Clarkson PLC

13 August 2018

Clarkson PLC (Clarksons) is the world's leading provider of integrated shipping services. From offices in 22 countries on six continents, we play a vital intermediary role in the movement of the majority of commodities around the world.

Interim results

Clarkson PLC today announces unaudited interim results for the six months ended 30 June 2018.

Overview

- Revenue of £152.6m (2017: £156.8m)
- Underlying profit before taxation[1] of £19.2m (2017: £24.5m)
- Profit before taxation of £18.0m (2017: £21.9m)
- Underlying earnings per share[1] of 45.8p (2017: 57.5p)
- Earnings per share of 42.5p (2017: 50.8p)
- Increased interim dividend of 24p per share (2017: 23p per share)
- Robust balance sheet, with £44.1m of free cash resources[2] (30 June 2017: £45.0m)
- Outlook for the full year remains unchanged since the April 2018 trading update

[1] Before acquisition related costs
[2] Free cash resources are cash and cash equivalents and current investment deposits, after deducting amounts accrued for performance-related bonuses and amounts held by regulated businesses

Andi Case, Chief Executive Officer, commented:

"The first quarter of 2018 presented a challenging trading environment across the shipping and offshore capital markets, including a quiet period in sale and purchase, and accentuated by a fall in the value of the US dollar. Conditions in some markets did, however, improve in the second quarter when the breadth and diversity of our business again provided opportunity irrespective of volatility in the market.

"We should benefit in the second half of the year from these recent improvements and remain confident in the mid to long-term potential for the Group. Our investment across the business continues apace, as we drive innovation and remain focused on furthering Clarksons' position at the forefront of the sector."

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Alternative performance measures (APMs)

Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information. Our APMs include underlying profit before taxation and underlying earnings per share. An explanation of the term 'underlying' and related calculations are included within the Chief Executive Officer's review.

About Clarkson PLC

Clarkson PLC is the world's leading provider of integrated services and investment banking capabilities to the shipping and offshore markets, facilitating global trade.

Founded in 1852, Clarksons offers its diverse and growing client base an unrivalled range of shipbroking services, sector research, on-hand logistical support and full investment banking capabilities in all key shipping and offshore sectors. Clarksons continues to drive innovation across its business, developing digital solutions which underpin the Company's unrivalled expertise and knowledge with leading technology.

The Group employs 1,593 people in 48 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 15 years of consecutive dividend growth. The highly cash generative nature of the business, supported by a strong balance sheet, has enabled Clarksons to continue to invest to position the business to capitalise on the upturn in its markets.

Clarksons is listed on the main market of the London Stock Exchange under the ticker CKN and is a member of the FTSE 250 Index.

For more information, visit www.clarksons.com.

Chair's review

The first half of 2018 saw a challenging environment across the shipping and offshore markets. As announced in our April trading statement, in the first quarter we experienced depressed levels of sale and purchase activity, reduced rates within the tanker market and delays to financial transactions, compounded by the fall in the value of the US dollar, all of which impacted the financial results we are reporting today. I am however, pleased to report that the second quarter saw improved levels of trading in both sale and purchase and financial, with chartering markets continuing apace.

The breadth and diversity of Clarksons' business provides a balance to the challenges that have arisen in the sector and, despite these market headwinds, we have still delivered a significantly profitable first half of 2018.

We continue to invest in both the best people in the industry and our market-leading technology platform, as we drive innovation across the industry and transform the way we service our clients. Our unique market insights, deep sector knowledge and 'best in class' service means that we are well-positioned as activity levels and rates pick up in the shipping and offshore markets.

In March 2018, Clarksons announced that James Hughes-Hallett was recovering from an illness and I would be taking on the role as Acting Chair. James' recovery is ongoing and, as part of our succession planning, the Board has determined that now is an appropriate time to commence a search for a new independent Non-Executive Director, with a view to that person taking on the Chairmanship at the appropriate time.

The Board's view for the outlook for the full year remains unchanged since the trading update issued in April 2018. The fundamentals for increased activity in the medium-term remain, following a rebalancing of supply and demand and in light of the changing regulations regarding sulphur emissions from 2020.

Ed Warner
Acting Chair
10 August 2018

Chief Executive Officer's review

The first half of 2018 was a story of two quarters; the first quarter was challenging as the business encountered weakness in financing and capital markets, and the consequent illiquidity of assets with significantly lower sale and purchase activity. Conditions did however improve in the second quarter with capital markets opening once again and investors starting to execute transactions in both newbuilding and secondhand assets. Clarksons' leading industry expertise and 'best in class' client service has ensured that we have maintained our position as the clear market leader and we have continued to invest in both our people and technology as we seek to further our position at the forefront of the sector.

Although macro-economic and political uncertainties are currently combining to present an unsettled global trading environment, the shipping industry is seeing the return of more positive fundamentals that will ultimately generate increased activity and higher freight rates. The dry cargo market has continued the recovery started in the second half of 2017, evidenced by the Baltic Dry Index, which was up on average 24% compared to the first half of 2017. Weakness in tankers offset some of these gains, with the resultant impact on the ClarkSea Index, which reflects the overall state of earnings in the shipping market, up on average 9% when compared to the first half of last year. We remain confident in the mid to long-term upside for the markets, and believe that Clarksons is in a unique position to take advantage of those opportunities.

The broking division results reflect the challenges from the first quarter. First half US dollar broking revenues, despite the lower forward order book brought into 2018, were similar to the same period last year at US$154.3m (2017: US$155.6m), albeit at an average rate of £1: US$1.37 (2017: £1: US$1.27). Overall chartering activities, led by dry cargo but including most sectors other than tankers, were more profitable than the same period last year, whilst the asset broking business profits fell in line with the reduced first quarter activity. In the second quarter, asset business started to improve, albeit much of this was longer term business which feeds into the forward order book rather than being spot-related. Consequently, the broking margin fell from 17.8% to 14.3%, although with recent trading we would expect to see this improve by the end of the year.

The financial division also delivered slightly lower returns during the period than those reported in 2017, impacted by the same market headwinds, although the second quarter of 2018 saw a marked improvement in the number of transactions completed and the pipeline for the rest of the year is strong.

Clarksons Research had a strong half year of revenue growth, although profits remained flat due to an increased investment in expanding sales capabilities and broadening its product offering. These new products will be brought to the market over the course of the next 12 to 24 months and will further enhance our market-leading position.

Elsewhere, the port services team has seen modest growth during the period, benefiting from increased activity in the offshore market.

We continue to invest in our leading technology offering, and are very encouraged by the increase in the number of clients utilising our Clarksons Cloud platform in the first half of the year. Clarksons remains committed to driving innovation in the shipping industry through a sustained investment in digital solutions that enhance our client offering. This commitment to technology has been matched by our continued investment in our first class teams, as the Company expanded during the first half of the year into convertible bonds, wet FFAs and fuel oil broking.

I would like to thank everyone in team Clarksons for their continued hard work and dedication to the Company.

Results

The Group's underlying results exclude the impact of acquisition related costs, which are shown separately on the face of the income statement due to their nature and size, as management believes this provides further useful information, in addition to statutory measures, to assist users of the interim report to understand the results for the period. Total revenue in the first half was £152.6m (2017: £156.8m) and administrative expenses were £128.3m (2017: £128.2m). Underlying profit before taxation was £19.2m (2017: £24.5m), which, after acquisition related costs of £1.2m (2017: £2.6m), resulted in a reported profit before taxation of £18.0m (2017: £21.9m). Underlying earnings per share, before acquisition related costs, were 45.8p (2017: 57.5p). Reported earnings per share were 42.5p (2017: 50.8p).

	2018 £m	2017 £m
Underlying profit before taxation	**19.2**	24.5
Acquisition related costs	**(1.2)**	(2.6)
Reported profit before taxation	**18.0**	21.9

Cash and dividends

Clarksons has a strong balance sheet with cash balances at 30 June 2018 of £95.9m (30 June 2017: £117.4m) and a further £0.5m (30 June 2017: £5.4m) in short-term deposit accounts, classified as current investments on the balance sheet. These balances are struck following payment of the final dividend relating to 2017. Net cash and available funds, after deducting amounts accrued for performance-related bonuses but including certain short-term investments, amounted to £60.2m (30 June 2017: £71.4m). Free cash resources, after adjusting for amounts held by regulated businesses, amounted to £44.1m (30 June 2017: £45.0m).

The Board has declared an increased interim dividend of 24p per share (2017: 23p per share) which will be paid on 21 September 2018 to shareholders on the register at the close of business on 7 September 2018.

Outlook

Despite the challenges faced in the first half of the year, we are encouraged by the recent improved trading conditions and the more favourable US dollar exchange rate. We should benefit in the second half of the year from these recent improvements and remain confident in the mid to long-term potential for the Group. Our investment across the business continues apace, as we drive innovation and remain focused on furthering Clarksons' position at the forefront of the sector.

Andi Case
Chief Executive Officer
10 August 2018

Business Review

Broking

Revenue: £111.5m (2017: £118.0m)
Segment underlying profit: £15.9m (2017: £21.0m)

Dry cargo

The freight market performed 25% better in the first half of 2018 than the same period last year, whilst also ending the six months to 30 June 2018 36% higher than at the end of 2017. Supramax and handysize markets consistently outperformed last year's levels. Panamaxes underperformed in March, and capes in both March and April, due to trade disruptions caused by labour-related strikes in Guinea affecting bauxite exports and in Canada affecting iron ore exports. The suspension of Anglo American iron ore operations in Brazil led to further declines in iron ore exports. Nevertheless, period rates and asset values followed the underlying positive market sentiment and remained resilient during the softer months.

Global manufacturing continues to expand, albeit at a slower rate than the second half of last year, while China's new housing starts reached an 11 month high in May. China's strategy to boost internal demand by stimulus packages and to strengthen trade relationships through the one-belt-one-road initiative, drives the demand for infrastructure and energy. Together with stricter environmental policies in China, the demand for higher quality raw materials such as iron ore and coal favoured international seaborne trade.

Deliveries of new dry cargo ships in the first six months of 2018 were 45% lower than the same period last year, resulting in the lowest first half since 2008. Demolition also slowed as the freight environment improved, although new regulations and stricter environmental laws are putting pressure particularly on older, less environmentally friendly tonnage. With strong demolition prices the economics for earlier retirements of vessels are gathering pace. Net fleet growth is slowing to 2016 levels whilst seaborne demand continues to improve. New orders remain suppressed due to the uncertainties pertaining to the incoming IMO 2020 sulphur regulation, resulting in the order book being a mere 10% of the fleet.

Overall, pent-up exports experienced due to the trade disruption during March and April, the acceleration of high quality iron ore sources in Brazil, and a further softening in new ship deliveries are creating strong fundamental support for the dry cargo freight market.

Containers

The first half of 2018 saw further improvements in containership earnings, following the gains seen in 2017. Box freight rates, however, have been volatile and failed to meet initial expectations, which together with increased fuel prices, has put liner company financial results under distinct pressure. In particular, the latter part of the first quarter saw an easing in freight rate levels, most notably on the main lane East-West trades, though the second quarter generally saw a return to an upward trend and some of the lost ground recovered.

On a global basis, freight rate levels still remain materially above the lows of 2016. Across the first half of 2018, the SCFI composite index averaged 6% down on the 2017 average but up by 19% on 2016 average levels. Meanwhile, a clear 'two-tier' market has developed in the sector, backed by limited supply expansion outside the largest sizes and rapidly expanding regional trade volumes, with charter market vessel earnings continuing to improve following last year's pick up from bottom of the cycle levels. Although there has been some variation across ship sizes, in the main the charter market saw further steady upward movement in the first half of the year. The one-year rate for a 2,750 TEU ship stood at US$12,100 per day at end of the first half of 2018, 29% above the level at the end of 2017. The charter market 'basket' index rose by 33% on the same basis, and now stands around 85% of the way back from the bottom of the cycle level to post-2000 historical average levels.

Demand side conditions appear to remain fairly robust, with global trade volumes projected to expand by over 5% in the full year to 203m TEU following growth of around 6% in 2017. The rate of expansion on trades involving developing economies is currently very strong, though growth on the main lane East-West trades appears to be more moderate. Risks remain present, most notably in the form of the threat of trade tariff escalation between the US and China, but the impact of tariffs currently in force or proposed is estimated to be relatively limited, and global volume expansion is expected to remain healthy. Containership fleet capacity growth remains manageable, despite a substantial delivery of 'mega-ships' in the first half of 2018, with expansion of around 4% seen in 2017, and around 5% growth expected this year. Surplus capacity in the sector remains much reduced, with less than 1% of fleet capacity standing idle at the end of the first half of 2018 compared to 7% at the start of 2017.

Overall sector fundamentals continue to remain supportive, although the balance between supply and demand growth in 2018 as a whole now looks likely to remain approximately even, before trade volume growth once again starts to outpace capacity expansion (set to slow to around 3%) in 2019. At an aggregate level, the ordering of newbuild capacity remains relatively limited (less than 0.5m TEU in the first half of 2018), and the order book now stands at 12% of fleet capacity, an historically low level. The boxship sale and purchase market remains active, having reached a record level in 2017, and consolidation of the sector remains ongoing with new joint operation activity involving the major Japanese operators underway from the start of the second quarter. Liner companies still face capacity management and fuel cost challenges, and risks remain on the demand side, but as a whole, the mid-term future is likely to be characterised by positive fundamentals which could well support further market improvements.

Tankers

Crude tanker earnings fell further in the first half of 2018, as the combination of strong voluntary compliance with OPEC and non-OPEC production cuts and additional involuntary output reductions affected vessel demand. Clarksons' assessed average earnings for VLCCs in the first half of the year declined by 66% from the full year average levels seen in 2017, while assessed average earnings for suezmaxes and aframaxes were both down by 31% compared to last year's full year averages.

Assessed earnings for LR2 and LR1 products tankers on the benchmark Middle East-Far East route declined by 10% and 11% respectively against the 2017 full year averages, while assessed average clean MR earnings declined by 9%. Refinery maintenance programmes contributed to the lower levels of earnings, as did a spate of newly delivered crude oil tankers picking up oil products cargoes for their first voyage on long-haul journeys to the Atlantic Basin.

The low level of earnings, relatively high demolition prices and trading restrictions for older vessels all contributed to large numbers of tankers being removed from the fleet for recycling in the first half of 2018. This meant that the crude tanker fleet size fell by 0.4% from the start of the year. Floating storage employment was substantially reduced from the levels seen in 2017 however, meaning that several vessels were restored to the trading fleet. Demolition and low levels of deliveries restrained products tanker fleet growth to 0.6% compared to the fleet size at the start of 2018.

Demolition activity seems likely to continue in the second half of the year and restrictions on Iranian crude oil may also lead to the renewed use of Iranian vessels for floating storage, which would reduce the active trading fleet and could therefore tighten the market supply/demand balance.

Crude tanker demand seems set to be boosted by increased production and exports from Saudi Arabia and potentially from other Middle Eastern OPEC producers, as well as Russia, the US and Brazil. However, reductions in shipments from Iran and Venezuela are currently expected to offset some of these gains.

Long-haul crude exports from the US to China could be diverted to shorter-haul locations if tariffs are imposed on crude oil trade between the US and China. However any detrimental effect on overall tanker demand is expected to be relatively marginal, with US exports expected to reach alternative destinations. Continued demand growth and expansion of refining capacity also means that China is expected to see further growth in crude oil imports in the second half of 2018.

In the products tanker sector, further rises in global oil demand and higher levels of global refinery runs in the second half of the year may start to tighten the market, in the absence of significant fleet growth.

Specialised products

The bullish market undertones experienced at the end of 2017 continued into the start of 2018, with activity buoyant in the palm oils sector and consistent spot enquiries on the transpacific eastbound and westbound trade lanes. However, in the second quarter many arterial spot trade lanes have experienced rate declines due to both the usual seasonality and a combination of other factors contributing to the general malaise.

The new Clarksons Platou Specialised Products Spot Chemical Index recorded a 7.7% decline throughout the first half of the year, but an 11.7% increase when compared to the first half of 2017. Likewise, the revised Clarksons Platou Specialised Products Spot Edible Oils Index recorded a 6.5% decline from January to June this year, but a 4.1% increase when compared to the same period last year.

In a similar manner to the prevailing spot markets, the period charter and asset sectors were also bereft of the usual activity with deal volume reduced, especially in the second quarter. Uncertainty surrounding the impending IMO 2020 sulphur regulations and their impact is undoubtedly a contributory factor to less deal volume and also increased short termism with initial periods of time charter.

Overall seaborne volume growth in the specialised products market was strong in 2017, with a year-on-year increase of greater than 7%. For the first time ever, seaborne specialised products trade is now greater than 300m mts, double that of 15 years ago.

US shale gas derived chemical production has continued to drive export growth out of the States so far in 2018, and elsewhere the Middle East has experienced a greater volume of exports as a result of a number of major production expansion projects. The first half has also been characterised by a continuation of growing long-haul palm oil volumes, with the majority of new cargo derived from Southeast Asian product. The US-China trade wars have so far had limited actual impact on specialised products cargo flows.

Turning to the other part of the tonne-mile demand equation, distance growth; we believe average haul declined slightly in 2017 due predominantly to a fall in US ethanol exports to China following the introduction of Chinese tariffs, and also faster growth in Chinese imports of organic chemicals and palm oils from other Asian countries. Initial data points from the first half of 2018 suggest that the usual trend of a longer average haul for the overall chemical tanker fleet has returned once again this year.

Average annual growth for the chemical tanker fleet decreased in 2017 and we have seen a continuation of this downward trend with net fleet growth almost non-existent in the first half of the year. The fleet on the water now stands at just over 50m dwt, three times the size of the fleet at the turn of the century. The order book expressed as a percentage of the in-service fleet by dwt is still below 8%, just half the long-run average of 16% over the last 18 years.

A combination of vast infrastructure spending, urbanisation rates, growing populations and increasing social mobility are positive mega-trends which we expect to continue driving specialised products trade in the long term. Likewise, with many global

economies performing well and substantial cargo volume set to hit the water in the next few years, we believe that seaborne volume growth will remain healthy.

Net fleet growth is now rapidly reducing, and it is entirely feasible that the available fleet may even decline as soon as 2019 and 2020. This, coupled with the need for longer trade distances as producers and end users become increasingly dislocated, should fuel notable real dwt demand growth for tonnage in the medium to long-term.

Gas

2018 began on a weak note for the VLGC carrier market, with freights pressured by newbuilding deliveries and by reduced tonne-miles as Middle Eastern exports displaced some of the longer haul tonnes from the US into Asia. This was compounded by the temporary suspension of the Mariner East 1 export terminal as well as by the continued delay in the start-up of volumes from the new Mariner East 2 terminal due to pipeline permitting issues.

More recently, with concerns over potential disruptions to supply with both impending decisions on US sanctions and trade tariffs, the push by importers to build inventory levels in combination with a recovery in US export volumes, has seen freights start to edge upwards. As a result, VLGC spot freights ended July at over US$40 per mt AG-Japan compared with this year's annual low of US$19 per mt in April.

Traditionally, the market tends to show some seasonal strength over the summer months and although we have seen this reversed over the last few years, we may be witnessing the start of a return to this pattern. Midsize freights firmed slightly, albeit from low levels, as we entered the first quarter but softened in the second quarter before edging up slightly in July. The handysize segment continued to suffer the effects of competition from the midsizes on some LPG trade routes, turning to the petrochemical gas market for some support. However, this has still failed to prevent rates from softening slightly more recently, although in July they were almost US$100,000 pcm firmer than where they were at the market low at the end of the summer last year.

In terms of trade growth, both LPG and ammonia are expected to continue to rise year-on-year. However, the prospects for LPG remain very much affected by the start-up of the new US terminal and new LNG-linked tonnes from Australia, both of which could get pushed back into the last quarter of this year. Iranian tonnes have also shown signs of strong growth so far this year, as expected, but sanctions may generate nervousness amongst potential importers. On a more positive note, VLGCs aside, where we have 22 units scheduled for delivery in 2019, the midsize order book is drawing to a close. We have also seen more vessels go for scrap this year.

In the smaller ship market, the larger semi-refs have continued to face competition for petrochemical gas cargoes from the handysize segment. Despite petrochemical gas volumes remaining healthy, the oversupply in the market has kept spot rates under pressure, although time charter rates have remained steady since the start of the last quarter of 2017. In the size sector sub 6,000 cbm, we have seen freight sentiment remain buoyant with signs that coastal LPG and petrochemical gas trades appear to be improving. Combined with the removal of some of the older units and a virtually non-existent order book, we have seen freight levels for the small semi-refs edge up to US$285,000 pcm which is the highest they have been since 2014. Rates for the smaller pressure units have also continued to edge upwards.

LNG

The LNG market recovery, which started in mid-2017, is continuing. The LNG shipping glut of previous years has been absorbed and the market rebalanced at the start of 2018. However, global LNG trade is expected to increase from new liquefaction projects, which will absorb the order book and leave the market tighter in 2018 and 2019 compared to recent years.

Spot rates for the first half of 2018 were 63% higher year-on-year for conventional 160km^3 TFDE tonnage, driven by a tightening shipping market and an increase in global LNG trade volumes. There was a seasonal fall in rates towards the end of the first quarter as major LNG markets exited winter-peak demand period. An outage at the Papua New Guinea export facility resulted in project vessels being offered into the spot market, which also pressured rates temporarily.

However, there was an increase in multi-month period activity in the second quarter as traders looked to cover 2018/19 winter shipping requirements early and avoid the spikes seen last winter. This multi-month activity, as well as unusually high Northeast Asian LNG demand, saw the market rebound sharply in May and June.

Spot rates are expected to remain firm for the rest of the year. Seasonal trends show that rates rise from the second half of the year as traders look to secure shipping for winter trade. However, the multi-month activity in May and June may remove some momentum with some winter tonnage already secured. Despite about 30 LNG carriers scheduled to be delivered in the second half of 2018, new production from Australian projects Wheatstone T2, Prelude, and Ichthys, Russia's Yamal T2, and US Sabine Pass T5 will absorb these vessels.

Growing economies and environmental policies, especially in China, continue to drive up LNG demand to replace other fuels such as coal and oil products. The main growth market, China, is also commissioning more LNG import capacity and is expected to increase imports again this year. Bangladesh and Panama are new importers but volumes will likely be small to start with. The combination of a rising charter market and historically low newbuild prices is resulting in new entrants and a resurgence in speculative orders. Meanwhile, firm shipping demand from offtakers and new liquefaction projects will also result in ordering.

Sale and purchase

Secondhand

Following a very sluggish first quarter across all sectors, the sale and purchase department increased transaction volumes significantly in the second quarter, including an exclusive mandate to sell a fleet of both wet and dry vessels from liquidators. Once again our unparalleled experience in handling this type of business, coupled with our global reach, enabled us to win this instruction. We have now almost completed the sales process, though most vessels will deliver in the second half of the year.

After three challenging quarters, large tanker freight rates should be coming closer to a recovery which will lead to an improvement in the volume of sale and purchase tanker activity. The recent increase in regional tensions in the Middle East alongside a drop in US crude oil reserves should help to accelerate this recovery and history tells us that a combination of these factors alongside the regulatory changes that we are currently facing in shipping (including IMO 2020 sulphur regulation and ballast water treatment system requirements) usually result in interesting times for shipowners as contrasting views offer opportunities to transact.

For both the dry cargo and container sectors, asset values have been inching up as we price in the general consensus that the second half will be better than the first. Buyers remain willing to proceed on keenly-priced tonnage and we have been able to continue to produce such a supply from our close relationships with various traditional banks / lenders who look to make the most of this optimism to reduce the non-performing side of their shipping portfolios. We would expect this to continue throughout the rest of the year.

Newbuilding

The first half of 2018 has remained challenging for shipyards. A total of 511 newbuilding contracts were placed over the period, which is below the 604 units ordered over the same period in 2017. The dry cargo and tanker markets have performed in a similar fashion to the same period last year with a more meaningful uptick in container ordering and the feeder sector.

The steel price continued to appreciate over the period and unfavourable currency movements in the first quarter added to the challenging cost environment for yards. Nevertheless, with capacity now meaningfully reduced and output levels adjusted to accommodate challenging market conditions, forward capacity is relatively well committed into 2020 for the larger sized asset sectors of the market. This forward cushion, coupled with appreciating input costs, has meant that pricing continually firmed over the period.

With the major Korean yards posting material losses in the second quarter of the year, there remain real challenges to overcome as we move into the second half of the year.

Despite these challenges, there remains some light as we look forward into the second half of 2018. LNG, feeder containers and mid-sized tanker markets continue to show demand and regulatory shifts also continue to be a real consideration and as more clarity and unification of views develop.

Offshore

General

Market conditions in the offshore segment remain challenging, but we have started to see some positive signals, most notably increasing rig tendering activity and a strong volume increase in orders for subsea equipment and floating production units. This corresponds with increasing sanctioning of new field developments, which whilst still at a low level, has picked up notably from levels seen in 2015, 2016 and 2017. We have also seen an uptick in term contracting and tendering for PSVs in the North Sea, an improvement in the secondhand transaction market, with notable jackup and floater transactions, and increasing M&A activity within the rig and OSV segments. OSV and subsea secondhand transactions are also on the rise.

Even though these are positive signals that could indicate that offshore is about recover in terms of activity, overcapacity in the asset-heavy segments remains significant. Consequently, utilisation and rates generally remain at low levels. We expect a gradual improvement in offshore activity going forward, but most likely, it will still take significant time to rebalance the asset segments in order to see more sustainable utilisation and rate levels.

Drilling market

Total offshore rig demand seems to have bottomed early in 2017 and we expect demand to increase gradually throughout 2018. Today, the global offshore rig count (rigs on contract) stands at 441 units, marginally up from trough levels of around 425 units.

A deeper analysis of the rig market displays significant regional and sub-segment variances. In shallow water, we see increased rig demand in Asia and West Africa, and stable demand in the Middle East, the North Sea and Mexico. For the deep water and ultra deep water floater segment, we see indications of demand growth in the US, Mexican Gulf, India and Asia. The North Sea Harsh Environment (HE) semi-submersible market further stands out as a somewhat special case. The segment has already tightened significantly on the back of moderate demand increase and supply side attrition. Consequently, day rates in this segment have generally doubled from trough levels, and HE-focused players have picked up all of the HE semis stranded at yards in Asia.

In deeper waters, West Africa and Brazil still seem to be lagging in terms of recovery, though we have seen some positive developments during the first half of 2018. We have also seen a significant volume of high spec jackup transactions, in

particular driven by newcomer Borr Drilling and an increasing trend towards acquisitions of stranded ultra deep water floaters from shipyards.

Rebalancing of the broader rig market continues to progress further on the back of low utilisation and rates, financial stress and contractors' realisation of the need to reduce capacity across the industry. As such, contractors have retired more than 30% of the total floater fleet since the downturn started in late 2014. We expect the retirement trend to continue as the industry is still looking to cut costs. Retirement of assets in the jackup segment has been less pronounced for several reasons, and unless this picks up, rebalancing of the jackup segment may likely be pushed further out in time.

Subsea and field development markets

Sanctioning of new offshore field developments has continued to see a notable uptick so far in 2018 compared to 2015, 2016 and 2017. Provided oil prices remain relatively stable going forward, we expect this trend to continue. Subsea equipment awards to the industry likely bottomed in 2016, with a low level of 83 Christmas trees awarded (each subsea well requires a subsea Christmas tree). This compares to an annual average level of 324 since 2000 and 153 trees in 2015. For 2017, 204 Christmas trees were awarded to the subsea equipment industry, which is more than double the level seen in 2016.

A corresponding picture can be observed in terms of contracts for new floating production units. Equipment manufacturing lead times, however, imply that this equipment will be installed offshore from 2019 and beyond, which is when the majority of actual offshore/subsea activity will take place. This implies that fleet utilisation across the subsea segment is likely to remain subdued at least through 2018 and into 2019. However, the backlog for the largest subsea EPC contractors improved slightly in 2017 and is likely to see further improvement through 2018.

Subsea maintenance work could also pick up in the nearer term future, supporting somewhat higher vessel activity in the sector. The offshore wind space in the North Sea is also creating new demand for subsea tonnage, and some subsea segments will achieve decent utilisation during the summer season of 2018 in the North Sea, as oil and gas and offshore wind players compete for the same tonnage. Limited newbuildings have been placed over the last three years within the subsea segment, but we expect the level of newbuilds to potentially see a marginal uptick going forward, in this case driven by specialised vessels.

Offshore support vessels (PSV and AHTS)

The market for offshore support vessels (OSVs) remains challenging, characterised by significant vessel overcapacity, low utilisation and day rates around the level of operating expenses for the vessels in most regions. Global fleet utilisation (taking into account stacked vessels) for large OSVs is currently around 61-65%, while active utilisation levels in some regions naturally remains substantially higher at between 77-85%. In these severe market conditions, most or all vessel operators are struggling significantly, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Increased consolidation and significant vessel attrition bodes well for the longer term rebalancing of the segment, but on the back of the substantial overcapacity, we anticipate a recovery to more sustainable day rate levels to still be several years out. As for rigs, regional differences do apply, and rates have come up slightly already e.g. in the North Sea, where both spot and term rates have come up noteworthy from trough levels.

Futures

Dry FFA volumes have remained steady with the drop in cape volumes year-on-year partially offset by growth in the panamax sector, which has now returned to being the largest market. This has played to our strengths and the team has performed well. In the first half of 2018, cape volumes were 199,228 lots (272,453 in the first half of 2017), panamax volumes were 277,662 lots (250,288 in the first half of 2017) and supramax volumes were 79,273 lots (75,203 in the first half of 2017).

Values remain erratic, particularly on cape, where the early optimism for the year drove volumes in the first quarter only to wobble as the outlook waivered before then returning to a more positive outlook. Once again, the freight market earns its place as the most volatile of all futures markets. Cape first half of 2018 index averaged US$13,963 (US$11,596 in the first half of 2017) with a high of US$20,890 and a low of US$7,051. Panamax first half of 2018 index averaged US$11,030 (US$8,536 in the first half of 2017) with a high of US$13,034 and a low of US$9,262. Supramax first half of 2018 averaged US$10,826 (US$8,381 in the first half of 2017) with a high of US$12,351 and a low of US$9,350.

Dry options volumes have grown this year, perhaps providing a partial explanation for the decline in cape futures activity given that options provide an easier environment in which to place volume. In the first half of 2018 there were 141,971 lots compared to 101,480 lots in the first half of 2017 and 192,779 lots for the full year 2017.

Tanker volumes have shown some improvement in the dirty sector resulting in clean and dirty now almost level pegging. Dirty first half of 2018 was 62,526 lots compared to 58,444 lots in the first half of 2017 and 126,911 lots for the full year 2017. Clean by comparison traded 63,309 lots in the first half of 2018 compared to 67,629 lots in the first half of 2017 and 144,127 lots for the full year 2017.

Iron ore volumes have reduced this year largely as a result of reduced volatility. The trading range of 2017 saw iron ore as high as US$95 and as low as US$53 compared to a high of US$80 and a low of US$63 so far this year. Since March, the price has been stuck in a narrow band with a high of US$68 and a low of US$63. Futures volumes for the first half of 2018 were 427m compared to 600m in the first half of 2017, whilst options volumes were 123m compared to 156m in the first half of 2018.

Financial

Revenue: £22.7m (2017: £23.2m)
Segment underlying profit: £4.7m (2017: £5.0m)

Securities

Global stocks have experienced their worst performing first half since 2010. The US Federal Reserve feared an overheating in the US with high inflation, and raised interest rates faster than the market expected, which affected the market negatively. So far in 2018, the demand for oil has increased due to the cut in production from OPEC and bargaining disturbances from Venezuela, Angola and Libya. In addition, the US's decision to abandon the Iranian agreement has also influenced the oil price. Despite the gloomy performance globally, Norway is not among those countries that has seen a negative impact on the markets. The main index for the Oslo Exchanges has risen almost 8% since December and, unlike many other countries, Norway has benefited from the increased oil price.

During the first half of 2018, our equity and bond commission ended at NOK 47m year-to-date, which is a decrease of approximately 28% from the same period in 2017. The decrease is mostly due to the unbundling of research in accordance with MiFID II, which has put pressure on both equity and debt commissions. Total corporate finance revenue ended at approximately NOK 140m, which is an increase of approximately 14% from the same period in 2017. Our total revenues ended at NOK 187m, almost the same as the equivalent period in 2017, whilst operating expenses ended at NOK 115m, which is up 4% from the same period last year. Overall, our operating result was NOK 71.5m, which is a slight decrease since last year, reflecting the difficult market conditions in the first six months of 2018.

During the first quarter we saw difficulties completing transactions and assignments due to the volatile markets and particularly depressed shipping equity valuations. However the second quarter improved significantly. Despite continuing volatile markets and geo-political noise, overall stock trading was at a record high in Norway. During the first half of 2018 we completed a total of 19 transactions, raising US$0.9bn in equity and US$1.6bn in debt transactions. In addition, we completed the compulsory acquisition of Songa Offshore ASA for Transocean and are in the process of completing the acquisition of all vessels from Songa Bulk ASA by Star Bulk Carriers Corp. These transactions total US$1.4bn in transaction value and are of importance to our M&A credentials. We have also continued our strong focus on metals and mining, and the first half saw our participation in three metals and mining deals, including a US$350m bond offering for Nemaska Lithium. The first half of 2018 also included a good start for our new convertible bond desk, completing its first convertible bond transaction of US$350m in Borr Drilling Limited in May 2018.

After an exceptionally challenging first half for financial markets and investors, we believe that global equity markets have upside potential in the second half of the year. Strong economic growth is expected to boost earnings, while trade frictions are likely to have micro-economic rather than macro-economic implications.

Securities has a strong pipeline on both sides of the Atlantic and we are looking forward to the continuance of a challenging but exciting 2018.

Project finance

Shipping

The first half of the year saw significant activity in the Norwegian project finance market across tankers, containers, dry cargo, heavy lift and offshore segments. There are now more structured cash flow projects being placed in the market as we are seeing higher earnings in various segments.

We anticipate that more investors and alternative capital will be interested in debt structures and equity participation. The serious shortfall in finance opportunities for smaller and medium-sized shipping companies create opportunities for refinancing, joint ventures and co-investments with financial partners going forward.

Since the beginning of the year, we have completed projects involving two handysize bulkers, two midsize PSV carriers, one handysize product tanker, one cruise passenger vessel and one heavy lift/MPP vessel. We are slightly ahead of last year, having raised US$78m of funds (seven vessels) in the first half of 2018 compared to US$71m (four vessels) in the first half of 2017.

Real estate

During the first half of 2018, Clarksons Platou Real Estate has concluded four new projects, placing both debt and equity. In addition, we are in an ongoing process for the sale of three older projects structured by us.

Besides the sale and purchase of projects, the first half of 2018 has also been busy with the development of larger projects in Oslo, where we have won a public offer to build a new building of approximately 7,500 sqm.

Structured asset finance

The shipping finance landscape has remained challenging in the first half of 2018 with new bank lending reduced and very much still focused on a smaller group of better risks. New sources of capital have emerged with Japanese, European and Chinese leasing companies, plus alternative capital providers continuing to capture new business.

Over the last few years, it has been the case of European banks withdrawing and Asian financiers marching forward. However, China’s leading lessors in particular have found difficulty in finding quality deals to meet their ambitious growth targets for their shipping portfolios, whereas Japanese leasing structures have re-emerged for international clients although these structures are generally not easy to access.

We continue to work with a broad spectrum of financiers and, in line with the specific requirements of our target clients, have been able to deliver tailored financing solutions in this challenging environment.

Support

Revenue: £10.6m (2017: £8.3m)
Segment underlying profit: £0.9m (2017: £0.7m)

Agency

In the first six months of 2018, the offshore oil and gas industry has continued to strengthen, resulting in a marked increase in activity for our Scottish and East coast offices. Although nowhere close to the levels that we were experiencing in 2014, we are confident that this market will continue to improve through the second half of 2018 and into 2019.

Our dry cargo agency business has suffered from low grain export volumes in the first half of the year. This looks set to continue into the second half following a challenging harvest as a result of a very wet winter which delayed planting, compounded by a dry summer. This may, however, be mitigated by increased volumes being imported into the UK in order to meet the demand of our domestic markets.

We have seen a significant uplift in our aggregate business, and this looks set to continue as tonnages being imported into the UK increase to meet the demand of major construction projects. Animal feed continues to be a major part of our agency business throughout the UK, and 2018 has seen us open a new office in Glasgow to support this activity.

Throughout the first half of the year Clarkson Port Services has continued to support the offshore wind industry around the UK. This will continue into the second half of the year, and planning is underway for new installations expected to commence in 2019. We are also seeing increased activity connected with the repair and maintenance of existing installations.

Gibb Industrial Supplies

Our supply business has continued to benefit from the gradual upturn in the oil and gas industry. As with our agency business, volumes have not yet returned to the levels seen in 2014 prior to the dip in oil prices, but are showing signs of continuing to increase through the remainder of 2018 and into 2019.

Stevedoring

As with agency, our stevedoring business has suffered from the low grain export volumes. Although our facility in Ipswich has secured import tonnage, this has not fully made up for the shortfall in export tonnage. Despite the 2018 UK harvest not being predicted to produce a large exportable surplus, it is anticipated that with our wide customer base in the East Anglia region, we should still achieve an increase in exports in the second half of the year.

Freight forwarding and logistics

Our freight forwarding business is starting to see the benefit of the upturn in the oil and gas sector. We have spent the first half of the year strengthening our freight forwarding team and are now seeing the result with new customers and projects.

Traditionally, our freight forwarding activities have been mainly linked to the support of our agency business, but we continue to work towards making this function of our business a stand-alone department with its own customer base.

Egypt agency

Dry cargo chartering activity began in Egypt with our Cairo office, which opened in 2010. A year later, we added agency business as an additional service to add value to our clients and the Alexandria office was set up for this sole purpose in 2012. Since then we have expanded to include Suez Canal agency business and we continue to grow in Egypt steadily and organically.

At the start of 2018, we have expanded into different Egyptian ports and we have added a new container liner service, based on a long-term contract. We now have seven offices across Egypt in Cairo, Alexandria and most recently Port Said, Suez, Damietta and Sukhna.

Research

Revenue: £7.8m (2017: £7.3m)
Segment underlying profit: £2.4m (2017: £2.4m)

Underlying research revenue grew by 7% during the first half to reach £7.8m (2017: £7.3m) supporting profits of £2.4m (2017: £2.4m). Investments into research continue to consolidate Clarksons Research's position as a market leader in the provision of authoritative intelligence and data across shipping and trade and offshore and energy.

Underlying sales, excluding valuations, grew by a robust 10%, with a continued strong performance from digital across the first half. Shipping Intelligence Network remains the market-leading commercial shipping database while there was strong sales growth from our authoritative online vessel data platform, World Fleet Register, with interest from our client base around new environmental equipment on board ships increasing. Sales from SeaNet, our vessel tracking system blending satellite and land-based AIS data with our proprietary vessel and ports data also continued to grow. Our offshore digital products, World Offshore Register and Offshore Intelligence Network, benefited from a number of significant upgrades in the first half supporting sales growth across offshore related digital products of 15%, despite the ongoing challenging market conditions. Our services and valuations teams consolidated their leading positions, adapting to the changing financial landscape across the shipping industry. Our market reports continue to generate widespread profile and provenance, through longstanding titles such as Shipping Intelligence Weekly, Shipping Review and Outlook, Seaborne Trade Monitor, Offshore Rig Monthly and Offshore Review and Outlook.

Overall, annuity based sales have increased to 77% with strong customer retention across a broad and diversified client base and with good penetration into key target client sectors and geographic regions.

Significant investments into the research business continue. The expansion of our data gathering and data analytics team, including projects to expand the volume of data we derive and aggregate, has driven further expansion of our large and wide-ranging proprietary database. This has included the development of ship utilisation data, time series of port activity and expanded intelligence on ports and related infrastructure. Our comprehensive database includes coverage of the 1.9bn dwt international shipping fleet, 11.6bn tonnes of world trade, ship movements and activity, 6,000 global ports, 20,000 berths, 1,000 refineries, 400 LNG plants, yards and fabricators, environmental equipment including SOx scrubbers, offshore oil and gas infrastructure including platforms and subsea trees, offshore drilling rigs, renewables, shipping related companies, capital market activity, ship valuations and wide ranging commercial data on prices and earnings of ships. This data is stored and processed in a highly structured and relational format.

Product innovations incorporating new technology remain a focus, utilising our in-house IT development capability. This has included enhanced data visualisation tools and customisation features embedded within our digital product range. Investments into our internal support tools also continue, including the development of an intelligence management system besides improvements to our valuation systems. Research continues to enhance the global profile of Clarksons across the shipping industry.

Directors' responsibilities statement

The Directors confirm that:

- these interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union; and

- the interim report includes a fair review of the information required by:

  (a) DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2018, and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  (b) DTR 4.2.8, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2018, and any material changes in the related party transactions described in the 2017 annual report.

The Directors of Clarkson PLC are listed in the Clarkson PLC annual report for 31 December 2017, with the exception of the appointment of Tim Miller on 22 May 2018 and Ed Warner stepping in as Acting Chair on 26 March 2018. A list of current Directors is maintained on the Clarkson PLC website: www.clarksons.com.

The maintenance and integrity of the Clarkson PLC website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Ed Warner
Acting Chair
10 August 2018

Independent review report to Clarkson PLC

Report on the interim financial statements

Our conclusion

We have reviewed Clarkson PLC's interim financial statements (the interim financial statements) in the interim report of Clarkson PLC for the six month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated cash flow statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2018

Consolidated income statement
for the half year to 30 June

	Notes	2018 Before acquisition related costs £m*	2018 Acquisition related costs (note 4) £m*	2018 After acquisition related costs £m*	2017 Before acquisition related costs £m*	2017 Acquisition related costs (note 4) £m*	2017 After acquisition related costs £m*
Revenue	3	152.6	-	152.6	156.8	-	156.8
Cost of sales		(5.5)	-	(5.5)	(4.5)	-	(4.5)
Trading profit		147.1	-	147.1	152.3	-	152.3
Administrative expenses		(128.3)	(1.2)	(129.5)	(128.2)	(2.3)	(130.5)
Operating profit	3	18.8	(1.2)	17.6	24.1	(2.3)	21.8
Finance revenue		0.5	-	0.5	0.5	-	0.5
Finance costs		(0.3)	-	(0.3)	(0.1)	(0.3)	(0.4)
Other finance revenue - pensions		0.2	-	0.2	-	-	-
Profit before taxation		19.2	(1.2)	18.0	24.5	(2.6)	21.9
Taxation	5	(4.7)	0.3	(4.4)	(6.2)	0.6	(5.6)
Profit for the period		14.5	(0.9)	13.6	18.3	(2.0)	16.3
Attributable to:							
Equity holders of the Parent Company		13.7	(0.9)	12.8	17.2	(2.0)	15.2
Non-controlling interests		0.8	-	0.8	1.1	-	1.1
Profit for the period		14.5	(0.9)	13.6	18.3	(2.0)	16.3
Earnings per share							
Basic	6	45.8p		42.5p	57.5p		50.8p
Diluted	6	45.6p		42.3p	57.4p		50.7p

* *Unaudited*

Consolidated statement of comprehensive income
for the half year to 30 June

	2018 £m*	2017 £m*
Profit for the period	13.6	16.3
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on employee benefit schemes – net of tax	5.9	2.3
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	7.0	(7.4)
Foreign currency hedge – net of tax	(1.4)	3.5
Other comprehensive income/(loss)	11.5	(1.6)
Total comprehensive income for the period	25.1	14.7
Attributable to:		
Equity holders of the Parent Company	24.2	13.7
Non-controlling interests	0.9	1.0
Total comprehensive income for the period	25.1	14.7

* *Unaudited*

Consolidated balance sheet
as at 30 June

	Notes	2018 £m*	2017 £m*	31 December 2017 £m+
Non-current assets				
Property, plant and equipment		**28.2**	28.9	29.7
Investment property		**1.1**	1.2	1.1
Intangible assets		**296.8**	293.7	289.6
Trade and other receivables		**1.6**	1.8	2.5
Investments		**4.9**	4.3	4.9
Employee benefits	9	**23.1**	10.2	16.7
Deferred tax asset		**7.9**	10.6	11.1
		363.6	350.7	355.6
Current assets				
Inventories		**0.6**	0.6	0.7
Trade and other receivables		**84.0**	58.2	60.2
Income tax receivable		**0.5**	1.0	1.3
Investments		**4.7**	5.4	5.8
Cash and cash equivalents	8	**95.9**	117.4	161.7
		185.7	182.6	229.7
Current liabilities				
Trade and other payables		**(94.7)**	(97.3)	(132.0)
Income tax payable		**(5.5)**	(6.3)	(8.2)
Provisions		**(0.1)**	-	(0.1)
		(100.3)	(103.6)	(140.3)
Net current assets		**85.4**	79.0	89.4
Non-current liabilities				
Trade and other payables		**(10.4)**	(10.8)	(10.6)
Provisions		**(0.2)**	(0.1)	(0.1)
Employee benefits	9	**(3.2)**	(4.7)	(4.4)
Deferred tax liability		**(7.1)**	(5.7)	(6.5)
		(20.9)	(21.3)	(21.6)
Net assets		**428.1**	408.4	423.4
Capital and reserves				
Share capital	10	**7.6**	7.6	7.6
Other reserves		**238.5**	236.9	234.7
Retained earnings		**180.3**	162.0	177.4
Equity attributable to shareholders of the Parent Company		**426.4**	406.5	419.7
Non-controlling interests		**1.7**	1.9	3.7
Total equity		**428.1**	408.4	423.4

* *Unaudited*
\+ *Audited*

Consolidated statement of changes in equity

for the half year to 30 June

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £m*
Balance at 1 January 2018		7.6	234.7	177.4	419.7	3.7	423.4
Profit for the period		-	-	12.8	12.8	0.8	13.6
Other comprehensive income:							
Actuarial gain on employee benefit schemes - net of tax		-	-	5.9	5.9	-	5.9
Foreign exchange differences on retranslation of foreign operations		-	6.9	-	6.9	0.1	7.0
Foreign currency hedge – net of tax		-	(1.4)	-	(1.4)	-	(1.4)
Total comprehensive income for the period		-	5.5	18.7	24.2	0.9	25.1
Transactions with owners:							
Employee share schemes		-	(1.7)	0.2	(1.5)	-	(1.5)
Tax on other employee benefits		-	-	(0.6)	(0.6)	-	(0.6)
Tax on other items in equity		-	-	(0.2)	(0.2)	-	(0.2)
Dividend paid	7	-	-	(15.2)	(15.2)	(2.9)	(18.1)
		-	(1.7)	(15.8)	(17.5)	(2.9)	(20.4)
Balance at 30 June 2018		7.6	238.5	180.3	426.4	1.7	428.1

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £m*
Balance at 1 January 2017		7.6	240.1	155.8	403.5	3.2	406.7
Profit for the period		-	-	15.2	15.2	1.1	16.3
Other comprehensive income:							
Actuarial gain on employee benefit schemes - net of tax		-	-	2.3	2.3	-	2.3
Foreign exchange differences on retranslation of foreign operations		-	(7.3)	-	(7.3)	(0.1)	(7.4)
Foreign currency hedge – net of tax		-	3.5	-	3.5	-	3.5
Total comprehensive (loss)/income for the period		-	(3.8)	17.5	13.7	1.0	14.7
Transactions with owners:							
Employee share schemes		-	0.6	1.1	1.7	-	1.7
Tax on other employee benefits		-	-	0.6	0.6	-	0.6
Tax on other items in equity		-	-	0.1	0.1	-	0.1
Dividend paid	7	-	-	(13.1)	(13.1)	(2.3)	(15.4)
		-	0.6	(11.3)	(10.7)	(2.3)	(13.0)
Balance at 30 June 2017		7.6	236.9	162.0	406.5	1.9	408.4

* *Unaudited*

Consolidated cash flow statement

for the half year to 30 June

	Notes	2018 £m*	2017 £m*
Cash flows from operating activities			
Profit before taxation		**18.0**	21.9
Adjustments for:			
Foreign exchange differences		**-**	4.5
Depreciation of property, plant and equipment		**2.6**	2.4
Share-based payment expense		**0.7**	0.8
Profit on sale of property, plant and equipment		**-**	(0.1)
Amortisation of intangibles		**0.8**	1.8
Difference between pension contributions paid and amount recognised in the income statement		**(0.2)**	(0.6)
Finance revenue		**(0.5)**	(0.5)
Finance costs		**0.3**	0.4
Other finance revenue – pensions		**(0.2)**	-
Decrease in inventories		**-**	0.1
Increase in trade and other receivables		**(23.2)**	(4.2)
Decrease in bonus accrual		**(51.8)**	(32.0)
Increase/(decrease) in trade and other payables		**11.0**	(5.9)
Increase in provisions		**0.1**	-
Cash utilised from operations		**(42.4)**	(11.4)
Income tax paid		**(4.8)**	(3.2)
Net cash flow from operating activities		**(47.2)**	(14.6)
Cash flows from investing activities			
Interest received		**0.4**	0.4
Purchase of property, plant and equipment		**(0.9)**	(1.6)
Purchase of intangible assets		**(2.0)**	-
Proceeds from sale of investments		**0.2**	-
Proceeds from sale of property, plant and equipment		**0.3**	0.1
Purchase of investments		**(4.0)**	-
Transfer from current investments (funds on deposit)		**5.0**	24.1
Acquisition of subsidiaries, including settlement of deferred consideration		**-**	(24.4)
Dividends received from investments		**-**	0.1
Net cash flow from investing activities		**(1.0)**	(1.3)
Cash flows from financing activities			
Interest paid		**(0.3)**	(0.1)
Dividend paid	7	**(15.2)**	(13.1)
Dividend paid to non-controlling interests		**(2.9)**	(2.3)
Net cash flow from financing activities		**(18.4)**	(15.5)
Net decrease in cash and cash equivalents		**(66.6)**	(31.4)
Cash and cash equivalents at 1 January		**161.7**	154.0
Net foreign exchange differences		**0.8**	(5.2)
Cash and cash equivalents at 30 June	8	**95.9**	117.4

* *Unaudited*

Notes to the interim financial statements

1 Corporate information

The interim financial statements of Clarkson PLC for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 10 August 2018. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, incorporated and registered in England and Wales and domiciled in the UK.

The interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 were approved by the Board of Directors on 9 March 2018 and delivered to the Registrar of Companies. The Auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The interim financial statements have been reviewed, not audited.

Copies of the interim report will be available at www.clarksons.com.

2 Statement of accounting policies

2.1 Basis of preparation

The interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, which were prepared in accordance with IFRSs as adopted by the European Union.

The Group has considerable financial resources available and a strong balance sheet. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, despite the challenging market backdrop. The Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The interim consolidated income statement is shown in columnar format to assist with understanding the Group's results by presenting profit for the period before acquisition related costs; this is referred to as underlying profit. The column 'acquisition related costs' includes the amortisation of intangible assets acquired through business combinations and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions.

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except as described below:

- Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- IFRS 9 'Financial Instruments' was effective and applied from 1 January 2018. This standard addresses the classification, measurement and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces IAS 39 'Financial Instruments' guidance and comprehensive updates have been made to IFRS 7 'Financial Instruments: Disclosure' and IAS 32 'Financial Instruments: Presentation'.

  There has been no material impact from implementation of the new standard.
  - Hedge accounting continues to be applied as set out in note 26 of the 2017 annual report.
  - Investments are required to be measured at fair value. Changes in fair value are recognised through the Income Statement or through equity. On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main impact of this assessment is a reclassification of £3.8m from Available-for-sale financial assets to Fair value through other comprehensive income.
  - Financial assets are assessed for impairment by applying the expected credit loss model. The majority of financial assets are liquid and there has been no material credit loss risk or impairments identified by applying IFRS 9.
  - In respect of trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The application of the expected credit loss model has not resulted in any material change to the Group's carrying value of these amounts.

- IFRS 15 'Revenue from Contracts with Customers' was effective and applied from 1 January 2018. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'.

  The impact assessment performed by the Group in 2017 included a review of each of its revenue streams and customer contracts to identify distinct performance obligations and the appropriate method for recognising revenue upon satisfaction of the performance obligations, either at a point in time or over time. For broking, time charters will be satisfied over time with all other revenue streams in that segment satisfied at a point in time. For the other business segments, the majority of performance obligations will be satisfied at a point in time, other than for certain corporate management activities, agency fees and subscription-based research income.

  There has been no material impact on the Group's financial statements from the application of IFRS 15. The Group continues to disaggregate revenue over broking, financial, support and research. All revenue is deemed to relate to revenue from contracts with customers.

There were no other new IFRSs or interpretations issued by the IFRS Interpretation Committee (IFRS IC) that had to be implemented during the period that significantly affects these interim financial statements.

As at the date of authorisation of these interim financial statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards and interpretations in the preparation of these financial statements.

- IFRIC 23 'Uncertainty over income tax treatments', effective from 1 January 2019 and not yet endorsed by the EU.

- IFRS 16 'Leases', effective from 1 January 2019. This standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease. Under the single lessee model, a right of use asset and corresponding lease liability will be recognised which represent future lease payables, with movements through the Income Statement representing depreciation, additions or releases on the liability and unwinding of the discount for all leases unless the underlying asset has low value or the remaining lease term is less than 12 months at the date of transition.

  As the Group had non-cancellable operating lease commitments of £93.6m at 31 December 2017, it is expected that the application of this standard will have a material impact on the Group's financial statements. A full assessment of the financial impact of the new standard is currently being undertaken and the results of this will be included within the financial statements for the year ended 31 December 2018.

The impact on the Group's financial statements of the future adoption of these and other new standards and interpretations is still under review and disclosure will be provided in the annual report for the year ended 31 December 2018.

There were no other new IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 Accounting judgements and estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

2.4 Seasonality

The Group's activities are not subject to significant seasonal variation.

2.5 Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

3 Segmental information

	Revenue		Results	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Broking	**111.5**	118.0	**15.9**	21.0
Financial	**22.7**	23.2	**4.7**	5.0
Support	**10.6**	8.3	**0.9**	0.7
Research	**7.8**	7.3	**2.4**	2.4
Segment revenue/underlying profit	**152.6**	156.8	**23.9**	29.1
Head office costs			**(5.1)**	(5.0)
Operating profit before acquisition related costs			**18.8**	24.1
Acquisition related costs			**(1.2)**	(2.3)
Operating profit after acquisition related costs			**17.6**	21.8
Finance revenue			**0.5**	0.5
Finance costs			**(0.3)**	(0.4)
Other finance revenue - pensions			**0.2**	-
Profit before taxation			**18.0**	21.9
Taxation			**(4.4)**	(5.6)
Profit for the period			**13.6**	16.3

All revenue is generated externally.

4 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.4m (2017: £0.5m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.8m (2017: £1.8m) relating to amortisation of intangibles acquired as part of the Platou acquisition. There was no interest on the loan notes issued as part of the Platou acquisition (2017: £0.3m).

5 Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate, excluding acquisition related costs, used for the year to 31 December 2018 is 24% (the estimated tax rate used for the six months ended 30 June 2017 was 25%). The effective tax rate, after acquisition related costs, is 24.2% (2017: 25.4%).

6 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018 £m	2017 £m
Profit for the period attributable to ordinary equity holders of the Parent Company	**12.8**	15.2

	2018 Million	2017 Million
Weighted average number of ordinary shares - basic	**30.1**	30.1
Dilutive effect of share options and acquisition related share awards	**0.1**	-
Weighted average number of ordinary shares - diluted	**30.2**	30.1

7 Dividends

	2018 £m	2017 £m
Declared and paid during the period:		
Final dividend for 2017 of 50p per share (2016: 43p per share)	**15.2**	13.1
Payable (not recognised as a liability at 30 June):		
Interim dividend for 2018 of 24p per share (2017: 23p per share)	**7.3**	7.0

8 Cash and cash equivalents

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Cash at bank and in hand	**93.1**	110.7	159.6
Short-term deposits	**2.8**	6.7	2.1
	95.9	117.4	161.7

Net cash and available funds, after deducting amounts accrued for performance-related bonuses but including current investments, amounted to £60.2m (30 June 2017: £71.4m, 31 December 2017: £79.1m). Free cash resources, being net cash and available funds less monies held by regulated entities and Board-approved capital commitments, at 30 June 2018 were £44.1m (30 June 2017: £45.0m, 31 December 2017: £54.1m).

9 Employee benefits

The Group operates three defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme.

The following tables summarise amounts recognised in the consolidated balance sheet and the components of the net benefit credit/(charge) recognised in the consolidated income statement.

Recognised in the balance sheet

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Fair value of schemes' assets	**195.4**	203.0	202.7
Present value of funded defined benefit obligations	**(167.8)**	(193.1)	(185.1)
	27.6	9.9	17.6
Effect of asset ceiling / minimum funding commitment in relation to the Plowrights scheme	**(7.7)**	(4.4)	(5.3)
Net benefit asset recognised in the balance sheet	**19.9**	5.5	12.3
Net deferred tax liability on above asset	**(3.3)**	(0.9)	(2.0)

Recognised in the income statement

	2018 £m	2017 £m
Recognised in other finance costs – pensions:		
Expected return on schemes' assets	**2.5**	2.6
Interest cost on benefit obligation and minimum funding commitment	**(2.3)**	(2.6)
Recognised in administrative expenses:		
Scheme administrative expenses	**-**	(0.1)
Net benefit credit/(charge) recognised in the income statement	**0.2**	(0.1)

10 Share capital

	30 June 2018 Million	30 June 2017 Million	31 December 2017 Million	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Ordinary shares of 25p each, issued and fully paid	**30.2**	30.2	30.2	**7.6**	7.6	7.6

11 Contingencies

From time to time, the Group is engaged in litigation in the ordinary course of business. The Group carries professional indemnity insurance. There is currently no litigation expected to have a material adverse financial impact on the Group's consolidated results or net assets.

12 Principal risks and uncertainties

The Directors consider that the nature of the principal risks and uncertainties which may have a material effect on the Group's performance in the second half of the year is unchanged from those identified in the risk management section of the 2017 annual report on pages 42 to 47. Note 26 of the 2017 annual report sets out the financial risk management objectives and policies of the Group. These are also unchanged from the year-end.

13 Financial instruments

Fair value measurements apply to the foreign currency contracts of £0.2m asset and £0.7m liability at 30 June 2018 (30 June 2017: £1.9m liability, 31 December 2017: £1.3m asset). These are classified as level 2. The method for determining the hierarchy and fair value is consistent with that used at the year-end, as disclosed on page 126 of the 2017 annual report. The fair value of other financial assets and liabilities approximate their carrying value.

14 Related party disclosures

The Group's significant related parties are as disclosed in the 2017 annual report. There were no material differences in related parties or related party transactions in the period ended 30 June 2018.