

NORDEN writes down the value of its dry cargo fleet and makes provision with no cash flow effect of USD 340 million.

NORDEN writes down the carrying amount of owned dry cargo vessels by USD 180 million and at the same time makes a provision of USD 160 million for losses on long-term chartered dry cargo vessels.

The total of USD 340 million will be included in the annual results for 2015.

The market values of dry cargo vessels and the forward rates for the coming years dropped drastically in the fourth quarter of 2015. At the end of the year, broker valuations of NORDEN's owned vessels and newbuilding contracts including joint ventures and assets held for sale were USD 203 million below the carrying amounts and cost prices of newbuildings, and NORDEN has therefore completed a routine impairment test. The write-down and the provision, which are based on value in use, are a consequence of the fact that management in the impairment test for dry cargo has reduced its expectations for the future freight rate levels compared to previous assumptions.

The transition of the Chinese economy and the consequently lower growth and significantly reduced development in demand for dry cargo transports has resulted in a considerable overcapacity in the market for dry cargo transports.

On this basis, management expects continued weak rates on a level with the current FFA rates for the coming 2 years. After this period, the rates are expected to improve gradually. Management's long-term rate expectation is based on the 25-year historical average cleared of the unusually strong period 2004-2008. Besides the changed rate assumptions, the method is unchanged compared to previously. The calculation is very sensitive to even small changes particularly in the rate assumptions and the applied discount rate.

Following the write-down and the provision, the book value of Group equity of USD 0.9 billion (approx. DKK 150 per share) is in line with the likely value of future cash flows based on management's current market assumptions. NORDEN has also performed an impairment test of the Company's other business area (the product tanker fleet) and has found that there is no need for adjustment of the fleet values or the T/C contracts in this segment.

The provision related to the long-term chartered dry cargo vessels will be distributed over the next 4 years leading to a positive EBIT impact of a similar amount over that period. About one-third of the provision will be reversed in 2016. The write-down of owned vessels entail an improvement of EBIT in 2016 of USD 10 million as a result of reduced depreciation.

Neither the write-down nor the provision has any impact on cash flows or loan agreements, and NORDEN continues to be financially strong. At the end of 2015, cash and securities thus amounted to USD 355 million. To this can be added undrawn credit facilities of USD 296 million.

As a consequence of the write-down and the provision, NORDEN reduces its guidance for the year and now expects a full-year EBIT for 2015 of USD -297 to -277 million (previously USD 43 to 63 million).

Kind regards,
Dampskibsselskabet NORDEN A/S

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