12,306		

* Latest 12 month average,
** Weighted average
NORDEN TCE is calculated as freight income less voyage costs (such as broker commissions, bunkers and port costs), but before payment of pool management fee

NORDEN MR TCE (USD/DAY)

12,497

TANKERS

Tanker market 2019

The tanker market is expected to be stronger than in 2018. Looking into 2019, the tanker markets are at a much healthier starting point than in 2018. Inventory levels have declined, and the pace of deliveries from the yards has slowed down. Global economic growth is likely to slow down in 2019, but the lower oil prices should mitigate some of the impact of this on global oil demand. Some of the drivers of the considerable improvements at the end of 2018 will somewhat disappear as OPEC continues to reduce production levels in the first part of 2019, and once the usual seasonal support in the first quarter is over, rates will likely be under renewed pressure.

In the second half of 2019, it is expected that the coming IMO 2020 global sulphur regulation will start to affect the tanker markets both from operational factors and actual increase in the demand for oil transport. A part of the fleet will go into extended dry docks for installation of both scrubbers and ballast water treatment systems, which is likely to negatively impact the size of the fleet available for transport of oil.

NORDEN entered 2019 with a coverage of 24%, leaving 76% of nearly 17,000 vessel days open and is thereby well positioned to benefit from the expected improvement in the market.

Increasing operator activity

Despite a declining tanker market throughout most of the year, NORDEN managed to generate daily earnings of USD 12,306, which is on par with the 1-year T/C rate.

Based on the strong operational performance by NORDEN as well as the transaction capabilities and relationships with tonnage providers, NORDEN continues to focus on expanding the intake of short-term firm and optional capacity. This has been done as part of a strategic effort to pursue further value creation in the operator activities in the tanker business. The aqcuisition of 100% ownership of Norient Product Pool ApS is another part of these efforts. Through short-term T/C contracts with a duration of 1 year or less, NORDEN has a total capacity of 2,664 days with a further 4,122 days of optionality in 2019 and 2020.

Development of tanker asset values

Despite the very poor tanker market during most of the year, asset values continued the upwards climb throughout the year, ending at a level last seen in the first half of 2016. Consequently, the value of a

NORDEN's Tanker fleet and values at 31 December 2018

Vessel type	LR1	MR	Handysize	Total
Vessels in operation				
Owned vessels	0.0	15.0	9.0	24.0
Chartered vessels	2.0	31.0	8.0	41.0
Total active fleet	**2.0**	**46.0**	**17.0**	**65.0**
Vessels to be delivered				
Owned vessels	0.0	0.0	0.0	0.0
Chartered vessels	0.0	8.0	0.0	8.0
Total vessels to be delivered	**0.0**	**8.0**	**0.0**	**8.0**
Total gross fleet	**2.0**	**54.0**	**17.0**	**73.0**
Tanker fleet values at 31 December 2018				
Average age of owned vessels	0	7	9	8
Market value of owned vessels and newbuildings*	0	320	127	447
Broker estimated value of certain charter parties**	0	0	0	0
Carrying amount / cost	0	363	184	547
Market value vs. book value	**0**	**-43**	**-57**	**-100**
Value of purchase and extension options on chartered tonnage	**0**	**3**	**14**	**17**

* Active vessels and newbuildings including joint ventures and assets held for sale, if any. Charter free

** Attached to owned vessels

Assessment of indicators of impairment and provisions for onerous contracts

NORDEN has on a quarterly basis carried out routine assessments of indicators of impairment for the cash generating unit Tankers. For Q3 2018, Management deemed it necessary to carry out an impairment test. Based on this, Management concluded that the long-term values of the tanker fleet continue to support the carrying amounts. An assessment of the indicators of impairment by the end of the year supports that conclusion. For a more detailed description, please see note 11 to the financial statements.

TANKERS

5-year-old MR tanker increased by 10% during 2018. In comparison, the price of an MR newbuilding increased by 7% during 2018 although primarily impacted by higher steel prices as the overall orderbook remains low (source: Clarksons).

Portfolio management
In 2018, NORDEN has continued the gradual expansion of tanker exposure initiated in 2017 although at a reduced pace. In line with the strategy of focusing on the MR vessel type while reducing Handysize exposure, NORDEN purchased 4 secondhand MR vessels during 2018 while at the same time selling 1 ageing Handysize tanker. Additionally, NORDEN increased MR time chartered-in capacity from 2019 onwards by 2,700 days with optionality for an additional 2,200 days. The Company will continue to seek a gradual expansion of MR exposure if attractive opportunities arise.

Market value of NORDEN's tanker fleet
Based on the average of 3 independent broker valuations, the market value of NORDEN's owned vessels and newbuilding orders including joint ventures and assets held for sale at year-end was estimated at USD 447 million in the Tanker segment.

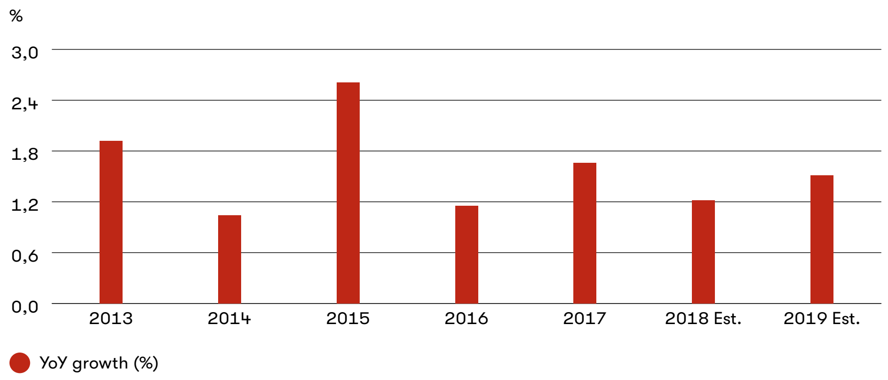
Compared to the end of 2017, the market value of vessels owned throughout the year declined by 5% - mainly due to ageing of the fleet. At the end of the year, the market value of the Company's purchase and extension options was USD 17 million.

OPEX
Daily running costs remained at the low level previously achieved through a 3-year cost reduction programme successfully completed in 2017. Average daily operating costs ended at 6,348 and 6,391 for MR and Handysize, respectively, which is a slight increase compared to last year.

Daily OPEX by vessel type, Tankers

	2017	2018	Change
MR	6,273	6,348	1%
Handysize	6,168	6,391	4%

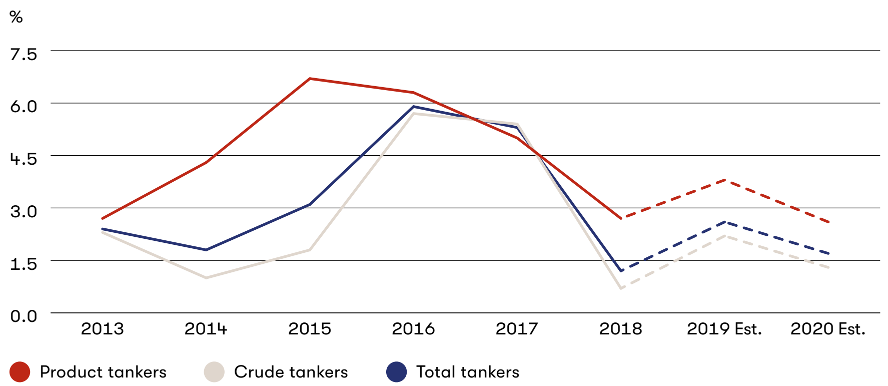
IEA oil demand in recent years



Source: IEA

Global economic growth is likely to slow down in 2019, but the lower oil prices should mitigate some of the impact on global oil demand.

Tanker fleet growth

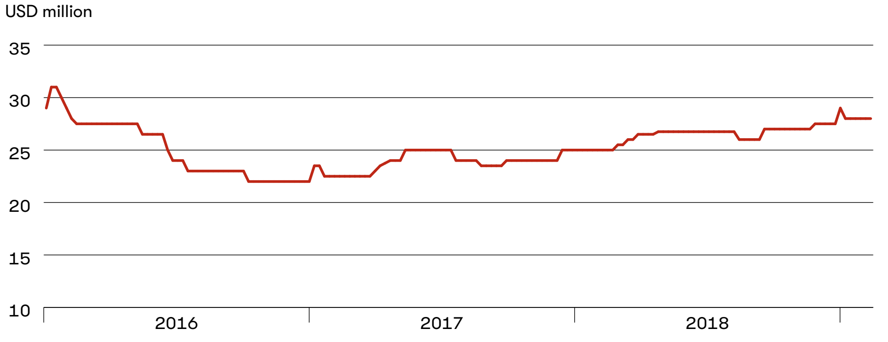


Source: SSY and NORDEN

Tanker fleet growth looks manageble for the coming years.

TANKERS

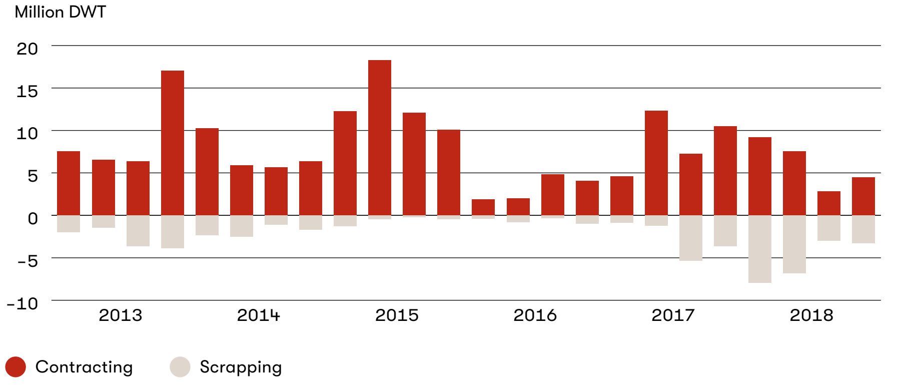
Vessel value, 5-year-old MR



Source: Clarksons

Despite very challenging markets, the value of a 5-year-old MR tanker increased by 10% during 2018.

Total tanker contracting and scrapping



Source: Clarksons

Orders for new tankers are at a moderate level.

At the end of 2018, NORDEN's active tanker fleet consisted of 46 MR, 17 Handysize and 2 LR1 vessels

TANKERS

Tanker positioning

Capacity and coverage in cash, Tankers, at 31 December 2018

	2019	2020	2021	2019	2020	2021
Owned vessels		Ship days				
MR	5,219	5,391	5,430			
Handysize	3,229	3,267	3,221			
Total	**8,449**	**8,658**	**8,651**			
Chartered vessels				Costs for T/C capacity (USD per day)		
LR1	726	397	0	18,655	18,655	0
MR	6,710	4,284	4,501	14,201	14,852	15,000
Handysize	1,089	620	0	12,729	12,727	0
Total	**8,525**	**5,301**	**4,501**	**14,392**	**14,888**	**15,000**
Total capacity	**16,974**	**13,959**	**13,152**			
Coverage				Revenue from coverage (USD per day)		
LR1	0	0	0	–	–	–
MR	2,618	363	362	14,297	16,196	16,196
Handysize	1,471	392	0	13,366	14,640	–
Total	**4,088**	**755**	**362**	**13,962**	**15,388**	**16,196**
Coverage in %						
LR1	0%	0%	–			
MR	22%	4%	4%			
Handysize	34%	10%	0%			
Total	**24%**	**5%**	**3%**			

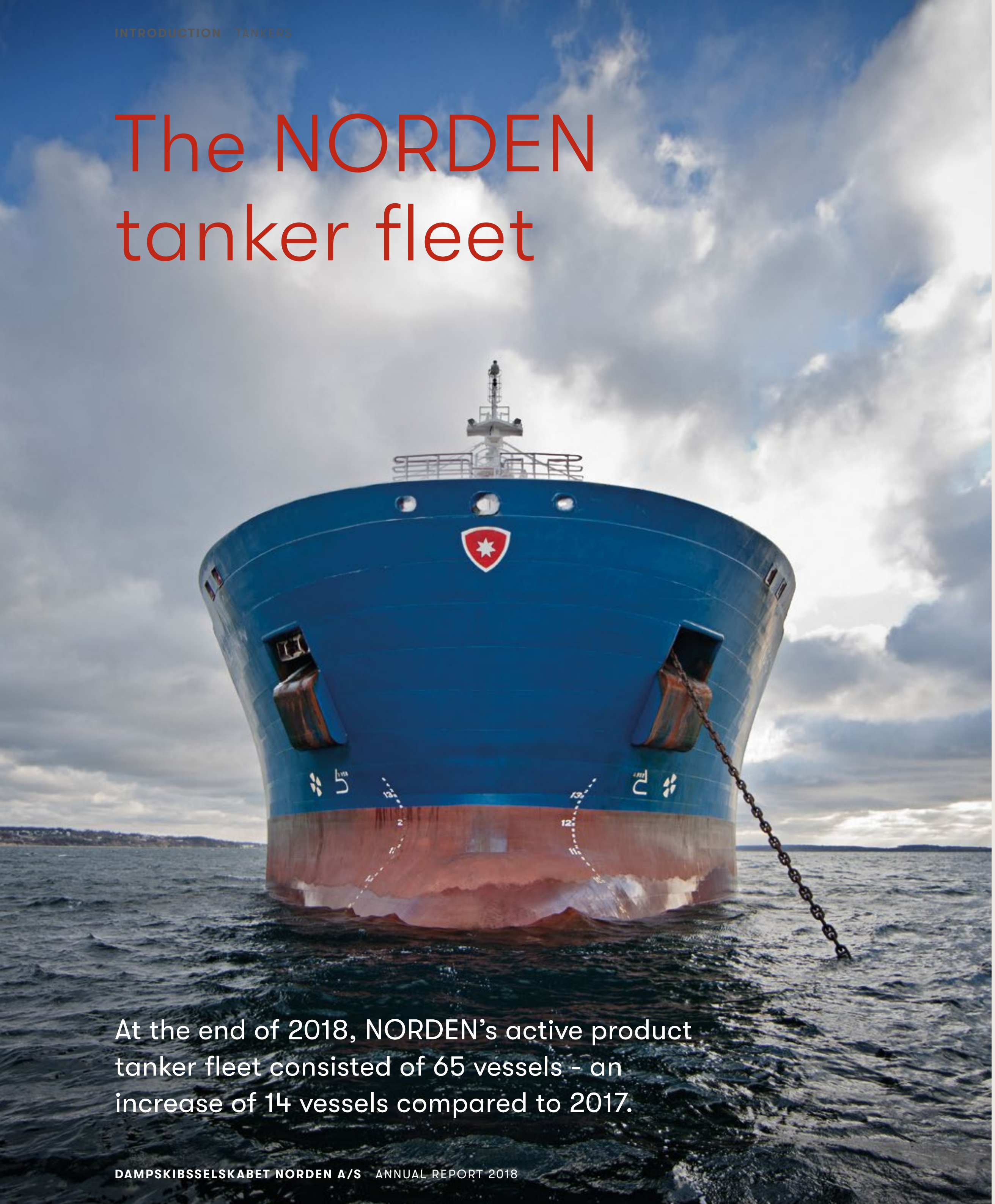
TANKER 2019 CAPACITY (SHIP DAYS)

16,974

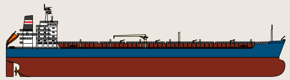
COVERAGE IN 2019

24%

The NORDEN tanker fleet

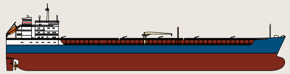


At the end of 2018, NORDEN's active product tanker fleet consisted of 65 vessels – an increase of 14 vessels compared to 2017.



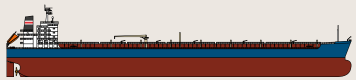
MR

Total number of vessels	46
Owned vessels	15
Chartered vessels	31
Length	180-185 metres
Width	32 metres
Cargo capacity (deadweight)	46,000-52,000 tonnes
Average age – owned vessels	7.1 years
Average age of MR in the global fleet	9.7 years



HANDYSIZE

Total number of vessels	17
Owned vessels	9
Chartered vessels	8
Length	175-185 metres
Width	27-31 metres
Cargo capacity (deadweight)	36,000-40,000 tonnes
Average age – owned vessels	9.4 years
Average age of Handysize in the global fleet	12.8years



LR1

Total number of vessels	2
Owned vessels	0
Chartered vessels	2
Length	228 metres
Width	32 metres
Cargo capacity (deadweight)	74,500 tonnes
Average age – owned vessels	–
Average age of LR1 in the global fleet	10.7 years

Cargoes	Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers	Oil majors and oil traders

Preparing for new regulations

1 January 2020 marks a significant event for the global shipping industry when new sulphur regulations take effect. With several initiatives, NORDEN is well prepared for this and other new regulations.

IMO 2020 sulphur regulation
On 1 January 2020, new IMO sulphur emission regulations take effect. The regulations reduce the highest permittable limit for sulphur content in fuel in all waters, apart from the already established ECA zones, from 3.5% to 0.5%. There are 2 ways to meet the new demands; either switching to low sulphur fuel or installing mechanical exhaust gas cleaning systems, more commonly known as scrubbers.

The cost difference between low sulphur and high sulphur fuel oil is expected to increase significantly for a sustained period, making scrubbers an attractive choice for compliance. Therefore, NORDEN has during 2018 secured installation of 26 scrubbers with options for 5 more. Of these, 2 scrubbers will be installed on newbuildings, 16 retrofitted on selected, owned vessels, and the remaining 8 will be installed on long-term chartered tonnage.

The costs are estimated to amount to approximately USD 41 million on owned vessels and approximately USD 13 million in increased T/C hire over the coming years. Recognising uncertainties, NORDEN considers the investment highly attractive. Net positive cash flow effect is estimated to be USD 40 million over the first 5 years.

The first scrubber installation took place in Turkey in February 2019, and the remaining vessels will be fitted throughout 2019, with a few installations taking place in early 2020. The dry cargo vessels are docked and fitted with scrubbers at a site in China, while the tanker vessel scrubbers are installed at a site in Turkey.

While a substantial part of NORDEN's owned fleet will be fitted with scrubbers, the majority of the NORDEN operated fleet is chartered and the subsequent switch to low sulphur bunkers will form the majority of NORDEN's compliance measures.

NORDEN retrofits ballast water treatment systems
Ballast water can pose a risk to ecosystems due to the invasive species that can be transported and discharged from ballast water tanks into local waters. Due to this, IMO is introducing a Ballast Water Management Convention (BWMC), now effective September 2019. The regulation follows similar rules taking effect in January 2016 across all regions controlled by the US Coast Guard, and NORDEN will retrofit all vessels using a side stream system.

The first NORDEN owned vessel was retrofitted during the first half of 2018, while the last vessel is scheduled for completion in 2023. The systems installed and the installation schedule will be compliant with both IMO and USCG legislation.

IMO to introduce NOx zones
The IMO has adopted a resolution amending the MARPOL Annex VI, thereby introducing 2 new NOx Emission Control Areas (ECAs), namely the Baltic Sea and the North Sea. This is added to the already existing NOx areas, namely the North American area and the US Caribbean area.

The proposals mean limiting nitrogen oxide emissions from vessels in the areas by 75% from vessels constructed on or after 1 January 2021 as well as on existing ships where an engine is replaced with a 'non-identical' engine or an 'additional' engine is installed.

NORDEN is aware of the upcoming restrictions, which could influence which vessels to charter.

Biofuel
In line with NORDEN's purpose of enabling smarter global trade, NORDEN welcomes new regulations and requirements to increase the sustainability of shipping and has launched several own initiatives to support this agenda. With decarbonisation in focus for the shipping industry and as a firm advocate of more environmentally responsible shipping, NORDEN has been investigating alternatives to the current fuel types and will continue to do so going forward. Among the initiatives is an exploration into the use of second-generation biofuel. In 2018, NORDEN successfully completed the first test voyage with a large ocean-going vessel with the main engine powered solely by CO_2 neutral biofuel.

NEW REGIONAL NITROGEN OXIDES EMISSION LIMIT FOR VESSELS BUILT FROM

2021

People and organisation

With a clear purpose of enabling smarter global trade, NORDEN's employees work to position the Company according to the ever-changing markets and optimise the logistical challenges in combining cargoes and vessels and subsequently transporting commodities all over the world.

To succeed, NORDEN is dependent on attracting, retaining and developing some of the most skilled employees in the industry. Paired with advanced digital tools, employees form a powerful means to succeed.

Adding new advanced skill sets
As the growth in activity continues, so does the need to hire more senior specialists with skills not traditionally found in the shipping sector. During 2018, the Risk Management department was strengthened with the hiring of additional analytical capacity and the establishment of highly advanced risk management systems enabling the traders in the Dry Operator business unit to know their exact exposure to the market at all times.

The Fuel Efficiency team, manned with highly skilled engineers, develops and continuously refines algorithms, which in combination with advanced machine learning and AI modules enable the individual charterer to charter-in the right vessels and the operator to operate these with the correct speed considering the cargo, weather, route, etc.

Increasing diversity and agility
Bringing onboard more senior specialists across the Company contributes to the already diverse composition of the work force at NORDEN. Employees representing 30 nationalities and with highly diverse educational backgrounds enable NORDEN to understand and meet the very different requirements faced by an organisation working on a global scale.

Besides using still more advanced digital tools to support decision-making, it is vital to empower throughout the organisation to achieve agility. NORDEN operates in highly fast-paced and changing markets where demands, products and companies are developing faster and in more unforeseen ways than ever before.

Unleashing potential in the organisation
The ability to unleash and use all employees' full potential in an atmosphere of common purpose, mutual respect and trustful cooperation is crucial for organisations in order to succeed in disruptive environments.

To support this, NORDEN has in recent years been working with leadership principles enabling NORDEN to draw on the combined knowledge and skills of the entire organisation. More than 60 leaders have gone through the leadership programme Soulship on shore since 2015, and in 2018, the programme was rolled out onboard NORDEN owned vessels under the name Soulship@sea and with particular focus on trust and leadership. The training is both a part of the Officers Seminar and on-the-job training at sea with global leadership coaches visiting crew onboard NORDEN owned vessels.

Ongoing engagement survey
To encourage high employee engagement and make sure that the job is meaningful to the individual, NORDEN conducts engagement surveys on an ongoing basis. Employees at the offices are asked 5 simple questions to reveal whether they feel empowered, have good access to the needed information and understand their valuable contribution to the overall goals of NORDEN. As the survey is conducted every 3-4 months, it gives an early indication of needed actions, if any, both on departmental and group level.

Retaining the talent
The growth in activity and needed skill sets require a focus on attracting, retaining and developing skilled employees. In 2018, the retention rate for employees at the NORDEN offices was 92%, and at sea, the retention rate according to INTERTANKO

standard was 96%. The high retention rate, which is considered satisfactory, secures continuity and preserves knowledge and skills in the Company.

Investing in education

NORDEN is highly committed to the education of new skilled persons to the shipping industry. With internships and scholarships at Singapore Management University, Shanghai Maritime University, Nanyang Technological University and Copenhagen Business School, NORDEN helps to bring new knowledge and talent to the industry.

Furthermore, 6 new shipping trainees began their training in 2018, bringing the total number of trainees at NORDEN offices around the world to 15. During the year, 5 trainees completed their training, and 4 were subsequently hired by the Company, and by year-end, 43 Danish, Indian, Mexican and Philippine cadets were part of training programmes at NORDEN.

NUMBER OF NATIONALITIES IN THE NORDEN ORGANISATION

30

Average number of employees

	2017	2018
On shore	285	299
At sea	777	792
Total	1,062	1,091

Corporate governance

With a long-term focus, the aim of the Company is to develop for the benefit of its stakeholders within the risk framework set out.

The management of NORDEN is based on the values of Flexibility, Reliability, Empathy and Ambition and the Company's Corporate Soul Purpose aiming at enabling smarter global trade.

The focus is long-term, and the goal for the Company is to develop for the benefit of its stakeholders within the risk framework set out by the Board of Directors (see "Risk management" on page 12 and note 2 to the financial statements "Financial risk management").

Election, tasks and authorities

NORDEN has a two-tier management structure with a Board of Directors and an Executive Management. There is no duality between the 2 bodies. The Board of Directors is made up of 6 members elected for a term of 1 year by the shareholders and 3 members elected for a term of 3 years by the employees.

The Board of Directors determines strategies, policies, goals and budgets. In addition, it sets out the risk management framework and supervises the work, procedures, etc. carried out by the day-to-day management. The Board of Directors has a 1-year authority to authorise the Company's acquisition of treasury shares at a nominal value not exceeding 10% of the share capital and a 5-year authority to increase the share capital by a nominal value of 10%. The latter is effective until April 2021.

Articles of Association can be found on the company website. Generally, resolutions to amend the Articles of Association require a quorum of at least two-thirds of the voting share capital represented at a general meeting and a majority of at least two-thirds of the votes cast as well as of the voting share capital represented at such general meeting. In addition, certain resolutions on changes of the shareholders' dividend or voting rights or the transferability of shares as set out in the Danish Companies Act require a special majority of at least 9/10 of the votes and of the capital represented.

The Board of Directors appoints the Executive Management and sets out its responsibilities and conditions. The members of the Executive Management are responsible for the day-to-day management, organisation and development of NORDEN, for managing assets, liabilities and equity, accounting and reporting, and it also prepares and implements the strategies. The ongoing contact between the Board of Directors and the Executive Management is primarily handled by the Chairman and the CEO.

The Executive Management participates in board meetings and is supplemented by other managers in the strategy meetings and when relevant.

Board work

The Board of Directors sets out an annual work schedule to ensure that all relevant issues are discussed during the year. As part of the annual schedule and to ensure focus on both short- and long-term targets, a board meeting specifically focusing on operational targets and short-term strategies is supplemented by daylong seminars reviewing the long-term strategy of the Company.

In 2018, the Board of Directors held 14 board meetings of which 4 were teleconferences in connection with financial reporting. Attendance was 94% for the shareholder-elected board members and 67% for the employee-elected board members. To this should be added that one of the employee-elected board members is a seafarer, who might be otherwise occupied at sea and therefore cannot attend.

Audit Committee

The Board of Directors has an audit committee made up of Karsten Knudsen (committee chairman), Helle Østergaard Kristiansen and Klaus Nyborg. The committee supervises financial reporting, transactions with closely related parties, auditing, etc. The terms of reference are published on NORDEN's website where a statement of control and risk management in connection with financial reporting can also be found. During the year, the committee held 4 meetings, and all committee members participated in all the meetings.

Risk Committee

The Board of Directors has established a risk committee with the purpose of assisting the Board of Directors in its oversight of the Company's overall risk-taking tolerance and management of market, credit and liquidity risks. The members of the Risk Committee are Tom Intrator (committee chairman), Karsten Knudsen and Stephen John Kunzer. During the year, the committee held 4 meetings, and all committee members participated in all the meetings.

Remuneration Committee

The Board of Directors has a remuneration committee responsible for supervising the implementation of the Company's remuneration policy (see page 43). Its terms of reference are available on the website. The committee consists of Klaus Nyborg (committee chairman), Karsten Knudsen, Tom Intrator and John Stephen Kunzer, and the committee held 2 meetings in 2018 with a participation rate of 100% for all members.

Nomination Committee

The Board of Directors' Nomination Committee is made up of Klaus Nyborg (committee chairman) and Johanne Riegels Østergård. The committee is responsible for describing the qualifications required in i.a. the Board of Directors and the Executive Management, and the committee is also in charge of an annual assessment of the competences, knowledge and experience present in the 2 management bodies. The committee held 3 meetings during the year, and both committee members participated in all the meetings.

Qualifications and evaluation

For the Board of Directors to be able to perform its managerial and strategic tasks and, at the same time, act as a good sounding board to the Executive Management, the following skills are deemed particularly relevant: insight into shipping (specifically dry cargo and tankers), general management, strategic development, risk management, commodity trade, investment, finance/accounting as well as international experience.

In 2018, the Board of Directors and the Executive Management assisted by external consultants conducted a self-assessment of the composition, qualifications and dynamics of the Board of Directors. The assessment concluded that the Board of Directors possesses relevant skills and has good working relationships and dynamics.

Board composition and remuneration

During the year, Arvid Grundkjøn and Hans Feringa resigned from the Board. At the annual general meeting in April 2018, Klaus Nyborg, Johanne Riegels Østergård, Karsten Knudsen and Tom Intrator were re-elected as members to the Board of Directors, and at an extraordinary general meeting in December, Helle Østergaard Kristiansen and Stephen John Kunzer joined the board as newly shareholder-elected board members.

The Board of Directors has a target figure for the share of the underrepresented gender on the Board of Directors and formulated a policy to increase the share of the underrepresented gender on the other management levels. The target for the share of shareholder-elected women on the Board of Directors is to have 2 out of 6 shareholder-elected female board members by 2020. With the election of Helle Østergaard Kristiansen, the target has been met.

Board remuneration amounts to a total of USD 0.7 million. Specific board remuneration can be found on page 43. The Board of Directors proposes unchanged remuneration in 2019.

Corporate governance

The Board of Directors has discussed the recommendations from the Danish Committee on Corporate Governance.

NORDEN follows all recommendations except for recommendation 3.4.2 as the Nomination Committee has 1 independent and 1 non-independent member, while all other committees in line with recommendations have a majority of independent members. A systematic review of the recommendations can be found at https://norden.com/investor/governance/corporate-governance

2019

The Board of Directors has planned 14 meetings, 4 of which are teleconferences in connection with the annual and interim reports. At the annual general meeting on 11 April 2019, all board members elected by the shareholders will stand for re-election.

Board of Directors

				
	Klaus Nyborg	**Johanne Riegels Østergård**	**Karsten Knudsen**	**Tom Intrator**
Position	Chairman Managing Director	Vice Chairman Architect	Board Member Managing Director	Board member Former CEO and President in Cargill
Other directorships	A/S United Shipping & Trading Company (CB), Bawat A/S (CB), Bunker Holding A/S (VCB), Uni-Tankers A/S (VCB), DFDS A/S (VCB), X-Press Feeders Ltd. (BM), Moscord Pte. Ltd. (BM), Maritime Investment Fund I K/S (Chairman of investment committee), Karen og Poul F. Hansens Familiefond (BM) and Return ApS (MD)	A/S Motortramp (BM), D/S Orients Fond (BM) and Ejendomsselskabet Amaliegade 49 A/S (BM)	Vækst-Invest Nordjylland A/S (CB), Polaris IV Invest Fonden (CB), Nordsøenheden (VCB), Motortramp A/S (BM), Dampskibsselskabet Orient Fond (BM), Obel-LFI Ejendomme A/S (BM), K/S Vanta (BM), Velliv Pension & Livsforsikring A/S (BM), Saga I-VII GP ApS (MD), Saga VII-USD PD AIV K/S (MD), Saga VII-EUR K/S (MD) and Saga VII-USD K/S (MD)	Macsteel Holdings (BM), Argus Media (BM) and Marquard & Bahls (BM)
Relevant skills	Experience with management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management	General management, financial and business insight as well as detailed knowledge of NORDEN's values and history	General management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks	Experience as an executive in one on the world's largest trading houses, international background, and extensive knowledge of energy, shipping and metals. Experience within management, strategy, investment, customer relations and service, financial issues and risk management
Board member since	2012	2016	2008	2017
Term expires	2019 (Chairman since 2015)	2019 (Vice Chairman since 2017)	2019	2019
Attendance 2018*	100%	100%	100%	86%
Independent/ Not independent**	Independent	Not independent	Not independent	Independent
Born in	1963	1971	1953	1959
Gender	Male	Female	Male	Male
Nationality	Danish	Danish	Danish	Swiss
No. of shares	1,700	499	2,000	0

Directorships and shareholdings are stated as at 31 December 2018. The directorships do not include positions within the NORDEN Group.

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

* Calculated as percentage of required attendance

** In addition to the shares held personally by Johanne Riegels Østergård and Karsten Knudsen or through their related parties, both are associated with A/S Motortramp, which holds 12,952,803 shares in NORDEN. Employee-elected board members are not independent by virtue of their employment.





	Helle Østergaard Kristiansen	Stephen John Kunzer	Lars Enkegaard Biilmann	Susanne Fauerskov	Jesper Svenstrup
Position	Board member CFO of Danske Commodities	Board member Former CEO in Eastern Pacific Shipping	Board member Captain	Board member Head of Marine Payroll	Board member Head of Supramax South Atlantic
Other directorships	Stauning Whiskey A/S (BM)		Elected by the employees	Elected by the employees	Elected by the employees
Relevant skills	Experience as CFO in an international energy trading house, extensive knowledge of energy, risk management, optimising processes and digitalisation. Competences within digitalisation, international financing and risk management	Experience within management of one of the world's largest private family ship owners. Competences within international shipping especially within the tanker segment and experience in operating a large diversified fleet			
Board member since	2018	2018	2013	2018	2018
Term expires	2019	2019	2021	2021	2021
Attendance 2018*	–	–	29%	100%	100%
Independent/ Not independent**	Independent	Independent	Not independent	Not independent	Not independent
Born in	1978	1966	1964	1975	1975
Gender	Female	Male	Male	Female	Male
Nationality	Danish	British	Danish	Danish	Danish
No. of shares	800	0	723	723	470

Senior Management




	Jan Rindbo	Martin Badsted	Christian Vinther Christensen	Jens Christensen
Position	CEO	CFO	Head of Dry Operator	Head of the Technical Department
Education	Trained in shipping and has completed executive training programmes at INSEAD	Holds an M.Sc. in International Business	Trained in shipping and has completed executive training programmes at Duke CE	Holds a Master Mariner's License and an MBA from CBS
Other directorships	Danish Shipping (BM), A/S Dampskibsselskabet Orients Fond (BM) and BIMCO (BM)			
Employed in	2015	2005	2017	1989
Born in	1974	1973	1970	1971




	Henrik Lykkegaard Madsen	Heidi Nykjær Persson	Karina Sundbæk	Søren Huscher
Position	Head of the Asset Management Department	Head of Human Resources	Head of the Finance Department	CEO of Norient Product Pool ApS*
Education	Trained in shipping, holds a graduate diploma in Marketing Economics and has completed executive training programmes at INSEAD and IMD	Trained in shipping, holds a BA in Shipping and Transportation from Shanghai University and an MA in Consulting and Coaching Change from INSEAD	Holds an M.Sc. in Economics and Auditing from CBS	Trained in shipping and has completed executive training programme at INSEAD
Other directorships				
Employed in	2010	2018	2017	2000
Born in	1962	1968	1974	1962

Directorships, etc. are stated at 31 December 2018 and do not include positions within the NORDEN Group. BM: Board Member.

* Norient Product Pool was established in 2005 and is 100% owned by NORDEN.

Remuneration

Overall objective of remuneration policy

The principles in NORDEN's remuneration policy reflect the Company's objective of attracting and retaining high calibre leaders, specialists and employees, which are essential in order for the Company to create long-term value for its shareholders.

The chosen principles in the remuneration policy ensure both short- and long-term convergence of interests between the Company's shareholders, Board of Directors and Executive Management. The allotment of incentives will be made with due regard to the Company's results and targets, competitive environment, market situation and outlook, purpose of the individual instruments and, where relevant, personal performance. Variable incentive schemes to Executive Management are subject to clawback provisions in case it turns out they have been based on erroneous assumptions.

The administration of incentives ensures that the incentive-based remuneration does not lead to carelessness, unreasonable conduct or inexpedient acceptance of risk. The Board of Directors decides on the implementation of NORDEN's remuneration policy, including incentive-based remuneration. Every year, following the Remuneration Committee's recommendation, the Board of Directors determines the framework of the remuneration for the Executive Management, including incentive-based remuneration and other contractual terms.

Upon recommendation by the Remuneration Committee, the Board of Directors sees to it that the total remuneration reflects the Company's needs, results and challenges and that the remuneration ensures that the Company can recruit and retain high calibre leaders, specialists and employees in a global industry. This is essential for the Company to create long-term shareholder value. The remuneration policy was latest adopted at the Annual General Meeting in 2018 and is available at https://norden.com/investor/governance/remuneration

Remuneration multiple

	Board of Directors	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee
Chairman	3	0.6	0.6	0.33	0.33
Vice Chairman	2	n/a	n/a	n/a	n/a
Member	1	0.33	0.33	0.25	0.25

Remuneration for the Board of Directors

	Annual fee								
USD'000	**Base fee**	**Audit Committee**	**Risk Committee**	**Nomination Committee**	**Remuneration Committee**	**Total**	**2018**	**2017**	**2016**
Klaus Nyborg	138	15		15	15	183	183	191	178
Johanne Riegels Østergård	92			11		103	103	56	30
Karsten Knudsen	46	27	15		11	99	99	98	82
Tom Intrator	46		27		11	84	84	63	n/a
Helle Østergaard Kristiansen	46	15				61	2	n/a	n/a
Stephen John Kunzer	46		15		11	72	2	n/a	n/a
Jesper Svenstrup	46					46	33	n/a	n/a
Susanne Fauerskov	46					46	33	n/a	n/a
Lars Enkegaard Biilmann	46					46	46	48	44
Former board members							59	235	284
USD'000 total						**740**	**644**	**691**	**618**

Remuneration structure and remuneration for the Executive Management

USD'000	CEO Jan Rindbo			CFO Martin Badsted					
Element	2018	2017	2016	2018	2017	2016	Objective	Remuneration level	Performance measure
Fixed salary	1,094	1,061	990	568	531	503	To provide core reward for the role set at a level appropriate to secure and retain high calibre individuals needed to deliver Company strategic priorities.	NORDEN aims to offer a competitive fixed salary that is appropriate for a company of NORDEN's size in consideration of bonus and share schemes. Salaries are reviewed annually by the Board of Directors and are negotiated ordinarily in February	n/a
Pension	0	0	0	0	0	0	n/a		n/a
Cash bonus	457	379	257	267	152	89	The overall purpose of the bonus system for Executive Management is to enhance the Company's performance and shareholder value. In addition to this, the purpose of the bonus system is to motivate, retain and reward Executive Management for performance in accordance with the bonus parameters agreed with the Board.	The total cash bonus of each member of the Executive Management cannot amount to more than 200% of the member's fixed annual salary.	Provided based on performance with defined targets in 2018 with emphasis on 1) return on equity 2) Dry Operator performance and 3) strategic projects
Long-term incentives (share programmes)	136	130	76	78	77	83	To promote the long-term community of interests between the Executive Management and the shareholders	At the time of granting, the value of the allotted share options may have a value of up to 150% of the fixed annual salary of each member of the Executive Management.	The allocation to the Executive Management totalled x% of the fixed salary in 2018
Benefits	0	0	0	0	24	14			n/a
Severance pay	0	0	0	0	0	0		NORDEN's term of notice to the members of the Executive Management is 12 months. If members of the Executive Management step down following a change of control, they will receive a special severance payment in addition to their normal salary and in some cases a bonus during the notice period. This severance payment equals 12 months' salary. The total compensation cannot exceed 2 years' pay	n/a
Total	**1,687**	**1,570**	**1,323**	**913**	**784**	**689**			

Remuneration principles for the Board of Directors

Members of the Board of Directors receive a fixed annual base fee of USD 46,000 (DKK 300,000). In addition, the Chairman and Vice Chairman receive supplements equal to twice the base fee and one time the base fee, respectively. Participation in committees of the Board of Directors entitles members to an additional fixed annual fee. In addition, remuneration for efforts beyond what can be expected of members of the Board of Directors can be granted in extraordinary cases.

Remuneration is determined following comparison with remuneration in other international shipping companies and Danish listed companies as well as on the basis of an assessment of scope and nature of the work. The board remuneration amounts to a total of USD 0.7 million. Specific board remuneration can be seen in the tables. The Board of Directors does not receive incentive-based remuneration. The Board of Directors propose unchanged remuneration in 2019.

Remuneration principles for the Executive Management

Remuneration for the Executive Management consists of fixed salary and benefits, cash bonus and restricted shares. In 2016 and 2017, share options were allotted instead of restricted shares. The Executive Management's terms of notice are determined on the basis of market practice, and in addition, the Executive Management has special rights following a change of control.

Fixed salary and benefits

NORDEN aims to offer a competitive fixed salary that is appropriate for a company of NORDEN's size in consideration of bonus and share option schemes. Salaries are reviewed annually by the Board of Directors. The fixed salary to the CEO in 2018 increased by 3% to USD 1,094 thousand while the fixed salary to the CFO in 2018 increased by 7% to USD 568 thousand primarily as a compensation for expired company car arrangement. The total value of benefits offered to the Executive Management was USD 26 thousand.

Cash bonus

The overall purpose of cash bonus to the Executive Management is to enhance the Company's performance and shareholder value. In addition to this, the purpose of the bonus system is to motivate, retain and reward Executive Management for performance in accordance with the bonus parameters agreed with the Board. Consideration is also given to the competitive environment, market situation and outlook as well as personal performance. Bonus parameters for the Executive Management or individual members of the Executive Management are made in consideration of market practice and the competitive environment and will, as a main rule, be subject to reaching specific targets which, according to the assessment of the Board of Directors, are significant in order to ensure value creation for the shareholders.

In 2018, the CEO and CFO received a cash bonus of USD 457 thousand and USD 267 thousand, respectively, reflecting a performance with overall low return to shareholders but strong results in Dry Operator and execution on a number of strategic projects building long-term value.

Restricted shares and share options

To promote the long-term community of interests between the Executive Management and the shareholders, the Board of Directors may allot restricted shares and/or share options to the members of the Executive Management on an annual basis. At the time of granting, the value of the allotted restricted shares and share options may have a total value of up to 150% of the fixed annual salary of each member of the Executive Management.

In 2018, the CEO received 11,758 shares representing a value at the time of granting of USD 194 thousand, corresponding to 18% of the fixed annual salary. The CFO received 6,688 shares representing a value of USD 111 thousand, corresponding to 20% of the fixed annual salary.

In 2016 and 2017, Executive Management received share options instead of restricted shares. The value of the allotted share options was USD 207 thousand in 2017 and 159 thousand in 2016. Both the restricted shares and share options are subject to a 3-year vesting period from the time of grant.

Investor relations

Master Data

Share capital	DKK 42.2 million
Number of shares	42,200,000 of DKK 1
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq Copenhagen
Ticker sumbol	DNORD
ISIN code	DK00600083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

Shareholder return

During 2018, NORDEN's share price decreased by 21% from DKK 117 to DKK 92. Based on the increasing USD exchange rate, the return in USD has been -25% in 2018. The NORDEN share thereby performed on par with the peer group of dry cargo and product tanker companies in the same period. The development for the dry cargo part of the peer group was -20%, while the return was -36% for the product tanker peer group.

Trading volume

On average, 141,923 shares were traded on a daily basis on Nasdaq Copenhagen in 2018, which is a decrease of 26% compared to 2017. The average daily trading value on Nasdaq Copenhagen was DKK 16 million against DKK 20 million in 2017. In addition to this, average daily trading value on other market places amounted to DKK 3 million.

Investor relations

During 2018, NORDEN has had ongoing dialogue with analysts and investors and participated in a large number of investor conferences and seminars. The share is monitored by 10 analysts.

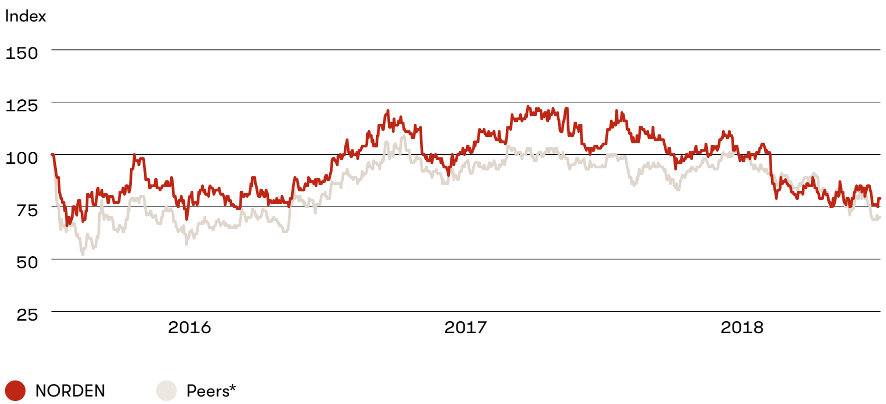
Share buy-back

On 8 November 2018, NORDEN initiated a share buy-back of up to a total of USD 10 million. The programme ran until 13 February 2019. A total of 706,900 shares at an average price of DKK 93.36 was acquired during the period. Furthermore, by aquiring 100% ownership of Norient Product Pool ApS, NORDEN also took control of the 101,682 NORDEN shares in that company.

Dividends

The Board of Directors recommends for approval by the general meeting that a dividend of DKK 2 per share is paid to the shareholders.

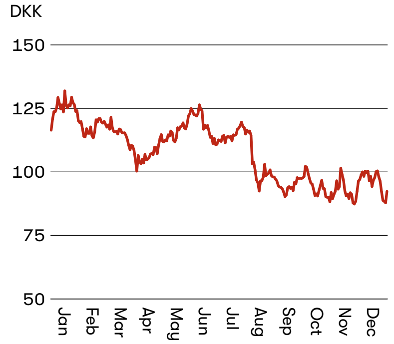
Total shareholder return* 3 years (1/1 2016 = 100)



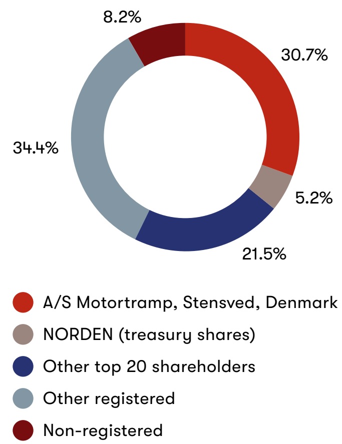
* The total return measured as the total value of dividend payments and share price increases expressed in USD

The total return of the peer group is calculated based on 8 dry cargo companies (Pacific Basin, Golden Ocean, Diana Shipping, Safe Bulkers, Scorpio Bulkers, Eagle Bulk, Navios Maritime Holdings, and Western Bulk) – each weighted by their market capitalisation – and 6 product tanker companies (Scorpio Tankers, d'Amico, Teekay Tankers, Ardmore Shipping, Torm and Navios Maritime Acquisition Corp.) – each weighted by their market capitalisation – the average return of which is weighted on a 60/40 basis in favour of the dry cargo companies.

Share price development 2018



Composition of shareholders



International ownership share counted 683 registered shareholders, in aggregate owning 25.7% of the share capital.

Corporate Social Responsibility

Conducting business in a legal, socially responsible and safe manner is an integrated part of NORDEN's DNA, and the Company has a long history working with CSR.

In 2009, NORDEN signed up with UN Global Compact and has since then been working on the CSR agenda in a still more structured and focused way.

New CSR Strategy
In 2019, NORDEN is implementing a new CSR Strategy with special attention to the United Nations Sustainable Development Goals (SDGs). Adopted by the UN in 2015 to mobilise a global effort around a common set of goals, the SDGs define global sustainable development priorities and aspirations for 2030. NORDEN's strategy was developed during 2018 by mapping the 17 Sustainable Development Goals to our business activities and identifying specific challenges to focus on during the coming years. In all, 6 SDGs were identified as material to NORDEN's responsible business practices and 1 SDG as particularly important: SDG 9 Industry, Innovation and Infrastructure

Under SDG 9, NORDEN has identified 2 focus areas in creating and supporting resilient and sustainable infrastructure:

Decarbonisation – Alternative solutions are needed to meet the emission reduction goals adopted by IMO in 2018. With successful testing of biofuel in 2018, NORDEN is contributing with a low-carbon transportation option. Under the heading Decarbonisation, NORDEN will further investigate decarbonisation solutions (see also box regarding biofuel).

Logistics optimisation – NORDEN possesses considerable know-how and experience on optimising infrastructure logistics. Removing bottleneck issues with for instance congestion or inefficiency in port handling, unpredictability in inland transportation or difficulties in transitions from inland transportation to ocean-going vessels holds potential to creating shared value for societies and customers.

For an in-depth account of NORDEN's CSR efforts, please visit our CSR report 2018. The report serves as NORDEN's Communication on Progress to the UN Global Comact and meets the requirements of the Danish Financial Statements Act section 99a and 99b. The report is published at https://norden.com/sustainability/sustainability-reports

CSR strategy beyond 2020 (2019-2021)

Enabling smarter global trade

Operational foundation

Safety, labour & human rights | **Responsible supply chain management** | **Environment & climate** | **Anti-corruption**

The CSR strategy is part of NORDEN's overall business strategy and NORDEN's Corporate Soul Purpose.

Biofuel

During 2018, NORDEN has been at the forefront of testing CO_2 neutral fuel and thus shown a way towards a cleaner future for the shipping industry. The initiative is in line with SDG 9. We intend to offer CO_2 neutral transport to a selected group of customers from 2019 and are excited to move forward with the biofuel option while contributing to low-carbon transportation.

Founding member of MACN

NORDEN is a founding member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. Established in 2011, MACN has grown to include more than 100 members globally in 2018 and has become one of the pre-eminent examples of collective action to tackle corruption.

Increasing transparency

During 2018, NORDEN was also part of the founding members of the Ship Recycling Transparency Initiative (SRTI). SRTI is a 'one stop shop' online platform for disclosing information on ship recycling. In the interest of transparency, shipowners share their recycling practice giving cargo owners and financial stakeholders access to information on companies' approaches to ship recycling. NORDEN operates a modern fleet, selling and redelivering vessels long before their end-of-life. Last recorded recycling of a NORDEN-owned vessel dates back to 1928. Nonetheless, should the company face a situation where this could become necessary, the standards for doing so would be high. NORDEN is adopting several initiatives to support the SRTI, among others regarding the sale of owned vessels and the return of chartered vessels, which are past a certain date.

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Dampskibs-selskabet NORDEN A/S for the financial year 1 January – 31 December 2018.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements stated in the Danish Financial Statements Act. The Financial Statements of the Parent Company are prepared in accordance with the Danish Financial Statements Act.

The Management Commentary is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the financial position at 31 December 2018 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial year 2018.

In our opinion, the Management Commentary provides a fair review of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty, which the Group and the Parent Company are facing.

We recommend that the Annual Report be adopted at the Annual General Meeting on 11 April 2019.

Copenhagen, 5 March 2019

Executive Management

Jan Rindbo
CEO

Martin Badsted
CFO

Board of Directors

Klaus Nyborg
Chairman

Johanne Riegels Østergård
Vice Chairman

Karsten Knudsen

Thomas Intrator

Helle Østergaard Kristiansen

Stephen John Kunzer

Lars Enkegaard Biilmann

Jesper Svenstrup

Susanne Fauerskov

Independent Auditor's Report

To the shareholders of Dampskibsselskabet NORDEN A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2018 comprise Income Statement, Statement of Financial Position, Statement of Changes in Equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and Statement of Comprehensive Income and Statement of Cash Flows for the Group.

Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Dampskibsselskabet NORDEN A/S for the financial year 1998. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 21 years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of vessels, prepayments on new-buildings and provisions for onerous time charter contracts
The carrying amount of the Group's and the Parent Company's vessels, prepayments on newbuildings and provisions for onerous time charter contracts is significant.

Management monitors continuously the carrying value of the above-mentioned assets and provisions, managed on a portfolio basis. The assessment is based on the cash-generating units (CGUs); Dry Cargo and Tankers.

Management performs an impairment test if any indication of impairment or reversal of previous impairments exists. The indications assessed by Management comprise, among others vessel values, newbuilding prices and future development in freight and time charter rates.

If indications exist, the carrying value of the mentioned assets may be subject to material impairment or reversal of previous impairments. In addition, time charter contracts may be subject to provisions for onerous contracts or reversal of previous provisions.

During 2018, Management assessed that indication of impairment exists for the CGU Tankers. Consequently, an impairment test was conducted as of 30 September 2018, resulting in no need for impairment. When an impairment test is performed, Management assesses the recoverable amount of the mentioned assets and provisions based on the net selling price and value-in-use calculation.

As of 31 December 2018, Management concluded that no indicators of impairment, reversal of previous impairments and changes in the basis for determining the carrying amount for onerous contracts exists for both CGU's; Dry Cargo and Tankers. Thus, no impairment tests have been performed at year-end.

We focused on this area because Management's assessment of whether indication of impairment exists are dependent on complex and subjective judgements by Management.

Refer to Note 11 and Note 22 in the Consolidated Financial Statements and Note 6 and Note 11 in the Parent Company Financial Statements.

How our audit addressed the key audit matter

We discussed with Management and evaluated the methodology by which Management monitors indicators of impairment of vessels, prepayments on newbuildings and provisions for onerous time charter contracts, including identification of CGUs.

Regarding Management's assessment of indicators of impairment of vessels etc., we:

- Obtained and assessed the appropriateness of Management's assessment of whether any indicator of impairment on the mentioned assets and/or provisions for onerous contracts or reversal of previous impairment losses and/or provisions for onerous contracts exists.
- Evaluated the sources of information used by Management in their assessment.
- Challenged Management's assessment by comparing assumptions when determining future freight and time charter rates to external markets rates.
- Evaluated the independence, objectivity, qualifications and experience of brokers used by Management, the historical accuracy of such valuations and whether the valuations were appropriate for the purpose.
- Evaluated Management's assessment of whether provisions for onerous time charter contracts shall be adjusted to reflect current best estimate.

For the CGU Tankers indicators of impairment existed during 2018. Thus, we obtained Management's assessment of the recoverable amount of the mentioned assets and provisions.

Regarding Management's assessment of the net selling price expressed by average of three broker valuations, we evaluated the matters mentioned above under the second last bullet.

Regarding Management's assessment of value-in-use, we among other procedures:

- Assessed the methodology used by Management to calculate the future cash flows coming from the assets assigned to the CGU.

- Tested relevant controls including applicable information systems and Management's review controls.

- Assessed Management's underlying key assumptions including view of future short- and long-term rates applied, daily running costs, WACC, useful lives, scrap values and macro-economic assumptions.

- On a test-basis checked committed cash in- and outflows in the value-in-use calculation.

- Assessed the sensitivity calculations performed by Management. We determined that the calculations are sensitive to even minor changes in freight rates and WACC.

We assessed the appropriateness of Management's presentation of these matters in the Financial Statements.

Statement on Management's Commentary
Management is responsible for Management's Commentary.

Our opinion on the Financial Statements does not cover Management's Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Commentary and, in doing so, consider whether Management's Commentary is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Commentary includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Commentary is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Commentary.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 5 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Consolidated Financial Statements 2018

Income Statement 1 January – 31 December

Note	Amounts in USD'000	2018	2017
3	**Revenue**	**2,451,360**	**1,808,600**
3	Other operating income	3,142	11,073
3,4,5	Vessel operation costs	-2,322,236	-1,702,888
3	**Contribution margin**	**132,266**	**116,785**
3,4,5	Overhead and administration costs	-59,824	-48,691
	Profit/loss before depreciation,amortisation and impairment losses, etc. (EBITDA)	**72,442**	**68,094**
6	Profit/loss from sale of vessels etc.	8,762	897
11	Depreciation, amortisation and impairment losses	-44,304	-42,233
12	Share of profit/loss of joint ventures	2,408	-3,443
	Profit/loss from operations (EBIT)	**39,308**	**23,315**
7	Financial income	8,980	13,965
8	Financial expenses	-15,851	-14,883
	Profit/loss before tax	**32,437**	**22,397**
9	Tax for the year	-3,672	2,167
	PROFIT/LOSS FOR THE YEAR	**28,765**	**24,564**
	Attributable to:		
	Shareholders of NORDEN	**28,765**	**24,564**
10	**Earnings per share (EPS), USD**		
	Basic earnings per share	0.71	0.61
	Diluted earnings per share	0.71	0.61

Statement of Comprehensive Income 1 January – 31 December

Note	Amounts in USD'000	2018	2017
	Profit/loss for the year	28,765	24,564
	Items which will be reclassified to the income statement:		
20	Fair value adjustment for the year, securities	-125	678
20	Fair value adjustment for the year, cash flow hedges	-31,382	6,789
	Tax on fair value adjustment of securities	0	0
	Other comprehensive income, total	-31,507	7,467
	Total comprehensive income for the year, after tax	**-2,742**	**32,031**
	Attributable to:		
	Shareholders of NORDEN	**-2,742**	**32,031**

Statement of Financial Position at 31 December – Assets

Note	Amounts in USD'000	2018	2017
11	Vessels	795,560	691,701
11	Property and equipment	49,466	49,578
11	Prepayments on vessels and newbuildings	24,920	33,913
	Tangible assets	**869,946**	**775,192**
12	Investments in joint ventures	11,854	11,303
	Financial assets	**11,854**	**11,303**
	Non-current assets	**881,800**	**786,495**
13	Inventories	87,211	67,679
14	Freight receivables	172,588	124,000
14	Receivables from joint ventures	12,352	0
14	Other receivables	28,440	33,901
15	Prepayments	93,448	79,030
16	Securities	4,163	8,062
17	Cash and cash equivalents	184,426	211,376
		582,628	524,048
18	Vessels held for sale	0	15,921
	Current assets	**582,628**	**539,969**
	ASSETS	**1,464,428**	**1,326,464**

Statement of Financial Position at 31 December – Equity and Liabilities

Note	Amounts in USD'000	2018	2017
19	Share capital	6,706	6,706
20	Reserves	-24,549	6,958
	Retained earnings	844,644	820,740
	Equity	**826,801**	**834,404**
21	Loans	206,466	195,435
22	Provisions	21,339	42,538
	Non-current liabilities	**227,805**	**237,973**
21	Loans	125,513	26,310
22	Provisions	25,275	36,054
	Trade payable	118,767	62,560
	Debt to joint ventures	0	1,906
	Current tax liabilities	2,719	0
	Other payables	48,612	74,566
23	Deferred income	88,936	51,353
		409,822	252,749
24	Liabilities relating to vessels held for sale	0	1,338
	Current liabilities	**409,822**	**254,087**
	Liabilities	**637,627**	**492,060**
	EQUITY AND LIABILITIES	**1,464,428**	**1,326,464**

Statement of Cash Flows
1 January – 31 December

Note	Amounts in USD'000	2018	2017
	Profit/loss for the year	28,765	24,564
11	Reversed depreciation, amortisation and impairment losses	44,304	42,233
7/8	Reversed financial items, net	6,871	918
22	Reversed change in provision	-27,805	-83,737
6	Reversed profit/loss from sale of vessels etc.	-8,762	-897
12	Reversed share of profit/loss of joint ventures	-2,408	3,443
	Other reversed non-cash operating items	4,707	1,742
33	Change in working capital	-64,499	25,003
	Financial payments, received	9,590	7,040
	Financial payments, paid	-15,150	-14,043
	Income tax, paid	-333	0
	Cash flows from operating activities	**-24,720**	**6,266**
11/18	Investments in vessels and vessels held for sale	-101,757	-92,964
11	Investments in other tangible assets	-858	-453
12	Investments in joint ventures	-1,100	0
11	Additions in prepayments on newbuildings	-100,105	-13,556
	Additions in prepayments received on sold vessels	-1,338	-3,762
	Investment in subsidiaries including acquired cash	7,725	0
	Proceeds from sale of vessels and newbuildings	88,371	47,813
	Proceeds from sale of other tangible assets	0	8
	Sale of securities	4,012	14,003
	Change in cash and cash equivalents with rate agreements of more than 3 months, etc.	26,612	48,741
	Cash flows from investing activities	**-78,438**	**-170**
19	Acquisition of treasury shares	-5,865	0
	Net distribution to shareholders	-5,865	0
	Proceeds from loans	138,700	30,000
	Repayment of loans	-28,513	-27,006
	Loan financing	110,187	2,994
	Cash flows from financing activities	**104,453**	**2,994**
	Change in cash and cash equivalents for the year	**1,164**	**9,090**
	Liquidity at 1 January	115,562	100,627
	Exchange rate adjustments	-1,502	5,845
	Change in liquidity for the year	1,164	9,090
17	**Liquidity at 31 December**	**115,224**	**115,562**
	Cash and cash equivalents with rate agreements of more than 3 months, etc.	69,202	95,814
	Cash and cash equivalents at 31 December according to the statement of financial position	**184,426**	**211,376**

Statement of Changes in Equity
at 31 December

Note	Amounts in USD'000	Shareholders of NORDEN			
		Share capital	Reserves	Retained earnings	Total
	Equity at 1 January 2018	**6,706**	**6,958**	**820,740**	**834,404**
	Total comprehensive income for the year	0	-31,507	28,765	-2,742
19	Acquisition of treasury shares	0	0	-5,865	-5,865
5/31	Share-based payment	0	0	1,004	1,004
	Changes in equity	**0**	**-31,507**	**23,904**	**-7,603**
	Equity at 31 December 2018	**6,706**	**-24,549**	**844,644**	**826,801**

Note	Amounts in USD'000	Shareholders of NORDEN			
		Share capital	Reserves	Retained earnings	Total
	Equity at 1 January 2017	**6,706**	**-509**	**795,209**	**801,406**
	Total comprehensive income for the year	0	7,467	24,564	32,031
5/31	Share-based payment	0	0	967	967
	Changes in equity	**0**	**7,467**	**25,531**	**32,998**
	Equity at 31 December 2017	**6,706**	**6,958**	**820,740**	**834,404**

See note 34 for a specification of reserves available for distribution as dividends and note 20 for a specification of distribution of reserves on securities and cash flow hedging, respectively.

Notes to the financial statements – contents

Notes to the financial statements

Note

1 Basis of preparation

1.1 Principal accounting policies and significant accounting estimates and judgements

Corporate information
Dampskibsselskabet NORDEN A/S with its subsidiaries is one of Denmark's oldest internationally operating shipping companies. NORDEN operates in Dry Cargo and Tankers worldwide.

Dampskibsselskabet NORDEN A/S is a public limited company incorporated in Denmark and is listed on Nasdaq Copenhagen.

The annual report for the period 1 January – 31 December 2018 with comparative figures comprises the consolidated financial statements of Dampskibsselskabet NORDEN A/S (the Parent Company) and its subsidiaries (the Group) and the financial statements of the Parent Company.

The consolidated financial statements of the Group for 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements from the Danish Financial Statements Act.

The financial statements of the Parent Company for 2018 have been prepared in accordance with the Danish Financial Statements Act.

Measurement basis
The consolidated financial statements and the financial statements of the Parent Company have been prepared based on the historical cost principle, with the exception of the following assets and liabilities:

- Derivative financial instruments and financial instruments classified as fair value through other comprehensive income, which are measured at fair value.
- Non-current assets and groups of assets held for sale are measured at the lower of carrying amount before the changed classification and fair value less selling costs.

USD is the functional currency of all enterprises in the Group as well as the Parent Company. In the annual report, the presentation currency is USD, and amounts are presented rounded off to the nearest thousand (USD'000), except when otherwise stated.

Significant accounting estimates and judgments
In preparing the financial statements, Management makes a number of accounting estimates and judgments. These are the basis for recognition and measurement of the Group's and Parent Company's assets, liabilities, income and expenses.

The applied estimates are based on historical data and other factors that Management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Risk factors specific to the Group are described in note 2.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events the change affects the current as well as future periods.

Below are the accounting estimates and judgments, which Management deems to be significant to the preparation of the financial statements:

- Impairment test (note 11) (Estimate and judgement)
- Onerous contracts (note 23) (Estimate and judgement)
- Assessment of control in shared ownership – pool arrangements (note 12) (Judgement)

The accounting policies are described in each of the specific notes to the financial statements, where also is included additional description of the most significant accounting estimates and judgements.

Applying materiality
The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

1.2 Changes in accounting policies, including presentation and implementation of financial reporting standards

Change in presentation of the income statement
The Group has changed the presentation of the income statement to align with internal Management reporting and segment reporting. The purpose is to provide more relevant information about the Group's financial performance. A subtotal "contribution margin" consisting of revenue and other operating income less vessel operating costs is introduced, and the line items "other external costs" and "staff costs, onshore employees" are now presented as one line item "Overhead and administrative costs". Comparative figures for 2017 have been changed accordingly.

Adoption of new or amended IFRSs
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 the financial statements.

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 recognised 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 com-

Notes to the financial statements

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pleted 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 capitalised 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.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value asset and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments.) The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. This also applies to sub-leases, i.e. if a leased vessel is sub-leased under terms transferring substantially all remaining risks and reward under the head lease to the lessee in the sub-lease, the right-of-use asset is derecognised and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the income statement.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

During 2018, the Group has performed a detailed impact assessment of IFRS 16, reference note 37.

Other amended financial reporting standards, new financial reporting standards and interpretations issued by the IASB, but which are either irrelevant or insignificant to NORDEN, comprise the following:

EU endorsed:

- IFRIC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

Non-EU endorsed:
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual improvements 2015-2017 Cycle (issued in December 2017)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- IFRS 17 Insurance Contracts
- Amendment to IFRS 3, Business combinations: definition of a business
- Amendments to IAS 1 and IAS 8: defining material

1.3 General accounting policies.

Consolidation principles
The consolidated financial statements comprise the Parent Company, Dampskibsselskabet NORDEN A/S and subsidiaries. An investment is classified as a subsidiary when, below conditions are met:

- Dampskibsselskabet NORDEN A/S has control over the Company
- Dampskibsselskabet NORDEN A/S is exposed to variability in return on the investment
- The control over the Company can be used to affect the return on the investment

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

The financial statements used in the consolidation are prepared in accordance with the Group's accounting policies. The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and the subsidiaries by aggregating items of a uniform nature.

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition using the purchase method. Enterprises divested or wound up are included in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Foreign currency translation
A functional currency is determined for each of the reporting entities in the group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Notes to the financial statements

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Transactions in foreign currencies during the year are translated at the exchange rates at the transaction date. Gains and losses arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as "Financial income" or "Financial expenses".

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date, when fair value in a foreign currency are translated using the exchange rate at the date, when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item,

In determining the spot exchange rate use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payment or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Exchange rate adjustments of bonds denominated in foreign currencies held for sale are recognised in the income statement as "Financial income" or "Financial expenses".

Consolidated statement of cash flows
The statement of cash flows shows the Group's cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Positive amounts indicate inflows, whereas negative amounts indicate outflows.

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

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

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

Liquidity
Liquidity comprises marketable securities with a term of less than 3 months and cash not subject to significant limits to its availability.

Financial ratios
Financial ratios are calculated in accordance with the "Recommendations and Financial Ratios 2015" issued by the "Danish Association of Financial Analysts", unless specifically stated. However, "Profit/loss from sale of vessels, etc." is not included in EBITDA. The figures are adjusted for the Group's holding of treasury shares. Definitions of key figures and financial ratios are shown on page 101.

Non-IFRS financial measures
In the Annual Report, NORDEN Group discloses certain financial measures of the Group's financial performance, financial position and cash flows that reflect adjustments to the most directly comparable measures calculated and presented in accordance with IFRS. These non-IFRS financial measures may not be defined and calculated by other companies in the same manner and may thus not be comparable.

The non-IFRS financial measures disclosed in the annual report are:

- Adjusted profit/loss for the year – Profit/loss for the year excluding profit/loss from sale of vessels etc. and fair value adjustments of certain hedging instruments. As of 2017, Adjusted profit/loss for the year do not include fair value adjustments of certain hedging instruments due to implementation of IFRS 9.
- Net Commitments – Net commitments at year-end includes net interest-bearing assets, adjusted for prepayments on vessel purchases and currency swaps, deducted for T/C liabilities at present values, deducted for payments on newbuilding less proceeds from vessel sales at present value and added contractually secured inflows of earnings (T/Cs and COAs) at present value.
- Contribution Margin – The contribution margin is defined as Revenue less Vessel operating costs plus Other operating income, net. Using the terminology in the segment reporting in note 3, Contribution margin is defined as T/C equivalent revenue less Charter hire for vessels and Other vessel operating costs plus Other operating income.

Notes to the financial statements

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2 Financial risk management

The financial risk of the Group is the risk of lacking financing or liquidity as well as the risk of adverse movements in the Group's portfolio of financial instruments. NORDEN seeks to reduce financial risks the best way possible through diversification, guarantees or by hedging the exposure, when future risks are known.

During the year, NORDEN has developed and implemented a new Risk Management system for Dry Operator covering freight exposures, which has significantly improved risk monitoring and enabled the empowerment of profit center leaders to actively manage their portfolio. During first half of 2019, the risk system will be expanded to cover asset and bunker exposures and rolled out to Dry Owner and Tankers.

While the risk framework for Dry Operator has been refined, NORDEN's overall risk management policies are unchanged from last year.

Credit risks
NORDEN reduces its credit risks through systematic credit assessment of counterparties and through regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on external credit rating agencies and publicly available information. Each analysis results in an internal rating, which is subsequently used for determining the allowed scope of the commitment.

The internal ratings are based both on a financial and a non-financial assessment of the counterparty's profile. Each category receives a rating from A to D, A being the highest achievable score. The highest total score is an AA rating, which typically comprises counterparties with attractive ownership structures, production-based business models, good reputations and strong financial ratios.

At the end of 2018, the 20 largest counterparties in Dry Cargo included 4 (5) mining companies, 2 (3) utility companies, 8 (6) industrial enterprises, 2 (2) logistics companies and 4 (4) commodity traders. In Tankers, the 5 largest counterparties included 1 (2) oil and gas company, 3 (2) logistics companies, 0 (1) mining companies and 1 (0) commodity trader. The Group's commercial credit exposure totalled USD 846 million (USD 765 million) at the end of 2018 with USD 785 million (USD 735 million) in Dry Cargo and USD 61 million (USD 30 million) in Tankers.

As a large part of the exposure is related to a few counterparties, a concentration risk arises. In Dry Cargo, coverage of known ship days involved 213 (216) counterparties, of which the 20 largest accounted for 79% (84%) of the covered revenue in the segment whereas the 5 largest counterparties accounted for 48% (56%). In Tankers, coverage was distributed on 45 (50) counterparties, of which the 5 largest accounted for 64% (83%) of the covered revenue in the segment. It is assessed that the main part of the 213 and 45 counterparties, respectively, are solid, and NORDEN keeps updated on the performance and activities of these companies on a regular basis.

Credit risks regarding time-charters and voyages perfermed can be divided between time-charter revenue and freight revenue. Time-charter revenue is generally paid in advance and therefore no credit risks excist.

Within Dry Cargo, customers normally have an obligation to pay substantially all revenue before discharge. Thus, the credit exposure is limited. Within Tanker, customers normally must pay within 2-5 days after discharge. Due the nature of the counterparties as described above, the credit risks are determined to be limited.

Based on the Group's assessment of the credit risk connected with prepayments to yards, repayment guarantees from banks have not been obtained.

Besides the regular credit risk on customers, the Group has a credit risk on tonnage suppliers who have received prepaid T/C hire. At the end of 2018, the total prepaid hire amounted to USD 20 million (USD 25 million).

It is assessed that the credit risk is limited, as the counterparties continue to have a financial self-interest in maintaining the charter party, just as the counterparties' banks as a general rule have confirmed that they will respect the agreements.

Freight rate risks
Purchasing and chartering vessels imply a risk, as the Group assumes financial liability in expectation of generating earnings which are dependent on the freight market. To control the uncertainty relating to earnings, future open ship days are covered by cargo contracts, T/C contracts and Forward Freight Agreements (FFAs) to the extent it is possible and Management finds it attractive. FFAs are also used to fix the hire of highly probable physical vessels and index vessels.

Bunker price risks
The Group's largest variable cost is fuel in the form of bunkers, and the total costs of the Group will therefore depend on the market price for bunkers. The Group uses bunker swaps to hedge future consumption of bunkers when entering into COAs in case there is no bunker adjustment clause in the agreement. In connection with charter agreements, the Group has a bunker price risk in relation to the quantity of bunkers with which the vessel must be redelivered. Due to the uncertainty of the size of this quantity, this exposure is not hedged.

Interest rate risks
Most of the Group's loan obligations are paying interest on the basis of 1, 3, and 6 months USD libor. A minor part of these libor based interest obligations have been swapped to fixed interest rates in order to reduce the Group's interest rate exposure. Most of the Group's considerable cash balance is placed on short term bank deposits thus netting out the loan's libor exposure. The Group's net interest rate exposure does not have a significant effect on the results of the Group.

Currency risks
The Group's functional currency is USD. Since administrative expenses and dividends are paid in DKK, there is a currency risk in this connection. The Group hedges expected administrative expenses payable in DKK for a period of 6-24 months. In connection with newbuilding payments, typically in JPY, CNY or KRW, there is also a currency risk. This is hedged by forward contracts in connection with newbuilding orders. At the end of 2018, all newbuilding payments were, however, in USD. The strike price in some of the Group's purchase options is determined in JPY, and it is the Group's policy only to hedge these if the option is exercised and only upon exercise.

In connection with the conclusion of a COA in GBP, cross currency swaps were simultaneously entered into to fix expected freight income in USD.

NORDEN has decided to equip 18 owned vessels with open loop scrubbers. The purchase price of the scrubbers has been agreed in EUR. At the time NORDEN entered the scrubbers purchase agreement the corre-

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sponding EUR were purchased forward in accordance with the purchase agreement payment schedule, thus eliminating the derived currency exposure.

Liquidity risks
The Group maintains sufficient cash resources in order to manage the short-term fluctuations in cash flows. The uncertainty in connection with the development in liquidity is primarily due to fluctuations in bunker prices and freight rates. The Group's internal limits to the medium-term cash reserves ensure a considerable buffer in relation to the loan portfolio's cash covenants. Liquidity prognoses are made on a daily basis to support liquidity planning just as exposure to oil and freight derivatives with an effect on liquidity is reported continuously.

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

Capital management risks
The Group's formal external capital requirement is limited to the contributed capital of the Parent Company and the subsidiaries, which is significantly lower than the Group's equity.

The Group's equity ratio was 58% (63%) at the end of 2018. This significant equity ratio should be considered relative to the Group's future payment obligations in the form of operating lease liabilities (T/C contracts) and payments for newbuildings not recognised in the statement of financial position.

As part of the management of NORDEN's capital structure, the Group's gearing is monitored on a monthly basis. Gearing is defined as possible loss at a decrease in the forward rates and in the market value of owned vessels based on different scenarios using historical lows as well as volatility. The estimated market value of the equity following such a loss may not decrease below a specified minimum limit, which is assessed regularly.

For a detailed account of risks, see page 13 in the Management Commentary.

Overview of financial risks

Amounts in USD	**Nominal value**		
Credit	**2018**	**2017**	**Comments on NORDEN's policy**
Freight receivables	173 million	124 million	The credit rating of counterparties is assessed on an ongoing basis.
Bank deposits	184 million	211 million	The Group's liquidity is strictly placed with financial institutions with a Moody's rating of at least A3 or classified as systemic important financial institutions (SIFI).
Bonds	4 million	8 million	A minor part of the Group's free capital is invested in securities, which as a minimum have a BBB rating in accordance with S&P ("investment grade"), a Moody's rating of Baa3 or corresponding creditworthiness without official rating.
Prepayments on vessels and newbuildings	25 million	34 million	As a main rule, newbuilding contracts with shipyards are entered into with repayment guarantees issued by banks with good credit ratings. Based on the Group's assessment of the credit risk related to prepayments on newbuilding contracts, repayment guarantees from banks have not been obtained.
FFAs	Purchased net 7 million	Purchased net 16 million	To limit credit risk, the Group's FFAs are only entered into through established clearing houses as these have daily margin settlement.
Bunker swaps	138 million	86 million	The Group's bunker swaps are entered into with financial institutions and with major, recognised business partners with good credit ratings. ISDA agreements are also entered into, ensuring continuous collateral.

Notes to the financial statements

Note

Overview of financial risks

Amounts in USD	Nominal value			
Market	**2018**	**2017**	**Sensitivity**	**Comments on NORDEN's policy**
Freight rate risks (FFAs)	Purchased net 7 million	Purchased net 16 million	A 10% drop in freight rates at year-end would impact net results by USD 0 million (negative impact of USD 2 million).	The Group uses FFAs to hedge highly probable freight income, index vessels time charters and highly probable charter hire.
Bunker price risks (Bunker hedge)	138 million	86 million	A 10% drop in bunker prices at year-end would negatively impact equity by USD 11 million (negative impact of USD 9 million).	The Group only uses bunker swaps to cover its future known bunker consumption when entering into COAs.
Currency risks	83 million	70 million	A 10% increase in the DKK, EUR and GBP exchange rates at year-end 2018 would have the following impact: net results positively by USD 3 million (USD 3 million) and equity USD 3 million (USD 3 million) in regards of DKK, equity by positively 1 million in regards of EUR, and net results positively by USD 5 million (USD 5 million) and equity by USD 5 million (USD 5 million) in regards of GBP.	The Group's functional currency is USD. Currency risks therefore arise in connection with transactions in currencies other than USD, including administrative expenses in DKK, dividends in DKK as well as investment of excess liquidity in DKK. In connection with the conclusion of a COA in GBP, a forward exchange contract was simultaneously entered into to fix expected freight income in USD. NORDEN has decided to equip 18 owned vessels with open loop scrubbers. The purchase price of the scrubbers has been agreed in EUR. At the time NORDEN entered the scrubbers purchase agreement the corresponding EUR were purchased forward in accordance with the purchase agreement payment schedule, thus eliminating the derived currency exposure. The Group's exposure to other respectively currencies than DKK, EUR and GBP is insignificant.
Interest rate risks			Based on the Group's liquidity and debt at year-end 2018, a 1% increase in interest rates would, all other things being equal, impact earnings before tax positively by USD 1 million (USD 2 million) and equity by USD 2 million (USD 3 million).	The Group's interest rate risks relate to interest-bearing assets and non-current debt. At the end of 2018, the majority of the Group's excess liquidity was placed in short-term fixed-interest deposits. A share of the Group's loans have been converted into fixed rates for the entire or part of the term of the loan by means of interest rate swaps. A minor share of the Group's liquidity is mainly placed in floating-rate bonds.

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3 Segment information

§ Accounting policies

Information is provided on the Group's 3 business segments, Dry Owner, Dry Operator, together the Dry Cargo and Tankers. Prevoiusly, 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.

The information is based on the Group's organization, business management and management control, including internal financial reporting to NORDEN's operative management.

NORDEN's operative management function comprises the Executive Management and the Board of Directors in union. The Executive Management is responsible for the day-to-day management. The Board of Directors approves strategy, action plans, targets and budgets and limits for financial and market risks, and it supervises the Executive Management. The Executive Management's and Board of Directors' functions and responsibilities are described in further detail in the section "Corporate governance" in the management commentary. The operative management function assesses performance and carries out allocation of resources on the basis of Adjusted Result for the year. See also definitions of "Key figures and financial ratios" for a description of "Adjusted Result for the year".

The Dry Cargo segments offer transport of bulk commodities such as grain, coal, iron ore and sugar. Dry Owner owns and charters in long term vessel capacity and charters out its capacity of owned and long term chartered tonnage to Dry Operator at market rates and to third parties. Dry Operator handles NORDEN's short-term dry cargo activities, i.e. optimizing the actual cargo liftings and voyage execution. The vessel capacity in Dry Operator comprises vessels chartered on short term basis either from third parties or from Dry Owner at market rates.

The services offered by NORDEN's Tanker segment comprise transport of crude oil or refined oil products. NORDEN's segments generate revenue consisting of freight and T/C income from owned and chartered vessels and management income.

Information is not provided by geographical segment as the global market is one unit, and the activities of the individual vessels are not limited to specific parts of the world. Nor does the internal financial reporting for the operative management provide such information. It is therefore not possible to provide geographical segment information on revenue from external customers or non-current assets.

As described in note 1, the accounting policy for recognition of revenue has changed due to adoption of IFRS 15. The transition to IFRS 15 has had no significant impact on NORDEN.

Presentation of the segment income statement items and their order are consistent with NORDEN's consolidated income statement, except for voyage costs, which are not included in the item "Vessel operating costs" but presented as a separate item, and the segment income statement therefore comprises the subtotal "T/C equivalent revenue". The Group has chosen to disclose profit/loss from sales of vessels, even though this item is not included in Adjusted Result for the year.

The methods of allocating income statement items to segments are consistent. The allocation between Dry Operator, Dry Owner and Tankers is as follows:

- Items included in the segment profit are allocated to the extent that the items are directly or indirectly attributable to the segments.
- Items allocated by indirect calculation, the allocation keys are defined on the basis of each segment's drawing on key resources.

Inter-segment transactions comprise charter hire from Dry Operator to Dry Owner.

Revenue
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 recognised 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 capitalised to the extent that they are recoverable.

Demurrage is recognised if the claim is considered probable.

Other operating income
Management income, mainly income in connection with administration of pool arrangements, is recognised upon receipt of the services in accordance with the management agreements concluded.

Vessel operating costs
Vessel operating costs comprise the expenses, excluding depreciation, incurred to generate the revenue for the year. Vessel operating costs therefore include charter hire for chartered vessels (operating leases), provisions for/reversal of provisions for onerous time charter contracts, bunker oil consumption, other voyage costs such as commissions and port charges, repair and maintenance costs, insurance costs, crew wages and other operating expenses. Costs directly attributable to transportation of the vessel to the loading port are capitalised and amortised over the course of the transportation period. Vessel operating costs other than these capitalised costs are recognised upon receipt of services in accordance with the charter parties concluded.

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

! Accounting estimates

In recognition of freight income and voyage costs, including net income from pool arrangements, Management decides on closing dates, voyages, etc.

Notes to the financial statements

Note	Amounts in USD'000	Dry Owner	Dry Operator	Elimi-nations	Dry Cargo	Tank	Total
3	**Segment information – continued**						
	2018						
	Revenue – services rendered, external	49,973	1,990,814	0	2,040,787	410,573	2,451,360
	Revenue – services rendered, internal	155,817	0	-155,817	0	0	0
	Revenue – services rendered	205,790	1,990,814	-155,817	2,040,787	410,573	2,451,360
	Voyage costs*	-687	-825,919	0	-826,606	-180,499	-1,007,105
	T/C equivalent revenue	**205,103**	**1,164,895**	**-155,817**	**1,214,181**	**230,074**	**1,444,255**
	Other operating income	1,797	1,047	0	2,844	298	3,142
	Charter hire*	-137,100	-1,097,005	155,817	-1,078,288	-159,459	-1,237,747
	Operating costs owned vessels*	-28,594	0	0	-28,594	-48,790	-77,384
	Contribution margin	**41,206**	**68,937**	**0**	**110,143**	**22,123**	**132,266**
	Overhead and administration costs	-8,988	-35,952	0	-44,940	-14,884	-59,824
	Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**32,218**	**32,985**	**0**	**65,203**	**7,239**	**72,442**
	Profit/loss from sale of vessels, etc.	11,552	0	0	11,552	-2,790	8,762
	Depreciation, amortisation and impairment losses	-13,517	-657	0	-14,174	-30,130	-44,304
	Share of profit/loss of joint ventures	4,031	0	0	4,031	-1,623	2,408
	Profit/loss from operations (EBIT)	**34,284**	**32,328**	**0**	**66,612**	**-27,304**	**39,308**
	Financial income	5,863	0	0	5,863	3,117	8,980
	Financial expenses	-10,040	0	0	-10,040	-5,811	-15,851
	Profit/loss before tax	**30,107**	**32,328**	**0**	**62,435**	**-29,998**	**32,437**
	Tax for the year	-608	-2,562	0	-3,170	-502	-3,672
	Profit/loss for the year	**29,499**	**29,766**	**0**	**59,265**	**-30,500**	**28,765**
	Adjusted for:						
	Profit/loss from sale of vessels, etc.	-11,552	0	0	-11,552	2,790	-8,762
	Adjusted Results for the year	**17,947**	**29,766**	**0**	**47,713**	**-27,710**	**20,003**

* Included in the item "Vessel operating costs" in the income statement.

Note	Amounts in USD'000	Dry Owner	Dry Operator	Elimi-nations	Dry Cargo	Tank	Total
3	**Segment information – continued**						
	2017						
	Revenue – services rendered, external	46,915	1,423,503	0	1,470,418	338,182	1,808,600
	Revenue – services rendered, internal	154,970	0	-154,970	0	0	0
	Revenue – services rendered	201,885	1,423,503	-154,970	1,470,418	338,182	1,808,600
	Voyage costs*	-1,425	-665,367	0	-666,792	-129,825	-796,617
	T/C equivalent revenue	**200,460**	**758,136**	**-154,970**	**803,626**	**208,357**	**1,011,983**
	Other operating income	553	10,389	0	10,942	131	11,073
	Charter hire*	-117,659	-755,218	154,970	-717,907	-112,459	-830,366
	Operating costs owned vessels*	-31,707	0	0	-31,707	-44,198	-75,905
	Contribution margin	**51,647**	**13,307**	**0**	**64,954**	**51,831**	**116,785**
	Overhead and administration costs	-7,878	-31,511	0	-39,389	-9,302	-48,691
	Profit/loss before depreciation, amortisation and impairment losses etc. (EBITDA)	**43,769**	**-18,204**	**0**	**25,565**	**42,529**	**68,094**
	Profit/loss from sale of vessels, etc.	1,090	0	0	1,090	-193	897
	Depreciation, amortisation and impairment losses	-12,178	-1,180	0	-13,358	-28,875	-42,233
	Share of profit/loss of joint ventures	-4,130	0	0	-4,130	687	-3,443
	Profit/loss from operations (EBIT)	**28,551**	**-19,384**	**0**	**9,167**	**14,148**	**23,315**
	Financial income	8,280	0	0	8,280	5,685	13,965
	Financial expenses	-8,828	0	0	-8,828	-6,055	-14,883
	Profit/loss before tax	**28,003**	**-19,384**	**0**	**8,619**	**13,778**	**22,397**
	Tax for the year	294	1,629	0	1,923	244	2,167
	Profit/loss for the year	**28,297**	**-17,755**	**0**	**10,542**	**14,022**	**24,564**
	Adjusted for:						
	Profit/loss from sale of vessels, etc.	1,090	0	0	1,090	-193	897
	Profit/loss from sale of vessels, etc in joint venture	-4,700	0	0	-4,700	0	-4,700
	Adjusted Results for the year	**31,907**	**-17,755**	**0**	**14,152**	**14,215**	**28,367**

* Included in the item "Vessel operating costs" in the income statement.

Financial comments

The amounts of revenue stated in the above tables for both current financial year and the comparable financial year include the agreed time charter rates earned during the lease. The lease and service components are recognised as revenue under the same pattern of transfer to the customers. Separate disclosure of the lease components and the service income components have not been provided as it is impracticable to establish this disclosure.

NORDEN has no single customer with whom the external revenue exceeds 10% of total revenue. Significant non-cash income and expenses other than depreciation include utilisation of provision for onerous time charter contracts of USD 25 million (USD 83 million).

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
4	**Expenses by nature**		
	Vessel operating costs	2,322,236	1,702,888
	Overhead and administration costs	59,824	48,691
	Total	**2,382,060**	**1,751,579**
	These costs can be split by nature:		
	Voyage costs, see note 3	1,007,105	796,617
	Charter hire, see note 3	1,237,747	830,366
	Operating costs owned vessels excluding seafarers	40,008	37,133
	Other external costs	14,348	13,167
	Staff costs, see note 5	82,852	74,296
	Total	**2,382,060**	**1,751,579**
5	**Staff costs**		
	Onshore employees – the amount is included in "Overhead and administration costs":		
	Wages and salaries	40,940	31,583
	Pensions – defined contribution plans	2,488	1,808
	Other social security costs	1,044	1,166
	Share-based payment	1,004	967
		45,476	**35,524**
	Seafarers – the amount is included in "Vessel operating costs":		
	Wages and salaries	34,614	36,416
	Pensions – defined contribution plans	1,336	1,278
	Other social security costs	1,426	1,078
		37,376	**38,772**
	Total	**82,852**	**74,296**
	Average number of employees:		
	Onshore employees	299	285
	Seafarers	792	777
	Total	**1,091**	**1,062**

Staff costs and average number of employees exclude employees on T/C vessels but include employees and staff costs related to these paid by external technical managers.

Note	Amounts in USD'000	2018			2017		
		Parent Company Board of Directors	Parent Company Executive Management	Total	Parent Company Board of Directors	Parent Company Executive Management	Total
	Wages and salaries	644	2,385	3,029	691	2,146	2,837
	Other social security costs	0	1	1	0	1	1
	Share-based payment	0	214	214	0	207	207
	Total	**644**	**2,600**	**3,244**	**691**	**2,354**	**3,045**

Financial comments

See the section "Remuneration" in the management commentary for a more detailed description of bonus and severance schemes for the Executive Management and a number of executives.

See also note 31 for a description of share-based payment.

6 Profit/loss from sale of vessels, etc.

§ Accounting policies

Profit/loss from sale of vessels is stated as the difference between the sales price for the vessel less selling costs and the carrying amount of the vessel in question at the time of delivery. Furthermore, any gains and losses upon repayment of related loans are included.

Profit/loss from sale of other tangible assets as well as impairment of assets held for sale is also included.

Amounts in USD'000	2018	2017
Profit/loss from sale of vessels	8,759	897
Profit/loss from sale of fixtures, fittings and equipment	3	0
Total	**8,762**	**897**

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
7	**Financial income**		
	Interest income	5,368	3,352
	Fair value adjustment, cross currency swaps	275	0
	Securities, capital gains	0	5
	Exchange rate adjustments	3,337	10,608
	Total	**8,980**	**13,965**
8	**Financial expenses**		
	Interest costs	15,851	11,354
	Securities, capital losses	0	894
	Fair value adjustment, forward exchange contracts	0	2,635
	Total	**15,851**	**14,883**

Note **Amounts in USD'000**

9 Taxation

§ Accounting policies

The Company's current tax consists of tax paid according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income and other activities. Other activities comprise of letting of the Company's domicile and management income. Shipping activities are taxed on the basis of the net tonnage (vessels) which the Parent Company has at its disposal.

Based on the Parent Company's planned use of vessels and recovery of reversed depreciation, respectively, the tonnage tax regime does not result in a liability, hence, it does not result in any deferred tax in the statement of financial position. The liability is merely a contingent liability. Other activities of the Group and the Parent Company are not subject to deferred tax either.

! Accounting estimates

Based on NORDEN's business plans, the Parent Company has entered the Danish tonnage tax regime for a binding 10-year period from 2011.

Contingent tax, disclosed under this note, may become a current tax if the tonnage tax regime is dissolved, if the Company's net investments in vessels decrease significantly or if the Company is liquidated. NORDEN's business plans therefore constitute an important basis for this estimate.

In addition, the tax rules are complicated when a company has activities that are partly covered by the tonnage tax regime and partly by regular taxation. In calculation of the taxable income, estimates are made which in a later assessment by the Danish tax authorities may result in corrections to previous estimates of recognised tax assets and liabilities in the statement of financial position.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
9	**Taxation – continued**		
	Tax on the profit/loss for the year	3,672	305
	Adjustment of tax regarding previous years	0	-2,472
	Total	**3,672**	**-2,167**
	Tax on profit/loss for the year is broken down as follows:		
	Profit/loss before tax	32,437	22,397
	of which results from Danish tonnage activity	-5,097	-18,700
		27,340	**3,697**
	Calculated tax of this, 22.0% (22.0%)	6,015	813
	Tax effect from:		
	- Higher/lower tax rate in subsidiaries	-6,792	-4,839
	- Other	757	1,380
		-20	**-2,646**
	Tonnage tax	3,692	2,951
	Total	**3,672**	**305**
	Contingent tax under the tonnage tax scheme	16,318	16,318
	Contingent tax is calculated equalling the tax rate for 2018 and going forward.	22%	22%

Note	Amounts in USD'000	2018	2017
10	**Earnings per share (EPS)**		
	Basic:		
	Profit/loss for the year for NORDEN's shareholders	28,765	24,564
	Weighted average number of shares (thousand)	40,430	40,467
	Earnings per share (USD per share)	**0.71**	**0.61**
	Diluted:		
	Weighted average number of shares (thousand)	40,430	40,467
	Adjusted for restricted shares/share options (thousand)	2	0
	Weighted average number of shares for diluted earnings per share (thousand)	40,432	40,467
	Diluted earnings per share (USD per share)	**0.71**	**0.61**

Note **Amounts in USD'000**

11 **Tangible assets**

§ **Accounting policies**

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

Cost comprises the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

Borrowing costs concerning either specific or general borrowing directly related to assets with an extended construction period are included in cost over the period of construction.

The basis of depreciation is calculated as the excess of cost over the estimated scrap value. The scrap value of vessels is determined based on the market price per lightweight tonne for scrapping of the vessel.

The basis of depreciation is allocated on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are as follows:

Buildings	50
Vessels	25
Fixtures, fittings and equipment	3-10

Land is not depreciated. Estimated useful lives and residual values are reassessed annually.

Dry docking costs are recognised in the carrying amount of vessels when incurred and depreciated over the period until the next dry docking.

The depreciation period for secondhand vessels is determined on the basis of the condition and age of the vessels at the time of acquisition, but the depreciation period does not exceed 25 years from delivery from the shipyard.

Prepayments on newbuildings are recognised in assets as vessels under construction as payments are made. At the delivery of the vessel, it is reclassified to the item "Vessels".

Impairment test, hereunder provision for onerous contracts

Management monitors continuously, on a portfolio basis, the carrying value of tangible non-current assets and provisions for onerous contracts in order to determine, whether there are any indications of impairment in excess of the amount provided for by normal depreciations or provisions for onerous time charter contracts, respectively, and whether previous impairments and provisions should be reversed.

Notes to the financial statements

Note **Amounts in USD'000**

11 **Tangible assets – continued**

An impairment test is conducted if there is an indication that the carrying amount of an asset or a cash-generating unit exceeds the expected future cash flows from the asset. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is determined as the higher of the net selling price and the value-in-use. If a recoverable amount for the individual assets cannot be determined, the smallest group of assets for which it is possible to determine the recoverable amount (cash-generating unit) is analysed for impairment.

Management's assessment of indication of impairment on vessels and prepayments on newbuildings is based on the cash-generating units (CGUs) in which vessels, etc. are included; Dry Cargo and Tankers.

Assessment of indication of impairment is made concurrently with assessment of possible provisions for onerous time charter contracts, which are thus assessed together and are calculated on a portfolio basis. Provisions are calculated as part of the impairment test based on a "value-in-use" calculation comprising owned as well as chartered vessels.

Reversal of previous impairments and/or provisions is only recognised if there has been a change in the estimates used to determine the recoverable amount since the last impairment test was carried out.

See the section "Accounting policies" in note 22 regarding provisions.

! Accounting choices

The Group's choice of historical cost rather than fair value as the basis for measuring tangible assets – vessels – has a material impact on the calculation of the Group's and the Parent Company's results and equity.

! Accounting judgements

A significant accounting judgement include the definition of CGUs. Among other things, the judgement effects on which basis an impairment test is performed. The CGUs are Dry Operator and Dry Owner combined (together Dry Cargo) and Tankers. When determining that Dry Operator and Dry Owner form one single CGU, Management has considered the degree of interdependency between the two operating segments in respect of taking decisions related to the vessel capacity. Management has concluded that the interdependency is of such extent that the cash inflows are not largely independent from each other and that, consequently, the two operating segments form one CGU. When determining that the CGU is not at a lower level than the total Dry Cargo and Tanker fleets, respectively, Management has attached importance to the fact that both fleets are managed on a portfolio level.

Further, assessing whether any indication of impairment exists is depending on complex and subjective judgements by Management. Only if any indication of impairment exists, an impairment test is performed within a CGU.

Note **Amounts in USD'000**

11 **Tangible assets – continued**

The indications assessed by Management comprise, among other things, vessel values, newbuilding prices and development in freight and time charter rates.

When considering vessel values, Management obtains three independent broker valuations of all vessels and newbuildings, which are indicative. Management uses these broker valuations to, among other things, determine the net selling price, which is also part of the recoverable amount in an impairment test. In this regard, Management assesses the broker's independency, objectivity, qualifications and experience and whether the valuations are appropriate for the purpose, e.g. based on sufficient market data.

Assessment of development in newbuilding prices is based on market data such as known transactions, prices on potential newbuildings and analysis reports from brokers.

Management's assessment of future freight and time charter rates are especially highly judgemental. Short-term rates are based on publicly available market data of FFAs covering a future period of one to two years. Mid- and long-term rates are based on Management's subjective judgements.

Management considers all these indicators when assessing whether an impairment test has to be performed.

! Accounting estimates

If indications exist, Management assesses through an impairment test the recoverability of the carrying amount of tangible assets and other related assets and provisions related to the relevant CGU (see above under Accounting policies).

Recoverable amount is determined based on a calculation of the higher of the net selling price and the value-in-use.

Regarding assessment of the net selling price, reference is made to the description in respect of broker valuations mentioned above under Accounting judgements.

The principal risk when determining the value-in-use is in relation to Management's assessment of the timing and value of future cash flows including Management's estimate of long-term freight and T/C rates as well as determination of WACC.

Finally, other significant accounting estimates when determining the carrying value of tangible assets include i.a. useful lives and scrap values.

Notes to the financial statements

Note **Amounts in USD'000**

11 Tangible assets – continued

	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2018				
Cost at 1 January	1,198,458	79,815	41,384	1,319,657
Additions for the year	80,465	858	100,105	181,428
Disposals for the year	-48,012	-26,197	0	-74,209
Transferred during the year	112,034	0	-112,034	0
Transferred during the year to assets held for sale	-135,701	0	0	-135,701
Transferred during the year to other items	0	0	-364	-364
Cost at 31 December	1,207,244	54,476	29,091	1,290,811
Depreciation at 1 January	-323,048	-30,237	0	-353,285
Depreciation for the year	-43,310	-994	0	-44,304
Depreciations related to derecognised assets	40,819	26,221	0	67,040
Transferred during the year to assets held for sale	40,666	0	0	40,666
Depreciation at 31 December	-284,873	-5,010	0	-289,883
Impairment losses at 1 January	-183,709	0	-7,471	-191,180
Reversal of impairment losses on vessels disposed of	7,198	0	0	7,198
Transferred during the year	-3,300	0	3,300	0
Transferred during the year to tangible assets held for sale	53,000	0	0	53,000
Impairment losses at 31 December	-126,811	0	-4,171	-130,982
Carrying amount at 31 December	**795,560**	**49,466**	**24,920**	**869,946**

Note **Amounts in USD'000**

11 Tangible assets – continued

	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2017				
Cost at 1 January	1,165,848	79,390	31,197	1,276,435
Additions for the year	61,397	453	13,556	75,406
Disposals for the year	0	-28	0	-28
Transferred during the year to assets held for sale	-28,787	0	-3,369	-32,156
Cost at 31 December	1,198,458	79,815	41,384	1,319,657
Depreciation at 1 January	-286,953	-28,393	0	-315,346
Depreciation for the year	-40,368	-1,865	0	-42,233
Reversed depreciation	0	21	0	21
Transferred during the year to tangible assets held for sale	4,273	0	0	4,273
Depreciation at 31 December	-323,048	-30,237	0	-353,285
Impairment losses at 1 January	-198,648	0	-11,317	-209,965
Transferred during the year to assets held for sale	14,939	0	3,846	18,785
Impairment losses at 31 December	-183,709	0	-7,471	-191,180
Carrying amount at 31 December	**691,701**	**49,578**	**33,913**	**775,192**

Financial comments

Amount insured on vessels is USD 931 million (USD 989 million).

Notes to the financial statements

Note	Amounts in USD'000

11 **Tangible assets – continued**

Dry Cargo
Management concluded that no impairment tests had to be performed for the CGU, Dry Cargo.

The development in freight rates in 2018 is in line with Management's expectations since the last impairment test carried out at the end of 2015. Further, vessel valuations do not differ significantly from the carrying amounts. On that background, Management assesses that there are no indications of impairment at the end of 2018. It is thus Management's assessment that at the end of 2018, there is no need for additional impairments of vessels, prepayments on vessels and newbuildings or reversal of previous impairments, and that there is no need for further provisions for onerous time charter contracts or reversal hereof.

See note 22 regarding provisions for onerous time charter contracts, including sensitivity to fluctuations in future freight rates.

Tankers - impairment test
Based on the average of three independent broker valuations, the net selling price of the Group's tanker fleet was USD 98 million below the carrying amounts at 30 September 2018. As a consequence of the negative development in freight rates during 2018 and in vessel prices, Management assessed that there were indications of impairment and therefore deemed it necessary to carry out an impairment test at the end of 30 September 2018.

Therefore, NORDEN conducted a calculation of value-in-use (VIU) of the tanker fleet at 30 September 2018, 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) in the form of COAs and vessels chartered out. 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 amount. Accordingly, there was no cause for impairment of the Group's tanker fleet, just as there was no basis for provisions for onerous time charter contracts for the CGU, Tankers.

Due to the large number of open ship days in the CGU, Tankers, at 30 September 2018, the VIU calculation is particularly sensitive to even minor fluctuations in freight rates and WACC. As an example of this sensitivity, a reduction of the assumed freight rates of USD 1,000 will affect the VIU negatively by USD 100 million. An increase in WACC of 1 percentage point will similarly affect the VIU negatively by USD 42 million.

It is the assessment of Management that the development since 30 September 2018 in assumptions applied in the impairment test conducted as of 30 September 2018 is as expected. On that background, Management assesses that there are no indications of impairment at year-end 2018.

Note	Amounts in USD'000	2018	2017
11	**Tangible assets – continued**		
	Contractual liabilities		
	The Company has entered into agreements for future delivery of vessels. The remaining contract amount is payable as follows:		
	Within 1 year	43,480	141,595
	Between 2 and 3 years	34,650	60,400
	Total	**78,130**	**201,995**

Financial comments
See note 27 for security provided for vessels and property.

12 **Investments in joint ventures and recognition of joint operations**

NORDEN engages in jointly controlled arrangements which include joint ventures and joint operations. In joint ventures, the parties do not have direct share in assets and liabilities, etc., but solely a share in the net profit or loss and equity. On the other hand, joint operations provide the parties with direct rights to the assets and direct obligations for the liabilities. Each joint operator recognises its part of assets, liabilities, income and costs.

§ Accounting policies - Joint ventures
In the Group's income statement, the Group's shares of the joint ventures' profit/loss after tax are included in the item "Share of profit/loss of joint ventures".

Enterprises, which are contractually operated jointly with one or more other enterprises and which are thus jointly controlled, are recognised in the consolidated financial statements according to the equity method.

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

Joint ventures with negative net asset values are valued at USD 0 million. If the Group has a legal or constructive obligation to cover the enterprises' negative balance, such obligation is recognised by writing down any receivable from the joint venture or under provisions.

Notes to the financial statements

Note	Amounts in USD'000

12 Investments in joint ventures and recognition of joint operations – continued

§ Accounting policies – Joint operations

NORDEN's shipping activities are to some extent conducted through pool arrangements. In pools, revenue and related costs are recognised according to criteria corresponding to those applied by NORDEN.

For vessels operating in pools, the pool's profit is allocated to the pool participants on the basis of an agreed principle. The agreed priciple may differ from pool to pool. Generally, the pool profit is allocated to the participants according to the number of days the vessels have been at the pool's disposal, but weighted for the capacity and characteristics of the individual vessels.

Pool arrangements are considered joint operations. Accordingly for vessels operating in pools, the proportionate share of income and costs is presented as gross amounts in the income statement. For example, the share of revenue in pools is recognised in "Revenue", while the proportionate share of costs in pools, such as direct voyage costs (e.g. bunker oil, commissions and port charges) and charter hire for chartered pool tonnage, is recognised in "Vessel operating costs". Similarly, NORDEN's share of assets and liabilities in pools is recognised, and NORDEN's share of other liabilities, etc. is included in the notes to the financial statements.

NORDEN operates a few pools. As pool operator, NORDEN receives management income to cover its costs in this respect. Management income is calculated as a fixed percentage of charter/freight income for each individual agreement, however, with a minimum amount. The management income is recognised in the income statement in the item "Other operating income" as the underlying charter/freight agreement is recognised.

! Accounting judgements

Assessment of control in shared ownership – pool arrangements and joint ventures

The classification of activities and enterprises which are in part jointly owned with other companies and thus how these activities and enterprises are treated in the consolidated financial statements is to a certain extent based on judgements of formal and actual conditions.

In connection with the assessment of control, an analysis of the operator role in NORDEN's agreements on pool arrangements has been made. The operator is responsible for the daily management of activities carried out within a jointly established framework. Since the operators are not exposed to, and are not entitled to, a return apart from the participating share and the fact that they can be replaced upon agreement, the operators are considered to be agents as defined in IFRS 10.

In the assessment of joint control, an analysis has been made as to which decisions require unanimity and whether these relate to relevant activities, which are activities that significantly affect the return of the pool arrangement. It is assessed that joint control by default exists when business plans and budgets must be adopted unanimously.

For NORDEN's pool arrangements, unanimity is required on decisions relating to relevant activities. It has also been established that the pool partners have rights and obligations directly and unlimited with regard to the assets and liabilities of the arrangements, and as the pool arrangements have not been structured into separate legal units, these are treated and classified as joint operations.

Note	Amounts in USD'000	2018	2017
12	**Investments in joint ventures and recognition of joint operations – continued**		
	Joint ventures		
	Cost at 1 January	44,721	44,721
	Transferred to subsidiaries	-5,343	0
	Additions for the year	1,100	0
	Cost at 31 December	40,478	44,721
	Value adjustments at 1 January	-33,418	-28,794
	Share of profit/loss for the year	2,408	-3,443
	Transferred to subsidiaries	6,592	0
	Transferred to provisions	-4,173	-410
	Dividends received	-33	-771
	Value adjustments at 31 December	-28,624	-33,418
	Carrying amount at 31 December	**11,854**	**11,303**

Investments comprise:	Ownership	Shares of result of joint ventures 2018	Shares of result of joint ventures 2017	Carrying amount 2018	Carrying amount 2017
Norient Product Pool ApS, Denmark*	100%	-1,668	655	0	346
Norient Cyprus Ltd., Cyprus*	100%	44	33	0	62
Nord Summit Pte. Ltd., Singapore	50%	917	-4,541	11,810	10,893
Polar Navigation Pte. Ltd., Singapore	50%	3,073	368	0	0
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	42	42	44	2
Total		**2,408**	**-3,443**	**11,854**	**11,303**
Guarantees regarding joint ventures				0	0
Hereof gain/loss from sale of vessels		0	-4,700	0	0

* The remaining shares have been acquired at year-end 2018. Thus, the entities are now fully owned. The acquisitions are classified as purchase of net assets and not as a business combination. The acquisitions have no material impact on the assets and liabilities of the Group.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
12	**Investments in joint ventures and recognition of joint operations – continued**		
	Key figures (100%)		
	Revenue and other income	38,656	48,018
	Costs	33,839	54,904
	Non-current assets	80,845	83,200
	Current assets	10,581	30,266
	– hereof cash and cash equivalents	8,004	23,404
	Non-current liabilities, debt	62,383	70,021
	Current liabilities	16,015	37,337
	Total results	**4,817**	**-6,886**
	Share of results of NORDEN	**2,408**	**-3,443**
	Total carrying amount	15,557	6,108
	Transferred to provisions (NORDEN's share)	4,076	8,249
	Carrying amount of NORDEN	**11,854**	**11,303**

Financial comments

No significant restrictions apply to distributions from joint ventures.

Note	Amounts in USD'000	2018	2017
12	**Investments in joint ventures and recognition of joint operations – continued**		
	Joint operations		
	Joint operations comprise the following pools:		
	Norient - Handy Pool		
	Norient - MR Pool		
	Norient - Short Term Tank Pool		
	Norient - NIP Pool		
	Norient - AEV Pool		
	Norient - N51 Pool		
	Norient - Handysize Bulker Pool (under liquidation)		
	Norient - Post-Panamax Bulker Pool (under liquidation)		
	NORDEN acts as manager of the two latter pools.		
	The following is an overview of NORDEN's total liabilities and coverage in respect of jointly controlled operations in the event that other pool partners are unable to meet their obligations.		
	Share of unrecognised liabilities for which the partners are jointly and severally liable	6,636	18,133
	Future operating lease liabilities:		
	Within 1 year	0	873
	Total*	**0**	**873**
	Future operating lease income:		
	Within 1 year	27,123	25,427
	Between 1 and 5 years	4,063	68
	Total*	**31,186**	**25,495**

* Note 25 "Operating lease liabilities" and note 28 "COAs and operating lease income" include NORDEN's expected share hereof.

Financial comments

There are no other contribution requirements or significant contingent liabilities in relation to joint operations.

Notes to the financial statements

Note	Amounts in USD'000

13 Inventories

§ Accounting policies

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

	2018	2017
Bunker oil recognised as an expense during the year amounts to	538,138	401,059

14 Receivables

§ Accounting policies

Receivables are measured at amortised cost less allowances for impairment losses. Impairment losses for trade receivables are determined as the expected loss over the life of the receivables.

! Accounting estimates

Allowances for bad debts are determined on the basis of customers' ability to pay, considering historical information about payment patterns, doubtful debts, customer concentrations, customer creditworthiness and collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

It is estimated that the allowances made are sufficient to cover bad debt.

Note	Amounts in USD'000	2018	2017
14	**Receivables – continued**		
	Receivables from invoiced voyages	110,972	77,911
	Receivables from voyages commenced at the balance sheet date	65,969	46,689
	Freight receivables	176,941	124,600
	Allowances regarding demurrage claims etc.	-4,353	-600
	Freight receivables, net	172,588	124,000
	Receivables from joint ventures	12,352	0
	Other receivables	28,440	33,901
	Total	**213,380**	**157,901**
	Company tax is included in other receivables	0	500
	Set out below is the movement in the allowance regarding demurrage claims etc.:		
	As at 1 January	-600	-1,356
	Applied allowances during the year	150	325
	Allowances reversed	450	1,031
	Allowances made during the year	-4,353	-600
	As at 31 December	**-4,353**	**-600**
	Freight receivables which have been written down in allowance regarding demurrage claims etc. amount to:	7,657	1,301
	Freight receivables due, which have not been written down in allowance regarding demurrage claims etc. amount to:		
	– due in less than 3 months	3,608	701
	The carrying amount of receivables is distributed on the following currencies:		
	USD	213,214	156,427
	DKK	101	620
	Other currencies	65	854
	Total	**213,380**	**157,901**

Notes to the financial statements

Note	Amounts in USD'000

14 Receivables – continued

Financial comments

Loss on other receivables and receivables from joint ventures is not expected, and thus, no impairment losses have been made.

Regarding freight receivables, the Group usually has the opportunity to use the cargo as security. See also Management Commentary and note 36 for fair value hierarchy.

15 Prepayments – assets

Accounting policies

Prepayments includes costs incurred regarding the succeeding financial year such as prepaid hire, interest and insurance premiums.

Prepayments are meassured at nominal value.

	2018	2017
Prepayments are distributed as follows:		
Within 1 year	81,810	69,009
Between 1 and 5 years	11,576	9,369
More than 5 years	62	652
Total	**93,448**	**79,030**
Financial comments NORDEN has entered into agreement on reduction of future time charter payments relating to long-term chartered vessels in return for prepayment of charter hire. The carrying amount on the reporting date is	20,015	25,279

Upon adoption of IFRS 16, prepayments on vessel charter contracts with a remaining term of more than one year as of 1 January 2019, USD 13.6 million, will be reclassified to right of use assets and USD 4.5 million will be reclassified to prepayments for right of use asset, see note 37.

Note	Amounts in USD'000

16 Securities

Accounting policies

Bonds measured at fair value through other comprehensive income are recognised under current assets at fair value at the trade date and are subsequently measured at market price in respect of listed securities and at fair value applying a valuation method in respect of unlisted securities.

Until realisation, fair value adjustments are recognised through other comprehensive income in the reserve for securities, except exchange rate adjustments of bonds denominated in foreign currencies, which are recognised in the income statement under net financials.

Cumulative fair value adjustments of bonds are recognised in net financials when realised.

	2018	2017
Bonds	4,163	8,062
Total	**4,163**	**8,062**

Financial comments

Investing in securities is part of NORDEN's optimisation of the return on liquidity at low risk. All bonds have high credit ratings.

See note 36 for fair value hierarchy.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
17	**Cash and cash equivalents**		
	Accounting policies		
	Cash and cash equivalents are measured in the statement of financial position at nominal value.		
	Demand deposits and cash balance	80,036	75,948
	Money market investments	96,972	118,746
	Other cash and cash equivalents	7,418	16,682
	Cash and cash equivalents according to the statement of financial position	**184,426**	**211,376**
	– hereof cash and cash equivalents with rate agreements of more than 3 months, etc.	69,202	95,814
	Cash and cash equivalents according to the statement of cash flows	**115,224**	**115,562**
	In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Skandinaviska Enskild Banken (SEB) in the form of cash.		
	At 31 December, cash held in margin accounts placed as security amounted to	6,194	3,760
	Financial comments		
	Cash consists mainly of USD and DKK bank deposits. Money market investments at year-end have maturities of up to days	281	361
	Money deposits relating to vessel loans with BNP Paribas, which mature in 2021.	3,000	3,000

Note	Amounts in USD'000
18	**Vessels held for sale**

Accounting policies

Vessels held for sale comprise of vessels for which a binding sales agreement has been entered into and the vessel will be transferred to the buyer within 12 months of the reporting date.

Vessels and prepayments on vessels held for sale are measured at the lower of carrying amount before classification as held for sale and fair value less selling costs and are recognised under current assets.

Depreciation is not provided for vessels held for sale.

Assets and directly related liabilities in relation to vessels held for sale are recognised in separate items in the statement of financial position.

Gains and losses are included in the income statement in the item "Profits/loss from sale of vessels, etc.". Gains are recognised on delivery and losses when they are classified as "held for sale".

	2018	2017
Carrying amount at 1 January	15,921	22,168
Additions for the year to tangible assets held for sale	21,292	31,567
Additions for the year from prepayments on vessels and newbuildings	0	-477
Additions for the year from vessels	42,035	9,575
Disposals for the year	-79,248	-46,912
Impairment losses for the year	0	0
Carrying amount at 31 December	**0**	**15,921**
Which can be specified as follows:		
Vessels	0	9,575
Newbuildings	0	6,346
Total	**0**	**15,921**
Financial comments		
Amount insured on vessels held for sale	0	15,000

Notes to the financial statements

Note	Amounts in USD'000

19 Share Capital

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption by the shareholders in general meeting. Dividend proposed by management in respect of the year is stated under equity.

Treasury shares

The acquisition and sale of treasury shares and dividends thereon are taken directly to retained earnings under equity.

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2018	2017	2018	2017	2018	2017
1 January	1,732,385	1,732,385	1,732	1,732	4.11	4.11
Acquisition	442,000	0	442	0	1.04	0.00
Addition due to acquisition*	101,682	0	102	0	0.24	0.00
31 December	**2,276,067**	**1,732,385**	**2,276**	**1,732**	**5.39**	**4.11**

* Addition due to acquisition of remaining shares in former joint venture, c.f. note 35.

Financial comments

The share capital consists of 42,200,000 shares of a nominal value of DKK 1 each. No shares are subject to any special rights or restrictions. The Company is authorised by the general meeting to acquire a maximum of 4,220,000 treasury shares, equal to 10% of the share capital. Treasury shares are i.a. acquired for the purpose of hedging in connection with sharebased payment, see note 31.

On 8 November 2018, NORDEN initiated a share buy-back programme, which runs from 8 November 2018 up to and including no later than 28 February 2019. The share buy-back programme is initiated pursuant to the authorisation granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group. The actual date of completion of the share buy-back programme was 13 February 2019.

Since the share buy-back programme was initiated up until year end 2018, the total number of acquired shares is 442,000 at a total amount of DKK 41,431,360. The shares were acquired at an average price of DKK 93.74 per share with prices ranging from DKK 86.96 to DKK 100.47. The total cost of DKK 41,431,360 was deducted from retained earnings.

At 1 January 2018, the Group had a total of 40,467,615 outstanding shares of DKK 1 each, and at 31 December 2018, a total of 39,923,933 outstanding shares of DKK 1 each.

Note	Amounts in USD'000	2018	2017
20	**Reserves**		
	Securities:		
	Fair value adjustment at 1 January	416	-262
	Fair value adjustment for the year	-125	678
	Fair value adjustment at 31 December	291	416
	Cash flow hedges:		
	Fair value adjustment at 1 January	6,542	-247
	Fair value adjustmentore the year, net	-31,382	6,789
	Fair value adjustment at 31 December	-24,840	6,542
	Total	**-24,549**	**6,958**

The fair value adjustment of cash flow hedges at year-end at 31 December can be specified as follows.
For further specification, refer to note 29.

	2018	2017
Bunker Hedging	-26,868	7,937
FFA Hedging	1,467	901
Interest rate hedging	104	-267
Hedging of foreign cyrrency risk	457	-2,029
Fair value adjustment at 31 December	**-24,840**	**6,542**

Financial comments

The development of bunker hedging is caused by a decline in bunker prices and affects the bunker hedging value negatively per 31 December 2018. For additional information, see note 29 "Derivative financial instruments and hedge accounting".

Notes to the financial statements

Note **Amounts in USD'000**

21 Loans

Accounting policies

Loans are recognised at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, such loans are recognised at amortised cost, equivalent to the capitalised value applying the effective rate of interest at the inception of the loan, to the effect that the difference between the proceeds and the nominal value is recognised as interest expense in the income statement over the term of the loan. Commission paid to set up a credit facility is recognised as transaction costs to the extent that it is probable that the facility will be partially utilised. To the extent that it is not probable that the facility will be partially or fully utilised, commission is recognised as a prepayment for making the facility available and amortised over the term of the credit facility.

	2018	2017
Interest-bearing liabilities include bank debt, which includes the following items:		
Current portion of non-current debt within 1 year	125,513	26,310
Non-current liabilities between 1 and 5 years	122,218	131,483
Non-current liabilities over 5 years	84,248	63,952
Total	**331,979**	**221,745**
Interest-bearing liabilities comprise carrying amount:		
Fixed-rate loans	25,240	25,240
Floating-rate loans*	308,464	198,931
Borrowing costs	-1,725	-2,426
Total	**331,979**	**221,745**
Movements in interest bearing liabilities:		
Interest bearing liabilities 1 January	221,745	216,260
New loans	138,700	30,000
Installments	-28,512	-27,006
Other adjustments	46	2,491
Interest bearing liabilities 31 December	**331,979**	**221,745**

Financial comments

*Floating-rate loans are partly hedged by interest rate swaps, see note 29, with USD 24 million at a fixed rate until 2019. The Group´s loan agreements generally include a clause on the lender's option to terminate agreement in the event the majority control of the Group is changed.

Mortgages and security provided in relation to liabilities are disclosed in note 27.

See note 36 for fair value hierarchy.

Note **Amounts in USD'000**

22 Provisions

Accounting policies

Provisions are recognised when, as a consequence of an event that has occurred before or on the reporting date, the Group has a legal or constructive obligation, and it is likely that economic benefits will flow from the Group to meet the obligation.

Provisions include provisions for docking for vessels on bareboat charter, provisions for joint ventures and provisions for onerous time charter contracts.

Provisions for docking are made on an ongoing basis with an amount corresponding to the proportionate share of estimated costs for the individual vessels' next docking.

Provisions concerning time charter contracts and docking for vessels on bareboat charter are recognised in the income statement under the item "Vessel operating costs". Provisions for joint ventures are recognised in the income statement under the item "Share of profit/loss of joint ventures".

Accounting estimates

The determination of provisions is based on Management´s best estimate of future events and is therefore subject to significant uncertainty.

Provisions for onerous contracts are recognised when it is inevitable that a loss will be incurred on performance of the contract. The provision is measured according to Management's best estimate of expected future freight and charter rates and is measured at net realisable value. The estimate includes an assessment of the future development in the world fleet, freight volumes, historical rates and current market rates, respectively.

The provision is calculated on a portfolio basis, based on a "value-in-use" calculation comprising owned as well as chartered vessels. Reversal of previous provisions are only recognised if there has been a change in the estimate used to determine the initial provision recognised.

See the section "Accounting policies" in note 11 for a description.

Notes to the financial statements

Note **Amounts in USD'000**

22 Provisions – continued

2018	Onerous contracts	Other provisions	Total
Provisions at 1 January	67,427	11,165	78,592
Utilised provisions during the year	-24,889	-2,916	-27,805
Transferred from investments in joint ventures	0	-4,173	-4,173
Provisions at 31 December	**42,538**	**4,076**	**46,614**
Provisions are distributed as follows:			
Within 1 year	21,199	4,076	25,275
Between 1 and 5 years	21,339	0	21,339
More than 5 years	0	0	0
Total	**42,538**	**4,076**	**46,614**

Financial comments

Provisions for onerous time charter contracts are related to the segment Dry Owner. Due to the large number of open ship days, the calculation of the provision for onerous contracts is particularly sensitive to even minor fluctuations in the future freight and time charter rates. Seen in isolation, a decrease/increase in freight rates per day of USD 1,000 would lead to an increase/reduction of the provision of USD 13 million (2017: USD 17 million).

The provision for onerous leases will be offset against the right of use lease assets recognised in the balance sheet upon adoption of IFRS 16 on 1 January 2019, see note 37.

2017	Onerous contracts	Other provisions	Total
Provisions at 1 January	175,294	11,875	187,169
Utilised provisions during the year	-83,437	-300	-83,737
Transferred to other payables	-24,430	0	-24,430
Transferred from investments in joint ventures	0	-410	-410
Provisions at 31 December	**67,427**	**11,165**	**78,592**
Provisions are distributed as follows:			
Within 1 year	24,889	11,165	36,054
Between 1 and 5 years	42,538	0	42,538
Total	**67,427**	**11,165**	**78,592**

Note **Amounts in USD'000**

23 Deferred income

Within Dry Cargo, customers normally have an obligation to pay substantially all revenue before discharge. Thus, the credit exposure is limited. Within Tankers, customers normally have to pay within 2-5 days after discharge. Due the nature of the counterparties as described above, the credit risks are determined to be limited, see also note 2.

Deferred income arises from prepayments for voyages and timecharter income. All deferred revenue as of 31 December 2017 has been recognised as revenue in 2018.

Part of deferred income comprises prepaid timecharter income comprising as well a lease element as a service element. The pattern of transfer is the same for the lease and the service element, and there, the lease element is not separated for purpose of this disclosure.

24 Liabilities relating to vessels held for sale

	2018	2017
Prepayments received on sold vessels and new buildings	0	1,338
Total	**0**	**1,338**

25 Operating lease liabilities

§ Accounting policies

Agreements to charter vessels and to lease other tangible assets, where all substantial risks and rewards of ownership have been transferred to the Group (finance leases), are recognised in the statement of financial position. Other agreements to charter vessels and other leases are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

! Accounting judgements

Management's assessment of whether leases on vessels should be classified as financial or operational leasing is based on an overall evaluation of each lease. In financial leasing, a non-current asset and a payable are recognised. In classification as operational leasing, the running lease payments are recognised in the income statement.

Notes to the financial statements

Note	Amounts in USD'000

25 Operating lease liabilities – continued

	2018			2017		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	362,921	121,444	484,365	276,352	116,328	392,680
Between 1 to 5 years	480,265	264,508	744,773	504,826	303,869	808,695
More than 5 years	28,756	47,948	76,704	89,530	97,147	186,677
Total	**871,942**	**433,900**	**1,305,842**	**870,708**	**517,344**	**1,388,052**
– hereof provision* and other payables	56,338	0	56,338	67,427	0	67,427
Total	**815,604**	**433,900**	**1,249,504**	**803,281**	**517,344**	**1,320,625**

* Provisions for onerous time charter contracts, see note 22.

Financial comments

Leases have originally been entered into with a mutually interminable lease period of up to 8 years. Some leases include an option to be extended for 1 additional year at a time for up to 3 years. Leases may also include purchase options, typically exercisable as from the end of the third year to the expiry of the period of extention. Exercise of the purchase option on the individual vessel is based on an individual assessment. On a few leases, the payment is linked to a freight index.

For information on ship days distributed on years, see capacity and coverage in the management commentary. For information on the Group's charter parties with purchase option, see the section "Dry Owner" in the management commentary.

The lease liabilities do not represent the Group's net exposure since liabilities are hedged on an ongoing basis in accordance with the Group's risk management policy.

Operating lease payments in the form of charter hire including daily operating costs recognised in the income statement are disclosed in note 3.

The above includes NORDEN's expected share of jointly controlled operating lease liabilities, see note 12.

See note 37 related to the transition to IFRS 16.

Note	Amounts in USD'000

26 Unrecognised contingent assets and liabilities

§ Accounting policies

Contingent assets are recognised when it is practically certain that the claim will have a positive outcome for the Group. A contingent liability is recognised if it is likely that the claim will have a negative outcome and when the amount is estimable. If this is not the case, the matter is stated below. Rulings in connection with such matters may in coming accounting periods produce realised gains or losses, which may differ considerably from the recognised amounts or information.

! Accounting estimates

Information on contingent assets and liabilities and when recognition should be made as asset and liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in considerable claims also include assessments obtained from external advisors including lawyers, among other things.

	2018	2017
Contingent liabilities		
Guarantee commitments do not exceed	15	31
Claims have been made against the Group, primarily concerning discharge responsibility and broker fees, etc. The Group and its legal advisors consider the claims unjustified and do not perceive that the Group will incur any losses as a result of the actions for damages.		
The maximum risk is assessed to be	350	320

27 Mortgages and security

	2018	2017
As security for loans	331,979	221,745
a total number of vessels of	28	16
and buildings of	2	2
with a carrying amount of	672,685	449,469
have been mortgaged at	608,562	427,961

Some of the mortages have been registered with an amount to secure future drawing under a revolving credit facility of USD 100 million of which USD 93 million has been drawn.

Notes to the financial statements

Note **Amounts in USD'000**

28 COAs and operating lease income

Accounting policies

Agreements to charter out vessels on time charters where all significant risks and rewards of ownership have been transferred to the lessee (finance leases) are recognised as a receivable in the statement of financial position. The receivable is measured in the same way as the lease liability in cases where the Group is the lessee, see note 25. Other agreements to charter out vessels are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

Accounting judgements

See note 25 for accounting judgements.

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

	2018			2017		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	230,150	0	230,150	136,157	0	136,157
Between 1 to 5 years	206,587	0	206,587	179,489	0	179,489
More than 5 years	137,213	0	137,213	180,796	0	180,796
Total	**573,950**	**0**	**573,950**	**496,442**	**0**	**496,442**

The Group has operating lease income amounting to:

	2018			2017		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	79,821	27,123	106,944	69,459	23,681	93,140
Between 1 to 5 years	94,083	4,063	98,146	122,031	68	122,099
More than 5 years	0	0	0	7,077	0	7,077
Total	**173,904**	**31,186**	**205,090**	**198,567**	**23,749**	**222,316**

Financial comments

The above amounts regarding operating lease income comprise the agreed time charter rates. The lease and service components will be recognised as revenue under the same pattern of transfer to the customer. Separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establich this disclosure. See note 37 related to the transition to IFRS 16. The above includes NORDEN's expected share of COAs and operating lease income, see note 12.

Note **Amounts in USD'000**

29 Derivative financial instruments and hedge accounting

Accounting policies

The Group uses derivative financial instruments to hedge its bunker price risks, interest risks, freight risks and currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets (other receivables) when the fair value is positive and as financial liabilities (other payables) when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

Changes in the fair value of derivative financial instruments designated as hedges of highly probable forecasted transactions are recognised in equity under "Reserve for cash flow hedges", see note 19. A break down of the movement into each type of cash flow hedge is presented below. Where the forecasted transaction results in the acquisition of non-financial assets, any amounts deferred under equity are transferred from equity to the cost of the asset. Where the forecasted transaction results in income or expense, amounts deferred under equity are transferred from equity to the income statement in the same item as the hedged transaction.

Bunker hedging

As discussed in note 2, it is NORDEN's strategy to hedge bunker price risk to the extent possible. As a result of this strategy, financial bunker hedge contracts for the expected bunker consumption are entered into when entering into a COA. Such contracts are designated as cash flow hedges of the price risk related to highly probable forecasted purchases of bunker.

Exposures related to voyages west of Suez are hedged by entering into Rotterdam price contracts and exposures related to voyages east of Suez are hedged by entering into Singapore price contracts. Management has based on analysis of the market structure determined that the Rotterdam and Singapore prices, respectively, are separated, identifiable, and reliably measurable, among other things due to the high price correlation between the two harbours and other west harbours and east harbours respectively and the fact that readily accessible transportation exists between the respective harbours. Therefore, the instruments are designated as the risk of the change in the Rotterdam and Singapore component respectively of the total bunker price by applying a 1:1 hedge ratio. Differences in timing and credit risk adjustments may cause ineffectiveness.

Notes to the financial statements

Note **Amounts in USD'000**

29 **Derivative financial instruments and hedge accounting – continued**

The bunker hedging activities comprise the following contracts:

2018 Volume	**Positive fair values**	**Negative fair values**	**Settlement 2019**	**Settlement 2020**	**Settlement 2021**	**Settlement after 2022**
338,029 Mts	775	-28,850	285,973 Mts	17,105 Mts	15,187 Mts	19,764 Mts
Weighted average hedge price per Mts			393.99 USD	498.31 USD	497.79 USD	431.79 USD

2017 Volume	**Positive fair values**	**Negative fair values**	**Settlement 2018**	**Settlement 2019**	**Settlement 2020**	**Settlement after 2021**
249,542 Mts	9,141	-4,752	214,502 Mts	14,040 Mts	4,200 Mts	16,800 Mts
Weighted average hedge price per Mts			348.31 USD	323.92 USD	292.00 USD	338.19 USD

	2018	**2017**
Movements in the hedging reserve:		
Beginning of year	7,937	0
Fair value adjustment for the year	-14,102	10,316
Transferred to operating costs, vessels	-20,703	-2,379
End of year	**-26,868**	**7,937**

FFA hedging

As discussed in note 2, forward freight agreements (FFAs) are used to hedge freight price risk. Freight price risk is managed on the basis of a Value at risk model with a risk limit set by the Board of Directors. All FFA contracts which keep the freight price risk within limits are designated as cash flow hedges as follows:

- sales contracts: highly probable forecasted freight income
- purchase contracts: index charter hire payments on excisting T/C in contracts and highly probable payments for future capacity

FFA hedging contracts are contracts with the published Baltic Dry spot indices for the respective vessel types (Handysize, Supramax, Panamax) as the underlying index. Actual earnings on spot voyages within the respective vessel types compared to the Baltic Dry indices show a high correlation between the variability in actual average earned spot rates compared to the respective indices. Hedges of future freight income is therefore considered to be effective when applying a 1:1 hedging ratio.

Note **Amounts in USD'000**

29 **Derivative financial instruments and hedge accounting – continued**

The movement in price difference between the Baltic Dry indices and the actual freight rates, CVA/DVA adjustment to the financial hedge contracts and difference in actual number of days may cause ineffectiveness for sales contracts.

The price risk related to payment of time charter hire on Index vessels is hedged through FFA contracts on the same vessel type as the index according to the time charter contracts. This establishes a 1:1 match in the cash flows. The only source of ineffectiveness is the CVA/DVA adjustment on the FFA contracts. For highly probable payments for future capacity, the sources of ineffectiveness are the same as for highly probable forecasted freight income.

The FFA hedging activities comprise the following contracts as of 31 December 2018

2018 Volume	**Fair values assets**	**Fair values liabilities**	**Settlement 2019**	**Settlement 2020**	**Settlement 2021**	**Settlement after 2022**
Revenue hedge - 8,227 days	3,952	-479	7,327 days	900 days	0 days	0 days
Weighted average revenue hedge price per Day			11,619 USD	11,635 USD	0 USD	0 USD
T/C hire on index vessels hedge - 9,202 days	1,689	-3,695	8,002 days	420 days	360 days	420 days
Weighted average T/C hire on index vessels hedge price per Day			11,400 USD	9,800 USD	9,750 USD	9,693 USD

2017 Volume	**Fair values assets**	**Fair values liabilities**	**Settlement 2018**	**Settlement 2019**	**Settlement 2020**	**Settlement after 2021**
Revenue hedge - 765 days	70	-209	765 days	0 days	0 days	0 days
Weighted average revenue hedge price per Day			9,816 USD	0 USD	0 USD	0 USD
T/C hire on index vessels hedge - 2,460 days	1,108	-68	2,280 days	180 days	0 days	0 days
Weighted average T/C hire on index vessels hedge price per Day			9,618 USD	9,875 USD	0 USD	0 USD

Notes to the financial statements

Note	Amounts in USD'000

29 Derivative financial instruments and hedge accounting – continued

	2018	2017
Movements in the hedging reserve:		
Beginning of year	901	0
Fair value adjustment for the year	5,167	-7,090
Realised contracts, transferred to vessel operating costs	242	-2,517
Realised contracts, transferred to revenue	-4,843	10,508
End of year	**1,467**	**901**

Interest rate hedging

NORDEN uses interest rate derivatives to reduce exposure to increasing rates on its floating rate debt. Currently, NORDEN pays fixed interest rate against 3 or 6 months libor in interest rate swaps to fix part of the 3 and 6 months libor interest payments on vessel backed debt.

2018 Principal	Fair values assets	Fair values liabilities	Settlement 2019	Settlement 2020	Settlement 2021	Settlement after 2022
24,000 tUSD	104	0	24,000 tUSD	0	0	0

2017 Principal	Fair values assets	Fair values liabilities	Settlement 2018	Settlement 2019	Settlement 2020	Settlement after 2021
65,592 tUSD	4	-270	41,592tUSD	24,000tUSD	0	0

	2018	2017
Movements in the hedging reserve:		
Beginning of year	-266	-1,157
Fair value adjustment for the year	736	1,858
Transferred to financial expenses	-366	-968
End of year	**104**	**-267**

Hedging of foreign currency risk

In 2016, NORDEN agreed to transport wood pellets from the US to the UK with one monthly cargo during 2019-2034. Part of the payments for the transport during 2020-2025 was denominated in GBP. The currency exposure arising from these payments has been swapped to USD at two of NORDEN's partnership banks at an average GBP/USD rate of 1.37.

Note	Amounts in USD'000

29 Derivative financial instruments and hedge accounting – continued

2018 Principal	Fair values assets	Fair values liabilities	Settlement 2019	Settlement 2020	Settlement 2021	Settlement after 2022
43,665 tUSD	777	0	0	8,005 tUSD	8,733 tUSD	26,927 tUSD

2017 Principal	Fair values assets	Fair values liabilities	Settlement 2018	Settlement 2019	Settlement 2020	Settlement after 2021
43,664 tUSD	0	-2,029	0	0	8,005 tUSD	35,659 tUSD

NORDEN has agreed to scrubber purchases denominated in EUR. Part of the EUR denominated payments were due on the signing of the scrubber purchase contracts. The remaining part of the EUR denominated payments are due shortly before instalment of the scrubber. NORDEN has therefore purchased EUR forward in accordance with these committed payments.

Principal	Fair values assets	Fair values liabilities	Settlement 2019	Settlement 2020	Settlement 2021	Settlement after 2022
11,545 tUSD	0	-320	11,545 tUSD	0	0	0

	2018	2017
Movements in the hedging reserve:		
Beginning of year	-2,029	910
Fair value adjustment for the year	2,486	-2,939
End of year	**457**	**-2,029**

Financial hedging:

The Group has entered into hedging transactions, where hedge accounting is not used and where assets and liabilities are recognised with the following amounts:

	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Cross Currency Swaps	1,332	-191	1,141	951	0	951
Forward exchange contracts	4,288	-42	4,246	8	-5,212	-5,204

Notes to the financial statements

Note	Amounts in USD'000

30 Related party disclosures and transactions with related parties

Accounting policies

Related parties include the Board of Directors and the Executive Management as well as their close relatives. Related parties also include companies in which the above persons have significant interests as well as companies and foundations which have direct or indirect considerable influence through shareholdings.

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

	2018	2017
Trading and accounts with related parties comprise:		
Sale of goods and services – joint ventures	35,536	30,814
Purchases of goods and services – joint ventures	10,753	10,723
Purchases of assets – joint ventures	0	16,560
Dividends from – joint ventures	31	771
Receivables from related parties – joint ventures	12,352	0
Payables to related parties – joint ventures	0	1,906

Financial comments

The Group has no related parties controlling NORDEN.

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

Subsidiaries are shown in note 35.
Remuneration and share-based payment of the Board of Directors and the Executive Management are disclosed in notes 5 and 31.
Guarantees to joint ventures are mentioned in note 12.

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

Note	Amounts in USD'000

31 Share-based payment

Accounting policies

The value of services rendered by employees as consideration for share-based incentive payments is measured at the fair value of the granted options and restricted shares, respectively. For both, this fair value is recognised in the income statement over the vesting period. A corresponding increase is recognised in equity.

The fair value of the options is determined using the Black-Scholes valuation model, taking into account the terms of the grant and the actual number of vested options. The fair value of restricted shares is determined using the share price at the grant date adjusted for expected dividend per share, which is based on historical dividends. On recognition, the number of options and restricted shares expected to vest are estimated. The estimate is adjusted over the vesting period to the actual number of vested options and restricted shares.

Restricted shares

In 2018, the Board of Directors has granted restricted shares comprising a total of 54,909 shares to a number of employees.

The restricted shares are granted free of charge and remain restricted during a vesting period of 3 years. Transfer of the restricted shares is subject to the continued employment with the Group in the 3 years vesting period. It applies that upon vesting the employee will receive one share of nominally DKK 1 for each vested restricted share. Special terms apply in case of death and illness. Other than being employed by NORDEN at the time of granting of the restricted shares no conditions are attached to the grant. Where a recipient resigns during the vesting period, non-vested restricted shares will lapse.

The share price at the grant date was DKK 122,1. Expected dividend per share at the grant date was DKK 0.

Movement in the number of outstanding restricted shares is as follows:

	2018	2017
Outstanding at 1 January	0	0
Granted during the period	54,909	0
Lapsed during the period	-845	0
Outstanding at 31 December	**54,064**	**0**

Notes to the financial statements

Note **Amounts in USD'000**

31 Share-based payment, continued

Outstanding restricted shares is composed as follows:

		Number of restricted shares				
Granted	**Vesting period**	**Originally granted in total**	**Executive Manage-ment**	**Other executives**	**Others**	**Total**
13 June 2018	13 June 2018 – 13 June 2021	54,909	18,446	21,769	13,849	54,064

The fair value of the restricted shares granted in 2018 is USD 1,062 thousand.

The expense for the year regarding restricted shares is USD 146 thousand (USD 0 thousand).

Share options
In the years 2012-2017, the Board of Directors has granted share options comprising a total of 2,205,853 shares to a number of employees. The distribution between years and exercise periods can be seen below. It applies to all the programs that the options entitle the holder to acquire one share per option at an exercise price.

The share options may be exercised after at least 3 years and no more than 6 years from the respective grant dates. Exercise of the share options is subject to the continued employment with the Group at the exercise date. Special terms apply in case of death and illness.

Upon exercise, the Executive Management and some of the executives must reinvest 25% of any net gain in NORDEN shares and keep these for at least 2 years. If the employee already own shares, this can be included in the determination of the investment amount.

The exercise price is determined as the 5-day average of the market price following the grant, less all dividend payments after the grant date plus a fee of 10% (2013-2017), respectively, in proportion to the market price at the date of grant.

Note **Amounts in USD'000**

31 Share-based payment, continued

Movement in the number of outstanding share options as follows:

	2018	2017
	Number of options	**Number of options**
Outstanding at 1 January	1,731,393	1,598,358
Addition due to acquisition*	197,003	0
Granted during the period	0	405,691
Lapsed during the period	-13,179	-70,064
Expired during the period	-205,444	-202,592
Outstanding at 31 December	**1,709,773**	**1,731,393**

*) Addition due to acquisition of remaining shares in former joint venture, cf. note 35

Notes to the financial statements

Note Amounts in USD'000

31 Share-based payment – continued

Outstanding share options is composed as follows:

Granted	Excercise period	Exercise price at 31 December 2018, DKK	Number Originally granted in total	Executive Management	Other executives	Others	Total
Share options							
6 March 2013	06.03.2016 - 06.03.2019	193.95	433,669	16,603	78,596	180,601	275,800
11 March 2014	11.03.2017 - 11.03.2020	257.62	446,319	18,505	86,567	180,932	286,004
4 March 2015	04.03.2018 - 04.03.2021	161.49	382,515	22,480	96,942	176,237	295,659
4 May 2015	04.05.2018 - 04.05.2021	149.01	50,000	50,000	0	0	50,000
2 March 2016	02.03.2019 - 02.03.2022	108.00	435,159	78,000	116,364	164,719	359,083
9 Janaury 2017	09.04.2020 -09.04.2023	128.80	50,000	0	50,000	0	50,000
2 March 2017	02.03.2020 - 02.03.2023	146.39	408,191	80,000	134,849	178,378	393,227
Outstanding at 31 December		**166.84**	**2,205,853**	**265,588**	**563,318**	**880,867**	**1,709,773**

Financial comments

The division into employee categories is based on the title of the employee at the grant date. Resigned employees are included in the category "Others". For a more detailed specification of the share options distributed within the Excecutive Management at the end of the year, see the section "Remuneration" in the management commentary.

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

	2017	2016	2015	2014	2013
Volatility	35.6%	31.4%	26.5%	25.6%	29.4%
Rate of yield	0%	0%	0%	200%	200%
Risk-free interest rate	0.00%	0.00%	0.00%	0.24%	0.24%
Revaluation of exercise price	10%	10%	10%	10%	10%
Allotment price	117.09/133.08	98.19	147.66/134.49	277.81	185.40
Fair value of granted options	1.4 mio.	0.9 mio.	1.1 mio.	2.1 mio.	1.8 mio.

The fair value of the granted share options is recognised in the income statement over the vesting period and set off against equity.
All options are granted and exercised after 3.25 years. The expected volatility is based on the historical volatility (calculated as the weighted average remaining term of granted share options) adjusted for expected changes hereto as a result of publicly available information. The expected term is based on the historical term of previously granted share options. The expected dividend per share is based on historical dividends. The risk-free interest rate is based on Danish government bonds.

The expense for the year regarding share options

The expense for the year is USD 858 thousand (USD 967 thousand).

Notes to the financial statements

Note	Amounts in USD'000

32 Liquidity risk

The terms to maturity of financial assets and liabilities are disclosed by category and class distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined based on a 0-coupon interest structure adjusted with the Group's interest margin. All cash flows are undiscounted.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Maturities				
2018	**Within 1 year**	**Between 1-3 years**	**More than 3 years**	**Total**	**Carrying amount**
Derivative financial instruments					
Derivative financial instruments with a positive market value	5,080	0	551	5,631	5,620
Derivative financial instruments with a negative market value	-42	0	-191	-233	-233
Cash flow hedging with a positive market value	684	993	0	1,677	1,656
Cash flow hedging with a negative market value	-26,063	-1,625	-1,483	-29,171	-29,171
Loans and receivables measured at amortised cost					
Cash and cash equivalents	184,426	0	0	184,426	184,426
Freight receivables	172,588	0	0	172,588	172,588
Receivables from joint ventures	12,352	0	0	12,352	12,352
Other receivables	21,164	0	0	21,164	21,164
Total	390,530	0	0	390,530	390,530
Financial assets at fair value through other comprehensive income					
Bonds	4,163	0	0	4,163	4,163
Financial liabilities measured at amortised cost					
Loans	-135,827	-81,380	-159,144	-376,351	-331,979
Trade and other payables	-137,975	0	0	-137,975	-137,975
Total	-273,802	-81,380	-159,144	-514,326	-469,954

Note	Amounts in USD'000

32 Liquidity risk – continued

	Maturities				
2017	**Within 1 year**	**Between 1-3 years**	**More than 3 years**	**Total**	**Carrying amount**
Derivative financial instruments					
Derivative financial instruments with a positive market value	507	436	0	943	959
Derivative financial instruments with a negative market value	-5,212	0	0	-5,212	-5,212
Cash flow hedging with a positive market value	8,738	403	0	9,141	9,141
Cash flow hedging with a negative market value	-3,464	-452	-3,237	-7,153	-7,047
Loans and receivables measured at amortised cost					
Cash and cash equivalents	211,376	0	0	211,376	211,376
Freight receivables	124,000	0	0	124,000	124,000
Other receivables	23,809	0	0	23,809	23,809
Total	359,185	0	0	359,185	359,185
Financial assets at fair value through other comprehensive income					
Bonds	4,295	5,005	0	9,300	8,062
Financial liabilities measured at amortised cost					
Loans	-63,850	-65,400	-124,804	-254,054	-221,745
Payables to joint ventures	-1,906	0	0	-1,906	-1,906
Trade and other payables	-124,085	0	0	-124,085	-124,875
Total	-189,841	-65,400	-124,804	-380,045	-348,526

Financial comments

On the reporting date, floating-rate loans have an interest rate of 3-6 months' LIBOR plus a margin of up to 1.9%.

On conclusion of interest rate swaps, see note 29, the interest rate on two floating rate loans has via interest rate swaps partly been swapped to a fixed rate of 2.234% until 2019.

See note 36 for fair value hierarchy.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
33	**Change in working capital**		
	Inventories	-19,532	-23,612
	Freight and other receivables, etc.	-68,843	-33,035
	Trade and other payables, etc.	55,258	74,861
	Fair value adjustments of cash flow hedging instruments taken to equity	-31,382	6,789
	Total	**-64,499**	**25,003**
34	**Dividends**		
	The amount available for distribution as dividends comprises:	400,094	332,497

Dividends paid in 2018 and 2017 amount to USD 0 (DKK 0 per share) and USD 0 (DKK 0 per share), respectively. The proposed dividend for 2018 is USD 12 million (DKK 2 per share). The proposed dividend for 2018 will be considered on the annual general meeting on 11th April 2019.

Note			
35	**Subsidiaries**		
	Consolidated subsidiaries comprise:	**Ownership**	**Ownership**
	NORDEN Shipping (Singapore) Pte. Ltd., Singapore	100%	100%
	NORDEN Shipping (USA) LLC, USA	100%	100%
	NORDEN Tankers & Bulkers do Brazil Ltda., Brazil	100%	100%
	NORDEN Tankers & Bulkers India Pvt. Ltd., India	100%	100%
	Svalbard Maritime Services AS, Norway	100%	100%
	NORDEN Shipping (Australia) Pty. Ltd., Australia	100%	100%
	NORDEN Tankers & Bulkers Chile SpA, Chile	100%	100%
	Nord Goodwill LLC, USA	100%	100%
	Norient Product Pool ApS, Denmark*	100%	50%
	Norient Cyprus Ltd., Cyprus*	100%	50%
	Norient (USA) LLC, USA*	100%	50%

* The remaining shares have been acquired at year-end 2018. Thus, the entities are now fully owned. The acquisitions are classified as purchase of net assets and not as a business combination. The acquisitions have no material impact on the assets and liabilities of the Group.

Note

36 Fair value hierarchy

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the preseumption that the transaction to sell the asset or transfer the liability takes place either: – In the principal market for the asset or liability or – in the absence of a principal market must be accessible by the Group. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In measuring the fair value of unlisted derivative financial instruments and other financial instruments for which there is no active market, fair value is determined using generally accepted valuation techniques. Market-based parameters such as market-based yield curves and forward exchange prices are used for the valuation. For bunker contracts the price is based on observable stock markets, e.g. Rotterdam and Singapore. The value of FFAs is assessed on the basis of daily recorded prices from the Baltic Exchange. For non-current liabilities and other interest rate based financial instruments, the fair value is based on a discounted value of future cash flows. The 0-coupon rate with the addition of the company's interest margin is used as discount factor.

The fair value of receivables and debt with a maturity of less than 1 year is assumed to approximate their face values less any estimated credit adjustments.

The fair value of bank debt is calculated as the present value of expected future repayments and interest payments. As discount rate at the calculation of present value, a 0-coupon interest with similar maturities adjusted with the company's interest margin has been used.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

Financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:lowing accounting hierarchy:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which lowest level input is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurment is unobservable.

Notes to the financial statements

Note **Amounts in USD'000**

36 Fair value hierarchy – continued

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

2018	Carrying amount	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Freight receivables [1]	172,588	0	0	0
Other receivables [1]	21,164	0	0	0
Recievables from joint ventures	12,352	0	0	0
Cash and cash equivalents [1]	184,426	0	0	0
Total financial assets at amortised costs	**390,530**	**0**	**0**	**0**
Bonds	4,163	4,163	0	0
Derivative financial instruments	1,656	0	1,656	0
Total financial assets at fair value through other comprehensive income	**5,819**	**4,163**	**1,656**	**0**
Derivative financial instruments	5,620	0	5,620	0
Total financial assets at fair value through the income statement	**5,620**	**0**	**5,620**	**0**
Loans	-331,979	0	-334,140	0
Trade payables [1]	-118,767	0	0	0
Other debt [1]	-19,208	0	0	0
Total debt at amortised cost	**-469,954**	**0**	**-334,140**	**0**
Derivative financial instruments	-29,171	0	-29,171	0
Total financial liabilities at fair value through other comprehensive income	**-29,171**	**0**	**-29,171**	**0**
Derivative financial instruments	-233	0	-233	0
Total financial liabilities at fair value through the income statement	**-233**	**0**	**-233**	**0**

Note **Amounts in USD'000**

36 Fair value hierarchy – continued

2017	Carrying amount	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Freight receivables [1]	124,000	0	0	0
Other receivables [1]	23,809	0	0	0
Cash and cash equivalents [1]	211,376	0	0	0
Total financial assets at amortised costs	**359,185**	**0**	**0**	**0**
Bonds	8,062	8,062	0	0
Derivative financial instruments	9,114	0	9,114	0
Total financial assets at fair value through other comprehensive income	**17,176**	**8,062**	**9,114**	**0**
Derivative financial instruments	2,156	0	2,156	0
Financial assets at fair value through the income statement	**2,156**	**0**	**2,156**	**0**
Loans	-221,744	0	-225,307	0
Trade payables [1]	-62,560	0	0	0
Other debt [1]	-63,092	0	0	0
Total debt at amortised cost	**-347,396**	**0**	**-225,307**	**0**
Derivative financial instruments	-2,572	0	-2,572	0
Total financial liabilities at fair value through other comprehensive income	**-2,572**	**0**	**-2,572**	**0**
Derivative financial instruments	-9,956	0	-9,956	0
Total financial liabilities at fair value through the income statement	**-9,956**	**0**	**-9,956**	**0**

[1] Due to the short term, the carrying amount is assumed to approximate the fair value.

Notes to the financial statements

Note

36 Fair value hierarchy – continued

Financial comments

Derivative financial instruments: Fair value of NORDEN's forward exchange contracts and other derivative financial instruments (commodity instruments) are considered for fair value measurement at level 2 as the fair value can be determined directly on the basis of the published exchange rates and forward interest rates and prices at the reporting date.

Bonds: Fair value measurement of bonds is at level 1 as the fair value is determined on the basis of market prices.

Other financial instruments: Fair value of NORDEN's other financial instruments is considered for fair value measurement at level 2 as the fair value can be determined on the basis of trade prices.

37 Transition to IFRS 16

NORDEN will apply IFRS 16 retrospectively without restating comparative figures by determining the lease liability as of 1 January 2019 and measure the right of use asset at the same amount. The majority of the Group's lease contracts are time charter contracts on vessels. For these contracts, the estimated non-lease component (daily running costs) will be excluded from the lease liability.

The Group will elect to use the exemptions not to recognise contracts with a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equiment (e.g. personal computers, printing and photocopying machines), company cars and rental of office spaces that are considered of low value.

The Group will apply the following practical expedients on adoption of IFRS 16:

- Leased contracts with a remaining term of 12 months or less as of 1 January 2019 will not be recognised as lease asset
- The carrying amount of the provision for onerous opering lease contracts will be offset against the carrying amount of the related right of use assets

As of 31 December 2018, the average term of the Group's vessel leases exceeding a remaining term of 12 months is approx. 38 months.

Note **Amounts in USD'000**

37 Transition to IFRS 16 – continued

The lease liability as of 1 January 2019 amounts to USD 350 million and can be reconciled to the operating lease commitment disclosed in note 25 as follows (in tUSD):

Total operating lease commitments, cf. note 25	**1,305,842**
Leased assets with a remaining term of 12 months or leass as of 1 January 2019	-265,134
Lease obligation regarding assets not delivered	-338,111
Estimated daily running cost of vessel leases (non-lease component)	-312,207
Estimated interest element	-39,992
Lease liability as of 1 January 2019	**350,398**
Hereof subleases	-34,728
Provision for onerous contracts, cf. note 22	-42,538
Time charter prepayments, cf. note 15	20,015
- Hereof with a remaining term of 12 month or less	-1,878
- Hereof of prepayments on right of use assets not delivered	-4,500
Right of use asset as of 1 January 2019	**286,769**

Notes to the financial statements

Note

37 Transition to IFRS 16 – continued

The estimated 2019 opening balance restatement effect is disclosed below:

	As reported 31 December 2018	Change	IFRS 16 1 January 2019
Vessels	795,560	-	795,560
Property and equipment	49,466	-	49,466
Prepayments	24,920	-	24,920
Right of use assets	-	+286,769	286,769
Prepayments for right of use assets	-	+4,500	4,500
Total tangible assets	869,946	291,269	1,161,215
Receivables from subleasing right of use assets	-	+26,341	26,341
Other non-current assets	11,854	-	11,854
Total non-current assets	881,800	317,610	1,199,410
Receivables from subleasing right of use assets	-	+8,387	8,387
Current assets	582,628	-18,137	564,491
TOTAL ASSETS	**1,464,428**	**307,860**	**1,772,288**
Equity	826,801	-	826,801
TOTAL EQUITY	**826,801**	**-**	**826,801**
Lease liabilities, non-current	-	+239,556	239,556
Onerous contracts, non-current	21,339	-21,339	0
Other non-current liabilities	206,466	-	206,466
Total non-current liabilities	227,805	218,217	446,022
Lease liabilities, current	-	+110,842	110,842
Onerous contracts, current	21,199	-21,199	0
Other current liabilities	388,623	-	388,623
Total current liabilities	409,822	+89,643	499,465
TOTAL LIABILITIES	**637,627**	**307,860**	**945,487**

Note

37 Transition to IFRS 16 – continued

The income statement will be impacted by a reduction of operating costs and an increase of amortisation and interest expense. Due to the relative short term of the leases, the year by year net impact on profit/loss is limited. However, until the point in time where the provision for onerous leases would have been fully utilised under the current accounting policies, the impact is negative. This is due to the fact that the provisions were expected to be utilised over a shorter period than the lease term, whereas the right of use assets are amortised straight line over the full lease term.

Applying an unchanged lease portfolio as of 1 January 2019, profit/loss from operations (EBIT) will increase by approx. USD 3 million and profit/loss for the year will decrease by USD 14 million.

Profit/loss effect of IFRS 16 (USD million)	2019
Vessel operating costs	98
EBITDA	98
Amortisation	-95
EBIT	3
Financial expenses	-17
Profit/loss for the year	**-14**

38 Fees to auditor appointed at the general meeting

	2018	2017
"Overhead and administration costs" include the following fees to PricewaterhouseCoopers:		
Audit	410	370
Other assurance services	25	14
Tax consultancy	42	77
Other services	101	134
Total	**578**	**595**

The fee for non-audit services performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is USD 153 thousand (2017: USD 206 thousand) and comprises accounting and tax advisory services and other general financial reporting and tax consultancy. None of the nonaudit services performed are prohibited.

39 Events after the reporting date

See page 11 in the management commentary.

Parent Company Financial Statements 2018

Income Statement 1 January – 31 December

Note	Amounts in USD'000	2018	2017
	Revenue	**2,253,156**	**1,585,891**
	Other operating income	4,247	11,073
	Vessel operating costs	-2,139,536	-1,507,481
2	Other external costs	-20,321	-16,192
3	Staff costs	-59,672	-48,193
	Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**37,874**	**25,098**
4	Profit/loss from sale of vessels, etc.	-203	911
6	Depreciation, amortisation and impairment losses	-26,785	-23,831
	Profit/loss from operations (EBIT)	**10,886**	**2,178**
7	Profit/loss from investments in subsidiaries	33,912	22,350
8	Profit/loss from investments in joint ventures	-1,582	730
	Financial income	4,424	12,350
	Financial expenses	-15,739	-14,839
	Profit/loss before tax	**31,901**	**22,769**
5	Tax for the year	-3,261	2,472
	PROFIT/LOSS FOR THE YEAR	**28,640**	**25,241**

Statement of Changes in Equity at 31 December

Note	Amounts in USD'000	Share capital	Reserve for net revaluation according to equity method	Retained earnings	Total
	Equity at 1 January 2018	**6,706**	**495,201**	**332,497**	**834,404**
	Profit/loss for the year	0	-75,201	103,841	28,640
	Fair value adjustments taken to equity, hedging instruments	0	0	-31,382	-31,382
9	Acquisition of own shares	0	0	-5,865	-5,865
19	Share-based payment	0	0	1,004	1,004
	Changes in equity	**0**	**-75,201**	**67,598**	**-7,603**
	Equity at 31 December 2018	**6,706**	**420,000**	**400,095**	**826,801**
	Equity at 1 January 2017	**6,706**	**482,895**	**311,805**	**801,406**
	Profit/loss for the year	0	12,306	12,935	25,241
	Fair value adjustments taken to equity, hedging instruments	0	0	6,790	6,790
19	Share-based payment	0	0	967	967
	Changes in equity	**0**	**12,306**	**20,692**	**32,998**
	Equity at 31 December 2017	**6,706**	**495,201**	**332,497**	**834,404**

Statement of Financial Position at 31 December – Assets

Note	Amounts in USD'000	2018	2017
6	Vessels	522,114	363,355
6	Property and equipment	48,979	49,390
6	Prepayments on vessels and newbuildings	24,915	40,254
	Tangible assets	**596,008**	**452,999**
7	Investments in subsidiaries	444,015	518,646
8	Investments in joint ventures	44	407
	Financial assets	**444,059**	**519,053**
	Non-current assets	**1,040,067**	**972,052**
	Inventories	80,294	59,059
	Freight receivables	145,229	100,401
	Receivables from subsidiaries	769	3,205
	Receivables from joint ventures	32,356	11,485
	Other receivables	27,628	30,267
	Prepayments	75,840	62,947
	Securities	4,163	8,062
	Cash and cash equivalents	164,701	206,089
	Current assets	**530,980**	**481,515**
	ASSETS	**1,571,047**	**1,453,567**

Statement of Financial Position at 31 December – Equity and Liabilities

Note	Amounts in USD'000	2018	2017
9	Share capital	6,706	6,706
	Reserve for net revaluation according to the equity method	420,000	495,201
	Retained earnings	400,095	332,497
	Equity	**826,801**	**834,404**
11	Loans	206,466	195,435
12	Provisions	8,310	20,724
	Non-current liabilities	**214,776**	**216,159**
11	Loans	125,513	26,310
12	Provisions	12,413	21,982
	Trade payables	108,184	55,831
	Debt to subsidiaries	153,734	194,797
	Debt to joint ventures	0	1,906
	Current tax liabilities	3,248	0
	Other payables	47,675	54,563
	Deferred income	78,703	47,615
	Current liabilities	**529,470**	**403,004**
	Liabilities	**744,246**	**619,163**
	EQUITY AND LIABILITIES	**1,571,047**	**1,453,567**

Other notes:

Note	
1	Basis of preparation
13	Operating lease liabilities
14	COAs and operating lease income
15	Unrecognised contingent liabilities
16	Mortgages and security
17	Derivative financial instruments and hedge accounting
18	Related party disclosures and transactions with related parties
19	Share-based payment
20	Financial risk management

Notes to the financial statements

Note

1 Basis of preparation

NORDEN prepares the Parent Company financial statements for Dampskibsselskabet NORDEN A/S in accordance with the Danish Financial Statements Act applying to enterprises of reporting class D.

NORDEN has implemented the changes in accounting policies as mentioned in note 1 of the consolidated financial statements. This has not had an impact on result for 2017 nor equity as 1 January 2018. Otherwise, the accounting policies of the Parent Company is unchanged.

Income statement and balance sheet
Profit/loss from investments in subsidiaries and joint ventures
In the Parent Company's income statement, the proportional share of earnings is recognised under the items "Profit/loss from investments in subsidiaries" and "Profit/loss from investments in joint ventures".

Investments in subsidiaries and joint ventures
Investments in subsidiaries and joint ventures are recognised and measured according to the equity method.

In the balance sheet under the items "Investments in subsidiaries" and "Investments in joint ventures", the proportional ownership share of the companies' net asset value is recognised.

The total net revaluation of investments in subsidiaries and joint ventures is transferred through the distribution of profits to "Reserve for net revaluation according to equity method" under equity. The reserve is reduced by dividend payments to the Parent Company and is adjusted with other changes in equity in subsidiaries and joint ventures.

Subsidiaries and joint ventures with negative net asset value are recognised at USD 0 million, and a provision to cover the negative balance is recognised if such a present obligation for this purpose exists.

Securities
Bonds are recognised under current assets at fair value at the trade date and are subsequently measured at market price in respect of listed securities and at fair value applying a valuation method in respect of unlisted securities. Value adjustments are recognised in net financials in the income statement.

Other accounting policies
With reference to the provisions of the Danish Financial Statements Act, the Company has refrained from both preparing a cash flow statement and presenting segment information in the Parent Company financial statements. For this information, see the consolidated financial statements for Dampskibsselskabet NORDEN A/S. Please see note 1 "Basis of preparation" in the consolidated financial statements for other accounting policies.

Note	Amounts in USD'000	2018	2017
2	**Fees to auditor appointed at the general meeting**		
	"Other external costs" include the following fees to PricewaterhouseCoopers:		
	Audit	321	262
	Other assurance services	16	14
	Tax consultancy	39	72
	Other services	98	120
	Total	**474**	**468**
3	**Staff costs**		
	Wages and salaries	54,116	43,249
	Pensions – defined contribution plans	3,497	3,086
	Other social security costs	1,122	964
	Share-based payment	937	894
	Total	**59,672**	**48,193**
	Average number of employees	710	643

Staff costs and average number of employees exclude employees on T/C vessels.

For remuneration of the Executive Management and the Board of Directors, see note 5 to the consolidated financial statements.

See also note 31 to the consolidated financial statements, which comprises a description of share-based payment.

Note	Amounts in USD'000	2018	2017
4	**Profit/loss from sale of vessels, etc.**		
	Profit/loss from sale of vessels	-203	911
	Total	**-203**	**911**

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
5	**Taxation**		
	Tax on the results for the year	3,261	0
	Adjustment of tax regarding previous years	0	-2,472
	Total	**3,261**	**-2,472**
	The Company decided to continue under the tonnage tax scheme as of 1 January 2011 for a binding 10-year period.		
	If the Company's net investments in vessels decrease noticeably or if the Company is liquidated, the contingent tax from before the Company joined the tonnage tax scheme will be released.		
	Contingent tax under the tonnage tax scheme	16,318	16,318
	Contingent tax is calculated equalling the tax rate for 2018 and going forward.	22%	22%

Note 6 — Amounts in USD'000

6 Tangible assets

2018	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
Cost at 1 January	559,813	78,316	51,571	689,700
Additions for the year	75,945	455	121,397	197,797
Disposals for the year	-26,920	-25,876	-31,484	-84,280
Transferred during the year	112,034	0	-112,034	0
Transferred during the year, other items	0	0	-364	-364
Cost at 31 December	720,872	52,895	29,086	802,853
Depreciation at 1 January	-165,730	-28,926	0	-194,656
Depreciation for the year	-25,918	-867	0	-26,785
Reversed depreciation on vessels disposed of	24,631	25,877	0	50,508
Depreciation at 31 December	-167,017	-3,916	0	-170,933
Impairment losses at 1 January	-30,728	0	-11,317	-42,045
Transferred during the year	-3,300	0	3,300	0
Reversal of impairment losses on vessels disposed of	2,287	0	3,846	6,133
Impairment losses at 31 December	-31,741	0	-4,171	-35,912
Carrying amount at 31 December	**522,114**	**48,979**	**24,915**	**596,008**

Amount insured on vessels USD 634 million.
See note 16 for security provided for tangible assets.

Notes to the financial statements

Note	Amounts in USD'000				
6	**Tangible assets – continued**				
	2017	**Vessels**	**Property and equipment**	**Prepayments on vessels and newbuildings**	**Total**
	Cost at 1 January	593,867	77,928	34,155	705,950
	Additions for the year	2,067	388	45,121	47,576
	Disposals for the year	-36,121	0	-27,705	-63,826
	Cost at 31 December	559,813	78,316	51,571	689,700
	Depreciation at 1 January	-166,503	-27,153	0	-193,656
	Depreciation for the year	-22,058	-1,773	0	-23,831
	Reversed depreciation on vessels disposed of	22,831	0	0	22,831
	Depreciation at 31 December	-165,730	-28,926	0	-194,656
	Impairment losses at 1 January	-30,728	0	-14,497	-45,225
	Reversal of impairment losses on vessels disposed of	0	0	3,180	3,180
	Impairment losses at 31 December	-30,728	0	-11,317	-42,045
	Carrying amount at 31 December	**363,355**	**49,390**	**40,254**	**452,999**

Amount insured on vessels USD 561 million.

See note 16 for security provided for tangible assets.

Contractual liabilities

The Company has entered into agreements for future delivery of newbuildings and declared purchase options, etc. The remaining contract amount is payable as follows:

	2018	**2017**
Within 1 year	43,480	141,595
Between 2 and 3 years	34,650	60,400
After 3 years	0	0
Total	**78,130**	**201,995**

Note	Amounts in USD'000	2018	2017
7	**Investments in subsidiaries**		
	Cost at 1 January	18,228	18,228
	Transferred from joint ventures	5,343	0
	Additions for the year	198	0
	Cost at 31 December	23,769	18,228
	Value adjustments at 1 January	500,418	488,068
	Share of result for the year	34,371	17,850
	Intercompany gains on purchase/sale of vessels	0	4,959
	Group adjustment	8	0
	Transferred from joint bentures	-6,592	0
	Depreciation for the year internal profit/loss	-459	-459
	Dividends received	-107,500	-10,000
	Value adjustments at 31 December	420,246	500,418
	Carrying amount at 31 December	**444,015**	**518,646**
	Subsidiaries comprise:	**Ownership**	**Ownership**
	NORDEN Shipping (Singapore) Pte. Ltd., Singapore	100%	100%
	NORDEN Shipping (USA) LLC., USA	100%	100%
	NORDEN Tankers & Bulkers do Brazil Ltda., Brazil	100%	100%
	NORDEN Tankers & Bulkers India Pvt. Ltd., India	100%	100%
	Svalbard Maritime Services AS, Norway	100%	100%
	NORDEN Shipping (Australia) Pty. Ltd., Australia	100%	100%
	NORDEN Tankers & Bulkers Chile SpA, Chile	100%	100%
	Nord Goodwill LLC, USA	100%	100%
	Norient Product Pool ApS, Denmark*	100%	50%
	Norient Cyprus Ltd., Cyprus*	100%	50%
	Norient (USA) LLC, USA*	100%	50%

* The remaining shares have been acquired at year-end 2018. Thus, the entities are now fully-owned. The acquisitions are classified as purchase of net assets and not as a business combination. The acquisitions have no material impact on the assets and liabilities of the Company.

For guarantees relating to subsidiaries, see note 15.

No significant restrictions apply to distributions from subsidiaries.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
8	**Investments in joint ventures**		
	Cost at 1 January	5,624	5,624
	Transferred to subsidiaries	-5,343	0
	Additions for the year	0	0
	Cost at 31 December	281	5,624
	Value adjustment at 1 January	-5,217	-5,173
	Share of results for the year	-1,581	730
	Value adjustments joint ventures	0	0
	Distributed dividends	-31	-774
	Transferred to subsidiaries	6,592	0
	Value adjustments at 31 December	-237	-5,217
	Carrying amount at 31 December	**44**	**407**

	Investments in joint ventures comprise:	Ownership	Ownership
	Norient Product Pool ApS, Denmark*	0	50%
	Norient Cyprus Ltd., Cyprus*	0	50%
	Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	50%
	Key figures (100%) for joint ventures are:		
	Revenue and other income	11,911	14,868
	Costs	15,073	13,409
	Non-current assets	1	8
	Current assets	1,400	17,676
	Current liabilities	1,314	16,867

No significant restrictions apply to distributions from joint ventures.

* see note 7 Subsidiaries

Note **Amounts in USD'000**

9 Share capital

The share capital consists of 42,200,000 shares of a nominal value of DKK 1 each. No shares are subject to any special rights or restrictions.

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2018	2017	2018	2017	2018	2017
1 January	1,732,385	1,732,385	1,732	1,732	4.11	4.11
Aquisition	442,000	0	442	0	1.04	0.00
Acquisition due to acquisition*	101,682	0	102	0	0.24	0.00
31 December	**2,276,067**	**1,732,385**	**2,276**	**1,732**	**5.39**	**4.11**

* Addition due to acquisition of remaining shares in former joint venture, c.f. note 35 to the consolidated financial statements.

The Company is authorised by the general meeting to acquire a maximum of 4,220,000 treasury shares, equal to 10% of the share capital.

Treasury shares are i.a. acquired for the purpose of hedging in connection with sharebased payment, see note 31 to the consolidated financial statements.

At 1 January 2018, the Group had a total of 40,467,615 outstandings shares of DKK 1 each, and at 31 December 2018, a total of 39,923,933 outstandings shares of DKK 1 each.

On 8 November 2018, NORDEN initiated a share buy-back programme, which runs from 8 November 2018 up to and including no later than 28 February 2019. The share buy-back programme is initiated pursuant to the authorisation granted to the Board of Directors, which entitles NORDEN to acquire treasury shares at a nominal value not exceeding 10% of the share capital at the market price applicable at the time of acquisition with a deviation of up to 10%. The purpose of the share buy-back programme is to adjust the capital structure of the Group.

Since the share buy-back programme was initiated up until year end 2018, the total number of acquired number of shares is 442,000 at a total amount of DKK 41,431,360.

The shares were acquired at an average price of DKK 91.02 per share, which prices ranging from DKK 86.96 to DKK 100.47. The total cost of DKK 41,431,360 was deducted from retained earnings.

Notes to the financial statements

Note	Amounts in USD'000	2018	2017
10	**Proposal for the distribution of profit/loss**		
	Reserve for net revaluation according to the equity method	-75,201	12,306
	Retained earnings	103,841	12,935
	Total	**28,640**	**25,241**
	Proposed dividend per share, DKK	2.00	0.00
11	**Loans**		
	Repayment within 1 year	125,513	26,310
	Repayment between 1 to 5 years	122,218	131,483
	Repayment over 5 years	84,248	63,952
	Total	**331,979**	**221,745**
12	**Provisions**		
	As at 1 January	42,706	93,042
	Provision made during the year	0	0
	Applied provision during the year	-21,983	-50,336
	As at 31 December	**20,723**	**42,706**
	Provisions are distributed as follows:		
	Within 1 year	12,413	21,982
	Between 1 and 5 years	8,310	20,724
	More than 5 years	0	0
	Total	**20,723**	**42,706**
	See note 23 in the consolidated financial statements for more on provisions.		
13	**Operating lease liabilities**		
	Operating lease liabilities regarding vessels	1,215,132	1,247,549
	– hereof provisions and other payables*	34,524	39,790
	Total	**1,180,608**	**1,207,759**

* Provision for onerous time charter contracts. Please see note 12.

Note	Amounts in USD'000	2018	2017
14	**COAs and operating lease income**		
	COAs	565,414	495,530
	Operating lease income	137,619	138,970
	Total	**703,033**	**634,500**
15	**Unrecognised contingent liabilities**		
	Unrecognised liabilities		
	Guarantee commitments do not exceed	15	31
	Claims have been made against the Group primarily concerning responsibility of redelivery and broker fees, etc. The Group and its legal advisors consider the claims unjustified and do not estimate that the Company will incur any losses as a result of the actions for damages. The maximum risk is assessed to be	350	320
	The parent company guarantees the subsidiaries' lease liabilities towards external counterparties and the subsidiaries' newbuilding liabilities. The total liabilities are disclosed in the Group's note 12 and 26.		
16	**Mortgages and security**		
	As security for loans	331,979	221,745
	a total number of vessels of	19	10
	and a total nunber of buildings of	2	2
	with a carrying amount of	492,549	303,923
	have been mortgaged at	467,078	283,810

Some of the mortages have been registrered with an amount to secure future drawings under a revolving credit facility of USD 100 million of which USD 93 million have been drawn.

In addition to the above, the subsidiary NORDEN Shipping (Singapore) Pte. Ltd. has granted a mortgage on 9 (6) vessels with a carrying amount of USD 180 million (USD 146 million). Furthermore, the subsidiary guarantees debt in the parent company amounting to USD 319 million (USD 209 million) at the reporting date.

Notes to the financial statements

Note

17 Derivative financial instruments and hedge accounting

See note 29 to the consolidated financial statements.

18 Related party disclosures and transactions with related parties

See note 30 to the consolidated financial statements.

19 Share-based payment

See note 31 to the consolidated financial statements.

20 Financial risk management

See note 2 to the consolidated financial statements.

Definitions of key figures and financial ratios

Key figures and financial ratios are computed in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Society of Financial Analysts. However, NORDEN deviates from the recommendation in the calculation of EBITDA as the Company does not recognise gains and losses from sale of vessels in EBITDA. This item is included in the operating profit (EBIT).

The ratios listed in the key figures and financial ratios section are calculated as follows:

Adjusted Result for the year	=	Profit/loss for the period adjusted for profit and loss from the sale of vessels etc. and fair value adjustment of certain hedging instruments
Book value per DKK 1 share	=	Year-end equity, excluding minority interests / Number of shares at year-end, excluding treasury shares
Contribution margin	=	Revenue less Vessel operating costs plus Other operating income, net
Dividend yield	=	Dividend per share x 100 / Share price
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDA ratio	=	EBITDA x 100 / Net revenue
Equity ratio	=	Equity at year-end, excluding minority interests x 100 / Total assets
Invested capital	=	Equity, including minority interests + net interest-bearing debt at year-end
Net interest-bearing debt	=	Interest-bearing debt less cash and securities at year-end
Net profit or loss per DKK 1 share	=	Profit or loss for the year / Number of shares at year-end, excluding treasury shares
Payout ratio	=	Dividend, excluding treasury shares x 100 / Profit or loss for the year, excluding minority interests
Price/book value	=	Share price at year-end per DKK 1 share / Book value per DKK 1 share
Profit margin (EBIT margin)	=	Profit or loss from operations x 100 / Net revenue
Return on assets	=	Profit or loss from operations x 100 / Total assets at year-end
Return on equity in % (ROE)	=	Profit or loss for the year, excluding minority interests x 100 / Average equity, excluding minority interests
Return on invested capital (ROIC)	=	Profit or loss from operations x 100 / Average invested capital
Share price at year-end per DKK 1 share	=	The last-quoted average price on Nasdaq Copenhagen for all trade in the Company share at the reporting date
Total shareholder return	=	The total return of a share to an investor based on share price performance and dividends. Dividends are assumed to have been reinvested in the share. Return is based on USD.
USD exchange rate at year-end	=	The USD exchange rate quoted by the National Bank of Denmark at year-end

Technical terms and abbreviations

A

Adjusted Result for the period Results for the period without the effects from purchase and sale of vessels and fair value adjustments of certain hedging instruments used for example when purchasing bunkers.

B

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

Bloomberg Provider of financial news and data.

Bunker Fuel used by the vessels.

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

C

CAPEX (capital expenses) Newbuilding instalments, docking and investments in vessel equipment e.g. ballast water treatment system and scrubbers, etc.

Cargo contract See COA.

Charter party Overall term for contracts in shipping, including COAs (see COA).

Clarksons Shipbroking company.

CO_2 Carbon dioxide.

COA (Contract of Affreightment/cargo contract) Agreement to transport cargo for a predetermined period – 3 months, 5 years, 10 years, etc. – and at a predetermined price per tonne.

Commercial management Agreement to operate a vessel on the account and risk of the shipowner.

Contract of Affreightment See COA.

Coverage Securing employment of a vessel for a longer period of time (see spot market).

CSR (Corporate Social Responsibility) Companies' social responsibility.

D

Dry cargo vessel (bulk carrier) Vessel used for bulk transport of grain, coal, ore, sugar, cement, etc.

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

E

EBIT Earnings Before Interest and Tax.

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

F

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

Forward rate Market expectations for future rate levels.

H

Handysize Bulk carrier of 28,000-39,000 dwt. capacity or product tanker of 36,000-40,000 dwt. capacity.

I

IAS International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

IMO International Maritime Organisation – shipping organisation under the UN.

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

INTERTANKO International association of independent tanker owners.

L

Liner shipping Voyages with fixed routes.

Long-term charter Agreement to charter a vessel for more than 13 months.

M

MACN Maritime Anti-Corruption Network.

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

MR (medium range) Product tanker of 46,000-52,000 dwt. capacity.

N

Net Asset Value (NAV) Booked equity adjusted for the market value of the fleet.

Net gearing The ratio of the Company's net commitments to equity after deduction of contractually secured cash flows.

O

OECD Organisation for Economic Co-operation and Development.

Operator activities Combination of cargoes and available vessels in the market.

Operator profit Value added compared to earnings if employed at forward rates at the beginning of the year.

OPEX (operating expenses) Daily running costs on vessels including salaries and stores

P

Panamax Bulk carrier of 75,000-93,000 dwt. capacity – largest vessel type to pass the Panama Canal.

Pool Group of vessels with different owners but commercially operated together.

Port State Control The countries' technical inspection of foreign vessels calling at their ports.

Post-Panamax Bulk carrier of 111,000-120,000 dwt. capacity.

Product tank Transport of refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel.

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

R

ROE Return on equity.

ROIC Return on invested capital.

S

Ship days Total number of days with available vessel capacity.

Short-term charter Agreement to charter a vessel for less than 13 months.

SIRE (Ship Inspection Report Programme) The oil companies' inspection of the safety and operational standard of the product tankers.

SOx The sulphur oxides SO and SO_2.

Spot market Day-to-day market for cargo contracts.

SSY Shipbroking company.

Supramax Bulk carrier of 50,000-64,000 dwt. capacity.

T

Tanker Vessel transporting liquid cargo such as crude oil and refined oil products.

T/C (time charter) Lease of a vessel whereby the vessel is hired out for a short or long period.

T/C equivalent (time charter equivalent) Freight revenues less bunker consumption and port charges.

Technical management Agreement to manage a vessel's technical operations and crew at the account and risk of the shipowner.

Tonne-mile A measure of demand for capacity. Calculated as the freight amount times the transport distance in nautical miles.

TRACS AIS-based vessel tracking system developed by Tufton Oceanic.

Tramp shipping Voyages without fixed routes – NORDEN's business area.

U

UN Global Compact The UN's social charter for enterprises, etc.

USDA United States Department of Agriculture.

V

Vetting Collective term for the many kinds of inspections of product tankers – including SIRE inspections – which the oil companies carry out themselves or demand to have carried out.

Company details

The Company
Dampskibsselskabet NORDEN A/S
52, Strandvejen
DK-2900 Hellerup
Telephone: +45 3315 0451
Fax: +45 3315 6199

CVR no.: 67 75 89 19
Financial year: 1 January - 31 December
Municipality of domicile: Gentofte

Fax Tanker Department: +45 3393 1599
Fax Dry Cargo Department: +45 3271 0799
Fax Technical Department +45 3393 3733
Website: www.ds-norden.com
Email: direktion@ds-norden.com

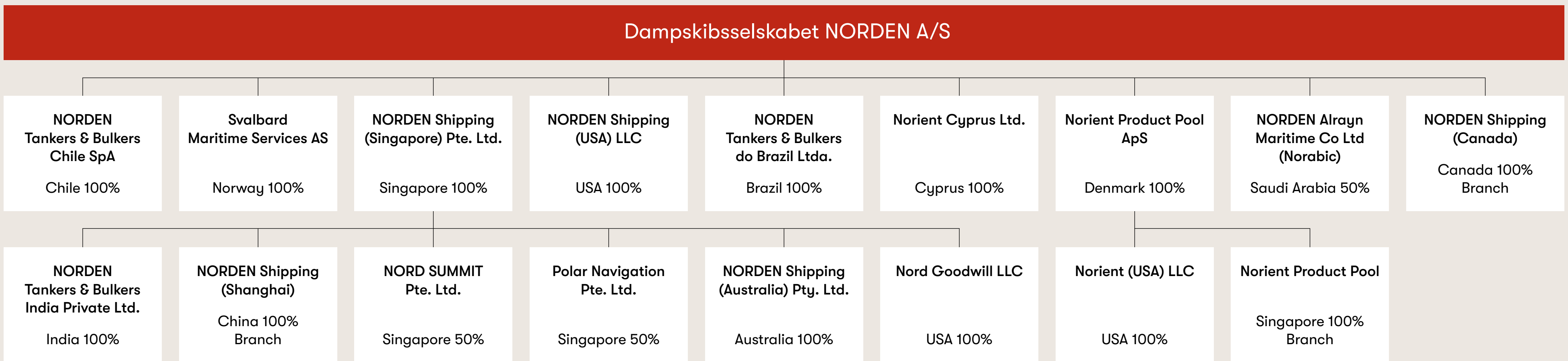
Board of Directors
Klaus Nyborg, Chairman
Johanne Riegels Østergård, Vice Chairman
Karsten Knudsen
Tom Intrator
Helle Østergaard Kristiansen
Stephen John Kunzer
Lars Enkegaard Biilmann (employee representative)
Susanne Fauerskov (employee representative)
Jesper Svenstrup (employee representative)

Executive Management
Jan Rindbo, CEO
Martin Badsted, CFO

Auditor
PricewaterhouseCoopers,
Statsaut. Revisionspartnerselskab
44, Strandvejen
DK-2900 Hellerup
Denmark

Annual General Meeting
The annual general meeting will be held on Thursday 11 April 2019 at 3.00 p.m. at Radisson Blu Scandinavia Hotel,
70, Amager Boulevard,
DK-2300 Copenhagen S.

Group structure



Dampskibsselskabet NORDEN A/S
52, Strandvejen
DK-2900 Hellerup
Denmark

Telephone: +45 3315 0451
www.ds-norden.com
CVR no. 67 75 89 19

Watch the vessel
NORD AUCKLAND
in Norway

Design and production: Noted