

PAN OCEAN CO., LTD.

(Incorporated in the Republic of Korea)

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2018

PART I. INFORMATION REQUIRED FOR ANNUAL ANNOUNCEMENT

1.(a)(i) A statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

For the period ended 30 September 2018 (in thousands of US\$)

	The Group			The Group		
	2018	2017	%	2018	2017	%
	Three months ended 30 Sep	Three months ended 30 Sep		Nine months ended 30 Sep	Nine months ended 30 Sep	
Sales	690,321	515,585	33.9%	1,847,630	1,527,476	21.0%
Cost of sales	(624,350)	(454,785)	37.3%	(1,661,452)	(1,361,012)	22.1%
Gross profit	65,971	60,800	8.5%	186,178	166,464	11.8%
Selling and administrative expenses	(14,531)	(14,733)	-1.4%	(47,254)	(41,828)	13.0%
Operating profit	51,440	46,067	11.7%	138,924	124,636	11.5%
Finance income	3,027	1,484	104.0%	7,857	8,005	-1.8%
Finance costs	(13,907)	(12,485)	11.4%	(41,033)	(37,878)	8.3%
Other non-operating income (loss), net	(1,745)	2,919	N/M	2,166	(9,107)	N/M
Gain(loss) related to investments in associates and joint ventures	(39)	46	N/M	13	159	-91.8%
Profit before income tax	38,776	38,031	2.0%	107,927	85,815	25.8%
Income tax expense	442	1,084	-59.2%	975	3,464	-71.9%
Profit for the period	38,334	36,947	3.8%	106,952	82,351	29.9%
Other Comprehensive income(loss)						
Items that will be subsequently reclassified to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	(7)	N/M	-	29	N/M
Changes in the fair value of derivative financial assets	1,729	(341)	N/M	(317)	(762)	-58.4%
Share of the other comprehensive income of associates and joint ventures	86	(6)	N/M	(39)	48	N/M
	1,815	(354)	N/M	(356)	(685)	-48.0%
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	(59)	(5)	1080.0%	(114)	(55)	107.3%
Exchanges differences	1,308	(197)	N/M	(4,834)	(5,467)	-11.6%
Total other comprehensive income(loss) for the period, net of tax	3,064	(556)	N/M	(5,304)	(6,207)	-14.5%
Total comprehensive income for the period	41,398	36,391	13.8%	101,648	76,144	33.5%
Profit (loss) attributable to :						
Owners of the Group	39,041	37,413	4.4%	108,630	83,302	30.4%
Non-controlling interests	(707)	(466)	51.7%	(1,678)	(951)	76.4%
	38,334	36,947	3.8%	106,952	82,351	29.9%
Total comprehensive income (loss) attributable to :						
Owners of the Group	32,911	36,830	-10.6%	103,396	77,038	34.2%
Non-controlling interests	(760)	(439)	73.1%	(1,748)	(894)	95.5%
	32,151	36,391	-11.7%	101,648	76,144	33.5%

N/M : Not meaningful

1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (in thousands of US\$).

	The Group		The Company	
	At 30 Sep 2018	At 31 Dec 2017	At 30 Sep 2018	At 31 Dec 2017
Assets				
Current assets				
Cash and cash equivalents	194,265	193,810	146,679	138,390
Trade receivables	98,391	94,095	65,314	65,257
Other receivables	33,172	26,568	28,519	24,125
Derivative financial assets	5,295	3,065	3,060	2,772
Other financial assets	15,963	33,794	9,774	29,894
Inventories	53,354	46,906	53,349	46,906
Other assets	264,092	174,102	265,948	172,923
	664,532	572,340	572,643	480,267
Non-current assets				
Other receivables	18,421	19,118	15,738	17,114
Derivative financial assets	186	174	186	174
Other financial Assets	16,666	17,402	16,666	17,402
Investments in subsidiaries	-	-	47,493	47,493
Investments in associates and joint ventures	1,977	2,003	1,252	1,252
Vessels, property and equipment	3,010,634	3,008,788	2,996,113	2,993,329
Intangible assets	7,895	8,975	4,319	4,449
Deferred tax assets	159	383	-	-
Other assets	5,652	5,651	4,264	4,841
	3,061,590	3,062,494	3,086,031	3,086,054
Total assets	3,726,122	3,634,834	3,658,674	3,566,321
Liabilities				
Current liabilities				
Trade payables	67,293	81,734	42,706	68,524
Borrowings	294,748	298,359	294,748	298,359
Derivative financial liabilities	3,126	468	560	132
Other payables	78,250	61,404	75,756	43,351
Provisions	2,422	2,545	2,422	2,545
Income tax liabilities	2,843	717	2,573	126
Other liabilities	144,892	63,873	139,989	62,938
	593,574	509,100	558,754	475,975
Non-current liabilities				
Borrowings	749,646	842,320	749,646	842,320
Derivative financial liabilities	-	14	-	14
Provisions	28,859	29,881	27,202	28,727
Retirement benefit obligations	4,848	4,286	4,660	4,225
Deffered income tax liabilities	5	11	-	-
Other payables	60	60	-	-
	783,418	876,572	781,508	875,286
Total liabilities	1,376,992	1,385,672	1,340,262	1,351,261
Equity				
Share capital	480,737	480,727	480,737	480,727
Capital surplus	651,960	651,920	651,406	651,366
Other reserves	1,051,082	1,055,891	1,068,482	1,068,157
Accumulated deficit	147,756	41,281	117,787	14,810
Equity attributable to owners of the Group & Company	2,331,535	2,229,819	2,318,412	2,215,060
Non-controlling interest	17,595	19,343	-	-
Total equity	2,349,130	2,249,162	2,318,412	2,215,060
Total equity and liabilities	3,726,122	3,634,834	3,658,674	3,566,321

1.(b)(ii) Aggregate amount of group's borrowings and debt securities(in thousands of US\$)

	At 30 Sep 2018		At 31 Dec 2017	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	294,748	-	229,235	69,124
Amount repayable after one year	710,103	39,543	815,820	26,500
	1,004,851	39,543	1,045,055	95,624

Details of collateral

The Group's borrowings are secured by way of :

- legal mortgages over certain vessels or building and land of the Company ;
- legal charges over certain bank accounts ; and
- assignment of insurance of certain vessels

1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$).

	The Group	
	Nine months ended 30 Sep	
	2018	2017
Cash flows from operating activities		
Cash generated from operations	226,565	174,374
Interest paid	(36,177)	(31,976)
Income tax paid	(1,549)	(126)
Net cash inflow(outflow) by operating activities	188,839	142,272
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(116,689)	(77,767)
Acquisition of intangible assets	(38)	(1,248)
Proceeds from sale of vessels, property and equipment	7,195	3
Proceeds from sale of intangible assets	-	524
Acquisition of other financial assets	(15,801)	(34,818)
Proceeds from sale of other financial assets	33,782	24,691
Dividend received	176	153
Loans provided	(224)	(34)
Loans collected	771	767
Interest received	2,189	1,932
Net cash inflow(outflow) from investing activities	(88,639)	(85,797)
Cash flows from financing activities		
Proceeds from borrowings	324,765	127,982
Repayment of borrowings	(423,646)	(194,460)
Net cash inflow(outflow) financing activities	(98,881)	(66,478)
Currency translation differences (cash and cash equivalents)	(864)	385
Net increase(decrease) in cash and cash equivalents	1,319	(10,003)
Cash and cash equivalents at beginning of the year	193,810	202,806
Cash and cash equivalents at end of the period	194,265	193,188

1.(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$)

	Attributable to owners of the Group				Non-controlling Interest	Total equity
	Share capital	Capital surplus	Other reserves	Accumulated deficit		
Balance as of January 1, 2017	480,598	651,356	1,056,192	(85,809)	20,840	2,123,177
Comprehensive income (loss)						
Profit for the Period	-	-	-	83,302	(951)	82,351
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	29	-	-	29
Changes in the fair value of derivative financial assets and liabilities	-	-	(762)	-	-	(762)
Share of the other comprehensive income of associates and joint venture	-	-	48	-	-	48
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(55)	-	(55)
Exchanges differences	-	-	(5,524)	-	57	(5,467)
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	81	354	(381)	-	-	54
Balance as of September 30, 2017	<u>480,679</u>	<u>651,710</u>	<u>1,049,602</u>	<u>(2,562)</u>	<u>19,946</u>	<u>2,199,375</u>
Balance as of January 1, 2018	480,727	651,920	1,055,891	41,281	19,343	2,249,162
The effect of change in accounting policy	-	-	536	(2,041)	-	(1,505)
The adjusted amount	480,727	651,920	1,056,427	39,240	19,343	2,247,657
Comprehensive income (loss)						
Profit(loss) for the period	-	-	-	108,630	(1,678)	106,952
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in the fair value of derivative financial assets and liabilities	-	-	(317)	-	-	(317)
Share of the other comprehensive income of associates and joint ventures	-	-	(39)	-	-	(39)
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(114)	-	(114)
Exchanges differences	-	-	(4,764)	-	(70)	(4,834)
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	10	40	(225)	-	-	(175)
Balance as of September 30, 2018	<u>480,737</u>	<u>651,960</u>	<u>1,051,082</u>	<u>147,756</u>	<u>17,595</u>	<u>2,349,130</u>

	Attributable to owners of the Company				
	Share capital	Capital surplus	Other reserves	Accumulated deficit	Total equity
Balance as of January 1, 2017	480,598	650,802	1,069,049	(114,610)	2,085,839
Comprehensive income (loss)					
Profit for the Period	-	-	-	78,838	78,838
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	29	-	29
Changes in the fair value of derivative financial assets and liabilities	-	-	60	-	60
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(65)	(65)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	80	353	(381)	-	52
Balance as of September 30, 2017	<u>480,678</u>	<u>651,155</u>	<u>1,068,757</u>	<u>(35,837)</u>	<u>2,164,754</u>
Balance as of January 1, 2018	480,727	651,366	1,068,157	14,810	2,215,060
The effect of change in accounting policy	-	-	535	(2,040)	(1,505)
The adjusted amount	480,727	651,366	1,068,692	12,770	2,213,555
Comprehensive income (loss)					
Profit for the Period	-	-	-	105,114	105,114
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-
Changes in the fair value of derivative financial assets and liabilities	-	-	14	-	14
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(97)	(97)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	10	40	(224)	-	(174)
Balance as of September 30, 2018	<u>480,737</u>	<u>651,406</u>	<u>1,068,482</u>	<u>117,787</u>	<u>2,318,412</u>

1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(in shares)	At 30 Sep 2018		At 31 Dec 2017	
	Number of shares issued	outstanding stock	Number of shares issued	outstanding stock
Beginning number of shares	534,537,812	534,537,812	534,392,834	534,392,834
Debt-equity swap	10,889	10,889	144,978	144,978
Ending number of shares	534,548,701	534,548,701	534,537,812	534,537,812

1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	The Issuer	The Issuer
	At 30 Sep 2018	At 31 Dec 2017
Total number of issued shares	534,548,701	534,537,812
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	534,548,701	534,537,812

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current period and as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have been reviewed in accordance with Korean International Financial Reporting Standards

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied Korean IFRS 1109 Financial Instruments and Korean IFRS 1115 Revenue from Contracts with Customers in financial statements for the period ended 30 June 2018 compared with the audited financial statements for the year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

- Korean IFRS 1109 Financial Instruments

The new standard for financial instruments issued on September 25, 2015 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard has replaced Korean IFRS 1039 Financial Instruments: Recognition and Measurement. The Group has applied the standards for annual periods beginning on or after January 1, 2018.

Reclassification effects are as below :

	Scope of measurement		Book value		
	KIFRS 1039	KIFRS 1109	KIFRS 1039	KIFRS 1109	DIFF
Current Financial assets					
Derivative financial assets	Recognized through profit or loss	Recognized at fair value through profit or loss	3,065	3,065	-
Non-current Financial assets					
Equity instruments	Available-for-sale financial assets	Recognized at fair value through comprehensive income	4,102	4,102	-
Beneficiary instruments	Available-for-sale financial assets	Recognized at fair value through profit or loss	6,528	6,528	-
Derivative financial assets	Recognized through profit or loss	Recognized at fair value through profit or loss	175	175	-
Current Financial liabilities					
Derivative financial liabilities	Recognized through profit or loss	Recognized at fair value through profit or loss	468	468	-
Non-current Financial liabilities					
Derivative financial liabilities	Recognized through profit or loss	Recognized at fair value through profit or loss	14	14	-

- Korean IFRS 1115 Revenue from Contracts with Customers

The Group has applied Korean IFRS 1115 Revenue from Contracts with Customers issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted under Korean IFRS. This standard has replaced Korean IFRS 1018 Revenue, Korean IFRS 1011 Construction Contracts, Interpretation 2031 Revenue-Barter Transactions Involving Advertising Services, Interpretation 2113 Customer Loyalty Programs, Interpretation 2115 Agreements for the Construction of Real Estate and Interpretation 2118 Transfers of assets from customers.

Korean IFRS 1018 and other current revenue standard identify revenue as income that arises in the course of ordinary activities of an entity and provides guidance on a variety of different types of revenue, such as, sale of goods, rendering of services, interest, dividends, royalties and construction contracts. However, the new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customers can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and

- Recognize the revenue as each performance obligation is satisfied.

Adjustment effects including change in Korean IFRS 1109 are as below :

	2017.12.31	Adjustment	2018.01.01
Trade receivables	94,095	-1,558	92,537
Other current assets	174,102	975	175,077
Inventories	46,906	483	47,389
Total assets	3,634,834	-100	3,634,734
Provisions	2,545	258	2,803
Other current liabilities	64,590	1,146	65,736
Total liabilities	1,385,672	1,404	1,387,076
Retained earnings	41,281	-2,041	39,240
Other reserves	1,055,891	537	1,056,428
Total equity	2,249,162	-1,504	2,247,658

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

<u>The Group</u>	<u>The Group</u>
<u>2018</u>	<u>2017</u>
<u>Nine months</u>	<u>Nine months</u>
<u>ended 30 Sep</u>	<u>ended 30 Sep</u>

Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share)

(a) Basic	0.20	0.16
(b) Diluted	0.20	0.16

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the

(a) Current financial period reported on; and

(b) Immediately preceding financial year (in US\$).

	<u>The Group</u>		<u>The Company</u>	
	<u>At 30 Sep.</u>	<u>At 31 Dec.</u>	<u>At 30 Sep.</u>	<u>At 31 Dec.</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net asset value per ordinary share based on issued share capital of the issuer	4.39	4.21	4.34	4.14

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(1) Income Statement

FY 2018 3Q VS FY 2017 3Q

The group achieved sales of US\$ 1,848 million, increase of 21% compared to the same period in the prior year. And Costs of sales was increased from US\$ 1,361 million as of 2017 3Q to US\$ 1,661 million as of 2018 3Q.

The group recorded operating profit of US\$ 139 million in 2018 3Q, as compared to the operating profit of US\$ 125 million in the corresponding period of preceding financial year.

For the non-operating profit, the group recorded finance cost of US\$41 million in 2018 3Q.

Consequently, Profit for the period, which had recorded US\$ 108 million in 2018 3Q, as compared US\$ 86 million in 2017 3Q.

(2) Balance Sheet & Cash Flow

The group's total assets increased US\$ 91 million, from US\$ 3,635 million as of 31 December 2017 to US\$ 3,726 million as of 30 September 2018.

Total liabilities of the Group decreased US\$ 9 million, from US\$ 1,386 million as of 31 December 2017 to US\$ 1,377 million as of 30 September 2018.

Cash flows from operating activities were surplus amounting to US\$ 189 million but Net cash used in investing activities and financing activities for 2018 3Q recorded the deficit amounting to US\$ 188 million.

9. Where a forecast or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

After weak market conditions for past few years, fleet growth increased marginally in Q1-Q3 of 2018. On the contrary, demand for commodities picked up. The average Baltic Dry Index (BDI) was 1,349 points for the first three quarters of 2018, which rose significantly 31% from 1,030 points in the same period of 2017.

As for the demand, China's iron ore imports amounted to 863.1 million tons in Q1-Q3 of 2018, with strict environmental control of the government, showing a slight decrease of 1.7% from a year earlier. Through the same period, on the other hand, China's and India's coal imports increased by 13% year-on-year to 386.24 million tons due to the expansion of urbanization and the increase in thermal power production in China and India. Global grain trade was also seen substantial rising. For this reason, the total dry bulk cargo trade growth could increase in 2018 to 3%, with the trade volume reaching 5,278 million tons. The demand in the rest of 2018 will continue to strengthen with Chinese demand for high-grade imported iron ore especially from Brazil and Asian developing countries' coal demand such as China and India. Meanwhile, although US exports of soybeans to China are declining due to the US-China trade war, rising imports of US soybean from Europe and Northeast Asia would offset the impact of decreased exports to China.

On the supply side, newbuilding orders for dry bulk carrier declined in 2015 and 2016 due to the downturn in the shipping market. Because of this, the newbuilding deliveries reached 22.7 million DWT (deadweight tonnage) in Q1-Q3 of 2018, which dropped by 35% from 37.8 million DWT in the same period of 2017. As the market returned to healthy level in 2018, the scrapping volume of the bulkers dropped to 3.1 million DWT in Q1-Q3 of 2018 from 12.4 million DWT of the same period of the previous year. The fleet supply growth could be 2.7%.

According to the 'World Economic Outlook' released by the International Monetary Fund (IMF) on October 9, the global growth is projected at 3.7% for 2018-2019 which is the same level in 2017. As the steady expansion under way since mid-2016 is continuing, the demand for commodities will also continue to increase. In conclusion, the demand growth will outweigh fleet expansion like last year. Accordingly, earnings in the dry bulk market are expected to improve in the rest of 2018.

11. If a decision regarding dividend has been made: N/A

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1) (a) (ii). If no IPT mandate has been obtained, a

statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	Nine months Ended 30 Sep. 2018.	Nine months Ended 30 Sep. 2017.	Nine months Ended 30 Sep. 2018.	Nine months Ended 30 Sep. 2017.
PanOcean(America), Inc.	44,232 ³⁾	13,847 ³⁾	23,540 ¹⁾	16,682 ¹⁾
Sunjin Co., Ltd.	-	-	4,674 ²⁾	2,540 ²⁾
Farmsco	-	-	4,254 ²⁾	3,869 ²⁾
Jeil Feed Company, Ltd.	-	-	4,325 ²⁾	6,611 ²⁾
Harim Co., Ltd.	-	-	2,269 ²⁾	3,711 ²⁾
Jeil Holdings Co., Ltd.	-	-	-	-
Total	44,232	13,847	39,063	33,413

1) Sales relating to voyage and Agent commission under shareholders' mandate pursuant to Rule 920

2) The group's effective interest of transaction relating to sales grain to interested person (Sunjin, Farmsco, Jeil Feed Company, Harim)

3) Provided performance gurantee and finance gurantee for the period.

PART II -ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**14. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous.**

Not applicable

15. Reconciliations of K-IFRS with IFRS

There has been a change in listing status of the Group on the Mainboard of the SGX-ST from primary listing to secondary listing since 23 January 2013 and in compliance with statutory reporting purposes, the Group continues to prepare consolidated financial statements in accordance with Korea International Financial Reporting Standards ("K-IFRS").

The Group adopted the amendments pursuant to the amended K-IFRS No. 1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Group's operating profit (loss) is calculated as revenue less: (1) cost of goods sold, and (2) selling, general and administrative expenses, and is presented separately in the consolidated statement of comprehensive income.

Whereas, IFRS does not explicitly define operating profit (loss), but it is interpreted that all profit (loss) items except ones clearly excluded from operating activities be included in operating profit (loss).

Based on this interpretation, the operating profit (loss) of the Group for 2018 first half and 2017 first half shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2018 3Q	2017 3Q
Operating profit(loss) In K-IFRS	138,924	124,636
Adjustment :		
Gain on sale of vessels, property and equipment	2,371	3
Loss on sale of vessels, property and equipment	(384)	(684)
Gain on impairment of vessels, property and equipment	0	0
Loss on impairment of vessels, property and equipment	(1,308)	0
Gain on sale of Intangible assets	0	233
Loss on sale of Intangible assets	0	0
Gain (loss) on valuation of derivatives, net	1,730	1,754
Gain (loss) on derivative transactions, net	157	(556)
Gain (loss) on foreign currency translations, net	(539)	345
Gain (loss) on foreign currency transactions, net	818	258
Expense of provision and marine accident	(880)	(12,380)
Donations	(267)	2
Other	249	1,306
Operating profit(loss) In IFRS	140,871	114,917