

# PAN OCEAN CO., LTD.

(Incorporated in the Republic of Korea)

## SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 June 2018 (in thousands of US\$)

|                                                                          | The Group                  |                            |         | The Group                |                          |        |
|--------------------------------------------------------------------------|----------------------------|----------------------------|---------|--------------------------|--------------------------|--------|
|                                                                          | 2018                       | 2017                       | %       | 2018                     | 2017                     | %      |
|                                                                          | Three months ended 30 June | Three months ended 30 June |         | Six months ended 30 June | Six months ended 30 June |        |
| Sales                                                                    | 630,100                    | 559,012                    | 12.7%   | 1,157,309                | 1,011,891                | 14.4%  |
| Cost of sales                                                            | (566,427)                  | (501,499)                  | 12.9%   | (1,037,102)              | (906,227)                | 14.4%  |
| <b>Gross profit</b>                                                      | 63,673                     | 57,513                     | 10.7%   | 120,207                  | 105,664                  | 13.8%  |
| Selling and administrative expenses                                      | (17,197)                   | (14,342)                   | 19.9%   | (32,723)                 | (27,095)                 | 20.8%  |
| <b>Operating profit</b>                                                  | 46,476                     | 43,171                     | 7.7%    | 87,484                   | 78,569                   | 11.3%  |
| Finance income                                                           | 3,037                      | 1,300                      | 133.6%  | 4,830                    | 6,521                    | -25.9% |
| Finance costs                                                            | (14,365)                   | (12,793)                   | 12.3%   | (27,126)                 | (25,393)                 | 6.8%   |
| Other non-operating income (loss), net                                   | (330)                      | (12,816)                   | -97.4%  | 3,911                    | (12,026)                 | N/M    |
| Gain(loss) related to investments in associates and joint ventures       | 71                         | 17                         | 317.6%  | 52                       | 113                      | -54.0% |
| <b>Profit before income tax</b>                                          | 34,889                     | 18,879                     | 84.8%   | 69,151                   | 47,784                   | 44.7%  |
| Income tax expense                                                       | 235                        | 1,093                      | -78.5%  | 533                      | 2,380                    | -77.6% |
| <b>Profit for the period</b>                                             | 34,654                     | 17,786                     | 94.8%   | 68,618                   | 45,404                   | 51.1%  |
| <b>Other Comprehensive income(loss)</b>                                  |                            |                            |         |                          |                          |        |
| <b>Items that will be subsequently reclassified to profit or loss:</b>   |                            |                            |         |                          |                          |        |
| Changes in the fair value of available-for-sale financial assets         | -                          | (1)                        | N/M     | -                        | 36                       | N/M    |
| Changes in the fair value of derivative financial assets                 | (2,957)                    | (167)                      | 1670.7% | (2,046)                  | (421)                    | 386.0% |
| Share of the other comprehensive income of associates and joint ventures | (130)                      | (20)                       | 550.0%  | (125)                    | 54                       | N/M    |
|                                                                          | (3,087)                    | (188)                      | 1542.0% | (2,171)                  | (331)                    | 555.9% |
| <b>Items that will not be reclassified to profit or loss:</b>            |                            |                            |         |                          |                          |        |
| Remeasurements of defined benefit liability                              | (59)                       | (19)                       | 210.5%  | (73)                     | (50)                     | 46.0%  |
| Exchanges differences                                                    | 1,308                      | (820)                      | N/M     | (1,146)                  | (5,270)                  | -78.3% |
| <b>Total other comprehensive income(loss) for the period, net of tax</b> | (1,838)                    | (1,027)                    | 79.0%   | (3,390)                  | (5,651)                  | -40.0% |
| <b>Total comprehensive income for the period</b>                         | 32,816                     | 16,759                     | 95.8%   | 65,228                   | 39,753                   | 64.1%  |
| <b>Profit (loss) attributable to :</b>                                   |                            |                            |         |                          |                          |        |
| Owners of the Group                                                      | 35,616                     | 17,950                     | 98.4%   | 69,589                   | 45,889                   | 51.6%  |
| Non-controlling interests                                                | (962)                      | (164)                      | 486.6%  | (971)                    | (485)                    | 100.2% |
|                                                                          | 34,654                     | 17,786                     | 94.8%   | 68,618                   | 45,404                   | 51.1%  |
| <b>Total comprehensive income (loss) attributable to :</b>               |                            |                            |         |                          |                          |        |
| Owners of the Group                                                      | 32,911                     | 16,909                     | 94.6%   | 66,216                   | 40,208                   | 64.7%  |
| Non-controlling interests                                                | (95)                       | (150)                      | -36.7%  | (988)                    | (455)                    | 117.1% |
|                                                                          | 32,816                     | 16,759                     | 95.8%   | 65,228                   | 39,753                   | 64.1%  |

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\$).**

|                                                         | <b>The Group</b>           |                           | <b>The Company</b>         |                           |
|---------------------------------------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                                                         | <b>At 30 June<br/>2018</b> | <b>At 31 Dec<br/>2017</b> | <b>At 30 June<br/>2018</b> | <b>At 31 Dec<br/>2017</b> |
| <b>Assets</b>                                           |                            |                           |                            |                           |
| <b>Current assets</b>                                   |                            |                           |                            |                           |
| Cash and cash equivalents                               | 197,690                    | 193,810                   | 140,170                    | 138,390                   |
| Trade receivables                                       | 75,852                     | 94,095                    | 70,558                     | 65,257                    |
| Other receivables                                       | 28,980                     | 26,568                    | 24,254                     | 24,125                    |
| Derivative financial assets                             | 11,404                     | 3,065                     | 2,811                      | 2,772                     |
| Other financial assets                                  | 13,888                     | 33,794                    | 9,700                      | 29,894                    |
| Inventories                                             | 52,177                     | 46,906                    | 52,172                     | 46,906                    |
| Other assets                                            | 230,493                    | 174,102                   | 232,302                    | 172,923                   |
|                                                         | <b>610,484</b>             | <b>572,340</b>            | <b>531,967</b>             | <b>480,267</b>            |
| <b>Non-current assets</b>                               |                            |                           |                            |                           |
| Other receivables                                       | 23,976                     | 19,118                    | 16,079                     | 17,114                    |
| Derivative financial assets                             | 382                        | 174                       | 382                        | 174                       |
| Other financial Assets                                  | 16,779                     | 17,402                    | 16,779                     | 17,402                    |
| Investments in subsidiaries                             | -                          | -                         | 47,493                     | 47,493                    |
| Investments in associates and joint ventures            | 1,929                      | 2,003                     | 1,252                      | 1,252                     |
| Vessels, property and equipment                         | 2,992,196                  | 3,008,788                 | 2,977,158                  | 2,993,329                 |
| Intangible assets                                       | 8,196                      | 8,975                     | 4,363                      | 4,449                     |
| Deferred tax assets                                     | 371                        | 383                       | -                          | -                         |
| Other assets                                            | 5,793                      | 5,651                     | 4,399                      | 4,841                     |
|                                                         | <b>3,049,622</b>           | <b>3,062,494</b>          | <b>3,067,905</b>           | <b>3,086,054</b>          |
| <b>Total assets</b>                                     | <b>3,660,106</b>           | <b>3,634,834</b>          | <b>3,599,872</b>           | <b>3,566,321</b>          |
| <b>Liabilities</b>                                      |                            |                           |                            |                           |
| <b>Current liabilities</b>                              |                            |                           |                            |                           |
| Trade payables                                          | 56,021                     | 81,734                    | 48,904                     | 68,524                    |
| Borrowings                                              | 334,200                    | 298,359                   | 334,200                    | 298,359                   |
| Derivative financial liabilities                        | 10,866                     | 468                       | 214                        | 132                       |
| Other payables                                          | 51,533                     | 61,404                    | 49,150                     | 43,351                    |
| Provisions                                              | 2,847                      | 2,545                     | 2,847                      | 2,545                     |
| Income tax liabilities                                  | 2,189                      | 717                       | 1,840                      | 126                       |
| Other liabilities                                       | 89,631                     | 63,873                    | 84,022                     | 62,938                    |
|                                                         | <b>547,287</b>             | <b>509,100</b>            | <b>521,177</b>             | <b>475,975</b>            |
| <b>Non-current liabilities</b>                          |                            |                           |                            |                           |
| Borrowings                                              | 766,342                    | 842,320                   | 766,342                    | 842,320                   |
| Derivative financial liabilities                        | -                          | 14                        | -                          | 14                        |
| Provisions                                              | 29,226                     | 29,881                    | 27,572                     | 28,727                    |
| Retirement benefit obligations                          | 4,352                      | 4,286                     | 4,276                      | 4,225                     |
| Deffered income tax liabilities                         | 5                          | 11                        | -                          | -                         |
| Other payables                                          | 61                         | 60                        | -                          | -                         |
|                                                         | <b>799,986</b>             | <b>876,572</b>            | <b>798,190</b>             | <b>875,286</b>            |
| <b>Total liabilities</b>                                | <b>1,347,273</b>           | <b>1,385,672</b>          | <b>1,319,367</b>           | <b>1,351,261</b>          |
| <b>Equity</b>                                           |                            |                           |                            |                           |
| Share capital                                           | 480,734                    | 480,727                   | 480,734                    | 480,727                   |
| Capital surplus                                         | 651,949                    | 651,920                   | 651,395                    | 651,366                   |
| Other reserves                                          | 1,053,039                  | 1,055,891                 | 1,068,619                  | 1,068,157                 |
| Accumulated deficit                                     | 108,756                    | 41,281                    | 79,757                     | 14,810                    |
| Equity attributable to owners<br>of the Group & Company | <b>2,294,478</b>           | <b>2,229,819</b>          | <b>2,280,505</b>           | <b>2,215,060</b>          |
| Non-controlling interest                                | 18,355                     | 19,343                    | -                          | -                         |
| <b>Total equity</b>                                     | <b>2,312,833</b>           | <b>2,249,162</b>          | <b>2,280,505</b>           | <b>2,215,060</b>          |
| <b>Total equity and liabilities</b>                     | <b>3,660,106</b>           | <b>3,634,834</b>          | <b>3,599,872</b>           | <b>3,566,321</b>          |

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

|                                      | At 30 Jun 2018 |           | At 31 Dec 2017 |           |
|--------------------------------------|----------------|-----------|----------------|-----------|
|                                      | Secured        | Unsecured | Secured        | Unsecured |
| Amount repayable in one year or less | 269,254        | 64,946    | 229,235        | 69,124    |
| Amount repayable after one year      | 727,116        | 39,226    | 815,820        | 26,500    |
|                                      | 996,370        | 104,172   | 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\$).**

|                                                              | <b>The Group</b>                |                 |
|--------------------------------------------------------------|---------------------------------|-----------------|
|                                                              | <b>Six months ended 30 June</b> |                 |
|                                                              | <b>2018</b>                     | <b>2017</b>     |
| <b>Cash flows from operating activities</b>                  |                                 |                 |
| Cash generated from operations                               | 106,721                         | 97,389          |
| Interest paid                                                | (23,793)                        | (21,485)        |
| Income tax paid                                              | (1,105)                         | (143)           |
| <b>Net cash inflow(outflow) by operating activities</b>      | <b>81,823</b>                   | <b>75,761</b>   |
| <b>Cash flows from investing activities</b>                  |                                 |                 |
| Acquisition of vessels, property and equipment               | (61,130)                        | (72,730)        |
| Acquisition of intangible assets                             | (39)                            | (815)           |
| Proceeds from sale of vessels, property and equipment        | 6,903                           | -               |
| Proceeds from sale of intangible assets                      | -                               | 390             |
| Acquisition of other financial assets                        | (13,632)                        | (45,160)        |
| Proceeds from sale of other financial assets                 | 33,671                          | 22,976          |
| Dividend received                                            | 112                             | 96              |
| Loans provided                                               | (4,153)                         | (26)            |
| Loans collected                                              | 459                             | 697             |
| Interest received                                            | 1,532                           | 1,618           |
| <b>Net cash inflow(outflow) from investing activities</b>    | <b>(36,277)</b>                 | <b>(92,954)</b> |
| <b>Cash flows from financing activities</b>                  |                                 |                 |
| Proceeds from borrowings                                     | 198,050                         | 108,784         |
| Repayment of borrowings                                      | (238,772)                       | (129,839)       |
| <b>Net cash inflow(outflow) financing activities</b>         | <b>(40,722)</b>                 | <b>(21,055)</b> |
| Currency translation differences (cash and cash equivalents) | (944)                           | 186             |
| <b>Net increase(decrease) in cash and cash equivalents</b>   | <b>4,824</b>                    | <b>(38,248)</b> |
| Cash and cash equivalents at beginning of the year           | 193,810                         | 202,806         |
| <b>Cash and cash equivalents at end of the period</b>        | <b>197,690</b>                  | <b>164,744</b>  |

**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        |
| <b>Comprehensive income (loss)</b>                                       |                                     |                 |                  |                     |                          |                  |
| Profit for the Period                                                    | -                                   | -               | -                | 45,889              | (485)                    | 45,404           |
| <b>Items that will be reclassified subsequently to profit or loss:</b>   |                                     |                 |                  |                     |                          |                  |
| Changes in the fair value of available-for-sale financial assets         | -                                   | -               | 36               | -                   | -                        | 36               |
| Changes in the fair value of derivative financial assets and liabilities | -                                   | -               | (421)            | -                   | -                        | (421)            |
| Share of the other comprehensive income of associates and joint venture  | -                                   | -               | 54               | -                   | -                        | 54               |
| <b>Items that will not be reclassified to profit or loss:</b>            |                                     |                 |                  |                     |                          |                  |
| Remeasurements of defined benefit liability                              | -                                   | -               | -                | (50)                | -                        | (50)             |
| Exchanges differences                                                    | -                                   | -               | (5,300)          | -                   | 30                       | (5,270)          |
| <b>Transactions with owners recorded directly in equity:</b>             |                                     |                 |                  |                     |                          |                  |
| Changes in equity due to debt-equity swap                                | 81                                  | 354             | (960)            | -                   | -                        | (525)            |
| <b>Balance as of June 30, 2017</b>                                       | <u>480,679</u>                      | <u>651,710</u>  | <u>1,049,601</u> | <u>(39,970)</u>     | <u>20,385</u>            | <u>2,162,405</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        |
| <b>Comprehensive income (loss)</b>                                       |                                     |                 |                  |                     |                          |                  |
| Profit(loss) for the period                                              | -                                   | -               | -                | 69,589              | (971)                    | 68,618           |
| <b>Items that will be reclassified subsequently to profit or loss:</b>   |                                     |                 |                  |                     |                          |                  |
| Changes in the fair value of available-for-sale financial assets         | -                                   | -               | -                | -                   | -                        | -                |
| Changes in the fair value of derivative financial assets and liabilities | -                                   | -               | (2,046)          | -                   | -                        | (2,046)          |
| Share of the other comprehensive income of associates and joint ventures | -                                   | -               | (125)            | -                   | -                        | (125)            |
| <b>Items that will not be reclassified to profit or loss:</b>            |                                     |                 |                  |                     |                          |                  |
| Remeasurements of defined benefit liability                              | -                                   | -               | -                | (73)                | -                        | (73)             |
| Exchanges differences                                                    | -                                   | -               | (1,129)          | -                   | (17)                     | (1,146)          |
| <b>Transactions with owners recorded directly in equity:</b>             |                                     |                 |                  |                     |                          |                  |
| Changes in equity due to debt-equity swap                                | 7                                   | 29              | (88)             | -                   | -                        | (52)             |
| <b>Balance as of June 30, 2018</b>                                       | <u>480,734</u>                      | <u>651,949</u>  | <u>1,053,039</u> | <u>108,756</u>      | <u>18,355</u>            | <u>2,312,833</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        |
| <b>Comprehensive income (loss)</b>                                       |                                       |                 |                  |                     |                  |
| Profit for the Period                                                    | -                                     | -               | -                | 43,980              | 43,980           |
| <b>Items that will be reclassified subsequently to profit or loss:</b>   |                                       |                 |                  |                     |                  |
| Changes in the fair value of available-for-sale financial assets         | -                                     | -               | 36               | -                   | 36               |
| Changes in the fair value of derivative financial assets and liabilities | -                                     | -               | 43               | -                   | 43               |
| <b>Items that will not be reclassified to profit or loss:</b>            |                                       |                 |                  |                     |                  |
| Remeasurement of defined benefit liability                               | -                                     | -               | -                | (50)                | (50)             |
| <b>Transactions with owners recorded directly in equity:</b>             |                                       |                 |                  |                     |                  |
| Changes in equity due to debt-equity swap                                | 80                                    | 353             | (960)            | -                   | (527)            |
| <b>Balance as of June 30, 2017</b>                                       | <u>480,678</u>                        | <u>651,155</u>  | <u>1,068,168</u> | <u>(70,680)</u>     | <u>2,129,321</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                                                      | <u>480,727</u>                        | <u>651,366</u>  | <u>1,068,692</u> | <u>12,770</u>       | <u>2,213,555</u> |
| <b>Comprehensive income (loss)</b>                                       |                                       |                 |                  |                     |                  |
| Profit for the Period                                                    | -                                     | -               | -                | 67,061              | 67,061           |
| <b>Items that will be reclassified subsequently to profit or loss:</b>   |                                       |                 |                  |                     |                  |
| Changes in the fair value of available-for-sale financial assets         | -                                     | -               | -                | -                   | -                |
| Changes in the fair value of derivative financial assets and liabilities | -                                     | -               | 14               | -                   | 14               |
| <b>Items that will not be reclassified to profit or loss:</b>            |                                       |                 |                  |                     |                  |
| Remeasurement of defined benefit liability                               | -                                     | -               | -                | (74)                | (74)             |
| <b>Transactions with owners recorded directly in equity:</b>             |                                       |                 |                  |                     |                  |
| Changes in equity due to debt-equity swap                                | 7                                     | 29              | (87)             | -                   | (51)             |
| <b>Balance as of June 30, 2018</b>                                       | <u>480,734</u>                        | <u>651,395</u>  | <u>1,068,619</u> | <u>79,757</u>       | <u>2,280,505</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 June 2018            |                      | At 31 Dec 2017             |                      |
|----------------------------|----------------------------|----------------------|----------------------------|----------------------|
|                            | Number of<br>shares issued | outstanding<br>stock | Number of<br>shares issued | outstanding<br>stock |
| Beginning number of shares | 534,537,812                | 534,537,812          | 534,392,834                | 534,392,834          |
| Debt-equity swap           | 7,602                      | 7,602                | 144,978                    | 144,978              |
| Ending number of shares    | 534,545,414                | 534,545,414          | 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<br>At 30 June 2018 | The Issuer<br>At 31 Dec 2017 |
|--------------------------------------------------------------------------|-------------------------------|------------------------------|
| Total number of issued shares                                            | 534,545,414                   | 534,537,812                  |
| Less number of shares held as treasury shares                            | -                             | -                            |
| Total number of issued shares<br>excluding treasury shares of the issuer | 534,545,414                   | 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 :

|                           | <b>2017.12.31</b> | <b>Adjustment</b> | <b>2018.01.01</b> |
|---------------------------|-------------------|-------------------|-------------------|
| 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>      |
|                                                                                                                     | Six months       | Six months       |
|                                                                                                                     | ended 30 June    | ended 30 June    |
| Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share) |                  |                  |
| (a) Basic                                                                                                           | 0.13             | 0.09             |
| (b) Diluted                                                                                                         | 0.13             | 0.09             |

**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> |                    |
|--------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                | At 30 Jun.<br>2018 | At 31 Dec.<br>2017 | At 30 Jun.<br>2018 | At 31 Dec.<br>2017 |
| Net asset value per ordinary share based on issued share capital of the issuer | 4.33               | 4.21               | 4.27               | 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 1H VS FY 2017 1H**

The group achieved sales of US\$ 1,157 million, increase of 14% compared to the same period in the prior year. And Costs of sales was increased from US\$ 906 million as of 2017 1H to US\$ 1,037 million as of 2018 1H.

The group recorded operating profit of US\$ 87 million in 2018 1H, as compared to the operating profit of US\$ 79 million in the corresponding period of preceding financial year.

For the non-operating profit, the group recorded finance cost of US\$27 million in 2018 1H.

Consequently, Profit for the period, which had recorded US\$ 69 million in 2018 1H, as compared US\$ 45 million in 2017 1H.

#### **(2) Balance Sheet & Cash Flow**

The group's total assets increased US\$ 25 million, from US\$ 3,635 million as of 31 December 2017 to US\$ 3,660 million as of 30 June 2018.

Total liabilities of the Group decreased US\$ 38 million, from US\$ 1,385 million as of 31 December 2017 to US\$ 1,347 million as of 30 June 2018.

Cash flows from operating activities were surplus amounting to US\$ 82 million but Net cash used in investing activities and financing activities for 2018 1H recorded the deficit amounting to US\$ 77 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 1st half of 2018. On the contrary, demand for commodities picked up supporting prices. The average Baltic Dry Index (BDI) was 1,217 points for the first half of 2018, which rose significantly above 25% from 975 points in the first half of 2017. The Dry Bulk market is usually low in the first half due to seasonal factors. In addition, this figure is 6.3% higher than the BDI average annual rate in the previous year. For this reason, the market is expected to improve for the remaining period of 2018.

As for the demand, China's iron ore imports amounted to 530.83 million tons in the first half of 2018, with strict environmental control of the government, showing an annual decrease of 1.6%. Through the same period, the demand for oil has increased as the global economy has improved and put upward pressure on oil prices. A rise in oil prices and better economic conditions resulted in an increased demand for coal, and the coal exported volume of Indonesia and Australia grew to 375 million tons (YoY +1%). 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 5,227 million tons. The demand in the rest of 2018 will continue to strengthen with the strengthening of Chinese demand for high-grade imported iron ore especially from Brazil, Asian developing countries' coal demand such as China and India which would fall short of target coal production. The steadily increasing grain exports from United States and South America will also contribute to the growth of trade volume.

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 14.8 million DWT (deadweight tonnage), which dropped by 47% from 28 million DWT in the first half of 2017. As the market returned to healthy level in 2017 and 2018, the scrapping volume of the bulkers dropped to 2.6 million DWT from 8.6 million DWT of the same period of the previous year. The fleet supply growth could be 2.2%.

The International Monetary Fund (IMF) has improved its growth forecasts for 2018 to 3.9% expecting the global economy to continue to recover. The growth of major world economies is expected to lead higher commodities demand with dry bulkers. However, newbuildings delivered in 2018 will be about 33.2 million DWT as newbuilding orders have declined in 2016 and 2017. As such, the supply growth is expected to decrease. In 2018, 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.**

|                           | 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) |                                |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Name of interested person | Six months Ended 30 Jun. 2018.                                                                                                                                                                                        | Six months Ended 30 Jun. 2017. | Six months Ended 30 Jun. 2018.                                                                                                                                | Six months Ended 30 Jun. 2017. |
| PanOcean(America), Inc.   | 15,437 <sup>3)</sup>                                                                                                                                                                                                  | 5,092 <sup>3)</sup>            | 14,940 <sup>1)</sup>                                                                                                                                          | 14,155 <sup>1)</sup>           |
| Sunjin Co., Ltd.          | -                                                                                                                                                                                                                     | -                              | 2,784 <sup>2)</sup>                                                                                                                                           | 1,746 <sup>2)</sup>            |
| Farmsco                   | -                                                                                                                                                                                                                     | -                              | 1,621 <sup>2)</sup>                                                                                                                                           | 2,382 <sup>2)</sup>            |
| Jeil Feed Company, Ltd.   | -                                                                                                                                                                                                                     | -                              | 963 <sup>2)</sup>                                                                                                                                             | 4,399 <sup>2)</sup>            |
| Harim Co., Ltd.           | -                                                                                                                                                                                                                     | -                              | 876 <sup>2)</sup>                                                                                                                                             | 3,119 <sup>2)</sup>            |
| Jeil Holdings Co., Ltd.   | -                                                                                                                                                                                                                     | -                              | -                                                                                                                                                             | -                              |
| Total                     | 15,437                                                                                                                                                                                                                | 5,092                          | 21,184                                                                                                                                                        | 25,801                         |

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 guarantee 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)

|                                                       | <b>The Group</b> |                |
|-------------------------------------------------------|------------------|----------------|
|                                                       | <b>2018 1H</b>   | <b>2017 1H</b> |
| Operating profit(loss) In K-IFRS                      | 87,484           | 78,569         |
| Adjustment :                                          |                  |                |
| Gain on sale of vessels, property and equipment       | 2,145            | -              |
| Loss on sale of vessels, property and equipment       | (144)            | (564)          |
| Gain on impairment of vessels, property and equipment | -                | -              |
| Loss on impairment of vessels, property and equipment | -                | -              |
| Gain on sale of Intangible assets                     | -                | 202            |
| Loss on sale of Intangible assets                     | -                | -              |
| Gain (loss) on valuation of derivatives, net          | 1,606            | 596            |
| Gain (loss) on derivative transactions, net           | (169)            | (959)          |
| Gain (loss) on foreign currency translations, net     | (1,208)          | 618            |
| Gain (loss) on foreign currency transactions, net     | 706              | (145)          |
| Expense of provision and marine accident              | 20               | (13,398)       |
| Donations                                             | (236)            | -              |
| Other                                                 | 1,142            | 1,055          |
| Operating profit(loss) In IFRS                        | 91,346           | 65,974         |