NORDEN

CONSOLIDATED ANNUAL REPORT 2017

— CUSTODIANS OF SMARTER GLOBAL TRADE —

DAMPSKIBSSELSKABET NORDEN A/S

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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.

Cover photo: NORD COLORADO delivered from Oshima Shipbuilding, Japan, in January 2018

2017 highlights

Christian Vinther Christensen joined as new head of Dry Cargo

January

Vessels operated by NORDEN and Norient Product Pool

350

February

Fuel consumption on owned vessels on average reduced by 10% vs. 2014

March

Annual General Meeting; Tom Intrator and Hans Feringa elected to the Board of Directors

April

Secondhand product tankers purchased

2

June

TRACE CERTIFIED

NORDEN becomes TRACE certified documenting anti-corruption efforts

July

Dry Cargo split into

2 business units

July

NORDEN enters into 10-YEAR long-term contract on transporation of road salt from Chile

September

Vessel years added to the Tanker fleet during the year through long- and short-term charters

71.5

November

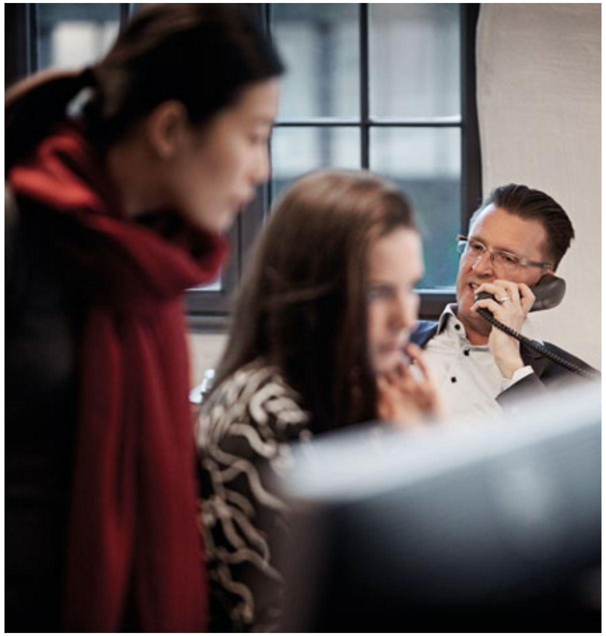
NORDEN announces opening of office in Vancouver

Reached 3-year target of annual savings of

USD 20 million

December

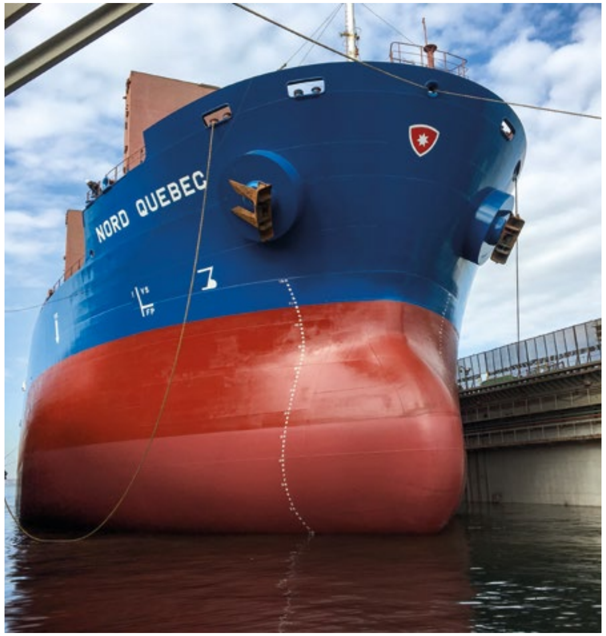
Selected highlights of the year



DRY OPERATOR RESULTS Q4

Dry Operator was established mid-2017 with smaller more specialised and agile teams. In the fourth quarter of the year, Dry Operator generated an adjusted result of

USD 14 million



DRY CARGO VESSEL VALUES

On the back of improving market conditions in 2017, the market value of NORDEN's owned dry cargo vessels increased by

+12%

TANKER OUTPERFORMANCE

In 2017, NORDEN's Tanker business once again outperformed the 1-year T/C market and generated average extra earnings of

USD 1,494 per day

Fourth quarter 2017

On the back of strong performance, NORDEN generated an adjusted result of USD 27 million in the fourth quarter of 2017.

The result was driven by successful geographical positioning of vessels by Dry Operator and a large open position in Dry Owner resulting in strong earnings in an improving market.

In Tankers, NORDEN's tanker fleet once again outperformed the market benchmark and generated an adjusted result for the period of USD 2 million in an otherwise very challenging market.

The adjusted results for 2017 amounted to USD 28 million which was in line with the latest announced expectation for the year of USD 20 to 35 million. The profit/loss for the year was USD 25 million, which includes loss from sale of vessels of USD 3 million mainly in joint ventures.

Key figures for the quarters

USD million	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Total 2017**
EBITDA	2.9	10.3	7.3	12.0	38.5	68.1
Profit and loss from sale of vessels, etc.	-6.7	-0.2	0.0	1.1	0.0	0.9
Depreciation and write-downs	-10.8	-10.6	-10.2	-10.6	-10.7	-42.2
EBIT	-16.3	0.1	-2.8	-2.2	28.2	23.3
Profit/loss for the period	-12.1	0.7	-3.3	0.1	27.1	24.6
Cash flows from operating activities	-41.3	-9.4	-9.7	-16.0	41.4	6.3
Adjusted results for the period	-14.0	0.9	-3.3	3.7	27.1	28.4

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

NORDEN in short

NORDEN aims to generate superior long-term returns by efficient capital allocation between cyclical dry cargo and product tanker exposure and its sophisticated asset light dry cargo and product tanker operations. Long-term demand growth in both dry cargo and product tankers is expected to be lower going forward than experienced over the last 15-20 years. This will, among other things, result in shorter shipping cycles requiring a more agile business approach and use of digital solutions to increase efficiency and capture value.

With several initiatives – most notably the establishment of a new focused operator platform in Dry Operator – NORDEN has positioned the Company to create higher risk-adjusted returns from operating activities through its strong organisational capabilities. The value creation in Dry Operator is less dependant on underlying market conditions and can generate value irrespective of these.

Founded and listed on the stock exchange in 1871, NORDEN offers its shareholders earnings from industry leading operator activities generated by a highly skilled organisation in addition to cyclical exposure to dry cargo and product tanker markets. All in a company anchored in 147 years of history and strong values with transparency and well-established corporate governance.

THE NORDEN BUSINESS

DRY OPERATOR

Global transport solutions to dry bulk customers.

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

DRY OWNER

Cyclical market exposure to the dry bulk market.

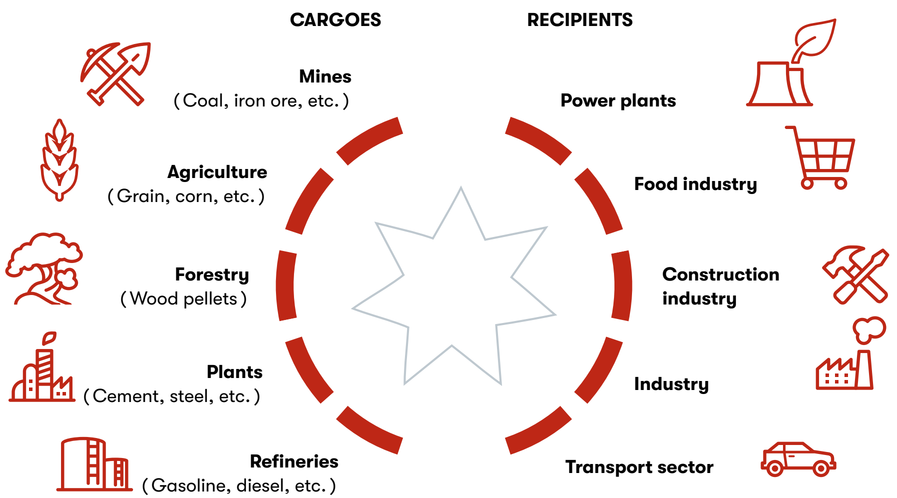
Generates superior long-term returns by:
- Timing and negotiating transactions of owned vessels and long-term charter contracts
- Utilising access to off-market deals through long-term relationships with shipyards and shipowners
- Enabling portfolio of long-term cargo contracts

PRODUCT TANKERS

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

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

CONNECTING THE WORLD



Offices	Vessels	Customers	Years of history and strong values
9	~300	>500	147

NORDEN corporate soul purpose

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

A new set-up of the Company

In many ways, 2017 marked the beginning of a new NORDEN.

We added a new business unit to the company by splitting the Dry Cargo business into a Dry Operator and a Dry Owner. With the split, NORDEN has built a strong platform for increased value generation and prepared NORDEN to deliver improved results and increased value for our shareholders.

We are off to a good start turning 5 years of losses into an adjusted result for 2017 of USD 28 million.

The value of operator activity
Like other shipowners, NORDEN actively manages an asset portfolio of dry cargo vessels and product tankers through the industry cycles, but what really differentiates NORDEN is the ability to create additional value as an operator. By splitting the Dry Cargo business into Dry Operator and Dry Owner, it is our ambition to achieve more transparency of the value creation in the Company, increase the operator activity contribution to the bottom-line and unleash the full potential of our organisation.

Dry Operator handles NORDEN's short-term operator activities and during the year, it was organised into 9 specialised teams with deep market insights making NORDEN even better at both servicing existing customers and generating new business. The new set-up also promotes a mind-set with focus on quick decision-making with extensive professional support from both digital applications and supporting initiatives by other parts of the organisation.

A key element in our efforts for 2018 is to make use of the scalability of the set-up to generate further asset light growth and profitability in this new operator platform. We believe that Dry Operator offers significant potential for growth and attractive returns.

Tanker capacity significantly increased
In Tankers, NORDEN used the year to expand the tanker fleet. This was done by utilising the weak market and benefiting from having close ties with Japanese tonnage owners and yards. In total, NORDEN has added what is the equivalent of more than 71 vessel years to the tanker fleet and is thereby well-positioned for improving tanker markets.

We have increased our fleet knowing that NORDEN through the operational platform of Norient Product Pool is able to generate average earnings well above the market, and we look forward to utilising the extra capacity to generate further earnings in the coming years.

New board members
At the general meeting in 2017, 2 new board members with considerable international experience from well-respected trading and shipping companies were elected. The new members add valuable skills that among other things have been instrumental in the making of Dry Operator and our new set-up.

With our ambition to grow our activities significantly and develop a more agile business model, we have strengthened our risk management capabilities. This is supported by the establishment of a Board Risk Committee with the purpose of assist-

"We are off to a good start turning 5 years of losses into an adjusted result for 2017 of USD 28 million."

ing the Board of Directors in its oversight of the Company's overall risk-taking, tolerance and management of financial risks, including market, credit and liquidity risks.

Even though NORDEN can present the first positive adjusted results for the year since 2011, the Board of Directors recommends that no dividend is paid out to the shareholders. Our priority is to maintain financial strength in what is still relatively weak markets. However, our objective is once again to be able to pay out dividends to the shareholders. With our many initiatives in 2017 and previous years, we are on the right track but of course market developments remain an important factor to consider.

Continuing digitalisation of the business

Today, a substantial part of the business processes at NORDEN are digitalised, e.g.: A digital traffic light that informs the operator of the optimal vessel speed; extensive data capture and processing that support the market research and positioning of NORDEN; and real-time financial performance figures that are available to our individual commercial teams.

NORDEN will pursue further digital opportunities knowing that digitalisation is more than processes and systems - it is also a question of mindset. It is about being curious, seeing opportunities, being prepared for the unexpected and being able to adapt. The NORDEN organisation has this mindset, and we will make use of it in our continued digital efforts to increase efficiency, support decision-making and capture even more value for NORDEN in the years to come.

Outlook 2018

We expect both dry cargo and tanker markets to improve in 2018 even though weak tanker rates at the start of the year indicate that the improvement for tankers will only be gradual.

With a new, agile business unit in the form of Dry Operator, a Dry Owner spot exposure of approximately 10,000 days, an increase in tanker capacity, a skilled organisation with a winning mentality and state-of-the art systems, NORDEN is well-positioned to benefit from these improvements. On that basis, the adjusted results for the year 2018 is expected to amount to USD 10 to 50 million.

The expected result is a reflection of an underlying improvement in dry cargo but also a tanker market that has started the year with very weak levels. Furthermore, the expectations reflect the many initiatives and daily efforts made by the employees in NORDEN.

Every person and action matters.

Klaus Nyborg
Chairman of
the Board of Directors

Jan Rindbo
CEO

Strategic focus 2018

NORDEN

In 2018, the key focus will be to further strengthen the systemic value of the organisation and ensure significant scalability in operator activities. This includes accelerating NORDEN's efforts in building digital capabilities.

DRY OPERATOR

In 2017, focus was on establishing the Dry Operator by reorganising the teams and developing new reporting and risk systems. In 2018, the emphasis will be on improving profitability further and ensuring that the platform is scalable to deliver growth and sustainable value. This means:

1. Deepening relationships with both new and existing customers and tonnage providers
2. Amplifying the model with risk management, quantitative and predictive modelling, research and fuel efficiency in order to further sophisticate the decision making process.

DRY OWNER

After years of capacity surplus in the dry cargo market, low supply growth in the coming years forms the basis for continued market improvements. NORDEN has a significant portfolio of owned vessels and long-term T/C contracts that can take advantage of such market improvements. Emphasis will therefore be on:

1. Optimising the current portfolio rather than adding further long-term exposure.
2. Utilising improving markets to identify and secure long-term cover beyond 2020.

TANKERS

NORDEN significantly increased its long-term exposure to the tanker markets in 2017, and in 2018 focus will be on:

1. Pursuing further selected capacity additions.
2. Developing relations with tonnage providers and customers with a view to further expand the short-term charter-in and cover activity.

Outlook for 2018

Based on overall market improvements in both the dry cargo and product tanker markets in 2018, NORDEN expects adjusted results for the year of USD 10 to 50 million.

Dry Operator

For 2018, NORDEN expects Dry Operator to be able to deliver a contribution margin of USD 50 to 60 million, corresponding to an adjusted result for the year of USD 10 to 20 million.

Dry Owner

On the basis of very low fleet growth and continued macroeconomic growth, NORDEN expects the dry cargo market to continue its improvement in 2018. Dry Owner is well-positioned for this with only 44% of the long-term capacity covered, leaving approximately 10,000 days exposed to market rates.

The expected adjusted result for 2018 is positively impacted by utilisation of provisions of USD 25 million for onerous contracts taken in previous years. This is substantially lower than in 2017, where the adjusted result was positively impacted by utilisation of provisions of USD 83 million. Cash flows from operations in 2018 which are unaffected by provisions are expected to increase significantly from the USD 6 million in 2017.

All in all, NORDEN expects Dry Owner to generate an adjusted result for year of USD 15 to 25 million in 2018.

Tankers

The overall market conditions for product tankers is expected to improve slightly during 2018. However, it should be noted that the market level at the beginning of 2018 has been lower than the level seen the same period last year. Also, the weak 2017 means that NORDEN enters the year with coverage at lower TCEs than last year. Thus, NORDEN only has 15% of contracted capacity covered, leaving approximately 13,000 open vessel days. On this basis, NORDEN expects a full-year result of USD -15 to 5 million.

"NORDEN expects adjusted results for the year of USD 10 to 50 million."

Events after the reporting date

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

Outlook for 2018

USD million	Adjusted results for the year
Dry Operator	10 to 20
Dry Owner	15 to 25
Tankers	-15 to 5
Group	**10 to 50**

Financial calendar for 2018

1 March	Final deadline for any shareholder requests to the agenda for the annual general meeting
6 March	Annual report 2017
12 April	Annual general meeting
2 May	Interim report for the first quarter of 2018
15 August	Interim report for the second quarter and first half-year of 2018
7 November	Interim report for the third quarter of 2018

Forward-looking statements

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

Statements relating to 2018 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from projections.

Factors that may cause NORDEN's realised results to differ from the projections in this annual report include, but are not limited to: Changes to macroeconomic and political conditions – particularly in the Company's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risks; any disruptions to traffic and operations as a result of external events, etc.

KEY FIGURES AND FINANCIAL RATIOS

	2017	2016	2015	2014	2013
INCOME STATEMENT, USD MILLION					
Revenue	1,808.6	1,251.2	1,653.4	2,038.1	2,145.9
Costs	-1,740.5	-1,220.6	-1,632.9	-2,299.6	-2,121.6
Earnings before depreciation, etc. (EBITDA) (excl. provision)	68.1	30.6	165.5	-31.3	24.3
Provision (excl. joint ventures)	0.0	0.0	-145.0	-230.2	0.0
Earnings before depreciation, etc. (EBITDA)	68.1	30.6	20.5	-261.5	24.3
Profit and loss from sale of vessels, etc.	0.9	-45.5	-31.0	0.0	2.5
Depreciation and write-downs	-42.2	-49.6	-248.6	-68.2	-79.0
Earnings from operations (EBIT)	23.3	-64.5	-282.0	-335.5	-51.3
Fair value adjustment of certain hedging instruments	0.0	34.5	9.1	-61.9	10.6
Net financials	-0.9	-12.3	-9.4	-15.2	-2.5
Profit/loss before tax	22.4	-42.2	-282.3	-412.5	-43.2
Profit/loss for the year	24.6	-45.6	-284.9	-415.6	-47.7
Profit/loss for the year for the NORDEN shareholders	24.6	-45.6	-284.9	-415.6	-47.7
Adjusted results for the year [1]	28.4	-34.6	-263.0	-350.2	-60.8
STATEMENT OF FINANCIAL POSITION, USD MILLION					
Non-current assets	786.5	767.1	945.7	1,221.0	1,215.2
Total assets	1,326.5	1,301.0	1,604.7	1,778.0	2,061.2
Equity (including minority interests)	834.4	801.4	856.1	1,139.3	1,604.8
Liabilities	492.1	499.6	748.6	638.7	456.4
Invested capital	836.7	753.8	788.7	1,131.6	1,377.0
Net interest-bearing assets	-2.3	47.6	67.3	7.7	227.8
Cash and securities	219.4	263.9	365.7	238.3	486.1

The ratios are computed in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Association of Financial Analysts. However, "Profit and loss from sale of vessels, etc." is not included in EBITDA. Please see definitions in the section "Definitions of key figures and financial ratios". The figures are adjusted for the Company's holding of treasury shares.

[1] "Adjusted results for the year" is computed as "Profit/loss for the period" adjusted for "Profit and loss from sale of vessels, etc." and "Fair value adjustment of certain hedging instruments" for periods before 2017. Including adjustment from sale of vessels in joint ventures.

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

	2017	2016	2015	2014	2013
CASH FLOWS, USD MILLION					
From operating activities	6.3	-79.7	76.9	-46.0	-8.9
From investing activities	-0.2	102.1	-112.9	66.2	-61.9
– hereof investments in property, plant and equipment	-75.4	-36.8	-131.6	-110.4	-139.4
From financing activities	3.0	-85.3	67.5	-79.4	62.5
Change in cash and cash equivalents for the year	9.1	-62.9	31.5	-59.2	-8.3
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	42,200,000	43,000,000
No. of shares of DKK 1 each (excluding treasury shares)	40,467,615	40,467,615	40,467,615	40,460,055	40,770,988
No. of treasury shares	1,732,385	1,732,385	1,732,385	1,739,945	2,229,012
Earnings per share (EPS) (DKK)	0.6 (4)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)	-1.2 (-7)
Diluted earnings per share (diluted EPS) (DKK)	0.6 (4)	-1.1 (-8)	-7.0 (-47)	-10.3 (-58)	-1.2 (-7)
Dividend per share, DKK	0	0	0	0	5
Book value per share (DKK)	19.8 (123)	19.0 (134)	21.2 (144)	28.2 (172)	39.4 (213)
Share price at year-end, per share DKK 1	116.5	110.5	122.1	131.4	285.0
Price/book value	0.9	0.8	0.8	0.8	1.3
OTHER KEY FIGURES AND FINANCIAL RATIOS					
EBITDA ratio	3.8%	2.4%	1.2%	-12.8%	1.1%
ROIC	2.9%	-8.4%	-10.6%	-26.7%	-3.8%
ROE	3.0%	-5.5%	-28.6%	-30.3%	-2.9%
Payout ratio (excluding treasury shares) [2]	0.0%	0.0%	0.0%	0.0%	0.0%
Equity ratio	62.9%	61.6%	53.3%	64.1%	77.9%
Total no. of ship days for the Group	93,738	79,060	75,763	83,866	90,069
USD rate at year-end	620.77	705.28	683.00	612.14	541.27
Average USD rate	659.53	673.27	672.69	561.90	561.60

Financial position

During the year, NORDEN has increased its net commitments through a build-up of tanker capacity while maintaining solid financial resources.

Even though 2017 offered significant improvements in dry cargo rates, the improvements came from very low levels, and with a continued depressed tanker market cash flows from operating activities ended at USD 6 million.

Increased net commitments

At the end of the year, the Company's total net commitments amounted to USD 758 million, which is an increase of 22% compared to the year before. A large part of the increase is attributable to the expansion of capacity through the signing of both short- and long-term time charter agreements in the tanker segment. NORDEN is therefore considerably exposed to the tanker market in the coming years, where rates are expected to improve from the levels seen in 2017.

Normalising cash position

As expensive charter and newbuilding commitments are paid off, NORDEN is gradually allowing its cash position to normalise. At the end of the quarter, NORDEN's cash and securities amounted to USD 219 million. To this should be added undrawn credit facilities which totalled USD 220 million. In comparison, outstanding payments in connection with newbuildings and secondhand purchases constitute USD 202 million and are due for payment in the period 2018-2020, and overall NORDEN's liquidity reserve remains adequate. Future payments to NORDEN for vessel sales amount to USD 38 million.

Balanced financial position

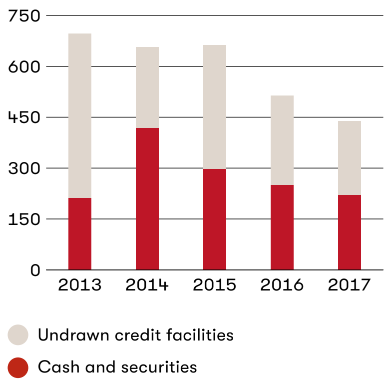
A considerable part of NORDEN's financing consists of future liabilities relating to chartered capacity. At present, these are not included in the balance sheet, but should be included when the Company's total capital structure is evaluated. Based on the net commitments and the market value of the equity at year-end – those that are included in the balance sheet as well as those that are not – NORDEN's equity share is 51%.

Future newbuilding instalments, USD million

Year	Newbuilding instalments
2018	142
2019	26
2020	34
Total	**202**

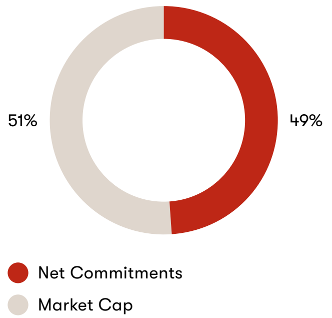
Future payments to NORDEN from assets held for sale: USD 38 million

Available liquidity



NORDEN has maintained a solid financial position.

Capital structure incl. items outside balance sheet



A considerable part of NORDEN's financing consists of future liabilities relating to charter procurement.

This is considered an appropriate capital structure providing the Company with the right balance between a solid protection against weak markets – an important factor to both customers and tonnage suppliers in their assessment of NORDEN as a counterparty – and appropriate gearing towards expected improvements in the market.

Net commitments, USD million

	2017	2016	2015
Adjusted net interest-bearing assets*	-59	12	-6
T/C liabilities**	-1,226	-1,142	-1,372
Payments for newbuildings less proceeds from vessel sales**	-149	-163	-185
Contractually secured T/C revenue** (T/Cs and COAs)	676	672	574
Net Commitments*	**-758**	**-620**	**-989**

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

View from the NORDEN office in Shanghai.

DRY CARGO

DRY CARGO ADJUSTED RESULT FOR THE YEAR (USD)

14 million

DRY CARGO

Best result since 2011

During 2017, the dry cargo activities generated an adjusted result of USD 14 million in total.

This is the best result since 2011 and an improvement of USD 66 million compared to the 2016 result. The result was generated by overall improving market conditions, a large open position in Dry Owner and strong performance by Dry Operator in the fourth quarter.

The overall market conditions continued to improve gradually throughout the year, however, NORDEN entered 2017 with more cover than capacity for the first couple of months in 2017. The operating results in the first and second quarter did consequently not fully benefit from the stronger than expected market conditions.

In the second half of 2017, the overall exposure management led to NORDEN benefitting from the improving market rates. Over the last 4 quarters NORDEN has on average generated extra earnings relative to market benchmark of USD 2,567 and USD 2,618 per core vessel day within Panamax and Supramax, respectively.

During the year, NORDEN has continued implementing the strategy Focus & Simplicity, which for Dry Cargo includes establishment of a new focused operator platform for the short-term operator activities by splitting the Dry Cargo business into 2 distinct business units; Dry Operator and Dry Owner. This marks an important step in NORDEN's ambitious plan to increase both profitability and scale of its Dry Operator activities. The split is described in further detail on page 21.

For the full year 2017, Dry Operator generated a contribution margin of USD 13 million. After overhead and administration costs the adjusted result was USD -18 million.

Dry Owner on the other hand generated a full-year contribution margin of USD 52 million and an adjusted result for the year of USD 32 million.

However, these figures are impacted by the first half-year result where the Dry Operator and Dry Owner units were not yet established, and where the portfolio therefore was managed differently.

Had the Dry Operator and Dry Owner units been run separately, a portion of the loss-making cover in the first half of 2017 would have pertained to Dry Owner rather than Dry Operator. Such allocation has, however, not been carried out retroactively.

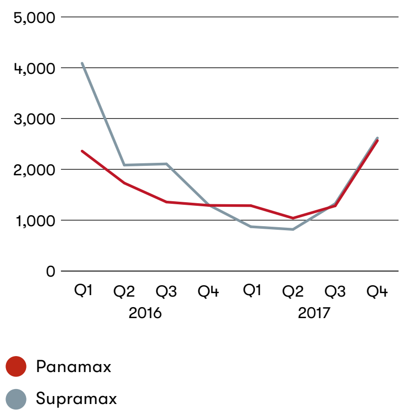
From July 2017, the reorganisation of the Dry Cargo activities into 2 separate business units was complete. Figures for the second half of 2017 therefore better reflect the performance of the new separated business units.

Figures and performance of Dry Operator and Dry Owner in the second half of 2017 are described in detail on page 22 ff. and 28 ff., respectively.

"The overall market continued to improve throughout the year."

4 quarter rolling NORDEN TCE over benchmark

USD per day



Source: Baltic Exchange and NORDEN

In 2017, NORDEN again achieved earnings well above the market in both Supramax and Panamax.

USD million	Dry Operator	Dry Owner	Dry Cargo Total
Contribution margin	13.3	51.6	64.9
Admin	-31.5	-7.9	-39.4
EBITDA	-18.2	43.8	25.6
Adjusted result	-17.7	31.9	14.2

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

DRY CARGO

Market 2017

After a poor 2016, the dry cargo market improved throughout 2017. Global macroeconomic improvements and strong Chinese imports created demand growth of around 4.8%, which was sufficient to outpace supply growth of 3%. Compared to 2016, the BDI market levels for NORDEN's key segments, Supramax and Panamax, were on average 46% and 50%, respectively.

Chinese demand growth

A significant part of demand growth in 2017 was driven by higher economic activity levels in China resulting in higher commodity imports. After a few years of stagnant steel consumption, the high activity levels in industry, infrastructure as well as real estate drove up steel demand throughout 2017. According to the official statistics, Chinese steel production increased by 5% in 2017, but parts of this improvement is likely driven by the closing of selected induction furnace steel capacity, which effectively moved production from unregistered production into the official statistics.

Chinese coal imports rebounded significantly in 2017 with 6% growth compared to 2016. This was led by both higher demand for power generation as well as political and operational restrictions on domestic coal mining.

Increase in seaborne coal trade

Global seaborne coal trade grew by 6.8% in 2017. The general improvements in the global economic conditions created a rising demand for power generation, and in most parts of the world the marginal fuel source for power production is coal. While power generation capacity from sources such as solar, wind, hydro and nuclear continues to expand, it is still the excess coal-fired power generation capacity that has the ability to meet the extra demand in periods of strong growth.

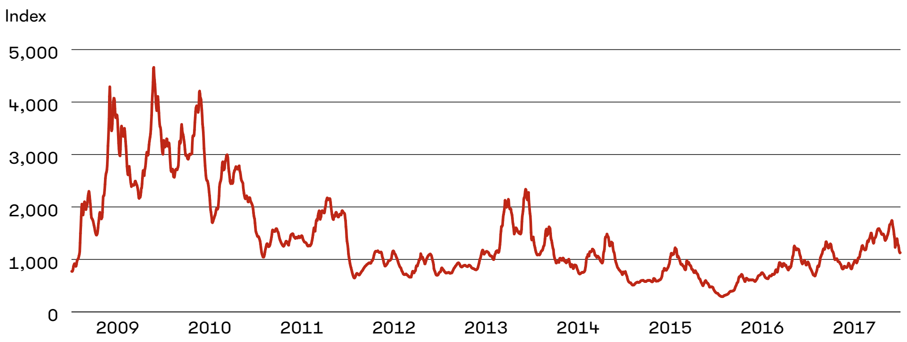
Still more minor bulks

The seaborne trade with minor bulks continued its gradual expansion led by the commodities grain and bauxite. Especially the bauxite trade has required substantially more vessel capacity in 2017 as most of the growth in exports came from Guinea with long-distance trade to Asia.

Fleet growth and scrapping

Fleet growth in 2017 amounted to 3% after a total of 38 million dwt. of vessel capacity was delivered from the yards. Scrapping levels were lower than in 2016 as markets continued to improve, and full-year scrapping amounted to 14 million dwt. equivalent to 1.8% of the fleet.

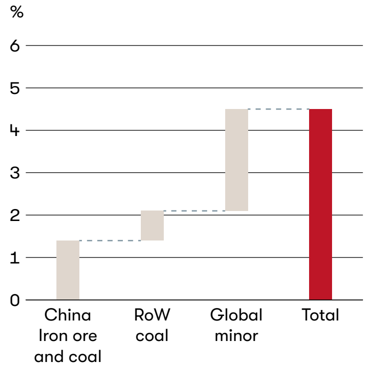
Baltic Dry Index



Source: Baltic Exchange

Compared to 2016, the BDI market levels for NORDEN's key segments, Supramax and Panamax, were on average 46% and 50% higher.

Demand growth



Source: Global Trade Tracker

Higher Chinese economic activity, increased coal trade and still more minor bulk trade resulted in global demand growth of around 4.8% in 2017.

Global demand growth

4.8%

DRY CARGO

Market going forward

The gradual improvement of the dry cargo market is expected to continue in 2018. Supply growth looks to be at the lowest level in years and global economic conditions are strong.

Demand growth in 2017 was driven by both strong global economic conditions as well as strong Chinese activity levels. Going into 2018, the global conditions are expected to continue and drive further growth in seaborne commodity trade on dry cargo vessels. Continued demand from power generation in India and countries in South East Asia is expected to keep the coal trade above pre-2017 levels.

Chinese growth to weaken

China, however, is not expected to continue the same level of support to vessel demand as in 2017 as Chinese growth is expected to weaken slightly in 2018. Monetary policy tightening and increased regulation in the property sector are expected to result in lower growth in activity levels especially when it comes to steel production. Further, the closing of outdated induction steel mills is viewed as a one-time boost to iron ore-based steel production figures. The many significant infrastructure projects that have been initiated during the last 2 years should, however, continue to support general activity levels.

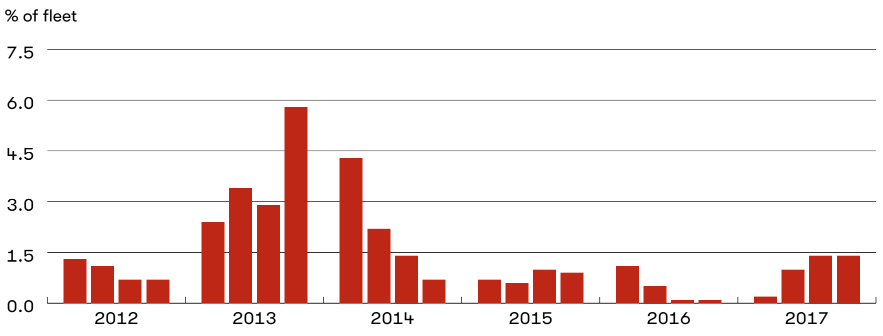
Lowest supply growth since 1999

Based on very low order books, supply growth is expected to be around 1-2%, which would be the lowest level since 1999. Scrapping levels are expected to continue at the levels seen in 2017 as the effects of extra costs from IMO's Ballast Water Management Convention (BWMC) and the 2020 low sulphur regulation could be cancelled out by improved market conditions.

Basis for continued improvement in 2019

Ordering activity has been low during 2017 despite improving market conditions. At the end of the year, the order book represented around 9% of the total fleet, which is considered low in a historical context. Ordering could be expected to pick up during 2018 if the improvements in rates and asset values continue. Such orders would, however, not be delivered from the yards before 2020, and the basis for low supply growth and improving markets therefore remains in place for the next couple of years.

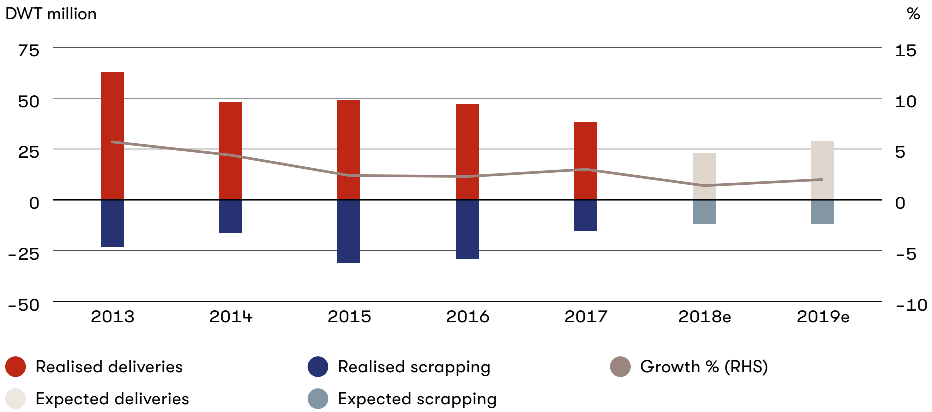
Ordering activity by quarter



Source: Clarksons

Ordering activity has been low during 2017 despite improving market conditions.

Supply forecast



Source: Clarksons and NORDEN

The basis for low supply growth and improving markets remains in place for the next couple of years.

DRY CARGO

Dry Cargo 2017

Key figures and financial ratios, Dry Cargo

	2015	2016	2017				2017
USD million	**Total**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenue	1,174	921	331	354	358	427	1,470
EBITDA	-118	-24	-6	-3	6	29	26
Profit and loss from sale of vessels, etc.	-38	-38	0	0	1	0	1
EBIT	-393	-80	-10	-6	-2	26	9
Non-current assets	355	279	249	248	261	256	256
EBITDA margin, %	-10%	-3%	-2%	-1%	2%	7%	2%
EBIT margin, %	-38%	-9%	-3%	-1%	0%	6%	1%
Total number of vessel days	59,728	64,210	18,918	18,617	20,652	20,295	78,482
Adjusted result	-364	-52	-9	-7	5	25	14

Employment and rates, Dry Cargo, 2017

Vessel type		Q1	Q2	Q3	Q4	2017	Benchmark*	NORDEN vs. Benchmark
Capesize	NORDEN total days	90	91			181		
	NORDEN core days	90	91			181	7,229 for H1	60% for H1
	NORDEN TCE (USD per day)	10,411	12,676			11,550		
Post-Panamax	NORDEN total days	567	386	406	368	1,727		
	NORDEN core days	359	364	368	368	1,459	7,398	46%
	NORDEN TCE (USD per day)	9,428	11,539	9,304	13,039	10,834		
Panamax	NORDEN total days	8,755	8,576	9,005	8,481	34,817		
	NORDEN core days	2,855	2,835	2,856	3,031	11,577	7,138	38%
	NORDEN TCE (USD per day)	7,299	7,897	9,899	14,123	9,873		
Supramax	NORDEN total days	7,448	7,578	9,103	8,748	32,877		
	NORDEN core days	2,803	2,522	2,677	2,624	10,626	6,847	38%
	NORDEN TCE (USD per day)	7,074	7,717	9,696	13,481	9,469		
Handysize	NORDEN total days	2,059	1,985	2,139	2,698	8,881		
	NORDEN core days	1,834	1,871	1,854	1,953	7,512	5,957	51%
	NORDEN TCE (USD per day)	7,998	8,835	8,064	10,935	8,986		
Total**	NORDEN total days	18,918	18,617	20,652	20,295	78,482		
	NORDEN core days	7,940	7,983	7,754	7,975	31,652	6,775	41%
	NORDEN TCE (USD per day) **	7,513	8,274	9,362	13,081	9,561		

* 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 (such as broker commission, bunkers and port costs), but before payment of pool management fees in cases where the vessel type is operated in a pool.

NORDEN TCE vs. Benchmark

+41%

Growth in number of vessel days

22%

DRY CARGO

Dry Cargo split

In 2017, the Dry Cargo business was split into 2 separated, yet closely connected, business units

The Dry Owner segment will contain NORDEN's overall cyclical market exposure within dry cargo, and the objective is to create an above average industry return through the cycle by good timing of sale and purchase transactions as well as long-term charter commitments. The objective of Dry Operator is to generate a margin through logistical optimisation and short-term position-taking.

Earnings in Dry Owner is generated by chartering out its capacity of owned and long-term chartered tonnage either to Dry Operator or a third party at market rates. These are adjusted for the earnings ability of the specific vessels, which is mostly driven by cargo capacity and fuel efficiency of the individual vessels.

Most of the activity in Dry Operator is of short-term nature, however, the business unit will also enter into long-term cargo contracts. When Dry Operator enters into such a long-term cargo contract, vessel capacity of matching duration is chartered from Dry Owner at fixed rates. This enables Dry Operator to enter into such contracts and optimise the actual cargo liftings and voyage execution, while assuming almost no exposure to the overall long-term market conditions.

Dry Cargo overhead and administration costs have been allocated to the two business units either directly or according to estimated resource use. In the second half of 2017, USD 17.1 million – equivalent to 80% – were attributed to Dry Operator and USD 4.3 million to Dry Owner. The majority of costs in Dry Operator relate to the operations and chartering departments as well as the overseas offices, which support the global reach of the Company and service customers in the daily operations. The key component of the overhead and administration costs in Dry Owner is the technical management of owned vessels.

For Dry Owner, NORDEN will present a detailed overview on a quarterly basis including capacity from owned and long-term T/C vessels and the cover portfolio. As the portfolio of Dry Operator will be subject to constant and highly dynamic adjustments, exposure will not be disclosed.

Going forward – 2 business units in Dry Cargo

DRY OPERATOR

Margin through short-term operations

- Logistical optimisation
- Short-term perspective
- Customer focus

Net open capacity chartered at market rates

DRY OWNER

Owned, long-term TC-in and long-term cover

- Ownership and long-term contracts
- Long-term perspective
- Utilising cyclical nature of market

DRY OPERATOR

257 VESSELS

AVERAGE NUMBER OF VESSELS IN THE DRY OPERATOR FLEET IN THE SECOND HALF OF 2017

USD 12 MILLION

ADJUSTED RESULT FOR THE SECOND HALF OF 2017

DRY OPERATOR

Off to a good start

July 2017 marked the beginning of a new NORDEN business unit: Dry Operator.

Results second half 2017

In the fourth quarter of 2017, Dry Operator delivered a contribution margin of USD 24 million. After inclusion of USD 9.6 million in overhead and administration costs, the adjusted result for the fourth quarter amounted to USD 14 million. In combination with the results generated in the third quarter of 2017, Dry Operator has created a satisfactory contribution margin of USD 27 million since the initiation at the beginning of July 2017.

The total of 46,674 vessel days during the second half of 2017 was equivalent to an average fleet size of 257 vessels. The overall activity levels were slightly higher in the fourth quarter than in the third quarter.

The strong results in the fourth quarter were created without taking a large position towards the overall market levels. Successful geographical positioning of vessels into the Atlantic during the third quarter led to realised value creation during the fourth quarter by both Intra-Atlantic voyages as well as front-haul to the Pacific. Increased market levels and related volatility also led to value creation through the utilisation of optionality secured throughout the year.

In 2018, the scale of the Dry Operator is expected to increase from the levels in the second half of 2017. The overall dry cargo market conditions are expected to continue the improving trend from 2017, and higher utilisation and rate levels are usually accompanied by higher volatility levels which should positively affect the earnings opportunities for the Dry Operator.

In 2018, NORDEN will enhance its focus on risk management that will provide relevant input for decision-making on a risk-adjusted basis; short-term market analysis; and fuel efficiency. NORDEN believes that there is a considerable value creation potential in Dry Operator, and activity is expected to grow significantly in coming years. NORDEN already has significant commercial scale, but in spite of being among the very largest, the market share is still only around 3%. This leaves significant space for further expansion over the coming years.

"In 2018, the scale of Dry Operator is expected to increase."

Dry Operator key figures (USD million)

USD million	Q3	Q4	Total
Contribution margin	3.0	23.7	26.7
O/A	-7.6	-9.6	-17.2
EBITDA	-4.6	14.1	9.5
Adjusted result	-2.1	13.9	11.8
Vessel days	23,187	23,487	46,674
Net margin (USD/day)	129	1009	572
Adjusted result (USD/day)	-91	592	253

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

DRY OPERATOR

Fast facts about Dry Operator

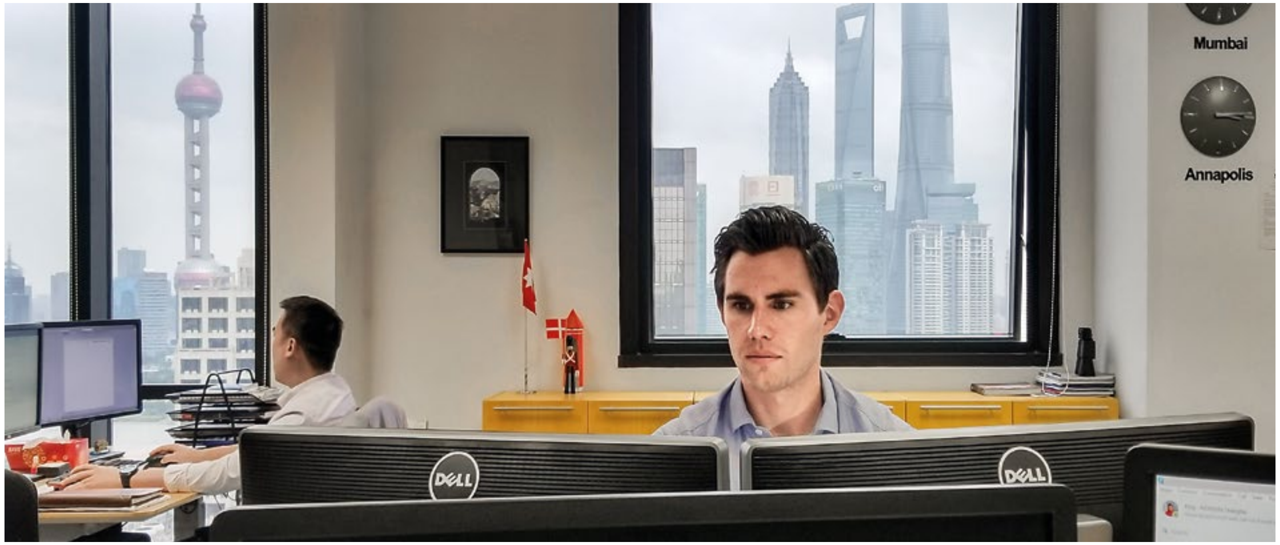
Dry Operator is a business unit able to generate positive earnings regardless of market direction and market level.

What is it

Dry Operator handles NORDEN's short-term dry cargo activities within 3 vessel types: Handysize, Supramax and Panamax. The objective of Dry Operator is to provide outstanding customer service and utilise the close customer contacts and regional offices to create a margin through logistical optimisation of vessels and cargoes, exploiting arbitrage opportunities, focusing on fuel efficiency and taking short-term freight trading positions. Even though short-term profit and loss volatility must be expected, the value creation is less sensitive to overall market developments than the traditional industry business model which is significantly exposed to market developments through vessel ownership.

Independent set-up

The new Dry Operator business unit is distinctly different from the short-term operations previously conducted by NORDEN. It is no longer seen as an integrated part of the overall Dry Cargo business but rather an independent set-up with a market neutral starting point. Individual financial reporting for Dry Operator also entails a new mindset with more empowerment and accountability delegated to employees in the organisation. 9 separate teams have been established within Dry Operator, all with a high degree of autonomy and responsibility for creating value with defined exposure limits.



DRY OPERATOR

Activity

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

The operator activity entails constant matching of cargoes with vessels or vice versa and adjustment of the exposure to market conditions. The activity is based on cargo bookings and an ever-changing fleet of short-term chartered vessels from third party tonnage providers as well as vessels transferred from the NORDEN Dry Owner. In the second half of 2017, Dry Operator thus chartered in an average of nearly 16 third party vessels per week.

While the set-up can be seen as independent, Dry Operator platform is also able to benefit from NORDEN's overall company set-up to enter, among others, long-term COAs – contracts where owned and long-term chartered vessels are often a prerequisite. The long-term cargo contracts form part of the foundation for the constant optimisation of trading patterns together with approximately 21 new cargoes secured per week.

Number of third party vessels chartered

413

in second half of 2017

Value levers

Regional exposure

Taking a view on regional rate developments

Overall market exposure

Taking a view on the short-term market direction

Clip deals

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

Employment arbitrage

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

Vessel selection

Evaluating earnings capacity of available T/C-in tonnage

Options

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

Vessel operation

Speed setting, cargo handling and port operations

Minimising ballast

Matching COA and market cargoes with owned and market vessels

DRY OPERATOR

Dry Operator success levers

PEOPLE

The Dry Operator organisation consists of approximately 150 highly skilled and experienced people supported by corporate functions. Through the years, NORDEN has developed a talent base with its trainee programme and mixed young shipping talents with experienced specialists from the industry. The organisation has been restructured at the inception of Dry Operator, with 9 separate and specialised teams with their own authority levels and P&Ls. This ensures the transparency and accountability that enables the tradesmanship to flourish and ensures the speed and agility necessary in volatile markets. With the strong NORDEN culture and values as a starting point, the organisation manages to combine a highly competitive mindset with a strong commitment to collaboration and risk management.

9 teams

specialised with their own authority levels and P&Ls

RELATIONSHIPS

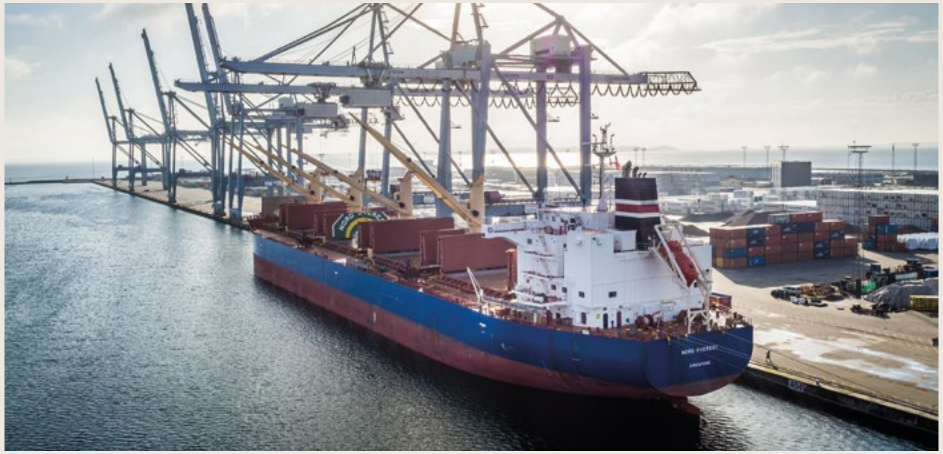
147 years

of history

A key foundation for Dry Operator is the long-term relationships with customers and tonnage providers developed over the years through constant customer focus and closeness from an expanding global organisation now with offices in 9 countries. NORDEN is uniquely positioned as a partner with a track record proving reliability, transparency and financially prudent governance – all based on strong values and more than 147 years of history. These traits also make NORDEN uniquely placed when pursuing the long-term COAs that are a vital part of the backbone of the logistical optimisation conducted by Dry Operator.

DRY OPERATOR

Dry Operator success levers



SCALE

In a fragmented industry, the scale of Dry Operator creates clear competitive advantages. Operating around 250-300 vessels at any given point in time gives NORDEN unparalleled market insights regarding the near-term market developments. Collecting, structuring and analysing the constant flow of information into the organisation is key for taking short-term exposures and is one of many areas where NORDEN's accelerated focus on digitalisation and Artificial Intelligence (AI) is expected to create significant value. Scale also provides the foundation for the cost minimisation that is so crucial in a high-volume-low-margin business like operator activities in Dry Cargo.

250-300 vessels

operated at any given time

PROCESSES AND SYSTEMS

NORDEN has a dedicated team of specialists with sole focus on constantly improving the speed and reliability of processes and systems. Digitalisation is at the core of these efforts and the key for unleashing the full potential of the organisation. One of the largest value creation opportunities within Dry Operator is the ability to charter in the right vessel and operate it at the optimal speed. Here, NORDEN has developed industry leading capabilities in fuel efficiency through highly sophisticated modelling translated to easy-to-use recommendations. When operating 300 vessels in highly volatile markets, comprehensive risk management becomes essential for managing the exposure. NORDEN has therefore established a new Risk Management department and a new risk framework with clear limits and procedures. See also Risk Management on page 46.

Fuel efficiency

with world leading capabilities

DRY OWNER

26

OWNED VESSELS

41

LONG-TERM CHARTERED VESSELS

USD 19 MILLION

ADJUSTED RESULT FOR THE SECOND HALF OF 2017

DRY OWNER

Benefitting from improving market

The new Dry Owner business unit contains NORDEN's overall long-term exposure to the dry cargo market and came off to a good start in the second half of 2017.

Results second half of 2017

With a significant open position, the Dry Owner benefitted from the continuous improvement in the general market conditions and delivered an adjusted result for the second half of 2017 of USD 19 million whereof USD 12 million was generated in the fourth quarter.

During the second half of 2017, a significant part of the Dry Owner's capacity was exposed to changes in the market through chartering of capacity to Dry Operator at market-based rates. The remaining part of the capacity was covered based on the long-term cargo and T/C-out contracts to external parties that have been entered into in previous periods.

Value generation for Dry Owner

The objective of Dry Owner is to create a return higher than the industry average across the shipping cycles by procuring attractive deals at optimal timing. A key foundation for this is the long-term relationships that NORDEN has built with both cargo owners and Japanese tonnage providers. NORDEN is well known in the shipping industry for its strong credibility, transparency, financial strength and operational excellence and these traits are the foundation for having unique access to securing both long-term capacity addition as well as contract cover.

Market conditions drive value

While realised rates in a given quarter are important for the short-term results and cash generation, the most significant impact on the value of Dry Owner is the developments in the overall market conditions and expectations. Dry Owner's portfolio consists of owned vessels, long-term T/C-in vessels and long-term market cover. The value of the Dry Owner portfolio is driven by asset values and expectations for the long-term rates and NORDEN's ability to adjust the exposure correspondingly at attractive prices.

Owned vessels

In line with the strategy of Focus & Simplicity, it is NORDEN's ambition to own vessels within the Supramax and Panamax segments as these also form the key vessel types for Dry Operator. In 2017, NORDEN only carried out a single transaction in the form of the sale of a Handysize vessel during the fourth quarter. By year-end, Dry Owner owned a total of 25.5 vessels of which 9 are newbuildings, for delivery during the next 3 years, and 1.5 were owned through a joint venture.

Vessel values

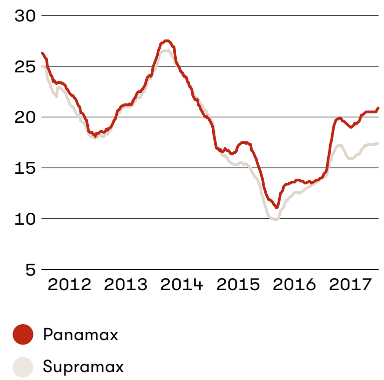
Based on the average of 3 independent broker valuations, the market value of NORDEN's owned vessels and newbuilding orders in the dry cargo segment was estimated at USD 498 million. This is an increase of 12% compared to the end of 2016 for the vessels owned throughout the year.

The increase was mainly driven by improvements in the overall market conditions which resulted in a significant increase in asset values during the first half of 2017, stabilising at the new level in the fourth quarter. Consequently, the value of a 5-year-old secondhand Panamax vessel

Market value of vessels (USD)

498 million

Asset values 5-year-old vessels



Source: Baltic Exchange

Dry Owner key figures (USD million)

	Q3	Q4	Total
Contribution margin	12,0	17,2	29,2
O/A	-1,9	-2,4	-4,3
EBITDA	10,1	14,8	24,9
Adjusted result	6,8	11,7	18,5

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

increased by 48% for the whole year and 1% in the last quarter of 2017 (source: Baltic Exchange).

T/C capacity and cover

In addition to the owned vessels, the portfolio of Dry Owner also consists of a substantial number of long-term T/C-in contracts as well as significant cover stemming from long-term cargo contracts. This part of the portfolio has sizeable value impact and currently contains considerable exposure to the long-term market conditions. The total payments to be made for the capacity is approximately USD 698 million and the secured income at fixed rates is approximately USD 563 million. The value of this portfolio is dependent on the future expected rates for the capacity not already covered by fixed income. As of 31 December 2017, the portfolio consisted of 56,983 vessel days of capacity, and of these 81% were covered at fixed rates. This implies that a change of USD 1,000 in the expected long-term market rates impacts the value of the Dry Owner T/C portfolio – and thereby NORDEN – by USD 11 million.

Portfolio management

In 2017, the Dry Owner portfolio of long-term market cover expanded on the basis of a new long-term cargo contract that was entered into. A total of 2,157 vessel days with fixed income were added through a 10-year contract for the transportation of salt.

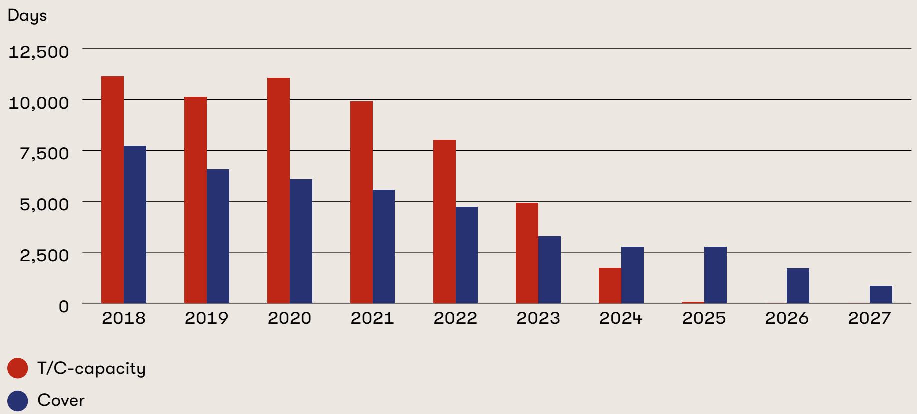
In 2017, NORDEN entered into new long-term charter agreements for 2 Supramax vessels for a duration of 5 years that are to be delivered in 2019.

Exit from Post-Panamax

However, the most significant change to the T/C-in portfolio in 2017 was the restructuring against a cash settlement of the 4 remaining contracts on Post-Panamax vessels, which will be redelivered at the start of 2018 – 3-4 years prior to the original redelivery dates. NORDEN will then no longer be present in the Post-Panamax segment.

T/C in and cover portfolio

T/C-capacity and cover



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

Valuation tool on website

The full annual details of the portfolio as well as a “ready to use” calculator to estimate the value of the portfolio based on expectations for the long-term rates in the dry cargo market can be found on NORDEN’s website www.ds-norden.com.

Extension and purchase options

A majority of the long-term T/C-in contracts entered by NORDEN include options to extend the period of the charter and/or to buy the vessel at an already agreed price. The total amount of optional vessel days through extensions of the charter period as at 31 December 2017 was 32,069 days. To this should be added 36 purchase options which at the end of 2017 is estimated to be valued at around USD 18 million.
(See explanation on www.ds-norden.com).

Fleet values

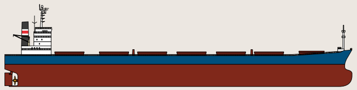
Dry Owner fleet and values at 31 December 2017

Vessel type	Post-Panamax	Panamax	Supramax	Handysize	Total
Vessels in operation					
Owned vessels	–	4	5.5	7	16.5
Chartered vessels	4	12.5	12	4	32.5
Total active fleet	**4**	**16.5**	**17.5**	**11.0**	**49.0**
Vessels to be delivered					
Owned vessels	–	1	8	–	9
Chartered vessels	–	–	8	–	8
Total vessels to be delivered	**–**	**1**	**16**	**–**	**17**
Total gross fleet	**4**	**17.5**	**33.5**	**11**	**66**
Dry Cargo fleet values at 31 December 2017					
Average age of owned vessels on the water		11	8	6	–
Market value of owned vessels and newbuildings*		82	301	91	474
Broker estimated value of charter parties		11	0	13	24
Carrying amout / cost*		86	284	100	470
Value added		**7**	**17**	**4**	**28**
Value of purchase and extension options on chartered tonnage		**12**	**6**	**0**	**18**

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

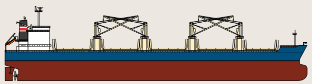
Assessment of indicators of impairment and provisions for onerous contracts

The Company has carried out an assessment of indicators of impairment. Based hereon, Management has concluded that no impairment test had to be performed for the cash generating unit, Dry Cargo. I.e. it is Management's assessment, that at year-end 2017 there is no need for additional write-down 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 (reference is made to note 12 in the Consolidated Financial Statements).



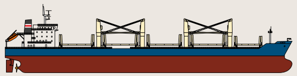
PANAMAX

Length	215-230 metres
Width	32 metres
Cargo capacity (deadweight)	70,000-85,000 tonnes
Average age – owned vessels	11.1 years
Average age of Panamax in the global fleet	9.0 years



SUPRAMAX

Length	190-200 metres
Width	32 metres
Cargo capacity (deadweight)	50,000-65,000 tonnes
Average age – owned vessels	7.7 years
Average age of Supramax in the global fleet	8.4 years



HANDYSIZE

Length	170-190 metres
Width	27-30 metres
Cargo capacity (deadweight)	28,000-38,000 tonnes
Average age – owned vessels	5.7 years
Average age of Handysize in the global fleet	9.7 years

Cargoes	Iron ore, coal, grain, bauxite, cement and slags, sugar, fertiliser and wood pellets
Customers	Steel works, mining companies, power plants, grain traders, trading houses, producers of cement, sugar, fertiliser and wood pellets

DRY OWNER

Dry Owner positioning

Capacity and coverage in cash, Dry Owner, at 31 December 2017

	2018	2019	2020	2018	2019	2020
Owned vessels		Ship days				
Panamax	1,442	1,376	1,444			
Supramax	2,912	4,061	4,726			
Handysize	2,165	2,172	2,161			
Total	**6,519**	**7,609**	**8,331**			
Chartered vessels					Cash costs for T/C core capacity (USD per day)	
Post-Panamax	375			14,229		
Panamax	5,770	5,417	4,941	12,586	13,631	13,845
Supramax	3,774	4,066	5,760	11,274	11,485	11,282
Handysize	1,235	651	366	12,177	12,786	13,030
Total	**11,153**	**10,134**	**11,067**	**12,152**	**12,716**	**12,484**
Total capacity	**17,672**	**17,743**	**19,398**			
Coverage					Revenue from coverage (USD per day)	
Panamax	4,180	3,020	2,289	13,410	14,577	15,238
Supramax	1,981	1,987	2,234	11,605	12,345	12,576
Handysize	1,558	1,568	1,570	11,820	11,811	11,815
Total	**7,719**	**6,575**	**6,093**	**12,626**	**13,243**	**13,380**
Coverage in %						
Post-Panamax	0%					
Panamax	58%	44%	36%			
Supramax	30%	24%	21%			
Handysize	46%	56%	62%			
Total	**44%**	**37%**	**31%**			
Accounting effect of provision (USD million)	**+25**	**+21**	**+12**			

Dry Owner 2018 capacity (ship days)

17,672

Dry Owner coverage 2018

44%

TANKERS

71.5

VESSEL YEAR CAPACITY ADDED DURING THE YEAR

USD 14 MILLION

ADJUSTED RESULT FOR THE YEAR

TANKERS

Increased capacity

The NORDEN tanker business once again outperformed the market and was able to generate a positive result in a challenging 2017 market.

2017 result
In a market where tanker rates as expected came under pressure, NORDEN's tanker business realised an adjusted result for the year of USD 14 million. The Company's Handysize tankers generated daily earnings at an average of USD 12,089, while daily earnings in the MR fleet amounted to USD 14,750.

At the beginning of the fourth quarter of 2017, Atlantic rates were lower due to higher refinery maintenance before increasing towards year-end. The adjusted result for the quarter was USD 2 million with daily earnings of USD 14,772 for MR and USD 11,465 for Handysize.

Outperformance
Compared to the average 1-year T/C rate in 2017, NORDEN continued its operational outperformance of the market by USD 1,494 per day, based on a total of 15,256 vessel days.

Based on the strong performance by NPP as well as the transaction capabilities and relationships with tonnage providers, NORDEN has significantly increased both the firm and optional capacity. This has been done as part of a strategic effort to pursue further value creation in the operator activities in the tanker business.

In 2017, NORDEN has entered into a total of 17 short-term T/C contracts with a length of 1 year or less adding a total capacity of around 5,700 days. Furthermore, through the expansion of capacity, the Company has secured 9,343 optional days to the fleet. This increased focus on short-term activity was value creating in 2017 and contributed to the positive tanker result in an otherwise poor market.

Asset Management
When it comes to the long-term capacity, NORDEN utilised the downturn in the product tanker market to significantly ramp up the capacity during 2017 through NORDEN's long and close relationship with Japanese tonnage providers. In total, the increase in T/C exposure from 2018 and onwards amounts to more than 23,000 vessel days. The exposure in the time charter portfolio has thereby grown by 126% during 2017.

The increase in long-term exposure was a result of:

- Purchase of 2 secondhand MR tankers
- 14 new long-term charters in MR, of which 8 are newbuilt vessels with a charter duration of 5 years, delivering between 2018 and 2021
- 3 new long-term charters in the Handysize segment

NORDEN's tanker business

NORDEN's tanker business consists of ownership, time chartering and commercial operation of vessels. While NORDEN handles the technical operation of NORDEN's product tanker fleet, 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 Shipmanagement.

With a total of 92 vessels at its disposal at year-end, NPP continues to rank among the world's largest commercial operators in product tankers. The pool benefits from economies of scale and a set-up with a highly experienced team that has generated average earnings of USD 1,500 per day above the market for 1-year T/C rates for more than 10 years and thus clearly outperformed peers during the same period.

NORDEN cooperates with the largest international oil, trading and shipping companies to deliver the service needed for their daily worldwide operations.

The tanker fleet mainly transports clean refined petroleum products (CPP) as diesel, gasoil, gasoline, naphtha, kerosene and jet fuel. A smaller part of the cargoes being transported are DPP (dirty petroleum products) mainly in the form of fuel oil that is used as e.g. ship fuel or for power generation.

TANKERS

Tankers 2017

Key figures and financial ratios

	2015	2016	2017				2017
USD million	Total	Total	Q1	Q2	Q3	Q4	Total
Revenue	479	330	109	46	102	82	338
EBITDA	138	55	17	10	7	9	43
Profit and loss from sale of vessels, etc.	7	-7	0	0	0	0	0
EBIT	112	15	10	3	-1	2	14
Non-current assets	591	488	513	508	537	530	530
EBITDA margin, %	29%	17%	15%	22%	6%	11%	13%
EBIT margin, %	23%	5%	9%	7%	-1%	2%	4%
Total number of ship days	16,035	14,850	3,344	3,353	4,124	4,435	15,256
Adjusted result for the year	101	17	10	3	-1	2	14

Employment and rates

Vessel type		Q1	Q2	Q3	Q4	2017	Benchmark*	NORDEN vs. Benchmark
LR1	Ship days		47	164	184	395		
	NORDEN spot TCE (USD per day)		10,991	12,010	9,325	10,638	12,752	-17%
	NORDEN TCE (USD per day)		10,991	12,010	9,325	10,638		
MR	Ship days	2,199	2,361	2,678	2,963	10,201		
	NORDEN spot TCE (USD per day)	14,301	13,957	13,935	14,377	14,147	12,889	14%
	NORDEN TCE (USD per day)	14,941	14,871	14,464	14,772	14,750		
Handysize	Ship days	1,145	991	1,282	1,288	4,706		
	NORDEN spot TCE (USD per day)	15,232	12,408	8,746	11,001	11,712	11,152	8%
	NORDEN TCE (USD per day)	15,216	12,800	9,375	11,465	12,089		
Total**	Ship days	3,344	3,353	4,124	4,435	15,256		
	NORDEN spot TCE (USD per day)	14,659	13,449	12,133	13,034	13,238	12,341***	13%***
	NORDEN TCE (USD per day)	15,035	14,258	12,785	13,586	13,835		

* Last 12 months average
** Weighted average
*** Excluding LR1
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.

Revenue (USD)

338 million

NORDEN vs. Benchmark

+13%

Of these, 3 long-term and 6 short-term MRs were secured during the last quarter of 2017, equalling 6,700 vessels days.

With these charter transactions and the significant number of short-term charters, NORDEN added what is the equivalent of 71.5 vessel years in total and is thereby increasingly well-positioned to capture value from the expected improvements in the product tanker market in the coming years.

Development of tanker asset values

Tanker asset values started out at a low level at the beginning of the year, but gradual upward pressure on values in the first half of 2017 resulted in an increase of 13% on the value of a 5-year-old MR tanker at year-end. The increase in the price of an MR newbuilding was somewhat lower ending at 4% (Source: Clarksons).

Market value of NORDEN's tanker fleet

Based on the average of 3 independent broker valuations, the market value of NORDEN's owned vessels and newbuilding orders including joint ventures and assets held for sale at year-end was estimated at USD 418 million in the tanker segment. Compared to the end of 2016, the market value of vessels owned throughout the year declined by 6%. At the end of the year, the market value of the company's purchase and extension options was USD 11 million.

Assessment of indicators of impairment and provisions for onerous contracts

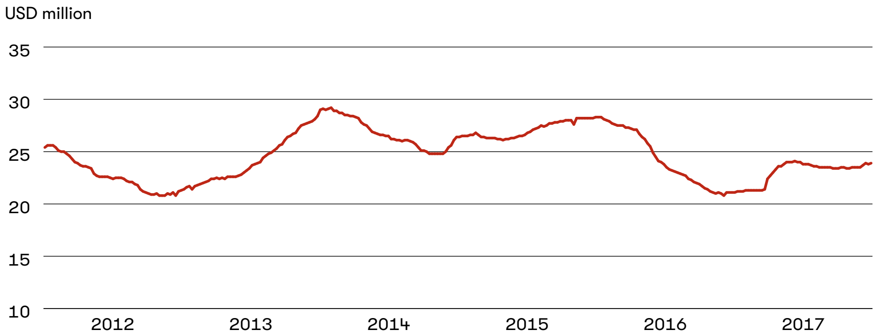
The company has carried out an assessment of indicators of impairment. Based on this, Management has concluded that no impairment test had to be performed for the cash generating unit Tankers. I.e. it is Management's assessment that at year-end 2017 there is no need for additional write-down of vessels, prepayments on vessels and newbuildings or reversal of previous write-downs, and that there is no need for provisions for onerous time charter contracts (reference is made to note 12 in the Consolidated Financial Statements).

NORDEN's tanker fleet and values at 31 December 2017

Vessel type	LR1	MR	Handysize	Total
Vessels in operation				
Owned vessels	0	11	10	21
Chartered vessels	2	23	5	30
Total active fleet	**2**	**34**	**15**	**51**
Vessels to be delivered				
Owned vessels	0	0	0	0
Chartered tonnage	0	13	0	13
Total vessels to be delivered	**0**	**13**	**0**	**13**
Total gross fleet	**2**	**47**	**15**	**64**
Tanker fleet values at 31 December 2017				
Average age of owned vessels*		5	9	
Market value of owned vessels and newbuildings*		267	151	418
Carrying amount / cost*		303	207	510
Value added		**-36**	**-56**	**-92**
Value of purchase and extension options on chartered tonnage	**0**	**0**	**11**	**11**

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

Vessel value, 5-year-old MR



Source: Baltic Exchange

TANKERS

Market 2017

Despite healthy demand growth, the tanker market was challenging as a result of supply growth and high inventories.

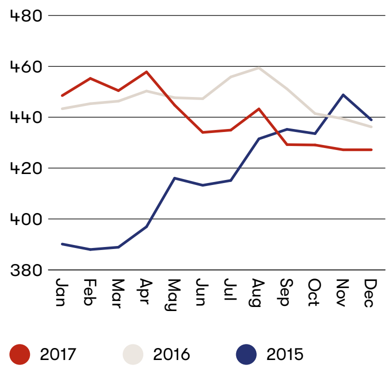
The overall tanker market in 2017 was still challenged by the aftermath of vessel ordering during the last few years and high oil product inventories in consumption regions.

According to IEA, global oil demand continued to grow at a healthy 1.6% during 2017, while the world economy according to IMF grew by 3.7%, which, among other things, had a positive effect on the demand for diesel.

However, the growing oil demand was to a large extent met by substantial withdrawals from oil storages which limited the demand growth for product tanker transport. A couple of disruptions to the oil market supply chain occurred during year, most notably hurricane Harvey, but these had short-term effects on rates as there were more than amble storage volumes to mitigate the shortfalls.

During the year, the world tanker fleet grew by 5.3%, while scrapping remained low with 1.8% of the world fleet being scrapped despite higher scrap prices and low freight rates. This in turn means that the oversupply in the product tanker market persisted throughout the year.

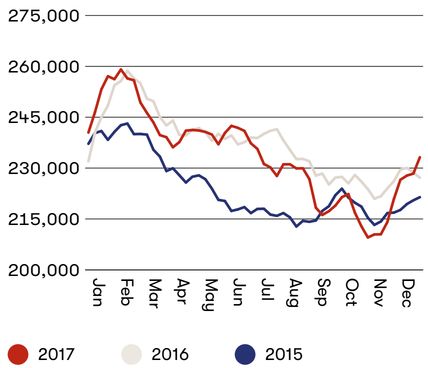
European distillates stocks



Source: EUR Oil.

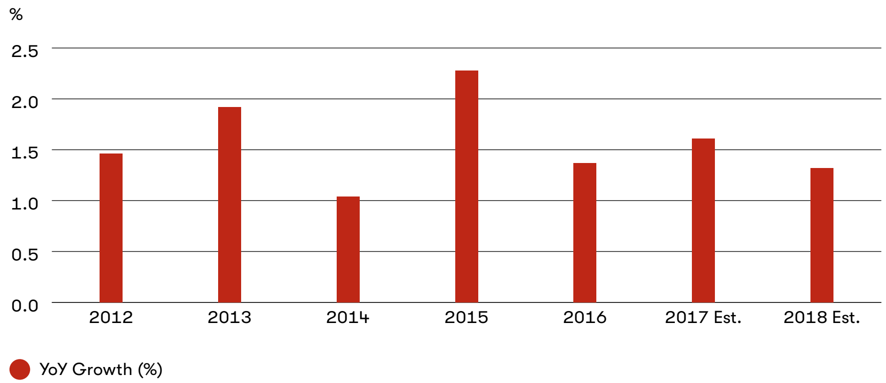
To an extent, growing demand was met by withdrawels from oil storages.

US Gasoline stocks



Source: EIA

IEA oil demand throughout recent years



Source: IEA

TANKERS

Market going forward

Lower inventories, fewer newbuilding deliveries and increasing regulation could pave the way for market improvements.

In 2018, the market has started with low activity and freight rates considerably lower than in 2017. However, NORDEN expects rates to increase gradually throughout 2018 on the back of improving market fundamentals in the form of increasing demand, decreasing supply growth and lower inventories.

Oil markets are now more balanced and in turn demand for product tankers should start to increase. Global oil demand is expected to grow at 1.3% according to IEA. Based on long-term relationships between oil demand growth and growth in product tanker trade, this should lead to demand growth of 3-5% in trade.

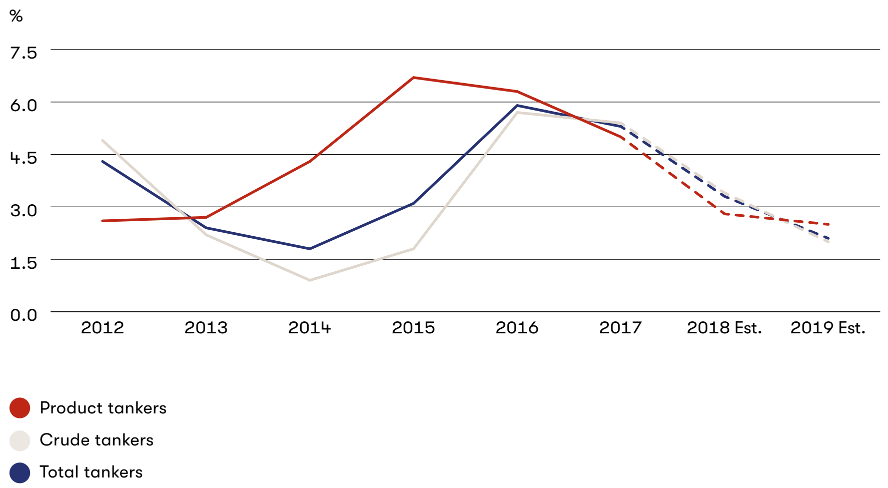
Refiners have also not increased global refinery capacity in recent years. This has resulted in capacity additions not being able to fully accomodate growth in oil demand. With lower inventories and refineries currently running at high utilisation rates, the oil market is now also more vulnerable to outages as seen in South America and West Africa. This could lead to increasing oil volumes being transported for longer distances.

Global product tanker fleet growth in 2018 is expected to be around 3%, which is substantially lower than recent years, and vessel scrapping could start to pick up as the older vessels become uneconomical because of increased regulations in form of mandatory instalment of ballast water treatment systems and the 2020 low sulphur regulations.

A view towards 2020 and beyond

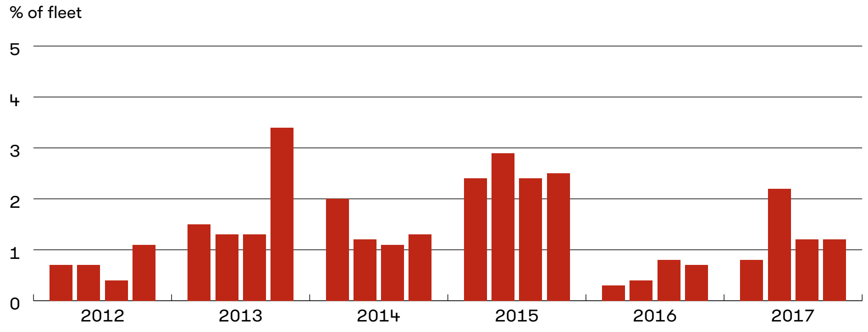
With the regulation of sulphur emissions from vessels coming into force in 2020, there are more questions than answers currently. The general industry expectation is that most shipowners will seek compliance by using Marine Gasoil (MGO) or Ultra low sulphur fuel oil (USLFO) post 2020 as it stands. This will increase the world consumption of MGO and ULSFO considerably and will be positive for product tanker demand as there will be a greater need for distribution of the compliant fuels. MGO is a clean petroleum product (CPP) which is transported by product tankers, and with an increase in capacity NORDEN is well-positioned for this opportunity.

Tanker fleet growth



Source: SSY and NORDEN

Total tanker contracting



Source: Clarksons

TANKERS

Tanker positioning

Capacity and coverage in cash, Tankers, at 31 December 2017

	2018	2019	2020	2018	2019	2020
Owned vessels		Ship days				
LR1	–	–	–			
MR	4,134	3,923	3,955			
Handysize	3,586	3,591	3,593			
Total	**7,719**	**7,514**	**7,548**			
Chartered vessels				Costs for T/C capacity (USD per day)		
LR1	726	730	397	18,655	18,655	18,655
MR	5,931	4,138	4,174	14,356	14,947	14,865
Handysize	1,190	1,095	552	12,542	12,729	12,729
Total	**7,847**	**5,963**	**5,122**	**14,478**	**14,994**	**14,928**
Total capacity	**15,566**	**13,477**	**12,670**			
Coverage				Revenue from coverage (USD per day)		
LR1	–	–	–	–	–	–
MR	1,970	5	–	13,821	12,844	–
Handysize	330	–	–	15,390	–	–
Total	**2,300**	**5**	**–**	**14,046**	**12,844**	**–**
Coverage in %						
LR1	0%	0%	0%			
MR	20%	0%	0%			
Handysize	7%	0%	0%			
Total	**15%**	**0%**	**0%**			

Costs are excluding O/A. For segments which are operated in a pool the TCE is after management fee.

Tanker 2018 capacity (ship days)

15,566

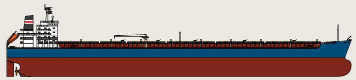
Coverage in 2018

15%

The NORDEN tanker fleet

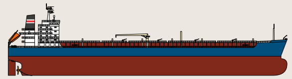
At the end of 2017, NORDEN's product tanker fleet consisted of 51 vessels.

LR1



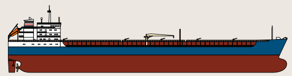
Total number of vessels	2
Owned vessels	0
Chartered vessels	2
Length	228 metres
Width	32 metres
Cargo capacity (deadweight)	74,500 tonnes
Average age – owned vessels	–
Average age of LR1 in the global fleet	9.4 years

MR



Total number of vessels	34
Owned vessels	11
Chartered vessels	23
Length	180-185 metres
Width	32 metres
Cargo capacity (deadweight)	45,000-50,000 tonnes
Average age – owned vessels	4.9 years
Average age of MR in the global fleet	9.2 years

HANDYSIZE



Total number of vessels	15
Owned vessels	10
Chartered vessels	5
Length	175-185 metres
Width	27-31 metres
Cargo capacity (deadweight)	37,000-40,000 tonnes
Average age – owned vessels	8.6 years
Average age of Handysize in the global fleet	13.0 years

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

Preparing for future regulations

In the coming years, several new shipping regulations and requirements come into force. NORDEN welcomes this development provided that the regulations are followed by strict and worldwide enforcement. To prepare for the upcoming regulations, NORDEN has launched a range of initiatives.

Reduced sulphur emissions
In 2020, a new regulation on sulphur emissions comes into force. From that year, the maximum limit for sulphur content in fuel in all waters, apart from the already established ECA zones, is reduced from maximum 3.5% to maximum 0.5%. This reduction can be achieved by either changing to fuel with lower sulphur content or by implementing mechanical exhaust gas cleaning systems – known as scrubbers – on board the vessels. Both solutions imply a cost increase in maritime transportation.

To prepare for the upcoming regulation, an internal working group has examined what solutions would be best for NORDEN. Being a globally operating company, the solution for NORDEN must be flexible and adaptable to the fuel supply situation in all parts of the world. Based on the estimated development in fuel prices and availability, expected level of global compliance, price of scrubbers and installation and input from external experts, the Company has decided to equip selected newbuildings with scrubbers while preparing others for installation. The composition of NORDEN's fleet with a focus on chartered tonnage, however, limits the possibilities for scrubbers, and a switch to low sulphur bunkers will form the majority of the Company's compliance measures.

Ballast Water Management Convention
Ballast water can pose a risk to ecosystems, due to the invasive species that can be transported and discharged from ballast water tanks into local waters. In September 2019, the International Maritime Organisation's, IMO, Ballast Water Management Convention (BWMC) will come into force. In the meantime, the USA has already implemented its own regulation. As of December 2017, the US Coast Guard (USCG) has granted type approval to 6 treatment systems.

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

New NOx zones in the North Sea and Baltic Sea
The IMO has passed a proposal limiting nitrogen oxides emissions (NOx) from vessels in the Baltic Sea and the North Sea by 75% from vessels built in 2021 and onwards. NORDEN is aware of the upcoming restrictions which could influence what vessels to charter.

New sulphur emission limit

0.5%

New regional nitrogen oxides emission limit for vessels built from

2021

"The first NORDEN owned vessel will be retrofitted with ballast water system during first half of 2018."

Reducing costs

At the end of 2017, NORDEN reached its 3-year target of reducing voyage costs and operating costs on owned vessels by USD 20 million annually.

The cost reduction programme was initiated at the end of 2014 and has involved broad involvement across the technical department and operations departments in both Dry Cargo and Tankers. About half of realised savings has come from voyage cost efficiencies which increase realised TCE earnings. The other half has come from operating costs on owned vessels. Compared to 2016, NORDEN managed to reduce costs on the internally managed fleet – which accounts for 75% of the overall OPEX – by 2%. This reduction has reduced the cost per vessel day and thereby increased the competitiveness of the fleet.

Daily OPEX by vessel type

	2016	2017	Development from 2016
DRY CARGO			
Panamax	USD 5,337	USD 5,425	+1.6%
Supramax	USD 5,123	USD 5,300	+3.4%
TANKERS			
MR	USD 6,136	USD 6,273	+2.2%
Handysize-T	USD 6,478	USD 6,168	-4.8%
TOTAL	**USD 5,965**	**USD 5,933**	**-0.5%**

Figures cover expenses for crewing – including inflation in salaries – repair & maintenance, stores, lubricating oil, insurance and indirect operating costs. Figures are based on vessels in full-year internal and external management in both years.

The cost focus will continue. Efforts to capture any remaining or new savings potential within the areas already targeted will be maintained, but focus will increasingly shift towards efficiencies in overhead and administration costs. The objective is that growth in activity will be followed by substantially lower overhead per vessel day through process optimisation and digitalisation.

Fuel costs

A significant expense item is vessel fuel, which in 2017 amounted to USD 401 million. Considerable gains are attainable both environmentally and financially by optimising the vessels' fuel efficiency.

Savings on fuel costs come through a constant focus on optimisation of voyages and maintaining vessel fuel efficiency. NORDEN focuses on improving the vessels' fuel efficiency by monitoring daily consumption, ensuring timely cleaning of hull and propeller and for owned tonnage by selecting anti-fouling paint tailored for the vessel's expected trade pattern and intensity.

To optimise voyages, NORDEN's Fuel Efficiency Team has developed systems that make it easy for operations to monitor the vessel's performance and speed and adjust instructions to the vessel taking into consideration current market, weather conditions, cargo and other circumstances.

Information on vessels' past performance for NORDEN is available to the chartering teams and forms part of the assessment of whether it is attractive to charter it again. This assessment is increasingly important as the establishment of the Dry Operator business increases the number of operated vessels, which highlights the importance of selecting fuel efficient vessels also for short-term chartering.

In 2018, NORDEN expects savings on especially 2 areas: Better tools for the selection of vessels for short-term charter and a reduction of the use of the auxiliary engines at sea and in port.

People with purpose

The most valuable resource in NORDEN is the employees. Their skills are essential for NORDEN to be relevant and value adding for customers and partners.

NORDEN's aim is to be close to its customers – both geographically and when it comes to understanding the individual needs of the specific customer. The head office in Copenhagen is supplemented by NORDEN offices in Singapore, Shanghai, Mumbai, Melbourne, Annapolis, Rio de Janeiro, Santiago and from January 2018 Vancouver. Furthermore, NORDEN's way of hiring employees allows for much diversity, and NORDEN employees represent diversity not just in terms of gender and nationality but also culture, age, educational background, experience and innovative thinking.

At year-end, NORDEN employed 305 persons at the offices and 690 seafarers representing 26 nationalities. Of the seafarers, 131 are officers and cadets directly employed by the company while the remaining are vessel-employed on a non-permanent basis.

Employee engagement survey

In 2017, NORDEN initiated an employee engagement survey where employees respond to assessment questions several times each year. Under the programme, employee engagement is measured on a continuous basis to monitor employee satisfaction and thereby introducing a culture of dialogue as well as uncovering potential issues before they become actual problems. The results show that NORDEN's employees feel empowered, find relevance in the work they do and have a good understanding of the relationship between individual and Company goals.

Retention rate

In 2017, the retention rate for employees at NORDEN's offices was at 94%, and at sea the retention rate according to INTERTANKO standard was also 94%. The high retention rate, which is considered satisfactory, ensures continuity and preserves knowledge and skills in the company.

Unleashing potential

NORDEN is operating in rapidly changing markets where demands, products and companies are developing quicker and in more unforeseen ways than ever before. Successful organisations today acknowledge that to succeed in such an environment, the ability to unleash and use all employees' full potential in an atmosphere of common purpose, mutual respect, inclusion and trustful cooperation is crucial.

NORDEN's Corporate Soul Purpose and business objectives rely on strong individual commitment and leadership. Soulship is the collective name for Corporate Soul Purpose, the company leadership code, and individual soul purposes and leadership manifestos. Soulship is a part of the programme that merges strategy, goals, culture and leadership and will enable all to draw on the combined knowledge and skills of the entire organisation to succeed.

Leadership trainers hired

The leadership programme began with onshore managers in 2015 and consists of a mix of group sessions and individual coaching. So far, 60 managers have been through the programme to strengthen their abilities to help their employees release their potential. In 2017, 2 global leadership trainer & coaches have been hired to assist officers on board NORDEN owned vessels in developing their leadership skills further in a programme similar to that for onshore managers.

Digitalisation

Digitalisation is an integrated part of daily work and life in NORDEN.

The Fuel Efficiency team has developed a digital traffic light that informs the operator of the optimal vessel speed considering both vessel consumption, weather and market. Another example is comprehensive data capturing and processing that forms the basis for market research and positioning of NORDEN. And recently, real time financial figures have been made available to the commercial teams supporting a transparent performance culture.

NORDEN sees great potential in digitalisation and is positioning the Company to capture and maximise the digital benefits for NORDEN and the customers further.

Number of nationalities in NORDEN

26

Smaller, more specialised and agile teams

During 2017, Dry Operator was established with smaller and more specialised teams with deeper market knowledge and increased empowerment to enable fast customer response. Experience demonstrates that the faster NORDEN is able to provide a binding quotation, the more likely NORDEN is to obtain the cargo contract. In the long term, the ability to provide a potential customer with a fast and not least binding quotation increases the Company's chances of being contacted by new customers.

Investing in education

NORDEN is strongly involved in the identification and education of new skilled persons for the shipping industry. With input from NORDEN and the industry, Copenhagen Business School has established a Bachelor programme in International Shipping and Trade, which is completed with an internship during the 5th and 6th semester. In 2017, 2 interns completed their degree at NORDEN's head office while 10 new shipping trainees began their training, bringing the total number of trainees at NORDEN offices around the world to 18. 4 trainees completed their training and were subsequently hired by the company.

These efforts add to NORDEN's current cadet programme for Danish and Philippine mariners and marine engineers, along with NORDEN's deep involvement with the Shanghai Maritime University, the Singapore Management University, and the Maritime Academy of Asia and the Pacific in the Philippines. At year-end, 32 cadets from Danish educational institutions and 20 Philippine cadets were part of training programmes at NORDEN.

From 2017 and onwards, NORDEN has started a programme for Indian cadets – contributing to the education of 8 future officers in one of NORDEN's key markets.

Risk management

Calculated risks are an integrated part of NORDEN's business of taking positions in the market – either in the form of booking vessels or cargoes. NORDEN is in the process of further strengthening its risks management capabilities and systems.

Active risk management plays a central role in NORDEN's goal for the Company to generate good risk-adjusted returns and maintain its financial flexibility also in weak markets. An important element is NORDEN's diversification of its business by being active in both 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.

New Risk Committee
During 2017, the risk capabilities of the Board of Directors were increased and restructured with the establishment of a Risk Committee consisting of Tom Intrator (committee chairman), Hans Feringa and Karsten Knudsen. The purpose of the Risk Committee is to assist the Board of Directors in its oversight of the Company's overall risk-taking, tolerance and management of financial risks, including market, credit and liquidity risks.

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.

Centralised risk team established
With the split of the Dry Cargo business into 2 new distinct business units – Dry Operator and Dry Owner – NORDEN also created a well-defined risk framework and established specific risk limits for the 2 business units including the 9 individual profit centres in Dry Operator. All limits are monitored by a centralised group risk team.

The risk team is involved in the day-to-day business, providing deep understanding on market risks and how to manage and mitigate these. If required, or when desired, it is possible to adjust exposures by booking cargo contracts, fixing T/C contracts or buying or selling freight forward agreements (FFAs).

Risk measures
Historically, simulated Value at Risk is defined as the primary risk measure of Dry Operator. While Value at Risk is a robust and consistent risk measure, it also has its limitations. As such, it is supplemented by stress tests to capture extreme events and also P&L flags to reduce the potential downside from market trends. Both Value at Risk and stress tests will be used for reporting and interactions with profit centres and Management.

Risk management principles

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

Material commercial risks

Below is a review of the material commercial risks

For a review of the financial risks, please see note 2 on page 75 as well as the section "Financial position" on page 14.

	Risk	NORDEN mitigation
Freight rate risks	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.
Fluctuations in vessel values	Changes in vessel values have a significant impact on the value of the Company, both directly on the value of the owned fleet and indirectly through the value of purchase options.	With a prudent capital structure NORDEN is continuously focusing on how to allocate capital to optimise the risk-adjusted return on vessels.
Piracy	Even though the number of piracy attacks has declined the threat still persists.	The safety of the crew is ensured by means of updated procedures, heightened focus and repeated drills. The Company follows Best Management Practices (BMP) with regard to the threat of piracy, and during 2017, no pirate attacks or attempted attacks were made against NORDEN vessels.
Oil spill and total loss	In terms of value, the most material events are oil spills and total loss (lost value of owned vessels, purchase options and charter parties).	The Company covers these risks by taking out insurances with recognised international insurance companies. In addition, risks are minimised by operating a modern fleet and by investing in the maintenance of the vessels and in staff awareness of both external and internal environments. In general, an increased operational risk is seen in the market due to recent years' poor market conditions, which e.g. cause some shipowners to economise on maintenance. Therefore, NORDEN has increased focus on the condition of the vessels in connection with short-term charters.
Credit risks	NORDEN engages with a significant number of counterparties covering suppliers, tonnage providers, cargo owners etc.	NORDEN reduces its credit risks through systematic credit assessment of counterparties and regular monitoring of their creditworthiness. For this purpose, own analyses are applied based on input from external credit rating agencies and publicly available information. Each analysis results in an internal rating, which is subsequently used in NORDEN's determination of the allowed scope of the commitment. In connection with newbuilding contracting, it is assessed whether the credit risk in relation to prepayments to the yard should be reduced through repayment guarantees issued by banks with good credit ratings.
Bunker price risks	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.
IT security	In a global company like NORDEN, it is crucial that the Company's IT systems are always available.	The IT Department has established a technical emergency capacity with an IT environment distributed on 2 locations with mirrored critical systems. In addition, the Company has established an IT Disaster Recovery Plan involving the entire organisation and supporting the IT Department in setting up emergency operations as soon as possible after a disaster.

Corporate governance

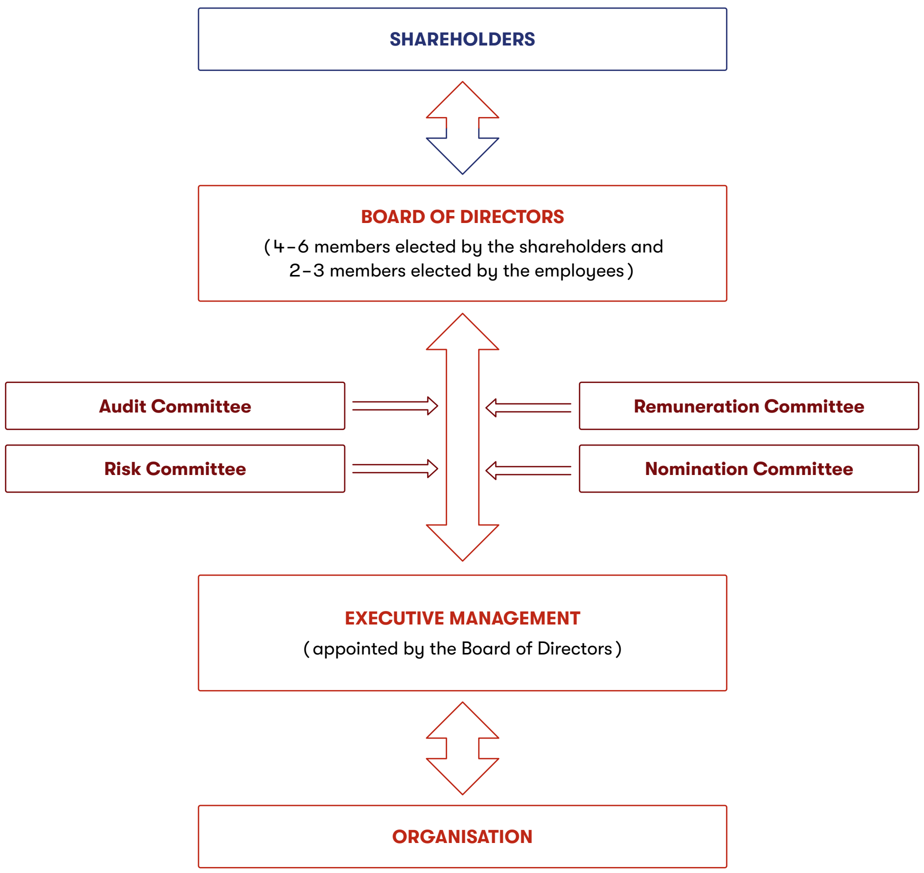
With a long-term focus, the aim of the Company is to develop for the benefit of its stakeholders within the risk framework set out.

Principles
NORDEN has a two-tier management structure with a Board of Directors and an Executive Management. There is no duality between the 2 bodies. The Board of Directors is made up of 4 to 6 members elected by the shareholders and 2 to 3 members elected by the employees.

The management of NORDEN is based on the values of Flexibility, Reliability, Empathy and Ambition as well as the Company's Corporate Soul Purpose which aims at enabling smarter global trade (see pages 7 and 44). The focus is long-term, and the goal for the Company is to develop for the benefit of its stakeholders within the risk framework set out by the Board of Directors (see the section "Risk management" on pages 46 and note 2 to the financial statements "Financial risk management").

Tasks and authorities
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

Framework for corporate governance



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 the day-to-day management, organisation and development of NORDEN, for managing assets, liabilities and equity, accounting and reporting, and it also prepares and implements the strategies. The ongoing contact between the Board of Directors and the Executive Management is primarily handled by the Chairman and the CEO. The Executive Management participates in board meetings and is supplemented by other managers in the strategy meetings and when relevant.

Board work

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

In 2017, the Board of Directors held 13 board meetings, of which 5 were teleconferences, hereof 4 in connection with financial reporting. Attendance was 93% for the shareholder-elected board members and 78% for the employee-elected board members. To this should be added that some of the employee-elected board members are seafaring staff, who might be otherwise occupied at sea and therefore cannot attend.

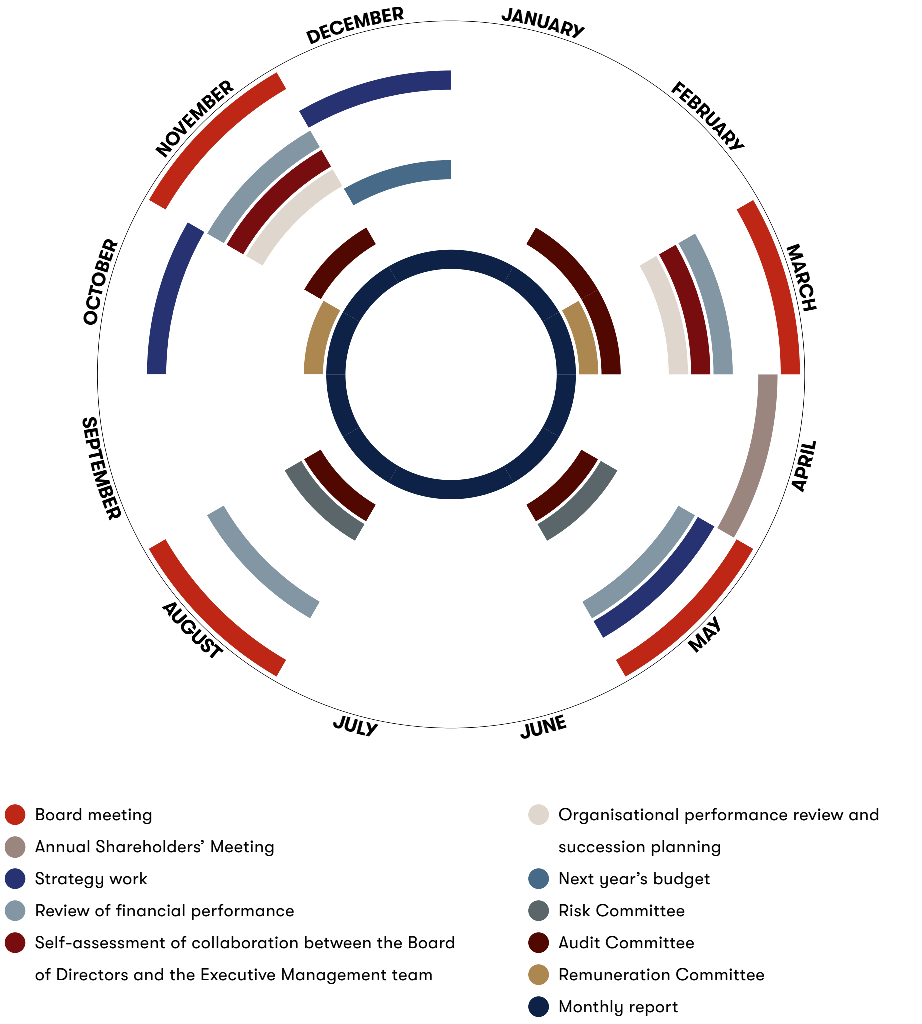
Audit Committee

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

Risk Committee

In 2017, the Board of Directors established a risk committee with the purpose of assisting the Board of Directors in its oversight of the Company's overall risk-taking tolerance and management of market, credit and liquidity risks. The members of the Risk Committee are Tom Intrator

A year with the Board of Directors



Board and committee remuneration

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

(committee chairman), Hans Feringa and Karsten Knudsen. The committee held 4 meetings during the year.

Remuneration Committee
The Board of Directors has a remuneration committee responsible for supervising the implementation of the Company's remuneration policy (see page 54). Its terms of reference are available on the website. The committee consists of Klaus Nyborg (committee chairman), Karsten Knudsen and Tom Intrator, and the committee held 2 meetings in 2017.

Nomination Committee
The Board of Directors' Nomination Committee is made up of Klaus Nyborg (committee chairman) and Johanne Riegels Østergård. The committee is responsible for describing the qualifications required in i.a. the Board of Directors and the Executive Management, and the committee is also in charge of an annual assessment of the competences, knowledge and experience present in the 2 management bodies. The committee had no formal meetings during the year.

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

In 2017, the Board of Directors and the Executive Management assisted by PwC conducted a self-assessment of the composition, qualifications and dynamics of the Board of Directors. The assessment concluded that the Board of Directors possesses relevant skills and has good working relationships and dynamics.

Board composition and remuneration
At the annual general meeting in 2017, Arvid Grundekjøn was re-elected and the number of shareholder-elected board members was increased by 1 to a total of 6, when both Tom Intrator and Hans Feringa were elected after Erling Højsgaard retired after serving 28 years on the board.

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 is to have 2 out of 6 shareholder-elected female board members by 2020.

During recent years, the board remuneration has been reduced and now amounts to a total of USD 0.7 million. Specific board remuneration can be seen in the table. The Board of Directors proposes unchanged remuneration in 2018.

Corporate governance
The Board of Directors has discussed the recommendations from the Danish Committee on Corporate Governance. A systematic review of the recommendations, which NORDEN follows by and large, can be found at https://cms.norden.com/sites/cms.norden.com/files/2020-05/ControlfinancialreportingUK2017.pdf.

2018
The Board of Directors has planned 9 meetings. During spring, election of the employee representatives for the Board of Directors will take place, and at the annual general meeting on 12 April, all board members elected by the shareholders will stand for re-election.

After serving as a board member since 2009, Arvid Grundekjøn has decided to step down and will consequently not be up for re-election. The Nomination Commmitee will during 2018 evaluate the need for a replacement.

Board of Directors




	Klaus Nyborg	**Johanne Riegels Østergård**	**Karsten Knudsen**	**Arvid Grundekjøn**
Position	Chairman Managing Director	Vice Chairman Architect	Board Member Managing Director	Board Member Investor/MBA/Lawyer
Other directorships	A/S United Shipping & Trading Company (CB), Bawat A/S (CB), Dliver Group Aps (CB), Bunker Holding A/S (VCB), Uni-Tankers A/S (VCB), DFDS A/S (BM), Odfjell SE (BM), X-Press Feeders Ltd. (BM), Maritime Investment Fund I K/S (Chairman of investment committee), Karen og Poul F. Hansens Familiefond (BM) and Return ApS (MD)	A/S Motortramp (BM), D/S Orients Fond (BM) and Ejendomsselskabet Amaliegade 49 A/S (BM)	Vækst-Invest Nordjylland A/S (CB), Polaris IV Invest Fonden (CB), Nordsøenheden (VCB), Motortramp A/S (BM), Dampskibsselskabet Orient Fond (BM), Obel-LFI Ejendomme A/S (BM), and K/S Vanta (BM)	Creati Estate AS (Owner, CB), Stiftelsen Fullriggeren Sørlandet (CB), Infima AS (CB), Gassco AS (BM), KLP Eiendom AS (BM) and AKO Kunststiftelse (CB). Former CEO of Awilhelmsen Group and Chairman of Statkraft
Relevant skills	Experience with management of global, listed shipping companies, strategy, investment, sale and purchase, financial issues and risk management	General management, financial and business insight as well as detailed knowledge of NORDEN's values and history	General management and strategy, broad financial experience, comprising accounting, investment banking and management of financial risks, including credit risks	General management, strategic and operational management of international shipping/offshore/cruise/energy groups
Board member since	2012	2016	2008	2009
Term expires	2018 (Chairman since 2015)	2018 (Vice Chairman since 2017)	2018	2018
Independent/ Not independent*	Independent	Not independent	Not independent	Independent
Born in	1963	1971	1953	1955
Gender	Male	Female	Male	Male
Nationality	Danish	Danish	Danish	Norwegian
No. of shares	1,700	499	2,000	5,000

Directorships and shareholdings are stated as at 31 December 2017. The directorships do not include positions within the NORDEN Group.

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

* In addition to the shares held personally by Johanne Riegels Østergård and Karsten Knudsen or through their related parties, both are associated with A/S Motortramp, which holds 12,294,560 shares in NORDEN. Employee-elected board members are not independent by virtue of their employment.

					
	Tom Intrator	**Hans Feringa**	**Lars Enkegaard Biilmann**	**Thorbjørn Joensen**	**Janus Haahr**
Position	Board member Former CEO and President in Cargill	Board member CEO and President of TEAM Tankers	Board member Captain	Board member Chief Engineer	Board member Senior Operations Manager
Other directorships	Board member in Polymateria Limited, Argus Media, and Marquard & Bahls	Member of the Executive Committee of INTERTANKO	Elected by the employees	Elected by the employees	Elected by the employees
Relevant skills	Experience as an executive in one on the world's largest trading houses, international background, and extensive knowledge of energy, shipping and metals. Experience within management, strategy, investment, customer relations and service, financial issues and risk management	Experience as an executive in global, listed shipping companies, extensive knowledge of global shipping as well as an international background. Experience within tankers, management, strategy and growth, investment, acquisition and sale of vessels, financial issues and risk management			
Board member since	2017	2017	2013	2015	2017
Term expires	2018	2018	2018	2018	2018
Independent/ Not independent*	Independent	Independent	Not independent	Not independent	Not independent
Born in	1959	1961	1964	1959	1974
Gender	Male	Male	Male	Male	Male
Nationality	Swiss	Dutch	Danish	Danish	Danish
No. of shares	0	0	723	379	0

Management and remuneration policy

The Executive Management is responsible for the day-to-day management of the Company. The Executive Management consists of CEO Jan Rindbo and CFO Martin Badsted.

The Executive Management together with Head of Dry Operator, Christian Vinther Christensen, Head of Technical Department, Jens Christensen, Head of Asset Management, Henrik Lykkegaard Madsen, Head of HR, Vibeke Schneidermann, and Head of Finance, Karina Sundbæk, form NORDEN's Senior Management. The Senior Management changed during the year as Karina Sundbæk succeeded Kristian Wærness, who left the Company.

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 for it to match the Company's needs, results and challenges. In addition to a fixed salary, the policy offers the possibility of a cash bonus and share options. The share-based programmes are particularly designed to promote the long-term conduct of managers and employees and to ensure a 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 2017, the Executive Management's remuneration was a combination of fixed salary, variable bonus and share-based payment. The Executive Management has no pension plan paid by the Company, but receives benefits such as a company phone.

The fixed salary for the Executive Management totalled USD 1.6 million in 2017 (USD 1.8 million in 2016), whereas total remuneration including bonuses and options amounted to USD 2.4 million in 2017 against USD 2.1 million in 2016. In 2017, Jan Rindbo received a bonus of USD 0.4 million including a retention bonus, while Martin Badsted received a bonus of USD 0.2 million. The value of share options granted to the Executive Management amounted to USD 0.2 million (USD 0.2 million in 2016). In determining the exercise price, a 10% premium is added to the market price at the grant date, so that the options are not of value to the recipients until the shareholders have received a 10% return.

"The purpose of the remuneration policy is to attract and retain qualified managers thus securing the basis for long-term value creation for the shareholders."

At the grant date, the theoretical value of the options corresponded to 19% 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 31 to the financial statements.

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 other members of the Company's Senior Management 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 a bonus, during 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 and parts of the Senior Management 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.

2018

In 2018, the Board of Directors intends to seek the approval of a revised remuneration policy at the Annual General Meeting. The revised policy will make it possible to replace the current share option programme with a restricted share programme to further enhance performance and retention of key employees. The size and cost of the program will not exceed the current option programme.

Executive management remuneration

USD million	2017 total	2016 total
Number of persons in Executive Management	2	2/3
Fixed base salary	1.6	1.7
Cash & retention* bonus	0.6	0.4
Value of share options	0.2	0.0**
Total remuneration	**2.4**	2.1

* In the form of shares in NORDEN at an annual value of DKK 1 million

**As a result of elimination of previously granted options

Option programmes

Granted in	Persons	Options	Exercise period	Executive Management's share	No. of persons in Executive Management
2017	63	405,691	2020-2023	20%	2
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

Senior Management




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




	Henrik Lykkegaard Madsen	Vibeke Schneidermann	Karina Sundbæk	Søren Huscher
Position	Head of the Asset Management Department	Head of Human Resources	Head of the Finance Department	CEO of Norient Product Pool ApS*
Education	Trained in shipping, holds a graduate diploma in Marketing Economics and has completed executive training programmes at INSEAD and IMD	Holds a graduate diploma in Organisation and Management	Holds an M.Sc. in Economics and Auditing from CBS	Trained in shipping and has completed executive training programme at INSEAD.
Other directorships		The Relief Foundation of Danish Shipping and the Foundation for the Benefit of Mariners and the Maritime Industry		
Employed in	2010	2005	2017	2000
Born in	1962	1962	1974	1962

Directorships, etc. are stated at 31 December 2017 and do not include positions within the NORDEN Group. BM: Board Member.

* Norient Product Pool was established in 2005 and is 50% owned by NORDEN.

NORDEN – global reach

With 9 offices on 5 continents, NORDEN is physically present in relevant markets – and close to its customers.

Investor relations

Shareholder return

During 2017, NORDEN's share price increased by 4% from DKK 112 to DKK 117. Based on the decreasing USD exchange rate, the return in USD has been around 19% in 2017. NORDEN thereby performed on par with the peer group of dry cargo and product tanker companies, which produced a return of around 20%. The development for the dry cargo part of the peer group was +47%, while the return was -17% for the product tanker peer group in the same period.

Trading volume

On average, 191,038 shares were traded on a daily basis on Nasdaq Copenhagen in 2017, which is an increase of 34% compared to 2016. Excluding 1 December 2017 when RASMUSSENGRUPPEN AS sold their 11.5% stake in NORDEN, the average daily trading volume was 162,704 shares (+14% compared to 2016). The average daily trading value on Nasdaq Copenhagen excluding 1 December 2017 was DKK 20 million against DKK 14 million in 2016. In addition to this, average trading on other market places amounted to DKK 5 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 2017, 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 2017, the Company issued 14 company announcements, 4 of which concerned insiders' transactions with NORDEN shares.

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 increased by approximately 4.5% during the year to a total of 16,086 shareholders at year-end, in aggregate owning 87.4% of the share capital. The largest shareholder in NORDEN, A/S Motortramp, owns 12,952,803 shares (30.7%) and NORDEN owns 1,732,385 treasury shares (4.1%), which corresponds to the level of 2016. Other large shareholders are especially investors from Denmark, Luxembourg, the USA, Great Britain, Norway and Sweden. At the end of the year, the international ownership share counted 685 registered shareholders, in aggregate owning 30.5% of the share capital. RASMUSSENGRUPPEN AS sold all their shares (4,869,640) representing 11.5% in NORDEN on 1 December 2017.

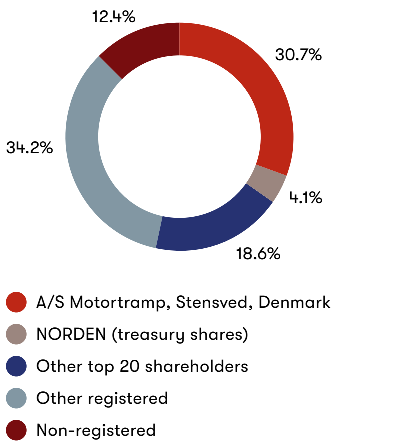
Dividends

The Board of Directors recommends for approval by the general meeting that NORDEN does not pay a dividend for 2017.

Master Data

Share capital	DKK 42.2 million
Number of shares	42,200,000 á 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

Composition of shareholders



Annual General Meeting

The annual general meeting will be held on Thursday 12 April 2018 at 3.00 p.m. at

Radisson Blu Scandinavia Hotel,
70, Amager Boulevard,
DK-2300 Copenhagen S.

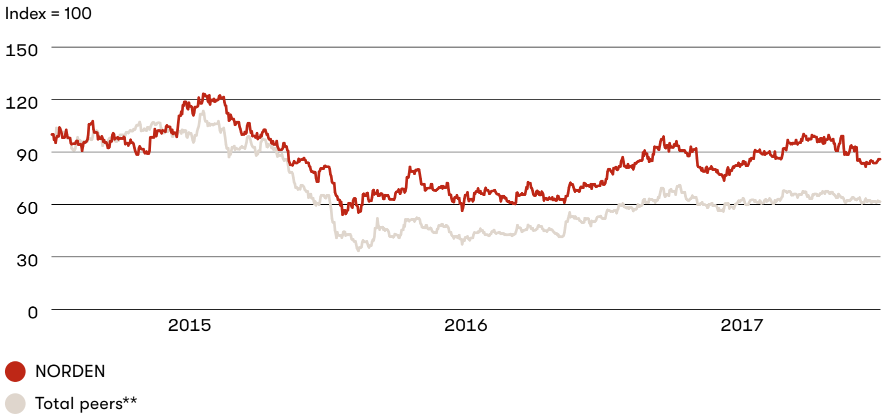
Contact

Business Analytics & Investor Relations
Dampskibsselskabet NORDEN A/S
52, Strandvejen
DK-2900 Hellerup Denmark
E-mail: corpsec@ds-norden.com

"NORDEN strives to maintain a transparent and open communication."

Share price development 2017

Total shareholder return* 3 years (1/1 2015 = 100)



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

** The total return of the peer group is calculated based on 9 dry cargo companies (Pacific Basin, Golden Ocean, Diana Shipping, Safe Bulkers, Scorpio Bulkers, Eagle Bulk, Navios Maritime, Star Bulk 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.

Corporate Social Responsibility

Creating shared value among customers, society and NORDEN.

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

With regards to our statutory statement on CSR in accordance with section 99a and as for the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act, please refer to http://cms.norden.com/sites/cms.norden.com/files/2020-05/sustainability_report_2017.pdf.

NORDEN's CSR efforts are centred around 3 main areas: reliability, assistance and anti-corruption. The 3 strategic areas create shared value among customers, society and NORDEN as well as support optimisation of operations by which NORDEN enables smarter global trade – the core of NORDEN's Corporate Soul Purpose.

NORDEN'S 3 STRATEGIC AREAS

Reliability

NORDEN reinforces crew and vessel quality while lowering trade costs. When dealing with unforeseen situations, safety on board as well as operational reliability and flexibility are important elements. Well-maintained vessels are key to ensuring on-time delivery and a smooth voyage and ultimately the prerequisite to keeping crew and cargo safe as well as preventing expensive delays, idle costs and repairs.

2

Global leadership coaches

have been hired to assist leaders on board in developing their leadership skills further in a programme similar to that for onshore managers.

Assistance

NORDEN seeks to optimise supply chain solutions and improve trade for business and communities. Every day lost due to barriers in the supply chain drives up trade costs. By coupling customer understanding, local presence and expertise, inefficiencies and local barriers to trade can be removed.

3,200

Vessels' idle hours

saved by analysing Statement of Facts from port calls.

Anti-corruption

NORDEN promotes smarter global trade. Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. Corruption also escalates costs and endangers the safety and well-being of the crew.

NORDEN has a zero tolerance policy towards bribery and continuously works to prevent and reduce facilitation payments.

9,400

Calls[1] across 130 countries

some of them in regions where concepts of integrity and good business conduct vary. During 2017, NORDEN completed a comprehensive due diligence process administered by TRACE[2] and became TRACE certified.

1 Includes transits and stops to dock, loading, discharge, bunker and repair.

2 TRACE is an internationally recognised anti-bribery organisation and provider of third party risk management solutions.

SELECTED CSR HIGHLIGHTS

Climate and environment

CO_2 Cargo EEOI emission since 2007

Dry cargo	Tankers
-7%	-15%

The Cargo EEOI (Energy Efficiency Operator Index) is used to calculate CO_2 emitted per metric tonne of cargo transported per nautical mile sailed in laden condition. The index is calculated as the IMO EEOI adjusted for Ballast EEOI and Port EEOI as these are linked to market conditions beyond NORDEN's control, including cargo availability, waiting time or port stays. Cargo EEOI on the other hand is directly impacted by the quality and operation of vessels and therefore a good indicator of NORDEN's efforts.

Human rights and diversity

Employee diversity allows for flexible thinking and prevents inveterate conceptions and habits. By composing teams with a variety of ages, levels of experience, nationalities, languages and genders, NORDEN brings all its employees' unique contributions into play for the benefit of improved customer service. NORDEN has 305 employees at NORDEN's offices and approximately 690 at sea representing 26 nationalities globally.

Nationalities

26

Responsible supply chain management

5

new first-tier suppliers

enrolled in NORDEN's Responsible Supply Chain Management Programme in 2017

Global partnerships and intiatives

The successful completion of TRACE certification demonstrates NORDEN's commitment to commercial transparency, allowing NORDEN to serve as a valued business partner to multinational companies.

For a more in-depth account of NORDEN's CSR efforts, please visit our CSR report 2017 published at https://norden.com/sustainability/sustainability-reports.

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 2017.

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 2017 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 2017.

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.

Copenhagen, 6 March 2018

Executive Management

Jan Rindbo
CEO

Martin Badsted
CFO

Board of Directors

Klaus Nyborg
Chairman

Johanne Riegels Østergård
Vice Chairman

Karsten Knudsen

Arvid Grundekjøn

Thomas Intrator

Hans Feringa

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 Auditor's Report

To the shareholders of Dampskibsselskabet NORDEN A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 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 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

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

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Dampskibsselskabet NORDEN A/S for the financial year 1 January to 31 December 2017 comprise Income Statement, Statement of Financial Position, Statement of Changes in Equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and Statement of Comprehensive Income and Statement of Cash Flows for the Group.

Collectively referred to as the "Financial Statements".

Basis for opinion

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

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

Independence

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

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

Appointment

We were first appointed auditors of Dampskibsselskabet NORDEN A/S for the financial year 1998. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 20 years including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of vessels, prepayments on vessels and newbuildings and provisions for onerous time charter contracts.

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

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

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

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

Management concluded that no indicators of impairment, reversal of previous impairments and changes in the basis for determining the carrying amount for onerous contracts exists as of 31 December 2017. Thus no impairment tests has been performed.

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

Refer to Note 12 and Note 23 in the Consolidated Financial Statements and Note 7 and Note 12 in the Parent Company Financial Statements.

How our audit addressed the key audit matter

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

Further, we:

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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, 6 March 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Consolidated Financial Statements 2017

Income Statement
1 January – 31 December

Note	Amounts in USD'000	2017	2016
3	**Revenue**	**1,808,600**	**1,251,187**
3	Other operating income, net	11,073	12,704
3	Vessel operation costs	-1,702,888	-1,187,759
3/4	Other external costs	-13,167	-14,036
5	Staff costs, onshore employees	-35,524	-31,488
	Earnings before depreciation, etc. (EBITDA)	**68,094**	**30,608**
6	Profit and loss from sale of vessels, etc.	897	-45,544
12	Depreciation	-42,233	-49,589
13	Share of results of joint ventures	-3,443	47
	Earnings from operations (EBIT)	**23,315**	**-64,478**
7	Fair value adjustment of certain hedging instruments	0	34,520
8	Financial income	13,965	7,144
9	Financial expenses	-14,883	-19,404
	Profit/loss before tax	**22,397**	**-42,218**
10	Tax for the year	2,167	-3,373
	PROFIT/LOSS FOR THE YEAR	**24,564**	**-45,591**
	Attributable to:		
	Shareholders of NORDEN	**24,564**	**-45,591**
11	**Earnings per share (EPS), USD**		
	Basic earnings per share	0.61	-1.13
	Diluted earnings per share	0.61	-1.13

Statement of Comprehensive Income
1 January – 31 December

Note	Amounts in USD'000	2017	2016
	Profit/loss for the year	24,564	-45,591
	Items which will be reclassified to the income statement:		
20	Fair value adjustment for the year, securities	678	-12,375
20	Fair value adjustment for the year, cash flow hedges	6,789	4,483
20	Tax on fair value adjustment of securities	0	40
	Other comprehensive income, total	7,467	-7,852
	Total comprehensive income for the year, after tax	**32,031**	**-53,443**
	Attributable to:		
	Shareholders of NORDEN	**32,031**	**-53,443**

Statement of Financial Position at 31 December – Assets

Note	Amounts in USD'000	2017	2016
12	Vessels	691,701	680,247
12	Property and equipment	49,578	50,997
12	Prepayments on vessels and newbuildings	33,913	19,880
	Tangible assets	**775,192**	**751,124**
13	Investments in joint ventures	11,303	15,927
	Financial assets	**11,303**	**15,927**
	Non-current assets	**786,495**	**767,051**
14	Inventories	67,679	44,062
15	Freight receivables	124,000	85,253
15	Receivables from joint ventures	0	5,030
15	Other receivables	33,901	39,142
16	Prepayments	79,030	74,474
17	Securities	8,062	18,668
18	Cash and cash equivalents	211,376	245,182
		524,048	511,811
19	Tangible assets held for sale	15,921	22,168
	Current assets	**539,969**	**533,979**
	ASSETS	**1,326,464**	**1,301,030**

Statement of Financial Position at 31 December – Equity and Liabilities

Note	Amounts in USD'000	2017	2016
	Share capital	6,706	6,706
20	Reserves	6,958	-509
	Retained earnings	820,740	795,209
21	**Equity**	**834,404**	**801,406**
22	Loans	195,435	190,089
23	Provisions	42,538	91,952
	Non-current liabilities	**237,973**	**282,041**
22	Loans	26,310	26,171
23	Provisions	36,054	95,217
	Trade payable	62,560	42,395
	Debt to joint ventures	1,906	0
	Other payables	74,566	20,240
	Deferred income	51,353	28,460
		252,749	212,483
24	Liabilities relating to tangible assets held for sale	1,338	5,100
	Current liabilities	**254,087**	**217,583**
	Liabilities	**492,060**	**499,624**
	EQUITY AND LIABILITIES	**1,326,464**	**1,301,030**

Statement of Cash Flows 1 January – 31 December

Note	Amounts in USD'000	2017	2016
	Profit/loss for the year	24,564	-45,591
12	Reversed depreciation	42,234	49,589
7	Reversed value adjustments	0	-34,520
8/9	Reversed financial expenses	918	12,260
23	Reversed change in provisions	-83,737	-117,468
6	Reversed profits and loss from the sale of vessels, etc.	-897	45,544
13	Reversed share of joint ventures	3,443	-47
	Other reversed non-cash operating items	1,741	3,897
33	Change in working capital	25,003	17,354
	Financial payments received	7,040	4,067
	Financial payments made	-14,043	-11,475
	Company tax paid for the year	0	-3,332
	Cash flows from operating activities	**6,266**	**-79,722**
12/19	Investments in vessels and vessels held for sale	-92,964	-67,334
12	Investments in other tangible assets	-453	-1,047
13	Investments in joint ventures	0	-5,247
12	Additions in prepayments on newbuildings	-13,556	-7,805
	Additions in prepayments received on sold vessels	-3,762	-15,056
	Proceeds from the sale of vessels and newbuildings	47,813	172,534
	Proceeds from the sale of other tangible assets	8	30
	Sale of securities	14,003	9,396
	Change in cash and cash equivalents with rate agreements of more than 3 months, etc.	48,741	16,590
	Cash flows from investing activities	**-170**	**102,061**
22	Incurrence of new loans	30,000	0
22	Instalments on/repayment of loans	-27,006	-85,255
	Loan financing	2,994	-85,255
	Cash flows from financing activities	**2,994**	**-85,255**
	Change in cash and cash equivalents for the year	**9,090**	**-62,916**
	Liquidity at 1 January	100,627	167,774
	Exchange rate adjustments	5,845	-4,231
	Change in liquidity for the year	9,090	-62,916
18	**Liquidity at 31 December**	**115,562**	**100,627**
	Change in cash and cash equivalents with rate agreements of more than 3 months, etc.	95,814	144,555
	Cash and cash equivalents at 31 December according to the statement of financial position	**211,376**	**245,182**

Statement of Changes in Equity 1 January – 31 December

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

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	0	-7,852	-45,591	-53,443
	Value adjustments joint ventures	0	0	-1,739	-1,739
5/31	Share-based payment	0	0	525	525
	Changes in equity	**0**	**-7,852**	**-46,805**	**-54,657**
	Equity at 31 December 2016	**6,706**	**-509**	**795,209**	**801,406**

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

Notes to the financial statements – contents

Notes to the financial statements

Note

1 Basis of preparation

1.1 Principal accounting policies and significant accounting estimates and judgements

Introduction
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 2017 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 2017 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 2017 have been prepared in accordance with the Danish Financial Statements Act.

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

USD is the functional currency of all enterprises in the group as well as the parent company. In the annual report, the presentation currency is USD, and amounts are presented rounded off to the nearest USD 1,000.

Significant accounting estimates and judgments
In preparing the financial statements, NORDEN's management makes a number of accounting estimates and judgments. These are the basis for recognition and measurement of the group's and parent's assets, liabilities, income and expenses.

The applied estimates are based on historical data and other factors that management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Risk factors specific to the 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 the change affects the current as well as future periods.

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

- Impairment test (note 12) (Estimate).
- Onerous contracts (note 23) (Estimate).
- Assessment of control in shared ownership – pool arrangements (note 13) (Judgement).

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

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

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

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

Adoption of new or amended IFRSs
In 2017, NORDEN has early adopted IFRS 9, which is mandatory for accounting periods beginning 1 January 2018 or later.

According to IFRS 9, the hedge effectiveness requirements are relaxed. The requirements to expect a highly effective hedge relationship and actual hedge effectiveness being between 80 and 125% are replaced by a requirement to document an economic relationship between the hedging instrument and the hedged item. On that background, Management has assessed that certain hedging activities, which have not previously qualified for hedge accounting, now qualify, and effective from 1 January 2017, hedge accounting has been applied to bunker hedging activities and FFA hedging activities. Please see note 29 for a description of bunker and FFA hedges as of 31 December 2017.

The implementation of IFRS 9 has also entailed that impairment of receivables must be based on expected losses and not incurred losses as under IAS 39. The transition does not significantly affect neither the income statement nor the statement of financial position.

IFRS 9 includes revised classification and measurement requirements for securities. NORDEN's bond portfolio, which so far has been classified as securities held for sale, is attributed to the category fair value through other comprehensive income. The accounting treatment of the bond portfolio is thus unchanged.

In addition to IFRS 9, NORDEN has implemented the following standards and interpretations which are mandatory for accounting periods beginning on or after 1 January 2017:

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

Notes to the financial statements

Note

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

Most recently approved financial reporting standards (IFRS) and interpretations (IFRIC)
At the end of January 2018, 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.

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 will not have any significant impact on NORDEN. NORDEN will implement IFRS 15 as of 1 January 2018.

- IFRS 16 on Leases – New common standard on the distinction between finance and operation lease. The standard comes into force in 2019.

According to IFRS 16 the distinction between finance and operating leases will be removed for the lessee. 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.

NORDEN is currently assessing the impact of the standard and has preliminarily estimated the lease commitment as of 31 December 2017 at approximately USD 380 million (USD 400 million). Furthermore, provisions for onerous time charter contracts as of 31 december 2017 amounting to approximately USD 67 million (USD 175 million) will be reversed. The reversal will reduce the value of the right-of-use assets. The operating lease commitments disclosed in note 25 includes both operating leases with a term of less than 12 months and daily operating expenses and maintenance.

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:

- 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.
- Amendment of IFRS 2 in relation to share- based remuneration – minor adjustments.
- Parts of Annual improvements regarding the years 2014-2016.
- IFRIC 22, Foreign currency transactions and advance consideration.
- IFRIC 23, Uncertainty over income tax treatments.
- Amendment of IAS 40, Investment property – relates to transfers to and from the category.
- IFRS 17 Insurance contracts.
- Annual improvements 2015-2017.

1.3 General accounting policies.

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

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

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

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

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

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

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 ex- change rate at the date of payment are recognised in the income statement as "Financial income" or "Financial expenses".

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

Notes to the financial statements

Note

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.

Financial ratios
Financial ratios are calculated in accordance with the "Recommendations and Financial Ratios 2015" issued by the "Danish Association of Financial Analysts", unless specifically stated. However, "Profit/loss from sale of vessels, etc." is not included in EBITDA. The figures are adjusted for the Company's holding of treasury shares. Definitions of key figures and financial ratios are shown on page 113.

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

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

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

Notes to the financial statements

Note

2 Financial risk management

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

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 2017, the 20 largest counterparties in Dry Cargo included 5 (5) mining companies, 3 (3) utility companies, 6 (8) industrial enterprises, 2 (1) logistics companies and 4 (3) commodity distributors. In Tankers, the 5 largest counterparties included 2 (2) oil and gas companies, 2 (3) logistics companies and 1 (0) mining company. The Group's commercial credit exposure totaled USD 765 million (USD 829 million) at the end of 2017 with USD 735 million (USD 773 million) in Dry Cargo and USD 30 million (USD 56 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 216 (189) counterparties, of which the 20 largest accounted for 84% (84%) of the covered revenue in the segment whereas the 5 largest counterparties accounted for 56% (53%). In Tankers, coverage was distributed on 50 (52) counterparties, of which the 5 largest accounted for 83% (78%) of the covered revenue in the segment. It is assessed that the main part of the 216 and 50 counterparties, respectively, are solid, and NORDEN keeps updated on the performance and activities of these companies on a regular basis.

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

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

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

Besides the regular credit risk on customers, the Group has a credit risk on tonnage suppliers who have received prepaid T/C hire. At the end of 2017, the total prepaid hire amounted to USD 25 million (USD 52 million).

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

Freight rate risks

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

Bunker price risks

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

Interest rate risks

A part of the Group's floating rate loan obligations which have been entered into at floating interest rates and have been drawn as of end-2017 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 Group's debt with floating interest rates which have not yet been drawn has only been swapped into fixed interest rates to a limited extent. As a result of the Group's considerable cash balance, increasing interest rates will only have a limited 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 Group does not have a significant effect on the results of the Group.

Currency risks

The Group's functional currency is USD. Since administrative expenses and dividends are paid in DKK, there is a currency risk in this connection. The Group hedges expected administrative expenses payable in DKK for a period of 6-24 months. In connection with newbuilding payments, typically in JPY, CNY or KRW, there is also a currency risk. This is hedged by forward contracts in connection with newbuilding orders. At the end of 2017, all newbuilding payments were, however, in USD. The strike price in some of the Group's purchase options is determined in JPY, and it is the Group's policy only to hedge these if the option is exercised and only upon exercise.

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

Liquidity risks

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

Notes to the financial statements

Note

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

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

The Group's equity ratio was 63% (62%) at the end of 2017. This significant equity ratio should be considered relative to the Group's future payment obligations in the form of operating lease liabilities (T/C contracts) and payments for newbuildings not recognised in the statement of financial position.

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

For a detailed account of risks, see page 46 in the management commentary.

Overview of financial risks

Amounts in USD	**Nominal value**		
Credit	**2017**	**2016**	**Comments on NORDEN's policy**
Freight receivables	124 million	85 million	The credit rating of counterparties is assessed on an ongoing basis.
Bank deposits	211 million	242 million	The Group's liquidity is strictly placed with financial institutions with a Moody's rating of at least A- or classified as systemic important financial institutions (SIFI).
Bonds	8 million	18 million	A minor part of the Group's free capital is invested in securities, which as a minimum have a BBB rating in accordance with S&P ("investment grade"), a Moody's rating of Baa3 or corresponding creditworthiness without official rating.
Prepayments on vessels and newbuildings	34 million	20 million	As a main rule, newbuilding contracts with shipyards are entered into with repayment guarantees issued by banks with good credit ratings. Based on the Group's assessment of the credit risk related to prepayments on newbuilding contracts, repayment guarantees from banks have not been obtained.
FFAs	Purchased net 16 million	Sold net 27 million	To limit credit risk, the Group's FFAs are only entered into through established clearing houses as these have daily margin settlement.
Bunker swaps	86 million	82 million	The Group's bunker swaps are entered into with financial institutions and with major, recognised business partners with good credit ratings. ISDA agreements are also entered into, ensuring continuous collateral.

Notes to the financial statements

Note

Overview of financial risks

Amounts in USD	Nominal value			
Market	**2017**	**2016**	**Sensitivity**	**Comments on NORDEN's policy**
Freight rate risks (FFAs)	Purchased net 16 million	Sold net 27 million	A 10% drop in freight rates at year-end would impact net results by USD 2 million (negative impact of USD 3 million).	The Group primarily uses FFAs to cover physical ship days and in some cases to increase exposure to the market.
Bunker price risks	86 million	82 million	A 10% drop in bunker prices at year-end would negatively impact equity by USD 9 million (negative impact of USD 8 million).	The Group only uses bunker swaps to cover its future known bunker consumption when entering into COAs.
Currency risks	70 million	64 million	A 10% increase in the DKK and GBP exchange rates at year-end 2017 would impact net results positively by USD 3 million (USD 2 million) and USD 5 million (USD 5 million), respectively, and equity by USD 3 million (USD 2 million) and USD 5 million (USD 5 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 Group's exposure to other respectively currencies than DKK currencies and GBP is insignificant.
Interest rate risks			Based on the Group's liquidity and debt at year-end 2017, a 1% increase in interest rates would, all other things being equal, impact earnings before tax positively by USD 2 million (USD 2 million) and equity by USD 3 million (USD 4 million).	The Group's interest rate risks relate to interest-bearing assets and non-current debt. At the end of 2017, the majority of the Group's excess liquidity was placed in short-term fixed-interest deposits. A share of the Group's loans have been converted into fixed rates for the entire or part of the term of the loan by means of interest rate swaps, and the Group's interest rate risks are therefore limited. A minor share of the Group'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 3 business segments, Dry Owner, Dry Operator, together the Dry Cargo and Tankers. Previously NORDEN operated two business segments, Dry Cargo and Tankers. In July 2017, Dry Cargo has been split into a Dry Operator and a Dry Owner. Comparative information for 2016 is not provided, as it has not been possible to establish this information. Therefore, segment information for Dry Cargo is presented for both 2016 and 2017.

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

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

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

The services offered by NORDEN's Tanker segment comprise transport of crude oil or refined oil products. NORDEN's segments generate revenue consisting of freight and T/C income from owned and chartered vessels and management income. Information is not provided by geographical segment as the global market is 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.

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 result for the year.

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

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

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

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 Dry Cargo and Tankers. 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. The names and contents of assets are consistent with the consolidated statement of financial position.

The methods of allocating related assets to Dry Cargo and Tankers are consistent. The allocation is as follows:

- Non-current assets consist of assets used directly in Dry Cargo and Tankers operations, including "Vessels" and "Prepayments on vessels and new- buildings" and "Investments in joint ventures".

- Current assets are allocated to Dry Cargo and Tankers 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.

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 comple- tion 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 there- fore 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 estimates

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

Notes to the financial statements

Note	Amounts in USD'000	Dry Owner	Dry Operator	Elimina-tions	Dry Cargo	Tankers	Total
3	**Segment information – continued**						
	2017						
	Revenue – services rendered, external	46,915	1,423,503	0	1,470,418	338,182	1,808,600
	Revenue – services rendered, internal	154,970	0	-154,970	0	0	0
	Revenue – services rendered	201,885	1,423,503	-154,970	1,470,418	338,182	1,808,600
	Voyage costs*	-1,425	-665,367	0	-666,792	-129,825	-796,617
	T/C equivalent revenue	**200,460**	**758,136**	**-154,970**	**803,626**	**208,357**	**1,011,983**
	Other operating income, net	553	10,389	0	10,942	131	11,073
	Charter hire for vessels*	-117,659	-755,218	154,970	-717,907	-112,459	-830,366
	Other vessel operating costs*	-31,707	0	0	-31,707	-44,198	-75,905
	Other external costs	-2,194	-8,776	0	-10,970	-2,197	-13,167
	Staff costs, onshore employees	-5,684	-22,735	0	-28,419	-7,105	-35,524
	Earnings before depreciation, etc. (EBITDA)	**43,769**	**-18,204**	**0**	**25,565**	**42,529**	**68,094**
	Profit and loss from sale of vessels, etc.	1,090	0	0	1,090	-193	897
	Depreciation	-12,178	-1,180	0	-13,358	-28,875	-42,233
	Share of results of joint ventures	-4,130	0	0	-4,130	687	-3,443
	Earnings from operations (EBIT)	**28,551**	**-19,384**	**0**	**9,167**	**14,148**	**23,315**
	Financial income	8,280	0	0	8,280	5,685	13,965
	Financial expenses	-8,828	0	0	-8,828	-6,055	-14,883
	Tax for the year	294	1,629	0	1,923	244	2,167
	Profit/loss for the year	**28,297**	**-17,755**	**0**	**10,542**	**14,022**	**24,564**
	Adjusted for:						
	Profit and loss from sale of vessels, etc.	-1,090	0	0	-1,090	193	-897
	Profit and loss from sale of vessels, etc in joint ventures	4,700	0	0	4,700	0	4,700
	Adjusted profit/loss for the year	**31,907**	**-17,755**	**0**	**14,152**	**14,215**	**28,367**
	Vessels				181,683	510,018	691,701
	Property and equipment				29,747	19,831	49,578
	Prepayments on vessels and newbuildings				33,913	0	33,913
	Investments in joint ventures				10,897	406	11,303
	Non-current assets				**256,240**	**530,255**	**786,495**
	Current assets				**323,981**	**215,988**	**539,969**
	– hereof tangible assets held for sale				15,921	0	15,921
	Assets				**580,221**	**746,243**	**1,326,464**
	Investments in non-current assets for the year				35,215	40,191	75,406
	Average number of employees, excluding employees on T/C vessels				637	425	1,062
	EBIT margin				1%	4%	1%

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

Note	Amounts in USD'000	Dry Cargo	Tankers	Total
3	**Segment information – continued**			
	2016			
	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**
	Profit before depreciation, etc. (EBITDA)			
	Profits and loss from the sale of vessels, etc.	-38,366	-7,178	-45,544
	Depreciation and write-downs	-16,996	-32,593	-49,589
	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
	Profit/loss 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 profit/loss 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.

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 utilisation of provision for onerous time charter contracts of USD 83 million (USD 119 million), fair value adjustments of certain hedging instruments of USD 0 million (USD 34 million).

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
4	**Fees to auditor appointed at the general meeting**		
	"Other external costs" include the following fees to PricewaterhouseCoopers:		
	Audit	370	361
	Other assurance services	14	14
	Tax consultancy	77	384
	Other services	134	97
	Total	**595**	**856**

The fee for nonaudit services performed by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab is USD 206 thousand (2016: USD 495 thousand) and comprises accounting and tax advisory services and other general financial reporting and tax consultancy. None of the nonaudit services performed are prohibited.

Note	Amounts in USD'000	2017	2016
5	**Staff costs**		
	Onshore employees:		
	Wages and salaries	31,583	28,418
	Pensions – defined contribution plans	1,808	1,625
	Other social security costs	1,166	920
	Share-based payment	967	525
		35,524	**31,488**
	Seafarers – the amount is included in "Vessel operating costs":		
	Wages and salaries	36,416	40,123
	Pensions – defined contribution plans	1,278	1,468
	Other social security costs	1,078	1,270
		38,772	**42,861**
	Total	**74,296**	**74,349**
	Average number of employees:		
	Onshore employees	285	264
	Seafarers	777	893
	Total	**1,062**	**1,157**

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.

Amounts in USD'000	2017			2016		
	Parent Company Board of Directors	**Parent Company Executive Management**	**Total**	**Parent Company Board of Directors**	**Parent Company Executive Management**	**Total**
Wages and salaries	691	2,146	2,837	618	2,123	2,741
Other social security costs	0	1	1	0	1	1
Share-based payment	0	207	207	0	-11	-11
Total	**691**	**2,354**	**3,045**	**618**	**2,113**	**2,731**

Financial comments

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

The Executive Management is considered as NORDEN's key management.

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

6 Profit and loss from sale of vessels, etc.

§ Accounting policies

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

Amounts in USD'000	2017	2016
Profit and loss from sale of vessels	897	-2,457
Profit and loss from sale of fixtures, fittings and equipment	0	127
Write-downs in connection with sale of vessels and newbuildings held for sale, see note 19	0	-43,214
Total	**897**	**-45,544**

Notes to the financial statements

Note	Amounts in USD'000

7 Fair value adjustment of certain hedging instruments

§ Accounting policies

As of 1 January 2017, financial bunker contracts and forward freight agreements are designated as cash flow hedging instruments. Refer to note 29.

Up until 31 December 2016, such contracts were not designated as cash flow hedging instruments. Gains and losses were therefore reported in the income statements in prior years. Value adjustment of such hedging instruments comprises changes in the fair values. As the hedging instruments were realised, the accumulated fair value adjustments were 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:

	2017	2016
Bunker hedging:		
2016	0	8,505
2017	0	10,134
2018-2024	0	363
	0	19,002
Realised fair value adjustment reclassified to "Vessel operating costs"	0	6,798
	0	25,800
Forward Freight Agreements:		
2016	0	-141
2017	0	-3,283
	0	-3,424
Realised fair value adjustment reclassified to "Revenue"	0	12,144
	0	8,720
Total	**0**	**34,520**

Note	Amounts in USD'000	2017	2016
8	**Financial income**		
	Dividends	0	527
	Interest income	3,352	2,288
	Fair value adjustment, Cross Currency Swaps	0	282
	Securities, capital gains	5	4,047
	Exchange rate adjustments	10,608	0
	Total	**13,965**	**7,144**
9	**Financial expenses**		
	Interest costs, non-current debt, etc.	11,354	16,056
	Securities, capital losses	894	0
	Fair value adjustment, forward exchange contracts	2,635	1,488
	Exchange rate adjustments	0	1,860
	Total	**14,883**	**19,404**

Notes to the financial statements

Note **Amounts in USD'000**

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 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.

Note	Amounts in USD'000	2017	2016
10	**Taxation – continued**		
	Tax on the results for the year	305	3,161
	Adjustment of tax regarding previous years	-2,472	212
	Total	**-2,167**	**3,373**
	Tax on the results for the year is broken down as follows:		
	Results before tax	22,397	-42,218
	of which results from Danish tonnage activity	-18,700	32,653
		3,697	-9,565
	Calculated tax of this, 22% (22%)	813	-2,104
	Tax effect from:		
	- Higher/lower tax rate in subsidiaries	-4,839	34
	- Other	1,380	2,605
		-2,646	**535**
	Tonnage tax	2,951	2,626
	Total	**305**	**3,161**
	Contingent tax under the tonnage tax scheme	16,318	16,318
	Contingent tax is calculated equalling the tax rate for 2017 and going forward.	22%	22%

Note	Amounts in USD'000	2017	2016
11	**Earnings per share (EPS)**		
	Basic:		
	Results for the year for NORDEN's shareholders	24,564	-45,591
	Weighted average number of shares (thousand)	40,467	40,467
	Earnings per share (USD per share)	**0.61**	**-1.13**
	Diluted:		
	Weighted average number of shares (thousand)	40,467	40,467
	Adjusted for share options (thousand)	0	7
	Weighted average number of shares for diluted earnings per share (thousand)	40,467	40,474
	Diluted earnings per share (USD per share)	**0.61**	**-1.13**

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets

Accounting policies

Tangible assets 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".

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

Note **Amounts in USD'000**

12 Tangible assets – continued

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 analyzed for impairment.

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

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

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

See the section "Accounting policies" in note 23 regarding provisions.

Accounting choices

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

Accounting judgements

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

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

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets – continued

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

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

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

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

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

Accounting estimates

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

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

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

The principal risk when determining the value-in-use is in relation to Management's assessment of the 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.

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

Note **Amounts in USD'000**

12 Tangible assets – continued

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

Notes to the financial statements

Note **Amounts in USD'000**

12 Tangible assets – continued

	Vessels	Property and equipment	Prepayments on vessels and newbuildings	Total
2016				
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 1 January	-376,879	0	-11,317	-388,196
Transferred during the year	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**

Financial comments

Amount insured on vessels is USD 989 million (USD 915 million).

Note **Amounts in USD'000**

12 Tangible assets – continued

Dry Cargo

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

The positive development in freight rates in 2017 is in line with Management's expectations since the last impairment test carried out at the end of 2015. Further, vessel valuations do not differ significantly from the carrying amounts. On that background, Management assesses that there are no indications of impairment at the end of 2017. It is thus Management's assessment, that at the end of 2017 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.

Tankers

For the CGU, Tankers, Management also concluded that no impairment test had to be performed at year-end 2017.

Management carried out an impairment test of Tankers at year-end 2016 and concluded that the Group's Tanker fleet was not impaired and there was no basis for recognition of provisions for onerous time charter contracts for the CGU, Tankers.

Vessel values compared to carrying amount are at the same negative level at year-end 2017 compared to year-end 2016. However, the Tankers segment has realized a positive Adjusted result for 2017.

The development in freight rates in 2017 is in line with Management's expectations since the last impairment test carried out at the end of 2016.

On that background, Management assesses that there are no indications of impairment at the end of 2017. It is thus Management's assessment, that at the end of 2017 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 provisions for onerous time charter contracts.

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
12	**Tangible assets – continued**		
	Contractual liabilities		
	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	141,595	65,273
	Between 2 and 3 years	60,400	141,392
	More than 3 years	0	37,540
	Total	**201,995**	**244,205**

Financial comments

See note 27 for security provided for vessels and property.

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.

§ Accounting policies – Joint ventures

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.

Note	Amounts in USD'000

13 Investments in joint ventures and recognition of joint operations

§ Accounting policies – Joint operations

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

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

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

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

! Accounting judgements

Assessment of control in shared ownership – pool arrangements

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

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

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

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

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
13	**Investments in joint ventures and recognition of joint operations – continued**		
	Joint ventures		
	Cost at 1 January	44,721	39,474
	Additions for the year	0	5,247
	Cost at 31 December	44,721	44,721
	Value adjustments at 1 January	-28,794	-22,005
	Share of results for the year	-3,443	47
	Value adjustments joint ventures	0	-1,739
	Transferred to provisions	-410	-3,975
	Dividends received	-771	-1,122
	Value adjustments at 31 December	-33,418	-28,794
	Carrying amount at 31 December	**11,303**	**15,927**

Investments comprise:		2017	2016	2017	2016
	Ownership	Shares of result of joint ventures		Carrying amount	
Norient Product Pool ApS, Denmark	50%	655	534	346	440
Norient Cyprus Ltd., Cyprus	50%	33	28	62	53
Nord Summit Pte. Ltd., Singapore	50%	-4,541	-1,314	10,893	15,434
Polar Navigation Pte. Ltd., Singapore	50%	368	1,016	0	0
Norden Alrayn Maritime Co. Ltd, Saudi Arabia	50%	42	-217	2	0
Total		**-3,443**	**47**	**11,303**	**15,927**
Hereof profit/loss from sale of vessels		-4,700	0		
Guarantees regarding joint ventures				0	0

Note	Amounts in USD'000	2017	2016
13	**Investments in joint ventures and recognition of joint operations – continued**		
	Key figures (100%)		
	Revenue and other income	48,018	41,799
	Costs	54,904	41,706
	Non-current assets	83,200	129,454
	Current assets	30,266	26,083
	– hereof cash and cash equivalents	23,404	19,668
	Non-current liabilities, debt	70,021	102,971
	Current liabilities	37,337	38,024
	Total profit/loss	**-6,886**	**93**
	NORDEN share of profit/loss	**-3,443**	**47**
	Total carrying amount	6,108	14,542
	Transferred to provisions (NORDEN's share)	8,249	8,656
	Carrying amount of NORDEN	**11,303**	**15,927**

Financial comments

No significant restrictions apply to distributions from joint ventures.

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
13	**Investments in joint ventures and recognition of joint operations – continued**		
	Joint operations		
	Joint operations comprise the following pools:		
	Norient – Handy Pool		
	Norient – MR Pool		
	Norient – Short Term Tank Pool		
	Norient – NIP Pool		
	Norient – AEV Pool		
	Norient – N51 Pool		
	Norient – Handysize Bulker Pool		
	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	18,133	13,112
	Future operating lease liabilities:		
	Within 1 year	873	6,265
	Total*	**873**	**6,265**
	Future COAs:		
	Within 1 year	0	21,885
	Between 1 and 5 years	0	46,036
	More than 5 years	0	43,598
	Total*	**0**	**111,519**
	Future operating lease income:		
	Within 1 year	25,427	42,765
	Between 1 and 5 years	68	15,922
	Total*	**25,495**	**58,687**

* Note 25 and 28 "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.

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.

	2017	2016
Bunker oil recognized as an expense during the year amounts to	401,059	240,745

Notes to the financial statements

Note	Amounts in USD'000		

15 Receivables

Accounting policies

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

Accounting estimates

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

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

	2017	2016
Freight receivables	124,600	86,609
Allowances for bad debts	-600	-1,356
Freight receivables, net	124,000	85,253
Receivables from joint ventures	0	5,030
Other receivables	33,901	39,142
Total	**157,901**	**129,425**
Company tax is included in other receivables	500	300
Development in write-downs on freight receivables:		
Write-downs at 1 January	-1,356	-3,967
Applied write-downs during the year	325	3,771
Reversed write-downs	1,031	40
Write-downs for the year	-600	-1,200
Write-downs at 31 December	**-600**	**-1,356**
Freight receivables which have been written down in allowance for bad debts amount to:	1,301	3,042
Freight receivables due which have not been written down in allowance for bad debts amount to:		
- due in less than 3 months	701	1,686

Note	Amounts in USD'000	2017	2016
15	**Receivables – continued**		
	The carrying amount of receivables is distributed on the following currencies:		
	USD	156,427	128,780
	DKK	620	366
	Other currencies	854	279
	Total	**157,901**	**129,425**

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 36 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.

	2017	2016
Prepayments are distributed as follows:		
Within 1 year	69,009	44,523
Between 1 and 5 years	9,369	28,665
More than 5 years	652	1,286
Total	**79,030**	**74,474**

Financial comments

	2017	2016
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	25,279	51,577

Notes to the financial statements

Note **Amounts in USD'000**

17 Securities

Accounting policies

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

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

Cumulative fair value adjustments of bonds are recognised in net financials when realised. Fair value adjustments of shares remain in equity when realized. The cumulative gain or loss is transferred from the reserve for securities to retained earnings.

	2017	2016
Shares	0	599
Bonds	8,062	18,069
Total	**8,062**	**18,668**

Financial comments

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

See note 36 for fair value hierarchy.

Note **Amounts in USD'000**

18 Cash and cash equivalents

Accounting policies

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

	2017	2016
Demand deposits and cash balance	75,948	41,638
Money market investments	118,746	200,089
Other cash and cash equivalents	16,682	3,455
Cash and cash equivalents according to the statement of financial position	**211,376**	**245,182**
– hereof cash and cash equivalents with rate agreements of more than 3 months, etc.	95,814	144,555
Cash and cash equivalents according to the statement of cash flows	**115,562**	**100,627**
In connection with trading in derivative financial instruments, NORDEN has established margin accounts with Skandinaviska Enskild Banken (SEB) in the form of cash. At 31 December, cash held in margin accounts placed as security amounted to	3,760	3,455

Financial comments

	2017	2016
Cash consists mainly of USD and DKK bank deposits. Money market investments at year-end have maturities of up to days	361	303
Money deposits relating to vessel loans with BNP Pariabas, which mature in 2021	3	3

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 "Profit and loss from sale of vessels, etc.". Gains are recognised on delivery and losses when they are classified as "held for sale".

	2017	**2016**
Carrying amount at 1 January	22,168	33,644
Additions for the year to tangible assets held for sale	31,567	39,373
Additions for the year from prepayments on vessels and newbuildings	-477	0
Additions for the year from vessels	9,575	164,306
Disposals for the year	-46,912	-171,941
Impairment for the year	0	-43,214
Carrying amount at 31 December	**15,921**	**22,168**
Which can be specified as follows:		
Vessels	9,575	22,168
Newbuildings	6,346	0
Total	**15,921**	**22,168**
Amount insured on assets held for sale	15	29

Note	Amounts in USD'000	2017	2016
20	**Reserves**		
	Securities:		
	Fair value adjustment at 1 January	-262	12,073
	Fair value adjustment for the year	678	-12,335
	Fair value adjustment at 31 December	416	-262
	Cash flow hedges:		
	Fair value adjustment at 1 January	-247	-4,730
	Fair value adjustment for the year, net	6,789	4,483
	Fair value adjustment at 31 December	6,542	-247
	Total	**6,958**	**-509**

Notes to the financial statements

Note **Amounts in USD'000**

21 Equity

Accounting policies

Dividend

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

Treasury shares

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

Treasury shares

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
1 January	1,732,385	1,732,385	1,732	1,732	4.11	4.11
Distributed	0	0	0	0	0.00	0.00
31 December	**1,732,385**	**1,732,385**	**1,732**	**1,732**	**4.11**	**4.11**

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 31.

At 1 January 2017, the Company had a total of 40,467,615 outstanding shares of DKK 1 each, and at 31 December 2017, a total of 40,467,615 outstanding shares of DKK 1 each.

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.

	2017	**2016**
Interest-bearing liabilities include bank debt, which includes the following items:		
Current portion of non-current debt within 1 year	26,310	26,171
Non-current liabilities between 1 and 5 years	131,483	106,108
Non-current liabilities over 5 years	63,952	83,981
Total	**221,745**	**216,260**
Interest-bearing liabilities comprise carrying amount:		
Fixed-rate loans	25,240	25,240
Floating-rate loans*	198,931	194,287
Borrowing costs	-2,426	-3,267
Total	**221,745**	**216,260**
Movements in interest bearing liabilities:		
Interest bearing liabilities 1 January	216,260	298,355
New loans	30,000	0
Installments	-27,006	-85,255
Exchange rate adjustments	2,491	3,160
Interest bearing liabilities 31 December	221,745	216,260

Financial comments

*Floating-rate loans are partly hedged by interest rate swaps, see note 29, with USD 14 million at a fixed rate until 2020. 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 27.
See note 36 for fair value hierarchy.

Notes to the financial statements

Note **Amounts in USD'000**

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".

Accounting estimates

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

Provisions for onerous time charter 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. Reversal of previous provisions are only recognised if there has been a change in the estimate used to determine the initial provision recognised.

See the section "Accounting policies" in note 12 for a description.

Note **Amounts in USD'000**

23 Provisions – continued

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

Provisions for onerous time charter contracts are related to the segment Dry Owner. Due to the large number of open ship days the calculation of the provision for onerous time charter 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 13 million.

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
Utilised 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**

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
24	**Liabilities relating to tangible assets held for sale**		
	Prepayments received on sold vessels and newbuildings	1,338	5,100
	Total	**1,338**	**5,100**

25 Operating lease commitments

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 judgements

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

	2017			2016		
	Dry Cargo	**Tankers**	**Total**	**Dry Cargo**	**Tankers**	**Total**
Within 1 year	276,352	116,328	392,680	249,024	69,901	318,925
Between 1 to 5 years	504,826	303,869	808,695	590,656	158,702	749,358
More than 5 years	89,530	97,147	186,677	164,148	15,192	179,340
Total	**870,708**	**517,344**	**1,388,052**	**1,003,828**	**243,795**	**1,247,623**
- hereof provision 2014*	18,385	0	18,385	76,948	0	76,948
- hereof provision 2015*	49,042	0	49,042	98,346	0	98,346
Total	**803,281**	**517,344**	**1,320,625**	**828,534**	**243,795**	**1,072,329**

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

Note | Amounts in USD'000

25 Operating lease commitments – continued

Financial comments

Operating lease commitments includes also daily operating expenses and maintenance.

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 management policy.

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

The above includes NORDEN's expected share of jointly controlled operating lease liabilities. See note 13.

Notes to the financial statements

Note **Amounts in USD'000**

26 Unrecognised contingent assets and liabilities

Accounting policies

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

Accounting judgements

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.

	2017	2016
Contingent liabilities		
Guarantee commitments do not exceed	31	23
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	320	400

27 Mortgages and security

	2017	2016
As security for loans	221,745	216,260
a total number of vessels of	16	12
and a total number of buildings of	1	1
with a carrying amount of	449,469	388,530
have been mortgaged at	427,961	338,589

Some of the mortaged have been registrered with an amount to secure future drawings under a revolving credit facility of USD 100 million of which USD 30 million have been drawn.

Note **Amounts in USD'000**

28 COAs and operating lease income

Accounting policies

Agreements to charter out vessels on time charters where all significant risks and rewards of ownership have been transferred to the lessee (finance leases) are recognised as a receivable in the statement of financial position. The receivable is measured in the same way as the lease liability in cases where the Group is the lessee, see note 25.

Other agreements to charter out vessels are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

Accounting judgements

See note 25 for accounting judgements.

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

	2017			2016		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	136,157	0	136,157	95,350	0	95,350
Between 1 to 5 years	179,489	0	179,489	190,245	0	190,245
More than 5 years	180,796	0	180,796	213,960	0	213,960
Total	**496,442**	**0**	**496,442**	**499,555**	**0**	**499,555**

The Group has operating lease income amounting to:

	2017			2016		
	Dry Cargo	Tankers	Total	Dry Cargo	Tankers	Total
Within 1 year	69,459	23,681	93,140	54,698	34,801	89,499
Between 1 to 5 years	122,031	68	122,099	136,001	15,215	151,216
More than 5 years	7,077	0	7,077	27,449	0	27,449
Total	**198,567**	**23,749**	**222,316**	**218,148**	**50,016**	**268,164**

Financial comments

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

Notes to the financial statements

Note **Amounts in USD'000**

29 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.

The effective part of changes in the fair value of derivative financial instruments designated as hedges of highly probable forecasted transactions are recognised in other comprehensive income and classified in a separate reserve in equity "Reserve for cash flow hedges", see note 20. A break down of the movement into each type of cash flow hedge are presented below. Where the forecasted transaction results in the acquisition of non-financial assets, any amounts deferred under equity are transferred from equity to the cost of the asset. Where the forecasted transaction results in income or expense, amounts deferred under equity are transferred from equity to the income statement in the same item as the hedged transaction.

Bunker hedging

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

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

Note **Amounts in USD'000**

29 Financial instruments – continued

The bunker hedging activities comprise the following contracts:

Volume	Fair values assets	Fair values liabilities	Settlement 2018	Settlement 2019	Settlement 2020	Settlement after 2021
249,542 Mt	9,141	-4,752	214,502 Mt	14,040 Mt	4,200 Mt	16,800 Mt
Average hedge price per MT			348.31 USD	323.92 USD	292.00 USD	338.19 USD

	2017	2016
Movements in the hedging reserve:		
Beginning of year	0	0
Fair value adjustment for the year	10,316	0
Transferred to operating costs, vessels (gain)	-2,379	0
End of year	**7,937**	**0**

FFA hedging

As discussed in note 2, open ship days are hedged by Forward freight agreements (FFA's). Those contracts are designated as cash flow hedges of highly probable forecasted freight income.

FFA hedging contracts are contracts with the published Baltic Dry spot indices for the respective vessel types (Handysize, Supramax, Panamax) as the underlying index. Actual earnings on a combination of fronthaul and backhaul spot voyages within the respective segments compared to the Baltic Dry indices show a high correlation between the actual average earned spot rates and the respective indices. The hedging is therefore considered to be effective when applying a 1:1 hedging ratio. The price difference between the Baltic Dry indices and the actual freight rates, credit risk adjustment to the financial hedge contracts and difference in actual number of days may cause ineffectiveness.

Further, the price risk related to payment of time charter hire on Index vessels is hedged through FFA contracts on the same vessel type as the index according to the time charter contracts. This establishes a 1:1 match in the cash flows. The only source of ineffectiveness is the credit risk adjustment on the FFA contracts.

Notes to the financial statements

Note **Amounts in USD'000**

29 Financial instruments – continued

The FFA hedging activities comprise the following contracts as of 31 December 2017

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

	2017	2016
Movements in the hedging reserve:		
Beginning of year	0	0
Fair value adjustment for the year	-7,090	0
Realised contracts, transferred to vessel operating costs (gain)	-2,517	0
Realised contracts, transferred to revenue (loss)	10,508	0
End of year	**901**	**0**

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

Note **Amounts in USD'000**

29 Financial instruments – continued

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

	2017	2016
Movements in the hedging reserve:		
Beginning of year	-1,157	-4,730
Fair value adjustment for the year	1,859	5,942
Transferred to financial expenses	-968	-2,369
End of year	**-266**	**-1,157**

Currency hedging

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

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

	2017	2016
Movements in the hedging reserve:		
Beginning of year	910	0
Fair value adjustment for the year	-2,939	910
End of year	**-2,029**	**910**

Notes to the financial statements

Note	Amounts in USD'000

29 Financial instruments – continued

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:

	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Cross Currency Swaps	951	0	951	3,702	0	3,702
Forward exchange contracts	8	-5,212	-5,204	11,024	0	11,024

Note	Amounts in USD'000

30 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.

	2017	2016
Trading and accounts with related parties comprise:		
Sale of goods and services – joint ventures	30,814	13,399
Purchases of goods and services – joint ventures	10,723	4,922
Purchases of assets – joint ventures	16,560	0
Dividends from – joint ventures	771	1,122
Receivables from related parties – joint ventures	0	5,030
Payables to related parties – joint ventures	1,906	0
Debt to related parties (included in the item "Other payables")		
– joint ventures	0	12
– Board of Directors and Executive Management	483	336

Financial comments

The Group has no related parties controlling NORDEN.

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

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

31 Share-based payment

Accounting policies

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

The fair value of the options is determined using the Black-Scholes valuation model, taking into account the terms of the grant and the actual number of vested options. 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 2012-2017, the Board of Directors has granted share options comprising a total of 2,358,850 shares to a number of employees. 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 is subject to the continued employment with the Company at the exercise date. Special terms apply in case of death and illness.

Note **Amounts in USD'000**

31 Share-based payment – continued

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% (2012) or 10% (2013-2017), respecitive-ly, in proportion to the market price at the date of grant.

Movement in the number of outstanding share options as follows:

	2017	2016
	Number of options	**Number of options**
Outstanding at 1 January	1,598,358	1,670,493
Granted during the period	405,691	389,159
Lapsed during the period	-70,064	-249,738
Expired during the period	-202,592	-211,556
Outstanding at 31 December	**1,731,393**	**1,598,358**

Notes to the financial statements

Note **Amounts in USD'000**

31 Share-based payment – continued

Outstanding share options are composed as follows:

Granted	Excercise period	Exercise price at 31 December 2017, DKK	Number of share options: Originally granted in total	Executive Management	Other executives	Others	Total
7 March 2012	07.03.2015 - 07.03.2018	182.70	350,000	10,282	52,784	142,378	205,444
6 March 2013	06.03.2016 - 06.03.2019	193.95	400,000	16,603	69,771	157,431	243,805
11 March 2014	11.03.2017 - 11.03.2020	257.62	414,000	18,505	77,543	159,294	255,342
4 March 2015	04.03.2018 - 04.03.2021	161.49	350,000	22,480	87,628	156,384	266,492
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	104,864	132,719	315,583
9 January 2017	09.01.2020 - 09.01.2023	128.80	50,000	0	50,000	0	50,000
2 March 2017	02.03.2020 - 02.03.2023	146.39	355,691	80,000	119,349	145,378	344,727
Outstanding at 31 December		**168.69**	**2,358,850**	**275,870**	**561,939**	**893,584**	**1,731,393**

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 and remuneration policy" in the management commentary.

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

	2017	2016	2015	2014	2013	2012
Volatility	35.6%	31.4%	26.5%	25.6%	29.4%	54.8%
Rate of yield	0%	0%	0%	200%	200%	400%
Risk-free interest rate	0.00%	0.00%	0.00%	0.24%	0.24%	0.69%
Revaluation of exercise price	10%	10%	10%	10%	10%	20%
Allotment price	117.09/133.08	98.19	147.66/134.49	277.81	185.40	164.55
Fair value of granted options	1.4 mill.	0.9 mill.	1.1 mill.	2.1 mill.	1.8 mill.	2.4 mill.

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 expence for the year

The expence for the year is USD 967 thousand (USD 525 thousand).

Notes to the financial statements

Note **Amounts in USD'000**

32 Liquidity risk

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

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

Note **Amounts in USD'000**

32 Liquidity risk – continued

	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	-1,157
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	15,169	0	0	15,169	15,169
Total	350,634	0	0	350,634	350,634
Financial assets at fair value through other comprehensive income					
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 at fair value through other comprehensive income:					
Listed shares	599	0	0	599	599
Total	599	0	0	599	599

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 29, the floating rate is converted into a fixed rate of between 1.54% - 2.25% for a term of 1-5 years.
See note 36 for fair value hierarchy.

Notes to the financial statements

Note	Amounts in USD'000	2017	2016
33	**Change in working capital**		
	Inventories onboard vessels	-23,612	-460
	Freight and other receivables, etc.	-33,035	12,129
	Trade and other payables, etc.	74,861	1,202
	Fair value adjustments of cash flow hedging instruments taken to equity	6,789	4,483
	Total	**25,003**	**17,354**

Note		2017	2016
34	**Dividends**		
	The amount available for distribution as dividends comprises:	332,497	311,805

Dividends paid in 2017 and 2016 amount to USD 0 (DKK 0 per share) and USD 0 (DKK 0 per share), respectively. The proposed dividend for 2017 is USD 0 (DKK 0 per share). The proposed dividend for 2017 will be considered on the annual general meeting on 12 April 2018.

35 Subsidiaries

Consolidated subsidiaries comprise:	Ownership	Ownership
NORDEN Shipping (Singapore) Pte. Ltd., Singapore	100%	100%
NORDEN Shipping (USA) LLC, USA	100%	100%
NORDEN Tankers & Bulkers do Brazil Ltda., Brazil	100%	100%
NORDEN Tankers & Bulkers India Pvt. Ltd., India	100%	100%
Svalbard Maritime Services AS, Norway	100%	100%
NORDEN Shipping (Australia) Pty. Ltd., Australia	100%	100%
NORDEN Tankers & Bulkers Chile SpA, Chile	100%	100%
Nord Goodwill LLC, USA	100%	100%

Note

36 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.

Notes to the financial statements

Note **Amounts in USD'000**

36 Fair value hierarchy – continued

2017	Carrying amount	Fair value level 1	Fair value level 2	Fair value level 3
Freight receivables [1]	124,000	0	0	0
Other receivables [1]	23,809	0	0	0
Cash and cash equivalents [1]	211,376	0	0	0
Total loans and receivables	**359,185**	**0**	**0**	**0**
Bonds	8,062	8,062	0	0
Total financial assets at fair value through other comprehensive income	**8,062**	**8,062**	**0**	**0**
Derivative financial instruments	10,216	0	10,216	0
Total financial assets at fair value through the income statement	**10,216**	**0**	**10,216**	**0**
Loans	-221,744	0	-225,307	0
Trade payables [1]	-62,560	0	0	0
Other debt [1]	-63,092	0	0	0
Total debt at amortised cost	**-347,396**	**0**	**-225,307**	**0**
Derivative financial instruments	-11,474	0	-11,474	0
Total financial liabilities at fair value through the income statement	**-11,474**	**0**	**-11,474**	**0**

Note **Amounts in USD'000**

36 Fair value hierarchy – continued

2016	Carrying amount	Fair value level 1	Fair value level 2	Fair value level 3
Freight receivables [1]	85,253	0	0	0
Receivables from joint ventures [1]	5,030	0	0	0
Other receivables [1]	15,169	0	0	0
Cash and cash equivalents [1]	245,182	0	0	0
Total loans and receivables	**350,634**	**0**	**0**	**0**
Bonds	18,069	18,069	0	0
Total financial assets at fair value through other comprehensive income	**18,069**	**18,069**	**0**	**0**
Shares	599	599	0	0
Total equity instruments at fair value through other comprehensive income [2]	**18,668**	**18,668**	**0**	**0**
Derivative financial instruments	23,973	0	23,973	0
Financial assets at fair value through the income statement	**23,973**	**0**	**23,973**	**0**
Loans	-216,260	0	-223,960	0
Trade payables [1]	-42,395	0	0	0
Other debt [1]	-8,869	0	0	0
Total debt at amortised cost	**-267,524**	**0**	**-223,960**	**0**
Derivative financial instruments	-11,371	0	-11,371	0
Total financial liabilities at fair value through the income statement	**-11,371**	**0**	**-11,371**	**0**

1) Due to the short term, the carrying amount is assumed to approximate the fair value.
2) Classified as available for sale financial asset under IAS 39 in 2016.

Notes to the financial statements

Note

36 Fair value hierarchy – continued

Financial comments

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

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 listed prices.

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

37 Events after the reporting date

See page 11 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	=	Profit/loss for the period adjusted for Profit and loss from the sale of vessels etc. and Fair value adjustment of certain hedging instruments
Book value per DKK 1 share	=	Year-end equity, excluding minority interests / Number of shares at year-end, excluding treasury shares
Dividend yield	=	Dividend per share x 100 / Share price
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDA ratio	=	EBITDA x 100 / Net revenue
Equity ratio	=	Equity at year-end, excluding minority interests x 100 / Total assets
Invested capital	=	Equity, including minority interests + net interest-bearing debt at year-end
Net interest-bearing debt	=	Interest-bearing debt less cash and securities at year-end
Net profit or loss per DKK 1 share	=	Profit or loss for the year / Number of shares at year-end, excluding treasury shares
Payout ratio	=	Dividend, excluding treasury shares x 100 / Profit or loss for the year, excluding minority interests
Price/book value	=	Share price at year-end per DKK 1 share / Book value per DKK 1 share
Profit margin (EBIT margin)	=	Profit or loss from operations x 100 / Net revenue
Return on assets	=	Profit or loss from operations x 100 / Total assets at year-end
Return on equity in % (ROE)	=	Profit or loss for the year, excluding minority interests x 100 / Average equity, excluding minority interests
Return on invested capital (ROIC)	=	Profit or loss from operations x 100 / Average invested capital
Share price at year-end per DKK 1 share	=	The last-quoted average price on Nasdaq Copenhagen for all trade in the Company share at the reporting date
Total shareholder return	=	The total return of a share to an investor based on share price performance and dividends. Dividends are assumed to have been reinvested in the share. Return is based on USD.
USD exchange rate at year-end	=	The USD exchange rate quoted by the National Bank of Denmark at year-end
Contribution margin	=	Revenue less Vessel operating costs plus Other operating income, net

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).

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

B

Baltic 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

CDP The world's only global supplier of company data regarding environmental impact 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' social responsibility.

D

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

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

E

EBIT Earnings Before Interest and Tax.

Eco vessel Vessel with improved fuel efficiency.

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

F

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

Forward rate Market expectations for future rate levels.

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

I

IAS International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

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 46,000-52,000 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 75,000-93,000 dwt. capacity – largest vessel type to pass the Panama Canal.

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

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

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

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

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

R

ROE Return on equity.

ROIC Return on invested capital.

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 50,000-64,000 dwt. capacity.

T

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

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

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

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

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

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

U

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

USDA United States Department of Agriculture.

V

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

Company details

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Arvid Grundekjøn
Tom Intrator
Hans Feringa
Lars Enkegaard Biilmann (employee representative)
Thorbjørn Joensen (employee representative)
Janus Haahr (employee representative)

Executive Management
Jan Rindbo, CEO
Martin Badsted, CFO

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PricewaterhouseCoopers,
Statsaut. Revisionspartnerselskab
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Group structure

Dampskibsselskabet NORDEN A/S

- Norient Cyprus Ltd. — Cyprus 50%
- Norient Product Pool ApS — Denmark 50%
- NORDEN Shipping (Singapore) Pte. Ltd. — Singapore 100%
  - NORDEN Tankers & Bulkers India Private Ltd. — India 100%
  - NORDEN Rep. Office — China 100%
  - NORD SUMMIT Pte. Ltd. — Singapore 50%
  - Polar Navigation Pte. Ltd. — Singapore 50%
  - NORDEN Shipping (Australia) Pty. Ltd. — Australia 100%
  - Nord Goodwill LLC — USA 100%
- NORDEN Shipping (USA) LLC — USA 100%
- NORDEN Tankers & Bulkers do Brazil Ltda. — Brazil 100%
- NORDEN Tankers & Bulkers Chile SpA — Chile 100%
- Svalbard Maritime Services AS — Norway 100%
- NORDEN Alrayn Maritime Co Ltd (Norabic) — Saudi Arabia 50%

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Watch our vessel
NORD AUCKLAND
in Norway

Design and production: Noted