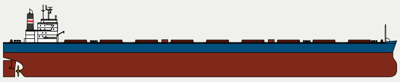
DAMPSKIBSSELSKABET NORDEN A/S

Consolidated Annual Report 2016

Contents

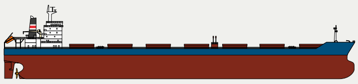
Cover photo:
The Panamax vessel NORD NEPTUNE sails through the morning fog on the San Joaquin River in California October 2016. The vessel is carrying 30,000 tonnes of coal from Stockton and is on its way to Richmond, where it will take on a further 30,000 tonnes of coal before heading to Mejillones in Chile, where the coal will be discharged. Photo: Captain Jørn Hovmand Larsen.

Dry Cargo



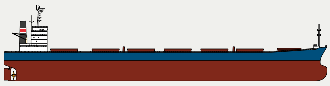
Capesize

Total number of vessels	1
Owned vessels	0
Chartered vessels	1
Length	290 metres
Width	45 metres
Cargo capacity (deadweight)	170,000-180,000 tonnes
Cargoes	Iron ore and coal
Customers	Steel works, mining companies and power plants
Average age – owned vessels	-
Total number of Capesize vessels in the global fleet	1,530
Average age of Capesize in the global fleet	7.7 years



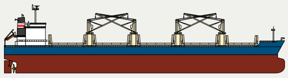
Post-Panamax

Total number of vessels	4
Owned vessels	0
Chartered vessels	4
Length	240-250 metres
Width	43 metres
Cargo capacity (deadweight)	110,000-120,000 tonnes
Cargoes	Iron ore and coal
Customers	Steel works, mining companies and power plants
Average age – owned vessels	-
Total number of Post-Panamax vessels in the global fleet	543
Average age of Post-Panamax in the global fleet	6.6 years



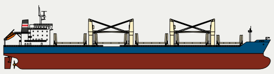
Panamax

Total number of vessels	85
Owned vessels	4
Chartered vessels	81
Length	215-230 metres
Width	32 metres
Cargo capacity (deadweight)	70,000-85,000 tonnes
Cargoes	Iron ore, coal, grain, bauxite, cement and slags
Customers	Steel works, mining companies, power plants, cement producers, grain traders and trading houses
Average age – owned vessels	10.4 years
Total number of Panamax vessels in the global fleet	2,027
Average age of Panamax in the global fleet	8.9 years



Supramax

Total number of vessels	74
Owned vessels	6
Chartered vessels	68
Length	190-200 metres
Width	32 metres
Cargo capacity (deadweight)	50,000-62,000 tonnes
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
Average age – owned vessels	6.8 years
Total number of Supramax vessels in the global fleet	3,426
Average age of Supramax in the global fleet	8.2 years



Handysize

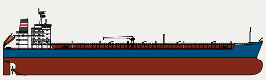
Total number of vessels	36
Owned vessels	8
Chartered vessels	28
Length	170-190 metres
Width	27-30 metres
Cargo capacity (deadweight)	28,000-38,000 tonnes
Cargoes	Coal, grain, cement, sugar, fertiliser and wood pellets
Customers	Mining companies, power companies, grain traders, trading houses and producers of cement, sugar, fertiliser and wood pellets
Average age – owned vessels	5 years
Total number of Handysize vessels in the global fleet	2,669
Average age of Handysize in the global fleet	9.5 years

Number of vessels in NORDEN's fleet:

236

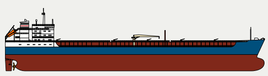
199 dry cargo vessels and 37 tanker vessels

Tankers



MR

Total number of vessels	22
Owned vessels	9
Chartered vessels	13
Length	180-185 metres
Width	32 metres
Cargo capacity (deadweight)	45,000-50,000 tonnes
Cargoes	Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers	Oil majors and oil traders
Average age – owned vessels	3.8 years
Total number of MR vessels in the global fleet	1,342
Average age of MR in the global fleet	8.8 years



Handysize

Total number of vessels	15
Owned vessels	11
Chartered vessels	4
Length	175-185 metres
Width	27-31 metres
Cargo capacity (deadweight)	37,000-40,000 tonnes
Cargoes	Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel
Customers	Oil majors and oil traders
Average age – owned vessels	8.1 years
Total number of Handysize vessels in the global fleet	566
Average age of Handysize in the global fleet	12.3 years

Notes: All data as per 31 December 2016. Source - global fleet data/dry cargo: Clarksons. Source - global fleet data/tankers: SSY

NORDEN

Corporate Soul Purpose

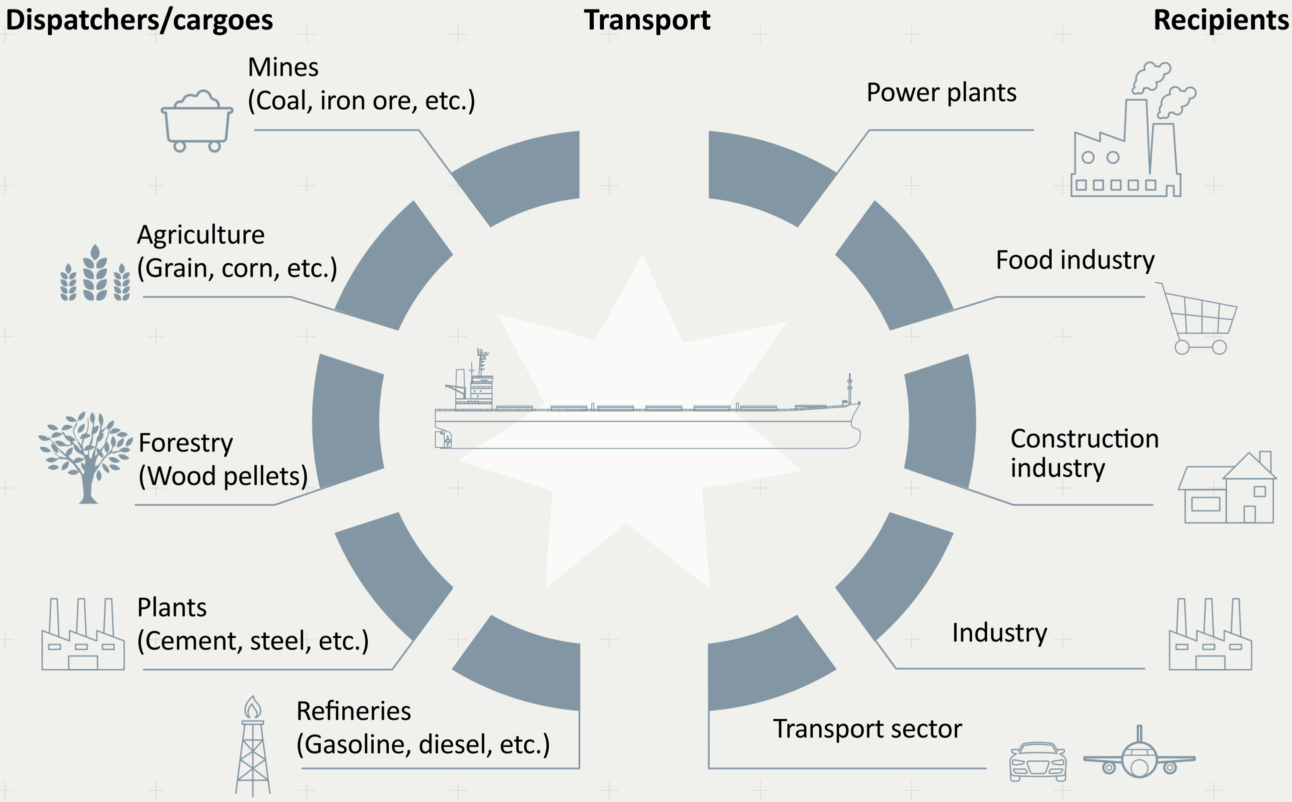
As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters.

Values

Flexibility · Reliability
Empathy · Ambition

Business model

Based on a global network of offices and good access to customers, NORDEN generates earnings by combining cargoes with vessels and earning more money on transporting the cargo than what it costs NORDEN to provide the capacity.



Cargo contracts

are entered into through

COA
contract for multiple transports typically over several years

Spotmarket
contract for single voyages

FFA
paper market for transportation contracts

Transport

takes place on

Owned
vessels

Long-term chartered
vessels (+13 months)

Short-term chartered
vessels

NORDEN's characteristics:

- ✓ Established in 1871
- ✓ Active in both Dry Cargo and Tankers
- ✓ Owned core fleet supplemented by extensive chartered fleet
- ✓ Combination of long-term, stable cargo contracts and significant operator activities in the market
- ✓ Global network of offices and port captains in direct contact with customers
- ✓ One of the world's largest operators of product tankers through part ownership (50%) of Norient Product Pool
- ✓ Listed on Nasdaq Copenhagen
- ✓ Transparency in financial reporting, Corporate Governance and CSR

Consolidated annual report

For the sake of clarity and user friendliness, NORDEN publishes a consolidated annual report which excludes the financial statements of the parent company, Dampskibsselskabet NORDEN A/S. This consolidated annual report is an extract of the Company's full annual report pursuant to section 149 of the Danish Financial Statements Act.

Key figures and financial ratios

	2016	2015	2014	2013	2012
Income statement, USD million					
Revenue	1,251.2	1,653.4	2,038.1	2,145.9	2,131.4
Costs	-1,220.6	-1,632.9	-2,299.6	-2,121.6	-1,983.5
Earnings before depreciation, etc. (EBITDA) (excl. provisions)	30.6	165.5	-31.3	24.3	147.9
Provision (excl. joint ventures)	0.0	-145.0	-230.2	0.0	0.0
Earnings before depreciation, etc. (EBITDA)	30.6	20.5	-261.5	24.3	147.9
Profits and loss from the sale of vessels, etc.	-45.5	-31.0	0.0	2.5	-23.9
Depreciation and write-downs	-49.6	-248.6	-68.2	-79.0	-388.5
Earnings from operations (EBIT)	-64.5	-282.0	-335.5	-51.3	-265.4
Fair value adjustment of certain hedging instruments	34.5	9.1	-61.9	10.6	-10.1
Net financials	-12.3	-9.4	-15.2	-2.5	1.7
Earnings before tax	-42.2	-282.3	-412.5	-43.2	-273.9
Results for the year	-45.6	-284.9	-415.6	-47.7	-278.8
Results for the year for the NORDEN shareholders	-45.6	-284.9	-415.6	-47.7	-278.8
Adjusted results for the year [1)]	-34.6	-263.0	-350.2	-60.8	-244.8
Statement of financial position, USD million					
Non-current assets	767.1	945.7	1,221.0	1,215.2	1,149.8
Total assets	1,301.0	1,604.7	1,778.0	2,061.2	2,033.4
Equity (including minority interests)	801.4	856.1	1,139.3	1,604.8	1,687.2
Liabilities	499.6	748.6	638.7	456.4	346.2
Invested capital	753.8	788.7	1,131.6	1,377.0	1,314.2
Net interest-bearing assets	47.6	67.3	7.7	227.8	373.0
Cash and securities	263.9	365.7	238.3	486.1	528.6
Cash flows, USD million					
From operating activities	-79.7	76.9	-46.0	-8.9	122.1
From investing activities	102.1	-112.9	66.2	-61.9	7.0
- hereof investments in property, plant and equipment	-36.8	-131.6	-110.4	-139.4	-165.8
From financing activities	-85.3	67.5	-79.4	62.5	-37.9
Change in cash and cash equivalents for the year	62.9	31.5	-59.2	-8.3	91.2
Financial and accounting ratios					
Share-related key figures and financial ratios:					
No. of shares of DKK 1 each (including treasury shares)	42,200,000	42,200,000	42,200,000	43,000,000	43,000,000
No. of shares of DKK 1 each (excluding treasury shares)	40,467,615	40,467,615	40,460,055	40,770,988	41,277,839
No. of treasury shares	1,732,385	1,732,385	1,739,945	2,229,012	1,722,161
Earnings per share (EPS) (DKK)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)	-1.2 (-7)	-6.8 (-39)
Diluted earnings per share (diluted EPS) (DKK)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)	-1.2 (-7)	-6.8 (-39)
Dividend per share, DKK	0	0	0	5	3
Book value per share (DKK)	19.0 (134)	21.2 (144)	28.2 (172)	39.4 (213)	40.9 (231)
Share price at year-end, per share DKK 1	110.5	122.1	131.4	285.0	163.1
Price/book value	0.8	0.8	0.8	1.3	0.7
Other key figures and financial ratios:					
EBITDA ratio	2.4%	1.2%	-12.8%	1.1%	6.9%
ROIC	-8.4%	-10.6%	-26.7%	-3.8%	2.3%
ROE	-5.5%	-28.6%	-30.3%	-2.9%	-15.1%
Payout ratio (excluding treasury shares) [2)]	neg.	neg.	neg.	neg.	neg.
Equity ratio	61.6%	53.3%	64.1%	77.9%	83.0%
Total no. of ship days for the Group	78,765	75,763	83,866	90,069	84,028
USD rate at year-end	705.28	683.00	612.14	541.27	565.91
Average USD rate	673.27	672.69	561.90	561.60	579.72

The ratios were computed in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Association of Financial Analysts. However, "Profits 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)] Please see note 3 in the consolidated financial statements for a reconciliation to the results for the year.

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

2016 at a glance

Cargo

+30
million tonnes

Cargo added with
4 long-term COAs

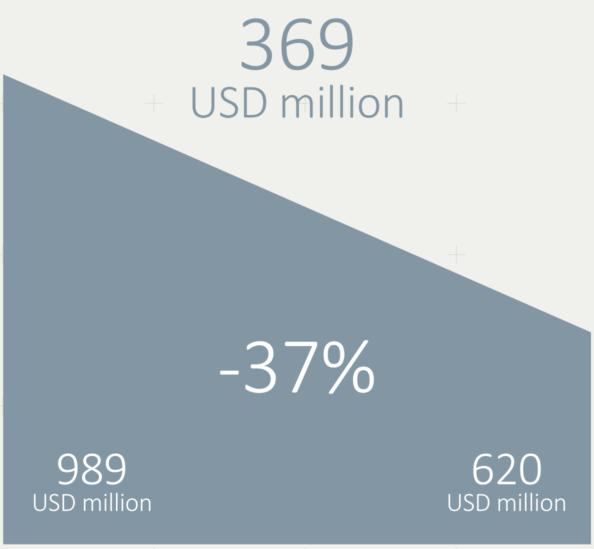
Agreements

31

Agreements entered into in 2016 to optimise the core fleet

Commitments

Reduction of net commitments in 2016 i.a. as a result of new long-term COAs



Earnings

Dry Cargo
+19%

NORDEN's Dry Cargo earnings compared to the market

Tankers
+7%

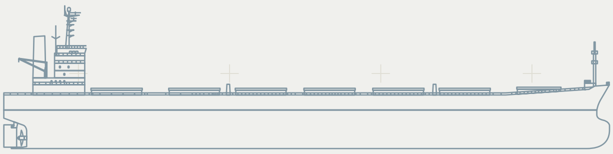
NORDEN's Tanker earnings compared to the market

Cost reduction

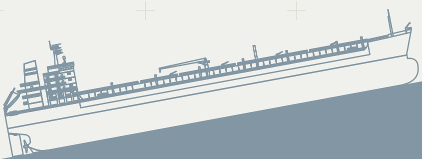
15

USD million

Achieved annual savings on vessel operating costs and voyage costs



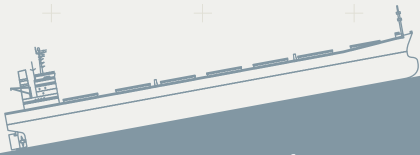
Tankers – Coverage



+9 percentage points

Increase in covered days in 2017 within Tankers from 12% to 21%

Dry Cargo – Operator activities



+7%

Number of ship days in the non-core fleet to increase operator activities in 2016

Relative return

NORDEN share vs. peers

+5%

Return on the NORDEN share compared to the peer group

Adjusted results for the year

-35

USD million

Results for the year excluding profits and loss from the sale of vessels etc.

An active NORDEN in challenging markets

NORDEN's adjusted results for 2016 amounted to a loss of USD 35 million. Although the results are in line with the most recently announced expectations, and NORDEN generated earnings in Dry Cargo and Tankers which were 19% and 7%, respectively, above the market, the results clearly indicate that 2016 was a particularly difficult year and of course not satisfactory.

The results were generated in 2 markets moving in very different directions. From the historical low in February, the dry cargo market gradually improved, while the markets within NORDEN's other large business area, product tankers, started the year with good rates that dropped considerably as more product tankers were delivered, and demand growth declined. Based on this year's results, the Board of Directors recommends that no dividend is paid out for 2016.

A year of initiatives

The markets generally developed as expected in 2016, and in accordance with the strategy Focus & Simplicity, NORDEN positioned itself to the markets with a large number of initiatives, both in the short and long term. By entering into 31 agreements, we have adjusted our fleet to meet the strategy and optimised it to fit the markets. The agreements have, among other things, involved postponement of deliveries of owned and long-term chartered vessels, conversion of a long-term chartered Capesize vessel to Supramax vessels as well as cost savings by prepaying some of the hire on parts of the chartered fleet.

The fleet optimisation was carried out at the same time as NORDEN strengthened its position during the year through a number of other measures:

- Net commitments were reduced by USD 369 million, corresponding to 37%.
- 4 long-running cargo contracts – including the largest contract in terms of volume in the history of the Company – was entered into, whereby NORDEN added more than 30 million tonnes of cargo to its portfolio.
- 9 vessels outside of the primary vessel types were sold, and NORDEN consequently no longer owns Capesize and Post-Panamax vessels.
- Annual operating costs related to owned vessels and voyage costs were reduced by USD 15 million.
- Operator activities in Dry Cargo increased by 7% added short-term chartered ship days.
- Exposure to the increasingly weaker tanker market was reduced, and early 2017 the Company had 21% fewer open days in the coming year than when entering 2016.

As a result of the above initiatives as well as a number of other measures, NORDEN is still reasonably positioned in spite of the challenging market conditions seen in 2016. The Company's financial position remains sound with cash and securities amounting to USD 264 million. To this should be added undrawn credit facilities of USD 250 million. NORDEN has consequently maintained its room for manoeuvre and a suitable exposure to the markets.

Execution of strategy

By applying the measures, NORDEN has continued the execution of the Focus & Simplicity strategy, which was drawn up at the end of 2015. A recurring feature is that we focus on the areas where NORDEN is already well-positioned. Based on NORDEN's expertise, brand and market position, we have embarked on an asset light strengthening of our dry cargo business by increasing the operator activities within the vessel types Handysize, Supramax and Panamax.

NORDEN will continue to own a considerable fleet of Supramax and Panamax vessels, however, the number will be relatively lower in comparison with an increasing share of chartered vessels with relatively short charter periods. Long-term exposure and risk towards the market is thus adjusted and reduced, while the Company maintains its earnings potential.

Within Tankers, NORDEN continues its activities within the MR and Handysize vessel types in commercial management in the product

Key figures for the quarters

USD million	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Total 2016
EBITDA	-120.0	11.4	12.2	4.1	2.9	30.6
Profits/loss from the sale of vessels etc.	-31.0	0.8	-33.8	-5.8	-6.7	-45.5
Depreciation and write-downs	-197.4	-13.3	-13.9	-11.6	-10.8	-49.6
EBIT	-368.6	-1.3	-34.0	-12.9	-16.3	-64.5
Results for the period	-379.0	4.6	-24.0	-14.1	-12.1	-45.6
Cash flows from operating activities	18.2	6.6	-16.0	-29.0	-41.3	-79.7
Adjusted results for the period	-338.0	-5.3	-3.6	-11.7	-14.0	-34.6

> *Using NORDEN's expertise, brand and position in the market, we have embarked on an asset-light strengthening of our business.*

tanker pool Norient Product Pool (NPP), of which NORDEN owns 50%. Through the years, NPP has managed to generate earnings above market levels, and we expect this to continue.

New overall purpose

We focus on the vessels as well as the organisational side of NORDEN. The vessels in the form of our core fleet of owned and long-term chartered vessels supplemented by an increasing number of short-term chartered vessels within Dry Cargo. The organisational side is represented by NORDEN's many employees, who make a considerable daily effort to make the best of the opportunities which the markets have to offer.

In 2016, NORDEN formulated a new overall objective for its activities – a Corporate Soul Purpose: *As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters*. See also "Organisation", page 28.

2017

In 2017, we expect a dry cargo market which will continue to improve gradually and a tanker market which on average will be at a lower level than in 2016. Against that background, we expect adjusted annual results for 2017 of USD -20 million to USD 40 million.

It requires focus and a large degree of cost consciousness to act in such markets, and we will continue the ongoing cost-saving programme on the operation of the fleet and at the same time strengthen our business. Strategically within the dry cargo business, we will continue with asset light growth with the strengthening of the operator activities, because despite the fact that we expect low average rate levels, volatility and a good combination of vessels and cargoes continue to make it possible to generate a margin as an operator. Thus, our dry cargo activities will undergo a considerable transformation in the coming years towards a larger operated fleet, changes to our systems, processes and organisation – including increased use of digital information, which improve the basis for decision-making – as well as strengthened interaction with customers.

In the tanker market, we took advantage of the low market rates and the reduced ship day capacity, and we consequently added extra capacity at the end of 2016. We will continuously adjust our exposure to the market and on the basis of insight and experience assess when to add extra capacity and when to get cover.

With a competent organisation, strong and close relationships with customers and partners, streamlined processes and sound finances, NORDEN is still in its 147th year of existence well positioned to serve its customers and ensure smarter global trade while the Company also develops for the benefit of its shareholders. We are proud of the Company but not of the fact that we once again present a negative result to our shareholders in the expectation that the difficulties will continue in the current year. But we are, however, convinced that by implementation of the many measures in recent and coming years, we are creating the grounds for a competitive and profitable NORDEN.

Klaus Nyborg
Chairman

Jan Rindbo
CEO

Strategy

Continued implementation and execution of the strategy Focus & Simplicity.

In 2016, NORDEN has focused on implementing the strategy Focus & Simplicity, which implies an operational focus on the vessel types Supramax, Panamax and Handysize in Dry Cargo and Handysize and MR in Tankers, as well as a simplification of internal business procedures to support activity growth. At the same time, the Company has actively worked at securing a continued solid capital and cash base, and even after the investments and long-term charters which NORDEN made in markets with significantly higher rates, the Company continues to be financially strong and in possession of a solid cash base.

Market conditions are challenging, and NORDEN has concentrated its efforts in areas where the organisation may generate value in spite of these market conditions.

Core fleet optimisation

The Company has continued the optimisation of its portfolio of newbuildings and long-term charters. By postponing deliveries, changing vessel types and making pre-payments on T/C hire (see "Asset Management" for further details), NORDEN has managed to create significant value. The optimisation is carried out based on NORDEN's financial strength and strong ties to Japanese shipowners and yards, and in the future the Company will continue to seek a close dialogue with these parties in order to improve the portfolio on a continuous basis and to adjust it to current and expected market conditions.

Dry Cargo

At the beginning of 2017, NORDEN owned 27.5 dry cargo vessels, and in addition to this, the Company has significant exposure to the long-term market development through 61.5 long-term charters. Total exposure is considered appropriate given the market outlook and the Company's financial position.

NORDEN stands out from most other listed shipping companies in dry cargo by having considerable operator activities. These are activities which NORDEN will strengthen in coming years. Earnings from operator activities are made up of the difference in what the customer pays for the transportation and what NORDEN pays to charter a vessel for a shorter period of time or just a single voyage to carry out the transportation.

In a very dynamic market, NORDEN's operator activities can quickly be adjusted in positioning to any market outlook: If, for example, NORDEN expects more negative market developments than other market players, NORDEN can position itself accordingly by contracting more cargo than capacity.

NORDEN value chain

Newbuildings

New vessels are ordered from shipyards

Existing fleet are maintained

Tonnage sale & acquisition

Secondhand vessels are acquired and sold onto a third party

Chartering - owned vessels and T/C

Owned and chartered vessels are used to ship cargo for customers

Vessels from other shipowners are chartered in to support own operations

Loading/ port operations

Cargo is delivered by customer

Port operations are supported and facilitated by port captains, port agents, stevedores, linesmen, pilots, surveyors etc.

Shipping

Vessels are manned by own crew, or crew recruited via Employment & Recruitment Agencies

Unloading/ port operations

Cargo is claimed by customer

Port operations are supported and facilitated by port agents, stevedores, linesmen, pilots, surveyors etc.

Tonnage disposal

Vessels are sold off to other shipowners

T/C vessels are redelivered

As the combination of vessels with cargoes in the operator business happens within a relatively short time frame, the market exposure is more limited than that of long-term cargo contracts (COAs) and long-term charters or vessel ownership.

Good and efficient operator activities require close relationships with both cargo customers and tonnage suppliers in the global market, and with its global presence and solid brand NORDEN is therefore well positioned to create value through increased operator activities. At the same time, a strong focus on costs and efficiency is crucial since value is to be ensured through considerable activity with a relatively small margin. Here, NORDEN is also well positioned with its experienced organisation and efficient systems geared for growth.

Tankers

In 2016, focus within Tankers centred to a great extent on benefiting from the favourable market in the first half-year and reducing exposure to expected weaker markets in 2017. As rates decreased towards the end of 2016, NORDEN adjusted its market exposure and began entering into short-term charter agreements for vessels (up to 1 year) no longer seeking to increase coverage.

The operation of NORDEN's product tankers continues to be managed by Norient Product Pool (NPP), of which NORDEN owns 50%. During its 12 years of existence, NPP has grown to become one of the largest product tanker pools in the world. With an extensive fleet, a strong brand and a global network of offices staffed by talented employees, the pool has managed to consistently generate earnings which lie significantly above market average. In recent years, NPP has incorporated vessels from the shipping company Diamond S, which doubled its number of vessels in NPP to 16 in 2016 and thereby strengthened NPP's market position.

Strategic focus in 2017

In line with the overall strategy, NORDEN will have special strategic focus on the following in 2017:

In Dry Cargo:
Continued strengthening of operator activities.

Maintain exposure towards possible market improvements.

In Tankers:
Positioning towards possible market improvements after 2017.

Asset Management

NORDEN has actively adjusted the core fleet to the markets, secured lower capacity costs and optimised the newbuilding programme.

Better positioning

In 2016, NORDEN has continuously made adjustments to the Company's fleet, and during the course of the year carried out 31 changes to the core fleet. These transactions have been driven by strategic adjustments as well as the wish to align exposure with market outlook. Furthermore, a number of transactions have secured lower capacity costs, better designs and timing of delivery on newbuildings.

Dry Cargo

In dry cargo, NORDEN continues to actively implement the strategy Focus & Simplicity, which, with respect to ownership, entails an increased focus on the vessel types Supramax and Panamax. In line with the strategy, NORDEN sold 4 Post-Panamax and 5 Handysize vessels and cancelled a long-term chartered Capesize vessel in 2016. Following these transactions, the core fleet, including vessels for delivery, comprises 90 vessels, of which 68 are Supramax or Panamax vessels.

In addition, NORDEN has continued to optimise its core fleet within Supramax and Panamax in a continued challenging marked by lowering exposure to the short-term market in order to increase it in the longer term. This optimisation is particularly a result of restructuring existing contracts, where the Company through strong collaboration with counterparts has:

- prepaid hire on a considerable number of vessels and thereby reduced hire significantly
- postponed the delivery of owned vessels as well as long-term chartered vessels
- entered into 3 new long-term charters in Supramax as part of the cancellation of a Capesize
- ensured the installation of ballast water treatment systems on vessels with postponed delivery

Through these transactions, NORDEN has reduced its exposure to a weak dry cargo market in both 2017 and 2018 and in return increased the number of ship days in 2019 and onwards, where the market is expected to improve.

Tankers

The first 3 quarters of 2016 were characterised by a declining tanker market. NORDEN reduced its market exposure by selling 3 Handysize tanker vessels at attractive prices, allowing time charters to expire and refraining from entering into new time charter agreements. As market rates continued to fall during the last months of 2016 to a level which again made it attractive to increase capacity, the Company entered into a number of short-term time charter agreements.

Development of fleet values

The weak dry cargo market continued into 2016, where rates dropped to a historically low level. This was reflected in vessel prices, which similarly fell to a level not seen since the beginning of this century. An increase in rates did inflate the price of a 5-year-old Panamax vessel by around 20% between April and the end of the year, but even this increase was not enough to change the fact that the value of a 5-year-old vessel at the end of the year remained at the same level as at the beginning of the year. Newbuilding prices dropped throughout the year, and by the end of 2016 the newbuilding price of a Panamax was 5% lower than at the start of the year (source: Clarksons). In contrast

NORDEN's fleet at 31 December 2016

	Dry Cargo	Tankers
Vessels in operation		
Owned vessels	17.5 a)	20.0 b)
Chartered vessels with period exceeding 13 months	53.5	13.0
Active core fleet	**71.0**	**33.0**
Vessels to be delivered		
Owned vessels	10.0 c)	0.0
Chartered vessels with period exceeding 13 months	9.0	6.0
Total for delivery to core fleet	**19.0**	**6.0**
Total core fleet	**90.0**	**39.0**

a) of which 1 unit sold, but not delivered b) of which 1 unit sold, but not delievered c) of which 2 units sold, but not delievered Note: Vessels which are jointly owned or chartered by a pool are adjusted based on ownership share and pool percentage, respectively.

Expected time of delivery of owned vessels

Vessel type	Time of delivery
Supramax	Q3 2017 (sold)
Panamax	Q4 2017 (sold)
Supramax	Q1 2018
Supramax	Q1 2018
Supramax	Q4 2018
Supramax	Q4 2018
Supramax	Q1 2019
Supramax	Q2 2019
Supramax	Q1 2020
Supramax	Q1 2020

NORDEN has worked actively to postpone deliveries from the newbuilding programme.

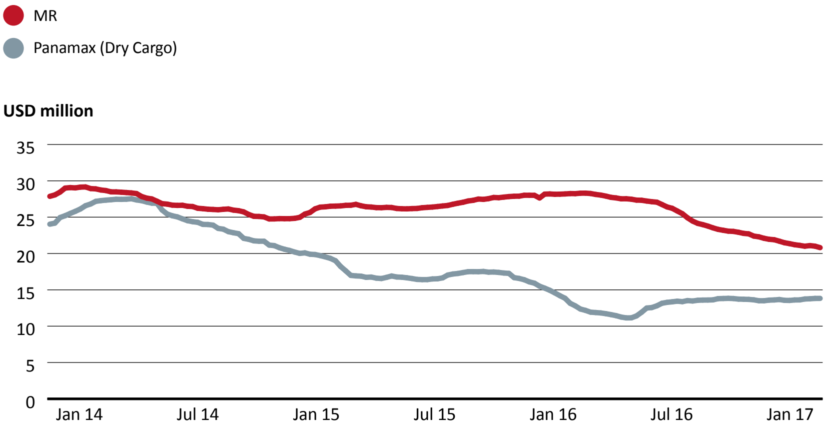
to the dry cargo market, tankers experienced a gradual decline during the course of 2016, which lead to a considerable drop in the price of product tankers. At the end of 2016, the value of a 5-year-old MR vessel was thus 26% lower than at the beginning of the year. The change in the value of an MR newbuilding was somewhat smaller and ended at -6% (source: Clarksons).

Market value of NORDEN's 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 894 million. The difference between the highest and the lowest valuations from the 3 brokers calculated per vessel is USD 105 million. At the end of the year, the market value of the Company's purchase and extention options was USD 53 million. The Company has carried out a routine assessment of indicators of impairment, including long-term rate expectations. Based on this, the Company has assessed that in the dry cargo segment (CGU) there are no changes in the assumptions which indicate a need for a write-down or provisions for onerous T/C contracts.

For the tanker segment (CGU), the continued negative development in vessel values and freight rates in the third quarter has entailed that Management has deemed it necessary to carry out an impairment test. The test is performed by calculating the net selling price and the value-in-use of the fleet. With regards to the CGU Tankers, Management has assessed that the long-term values of the tanker fleet continue to support the carrying amounts. The assessment is obviously subject to uncertainty. For a more detailed description, please see notes 12 and 23.

Development in vessel values (5-year-old vessel)



The deterioration of the tanker market was also reflected in the value of a 5-year-old MR-vessel, which decreased by 26% during 2016. In dry cargo, the prices stabilised and ended on the level seen at the beginning of the year (Source: Clarksons).

Fleet values at 31 December 2016

USD million	Owned (active and newbuildings)					
	Number	Average dwt.	Carrying amount/ cost	Broker estimated value of owned vessels*	Broker estimated value of charter party	Added value
Dry Cargo						
Panamax	5.0	62,000	91	67	24	0
Supramax	14.5	56,000	310	280	0	-30
Handysize	8.0	37,000	112	86	18	-8
Tankers						
MR	9.0	50,000	281	233	1	-46
Handysize	11.0	39,000	231	183	1	-48
Total	**47.5**		**1,025**	**850**	**44**	**-132**

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

Outlook for 2017

In 2017, NORDEN expects a slightly improving dry cargo market and a continued weak tanker market.

The dry cargo market is expected to be characterised by oversupply in 2017 as well, however, based on a lower fleet growth and increased Chinese demand, average rates are expected to improve compared to 2016. In the tanker market, the poor market conditions from the second half-year of 2016 are expected to extend into 2017. Against this background, NORDEN's adjusted results for the year are expected to be USD -20 to 40 million (corresponding to an EBIT of USD -5 to 55 million). "Adjusted results for the year" are Results for the year excluding "Profits and loss from the sale of vessels etc.".

Mid-February 2017, NORDEN had covered 83% and 21% of the open ship days in Dry Cargo and Tankers, respectively. The realised results will, to a high extent, depend on market developments.

Purchase and sale of vessels continue to be an integral part of NORDEN's business, and NORDEN expects further changes to the core fleet resulting from the continued implementation of the strategy Focus & Simplicity, which involves an ownership focus on fewer vessel types within Dry Cargo. Known profits amount to USD 0 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 results or financial position.

NORDEN expects an adjusted result for the year of USD -20 million to USD 40 million

Outlook for 2017

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

Forward-looking statements

This annual report contains certain forward-looking statements reflecting management's present judgment of future events and financial results.

Statements relating to 2017 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from the 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 in 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.

Financial position

During the year, NORDEN has significantly reduced its net commitments and continues to have solid financial resources at its disposal.

2016 offered unsatisfactory market rates both in dry cargo and tankers, which resulted in cashflows from operating activities ending at USD -80 million. However, NORDEN still has solid financial resources at its disposal, and at the end of the year the Company's cash and securities amounted to USD 264 million. To this should be added undrawn credit facilities of USD 250 million. Outstanding payments on vessels including newbuildings as at 31/12/2016 amounted to USD 244 million.

Reduced net commitments

At the end of the year, the Company's total net commitments came to USD 620 million, which is a reduction of 37% compared to the year before, of which USD 132 million were achieved during the fourth quarter of 2016. A part of this significant drop is a result of 4 contracts for transportation of biomass and coal signed during the year. In total, these contracts have lowered NORDEN's net commitments by USD 150 million. Besides entering into these contracts, the improvement is also a result of active adjustment of the fleet in the form of vessel sales, postponed time of delivery of newbuildings as well as prepayments on chartered vessels against a reduction of the total payment (see page 10).

Despite reduced net commitments, NORDEN continues to have considerable exposure to the market in the coming years, and through proactive efforts to optimise the portfolio the Company has transferred a part of this exposure to periods when the dry cargo market can be expected to have improved compared to the current market.

Solid financial position

A considerable part of NORDEN's financing is made up of future liabilities relating to charter procurement. At present, these are not included in the balance sheet, but should be included when the Company's total capital structure is calculated. Based on the net commitments and the market capitalisation of the equity as at 31/12/2016 – both those that are included in the balance sheet and those that are not – NORDEN's equity share is 52% (see graph). This is considered an appropriate capital structure providing the Company with a solid foundation as well as resources against continued weak markets, while it still provides the opportunity for further investments when this is considered attractive and ensures appropriate gearing towards expected improvements in the market.

Future newbuilding installments, USD million

Year	Newbuilding installments
2017	-65
2018	-98
2019	-44
2020	-37
Total	-244

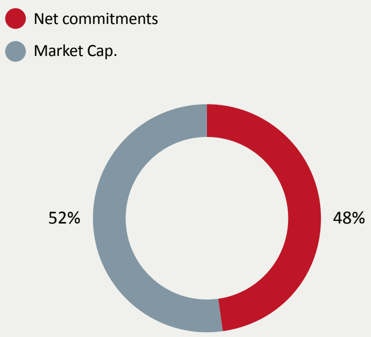
Future payments to NORDEN from assets held for sale: USD 67 million.

Net commitments, USD million

	2016	2015	2014
Adjusted net interest-bearing assets*	12	-6	-6
T/C liabilities**	-1,143	-1,372	-1,542
Payments for newbuildings less proceeds from vessel sales**	-163	-185	-355
Contractually secured inflows of earnings** (T/Cs and COAs)	672	574	646
Net commitments	**-620**	**-989**	**-1,257**

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

Capital structure incl. items outside balance sheet



Cash costs of T/C capacity before provisions (USD per day)

Chartered vessels	2017	2018	2019
Capesize	16,404	-	-
Post-Panamax	14,235	14,219	18,855
Panamax	10,457	12,625	14,021
Supramax	9,654	10,890	11,442
Handysize	11,690	12,271	12,880
Dry Cargo	**10,622**	**12,207**	**13,552**
LR1	18,655	18,655	18,655
MR	14,530	16,472	16,481
Handysize	10,828	-	-
Tanker	**14,741**	**17,015**	**17,027**

The costs include the effect of the prepayments made in return for future hire reductions, but do not include the accounting effect of the provisions made in 2014 and 2015. See page 21 for statement including effect of provisions.

Costs and technical operations

During the last 2 years, NORDEN has reduced voyage costs on owned and chartered vessels and operating costs on owned vessels by a total of USD 15 million.

NORDEN continued the cost focus in 2016. At the end of 2014, the Company launched a savings programme with the aim of reducing voyage costs on owned and chartered vessels and operating costs on owned vessels by USD 20 million a year within a 3-year period. During the year, savings have been made by negotiating discount agreements in connection with approximately 30 contracts with port agents and for tugboat services, just as procurement of spare parts and consumer goods as well as planning and completion of dockings on owned vessels have been optimised with significant cost reductions as a result.

In combination with other initiatives, annual costs in terms of vessel operating costs and voyage costs excluding fuel costs have thereby been reduced by USD 15 million at the end of 2016. NORDEN continues the efforts to identify and implement cost reductions in 2017 without impairing safety or quality.

OPEX

In addition to OPEX, costs relating to the technical operations include dockings, off-hire expenses and expenses for land-based staff. NORDEN's average operational expenditure on owned vessels (OPEX) within the vessel types where the Company is focusing its ownership can be seen in the table. The figures cover expenses for crewing, education and training, consumer goods, repair and maintenance costs, costs of insurance as well as other operating costs. Compared to 2015, the figures show a total decrease of about 4%, which i.a. is a direct result of the above-mentioned savings programme. NORDEN strives to further optimise OPEX over the coming years.

Fuel costs

A significant expense item is vessel fuel, which in 2016 amounted to USD 249 million. Considerable gains are thus attainable both financially and environmentally by optimising the vessels' fuel efficiency. NORDEN's Fuel Efficiency Team has developed systems making it possible to compare the vessels' current fuel consumption with the expected consumption taking into consideration current weather conditions, cargo and other circumstances. The operators of each vessel thus have a tool for quickly detecting and, in cooperation with the captain, correcting any discrepancies between actual and expected consumption and for ensuring that the speed of a vessel is correct at any given time taking into account the market, the weather and the condition of the vessel. Information on vessels' past performance for NORDEN is also available to the Company's chartering department and can form part of the assessment of whether it is attractive to charter it again.

Systematised cleaning

Based on daily consumption curves, it is possible for NORDEN to monitor the development in consumption as well as to ensure well-organised cleaning of hull and propeller. Fouling of the hull and propeller may increase bunker consumption significantly, and the Company has consequently compiled a list of relevant cleaning companies for the purpose of optimising timing and lowering costs of hull and propeller cleaning.

Requirements on lower sulphur emission

Since 2015, the Baltic Sea, parts of the North Sea and most of the American and Canadian coastal line have been covered by regulations on sulphur emissions by the UN's Maritime Organization (IMO). The areas known as Emission Control Areas (ECAs) only allow vessel fuel with a maximum sulphur content of 0.1%. In 2016, the IMO decided to intensify efforts to reduce vessels' sulphur emissions by lowering the maximum limit for sulphur content when sailing in all other waters from 3.5% to 0.5% commencing from 2020. This can be achieved by either changing to fuel with lower sulphur content or by implementing mechanical cleaning systems – also known as scrubbers – on board the vessels. Both solutions imply a cost increase in maritime transportation. NORDEN monitors the development closely and has initially decided on fuel with lower sulphur content instead of mechanical cleaning of exhaust gas.

Adoption of Ballast Water Management Convention

2016 was also the year when IMO's Ballast Water Management Convention after years of preparation was adopted. The convention implies that all newbuildings after September 2017 must have a ballast water treatment system installed. The ballast water must be cleaned in order to minimise the spreading of invasive species by the shipping industry. In the current market and with present solutions, it

Daily OPEX by vessel type

	2015	2016	Development from 2015
Dry Cargo			
Panamax	5,628	5,337	-5.2%
Supramax	4,827	4,946	2.5%
Tankers			
MR	6,333	6,136	-3.1%
Handysize	6,957	6,509	-6.4%
Total	**6,107**	**5,876**	**-3.8%**

Figures cover expenses for crewing, education and training, repair and maintenance costs, costs of insurance as well as other operating costs.

As part of the efforts to improve fuel efficiency, it is NORDEN policy to clean the propellers of both owned and certain chartered vessels regularly. In that connection, NORDEN has compiled and appointed a long list of reliable suppliers who offer this service.

costs in the range of USD 0.4 million and USD 1.0 million per vessel to install a ballast water treatment system, depending on the type and size of the vessel.

Existing vessels are required to install a ballast water treatment system when their International Oil Pollution Prevention certificate (IOPP) has to be renewed, which together with other important certificates must be renewed every 5 years. As NORDEN's vessels operate globally, it is a prerequisite that the systems have type approval by the American coastal authorities, the US Coast Guard, which have introduced their own and stricter regulations independent from the IMO's Ballast Water Management Convention. NORDEN actively participates in experience exchanging groups for the purpose of finding the best possible solution for the Company.

Dry Cargo

Adjusted results for the year
USD million

-52

NORDEN was able to outperform the market by 19% primarily as a result of good cover.

Employment and rates, Dry Cargo, 2016

Vessel type		Q1	Q2	Q3	Q4	2016	Benchmark*	NORDEN vs. Benchmark
Capesize	NORDEN total days	167	91	92	92	442		
	NORDEN core days	167	91	92	92	442	6,488	-33%
	NORDEN TCE (USD per day)	-694	3,106	6,774	12,231	4,329		
Post-Panamax	NORDEN total days	778	747	658	397	2,580		
	NORDEN core days	762	727	658	397	2,544	5,793	20%
	NORDEN TCE (USD per day)	5,585	5,552	8,446	9,479	6,923		
Panamax	NORDEN total days	5,873	7,433	7,405	7,806	28,517		
	NORDEN core days	2,794	2,692	2,706	2,779	10,972	5,889	21%
	NORDEN TCE (USD per day)	5,133	7,697	7,413	8,407	7,154		
Supramax	NORDEN total days	5,548	6,238	6,083	6,366	24,235		
	NORDEN core days	1,902	2,227	2,547	2,646	9,322	6,190	21%
	NORDEN TCE (USD per day)	7,355	7,326	7,165	7,971	7,471		
Handysize	NORDEN total days	2,173	2,265	1,982	2,017	8,436		
	NORDEN core days	2,077	2,107	1,916	1,827	7,928	5,966	17%
	NORDEN TCE (USD per day)	6,506	6,472	7,427	7,693	6,993		
Total**	NORDEN total days	14,539	16,773	16,220	16,678	64,210		
	NORDEN core days	7,704	7,844	7,920	7,740	31,208	5,999	19%
	NORDEN TCE (USD per day) **	5,970	7,011	7,415	8,190	7,149		

* 50% spot and 50% FFA from the previous 12 months deducted for commissions

** Weighted average

NORDEN TCE is calculated as freight income less voyage costs for the whole fleet and charter hire for the non-core fleet. NORDEN TCE is hereafter divided onto the ship days in the core fleet.

The Panamax dry cargo vessel NORD NEPTUNE passing under the Golden Gate bridge at San Francisco, USA, in October 2016.

Key figures and financial ratios, Dry Cargo, 2016

USD million	2014 Total	2015 Total	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Total
Revenue	1,601	1,174	193	236	240	252	921
EBITDA	-301	-118	-13	-5	-2	-4	-24
Profits from the sale of vessels, etc.	0	-38	1	-34	0	-5	-38
EBIT	-343	-393	-17	-43	-5	-15	-80
Non-current assets	611	355	360	291	289	279	279
EBITDA margin, %	-19%	-10%	-7%	-2%	-1%	-2%	-3%
EBIT margin, %	-21%	-38%	-9%	-18%	-2%	-6%	-9%
Total number of ship days	66,919	59,728	14,539	16,773	16,220	16,678	64,210
Adjusted results for the year	-355	-364	-20	-11	-8	-13	-52

Dry Cargo

Over the year, NORDEN increased its operator activities by 7% to a total of 33,000 ship days.

The dry cargo market continued at low levels during 2016, and NORDEN's dry cargo activities generated an adjusted result for the year of USD -52 million (USD -364 million), which was in line with the most recently announced expectations. The result is affected by i.a. an extraordinary cost in the fourth quarter of USD 4 million in connection with restructuring of 2 T/C contracts. The EBIT result amounted to USD -80 million (USD -393 million).

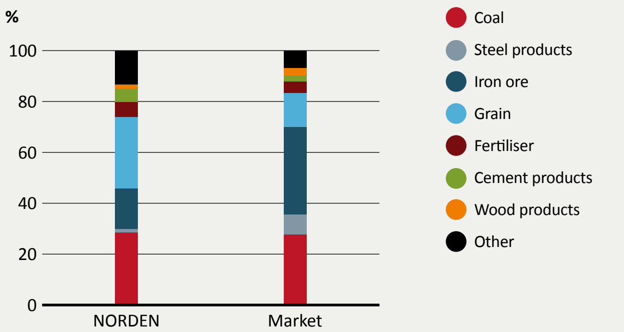
NORDEN's earnings were considerably above market rates as average earnings were 19% above the market level. The result was obtained through good coverage, operator activities and a focus on costs. During the year, NORDEN increased its operator activities, and compared to 2015 the number of non-core vessel days increased by 7% to approximately 33,000 days corresponding to an average number of non-core vessels of 93. NORDEN will continue to strengthen this part of its business, and the number of non-core vessel days is expected to increase further over the coming years.

NORDEN's business

NORDEN's business model in Dry Cargo is divided into 2 areas. Shipowner and Operator. The activities are concentrated on the vessel types Handysize, Supramax and Panamax, which provides customers and NORDEN with increased flexibility when it comes to trade patterns compared to the larger vessel types. The focus on these vessel types also means that NORDEN's cargo composition is different from the general dry cargo market. Since grain products are mainly carried on Supramax and Panamax vessels, these cargoes make up a much larger share of NORDEN's transports than seen in the total market. In contrast, iron ore constitutes a much smaller share of the Company's cargoes, since iron ore is mainly carried on the larger Capesize vessels. Moreover, NORDEN's fleet composition entails a different geographical distribution of activities than seen in the general market where China, Japan and Korea make up a considerably larger share.

At the end of 2016, the 20 largest customers in Dry Cargo included 4 (5) mining companies, 1 (1) energy company, 10 (7) industrial enterprises, 1 (1) shipping company, 1 (4) commodity distributors and 3 (2) financial institutions.

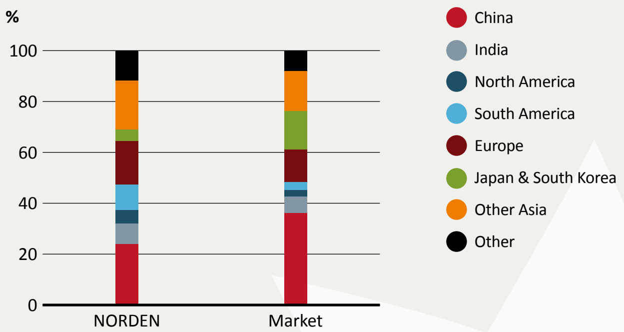
NORDEN's transports compared to the market



Sources: GTT and NORDEN

Compared to the global market, NORDEN's business is less exposed to iron ore and more exposed to grain, transported mainly on NORDEN's primary vessel types Supramax and Panamax.

Geographic distribution of imports



Sources: GTT and NORDEN

In dry cargo, China makes up 36% of the world market. NORDEN's business is more diversified and transport to China makes up 24% of NORDEN's business.

Dry Cargo market 2016

The poor market conditions of recent years continued into 2016, and on 10 February the Baltic Dry Index reached 290, which was the lowest level in the history of the index.

Throughout the rest of the year, the market conditions improved gradually and ended with a spike in December driven by the Atlantic market. In the largest of NORDEN's primary dry cargo vessel type markets, Panamax, the average daily rate in 2016 was on par with 2015 at 5,568 USD/day, while the average rate for Supramax vessels ended 10% lower than in 2015 at 6,238 USD/day.

Despite the poor trade conditions in the first quarter, overall growth of seaborne trade in 2016 is estimated to have been 3.5%, which was higher than expected going into the year. Political initiatives by the Chinese government have been the primary driver of increased growth in imports of iron ore and thermal coal.

After adverse developments in the Chinese economy in the second half of 2015 and early parts of 2016, the Chinese government initiated a very significant stimulus programme in the form of an expansionary monetary policy, property market easing and new infrastructure projects. Most importantly, this led to higher steel consumption which drove an increase in imports of iron ore. In total, iron ore exports to China increased by 9%. Along with higher steel consumption, the domestic production of iron ore also continued the decline leaving room for further imports. It was, however, not all volumes of imported iron ore that went into steel production, as 20 million tonnes were added to the inventories in ports, which by the end of the year ended at a record high 114 million tonnes.

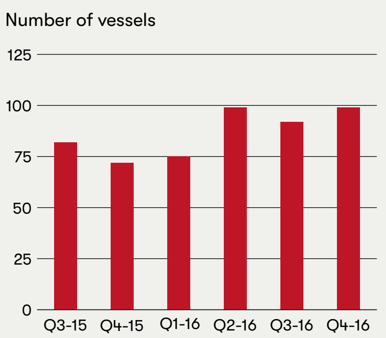
The increased seaborne demand during 2016 was also influenced by a rebound in Chinese coal imports after 2 consecutive years of heavy reductions. Government mandated cuts in the domestic coal production created a shortage of local coal supply leaving room for higher imports. On an annual basis, the exported volumes of coal to China grew by 45 million tonnes compared to 2015, which was an increase of 26%.

While Chinese coal imports increased, other leading regions lowered their imports in 2016. India experienced a decline in 2016 as a result of record high stockpiles and an increase in the domestic coal output. However, the heaviest negative impact on the global coal trade originated in Europe mainly as a result of a large number of thermal power plant closures in Great Britain.

The global increase in dry cargo demand was also supported by strong grain seasons in both North and South America. Meanwhile, other dry bulk commodities such as bauxite and nickel ore experienced a decline as a result of new environmental legislation prohibiting mining operations in Malaysia and in the Philippines, which had a negative effect on global seaborne trade.

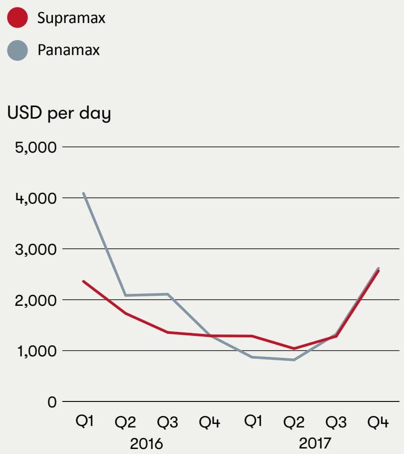
The dry cargo global fleet grew by 2.4% in 2016. Historically high scrapping activity at the beginning of the year slowed down in the second half of the year, and the scrapping ended at 28.9 million dwt., corresponding to 3.7% of the global fleet. As in recent years, a large share of the order book was not delivered. Cancellations and postponements of deliveries thus constituted 50% of the order book, and the total deliveries to the fleet represented 6.1% of the global fleet at the start of the year.

Average number of vessels (non-core fleet)



Over the year, 93 short-term chartered vessels were added to NORDEN's core fleet on average.

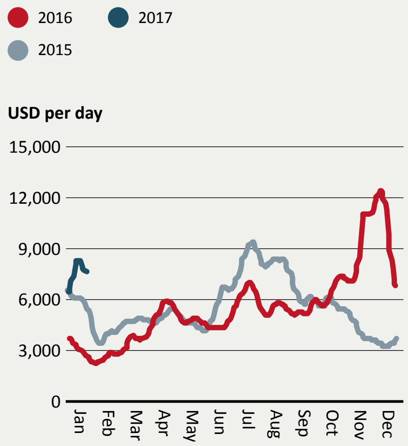
4 Quarter rolling TCE over benchmark



Source: Baltic Exchange and NORDEN

NORDEN achieved earnings which were above the market for both Supramax and Panamax also in 2016.

Panamax spot rates 2015-17



Source: Baltic Exchange

In 2016, the average rate level for Panamax ended at the level of the previous year only as a result of a steep increase in rates during the fourth quarter.

Dry Cargo market 2017

NORDEN expects the market conditions in 2017 to be slightly better than in 2016. The first half of 2017 in particular is expected to present improvements of the very poor market conditions in 2016.

Again in 2017, the developments in the dry cargo market will very much depend on the political agenda in China. The positive effects of government driven stimuli in 2016 should carry through into the first half of 2017, and this should among other things continue to support the growth in steel demand and thereby imports of iron ore. The significant levels of iron ore inventories in the ports at the start of the year do, however, pose a downside risk. On an overall basis, NORDEN expects the demand for dry cargo vessels to increase by 2-3% in 2017.

In 2016, the Chinese government showed strong intention to try to manage the coal production and prices, and this is expected to continue in 2017. A steady stream of rules and regulations has been introduced to find the right balance between preserving profitability in the coal mining industry and keeping coal prices at acceptable levels for power producers. While the willingness and the ability to influence the market have been proven, it has also proven difficult to find the right balance. There is therefore a considerable risk of overshooting with the regulations, leaving high volatility and uncertainty in coal imports. As a starting point, the 2017 import levels are expected to be on par with overall 2016 volumes – but more evenly spread throughout the year.

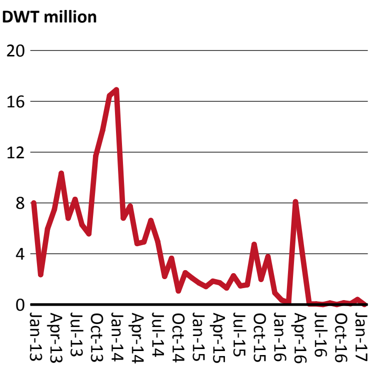
In other areas of the world, coal trade is expected to follow the market trends of 2016, however, it is not be expected that the coal imports to Europe will drop as significantly as in 2016, as there is limited room for further declines in UK imports.

The volumes of grains and oilseeds transported by sea are expected to continue the recent years' solid growth and potentially might improve additionally in 2017. At the start of 2017, the Indonesian government somewhat relaxed the export ban on unprocessed nickel ore that has been in place since 2014. While it is still unclear how the new regulations will be implemented, it is expected that they will lead to higher exports of both nickel ore and bauxite in 2017 with positive effect on freight markets despite the fact that some volumes might be replacing exports from other countries.

NORDEN expects the level of deliveries of dry cargo vessels to amount to around 4-5% of the fleet after sizeable slippage as seen in recent years. The level of scrapping is expected to be lower than in 2016, especially if the rates in the first quarter remain at levels above OPEX. Scrapping is expected to be 2-3%, which would lead to fleet growth of 1.5-2.5% in 2017.

Looking further ahead, the current lack of ordering has meant that the order book for 2018 and beyond is very limited, and very low or even negative fleet growth can materialise in 2018. Such supply growth rates continue to create the foundation for overall market improvements for the dry cargo market in the coming years – but the rate volatility is likely to be high driven by especially political impacts on the commodity markets.

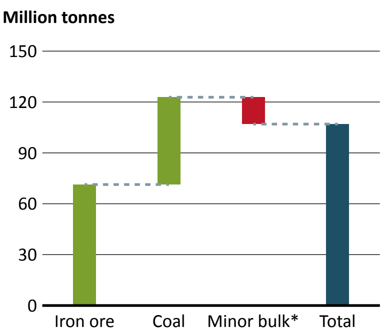
Ordering of Dry Cargo vessels



Source: Clarksons

The challenging markets have entailed that practically no new vessels are being ordered. Over time, this will contribute to restoring the balance between capacity and demand.

Changes in China's imports (2015 vs. 2016)

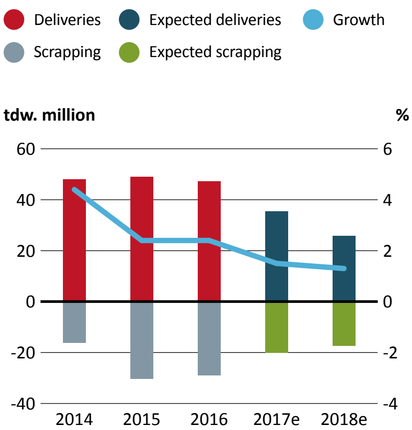


* Minor bulk is among others bauxite, nickel, grain etc.

Source: China Customs

Political initiatives by the Chinese government constituted the main driver for growth in imports of iron ore and coal in 2016.

Growth in the global dry cargo fleet



Source: Historic: Clarksons / Forecast: NORDEN

Growth in the global dry cargo fleet is expected to decrease over the coming years.

NORDEN's positioning

At the beginning of 2017, NORDEN had 29,060 ship days in Dry Cargo available for the year, of which 24,507 had been covered corresponding to 84%. During the fourth quarter, the Company increased its coverage significantly in line with increasing rates. NORDEN expects to have considerable operator activities also in 2017, and the number of non-core fleet vessels will presumably be on par with 2016 or higher.

Capacity and coverage, Dry Cargo, at 31 December 2016

	2017	2018	2019	2017	2018	2019
Own vessels		Ship days				
Capesize	-	-	-			
Post-Panamax	-	-	-			
Panamax	1,446	1,446	1,373			
Supramax	1,966	2,743	4,002			
Handysize	2,628	2,516	2,534			
Total	**6,040**	**6,705**	**7,909**			
Chartered vessels (core fleet)				Costs for T/C core capacity (USD per day)		
Capesize	212	-	-	11,337	-	-
Post-Panamax	1,460	1,460	1,460	6,702	8,729	10,386
Panamax	7,107	5,604	5,214	8,027	9,833	11,499
Supramax	5,418	3,989	4,620	7,650	8,964	10,421
Handysize	2,507	1,243	651	8,244	10,452	10,157
Total	**16,704**	**12,296**	**11,945**	**7,864**	**9,482**	**10,873**
Chartered vessels (non-core fleet)				Costs for T/C non-core capacity (USD per day)		
Capesize	-	-	-	-	-	-
Post-Panamax	17	-	-	14,540	-	-
Panamax	3,897	-	-	7,899	-	-
Supramax	2,334	85	-	8,143	6,069	-
Handysize	70	-	-	5,133	-	-
Total	**6,318**	**85**	**-**	**7,977**	**6,069**	**-**
Total capacity	**29,062**	**19,086**	**19,854**	**7,358**	**7,975**	**8,666**
Coverage				Revenue from coverage (USD per day)		
Capesize	-	-	-	-	-	-
Post-Panamax	119	9	-	11,425	10,984	-
Panamax	12,380	3,338	2,848	9,137	14,012	14,667
Supramax	8,467	2,383	1,952	8,966	10,774	11,757
Handysize	3,541	1,192	954	8,559	12,997	14,456
Total	**24,507**	**6,922**	**5,754**	**9,005**	**12,718**	**13,645**
Coverage in %						
Capesize	0%	0%	0%			
Post-Panamax	8%	1%	0%			
Panamax	99%	47%	43%			
Supramax	87%	35%	23%			
Handysize	68%	32%	30%			
Total	**84%**	**36%**	**29%**			

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

Tankers

Adjusted results for the year
USD million

17

NORDEN took advantage of the reasonable rates at the beginning of the year to take coverage against a gradually deteriorating tanker market.

Employment and rates, Tankers, 2016

Vessel type		Q1	Q2	Q3	Q4	2016	Benchmark*	NORDEN vs. Benchmark
MR	Ship days	2,528	2,412	2,516	2,266	9,723		
	NORDEN spot TCE (USD per day)	19,284	17,676	12,961	12,975	15,778	14,701	10%
	NORDEN TCE (USD per day)	18,771	17,597	13,897	14,439	16,209		
Handysize	Ship days	1,373	1,116	1,251	1,386	5,127		
	NORDEN spot TCE (USD per day)	16,258	14,045	10,193	11,276	12,949	13,645	-1%
	NORDEN TCE (USD per day)	16,675	14,365	11,158	11,993	13,560		
Total**	Ship days	3,901	3,528	3,768	3,653	14,850		
	NORDEN spot TCE (USD per day)	18,208	16,465	11,986	12,267	14,754	14,337	7%
	NORDEN TCE (USD per day)	18,033	16,575	12,987	13,510	15,294		

* Latest 12 months average of a 1-year T/C less commissions ** 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.

The Handysize product tanker NORD GERANIUM calling Valletta, Malta, January 2017.

Key figures and financial ratios, Tankers, 2016

USD million	2014 Total	2015 Total	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Total
Revenue	437	479	104	76	74	76	330
EBITDA	40	138	24	17	6	8	55
Profits from the sale of vessels, etc.	0	7	0	0	-6	-1	-7
EBIT	7	112	16	9	-8	-2	15
Non-current assets	610	591	583	552	512	488	488
EBITDA margin, %	9%	29%	23%	22%	8%	11%	17%
EBIT margin, %	2%	23%	15%	12%	-11%	-3%	5%
Total number of ship days	16,947	16,035	3,901	3,528	3,768	3,653	14,850
Adjusted results for the year	1	101	15	7	-4	-1	17

Tankers

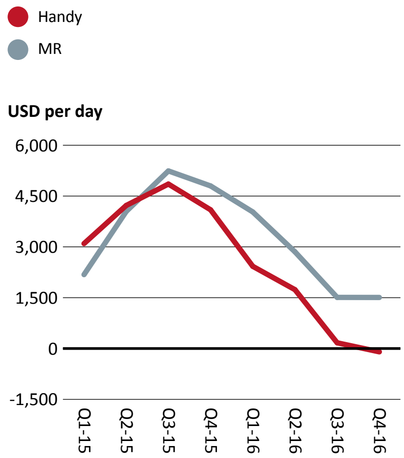
In 2016, NORDEN's earnings in Tankers were on average 7% above the market.

NORDEN's tanker fleet realised an adjusted result for the year of USD 17 million, which was in the high range of the expectations for the year, which were USD 0-20 million. In spite of the realised expectations for the year, the result is considerably lower than in 2015, which offered record-high adjusted results for the year of USD 101 million.

The drop in earnings is due to the fact that the extraordinary favourable market conditions in 2015 only briefly continued into 2016 whereafter rates decreased gradually in pace with lower growth in oil demand and a rapidly growing tanker fleet. Entering into 2016, the Company had 16% of the ship days for the year covered in Tankers. This coverage was lower than previous years as the spot market offered a continued great earnings potential, and the Company took advantage of the relatively good rates at the beginning of the year to increase coverage for the second half of 2016 and 2017, thereby reducing the negative impact from lower spot rates in the second half-year to some extent. In addition to ongoing coverage, NORDEN decided to reduce market exposure in 2017 by selling 3 Handysize tankers.

NORDEN's earnings in Tankers in 2016 were on average 7% above the 1-year T/C rates.

4 Quarter rolling TCE over benchmark



Source: Clarksons and NORDEN

In 2016, NORDEN's MR fleet achieved earnings 10% above the market corresponding to approximately USD 1,500 a day. Handysize ended 1% below the market.

The Company's Handysize tankers made daily earnings at an average of USD 13,560 while daily earnings of the MR fleet amounted to USD 16,209. This is 1% lower and 10% higher, respectively, than the corresponding 1-year T/C rates.

NORDEN's business

At the end of the year, NORDEN's owned product tanker fleet on the water consisted of 37 owned and chartered product tankers – 15 Handysize and 22 MR vessels. The vessels are commercially operated by the product tanker pool Norient Product Pool (NPP), established by NORDEN in 2005 in cooperation with the Cypriot shipping company Interorient Navigation Company (INC). INC and NORDEN each own 50% of NPP. NORDEN handles the technical operation of NORDEN's product tanker fleet.

In addition to INC and NORDEN, the American shipping company Diamond S also participates in NPP. During 2016, Diamond S doubled its number of vessels in the pool to 16 MR product tankers. With a total of 88 vessels at its disposal, NPP continues to rank among the world's largest commercial operators in product tankers.

The fleet primarily transports clean petroleum products (CPP) such as diesel, gasoline, naphtha and jet fuel, but also handles dirty petroleum products (DPP), mainly in the form of fuel oil. In 2016, the cargo volume was distributed with almost three quarters of CPP and one quarter of DPP. The majority of CPP cargoes were transported between North America, South America and Europe. DPP cargo volumes consisted mainly of fuel oil, which was transported internally in Europe.

In Tankers, the 5 largest customers in 2016 included 2 (3) oil and gas companies and 3 (2) shipping companies.

Tanker market 2016

Upon entering the year, the Company expected continued sound trading activities with reasonable but decreasing rate levels.

The expectations proved correct with growth in sea transportation of oil products of approximately 4% (source: Clarksons). However, a full order book resulted in the global product tanker fleet growing by 6.5% (source: SSY, NORDEN), and the increase in trade was therefore not enough to completely absorb the impact of these new vessels. This was reflected in the rates which gradually decreased from quarter to quarter as more newbuildings were delivered to the world fleet.

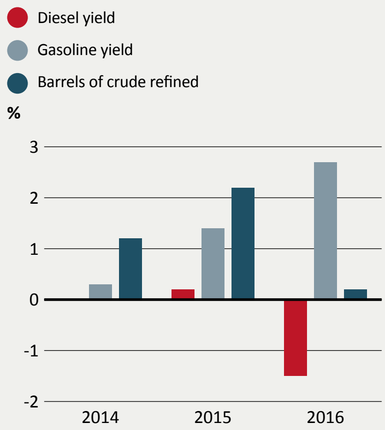
According to the IEA, the world's total oil demand grew by 1.4%, which is significantly below the growth rate in 2015 of 2.2%. Increasing oil consumption in Asia – especially China – continued in 2016 to be the main driver behind the growth, whereas consumption in the OECD countries stagnated. The imbalance in demand for diesel and gasoline also continued into 2016 with latest figures suggesting annual growth in gasoline demand of almost 500,000 barrels per day, corresponding to approximately 3%, whereas diesel demand decreased marginally (source: Wood Mackenzie).

In 2015, the refineries met a large part of the extra oil demand – especially for gasoline – by increasing production. This resulted in more diesel being produced than what was in demand which meant high stock levels.

In 2016, continued high demand for gasoline was instead accommodated by converting production into providing a greater outcome of gasoline. Gasoline outcome per barrel of crude oil therefore increased by approximately 3%, while the number of barrels of refined crude oil was at the level of 2015. The conversion in production reduced surplus production of by-products – especially diesel – and thus prevented even greater stockpiling of diesel, but conversely, there was not the same growth in cargo volumes as in 2015 to keep the fleet employed.

The average spot rate in product tankers therefore ended up dropping significantly, especially in the second half-year when growth in gasoline demand decreased, which also meant that the 1-year T/C rate for an MR vessel hit the lowest level since the turn of the millennium. A great start to the winter market at the end of the year did, however, lift rate levels – especially within Handysize and MR.

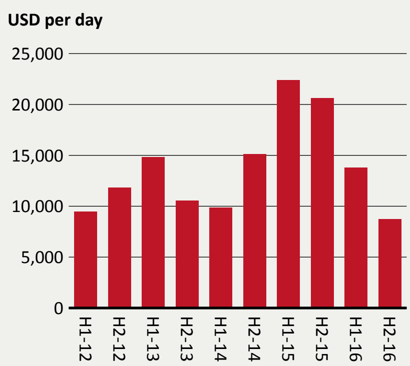
Yearly growth in yield per barrel of crude and crude refined



Source: Wood Mackenzie

In 2016, the refineries adjusted production to produce more gasoline per barrel of crude oil.

Market development for CPP



Source: Clarksons

The attractive rates from the record year 2015 continued only briefly into 2016.

Tanker market 2017

The Company's market expectations for 2017 are moderate. In the course of 2016, it became evident that the market is currently seeing a greater imbalance between the demand for transportation and the supply of tankers. This imbalance is also expected to affect the market negatively in 2017.

For the past 3 years, fleet growth in product tankers has been high at an average of 5%, and the many newbuilding deliveries have left the market with a relatively large and young tanker fleet with only little scrapping potential.

Moreover, growth in transportation demand for the past 2 years has been helped along by stockpiling and can therefore be seen as having been unnaturally high compared to actual oil consumption. Provided that OPEC actualises their announcements from November 2016 about cutting production, a higher crude oil price may imply drawing on stocks which, all other things being equal, would temporarily reduce the transportation need within tankers.

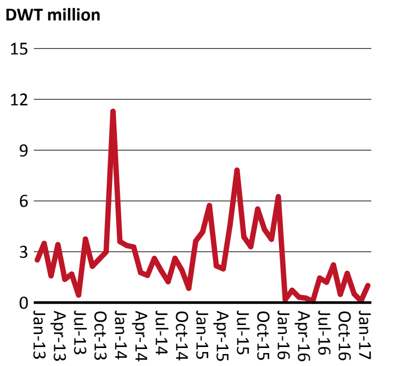
Where the primary growth driver in recent years has been the demand for gasoline, there are general expectations that diesel consumption will again show positive growth in 2017 as industrial demand expands – especially in the USA and Asia. This could be helpful in depleting the large stocks of diesel. Drawing on stocks may have a negative impact on product tanker rates in the short term, but in the long term it will help pull the market in the right direction.

In 2017, total tanker fleet growth is expected to be 5%. In product tankers, a smaller order book than that in previous years is expected to produce limited fleet growth of 2-3% for 2017 in spite of the limited scrapping outlook. This limited fleet growth will contribute to slowly reducing the market imbalance. The decreasing rates in 2016 had a positive spillover effect on the number of newbuilding contracts being at the lowest level in 20 years which in the longer term will also help even out the balance between capacity and demand.

For crude oil tankers, continued high fleet growth of 6% in 2017 is expected, and with the prospective drawing on stockpiles, crude oil freight rates risk seeing downward pressure. If rates drop sufficiently, this may entail that more LR vessels begin transporting CPP in stead of DPP thus increasing the supply of product tankers.

Based on this, the Company expects that the average rate level for 2017 will be lower than that in 2016 with possible improvements towards the end of the year.

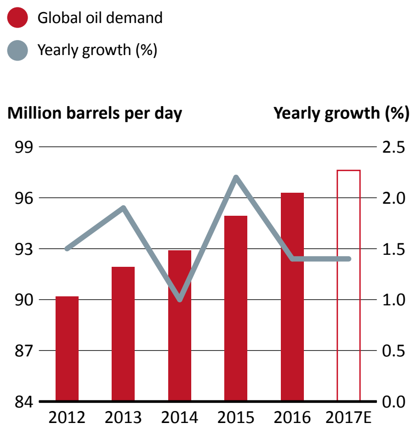
Ordering of Tanker vessels



Source: Clarksons

The number of newbuilding orders dropped to the lowest level in over 20 years.

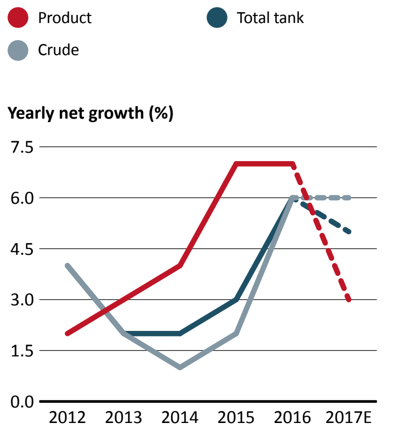
IEA - historic yearly growth in oil demand & forecast for 2017



Source: IEA

The global demand for oil is expected to increase also in 2017.

Historic net growth in tanker fleet and forecast for 2017



Source: SSY and NORDEN

Following 2 years with many newbuilding deliveries, the number of deliveries will fall in 2017.

NORDEN's positioning

At the beginning of 2017, NORDEN had 11,475 ship days available for the year, of which 9,019 were open, corresponding to coverage of 21% for the entire year. During the last months of 2016, the Company increased the number of ship days in 2017 by entering into short-term charter agreements (up to 1 year). With the rate levels seen at the beginning of 2017, NORDEN will continue to seek more capacity rather than increasing coverage.

Capacity and coverage, Tanker, at 31 December 2016

	2017	2018	2019	2017	2018	2019
Own vessels		Ship days				
MR	3,245	3,204	3,247			
Handysize	3,558	3,591	3,588			
Total	**6,803**	**6,795**	**6,835**			
Chartered vessels				Costs for T/C capacity (USD per day)		
LR1	489	730	730	18,655	18,655	18,655
MR	3,905	2,201	2,176	14,530	16,472	16,481
Handysize	278	-	-	10,828	-	-
Total	**4,672**	**2,931**	**2,906**	**14,741**	**17,015**	**17,027**
				Costs for total capacity (USD per day)		
Total capacity	**11,475**	**9,726**	**9,741**	**9,871**	**9,452**	**9,464**
Coverage				Revenue from coverage (USD per day)		
LR1	-	-	-	-	-	-
MR	1,910	566	-	17,410	14,848	13,010
Handysize	546	220	-	16,278	15,383	-
Total	**2,456**	**786**	**-**	**17,158**	**14,998**	**13,010**
Coverage in %						
LR1	0%	0%	0%			
MR	27%	10%	0%			
Handysize	14%	6%	0%			
Total	**21%**	**8%**	**0%**			

* Including cash running costs of owned vessels.

Costs are excluding administrative expenses. For vessel types which are operated in a pool, the TCE is after management fee.

Organisation

It is crucial for NORDEN's success to be able to attract and maintain qualified employees and to provide them with the opportunity of fulfilling their full potential for the benefit of themselves and NORDEN.

In 2016, all managers in NORDEN took part in a management programme with the purpose of supporting management and good leadership throughout the organisation. An essential part of the programme centres on empowerment – ensuring that the employees are provided with the knowledge, tools and authority to make decisions within their field. This not only leads to increased commitment, but it is also an important factor in daily business procedures that demand fast and efficient decision-making.

Corporate Soul Purpose

The leadership programme has resulted in individual management manifestos and in an overall Corporate Soul Purpose, which replaces NORDEN's former vision and mission and sets out the direction for the work in NORDEN over the coming years:

As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters.

The Corporate Soul Purpose reflects the fact that NORDEN has 146 years of history within world trade, and that it lies with the employees to further develop the Company and contribute to a more efficient and sustainable way of conducting global trade and thereby achieving greater prosperity. This requires strong involvement of customers and business partners being able together to find even better solutions of combining vessels and cargoes and thus connecting the world more efficiently. NORDEN operates in an industry characterised by steel in the form of vessels, but it is the individual employee who makes the difference, and the sum of all interactions and initiatives creates the value.

Processes must support growth

In coming years, NORDEN will increase its operator activities in Dry Cargo significantly. Given that operator activities typically generate small margins, the volume of activities plays a vital part in terms of earnings potential. A prerequisite for significantly increased operator activities is therefore streamlined processes and flexible business procedures in NORDEN's set-up. At the turn of the year 2015/2016 to support this set-up, NORDEN established an internal service function, Business Application and Process Excellence, BAPE, with the purpose of supporting the organisation in the efforts to optimise internal working procedures and to make best possible use of resources.

Organisation adjusted to strategy

The year before last, NORDEN consolidated the activities of purchase and sale as well as long-term chartering of vessels into one function, Asset Management, covering both Dry Cargo and Tankers. Since it was set up, the function has been very active and made a total of 52 transactions, 31 of which took place in 2016, in order to adjust the core fleet to current and future markets (see page 10). The set-up of Asset Management has also meant that the Dry Cargo Department can focus on operator activities from contract formation to vessel operation and payment handling. NORDEN's own Technical Department supports the strategy and business through technical operations of owned vessels and layout of technical specifications as well as supervision in connection with the newbuilding programme.

Satisfactory retention rate

At the end of the year, NORDEN had 284 (2015: 288) employees at the Company's offices distributed on 5 continents – 202 at the head office in Hellerup, Denmark, and 82 at the offices abroad. The retention rate for employees on land was 90%, which is satisfactory. The product tanker pool Norient Product Pool, of which NORDEN owns 50%, had 63 employees (57).

At the end of 2016, the number of officers and seafarers was 642, against 689 at the same time the year before. 134 of the employees at sea were directly employed by the Company (Danish officers and cadets), while the remaining were vessel-employed on a non-permanent basis. In addition to the employees on board hired on a contractual basis, there are seafarers in India and the Philippines who only sign on to NORDEN's vessels and who only receive a service contract when they sign on to a vessel in accordance with local collective agreements. The hiring of these seafarers are managed by dedicated NORDEN teams at manning offices in Manila and Mumbai. The retention rate for this group according to INTERTANKO's standard was a satisfactory 91% in 2016.

Training

NORDEN continues to be strongly involved in the training of new shipping talents. In August, 7 young people began their training as shipping trainees, bringing the total number of trainees at the Company to 11. During the year, 13 trainees completed their training, and all of them were subsequently employed by the Company. In addition, the Company hired 11 cadets from Svendborg International Maritime Academy (SIMAC), Marstal Navigationsskole (MARNAV) and Danish schools of marine engineering during the year. Thus at year-end, NORDEN had a total of 40 cadets from Danish educational institutions and 26 Philippine cadets enrolled in training.

Personal development

All employees conduct biannual appraisal interviews with their immediate manager where objectives and needs for further development are considered. For seafaring personnel, the interviews take place shortly after embarkation. In 2016, special attention has been given to ensuring that both employees and managers contribute to creating an open and honest dialogue that covers the individual employee's engagement and potential and ensures that the employees' knowledge and qualifications – both on a professional and personal level – are developed. The primary tools for this purpose are on-the-job training, coaching and education/courses, depending on where the best effect can be achieved.

As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters.

NORDEN is engaged in the education of new talents within shipping – both on land and at sea. In 2016, 13 students completed their shipping trainee programme, while 7 new students embarked on theirs (photo). At sea, NORDEN took on 11 cadets from Danish educational institutions, and at the end of the year NORDEN employed a total of 40 Danish and 26 Philippine cadets undergoing training.

Corporate Governance

Principles

NORDEN is managed based on the Company's Corporate Soul Purpose (see pages 2 and 28) and the values of *Flexibility, Reliability, Empathy and Ambition*. The management focus is long-term, and the goal is for the Company to develop for the benefit of its stakeholders within the risk framework set out by the Board of Directors (see the section "Risk Management" on page 39 and note 2 to the financial statements "Financial risk management").

NORDEN has a two-tier management structure consisting of the Board of Directors and the Executive Management. There is no duality between the 2 bodies. The Board of Directors is made up of 4 to 6 members elected by the shareholders and 2 to 3 members elected by the employees. In 2016, the Board of Directors consisted of 5 shareholder-elected members and 3 employee-elected members.

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.

The Board of Directors appoints the Executive Management and sets out its responsibilities and conditions. The members of the Executive Management are responsible for day-to-day management, organising and developing 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 executives in the strategy meetings and when relevant.

Board work

The Board of Directors sets out a work schedule to ensure that all relevant issues are discussed during the year and that important policies, rules of procedure, internal rules, etc. are discussed at least once a year. During 2016, a total of 15 board meetings have been held, of which 5 were teleconferences, hereof 4 in connection with financial reporting. Attendance was 98% for the shareholder-elected board members and 59% for the employee-elected board members. It should be noted that the employee-elected board members in 2016 were seafaring staff, who might be otherwise occupied at sea and therefore cannot attend.

Committee work

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

The Board of Directors has a remuneration committee responsible for supervising the implementation of the Company's remuneration policy (see page 34). Its terms of reference are available on the website. The committee is made up of Klaus Nyborg (committee chairman), Karsten Knudsen and Arvid Grundekjøn, and the committee held 3 meetings in 2016.

The Board of Directors' nomination committee is made up of Klaus Nyborg (committee chairman) and Erling Højsgaard. 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. In order 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), gen-

Annual calendar of the Board of Directors and the Audit Committee

	January	February	March	April	May	June
Boards of Directors			• Annual report/ CSR report • Market • Results • Share option programme • Preparation for annual general meeting	• General meeting • Strategy	• Strategy follow-up • Market • Results • Insurance policy • Bank policy	
Audit Committee		• Review of the auditors' report and draft of annual report	• Auditor's independence • Appointment of auditor		• Audit plan for the year, incl. special focus areas	

Board and committee remuneration

DKK ´000	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Base remuneration	300			
Committee remuneration		100	75	75
Chairmanship supplement	600	75	25	25
Vice Chairmanship supplement	300			

eral management, strategic development, risk management, investment, finance/accounting as well as international experience. In 2016, the nomination committee made an assessment of the qualifications present in the Board of Directors and concluded that the Board of Directors is considered to possess these skills.

The Board of Directors has set target figures 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 was to retain representation of at least 16% (1 out of 6) and aim at increasing this share to 33% before 2017. In 2015, the share of women in the Board of Directors increased to 20% (1 out of 5) as a result of a reduction in shareholder-elected members, and this share was maintained in 2016. The Board of Directors has set a new target figure and aims at having 2 out of 5 shareholder-elected board members be women by 2020. The nomination committee has the target figure in mind when considering potential candidates for the Board of Directors.

Board composition and remuneration

At the annual general meeting in 2016, Karsten Knudsen was re-elected for the Board of Directors, and Johanne Riegels Østergård joined the board as newly elected member.

In 2016, the Board of Directors reduced board remuneration by a further 21%. The change took effect from the middle of 2016, and total remuneration of the Board of Directors in 2016 amounted to USD 0.7 million. Board remuneration can be seen in the table, and the Board of Directors proposes unchanged remuneration in 2017.

Corporate governance

The Board of Directors has discussed the recommendations from the Danish Committee on Corporate Governance. A systematic summary of the 47 recommendations, which NORDEN follows by and large, can be found at https://norden.com/investor/governance/corporate-governance.

2017

The Board of Directors has planned 11 meetings, 4 of which are teleconferences in connection with the annual and interim reports. At the annual general meeting on 5 April, Erling Højsgaard will step down after 28 years of valuable and appreciated work on the Board of Directors in NORDEN due to age requirements. Arvid Grundekjøn's term will also expire in 2017, and he is proposed re-elected for the Board.

The nomination committee of the Board of Directors recommends that the Board of Directors be increased by 1 member to a total of 6 shareholder-elected board members, and in this connection the committee nominates Tom Intrator and Hans Feringa as new members. Tom Intrator has 32 years of experience with Cargill, which is one of the world's largest trading houses. He stepped down in early 2016 as global head of energy, transport and metals as well as CEO of the company's subsidiary in Switzerland. Hans Feringa is President and CEO of TEAM Tankers, a shipping company listed on the Oslo Stock Exchange. Previously, he was President of Stolt Tankers from 2007 to 2015. He also serves on the Executive Committee of Intertanko. Thus, they both meet the Board's wish to find candidates with considerable international experience within shipping and commodity trade. In accordance with the Company's policy, appointment of minimum one more female member to the Board of Directors would be preferable. However, it has not been possible to find interested female candidates with qualifications to match the proposed candidates'. CV for the candidates will be included in the AGM convening notice.

Due to job transfer from NORDEN to NPP, employee-elected board member Jonas Visbech Berg Nissen resigned from the Board of Directors in January 2017. The seat has been filled by Senior Operations Manager Janus Haahr, who was elected substitute member of the board in connection with the employee board election in 2015.

July	August	September	October	November	December
	• Strategy follow-up • Market • Results • Rules of procedure • Internal rules • Financial calendar • Board calendar		• Strategy	• Market • Results • Framework for next year's remuneration • Items for discussion: - Share option programmes - Corporate Governance	• Final strategy • Budget
	• Special issues			• Reporting - ongoing audit	

Board of Directors

Klaus Nyborg
Chairman. Managing Director.
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 (BM), Odfjell SE (BM), X-Press Feeders Ltd. (BM), Karen og Poul F. Hansens Familiefond (BM) and Return ApS (MD).
Relevant skills: Experience with management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management.

Erling Højsgaard
Vice Chairman. Managing Director.
Other directorships: Dubai Commercial Investment A/S (CB), A/S Motortramp (VCB), A/S Dampskibsselskabet Orients Fond (BM), A/S Bolig Snekkersten (BM), Marinvest ApS (MD) and Højsgaards Rederi ApS (MD). *Relevant skills:* General management and long-standing experience in shipping, especially dry cargo, from management of own companies and his position as member of NORDEN's Board of Directors. Not independent due to association with major shareholder and long-serving seat on the Board of Directors.

Karsten Knudsen
Managing Director.
Other directorships: Polaris IV Invest Fonden (CB), Nordic Trustee A/S (CB), Nordsøenheden (VCB), Obel-LFI Ejendomme A/S (BM), K/S Tammerfors Butikcenter (BM) and K/S Vanta (BM).
Relevant skills: General management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks.

Arvid Grundekjøn
Investor/Lawyer.
Other directorships: Creati Estate AS (Owner, CB), Cardid AS (Owner, CB), Telsarro AS (Owner, BM), Gildhall AS (Owner, BM), Stiftelsen Fullriggeren Sørlandet (CB), Infima AS (CB), Gassco AS (BM), KLP Eiendom AS (BM) and AKO Kunststiftelse (CB).
Relevant skills: General management, strategic and operational management of international shipping groups, strategy, financial and legal issues.

Johanne Riegels Østergård
Architect.
Other directorships: A/S Motortramp (BM), D/S Orients Fond (BM) and Ejendomsselskabet Amaliegade 49 A/S (BM).
Relevant skills: General management, financial and business insight as well as detailed knowledge of NORDEN's values and history.

Lars Enkegaard Biilmann
Captain, elected by the employees.

Thorbjørn Joensen
Chief Engineer, elected by the employees.

Janus Haahr
Senior Operations Manager, elected by the employees. Joined the Board of Directors on 9 January 2017

Jonas Visbech Berg Nissen
Chief Officer. Resigned from the Board of Directors on 8 January 2017

Board of Directors

Name	Born in	Gender	Board member since	Term expires	Position	Independent/ Not independent*	No. of shares
Klaus Nyborg	1963	M	2012	2018	Chairman since 2015	Independent	1,700
Erling Højsgaard	1945	M	1989	2017	Vice Chairman since 2015	Not independent	1,970
Johanne Riegels Østergård	1971	F	2016	2019	Board member	Not independent	499
Karsten Knudsen	1953	M	2008	2019	Board member	Independent	800
Arvid Grundekjøn	1955	M	2009	2017	Board member	Independent	5,000
Lars Enkegaard Biilmann	1964	M	2013	2018	Elected by the employees	Not independent	723
Jonas Visbech Berg Nissen**	1985	M	2015	–	Elected by the employees	Not independent	723
Janus Haahr**	1974	M	2017	2018	Elected by the employees	Not independent	-
Thorbjørn Joensen	1959	M	2015	2018	Elected by the employees	Not independent	379

CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director. M: Male. F: Female.
Age, directorships and shareholdings are stated at 31 December 2016. The directorships do not include positions within the NORDEN Group.

* In addition to the shares held personally by Johanne Riegels Østergård and Erling Højsgaard or through their related parties, both are associated with A/S Motortramp, which holds 11,851,240 shares in NORDEN. Employee-elected board members are not independent by virtue of their employment.

** Jonas Visbech Berg Nissen resigned from the Board of Directors on 8 January 2017 due to a new job and has been replaced by Janus Haahr.

Senior Management

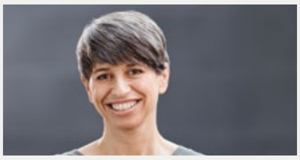
Jan Rindbo
CEO.
Trained in shipping and has completed executive training programmes at INSEAD.
Directorships: The Danish Shipowners' Association (BM) and A/S Dampskibsselskabet Orients Fond (BM).

Martin Badsted
Executive Vice President and CFO.
Holds an M.Sc. in International Business.

Christian Vinther Christensen
Employed by NORDEN 1 January 2017. Senior Vice President and head of the Dry Cargo Department.
Trained in shipping and has completed executive training programmes at Duke CE.

Jens Christensen
Senior Vice President and head of the Technical Department.
Holds a Master Mariner's License and an MBA from CBS.

Henrik Lykkegaard Madsen
Senior Vice President and head of the Asset Management Department.
Trained in shipping, holds a graduate diploma in Marketing Economics and has completed executive training programmes at INSEAD and IMD.



Vibeke Schneidermann
Senior Vice President and head of Human Resources. Holds a graduate diploma in Organisation and Management.
Directorships: The Relief Foundation of the Danish Shipowners' Association and the Foundation for the Benefit of Mariners and the Maritime Industry.

Kristian Wærness
Senior Vice President and head of the Finance and Accounting Department. Holds an M.Sc. in Accounting.
Directorships: The Accounting Committee and Tax Committee of the Danish Shipowners' Association.

Management in Norient Product Pool ApS

Søren Huscher
CEO

Senior Management

Name	Born in	Gender	Employed in	Position
Jan Rindbo	1974	M	2015	CEO
Martin Badsted	1973	M	2005	Executive Vice President and CFO
Christian Vinther Christensen	1970	M	2017	Senior Vice President and head of the Dry Cargo Department
Jens Christensen	1971	M	1989	Senior Vice President and head of the Technical Department
Henrik Lykkegaard Madsen	1962	M	2010	Senior Vice President and head of the Asset Management Department
Vibeke Schneidermann	1962	F	2005	Senior Vice President and head of Human Resources
Kristian Wærness	1968	M	2002	Senior Vice President and head of the Finance and Accounting Department

CB: Chairman of the Board. VCB: Vice Chairman of the Board. BM: Board Member. MD: Managing Director. M: Male. F: Female.
Directorships, etc. are stated at 31 December 2016 and do not include positions within the NORDEN Group.

Management and remuneration policy

The daily management of the Company is divided between 2 management tiers: the Executive Management and the Senior Management.

The Executive Management consists of CEO Jan Rindbo and CFO Martin Badsted. During the year, the Executive Management was reduced from 3 to 2 members as the head of NORDEN's Dry Cargo Department and former member of the Executive Management, Ejner Kiel Bonderup, resigned from his position.

The Executive Management and the Company's Senior Vice Presidents form NORDEN's Senior Management. The Senior Management changed during the year as Jens Christensen was appointed head of the Technical Department after Asger Lauritsen, who took up a position outside of NORDEN. In January 2017, the Senior Management grew by one member as Christian Vinther Christensen took up the position as head of the Dry Cargo Department.

The purpose of NORDEN's remuneration policy is to attract and retain qualified managers.

Remuneration policy

The purpose of NORDEN's remuneration policy is to attract and retain qualified managers, thus securing the basis for long-term value creation for the shareholders. The current remuneration policy was most recently revised and approved at the general meeting in April 2014.

Upon recommendation from the remuneration committee under the Board of Directors, the Board of Directors decides on the implementation of the remuneration policy in order for it to match the Company's needs, results and challenges. In addition to a fixed salary, the policy offers the possibility of cash bonus and share options. The share-based programmes are particularly designed to promote the long-term conduct of managers and employees and ensure the community of interests between shareholders and employees. The award of incentives is balanced with regard for the Company's results and objectives, the competitive environment, market situation and outlook, the purpose of the individual instruments as well as personal performance.

Implementation of the policy

In 2016, the Executive Management's remuneration was a combination of fixed salary, variable bonus and share-based payment. The

Option programmes

Granted in	Persons	Options	Exercise period	Executive Management's share	No. of persons in Executive Management
2016	63	389,159	2019-2022	27%	3/2
2015	63	400,000	2018-2021	40%	5/3
2014	60	414,000	2017-2020	40%	5
2013	62	400,000	2016-2019	41%	2/5
2012	68	350,000	2015-2018	23%	2

Executive Management has no pension plan paid by the Company, but receives benefits such as company phone and car.

Fixed salary for the Executive Management totalled USD 2.1 million in 2016, whereas total remuneration including bonuses and options amounted to USD 2.9 million in 2016 against USD 5.8 million in 2015. In 2016, Jan Rindbo received a bonus of USD 0.4 million including retention bonus, while Martin Badsted and Ejner Bonderup both received a bonus of USD 0.1 million. The value of share options granted to the Executive Management amounted to USD 0.2 million (USD 0.4 million). In determining the exercise price, a 10% margin is added to the market price at the grant date so that the options are not of value to the receivers until the shareholders have received a 10% return. At the grant date, the theoretical value of the options corresponded to 12% of the Executive Management's fixed salary. The limit according to NORDEN's remuneration policy is 150%. The Executive Management is required to reinvest 25% of any gain on their options in NORDEN shares and to keep these shares for a number of years. For a more detailed description of the share option programmes, see note 32 to the financial statements.

The theoretical value of the options corresponded to 12% of the Executive Management's fixed salary.

Resignation and retention

The Executive Management's term of notice to the Company is 6 months, while NORDEN's term of notice to the members of the Executive Management is 12 months. NORDEN's terms of notice to the Company's Senior Vice Presidents are 3-9 months while their terms of notice to the Company are 1-4 months.

If members of the Executive Management step down following a change of control (merger, takeover, etc.), they will receive a special severance payment in addition to their normal salary, and in some cases bonus, in the notice period. This severance payment equals 12 months' salary.

Jan Rindbo's employment contract includes a retention bonus in each of the years 2015-17 in the form of shares in NORDEN at an annual value of DKK 1 million. Retention bonuses in addition to these do not exist for the Executive Management or the Senior Management.

The Executive Management, parts of the Senior Management and selected Vice Presidents are subject to non-competition clauses of 6-12 months. The Company will pay out compensation corresponding to the full base salary of the person in question, in some cases with certain supplements, during the period in which the clauses apply.

2017

In March 2017, the Board of Directors will grant 358,191 share options to selected executives and employees. In determining the exercise price, a 10% margin is added to the market price at the grant date so that the options are not of value to the receivers until the shareholders have received a 10% return. The theoretical market value of the options has been calculated at USD 1.2 million according to the Black-Scholes model.

Senior Management's shareholdings

	Shares		Share options							
	At 31/12/ 2016	Change during year	Granted in 2017	At 31/12/ 2016	Granted in 2016	Granted in 2015	Granted in 2014	Granted in 2013	Granted in 2012	Granted in 2011
Jan Rindbo	14,557	+6,997	50,000	100,000	50,000	50,000	-	-	-	-
Martin Badsted	4,223	-	30,000	106,634	28,000	22,480	18,505	16,603	10,282	10,764
Christian Vinther Christensen	-	-	50,000	-	-	-	-	-	-	-
Jens Christensen	723	-	11,500	44,173	9,000	8,035	7,374	7,316	6,078	6,370
Kristian Wærness	4,823	-	11,500	64,328	11,500	11,479	11,098	9,617	10,034	10,600
Vibeke Schneidermann	723	-	11,500	55,826	11,500	9,087	9,172	9,015	8,262	8,790
Henrik Lykkegaard Madsen	1,283	+1,283	11,500	47,805	11,500	8,227	8,110	8,129	6,646	5,193
Total	**26,332**	**+8,280**	**126,000**	**418,766**	**121,500**	**109,308**	**54,259**	**50,680**	**41,302**	**41,717**

Shareholder issues

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 symbol	DNORD
ISIN code	DK00600083210
Bloomberg code	DNORD.DC
Reuters code	DNORD.CO

Financial calendar for 2017

22 February	Final deadline for any shareholder requests to the agenda for the annual general meeting
1 March	Annual report 2016
5 April	Annual general meeting
3 May	Interim report for the first quarter of 2017
17 August	Interim report for the second quarter and first half-year of 2017
9 November	Interim report for the third quarter of 2017

Return to the shareholders

A downward trending tanker market in combination with a historically poor dry cargo market was reflected in NORDEN's share price, which decreased from DKK 122 to below DKK 100 during the first quarter of the year. The share price remained at this level during most of 2016, but an increase in dry cargo rates made the share price go up and resume the same level as at the beginning of the year. The share price therefore ended at DKK 111, which is a decrease of 9% during 2016. Based on the increasing USD exchange rate, the return in USD, measured as the total value of dividend payments and share price increases, has been around -11% in 2016. Despite the negative result, NORDEN performed better than the peer group of dry cargo and product tanker companies, which produced a return of around -15%. The value of the peer group in dry cargo was unchanged, while the return was -37% for the product tanker peer group in the same period.

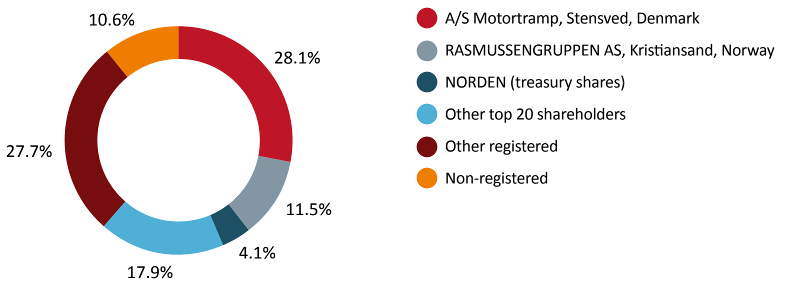
Trading volume

On average, 142,932 shares were traded on a daily basis on Nasdaq Copenhagen in 2016, which is a decrease of 10% compared to 2015. The average daily trading volume on Nasdaq Copenhagen was DKK 14 million against DKK 23.4 million in 2015. In addition to this, average trading on other market places amounted to DKK 4.4 million.

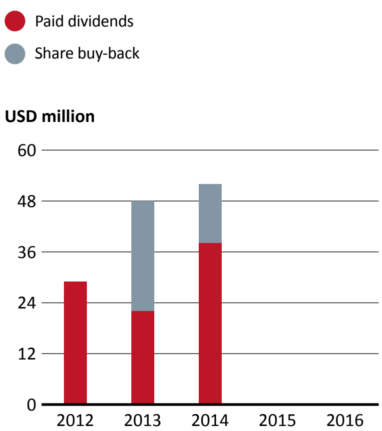
Investor Relations

It is NORDEN's goal that the share price reflects the Company's actual and expected ability to create value for its shareholders. The Company regularly provides relevant information on strategy, operations, results, expectations, markets and other matters affecting the assessment of the expected value creation in the Company. NORDEN strives to maintain an open, external communication, and during 2016, NORDEN has had an ongoing dialogue with analysts and investors and participated in a number of investor conferences and seminars. The share is monitored by 12 share analysts, and coverage remains largest in Denmark and Norway. In 2015, the Company issued 26 company announcements, 5 of which concerned insiders' transactions with NORDEN shares.

Composition of shareholders



Distribution to shareholders 2012-2016



Capital and shareholders

The share capital is DKK 42.2 million. All shares are listed, and no changes have been made to their rights and transferability. The number of registered shareholders decreased by approximately 3% during the year to a total of 15,389 registered shareholders at year-end, in aggregate owning 89.3% of the share capital.

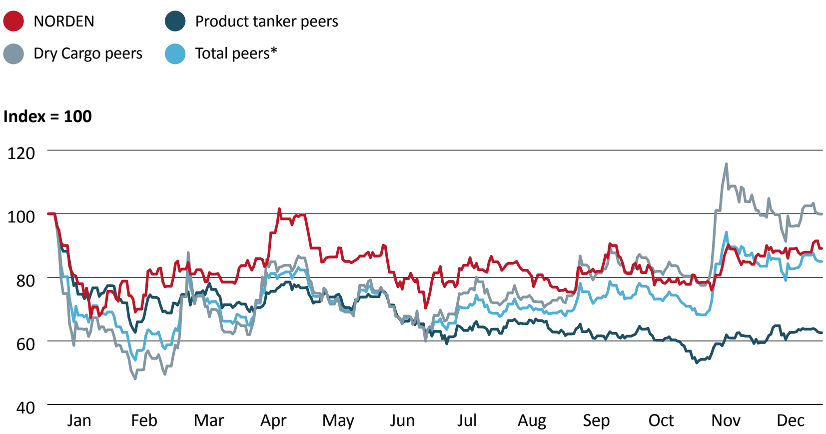
A/S Motortramp og RASMUSSENGRUPPEN AS have announced that they own 5% or more of the Company's shares. NORDEN owns 1,732,385 treasury shares (4.1%), which corresponds to the level of 2015. Other large shareholders are especially investors from Denmark, Norway, Luxembourg, the USA and Great Britain. At the end of the year, the international ownership share counted 715 registered shareholders, in aggregate owning 31.2% of the share capital.

Recommendation from the Board of Directors

In light of the results and the challenging market conditions, the Board of Directors recommends for approval by the general meeting that NORDEN does not pay a dividend for 2016.

The annual general meeting offers plenty of opportunity to talk to the Board of Directors and the Executive Management. The photo shows CEO Jan Rindbo engaged in conversation.

Total shareholder return 1 year (1/1 2016 = 100)



* 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 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.

Despite the negative result, NORDEN has performed better compared to the peer group of dry cargo and product tanker companies, which had a total return of -15%. The peer group of dry cargo companies had a return of 0%, whereas the return was -37.4% for the product tanker companies in the same period.

Corporate Social Responsibility

Focus on areas which create shared value for customers, society and NORDEN.

This section provides a general overview of the main areas which NORDEN's efforts within Corporate Social Responsibility (CSR) are centred around as well as the results achieved in 2016. For a more thorough account of NORDEN's CSR efforts, please visit our self-standing CSR report 2016, which is published at www.ds-norden.com/investor/reportspresentations/csr-reports/.

The CSR report serves as NORDEN's Communication on Progress to the UN Global Compact and lives up to the requirements of sections 99a and 99b of the Danish Financial Statements Act.

During 2016, NORDEN continued its CSR efforts with special focus on 3 strategic areas which were identified in 2015 based on a socio-economic impact study. These 3 areas were chosen as special focus areas as they create shared value between customers, society and NORDEN.

Reliability

The quality of crews and vessels is vital in relation to safety on board, operational reliability and flexibility when is comes to managing unexpected situations and finding a solution. By improving focus on crew and vessel quality, i.a. by determinedly working at attracting and maintaining the best staff at sea, NORDEN offers safer and more reliable operations and, thus, adds to cost reduction for the customers and society.

Assistance

Through decades, NORDEN has built up in-depth knowledge of the challenges connected with commodity transportation. NORDEN offers this knowledge to customers, business partners and other stakeholders. For instance in 2016, NORDEN assisted a large Philippine customer with the safety training of port workers, pilots and tugboat workers helping to improve this customer's safety and optimising its value chain.

Anti-corruption

As global operator, NORDEN operates in parts of the world where corruption sometimes poses a barrier to trade and a challenge to both individuals and society. NORDEN has a zero-tolerance policy towards bribery, extortion, fraud and embezzlement and trains its staff to handle demands for corruption and participates in international projects within selected areas with the purpose of reducing corruption and promoting trade.

In addition to these 3 focus areas, NORDEN's CSR efforts centre on ensuring responsible business processes and operations within the areas specifically relevant to NORDEN's business:

- Climate and environment
- Human rights
- Social conditions
- Responsible supply chain management

Ongoing progress

Policies, goals and activities ensure ongoing progress in CSR efforts. The most essential initiatives in 2016 include:

NORDEN's continued close involvement in the Maritime Anti-Corruption Network (MACN), which as a member-driven network cooperates with the industry, authorities and civil societies to promote a maritime industry free of corruption.

The adoption of a new policy for human rights in line with the UN's Guiding Principles on Business and Human Rights. The policy reflects NORDEN's efforts to implement respect for human rights in relation to the Company's own activities and its business relations.

In 2016 with assistance from the Danish Shipowners' Association, NORDEN has been involved in the development and adoption of a new climate policy for Danish shipowners as well as the development of an evidence based climate study. The study examines the possibilities of reducing CO_2 emissions within global shipping in line with the goals set by the global climate agreement, which was adopted by the world leaders in Paris in 2015.

NORDEN participates in a number of global partnerships and initiatives

United Nations Global Compact

CDP — DRIVING SUSTAINABLE ECONOMIES

MACN — Maritime Anti-Corruption Network

TRIDENT ALLIANCE

impaact — Responsible Supply Chain Management

Find out more in NORDEN's CSR report 2016 on NORDEN's website.

Risk Management

NORDEN works actively at avoiding or limiting the risks there are besides the commercial aspects in operator activities and shipping operations.

Active risk management plays a central role in NORDEN's goal for the Company to make reasonable earnings and maintain its financial flexibility also 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. Other risk factors should be avoided or limited by hedging the exposure, through diversification or guarantees. The Executive Management is responsible for identifying 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.

Below follows a review of the material commercial risks. For a review of the financial risks, please see note 2 as well as the section "Financial position" on page 13.

Fluctuations in freight rates

Purchasing and 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.

At the end of 2016, coverage for 2017 constituted 84% (51%) and 21% (16%) for Dry Cargo and Tankers, respectively, corresponding to a total value of USD 280 million (USD 216 million) (see also the market sections for Dry Cargo and Tankers).

Fluctuations in ship values

Changes in ship 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.

NORDEN is continuously focusing on how to optimise the portfolio of owned vessels; be it in relation to ongoing replacement of older vessels with newer vessels or newbuildings, or fuel efficiency improvement of the current fleet.

NORDEN is continuously focusing on how to optimise the portfolio of owned vessels.

Piracy, oil spill and total loss

The operation of vessels is exposed to a number of risks. 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 regard to the threat of piracy, and during 2016, no pirate attacks or attempted attacks were seen against NORDEN vessels.

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.

Credit risks

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 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.

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.

Other operational risks

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.

Signatures

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Executive Management and the Board of Directors have today considered and adopted the annual report of Dampskibsselskabet NORDEN A/S for the financial year 1 January – 31 December 2016.

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 2016 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 2016.

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.

Hellerup, 1 March 2017

Executive Management

Jan Rindbo
CEO

Martin Badsted
Executive Vice President & CFO

Board of Directors

Klaus Nyborg
Chairman

Erling Højsgaard
Vice Chairman

Johanne Riegels Østergård

Karsten Knudsen

Arvid Grundekjøn

Lars Enkegaard Biilmann

Janus Haahr

Thorbjørn Joensen

Consolidated annual report

This consolidated annual report is an extract of the Company's annual report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, NORDEN has chosen to issue a consolidated annual report that excludes the financial statements of the parent company, Dampskibsselskabet NORDEN A/S. The financial statements of the parent company are an integral part of the full annual report, which is available from the Company on request, and the complete annual report is also available at and can be downloaded from www.ds-norden.com/investor/. After approval at the annual general meeting, the full annual report is also available on request from the Danish Business Authority.

The appropriation of the profit for the year and the proposed dividend in the parent company are disclosed in note 31 to the consolidated financial statements.

INDEPENDENT AUDITORS' 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 2016 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2016 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 2016 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

What we have audited

Dampskibsselskabet NORDEN A/S' Consolidated Financial Statements and Parent Company Financial Statements for the financial year 1 January to 31 December 2016 comprise Income Statement, Statement of Financial Position and Statement of Changes in Equity and notes to the financial statements, 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 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. 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	***How our audit addressed the Key Audit Matter***
Valuation of vessels, prepayments on vessels and newbuildings, investments in joint ventures, prepaid time charter hire and provisions for onerous time charter contracts	
The Group and Parent Company on the balance sheet holds significant vessels, prepayments on vessels and newbuildings, prepaid time charter hire, investments in joint ventures and provisions for onerous time charter contracts. Management monitors on a current basis the carrying value of the above-mentioned assets and provisions, handled on a portfolio basis. Management performs an impairment test if there is indicators of impairment. Thus, the carrying value of the above-mentioned assets may be subject to material impairment or reversal of previous impairments. Time charter contracts may be subject to provisions for onerous contracts or reversal of previous recognised provisionss, due to significant fluctuations in future freight rates. The provisions is calculated on a portfolio basis, based on a "value-in-use" calculation comprising owned as well as charted vessels.	We evaluated the methodology by which Management monitors indicators of impairment of vessels, prepay-ments on vessels and newbuildings, invest¬ments in joint ventures, prepaid time charter hire and provisions for onerous time charter contracts, including identification of Cash-Generating-Units (CGUs). We obtained and assessed the appropriateness of Management's assessment of whether there were any indicators of impairment and/or provisions for onerous contracts or reversal of previous impairment losses and/or provisions for onerous contracts. For the CGU Tankers and some joint ventures indicators exists. Thus, we obtained Management's assessment of the recoverable amount of the mentioned assets and provisions.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
If an impairment test is performed, Management assesses the recoverable amount of the mentioned assets and provisions based on: • Net selling price, and • Value-in-use calculation. When assessing the net selling price, Management obtains 3 broker valuations of all vessels and newbuildings which are indicative. The principal risks are in relation to Management's assessment of the Value-in-use are the future timing and amount of cash flows, which are used to project the recoverability of the carrying value of the before-mentioned assets and provisions. The most critical assumptions are Management's view on long-term freight and time charter rates and WACC. Management's assessment is based on the cash-generating units (CGUs) in which vessels, etc. are included. This is NORDEN's 2 segments, Dry Cargo and Tankers. Investments in joint ventures are by Management considered as separate CGUs. As investments in joint ventures include vessel-operating entities, valuation of these assets are assessed after the same principles as the other assets and provisions mentioned above. We focused on this area because determining the carrying value of these assets and provisions are dependent on complex and subjective judgements by Management about the net selling price of the assets and value-in-use calculations. Refer to Note 12, Note 13, Note 16 and Note 23.	Regarding Management's assessment of the net selling price expressed by average of 3 broker valuations, we evaluated whether the broker valuations obtained could be considered independent and reliable. 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 CGUs; • 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 macroeconomic assumptions; • checked on a test-basis committed cash in- and outflows in the value-in-use calculation; and • assessed the sensitivity calculations, hereunder the adequacy, over the CGUs 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 the Management Commentary.

Our opinion on the financial statements does not cover the Management 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 the Management Commentary and, in doing so, consider whether the Management 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 financial statements and has been prepared in accordance with the Danish Financial Statements Act. We did not identify any material misstatements in the Management Commentary.

Management's Responsibility 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 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 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 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 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 additional requirements applicable in Denmark, we exercise professional judgment 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, 1 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab, CVR no 3377 1231

Bo Schou-Jacobsen	Rasmus Friis Jørgensen
State Authorised Public Accountant	*State Authorised Public Accountant*

Consolidated Financial Statements 2016

Income Statement
1 January – 31 December

Note	Amounts in USD'000	2016	2015
3	**Revenue**	**1,251,187**	**1,653,432**
3	Other operating income, net	12,704	6,404
3	Vessel operating costs	-1,187,759	-1,588,932
3/4	Other external costs	-14,036	-14,984
5	Staff costs, onshore employees	-31,488	-35,425
	Earnings before depreciation, etc. (EBITDA)	**30,608**	**20,495**
6	Profits and loss from the sale of vessels, etc.	-45,544	-31,013
12	Depreciation	-49,589	-68,553
13	Share of results of joint ventures	47	-22,883
	Profit from operations before write-downs	**-64,478**	**-101,954**
12	Write-downs on vessels and newbuildings	0	-180,000
	Earnings from operations (EBIT)	**-64,478**	**-281,954**
7	Fair value adjustment of certain hedging instruments	34,520	9,108
8	Financial income	7,144	5,281
9	Financial expenses	-19,404	-14,712
	Earnings before tax	**-42,218**	**-282,277**
10	Tax for the year	-3,373	-2,641
	RESULTS FOR THE YEAR	**-45,591**	**-284,918**
	Attributable to:		
	Shareholders of NORDEN	**-45,591**	**-284,918**
11	**Earnings per share (EPS), USD**		
	Basic earnings per share	-1.13	-7.04
	Diluted earnings per share	-1.13	-7.04

Statement of Comprehensive Income
1 January – 31 December

Note	Amounts in USD'000	2016	2015
	Results for the year, after tax	-45,591	-284,918
	Items which will be reclassified to the income statement:		
20	Value adjustment of hedging instruments	4,483	713
20	Fair value adjustment of securities	-12,375	-1,031
20	Tax on fair value adjustment of securities	40	150
	Other comprehensive income, total	-7,852	-168
	Total comprehensive income for the year, after tax	**-53,443**	**-285,086**
	Attributable to:		
	Shareholders of NORDEN	**-53,443**	**-285,086**

Statement of Financial Position at 31 December

Note	Amounts in USD'000	2016	2015
	ASSETS		
12	Vessels	680,247	864,251
12	Property and equipment	50,997	51,910
12	Prepayments on vessels and newbuildings	19,880	12,075
	Tangible assets	**751,124**	**928,236**
13	Investments in joint ventures	15,927	17,469
	Financial assets	**15,927**	**17,469**
	Non-current assets	**767,051**	**945,705**
14	Inventories	44,062	43,607
15	Freight receivables	85,253	96,517
15	Receivables from joint ventures	5,030	3,111
15	Other receivables	39,142	26,814
16	Prepayments	74,474	89,588
17	Securities	18,668	36,778
18	Cash and cash equivalents	245,182	328,919
		511,811	625,334
19	Tangible assets held for sale	22,168	33,644
	Current assets	**533,979**	**658,978**
	ASSETS	**1,301,030**	**1,604,683**
	EQUITY AND LIABILITIES		
	Share capital	6,706	6,706
20	Reserves	-509	7,343
	Retained earnings	795,209	842,014
21	**Equity**	**801,406**	**856,063**
22	Loans	190,089	262,036
23	Provisions	91,952	191,745
24	Prepayments received on vessels for resale	0	5,100
	Non-current liabilities	**282,041**	**458,881**
22	Loans	26,171	36,319
23	Provisions	95,217	116,867
	Trade payables	42,395	48,780
	Other payables	20,240	42,970
	Deferred income	28,460	29,747
		212,483	274,683
25	Liabilities relating to tangible assets held for sale	5,100	15,056
	Current liabilities	**217,583**	**289,739**
	Liabilities	**499,624**	**748,620**
	EQUITY AND LIABILITIES	**1,301,030**	**1,604,683**

Statement of Cash Flows
1 January – 31 December

Note	Amounts in USD'000	2016	2015
	Profit for the year	-45,591	-284,918
12	Reversed depreciation	49,589	68,553
12	Reversed write-downs	0	180,000
7	Reversed value adjustments	-34,520	-9,108
	Reversed financial expenses	12,260	9,431
23	Reversed provisions	-117,468	64,499
6	Reversed profits and loss from the sale of vessels, etc.	45,544	31,013
13	Reversed share of joint ventures	-47	22,883
	Other reversed non-cash operating items	3,897	-5,141
34	Change in working capital	17,354	9,931
	Financial payments received	4,067	3,747
	Financial payments made	-11,475	-11,258
	Company tax paid for the year	-3,332	-2,742
	Cash flows from operating activities	**-79,722**	**76,890**
12/19	Investments in vessels and vessels held for sale	-67,334	-87,268
12	Investments in other tangible assets	-1,047	-237
13	Investments in joint ventures	-5,247	-9,909
12	Additions in prepayments on newbuildings	-7,805	-72,011
	Additions in prepayments received on sold vessels	-15,056	20,156
	Proceeds from the sale of vessels and newbuildings	172,534	136,466
	Proceeds from the sale of other tangible assets	30	29
	Sale of securities	9,396	0
	Change in cash and cash equivalents with rate agreements of more than 3 months, etc.	16,590	-100,130
	Cash flows from investing activities	**102,061**	**-112,904**
35	Dividend paid to shareholders	0	0
21	Acquisition of treasury shares	0	0
21	Sale of treasury shares	0	0
	Net distribution to shareholders	0	0
	Incurrence of loans	0	99,764
	Instalments on/repayment of loans	-85,255	-32,287
	Loan financing	-85,255	67,477
	Cash flows from financing activities	**-85,255**	**67,477**
	Change in cash and cash equivalents for the year	**-62,916**	**31,463**
	Liquidity at 1 January	167,774	137,379
	Exchange rate adjustments	-4,231	-1,068
	Change in liquidity for the year	-62,916	31,463
18	**Liquidity at 31 December**	**100,627**	**167,774**
	Change in cash and cash equivalents with rate agreements of more than 3 months, etc.	144,555	161,145
	Cash and cash equivalents at 31 December according to the statement of financial position	**245,182**	**328,919**

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 2016	**6,706**	**7,343**	**842,014**	**856,063**
	Total comprehensive income for the year	-	-7,852	-45,591	-53,443
	Value adjustments joint ventures	-	-	-1,739	-1,739
5/32	Share-based payment	-	-	525	525
	Changes in equity	**0**	**-7,852**	**-46,805**	**-54,657**
	Equity at 31 December 2016	**6,706**	**-509**	**795,209**	**801,406**

Note		Shareholders of NORDEN			
		Share capital	Reserves	Retained earnings	Total
	Equity at 1 January 2015	**6,706**	**7,511**	**1,125,074**	**1,139,291**
	Total comprehensive income for the year	-	-168	-284,918	-285,086
5/32	Share-based payment	-	-	1,858	1,858
	Changes in equity	**0**	**-168**	**-283,060**	**-283,228**
	Equity at 31 December 2015	**6,706**	**7,343**	**842,014**	**856,063**

See note 35 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.

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Notes to the financial statements

Note

1 Significant accounting policies

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 2016 with comparative figures comprises the consolidated financial statements of Dampskibsselskabet NORDEN A/S and its subsidiaries (the group) and the financial statements of the parent company.

The consolidated financial statements of Dampskibsselskabet NORDEN A/S for 2016 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, Dampskibsselskabet NORDEN A/S, for 2016 have been prepared in accordance with the Danish Financial Statements Act.

In general
The annual report is prepared on the basis of the historical cost principle, with the exception of the following assets and liabilities:

- Derivative financial instruments and financial instruments classified as available for sale, 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 USD 1,000.

Changes in accounting policies, including presentation and implementation of financial reporting standards
The accounting policies for NORDEN, including presentation, are unchanged compared to last year.

NORDEN has implemented all new and amended financial reporting standards adopted by IASB and the EU as well as the interpretations that are effective for the financial year 2016. This includes the following standards and changes of relevance to NORDEN:

- Amendment of IFRS 11 on joint arrangements.
- IASB's annual minor improvements regarding the years 2012-2014.
- Amendment of IAS 1 on presentation of financial statements.
- Amendment of IAS 16 on revenue based depreciation methods.

Implementation of the changes to standards has not had any impact on NORDEN.

Most recently approved financial reporting standards (IFRS) and interpretations (IFRIC)
At the end of January 2017, IASB issued the following new financial reporting standards and interpretations, which are adopted by the EU and which are estimated to be of relevance to NORDEN:

- IFRS 15 on revenue recognition – New common standard on revenue recognition. Revenue is recognised as control is passed to the buyer. The standard comes into force in 2018.
- IFRS 9 on financial instruments – The number of categories of financial assets is reduced to three: amortised cost category, fair value through other comprehensive income category or fair value through the income statement category. Simplified rules regarding hedge accounting are introduced, and impairment of receivables must be based on expected loss. The standard comes into force in 2018.

According to IFRS 15, revenue must be recognised as the customer receives the agreed-upon service. According to current practice, recognition of freight income is commenced at an earlier time according to the discharge-to-discharge method. It is NORDEN's assessment that freight income according to IFRS 15 must be recognised over the period of time when the cargo is being transported. At the same time, costs in connection with getting to the loading port must be capitalised and amortised over the course of the transportation period. The transition to IFRS 15 is not expected to have any significant impact on NORDEN. The Company expects to implement IFRS 15 when it becomes compulsory and, due to the anticipated limited impact, expects to apply the simplified transition option under which comparative figures are not adjusted and the initial impact at the beginning of the implementation year will be recognised under equity.

According to IFRS 9, requirements for documented efficiency of hedge accounting are relaxed. It is NORDEN's assessment that these relaxed requirements imply that the provisions on cash flow hedging can be applied to the Company's bunker hedging activities. NORDEN is currently analysing if the provisions on cash flow hedging can also be applied to FFA hedging. NORDEN expects to implement IFRS 9 in 2017.

At the end of January 2017, IASB also issued the following new financial reporting standards and interpretations, which are not approved by the EU and which are estimated to be of possible relevance to NORDEN:

- IFRS 16 Leases – For the lessee, the distinction between finance and operating leases will be removed. In the future, operating leases with a term of more than 12 months must be recognised in the balance sheet as a right-of use asset and a corresponding lease commitment. As a consequence thereof, such leases will not entail recognition of a provision if the contracts are onerous. This will instead affect the impairment test for the right-of-use assets. The stipulations for the lessee essentially remain the same. If an already leased asset is leased out with the most significant risks and advantages of the right-of-use asset being transferred to the new lessee, typically by the new lessee having control of the leased asset during most of the remaining lease period under the main lease, or by the present value of the lease income corresponding to the fair value of the right to use the asset, then recognition of the right-of-use asset must discontinue and a financial lease receivable must then be recognised. The standard comes into force in 2019.

NORDEN is currently assessing the impact of the standard and has preliminarily estimated the lease commitment as of 31 December 2016 at approximately USD 400 million. Furthermore, provisions for onerous contracts as of 31 December 2016 amounting to approximately USD 175 million will be reversed. The reversal will reduce the value of the right-of-use assets.

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

Notes to the financial statements

Note

- Amendment of IFRS 10 and IAS 28 – guidelines for accounting treatment of transition from subsidiary to associate or joint venture.
- IFRS 14 – New standard on regulatory assets.
- Clarification of IFRS 15 in relation to income recognition.
- Amendment of IAS 12, Income taxes – recognition of deferred tax assets.
- Amendment of IAS 7, Statement of cash flows – disclosures on reconciliation of net interest-bearing debt.
- Amendment of IFRS 2 in relation to share-based remuneration – minor adjustments.
- Annual improvements regarding the years 2014-2016.
- IFRIC 22, Foreign currency transactions and advance consideration.
- Amendment of IAS 40, Investment property – relates to transfers to and from the category.

Significant accounting choices in accounting policies, assessments and estimates, respectively

In preparing the financial statements, NORDEN's management makes a number of accounting choices, assessments and estimates. These are the basis for recognition and measurement of the group'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 Company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Risk factors specific to the NORDEN 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.

Estimates and underlying assumptions are reassessed on a regular basis. Changes to accounting estimates are recognised in the period when the estimate is changed if the change affects this period only, or in the current and future periods if the change affects the current as well as future periods.

Below are the accounting choices, assessments and estimates which management deems to be significant to the preparation of the consolidated financial statements:

- Tangible assets, including vessels and prepayments on vessels and newbuildings (note 12) (Choice).
- Impairment test (note 12) (Estimate).
- Onerous contracts (note 23) (Estimate).

Please see the specific notes for additional description of the most significant accounting choices, assessments and estimates.

Consolidating 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.

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 estimates 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.

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.

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. Differ-

Notes to the financial statements

Note

ences between the exchange rates at the transaction date and the exchange rates at the reporting date are recognised in the income statement as "Financial income" or "Financial expenses".

Exchange rate adjustments of shares denominated in foreign currencies held for sale are recognised in other comprehensive income together with unrealised fair value adjustments of shares. 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 and write-downs, profits from the sale of vessels, fair value adjustments of certain hedging instruments, 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.

Other items
See also the individual notes for further information.

2 Financial risk management

The financial risk of the Company is the risk of lacking financing or liquidity as well as the risk of adverse movements in the Company'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.

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 2016, the 20 largest counterparties in Dry Cargo included 4 (5) mining companies, 1 (1) energy company, 10 (7) industrial enterprises, 1 (1) shipping company, 1 (4) commodity distributors and 3 (2) financial institutions. In Tankers, the 5 largest counterparties included 2 (3) oil and gas companies and 3 (2) shipping companies. The Company's commercial credit exposure totalled USD 829 million (USD 664 million) at the end of 2016 with USD 773 million (USD 556 million) in Dry Cargo and USD 56 million (USD 108 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 189 (171) counterparties, of which the 20 largest accounted for 84% (91%) of the covered revenue in the segment whereas the 5 largest counterparties accounted for 53% (66%). In Tankers, coverage was distributed on 52 (53) counterparties, of which the 5 largest accounted for 78% (62%) of the covered revenue in the segment. It is assessed that the main part of the 189 and 52 counterparties, respectively, are solid, and NORDEN keeps updated on the performance and activities of these companies on a regular basis.

Based on the Company'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 Company has a credit risk on tonnage suppliers who have received prepaid T/C hire. At the end of 2016, the total prepaid hire amounted to USD 52 million (USD 49 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 risk
Purchasing and 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 it is possible and Management finds it attractive. FFAs are also used in certain cases to increase exposure towards the market and to freeze the hire of physical vessels where the hire is determined on the basis of the development in the freight market (index vessels).

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.

Interest rate risk
A part of the Company's floating rate loan obligations which have been entered into at floating interest rates and have been drawn as of end-2016 is converted into fixed interest rates in the whole or parts of the term of the loan by means of interest rate swaps. Interest rates on the part of the Company's debt with floating interest rates which have not yet been drawn has only been swapped into fixed interest rates to a limited ex-

Notes to the financial statements

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tent. As a result of the Company's considerable cash balance, increasing interest rates will have a positive effect on the Company's results in the short term whereas increasing rates from 2018 and onwards will have a limited negative effect on results. Excess liquidity is placed in short-term deposits with fixed interest rates and to a smaller extent in securities. The interest rate risk of the Company does not have a significant effect on the results of the Company.

Currency risk
The Company's functional currency is USD. Since administrative expenses and dividends are paid in DKK, there is a currency risk in this connection. The Company 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 2016, all newbuilding payments were, however, in USD. The strike price in some of the Company's purchase options is determined in JPY, and it is the Company's policy only to hedge these if the option is exercised and only upon exercise.

Furthermore, 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.

Liquidity risks
The Company 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 Company'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 Company'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 Company'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 62% (53%) at the end of 2016. This significant equity ratio should be considered relative to the Company'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 Company'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 39 in the management commentary.

Notes to the financial statements

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Overview of financial risks

Credit	Nominal value 2016	Nominal value 2015	Comments on NORDENs policy
Freight receivables	USD 85 million	USD 97 million	The credit rating of counterparties is assessed on an ongoing basis.
Bank deposits	USD 242 million	USD 325 million	The Company's liquidity is strictly placed with financial institutions with a Moody's rating of at least AB or classified as systemic important financial institutions (SIFI).
Bonds	USD 18 million	USD 22 million	A minor part of the Company'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 newbuildings	USD 20 million	USD 12 million	Newbuilding contracts with shipyards are mainly entered into with repayment new guarantees issued by banks with good credit ratings. As a main rule, newbuilding contracts with shipyards are entered into with repayment guarantees issued by banks with good credit ratings. Based on the Company's assessment of the credit risk related to prepayments on newbuilding contracts, repayment guarantees from banks have not been obtained.
FFAs	Sold net USD 27 million	Purchased net USD 33 million	To limit credit risk, the Company's FFAs are only entered into through established clearing houses as these have daily margin settlement.
Bunker swaps	USD 82 million	USD 57 million	The Company'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.

Market	Nominal value 2016	Nominal value 2015	Sensitivity	Comments on NORDEN's policy
Freight rate risks (FFAs)	Sold net USD 27 million	Purchased net USD 33 million	A 10% drop in freight rates at year-end would impact net results by USD 3 million (negative impact of USD 2 million).	The Company primarily uses FFAs to cover physical ship days and in some cases to increase exposure to the market. Regardless that they usually provide effective financial hedging, FFAs do not qualify for hedge accounting and are therefore recognised separately in the income statement.
Bunker price risks	USD 82 million	USD 57 million	A 10% drop in bunker prices at year-end would negatively impact net results by USD 8 million (negative impact of USD 3 million).	The Company only uses bunker swaps to cover its future known bunker consumption when entering into COAs. Regardless that they provide effective financial hedging, the swaps do not qualify for hedge accounting and are therefore recognised separately in the income statement.
Currency risks	USD 64 million	USD 41 million	A 10% change in the DKK and GBP exchange rates at year-end 2016 would impact net results by USD 2 million (USD 3 million) and USD 5 million (USD 0 million), respectively, and equity by USD 2 million (USD 5 million) and USD 5 million (USD 0 million),	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. Furthermore, 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. The Company's exposure to other respectively currencies than DKK currencies than DKK and GBP is insignificant.
Interest rate risks			Based on the Group's liquidity and debt at year-end 2016, a 1% increase in interest rates would, all other things being equal, impact earnings before tax by USD 2 million (USD 2 million) and equity by USD 4 million (USD 6 million).	The Company's interest rate risks relate to interest-bearing assets and non-current debt. At the end of 2016, the majority of the Company's excess liquidity was placed in short-term fixed-interest deposits. A share of the Company'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, and the Company's interest rate risks are therefore limited. A minor share of the Company's liquidity is mainly placed in floating-rate bonds.

Notes to the financial statements

Note

3 Segment information

§ Accounting policies

Information is provided on the Group's 2 business segments, Dry Cargo and Tankers. The information is based on the Group's organisation, 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 results for the year. See also definitions of "Key figures and financial ratios" for a description of "Adjusted results for the year". Previously, this assessment was made based on EBIT.

The Dry Cargo segment offers transport of bulk commodities such as grain, coal, iron ore and sugar, and 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 a 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.

The accounting policies for segment information for the financial year under review are consistent with those for the previous financial year, except from the fact that NORDEN as of 1 January 2016 changed the presentation of the income statement in the segment information, and now allocate all income and expenses to one of the two segments Dry Cargo and Tankers. This concerns certain administrative expenses, financial items and tax. The allocation is based on an estimate of consumption of resources in the two segments. The change has no influence on the Group's results and equity. Comparative figures have been adjusted accordingly. No changes have been made to the allocation of financial items in the balance sheet.

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, even though this item is not included in adjusted results for the year. The names and contents of segment assets are consistent with the consolidated statement of financial position. In the internal financial reporting to the operative management, assets and liabilities are not broken down by segments, however, the Company has still decided to show the breakdown of assets between segments. In addition, investments of the year in non-current assets, number of employees and financial ratios which are also not part of the ongoing internal reporting are shown.

There are no significant inter-segment transactions.

The methods of allocating related assets, liabilities and equity and income statement items to segments are consistent. The allocation between Dry Cargo and Tankers is as follows:

- The 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.
- Non-current segment assets consist of assets used directly in segment operations, including "Vessels" and "Prepayments on vessels and newbuildings" and "Investments in joint ventures".
- Current assets are allocated to segments to the extent that they are directly attributable to these, e.g. "Inventories" and "Freight receivables". Some of the receivables cannot be allocated directly, and allocation is therefore based on an estimate.

Notes to the financial statements

Note

3 Segment information – continued

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 discharge-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 departure date to the delivery of the cargo (discharge). The departure date is defined as the date of the most recent discharge, and the voyage ends at the date of the next discharge (discharge to discharge). This applies to all spot transports and transports under Contracts of Affreightment (COAs).

Demurrage is recognised if the claim is considered probable.

For vessels on time charters, that is operating leases, charter hire is recognised on a straight-line basis over the term of the lease.

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. Like revenue, vessel operating 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 choices and 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 **Beløb i USD 1.000**

3 Segment information – continued

2016	Dry Cargo	Tankers	Total
Revenue – services rendered, external	920,801	330,386	1,251,187
Voyage costs*	-456,901	-108,931	-565,832
T/C equivalent revenue	**463,900**	**221,455**	**685,355**
Other operating income, net	12,593	111	12,704
Charter hire for vessels*	-416,759	-109,493	-526,252
Other vessel operating costs*	-46,702	-48,973	-95,675
Other external costs	-11,954	-2,082	-14,036
Staff costs, onshore employees	-24,988	-6,500	-31,488
Earnings before depreciation, etc. (EBITDA)	**-23,910**	**54,518**	**30,608**
Profits and loss from the sale of vessels, etc.	-38,366	-7,178	-45,544
Depreciation	-16,996	-32,593	-49,589
Write-downs	0	0	0
Share of results of joint ventures	-297	344	47
Earnings from operations (EBIT)	**-79,569**	**15,091**	**-64,478**
Fair value adjustment of certain hedging instruments	34,520	0	34,520
Financial income	4,340	2,804	7,144
Financial expenses	-11,657	-7,747	-19,404
Tax for the year	-3,000	-373	-3,373
Results for the year	**-55,366**	**9,775**	**-45,591**
Adjusted for:			
Profits and loss from the sale of vessels, etc.	-38,366	-7,178	-45,544
Fair value adjustment of certain hedging instruments	34,520	0	34,520
Adjusted results for the year	**-51,520**	**16,953**	**-34,567**
Vessels	212,692	467,555	680,247
Property and equipment	30,598	20,399	50,997
Prepayments on vessels and newbuildings	19,880	0	19,880
Investments in joint ventures	15,434	493	15,927
Non-current assets	**278,604**	**488,447**	**767,051**
Current assets	**394,155**	**139,824**	**533,979**
- hereof tangible assets held for sale	8,939	13,229	22,168
Assets	**672,759**	**628,271**	**1,301,030**
Investments in non-current assets for the year	29,943	12,117	42,060
Average number of employees, excluding employees on T/C vessels	649	508	1,157
EBIT margin	-9%	5%	-5%

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

Notes to the financial statements

Note **Amounts in USD'000**

3 Segment information – continued

2015	**Dry Cargo**	**Tankers**	**Total**
Revenue – services rendered, external	1,174,473	478,959	1,653,432
Voyage costs*	-557,945	-146,762	-704,707
T/C equivalent revenue	**616,528**	**332,197**	**948,725**
Other operating income, net	6,295	109	6,404
Charter hire for vessels*	-649,869	-131,573	-781,442
Other vessel operating costs*	-51,497	-51,286	-102,783
Other external costs	-11,614	-3,370	-14,984
Staff costs, onshore employees	-27,457	-7,968	-35,425
Earnings before depreciation, etc. (EBITDA)	**-117,614**	**138,109**	**20,495**
Profits and loss from the sale of vessels, etc.	-38,079	7,066	-31,013
Depreciation and write-downs	-34,976	-33,577	-68,553
Write-downs	-180,000	0	-180,000
Share of results of joint ventures	-22,795	-88	-22,883
Earnings from operations (EBIT)	**-393,464**	**111,510**	**-281,954**
Fair value adjustment of certain hedging instruments	9,108	0	9,108
Financial income	3,169	2,112	5,281
Financial expenses	-8,827	-5,885	-14,712
Tax for the year	-2,512	-129	-2,641
Results for the year	**-392,526**	**107,608**	**-284,918**
Adjusted for:			
Profits and loss from the sale of vessels, etc.	-38.079	7.066	-31.013
Fair value adjustment of certain hedging instruments	9.108	0	9.108
Adjusted results for the year	**-363.555**	**100.542**	**-263.013**
Vessels	296,808	567,443	864,251
Property and equipment	31,149	20,761	51,910
Prepayments on vessels and newbuildings	12,075	0	12,075
Investments in joint ventures	14,679	2,790	17,469
Non-current assets	**354,711**	**590,994**	**945,705**
Current assets	**427,574**	**231,404**	**658,978**
- hereof tangible assets held for sale	33,644	0	33,644
Assets	**782,284**	**822,399**	**1,604,683**
Investments in non-current assets for the year	38,025	103,486	141,511
Average number of employees, excluding employees on T/C vessels	742	537	1,279
EBIT margin	-34%	23%	-17%

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

Financial comments

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 reversal of provision for onerous time charter contracts of USD 117 million (USD 65 million), fair value adjustments of certain hedging instruments of USD 34 million (USD 9 million) as well as share of results of joint ventures of USD 0 million (USD -23 million). Moreover, provision for onerous time charter contracts in 2015 amounting to USD 145 million was also included.

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
4	**Fees to auditor appointed at the general meeting**		
	"Other external costs" include the following fees to PricewaterhouseCoopers:		
	Audit	268	267
	Other assurance services	14	15
	Tax consultancy	384	50
	Other services	190	237
	Total	**856**	**569**
5	**Staff costs**		
	Onshore employees:		
	Wages and salaries	28,418	30,877
	Pensions – defined contribution plans	1,625	1,612
	Other social security costs	920	1,078
	Share-based payment	525	1,858
		31,488	**35,425**
	Seafarers – the amount is included in "Vessel operating costs":		
	Wages and salaries	40,123	41,729
	Pensions – defined contribution plans	1,468	1,394
	Other social security costs	1,270	1,441
		42,861	**44,564**
	Total	**74,349**	**79,989**
	Average number of employees:		
	Onshore employees	264	281
	Seafarers	893	998
	Total	**1,157**	**1,279**

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

	2016			**2015**		
	Parent Company Board of Directors	Parent Company Executive Management	Total	Parent Company Board of Directors	Parent Company Executive Management	Total
Wages and salaries	618	2,123	2,741	803	2,791	3,594
Other social security costs	0	1	1	0	1	1
Share-based payment	0	-11	-11	0	660	660
Severance payment	0	0	0	0	2,327	2,327
Total	**618**	**2,113**	**2,731**	**803**	**5,779**	**6,582**

*In 2016, share-based payment includes reversal of share options previously charged to the profit and loss account for discontinued managing director of tUSD 170.

Notes to the financial statements

Note **Amounts in USD'000**

5 Staff costs – continued

Financial comments

In 2016, the Executive Management was reduced from 3 to 2 members. Remuneration for the Executive Management includes salary for the former member until the time of disemployment. 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 32 for a description of share-based payment.

6 Profits and loss from the sale of vessels, etc.

§ Accounting policies

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

Profit and loss from the sale of other tangible assets as well as write-downs of assets held for sale are also included.

	2016	**2015**
Profit and loss from the sale of vessels	-2,457	3,983
Profit and loss from the sale of fixtures, fittings and equipment	127	18
Write-downs in connection with the sale of vessels and newbuildings held for sale, see note 19	-43,214	-35,014
Total	**-45,544**	**-31,013**

7 Fair value adjustment of certain hedging instruments

§ Accounting policies

Fair value adjustment of certain hedging instruments comprises changes in the fair values of derivative financial instruments that are used to hedge future bunker purchases and freight income but do not qualify as hedge accounting. As the hedging instruments are realised, the accumulated fair value adjustments are reclassified to the same income statement item as the hedged transaction.

Fair value adjustment of derivative financial instruments which do not qualify as hedge accounting amounts to:

	2016	**2015**
Bunker hedging:		
2015	0	-2,313
2016	8,505	-11,306
2017	10,134	-2,338
2018 - 2024	363	-1,940
	19,002	-17,897
Realised fair value adjustment reclassified to "Vessel operating costs"	6,798	29,611
	25,800	11,714
Forward Freight Agreements:		
2015	0	-4,343
2016	-141	-8,677
2017	-3,283	0
	-3,424	-13,020
Realised fair value adjustment reclassified to "Revenue"	12,144	10,414
	8,720	-2,606
Total	**34,520**	**9,108**

Notes to the financial statements

Note	Amounts in USD’000	2016	2015
8	**Financial income**		
	Dividends	527	1,630
	Interest income	2,288	1,442
	Fair value adjustment, Cross Currency Swaps	282	2,209
	Securities, capital gains	4,047	0
	Total	**7,144**	**5,281**
9	**Financial expenses**		
	Interest costs, non-current debt, etc.	16,056	13,526
	Fair value adjustment, forward exchange contracts	1,488	0
	Exchange rate adjustments	1,860	1,186
	Total	**19,404**	**14,712**

10 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 choices and 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	2016	2015
10	**Taxation – continued**		
	Tax on the results for the year	3,161	3,192
	Adjustment of tax regarding previous years	212	-551
	Total	**3,373**	**2,641**
	Tax on the results for the year is broken down as follows:		
	Results before tax	-42,218	-282,277
	of which results from Danish tonnage activity	32,653	26,288
		-9,565	-255,989
	Calculated tax of this, 22.0% (23.5%)	-2,104	-60,157
	Tax effect from:		
	- Higher/lower tax rate in subsidiaries	34	58,654
	- Other	2,605	1,972
		535	**469**
	Tonnage tax	2,626	2,723
	Total	**3,161**	**3,192**

Financial comments

Contigent tax under the tonnage tax scheme is USD 16 million (USD 16 million). Contingent tax is calculated at 22% (22%) equalling the tax rate for 2016 and going forward.

Note		2016	2015
11	**Earnings per share (EPS)**		
	Basic:		
	Results for the year for NORDEN's shareholders	-45,591	-284,918
	Weighted average number of shares (thousand)	40,467	40,467
	Earnings per share (USD per share)	**-1.13**	**-7.04**
	Diluted:		
	Weighted average number of shares (thousand)	40,467	40,467
	Adjusted for share options (thousand)	7	0
	Weighted average number of shares for diluted earnings per share (thousand)	40,474	40,467
	Diluted earnings per share (USD per share)	**-1.13**	**-7.04**

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets

§ Accounting policies

Tangible assest are measured at cost less accumulated depreciation and write-downs.

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 production 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 ton for scrapping of the vessel.

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

Buildings	50 years
Vessels, including vessels acquired under finance leases	25 years
Fixtures, fittings and equipment	3-10 years

Land is not depreciated. Useful lives and residual values are reassessed annually.
Docking costs of the vessels are activated and depreciated over the period until the next 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".

The carrying amounts of tangible non-current assets are monitored continuously to determine whether there are any indications of impairment in excess of the amount provided for by normal depreciations. An impairment test is conducted if there is an indication that the carrying amount of an asset may exceed the expected future cash flows from the asset. If there is such an indication, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is determined as the higher of the 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. This is usually the total fleet within NORDEN's 2 segments, Dry Cargo and Tankers. Assessment of indication of impairment is made concurrently with assessment of possible provisions for onerous contracts, which are thus assessed together and are calculated on a portfolio basis. See the section "Accounting policies" in note 23 regarding provisions.

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets – continued

Accounting choices and estimates

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.

Significant accounting estimates include i.a. useful lives, scrap values as well as, for the purpose of calculating value in use by impairment test, the time and value of future cash flows including management's estimate of long-term freight and T/C rates as well as determination of WACC.

2016	**Vessels**	**Property and equipment**	**Prepayments on vessels and new-buildings**	**Total**
Cost at 1 January	1,618,772	78,416	23,392	1,720,580
Additions for the year	27,961	1,047	7,805	36,813
Disposals for the year	0	-73	0	-73
Transferred during the year to tangible assets held for sale	-480,885	0	0	-480,885
Cost at 31 December	1,165,848	79,390	31,197	1,276,435
Depreciation at 1 January	-377,642	-26,506	0	-404,148
Depreciation for the year	-47,659	-1,930	0	-49,589
Reversed depreciation on vessels disposed of	0	43	0	43
Transferred during the year to tangible assets held for sale	138,348	0	0	138,348
Depreciation at 31 December	-286,953	-28,393	0	-315,346
Write-downs at 1 January	-376,879	0	-11,317	-388,196
Transferred during the year to tangible assets held for sale	178,231	0	0	178,231
Write-downs at 31 December	-198,648	0	-11,317	-209,965
Carrying amount at 31 December	**680,247**	**50,997**	**19,880**	**751,124**

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets – continued

2015	**Vessels**	**Property and equipment**	**Prepayments on vessels and new-buildings**	**Total**
Cost at 1 January	1,618,544	78,932	97,845	1,795,321
Additions for the year	59,354	237	72,011	131,602
Disposals for the year	-21,086	-753	0	-21,839
Transferred during the year	128,237	0	-128,237	0
Transferred during the year to tangible assets held for sale	-166,277	0	-17,967	-184,244
Transferred during the year to other items	0	0	-260	-260
Cost at 31 December	1,618,772	78,416	23,392	1,720,580
Depreciation at 1 January	-344,870	-25,110	0	-369,980
Depreciation for the year	-66,415	-2,138	0	-68,553
Reversed depreciation on vessels disposed of	0	742	0	742
Transferred during the year to tangible assets held for sale	33,643	0	0	33,643
Depreciation at 31 December	-377,642	-26,506	0	-404,148
Write-downs 1 January	-223,610	0	0	-223,610
Write-downs for the year	-168,683	0	-11,317	-180,000
Transferred during the year	15,414	0	0	15,414
Write-downs at 31 December	-376,879	0	-11,317	-388,196
Carrying amount at 31 December	**864,251**	**51,910**	**12,075**	**928,236**

Financial comments

Amount insured on vessels is USD 915 million (USD 1,199 million).

Dry Cargo

The positive development in freight rates and vessel prices in 2016 is in line with management's expectations at the end of 2015. During the course of 2016, no incidents which could alter Management's expectations for future freight rates and vessel prices have occurred. On that background, Management assesses that there are no indications of impairment at the end of 2016. It is thus Management's assessment, that at the end of 2016 there is no need for additional write-downs of vessels, prepayments on vessels and newbuildings or reversal of previous write-downs, and that there is no need for further provisions for onerous time charter contracts or reversal hereof.

See note 23 regarding provisions for onerous time charter contracts, including sensitivity to fluctuations in future freight rates.

Notes to the financial statements

Note Amounts in USD'000

12 Tangible assets – continued

Tankers

As a consequence of the negative development in vessel prices and freight rates during 2016, Management assesses that there are indications of impairment.

Based on the average of 3 independent broker valuations, the net selling price of the Group's Tanker fleet (excluding vessels in joint ventures and assets held for sale) at the end of the financial year 2016 amounted to USD 405 million, which was USD 94 million below (USD 31 million above) the carrying amounts at the end of 2016.

NORDEN therefore conducted a calculation of the discounted cash flow (value-in-use, VIU) of the Tanker fleet, where the long-term values were assessed. The CGU, Tankers, is assessed on a portfolio basis, meaning that it is defined as NORDEN's Tanker fleet including chartered vessels and agreed coverage (revenue) in the form of COAs and vessels chartered out. A WACC of 8% (8%) was used for the calculation.

The VIU calculation showed that the long-term values of the Tanker fleet support the carrying amounts. Accordingly, there is no cause for impairment of the Group's Tanker fleet, just as there is no basis for provisions for onerous time charter contracts for the CGU, Tankers.

Due to the large number of open ship days in the CGU, Tankers, at the end of the year, 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 basically affect the VIU negatively by USD 90-100 million. An increase in WACC of 1 percentage point will similarly result in an indication of impairment of USD 40-45 million.

Contractual liabilities	**2016**	**2015**
The Company has entered into agreements for future delivery of vessels and exploited purchase options, etc.		
The remaining contract amount is payable as follows:		
Within 1 year	65,273	49,458
Between 2 and 3 years	141,392	180,603
More than 3 years	37,540	49,690
Total	**244,205**	**279,751**

Financial comments

See note 28 for security provided for vessels and property.

Notes to the financial statements

Note **Amounts in USD'000**

13 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.

Joint ventures

§ Accounting policies

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

	2016	2015
Cost at 1 January	39,474	29,565
Additions for the year	5,247	9,909
Cost at 31 December	44,721	39,474
Value adjustments at 1 January	-22,005	-10,315
Share of results for the year	47	-22,883
Offsetting against receivables	0	-722
Value adjustments joint ventures	-1,739	0
Transferred to provisions	-3,975	12,634
Dividends paid	-1,122	-719
Value adjustments at 31 December	-28,794	-22,005
Carrying amount at 31 December	**15,927**	**17,469**

		2016	2015	2016	2015
Investments comprise:	**Ownership**	**Share of results of joint ventures**		**Carrying amount**	
Norient Product Pool ApS, Denmark	50%	534	-6	440	2,744
Norient Cyprus Ltd., Cyprus	50%	28	21	53	46
Nord Summit Pte. Ltd., Singapore	50%	-1,314	-1,108	15,434	14,648
Polar Navigation Pte. Ltd., Singapore	50%	1,016	-21,687	0	0
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	-217	-103	0	31
Total		**47**	**-22,883**	**15,927**	**17,469**

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
13	**Investments in joint ventures and recognition of joint operations – continued**		
	Guarantees regarding joint ventures	0	41,592
	Key figures (100%)		
	Revenue and other income	41,799	40,963
	Costs	41,706	86,728
	Non-current assets	129,454	112,176
	Current assets	26,083	34,842
	- hereof cash and cash equivalents	19,668	27,115
	Non-current liabilities, debt	102,971	101,911
	Current liabilities	35,024	35,437
	Total results	93	-45,765
	Share of results of NORDEN	**47**	**-22,883**
	Total carrying amount	14,541	9,670
	Transferred to provisions (NORDEN's share)	8,656	12,634
	Carrying amount of NORDEN	**15,927**	**17,469**

Financial comments

No significant restrictions apply to distributions from joint ventures.

Joint operations

§ Accounting policies

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.

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
13	**Investments in joint ventures and recognition of joint operations – continued**		
	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		
	Norient - Post-Panamax Bulker Pool		
	NORDEN acts as manager of the 2 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	13,112	11,224
	Future operating lease liabilities:		
	Within 1 year	6,265	5,026
	Total*	**6,265**	**5,026**
	Future COAs:		
	Within 1 year	21,885	20,984
	Between 1 and 5 years	46,036	43,575
	More than 5 years	43,598	53,695
	Total*	**111,519**	**118,254**
	Future operating lease income:		
	Within 1 year	42,765	35,496
	Between 1 and 5 years	15,922	32,826
	Total*	**58,687**	**68,322**

* Note 26 and 29 "Operating lease liabilities" and "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.

In addition, the Group participates in normal profit sharing agreements concerning 2 (4) vessels where profit sharing for the vessels is 50%. No contribution requirements or significant contingent liabilities are related to the agreements.

Notes to the financial statements

Note **Amounts in USD'000**

14 Inventories

§ Accounting policies

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

15 Receivables

§ Accounting policies

Receivables are measured at amortised cost less provisions for impairment losses.

! Accounting choices and estimates

Provisions 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 provisions made are sufficient to cover any bad debts.

	2016	2015
Freight receivables	86,609	100,484
Provisions for bad debts	-1,356	-3,967
Freight receivables, net	85,253	96,517
Receivables from joint ventures	5,030	3,111
Other receivables*	39,142	26,814
Total	**129,425**	**126,442**

*Company tax is included in other receivables with USD 0.5 million (USD 0.3 million)

	2016	2015
Development in write-downs on freight receivables:		
Write-downs at 1 January	-3,967	-3,911
Applied write-downs during the year	3,771	350
Reversed write-downs	40	664
Write-downs for the year	-1,200	-1,070
Write-downs at 31 December	**-1,356**	**-3,967**
Freight receivables which have been written down in provision for bad debts amount to:	3,042	7,138
Freight receivables due which have not been written down in provision for bad debts amount to:		
- due in less than 3 months	1,686	3,171
Total	**1,686**	**3,171**

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
15	**Receivables – continued**		
	The carrying amount of receivables is distributed on the following currencies:		
	USD	128,780	124,938
	DKK	366	933
	Other currencies	279	571
	Total	**129,425**	**126,442**

Financial comments

Loss on other receivables and receivables from joint ventures is not expected, and thus, no write-downs have been made.

Regarding freight receivables, the Company usually has the opportunity to use the cargo as security. See also Management Commentary.

See note 37 for fair value hierarchy.

16 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.

	2016	2015
Prepayments are distributed as follows:		
Within 1 year	44,523	57,578
Between 1 and 5 years	28,665	32,010
More than 5 years	1,286	0
Total	**74,474**	**89,588**

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	**51,577**	**48,651**

Notes to the financial statements

Note Amounts in USD'000

17 Securities

Accounting policies

Shares and bonds available for sale 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 of shares and bonds are recognised in net financials when realised. Until realisation, value adjustments of listed shares and bonds 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.

	2016	2015
Shares	599	14,511
Bonds	18,069	22,267
Total	**18,668**	**36,778**

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 37 for fair value hierarchy.

18 Cash and cash equivalents

Accounting policies

Cash and cash equivalents are measured in the statement of financial position at nominal value.

	2016	2015
Demand deposits and cash balance	41,638	41,330
Money market investments	200,089	283,582
Other cash and cash equivalents	3,455	4,007
Cash and cash equivalents according to the statement of financial position	**245,182**	**328,919**
- hereof cash and cash equivalents with rate agreements of more than 3 months, etc.	144,555	161,145
Cash and cash equivalents according to the statement of cash flows	**100,627**	**167,774**
In connection with trading in derivative financial instruments, NORDEN has established margin accounts with DNB, NASDAQ OMX and Skandinaviska Enskild Banken (SEB) in the form of cash At 31 December, cash held in margin accounts placed as security amounted to	3,455	4,160

Financial comments

Cash consists mainly of USD and DKK bank deposits.

Money market investments at year-end have maturities of up to 303 days (340 days)

There are money deposits relating to vessel loans with BNP Pariabas of USD 3 million (USD 9 million), which mature in 2021.

Notes to the financial statements

Note **Amounts in USD'000**

19 Tangible assets held for sale

Accounting policies

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

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

Depreciation is not provided for vessels held for sale.

Assets and directly related liabilities in relation to tangible assets 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 and loss from the sale of vessels, etc.". Gains are recognised on de livery and losses when they are classified as ”held for sale”.

	2016	**2015**
Carrying amount at 1 January	33,644	16,954
Additions for the year to tangible assets held for sale	39,373	27,914
Additions for the year from prepayments on vessels and newbuildings	0	17,967
Additions for the year from vessels	164,306	117,220
Disposals for the year	-171,941	-111,397
Impairment for the year	-43,214	-35,014
Carrying amount at 31 December	**22,168**	**33,644**
Which can be specified as follows:		
Vessels	22,168	23,283
Prepayments on vessels	0	10,361
Total	**22,168**	**33,644**

Financial comments

Amount insured on assets held for sale USD 29 million (USD 49 million).

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
20	**Reserves**		
	Securities:		
	Fair value adjustment at 1 January	12,073	12,954
	Fair value adjustment for the year	-12,335	-881
	Fair value adjustment at 31 December	-262	12,073
	Cash flow hedges:		
	Fair value adjustment at 1 January	-4,730	-5,443
	Fair value adjustment for the year, net	4,483	713
	Fair value adjustment at 31 December	-247	-4,730
	Total	**-509**	**7,343**

21 Equity

§ 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.

Treasure share	2016	2015	2016	2015	2016	2015
	Number of shares		Nominal value (DKK'000)		% of share capital	
1 January	1,732,385	1,739,945	1,732	1,740	4.10	4.12
Distributed	0	-7,560	0	-8	0.00	-0.02
31 December	**1,732,385**	**1,732,385**	**1,732**	**1,732**	**4.10**	**4.10**

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 liabilities in connection with sharebased payment, see note 32.

At 1 January 2016, the Company had a total of 40,467,705 outstanding shares of DKK 1 each, and at 31 December 2016, a total of 40,467,705 outstanding shares of DKK 1 each.

Notes to the financial statements

Note **Amounts in USD'000**

22 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.

	2016	2015
Interest-bearing liabilities include bank debt, which includes the following items:		
Current portion of non-current debt within 1 year	26,171	36,319
Non-current liabilities between 1 and 5 years	106,108	148,185
Non-current liabilities over 5 years	83,981	113,851
Total	**216,260**	**298,355**
Interest-bearing liabilities comprise carrying amount:		
Fixed-rate loans	25,240	38,837
Floating-rate loans*	194,287	266,085
Borrowing costs	-3,267	-6,567
Total	**216,260**	**298,355**

* USD 13 million at a fixed rate untill 2020 Floating-rate loans are partly hedged by interest rate swaps, see note 30.

Financial comments

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 Company is changed.

Mortgages and security provided in relation to liabilities are disclosed in note 28.

See note 37 for fair value hierarchy.

23 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 Company 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 results of joint ventures".

Notes to the financial statements

Note **Amounts in USD'000**

23 Provisions –continued

Accounting choices and 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 charted vessels. See the section "Accounting policies" in note 12 for a description.

2016	**Onerous contracts**	**Other provisions**	**Total**
Provisions at 1 January	294,668	13,944	308,612
Provisions made during the year	0	2,916	2,916
Reversed provisions during the year	-119,374	-1,010	-120,384
Transferred from investments in joint ventures	0	-3,975	-3,975
Provisions at 31 December	**175,294**	**11,875**	**187,169**
Provisions are distributed as follows:			
Within 1 year	83,342	11,875	95,217
Between 1 and 5 years	91,279	0	91,279
More than 5 years	673	0	673
Total	**175,294**	**11,875**	**187,169**

2015	**Onerous contracts**	**Other provisions**	**Total**
Provisions at 1 January	230,169	291	230,460
Provisions made during the year	144,973	1,019	145,992
Reversed provisions during the year	-80,474	0	-80,474
Transferred from investments in joint venture	0	12,634	12,634
Provisions at 31 December	**294,668**	**13,944**	**308,612**
Provisions are distributed as follows:			
Within 1 year	102,923	13,944	116,867
Between 1 and 5 years	188,936	0	188,936
More than 5 years	2,809	0	2,809
Total	**294,668**	**13,944**	**308,612**

Financial comments

Provisions for onerous time charter contracts are related to the CGU Dry Cargo. 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 in freight rates per day of USD 1,000 would lead to an increase/reduction of the provision of USD 35 million.

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
24	**Prepayments received on vessels for sale**		
	Prepayments received on vessels for sale	0	5,100
	Total	**0**	**5,100**
	Maturities:		
	Between 1 - 5 years	0	5,100
	Total	**0**	**5,100**
25	**Liabilities relating to tangible assets held for sale**		
	Prepayments received on sold vessels and newbuildings	5,100	15,056
	Total	**5,100**	**15,056**

26 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-lined basis in the income statement over the terms of the leases.

! Accounting choices and estimates

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

26 Operating lease liabilities – continued

	2016			2015		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	249,024	69,901	318,925	249,550	93,367	342,917
Between 1 to 5 years	590,656	158,702	749,358	645,179	177,675	822,854
More than 5 years	164,148	15,192	179,340	272,422	39,800	312,222
Total	**1,003,828**	**243,795**	**1,247,623**	**1,167,151**	**310,842**	**1,477,993**
- hereof provision 2014*	76,948	0	76,948	149,695	0	149,695
- hereof provision 2015*	98,346	0	98,346	144,973	0	144,973
Total	**828,534**	**243,795**	**1,072,329**	**872,483**	**310,842**	**1,183,325**

*Provisions for onerous time charter contracts. See note 23.

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 renew 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 renewal. Exercise of the purchase option on the individual vessel is based on an individual assessment. None of the leases comprise contingent lease payments.

For information on ship days distributed on years, see capacity and coverage in the management commentary. For information on the Company's charter parties with purchase option, see the sections "Asset Management" 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 managament 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 13.

27 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 choices and 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 others.

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
27	**Unrecognised contingent assets and liabilities – continued**		
	Contingent liabilities		
	Guarantee commitments do not exceed	23	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	400	2,140
	A Letter of Support has been issued towards two joint ventures.		
28	**Mortgages and security**		
	As security for loans	216,260	298,355
	a total number of vessels of	12	18
	and a total number of buildings of	1	1
	with a carrying amount of	388,530	497,804
	have been mortgaged at	247,653	349,848

29 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 26.

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 choices and estimates

See note 26 for accounting choices and estimates.

Notes to the financial statements

Note **Amounts in USD'000**

29 COAs and operating lease income - continued

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

	2016			2015		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	95,350	0	95,350	98,653	0	98,653
Between 1 to 5 years	190,245	0	190,245	134,781	0	134,781
More than 5 years	213,960	0	213,960	105,839	0	105,839
Total	**499,555**	**0**	**499,555**	**339,273**	**0**	**339,273**

The Group has operating lease income amounting to:

	2016			2015		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	54,698	34,801	89,499	44,634	13,734	58,368
Between 1 to 5 years	136,001	15,215	151,216	147,694	0	147,694
More than 5 years	27,449	0	27,449	52,296	0	52,296
Total	**218,148**	**50,016**	**268,164**	**244,624**	**13,734**	**258,358**

Financial comments

The above includes NORDEN's expected share of COAs and operating lease income. See note 13.

30 Financial instruments

§ Accounting policies

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

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

Changes in the fair value of derivative financial instruments designated as hedges of expected future transactions are recognised in equity under "Reserve for cash flow hedges", see note 20. Where the expected future transaction results in the acquisition of non-financial assets, any amounts deferred under equity are transferred from equity to the cost of the asset. Where the expected future transaction results in income or expense, amounts deferred under equity are transferred from equity to the income statement in the same item as the hedged transaction.

Notes to the financial statements

Note **Amounts in USD'000**

30 Financial instruments – continued

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

Hedge accounting

For more information on the Company's overall risk management, see the description in note 2.

	2016	2015
Interest rate swap – cash flow hedging:		
Contractual value (outstanding debt)	113,245	242,626
Market value:		
Contracts with an unrealised loss (liability)	-1,157	-4,730
Cross Currency Swap – cash flow hedging:		
Contractual value (outstanding receivable)	43,664	0
Market value:		
Contracts with an unrealised gain (asset)	910	0
Recognised in equity at 31 December	**-247**	**-4,730**

Financial hedging:

At 31 December, the Group had entered into hedging transactions, where hedge accounting is not used and where assets and liabilities are recognised with the following amounts:

	2016			2015		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Bunker hedging	9,247	-8,088	1,159	237	-26,030	-25,793
Forward Freight Agreements	0	-3,283	-3,283	0	-15,508	-15,508
Cross Currency Swaps	3,702	0	3,702	3,369	0	3,369
Forward exchange contracts	11,024	0	11,024	5,330	-485	4,845

Financial comments

Interest rate swaps are concluded for a period of 1-5 years.

The mark-to-market value of Forward Freight Agreements is calculated at the reporting date.

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

A Cross Currency Swap has been used to hedge the currency risk of a COA in GBP. The duration of the swap contract is 5 years.

Notes to the financial statements

Note **Amounts in USD'000**

31 Related party disclosures and transactions with related parties

§ Accounting policies

Related parties include the Board of Directors and 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 13.

	2016	**2015**
Trading and accounts with related parties comprise:		
Sale of goods and services		
- joint ventures	13,399	14,249
Purchases of goods and services		
- joint ventures	4,922	7,982
Dividends from		
- joint ventures	1,122	719
Receivables from related parties		
- joint ventures	5,030	3,111
Debt to related parties (included in the item "Other payables")		
- joint ventures	12	509
- Board of Directors and Executive Management	336	458

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 36.

Remuneration and share-based payment of the Board of Directors and the Executive Management are disclosed in notes 5 and 32.

Guarantees to joint ventures are mentioned in note 13.

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

Notes to the financial statements

Note **Amounts in USD'000**

32 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 employee shares. For options, this fair value is recognised in the income statement over the vesting period. The fair value of employee shares is recognised at the grant date. A corresponding increase is recognised in equity.

The fair value of the options is determined using the Black-Scholes valuation model, taking into account the terms of the grant and the actual number of vested options. On recognition, the number of options expected to vest is estimated. The estimate is adjusted over the vesting period to the actual number of vested options.

Share options

In the years 2011-2016, the Board of Directors has granted share options comprising a total of 2,303,159 shares to a number of executives. The distribution between years and exercise periods can be seen below. It applies to all the programmes 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 of the Executive Management and executives is subject to their continued employment with the Company 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 owns 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 20% (2011-2012) or 10% (2013-2016), respectively, in proportion to the market price at the date of grant.

Movement in the number of outstanding share options as follows:

	2016	**2015**
	Number of options	**Number of options**
Outstanding at 1 January	1,670,493	1,403,849
Granted during the period	389,159	400,000
Lapsed during the period	-249,738	-71,439
Expired during the period	-211,556	-61,917
Outstanding at 31 December	**1,598,358**	**1,670,493**

Notes to the financial statements

Note Amounts in USD'000

32 Share-based payment – continued

Outstanding share options are composed as follows:

				Number of share options				
Granted	**Exercise period**	**Exercise price at 31 December 2016, DKK**	**Originally granted in total**	**Executive Manage-ment**	**Other executives**	**Others**	**Total**
2 March 2011	02.03.2014 - 02.03.2017	202.39	350,000	10,764	82,070	116,557	209,391
7 March 2012	07.03.2015 - 07.03.2018	182.70	350,000	10,282	80,785	121,197	212,264
6 March 2013	06.03.2016 - 06.03.2019	193.95	400,000	16,603	99,701	135,431	251,735
11 March 2014	11.03.2017 - 11.03.2020	257.62	414,000	18,505	109,330	138,206	266,041
4 March 2015	04.03.2018 - 04.03.2021	161.49	350,000	22,480	117,706	139,300	279,486
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	389,159	78,000	134,169	117,272	329,441
Outstanding at 31 December		**179.36**	**2,303,159**	**206,634**	**623,761**	**767,963**	**1,598,358**

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 Senior Management at the end of the year, see the section "Management" 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:

	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Volatility	31.4%	26.5%	25.6%	29.4%	54.8%	58.4%
Rate of yield	0%	0%	200%	200%	400%	500%
Risk-free interest rate	0.00%	0.00%	0.24%	0.24%	0.69%	2.38%
Revaluation of exercise price	10%	10%	10%	10%	20%	20%
Allotment price	98.19	147,66/134,49	277.81	185.40	164.55	185.51
Fair value of granted options	0.9 mio.	1.1 mio.	2.1 mio.	1.8 mio.	2.4 mio.	3.4 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 assumed dividend per share is based on historical dividends.

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

The expense for the year

The expense for the year is USD 1 mio. (USD 2 mio.).

Notes to the financial statements

Note **Amounts in USD'000**

33 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 company's interest margin. All cash flows are undiscounted.

	Maturities				
2016	**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	20,539	2,413	153	23,105	23,062
Derivative financial instruments with a negative market value	-4,007	-3,261	-818	-8,086	-8,086
Cash flow hedging with a positive market value	0	0	910	910	910
Cash flow hedging with a negative market value	-970	-392	0	-1,362	-1,158
Loans and receivables measured at amortised cost					
Cash and cash equivalents	245,182	0	0	245,182	245,182
Freight receivables	85,253	0	0	85,253	85,253
Receivables from joint ventures	5,030	0	0	5,030	5,030
Other receivables	15,170	0	0	15,170	15,170
Total	350,635	0	0	350,635	350,635
Financial assets available for sale:					
Bonds	12,851	8,961	0	21,812	18,069
Financial liabilities measured at amortised cost					
Loans	-33,472	-66,611	-158,551	-258,634	-216,260
Trade and other payables	-53,391	0	0	-53,391	-53,391
Total	-86,863	-66,611	-158,551	-312,025	-269,651
Financial assets which do not constitute a part of the cash resources					
Financial assets available for sale:					
Listed shares	599	0	0	599	599
Unlisted shares	0	0	0	0	0
Total	599	0	0	599	599

Notes to the financial statements

Note **Amounts in USD'000**

33 Liquidity risk – continued

2015	Maturities: Within 1 year	Maturities: Between 1-3 years	Maturities: More than 3 years	Total	Carrying amount
Derivative financial instruments					
Derivative financial instruments with a positive market value	6,055	2,359	762	9,176	8,936
Derivative financial instruments with a negative market value	-16,680	-9,228	-607	-26,515	-26,515
Cash flow hedging with a negative market value	-2,530	-1,713	-543	-4,786	-4,730
Loans and receivables measured at amortised cost					
Cash and cash equivalents	313,867	5,100	9,952	328,919	328,919
Freight receivables	96,517	0	0	96,517	96,517
Receivables from joint ventures	3,111	0	0	3,111	3,111
Other receivables	17,878	0	0	17,878	17,878
Total	431,373	5,100	9,952	446,425	446,425
Financial assets avaiable for sale:					
Bonds	3,969	15,279	4,254	23,502	22,267
Financial liabilities measured at amortised cost					
Loans	-45,200	-90,669	-215,715	-351,584	-298,355
Trade and other payables	-60,505	0	0	-60,505	-60,505
Total	-105,705	-90,669	-215,715	-412,089	-358,860
Financial assets which do not constitute a part of the cash resources					
Financial assets available for sale:					
Listed shares	493	0	0	493	493
Unlisted shares	14,018	0	0	14,018	14,018
Total	14,511	0	0	14,511	14,511

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 conslusion of interest rate swaps, see note 30, the floating rate is converted into a fixed rate of between 1.54% - 2.25% for a term of 1-5 years.

See note 37 for fair value hierarchy.

Notes to the financial statements

Note	Amounts in USD'000	2016	2015
34	**Change in working capital**		
	Inventories onboard vessels	-460	39,811
	Freight and other receivables, etc.	12,129	16,513
	Trade and other payables, etc.	1,202	-47,106
	Fair value adjustments of cash flow hedging instruments taken to equity	4,483	713
	Total	**17,354**	**9,931**
35	**Dividends**		
	The amount available for distribution as dividends comprises:	311,805	364,718

Dividends paid in 2016 and 2015 amount to tUSD 0 (DKK 0 per share) and tUSD 0 (DKK 0 per share), respectively. The proposed dividend for 2016 is tUSD 0 (DKK 0 per share).
The proposed dividend for 2016 will be considered on the annual general meeting on 5 April 2017.

36 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%	-

Notes to the financial statements

Note **Amounts in USD'000**

37 Fair value hierarchy

Fair value measurement

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.

Financial instruments measured at fair value are shown in accordance with the following accounting hierarchy:

Level 1: Observable market prices of identical instruments.
Level 2: Valuation models primarily based on observable prices or trading prices of comparable instruments.
Level 3: Valuation models primarily based on non-observable prices.

2016	Carrying amount	Fair Value level 1	Fair value level 2	Fair value level 3
Freight receivables [1)]	85,253	-	-	-
Receivables from joint ventures [1)]	5,030	-	-	-
Other receivables [1)]	15,169	-	-	-
Cash and cash equivalents [1)]	245,182	-	-	-
Total loans and receivables	**350,634**	**-**	**-**	**-**
Bonds	18,069	18,069	-	-
Shares	599	599	-	-
Total financial assets available for sale	**18,668**	**18,668**	**-**	**-**
Derivative financial instruments	23,973	-	23,973	-
Total financial assets at fair value through the income statement	**23,973**	**-**	**23,973**	**-**
Loans	-216,260	-	-223,960	-
Trade payables [1)]	-42,395	-	-	-
Other debt [1)]	8,869	-	-	-
Total debt at amortised cost	**-267,524**	**-**	**-223,960**	**-**
Derivative financial instruments	-11,371	-	-11,371	-
Total financial liabilities at fair value through the income statement	**-11,371**	**-**	**-11,371**	**-**

Notes to the financial statements

Note **Amounts in USD'000**

37 Fair value hierarchy – continued

2015	Carrying amount	Fair Value level 1	Fair value level 2	Fair value level 3
Freight receivables [1]	96,517	-	-	-
Receivables from joint ventures [1]	3,111	-	-	-
Other receivables [1]	17,878	-	-	-
Cash and cash equivalents [1]	328,919	-	-	-
Total loans and receivables	**446,425**	**-**	**-**	**-**
Bonds	22,267	22,267	-	-
Shares	14,511	493	-	14,018
Total financial assets available for sale	**36,778**	**22,760**	**-**	**14,018**
Derivative financial instruments	8,936	-	8,936	-
Financial assets at fair value through the income statement	**8,936**	**-**	**8,936**	**-**
Loans	-298,355	-	-309,384	-
Trade payables [1]	-48,780	-	-	-
Other debt [1]	-947	-	-	-
Total debt at amortised cost	**-348,082**	**-**	**-309,384**	**-**
Derivative financial instruments	-42,023	-	-42,023	-
Total financial liabilities at fair value through the income statement	**-42,023**	**-**	**-42,023**	**-**

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

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.

Listed shares and bonds: Fair value measurement of shares and bonds is at level 1 as the fair value is determined on the basis of share prices.

Unlisted shares: Fair value is based on published financial statements and is thus level 3.

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.

38 Events after the reporting date

See page 12 in the management commentary.

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 results for the year	=	Results for the period adjusted for Profits and losses from the sale of vessels etc. and Fair value adjustment of certain hedging instruments
Book value per DKK 1 share	=	$\frac{\text{Year-end equity, excluding minority interests}}{\text{Number of shares at year-end, excluding treasury shares}}$
Dividend yield	=	$\frac{\text{Dividend per share x 100}}{\text{Share price}}$
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDA ratio	=	$\frac{\text{EBITDA x 100}}{\text{Net revenue}}$
Equity ratio	=	$\frac{\text{Equity at year-end, excluding minority interests x 100}}{\text{Total assets}}$
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	=	$\frac{\text{Profit or loss for the year}}{\text{Number of shares at year-end, excluding treasury shares}}$
Payout ratio	=	$\frac{\text{Dividend, excluding treasury shares x 100}}{\text{Profit or loss for the year, excluding minority interests}}$
Price/book value	=	$\frac{\text{Share price at year-end per DKK 1 share}}{\text{Book value per DKK 1 share}}$
Profit margin (EBIT margin)	=	$\frac{\text{Profit or loss from operations x 100}}{\text{Net revenue}}$
Return on assets	=	$\frac{\text{Profit or loss from operations x 100}}{\text{Total assets at year-end}}$
Return on equity in % (ROE)	=	$\frac{\text{Profit or loss for the year, excluding minority interests x 100}}{\text{Average equity, excluding minority interests}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit or loss from operations x 100}}{\text{Average invested capital}}$
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

ACM Shipbroking company.

Active core fleet Owned vessels and vessels chartered for more than 13 months (long-term chartered vessels).

Active fleet Owned vessels, vessels chartered for more than 13 months (long-term chartered vessels) and vessels chartered for less than 13 months (short-term chartered vessels).

B

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

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

Bareboat charter Agreement to charter a vessel without crew.

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

Capesize Bulk carrier of more than 120,000 dwt. capacity.

CDP Platform for collecting and presenting companies' environmental data to investors.

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.

Consultas Shipping system used by the Technical Department in connection with maintenance of the vessels, purchase, voyage reporting, etc.

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' responsible business practices.

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.

Eco vessel Vessel with improved fuel efficiency.

EEOI (Energy Efficiency Operational Indicator) Calculation and analysis system used when measuring CO2 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.

G

Gross fleet Owned vessels, vessels chartered for more than 13 months (long-term chartered vessels), vessels chartered for less than 13 months (short-term chartered vessels) and vessels for delivery.

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

H

Handysize Bulk carrier of 25,000-40,000 dwt. capacity or product tanker of 27,000-42,000 dwt. capacity.

I

IAS International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

IMF International Monetary Fund.

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 42,000-60,000 dwt. capacity.

MSI Maritime Strategies International Ltd. British research and consulting firm.

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.

P

Panamax Bulk carrier of 65,000-85,000 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 85,000-120,000 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.

R.S. Platou Shipbroking company.

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 40,000-65,000 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.

TCE (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.

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

U

UN Global Compact The UN's corporate sustainability initiative.

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.

Group structure

Company details

The Company

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Municipality of domicile: Gentofte

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Email: direktion@ds-norden.com

Board of Directors

Klaus Nyborg, Chairman
Erling Højsgaard, Vice Chairman
Johanne Riegels Østergård
Karsten Knudsen
Arvid Grundekjøn
Lars Enkegaard Biilmann (employee representative)
Janus Haahr (employee representative)
Thorbjørn Joensen (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 Wednesday 5 April 2017 at 3.00 p.m. at Radisson Blu Scandinavia Hotel, 70, Amager Boulevard, DK-2300 Copenhagen S.

This annual report is a translation of the Danish original version. In case of any inconsistencies, the Danish original version shall be governing.

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