

NORDEN takes USD 230 million provision with no cash flow effect for onerous time charter contracts in Dry Cargo and reduces full-year guidance – underlying operations unchanged

Following an updated market evaluation, NORDEN has concluded that it is no longer likely that certain time charter contracts predominantly entered into 3-6 years ago on vessels chartered in will become profitable. As a consequence, a provision of USD 230 million is recognised for onerous time charter contracts in Dry Cargo.

The provision is a result of the continued weakness in dry cargo forward rates witnessed recently, which has made management undertake a reassessment of the freight rate outlook. Based hereon, management has concluded that the market for the next few years will not improve to the extent previously assumed but, in the near term, be closer to current forward rates in the market. The long-term outlook remains unchanged in line with the historical averages which have previously been applied.

A similar review has been made for the NORDEN owned dry cargo vessels and the tanker segment with the conclusion that there is no need for either provision or impairment.

Following the provision in Dry Cargo, the book value of Group equity of USD 1.2 billion or DKK 177 per share is in line with the likely value of future cash flows based on management's current market assumptions (book values based on figures as per 30 September 2014).

The material part of the provision will be reversed over the next 3-4 years leading to a positive EBITDA impact of a similar amount over that period. About one-third of the provision will be reversed in 2015. The provision has no impact on cash flows or loan agreements.

As a consequence of the provision, NORDEN reduces its guidance for the year and now expects a full-year EBITDA of USD -290 to -230 million (previously USD -60 to 0 million). Underlying operations remain within the previously issued guidance with the tanker segment approaching the high end of its range due to the recent spot market improvement.

Kind regards,
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