

# CCORB SS

## Results Review

14 August 2014

# Concordia Maritime

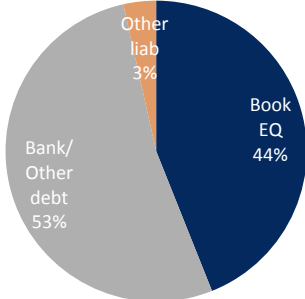
CCORB SS/Shipping/Sweden

Product/Chemical

Equity rating  
BUY / TP SEK 18



### Capital structure - Last reported



### Enterprise value

MCap (SEKm)	704
Net debt FY1 (SEK)	1,585
EV FY1 (SEKm)	2,289
Shares outst. (m)	48

### Share data (price at 13 Aug 14)

Price (SEK)	14.8
Target (SEK)	18.0
Upside/Downside	22%
52 wk range (SEK)	10.3- 15.3
12m perf/OSEBX	37%/ 19%

### Valuation

NAV/sh (SEK)	23.5
EV/GAV	0.86
P/NAV	0.63

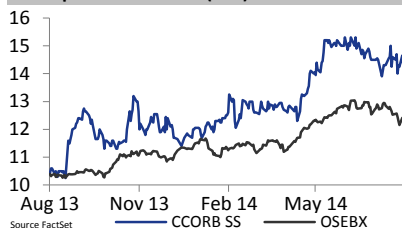
### Credit Metrics

	2014e	2015e	2016e
Equity ratio	42%	44%	48%
NIBD / EBITDA	13.9	6.4	4.3
OCF/NIBD	8%	13%	21%
EBITDA/Int.	3.1	5.7	8.1
Current ratio	1.1	0.7	0.2

### Stock information

Free float	48%
3 mth avg vol ('000)	34
Beta 1 yr	0.2
Spread 1 yr	1.22%
Velocity 1 yr	25%
Volatility 90 days	29%
Risk	High

### Share price last 12 mth (SEK)



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## Still too cheap

**What's new:** Weak 2q14 result

**Our take:** An undervalued Product and Chemical tanker company

The 2q14 results were lower than we expected, with an EBITDA (adj.) of SEK 6m vs our SEK 17m forecast. The Suezmax achieved an average rate of USD 17,200/day vs our USD 15,972 forecast, while the nine spot-traded "P-MAX"-design LR1s saw USD 10,522 on average vs our forecast of USD 11,996. Costs were much as expected, and so was the SEK ~80m one-off from the sale of 50% owned Stena Poseidon and Palva.

**Company overview:** CCORB has a fleet consisting of 10 "P-MAX"-design LR1s with an average age of ~6 years, one 2012-built Suezmax and two "IMO2MAX"-design Chemical Tankers on order with expected delivery in January 2015. Being a part of the Stena sphere, the company has access to in-house services at attractive prices. Short term triggers for the company include further fleet growth and additional time charters for its P-MAXes.

**Market outlook:** We forecast rising demand for **Product Tankers** in the coming years due to the emergence of new trades and increasing volumes. Our base case demand growth forecast is ~5% against average supply growth of ~4-5%. In addition, we see a positive spill-over effect from an improving market balance for crude tankers. With the current **Chemical Tanker** orderbook (5.3m dwt) at 17% of the fleet (31.0m dwt), we forecast net fleet growth of ~2-5% in the coming years. Against this, we see demand growth of ~4-5%, implying a marginal improvement in the Chemical Tanker market balance. However, there is a risk that the current strong newbuild contracting could lead to supply growth outpacing demand growth again in 2016/2017E.

**Valuation:** We estimate a NAV of SEK 23.5/share, corresponding to a P/NAV of 0.63 and an EV/GAV of 0.86. NAV is sensitive to changes in asset prices, and we estimate a +/- 10% change to impact NAV by SEK 6.5/share. The company has historically yielded 2% - 8%, and we see a potential dividend yield of 10% in 2016E. We apply a 25% discount to NAV (stock illiquidity & Swedish-listed) to reach our target price of SEK 18.

Key figures (SEKm)	1Q14	2Q14	3Q14E	4Q14E	2013	2014E	2015E
Revenue	135	86	94	119	468	434	614
EBITDA	52	6	16	41	145	114	262
EBIT	16	-28	-18	7	0	-24	106
Pre-tax profit	10	42	-27	-3	-39	22	60
EPS adj.	0.26	-0.85	-0.57	-0.06	-0.60	-1.22	1.26
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E adj.	-	-	-	-	-	-	11.7
EV/EBITDA (incl. wc)	15.2	19.7	27.0	19.5	16.4	19.5	8.9
EV/EBITDA	16.9	20.3	27.8	20.0	16.9	20.0	9.1
EV/EBIT (incl. wc)	-	-	-	-	-	-	22.1
P/B	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	-	2.2%	-	1.6%	-	1.7%	4.3%
ROCE	0.0%	-	-	-	0.0%	-	3.6%

Deviation table						
SEKm	2q14	2q14e	1q14	4q13	3q13	2q13
TCE revenue	86	92	135	96	125	119
<b>EBITDA adj.</b>	<b>6</b>	<b>17</b>	<b>52</b>	<b>9</b>	<b>46</b>	<b>39</b>
Depreciation	-34	-36	-36	-36	-36	-36
<b>EBIT adj.</b>	<b>-28</b>	<b>-19</b>	<b>16</b>	<b>-27</b>	<b>9</b>	<b>3</b>
Net finance	-10	-10	-6	-8	-10	-11
Non recurring	80	0	0	0	0	0
<b>Pre-tax profit</b>	<b>42</b>	<b>-29</b>	<b>10</b>	<b>-35</b>	<b>-1</b>	<b>-9</b>
Taxes	-2	0	2	4	2	2
Net profit	40	-29	12	-31	1	-6
<b>Net profit adj.</b>	<b>-40</b>	<b>-29</b>	<b>12</b>	<b>-31</b>	<b>1</b>	<b>-6</b>
EPS	0.84	-0.61	0.26	-0.65	0.01	-0.13
<b>EPS adj.</b>	<b>-0.85</b>	<b>-0.61</b>	<b>0.26</b>	<b>-0.65</b>	<b>0.01</b>	<b>-0.13</b>
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Suezmax spot (USD/day, estimated)	17,200	15,972	33,684	20,497	19,398	17,200
P-MAX spot (USD/day, estimated)	10,522	11,996	14,994	9,637	13,679	12,580

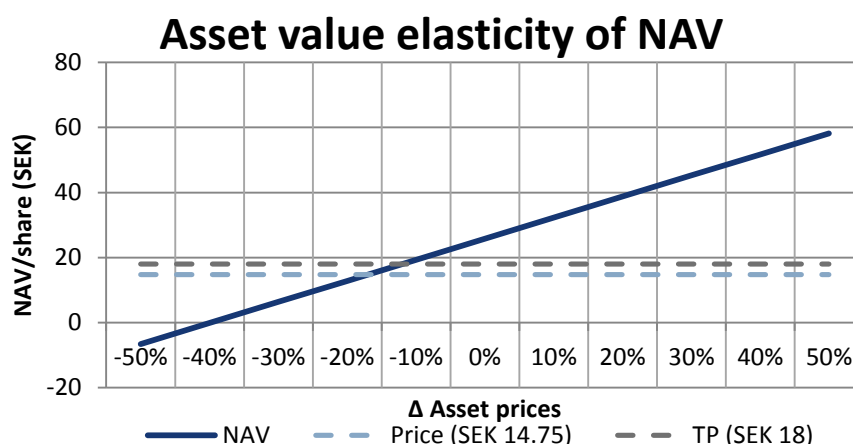
## Valuation

### NAV

We calculate a NAV/share of SEK 23.5 which corresponds to a P/NAV of 0.63 and an EV/GAV of 0.86.

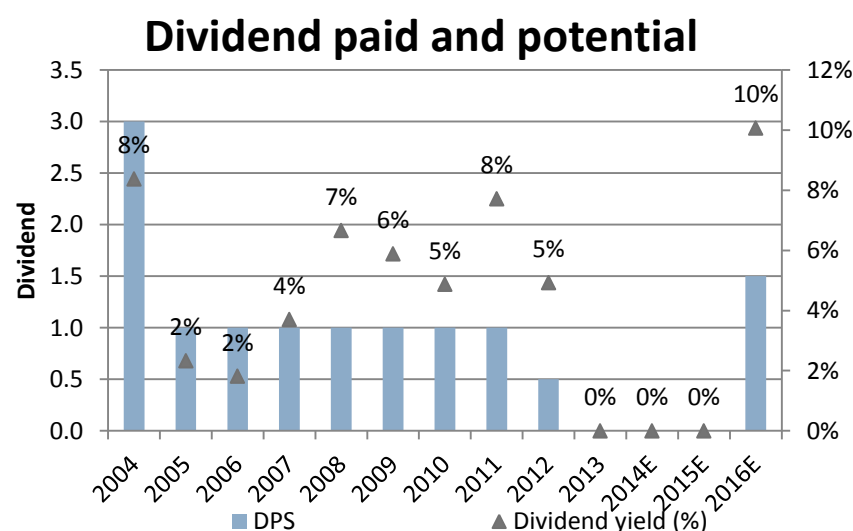
ASSET VALUE OVERVIEW	Book values	Market values	Implied	-10%	+10%
Ships	2,770	2,519	2,169	2,267	2,771
Assets under construction	131	574	494	517	632
Charter-adjustment		-111	-96		
Other	9	9	7	9	9
<b>Gross Asset Value</b>	<b>2,909</b>	<b>2,991</b>	<b>2,575</b>	<b>2,792</b>	<b>3,411</b>
Net debt	-1,575	-1,573	-1,573	-1,573	-1,573
Minorities	0	0	0	0	0
Equity change			0	0	0
Remaining Capex		-360	-360	-360	-360
Other/Off balance	62	62	62	62	62
Sum	-1,512	-1,871	-1,871	-1,871	-1,871
<b>NAV</b>	<b>1,397</b>	<b>1,120</b>	<b>704</b>	<b>922</b>	<b>1,540</b>
No. of shares	48	48	48	48	48
USDSEK	6.87	6.87	6.87	6.87	6.87
<b>NAV/share local</b>	<b>29.3</b>	<b>23.5</b>	<b>14.8</b>	<b>19.3</b>	<b>32.3</b>
NAV/share USD	4.26	3.42	2.15	2.81	4.70
P/NAV	0.50	0.63	1.00	0.76	0.46
EV/GAV	0.76	0.86	1.00	0.92	0.75

The share price is highly sensitive to changes in asset prices, and we calculate a 10% change in asset prices to impact NAV/share by SEK 6.5, or 25%.



### Dividend potential

The company has historically paid dividends, and we see the potential a resumption of this policy from 2016E. Assuming 50% of EPS is paid to shareholders, the potential dividend yield is 10% in 2016E.



### Peer comparison

Compared to peers, the company looks cheap at the current share price. Pricing in line with peers would give a share price for Concordia of SEK 19/share.

Company	EV/EBITDA			P/E			EV/GAV	P/NAV
	2014	2015	2016	2014	2015	2016		
ASC-US	16.5	8.3	5.7	nm	10.1	6.4	0.81	0.73
CCOR.B-SE	19.5	8.9	6.2	nm	11.7	4.9	0.86	0.63
DIS-IT	19.7	6.0	4.9	nm	5.8	3.4	0.84	0.67
HAFNIA-NO	18.1	7.1	5.4	nm	7.6	5.9	0.89	0.78
EIGHT-NO	nm	44.1	9.7	nm	44.7	5.1	0.95	0.82
NNA-US	12.6	8.0	6.1	42.2	6.6	4.3	0.96	0.88
FRNT-NS	28.2	14.5	10.1	36.4	7.1	4.8	0.88	0.81
STNG-US	45.0	11.5	9.0	nm	13.6	9.2	1.05	1.11
TORM-DK	15.0	6.7	7.6	nm	2.0	6.2	1.27	nm
<b>Average</b>	<b>21.8</b>	<b>12.8</b>	<b>7.2</b>	<b>39.3</b>	<b>12.1</b>	<b>5.6</b>	<b>0.95</b>	<b>0.80</b>

## Fleet overview

SAILING FLEET	Type	Segment	Spec.	Built	Dwt	Shipyard	Ownership	Ownership	Employment	Charterer
Stena Supreme	Suezmax	CRUDE		2012	158,000	Samsung H.I.	Owned	100%	Stena/Sonogol pool	
Stena Premium	LR1	PRODUCT	P-MAX	2011	65,200	STX Shipbuilding	Owned	100%	Spot	
Stena Penguin	LR1	PRODUCT	P-MAX	2010	65,200	STX Shipbuilding	Owned	100%	Spot charter	Shell
Stena Progress	LR1	PRODUCT	P-MAX	2009	65,200	STX Shipbuilding	Owned	100%	Spot charter	Shell
Stena Polaris	LR1	PRODUCT	P-MAX	2010	65,200	STX Shipbuilding	Owned	100%	Spot charter	Exxon
Stena Perros	LR1	PRODUCT	P-MAX	2008	65,200	STX Shipbuilding	Owned	100%	Spot	
Stena President	LR1	PRODUCT	P-MAX	2007	65,200	STX Shipbuilding	Owned	100%	Spot	
Stena Primorsk	LR1	PRODUCT	P-MAX	2006	65,200	STX Shipbuilding	Owned	100%	Spot	
Stena Performance	LR1	PRODUCT	P-MAX	2006	65,200	STX Shipbuilding	Owned	100%	Spot	
Stena Provence	LR1	PRODUCT	P-MAX	2006	65,200	STX Shipbuilding	Owned	100%	Spot charter	Exxon
Stena Paris	LR1	PRODUCT	P-MAX	2005	65,200	STX Shipbuilding	Owned	100%	TC	Total
<b>Total / Average</b>				<b>2008</b>	<b>810,000</b>			<b>11</b>	<b>11</b>	

NEWBUILDINGS	Type	Segment	Spec.	Built	Dwt	Shipyard	Ownership	Ownership	Employment	Charterer
Stena Image	Coated 40-50k	CHEMICAL	IMO2MAX	2015	50,000	Guangzhou	Owned	100%		
Stena Important	Coated 40-50k	CHEMICAL	IMO2MAX	2015	50,000	Guangzhou	Owned	100%		
<b>Total / Average</b>				<b>2015</b>	<b>100,000</b>			<b>2</b>	<b>2</b>	

Quarterly information									
Assumptions	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Suezmax pool/spot rates	40,296	13,972	28,671	23,100	28,350	25,650	24,300	29,700	32,567
LR1 pool/spot rates	17,588	12,996	12,396	17,510	20,710	18,050	17,860	19,570	24,188
Coated 40-50k pool/spot rates	16,412	16,412	16,412	16,412	16,293	16,293	16,293	16,293	16,147
Eco-design IMO2MAX premium	0	0	0	3,000	2,750	2,750	2,750	2,750	2,000
<b>+10% TCE revenue</b>	<b>1Q14</b>	<b>2Q14</b>	<b>3Q14E</b>	<b>4Q14E</b>	<b>1Q15E</b>	<b>2Q15E</b>	<b>3Q15E</b>	<b>4Q15E</b>	<b>1Q16E</b>
EBITDA	0%	143%	60%	29%	22%	25%	25%	22%	19%
EPS	0%	21%	34%	419%	65%	193%	219%	77%	39%
<b>-10% TCE revenue</b>	<b>1Q14</b>	<b>2Q14</b>	<b>3Q14E</b>	<b>4Q14E</b>	<b>1Q15E</b>	<b>2Q15E</b>	<b>3Q15E</b>	<b>4Q15E</b>	<b>1Q16E</b>
EBITDA	0%	-143%	-60%	-29%	-22%	-25%	-25%	-22%	-19%
EPS	0%	-21%	-34%	-419%	-65%	-193%	-219%	-77%	-39%
<b>Sales (SEKm)</b>	<b>1Q14</b>	<b>2Q14</b>	<b>3Q14E</b>	<b>4Q14E</b>	<b>1Q15E</b>	<b>2Q15E</b>	<b>3Q15E</b>	<b>4Q15E</b>	<b>1Q16E</b>
Suezmax	0	10	18	15	18	16	16	19	21
P-MAX	0	82	76	104	122	107	107	117	144
IMO2MAX	0	0	0	0	23	23	23	23	22
<b>Total</b>	<b>135</b>	<b>86</b>	<b>94</b>	<b>119</b>	<b>163</b>	<b>146</b>	<b>146</b>	<b>160</b>	<b>187</b>
<b>EBITDA (SEKm)</b>	<b>1Q14</b>	<b>2Q14</b>	<b>3Q14E</b>	<b>4Q14E</b>	<b>1Q15E</b>	<b>2Q15E</b>	<b>3Q15E</b>	<b>4Q15E</b>	<b>1Q16E</b>
Suezmax	14	3	12	9	12	10	9	13	14
P-MAX	48	21	16	44	62	47	46	57	84
IMO2MAX	0	0	0	0	14	14	14	14	13
<b>Total</b>	<b>52</b>	<b>6</b>	<b>16</b>	<b>41</b>	<b>75</b>	<b>58</b>	<b>57</b>	<b>71</b>	<b>98</b>
<b>EBITDA margin</b>	<b>1Q14</b>	<b>2Q14</b>	<b>3Q14E</b>	<b>4Q14E</b>	<b>1Q15E</b>	<b>2Q15E</b>	<b>3Q15E</b>	<b>4Q15E</b>	<b>1Q16E</b>
Suezmax	nm	32%	66%	58%	65%	61%	59%	66%	68%
P-MAX	nm	25%	21%	42%	51%	44%	43%	48%	58%
IMO2MAX					61%	62%	62%	61%	59%
<b>Total margin</b>	<b>38%</b>	<b>7%</b>	<b>17%</b>	<b>34%</b>	<b>46%</b>	<b>40%</b>	<b>39%</b>	<b>44%</b>	<b>52%</b>

Yearly information									
Assumptions	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Suezmax pool/spot rates	37,897	19,735	16,770	13,516	17,189	13,658	26,510	27,000	31,016
LR1 pool/spot rates	36,106	17,372	16,090	9,700	11,749	12,278	15,123	19,048	22,246
Coated 40-50k pool/spot rates	0	0	0	0	17,000	17,850	16,412	16,293	16,147
Eco-design IMO2MAX premium	0	0	0	0	0	0	750	2,750	2,000
<b>+10% TCE revenue</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
EBITDA	0%	0%	0%	0%	0%	0%	38%	23%	20%
EPS	0%	0%	0%	0%	0%	0%	-168%	102%	49%
<b>-10% TCE revenue</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
EBITDA	0%	0%	0%	0%	0%	0%	-38%	-23%	-20%
EPS	0%	0%	0%	0%	0%	0%	-562%	-102%	-49%
<b>Sales (SEKm)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
Suezmax	0	0	0	0	0	0	43	69	79
P-MAX	0	0	0	0	0	0	262	453	533
IMO2MAX	0	0	0	0	0	0	0	92	87
<b>Total</b>	<b>560</b>	<b>599</b>	<b>513</b>	<b>560</b>	<b>543</b>	<b>468</b>	<b>434</b>	<b>614</b>	<b>699</b>
<b>EBITDA (SEKm)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
Suezmax	0	0	0	0	8	20	38	43	53
P-MAX	0	0	0	0	179	169	129	212	289
IMO2MAX	0	0	0	0	0	0	0	56	51
<b>Total</b>	<b>163</b>	<b>161</b>	<b>220</b>	<b>243</b>	<b>228</b>	<b>145</b>	<b>114</b>	<b>262</b>	<b>342</b>
<b>EBITDA margin</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
Suezmax					nm	nm	87%	63%	67%
P-MAX					nm	nm	49%	47%	54%
IMO2MAX								61%	59%
<b>Total margin</b>	<b>29%</b>	<b>27%</b>	<b>43%</b>	<b>43%</b>	<b>42%</b>	<b>31%</b>	<b>26%</b>	<b>43%</b>	<b>49%</b>

Quarterly estimates									
PROFIT & LOSS (SEKm)	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Gross revenues	135	86	94	119	163	146	146	160	187
Voyage costs	0	0	0	0	0	0	0	0	0
Total operating revenue	135	86	94	119	163	146	146	160	187
COGS & other expenses	-69	-68	-66	-66	-75	-75	-76	-76	-76
SG&A	-15	-12	-12	-12	-13	-13	-13	-13	-13
<b>EBITDA</b>	<b>52</b>	<b>6</b>	<b>16</b>	<b>41</b>	<b>75</b>	<b>58</b>	<b>57</b>	<b>71</b>	<b>98</b>
Depr. & Amort.	-36	-34	-34	-34	-39	-39	-39	-39	-39
<b>EBIT</b>	<b>16</b>	<b>-28</b>	<b>-18</b>	<b>7</b>	<b>36</b>	<b>19</b>	<b>18</b>	<b>32</b>	<b>59</b>
Income from associates /JV's	0	0	0	0	0	0	0	0	0
Net interest expense	-6	-10	-9	-10	-11	-12	-11	-11	-11
Other net financials	0	0	0	0	0	0	0	0	0
Non-recurring items	0	81	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>10</b>	<b>42</b>	<b>-27</b>	<b>-3</b>	<b>25</b>	<b>8</b>	<b>7</b>	<b>21</b>	<b>48</b>
Minority interests	0	0	0	0	0	0	0	0	0
Tax expense	2	-2	0	0	0	0	0	0	0
<b>Net earnings</b>	<b>12</b>	<b>40</b>	<b>-27</b>	<b>-3</b>	<b>25</b>	<b>8</b>	<b>7</b>	<b>21</b>	<b>48</b>
Net earnings adj.	12	-40	-27	-3	25	8	7	21	48
<b>BALANCE SHEET (SEKm)</b>									
Intangibles	0	0	0	0	0	0	0	0	0
Tangible fixed assets	2,709	2,770	2,756	2,749	3,025	2,987	2,949	2,911	2,873
Deferred income tax assets	0	0	0	0	0	0	0	0	0
Other non current assets	111	139	139	139	139	139	139	139	139
<b>Total non-current assets</b>	<b>2,820</b>	<b>2,909</b>	<b>2,895</b>	<b>2,889</b>	<b>3,164</b>	<b>3,126</b>	<b>3,088</b>	<b>3,050</b>	<b>3,012</b>
Inventory	0	0	0	0	0	0	0	0	0
Receivables	355	174	174	174	174	174	174	174	174
Assets held for sale	82	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	130	94	80	158	62	20	60	31	87
<b>Total current assets</b>	<b>567</b>	<b>268</b>	<b>254</b>	<b>332</b>	<b>236</b>	<b>194</b>	<b>233</b>	<b>204</b>	<b>261</b>
<b>Total assets</b>	<b>3,387</b>	<b>3,177</b>	<b>3,149</b>	<b>3,221</b>	<b>3,400</b>	<b>3,320</b>	<b>3,321</b>	<b>3,254</b>	<b>3,273</b>
Shareholders equity	1,304	1,397	1,369	1,366	1,391	1,399	1,406	1,426	1,450
Minority interest	0	0	0	0	0	0	0	0	0
Interest-bearing debt	1,706	1,647	1,491	1,560	1,711	1,624	1,619	1,531	1,526
Deferred income tax liability	0	0	0	0	0	0	0	0	0
Other long-term debt	0	0	0	0	0	0	0	0	0
<b>Total non-current debt</b>	<b>1,706</b>	<b>1,647</b>	<b>1,491</b>	<b>1,560</b>	<b>1,711</b>	<b>1,624</b>	<b>1,619</b>	<b>1,531</b>	<b>1,526</b>
Interest-bearing debt	265	22	178	183	186	186	186	186	186
Trade payables	0	0	0	0	0	0	0	0	0
Other payables	0	0	0	0	0	0	0	0	0
Liability associated with assets held for sale	0	0	0	0	0	0	0	0	0
Other current liabilities	112	111	111	111	111	111	111	111	111
<b>Total current debt</b>	<b>377</b>	<b>133</b>	<b>289</b>	<b>294</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>
<b>Total liabilities &amp; equity</b>	<b>3,387</b>	<b>3,177</b>	<b>3,149</b>	<b>3,221</b>	<b>3,400</b>	<b>3,320</b>	<b>3,321</b>	<b>3,254</b>	<b>3,273</b>
<b>CASH FLOW (SEKm)</b>									
Cash earnings	42	22	7	31	64	47	46	60	87
Change in working capital	9	16	0	0	0	0	0	0	0
<b>Net cash from operations</b>	<b>51</b>	<b>38</b>	<b>7</b>	<b>31</b>	<b>64</b>	<b>47</b>	<b>46</b>	<b>60</b>	<b>87</b>
Investments in fixed assets	-5	-26	-20	-27	-314	-1	-1	-1	-1
Proceeds from sale of asset	1	312	0	0	0	0	0	0	0
Other investments	0	0	0	0	0	0	0	0	0
<b>Net cash from investments</b>	<b>-5</b>	<b>286</b>	<b>-20</b>	<b>-27</b>	<b>-314</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Free cash flow</b>	<b>47</b>	<b>324</b>	<b>-14</b>	<b>4</b>	<b>-250</b>	<b>46</b>	<b>45</b>	<b>59</b>	<b>86</b>
Net change in Equity	0	0	0	0	0	0	0	0	-24
Net change in Debt	-23	-363	0	74	154	-88	-5	-88	-5
Other items	0	3	0	0	0	0	0	0	0
<b>Net cash from financials</b>	<b>-23</b>	<b>-359</b>	<b>0</b>	<b>74</b>	<b>154</b>	<b>-88</b>	<b>-5</b>	<b>-88</b>	<b>-29</b>
Currency effect on cash	0	0	0	0	0	0	0	0	0
<b>Net change in cash</b>	<b>24</b>	<b>-35</b>	<b>-14</b>	<b>78</b>	<b>-96</b>	<b>-42</b>	<b>39</b>	<b>-29</b>	<b>57</b>

Yearly estimates									
PROFIT & LOSS (SEKm)	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Gross revenues	560	599	513	560	543	468	434	614	699
Voyage costs	0	0	0	0	0	0	0	0	0
Total operating revenue	560	599	513	560	543	468	434	614	699
COGS & other expenses	-361	-402	-257	-277	-274	-263	-269	-302	-306
SG&A	-36	-37	-37	-40	-41	-60	-51	-50	-51
<b>EBITDA</b>	<b>163</b>	<b>161</b>	<b>220</b>	<b>243</b>	<b>228</b>	<b>145</b>	<b>114</b>	<b>262</b>	<b>342</b>
Depr. & Amort.	-76	-66	-119	-135	-151	-144	-138	-157	-157
<b>EBIT</b>	<b>86</b>	<b>95</b>	<b>100</b>	<b>108</b>	<b>78</b>	<b>0</b>	<b>-24</b>	<b>106</b>	<b>185</b>
Income from associates /JV's	0	0	0	0	0	0	0	0	0
Net interest expense	-8	-12	-23	-31	-36	-39	-35	-46	-42
Other net financials	0	0	0	0	0	0	0	0	0
Non-recurring items	0	-174	0	0	-411	0	81	0	0
<b>Pre-tax profit</b>	<b>78</b>	<b>-91</b>	<b>77</b>	<b>76</b>	<b>-369</b>	<b>-39</b>	<b>22</b>	<b>60</b>	<b>143</b>
Minority interests	0	0	0	0	0	0	0	0	0
Tax expense	18	10	4	9	13	10	0	0	0
<b>Net earnings</b>	<b>96</b>	<b>-81</b>	<b>80</b>	<b>85</b>	<b>-356</b>	<b>-29</b>	<b>22</b>	<b>60</b>	<b>143</b>
Net earnings adj.	96	93	80	85	55	-29	-58	60	143
<b>BALANCE SHEET (SEKm)</b>									
Tangible fixed assets	2,060	2,264	2,919	3,290	3,065	2,916	2,749	2,911	2,759
Deferred income tax assets	50	0	0	0	0	0	0	0	0
Other non current assets	997	761	265	146	48	110	139	139	139
<b>Total non-current assets</b>	<b>3,106</b>	<b>3,025</b>	<b>3,184</b>	<b>3,436</b>	<b>3,113</b>	<b>3,026</b>	<b>2,889</b>	<b>3,050</b>	<b>2,898</b>
Inventory	0	0	0	0	0	0	0	0	0
Receivables	66	227	125	81	127	193	174	174	174
Assets held for sale	284	37	84	114	97	82	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	31	83	68	128	144	106	158	31	69
<b>Total current assets</b>	<b>380</b>	<b>347</b>	<b>277</b>	<b>322</b>	<b>368</b>	<b>381</b>	<b>332</b>	<b>204</b>	<b>242</b>
<b>Total assets</b>	<b>3,487</b>	<b>3,372</b>	<b>3,461</b>	<b>3,758</b>	<b>3,481</b>	<b>3,407</b>	<b>3,221</b>	<b>3,254</b>	<b>3,140</b>
Shareholders equity	1,967	1,788	1,715	1,778	1,331	1,292	1,366	1,426	1,498
Minority interest	0	0	0	0	0	0	0	0	0
Interest-bearing debt	1,350	1,444	1,581	1,802	1,980	1,863	1,560	1,531	648
Deferred income tax liability	12	14	26	16	0	0	0	0	0
Other long-term debt	6	4	2	2	0	0	0	0	0
<b>Total non-current debt</b>	<b>1,367</b>	<b>1,462</b>	<b>1,609</b>	<b>1,820</b>	<b>1,980</b>	<b>1,863</b>	<b>1,560</b>	<b>1,531</b>	<b>648</b>
Interest-bearing debt	19	14	15	13	23	131	183	186	883
Trade payables	1	0	1	1	1	0	0	0	0
Other payables	82	77	82	77	103	0	0	0	0
Liability associated with assets held for sale	0	0	0	0	0	0	0	0	0
Other current liabilities	50	30	39	70	43	120	111	111	111
<b>Total current debt</b>	<b>153</b>	<b>121</b>	<b>137</b>	<b>160</b>	<b>170</b>	<b>252</b>	<b>294</b>	<b>297</b>	<b>994</b>
<b>Total liabilities &amp; equity</b>	<b>3,487</b>	<b>3,372</b>	<b>3,461</b>	<b>3,758</b>	<b>3,481</b>	<b>3,407</b>	<b>3,221</b>	<b>3,254</b>	<b>3,140</b>
<b>CASH FLOW (SEKm)</b>									
Cash earnings	203	190	211	231	191	124	102	217	300
Change in working capital	64	36	131	66	-23	-88	25	0	0
<b>Net cash from operations</b>	<b>268</b>	<b>226</b>	<b>342</b>	<b>297</b>	<b>168</b>	<b>36</b>	<b>127</b>	<b>217</b>	<b>300</b>
Investments in fixed assets	-301	-656	-639	-330	-428	-65	-79	-318	-5
Proceeds from sale of asset	0	0	0	0	0	0	312	0	0
<b>Net cash from investments</b>	<b>-328</b>	<b>-311</b>	<b>-544</b>	<b>-355</b>	<b>-419</b>	<b>-53</b>	<b>233</b>	<b>-318</b>	<b>-5</b>
<b>Free cash flow</b>	<b>-61</b>	<b>-85</b>	<b>-202</b>	<b>-58</b>	<b>-251</b>	<b>-16</b>	<b>360</b>	<b>-101</b>	<b>295</b>
Net change in Equity									-72
Net change in Debt							-311	-27	-186
Other items	0	0	0	0	0	0	3	0	0
<b>Net cash from financials</b>	<b>43</b>	<b>141</b>	<b>187</b>	<b>118</b>	<b>267</b>	<b>-22</b>	<b>-308</b>	<b>-27</b>	<b>-257</b>
Currency effect on cash	-6	-5	1	1	0	0	0	0	0
<b>Net change in cash</b>	<b>-24</b>	<b>51</b>	<b>-14</b>	<b>60</b>	<b>16</b>	<b>-38</b>	<b>52</b>	<b>-128</b>	<b>38</b>



Quarterly valuation									
PER SHARE DATA (SEK)	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Shares outstanding dil.	48	48	48	48	48	48	48	48	48
EPS	0.26	0.84	-0.57	-0.06	0.53	0.16	0.14	0.43	1.00
EPS adj.	0.26	-0.85	-0.57	-0.06	0.53	0.16	0.14	0.43	1.00
CEPS	0.9	0.5	0.1	0.7	1.3	1.0	1.0	1.3	1.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
BVPS	27.3	29.3	28.7	28.6	29.2	29.3	29.4	29.9	30.4
VALUATION	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Price (SEK)	12.9	14.7	14.8	14.8	14.8	14.8	14.8	14.8	14.8
P/E	nm	31.7	nm	31.9	20.1	nm	19.3	11.7	8.5
P/E adj.	nm	nm	nm	nm	nm	nm	19.3	11.7	8.5
P/CE	14.6	11.0	10.0	6.9	5.7	4.7	3.7	3.3	2.9
P/Sales	1.3	1.6	1.7	1.6	1.5	1.3	1.2	1.1	1.1
EV/Sales, incl. wc	5.2	5.2	5.6	5.3	5.5	4.8	4.3	3.9	3.6
EV/EBITDA, incl. wc	15.2	19.7	27.0	19.5	18.0	12.8	10.3	8.9	8.0
EV/EBITDA	16.9	20.3	27.8	20.0	18.4	13.1	10.6	9.1	8.2
EV/EBIT, incl. wc	nm	nm	nm	nm	nm	55.0	29.6	22.1	17.7
P/B	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
FCF yield	7.6%	46.1%	-2.0%	0.5%	-35.5%	6.5%	6.3%	8.3%	12.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%
MARGINS AND GROWTH	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Return on equity (ROE)	nm	2.2%	nm	1.6%	2.5%	0.2%	2.6%	4.3%	5.8%
Return on capital employed (ROCE)	0.0%	nm	nm	nm	nm	1.5%	2.7%	3.5%	4.3%
Sales growth YOY	5.7%	-27.9%	-24.8%	24.9%	20.2%	70.6%	54.7%	33.7%	14.9%
EBITDA margin	38.2%	7.0%	16.6%	34.2%	46.4%	40.0%	39.3%	44.5%	52.4%
EBIT margin	11.8%	-33.1%	-19.4%	5.8%	22.3%	13.2%	12.4%	19.9%	31.5%
Net margin	9.0%	46.8%	-29.1%	-2.4%	15.4%	5.2%	4.6%	12.9%	25.6%
Tax rate	-19.6%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GEARING AND CREDIT	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	1Q16E
Gross interest-bearing debt (GIBD)	1,971	1,669	1,669	1,743	1,897	1,810	1,804	1,717	1,711
Net interest-bearing debt (NIBD)	1,841	1,575	1,589	1,585	1,835	1,789	1,745	1,686	1,624
Equity ratio	38.5%	44.0%	43.5%	42.4%	40.9%	42.1%	42.3%	43.8%	44.3%
GIBD / EBITDA	38.1	279.1	106.5	42.7	25.2	30.9	31.5	24.2	17.5
NIBD / EBITDA	12.7	14.0	19.2	13.9	13.3	9.4	7.5	6.4	5.7
GIBD / Total assets	58.2%	52.5%	53.0%	54.1%	55.8%	54.5%	54.3%	52.8%	52.3%
NIBD / Total assets	54.4%	49.6%	50.4%	49.2%	54.0%	53.9%	52.5%	51.8%	49.6%
OCF / GIBD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
FCF / GIBD	0.0	0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.1
Interest coverage ratio (EBITDA)	5.2	0.7	1.7	4.2	6.7	5.0	5.0	6.3	9.0
Current ratio	1.5	2.0	0.9	1.1	0.8	0.7	0.8	0.7	0.9

Yearly valuation									
PER SHARE DATA (SEK)	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Shares outstanding dil.	48	48	48	48	48	48	48	48	48
EPS	2.01	-1.70	1.68	1.78	-7.52	-0.60	0.46	1.26	3.00
EPS adj.	2.01	1.95	1.68	1.78	1.16	-0.60	-1.22	1.26	3.00
CEPS	4.3	4.0	4.4	4.8	4.0	2.6	2.1	4.5	6.3
DPS	1.0	1.0	1.0	1.0	0.5	0.0	0.0	0.0	1.5
BVPS	41.2	37.5	35.9	37.2	27.9	27.1	28.6	29.9	31.4
VALUATION	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Price (SEK)	15.0	17.0	20.5	13.0	10.2	11.7	14.8	14.8	14.8
P/E	7.5	nm	12.2	7.3	nm	nm	31.9	11.7	4.9
P/E adj.	7.5	8.7	12.2	7.3	8.7	nm	nm	11.7	4.9
P/CE	3.5	4.3	4.6	2.7	2.5	4.5	6.9	3.3	2.3
P/Sales	1.3	1.4	1.9	1.1	0.9	1.2	1.6	1.1	1.0
EV/Sales, incl. wc	3.8	3.4	4.9	4.2	4.3	5.1	5.1	3.8	3.0
EV/EBITDA, incl. wc	13.0	12.9	11.4	9.8	10.3	16.4	19.5	8.9	6.2
EV/EBITDA	12.6	13.6	11.4	9.5	10.3	16.9	20.0	9.1	6.3
EV/EBIT, incl. wc	24.6	21.7	25.0	22.0	30.5	nm	nm	22.1	11.4
P/B	0.4	0.5	0.6	0.3	0.4	0.4	0.5	0.5	0.5
FCF yield	-8.5%	-10.5%	-20.6%	-9.4%	-51.8%	-2.9%	51.2%	-14.4%	41.9%
Dividend yield	6.7%	5.9%	4.9%	7.7%	4.9%	0.0%	0.0%	0.0%	10.2%
MARGINS AND GROWTH	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Return on equity (ROE)		nm	4.6%	4.9%	nm	nm	1.7%	4.3%	9.8%
Return on capital employed (ROCE)		2.9%	3.0%	3.1%	2.2%	0.0%	nm	3.6%	7.3%
Sales growth YOY		7.0%	-14.3%	9.0%	-2.9%	-13.9%	-7.1%	41.3%	13.9%
EBITDA margin	29.0%	26.8%	42.8%	43.4%	42.0%	30.9%	26.3%	42.7%	48.9%
EBIT margin	15.4%	15.9%	19.5%	19.2%	14.3%	0.1%	-5.5%	17.2%	26.5%
Net margin	17.1%	-13.5%	15.7%	15.2%	-65.5%	-6.2%	5.1%	9.8%	20.5%
Tax rate	nm	10.9%	nm	nm	3.6%	26.2%	0.0%	0.0%	0.0%
GEARING AND CREDIT	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Gross interest-bearing debt (GIBD)	1,369	1,459	1,596	1,815	2,003	1,994	1,743	1,717	1,531
Net interest-bearing debt (NIBD)	1,338	1,376	1,528	1,687	1,859	1,888	1,585	1,686	1,462
Equity ratio	56.4%	53.0%	49.6%	47.3%	38.2%	37.9%	42.4%	43.8%	47.7%
GIBD / EBITDA	8.4	9.1	7.3	7.5	8.8	13.8	15.3	6.5	4.5
NIBD / EBITDA	8.2	8.6	7.0	7.0	8.1	13.0	13.9	6.4	4.3
GIBD / Total assets	39.3%	43.3%	46.1%	48.3%	57.5%	58.5%	54.1%	52.8%	48.8%
NIBD / Total assets	38.4%	40.8%	44.1%	44.9%	53.4%	55.4%	49.2%	51.8%	46.6%
OCF / GIBD	0.2	0.2	0.2	0.2	0.1	0.0	0.1	0.1	0.2
FCF / GIBD	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.2	-0.1	0.2
Interest coverage ratio (EBITDA)		230.0	68.7	34.4	43.5	3.3	3.1	5.7	8.1
Current ratio	2.5	2.9	2.0	2.0	2.2	1.5	1.1	0.7	0.2

## Disclaimers

### DISCLOSURES AND DISCLAIMERS FOR RECOMMENDATIONS (EQUITY AND FIXED INCOME)

**Issued by Fearnley Securities AS on 30 June 2014**

#### **1. Introduction**

This document provides additional disclosures and disclaimers relevant to research reports and other investment recommendations (“Recommendations”) issued by Fearnley Securities AS (“Fearnley”), cf. the Securities Trading Act Section 2-10 with further regulations.

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Matters relating to Recommendations shall be governed by the laws of Norway and be subject to the exclusive jurisdiction of Norwegian courts.

This document is - by reference in the Recommendation – deemed to be acknowledged and accepted by any person receiving the Recommendation.

#### **2. Equity Recommendations**

##### **Basis and methods for assessment**

Recommendation for shares and share related instruments (“Equities”) are based on price targets fixed with different valuation methods that may include analysis of earnings multiples (absolute and relative), valuation of a company using DCF calculations (discounted cash flow) and by carrying out net asset value (NAV) assessments. Price targets are changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of the issuer’s assets changes or when factors impacting the required rate of return change. Unless otherwise stated, our recommendations have a 12 month horizon.

##### **Definitions of key terms:**

Buy:	When price target is more than 15 % above market price.
Accumulate:	When target price is within 5-15 % above market price.
Reduce:	When target price is +5 % to -15 % below market price.
Sell:	When target price is 15 % or more below market price.

##### **Risks**

There is an element of risk attached to all investments in financial instruments. There may be uncertainties with respect to the accurateness and reliability of any information, interpretation and assessment. There are uncertainties and risks attached to the correctness of any Recommendation by Fearnley and with respect to forward looking statements and expectations.

High risk:	beta above	1.2
Medium risk:	beta range	1.0 – 1.2
Low risk:	beta at or less than	1.0

Fearnley assess the risk in the recommendation in relation to Oslo Børs Benchmark index (OSEBX). Fearnley apply the beta as main risk assessment criterion to our recommendations. The risk assessment is in addition based on a consideration of the individual companies business and financial risk profile.

Note that Fearnley’s equity coverage encompasses solely companies within the following sectors: Shipping Oil services and Oil E&P. These sectors are cyclical by nature and will over time presumably have a higher volatility than the overall market. The reason for choosing Oslo stock exchange as a benchmark in our risk assessment is that Oslo stock exchange has a high content of these sectors.

#### **3. Fixed Income Recommendations**

##### **Basis and methods for assessment**

Our recommendations for bonds and other fixed income instruments are based on assessment of credit risk (the creditworthiness of a particular issuer or instrument as of a given date) relative to risk premium (risk premium inherent in yield relative to investment amount).

Fearnley credit analysts provide credit ratings which is a framework for comparing the credit quality of rated debt securities. The ratings are based on the same rating scale as international rating agencies. The scale is divided in two parts, where companies within the investment grade category are assigned ratings from AAA to BBB-, while companies within the high yield category are assigned ratings from BB+ to D. The ratings represent the opinion of Fearnley as to the relative creditworthiness of securities. A credit rating on a stand-alone basis should not be used as a basis for investment operations. Market price movements in bonds are influenced not only by the credit quality of individual issues but also by changes in money rates and general economic trends, as well as by the length of maturity, etc. Fearnley may also provide credit research with more specific price targets. These price targets are based on different valuation methods. These methods may include analysis of key credit ratios and other factors describing the securities creditworthiness, peer group analysis of securities with similar creditworthiness and different DCF-valuations.

Fearnley mainly analyses fixed income instrument in the high yield segment where the credit risk is regarded as high. This includes rated instruments with ratings below BBB (S&P) or Baa3 (Moody’s) (below “investment grade”) where Fearnley will quote the ratings to the extent these are known to Fearnley. Fearnley may, with respect to certain non-rated instruments, indicate its relative credit risk assessments as “Moderately High”, “High” and “Very High”. Please be advised that Fearnley are not offering any rating service in this respect and disclaims any and all liability with respect to these assessments. All credit risk assessments reflect the creditworthiness as of a given date and may be subject to change.

##### **Definitions of key terms:**

Buy:	The risk premium is considered as favourable relative to credit risk
Accumulate:	The risk premium is considered as acceptable relative to credit risk
Reduce:	The risk premium is considered as not acceptable relative to risk

#### **4. General disclosures (Equity and Fixed Income Recommendations)**

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##### **Previous recommendations**

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## Disclosure of positions

### Disclosure of holdings in financial instruments under the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1) and the U.S. Securities Exchange Act of 1934 Section 13 (d)

Fearnley Securities AS - consolidated with related companies and associated persons - has the following holdings of (a) the amount of equities exceeding 1 % of the total share capital of the issuer and (b) nominal amount of bonds exceeding 5 % of the total outstanding bonds of such issuer, with respect to issuers of financial instruments covered by a recommendation distributed by Fearnley Securities AS: (All analyst's holdings are disclosed)

Company Name	Analyst's holding		Others		Last updated
	Equities	Bonds	Equities	Bonds	
AWILCO LNG	-	-	5 260 050	-	17.06.2014

The shares in Awilco LNG are held by a parent company and represents 7,76% of the total equity in this issuer.

## Disclosure of assignments and mandates etc.

Fearnley Securities AS may have (i) acted as manager/co-manager for, (ii) rendered investment services to or (iii) agreed to provide recommendations to an issuer of financial instruments covered by a recommendation. A list of the non-confidential assignments for such issuers the latest 12 months is available below. The list also contains information on covered financial instruments where Fearnley Securities AS is acting as Market Maker.

- Ardmore Shipping
- Aurora LPG Holding AS
- Bergen Group
- Deep Sea Supply PLC
- Dorian LPG
- Frontline 2012
- Golar LNG
- Havyard Group ASA
- Navigator Gas
- Noreq
- Seadrill Partners LLC
- Songa Offshore

**Last updated: 28 July 2014**

## Statistics

### Disclosure requirements pursuant to the Investment Recommendation Regulation § 2-5 (4)

The following table shows quarterly statistics on the overall ratio of Fearnley Securities' recommendations of equities, including a split with respect to issuers where Fearnley Securities has provided investment banking services the last 12 months.

Rating distribution				Investment banking relationship			
Buy	Accumulate	Reduce	Sell	Buy	Accumulate	Reduce	Sell
51%	16%	13%	20%	86%	14%	0%	0%

**Last updated: 10 June 2014**