

# Information to shareholders October 2008

## Dear shareholder of Nordic Tankers,

I write to you in my capacity as Chairman of the Supervisory Board of Nordic Tankers, which has just convened a general meeting to amend the company's articles of association.

This briefing is to supplement the notice convening the general meeting with some relevant information about the situation of the company.

The following pages provide you with information on:

- The financial performance of Nordic Tankers
- The sale of Nordic Lisbeth
- The share price development
- The amendments to the articles of association
- The financial crisis

My motivation for working with the company is to achieve a forward-looking commercial development that may increase the business volume, value creation and thus dividend to the shareholders.

Therefore, the Supervisory Board will make efforts to ensure that, in future, the company will be able to distribute cash dividend to its shareholders.

Before I was elected to the Supervisory Board in April of this year, I criticised the then business model of the company for being narrow, risky and not successful in creating significant value for shareholders.

This assumption was subsequently confirmed through my insight into the company's situation.



*Steen Bryde, Chairman of the Supervisory Board of Nordic Tankers.*

The passive tonnage provider strategy did not, in the long term, safeguard the shareholders' legitimate claim for maximum value creation.

Based on this strategy, the company's success was to a high degree determined by factors outside the control of the company, and there was a lack of correlation between risk and return.

Therefore, the Supervisory and Management Boards are working on a reorganisation of the business, after we have become acquainted with the situation and have had discussions with cooperation partners and in keeping with the strategic framework we presented in August in connection with the interim report.

In this connection we ask the coming general meeting to provide us with the opportunity to expand our corporate mission and to introduce a business model that allows Nordic Tankers to optimise earnings without unduly increasing risk.

I hope you will support our endeavours to make this company healthier, stronger and more profitable.

Please appoint the Supervisory Board as your proxy or show up at the general meeting and give us your support.

Kind regards  
Chairman of the Board Steen Bryde

# Financial performance of Nordic Tankers

The operating profit for 2007 amounted to USD 6,000 thousand.

For the full year 2008, the then Supervisory Board announced that the operating profit would total USD 6,000 thousand.

This expectation was repeated at the annual general meeting on 23 April 2008 by the then Chairman.

When the new Supervisory Board presented the accounts for the first quarter of 2008 on 26 May 2008, we reported a loss of USD 900 thousand.

Moreover, based on the facts, we had to make a downward adjustment of the operating profit for 2008 to USD 3,000 thousand.

## **Announcements by the former Supervisory Board**

The question is whether the new Supervisory Board's knowledge and assumptions were different than those of the former Supervisory Board?

- The former Supervisory Board knew that the docking of NORDIC RUTH in January exceeded the budget by USD 1,000 thousand, when the vessel was brought in to dock in South Italy and later returned to North-West Europe at the company's own expense.
- Already in the first quarter, the daily rates of the vessels were below budget and the actual costs were above budget.
- The budget for 2008 included calculation errors and incorrect data prepared by the former Supervisory Board. Consequently, the budgeted interests were USD 1,700 thousand too low.

The downward adjustment is thus warranted by circumstances that existed prior to the last general meeting.

## **Future development**

In the interim report, the loss was reduced to USD 200 thousand, which was primarily due to increasing rates for the company's vessels.

The rates have been good throughout the summer, and we expect a profit for the third quarter.

We also begin to see the effect of the work in progress to develop a more active asset management approach.

Thus, the LR1 segment is expected to more than meet the 12-month budget for 2008 in eleven months. The results are driven by tighter cost management, negotiation of increased compensation for speed, which results in the company incurring additional costs, and the high freight rates.

At present, there is great uncertainty about the financial results for the fourth quarter due to the financial crisis and the resulting falling rates for the company's vessels, but the Supervisory Board expects the Q4 results to achieve break-even.

## **Expected full year results**

If Nordic Tankers meets this expectation, the company can report a small operating profit for 2008. To this should be added the proceeds from the sale of Nordic Lisbeth of approx. USD 18,000 thousand.

Against this background, we maintain the most recently announced expectation of an EBITDA of USD 23.1 million.

Shareholders' equity amounts to USD 112,000 thousand. A return on equity of 1-2% from ordinary activities is not satisfactory.

## **Healthier, stronger and more profitable**

The company's financial development must be reversed, and this is only possible through modernisation of the business model. The future development strategy of Nordic Tankers was launched by the Supervisory Board in connection with the publication of the interim report on 27 August 2008.

The main elements of this strategy are as follows:

- Continued focus on shipping
- Development of own organisation
- Disposal of LR1 product tankers

- Reduction from three to two tanker segments
- Development of the engagement in the two remaining segments and active asset management
- Possible introduction of new segments

### Expanded corporate mission

The Supervisory and Management Boards now wish to open up to new possibilities through a broader objects clause so that the company may strengthen the diversification of risk through investment in asset classes other than shipping.

The Supervisory Board will solely make investments which according to careful calculations give indications of high liquid returns.

## Sale of NORDIC LISBETH

Under the sales agreement, NORDIC LISBETH is to be delivered to the buyer at end-November 2008.

With a selling price of USD 70,000 thousand, the Supervisory Board considered the sale to be a great business transaction. Throughout the summer, the value of Nordic Tankers' LR1 vessels increased significantly, and the Supervisory Board considered this to be a fantastic opportunity to realise a gain and not least create a more flexible financial base for Nordic Tankers.

Moreover, the LR1 product tankers represent a relatively capital-intensive segment within shipping. This is also reflected in the very lucrative freight rates and high second-hand tonnage prices of the segment.

Based on the high capital requirements of the segment, it is unrealistic to believe that Nordic Tankers with two – or later maybe three – vessels may get to play an important role here. Therefore, the management is convinced that a strategy excluding the LR1 segment will benefit the value creation in the company.

Our LR1 new building, which is being built on a shipyard in China for delivery in May 2009, has not been sold yet.

The timing of the sale of NORDIC LISBETH was optimal as the shipping companies' access to financing facilities has now been sharply reduced as a result of the current financial crisis.

Moreover, the former Supervisory Board made some great strategic decisions regarding the new building and investment programme.

The investment in two new LR1 tankers means that the company is going to realise significant increases in value – and the value of the two new buildings within the handy-size segment has also increased significantly since the order was made.

## The financial crisis holds opportunities

The financial crisis has become far worse than anticipated by the greatest pessimists.

Nobody knows what the future will bring, but there are some harsh issues facing us. In an attempt to handle the current credit and liquidity crunch, the Danish Parliament has guaranteed the debt of all Danish banks.

At worst, the government will then have to take over the Danish banks, and in order to finance such takeovers, Treasury notes worth hundreds of billions of Danish kroner will have to be issued.

If this problem was isolated to Denmark, we would probably have received massive outside help and the Danish government would never have provided such a guarantee.

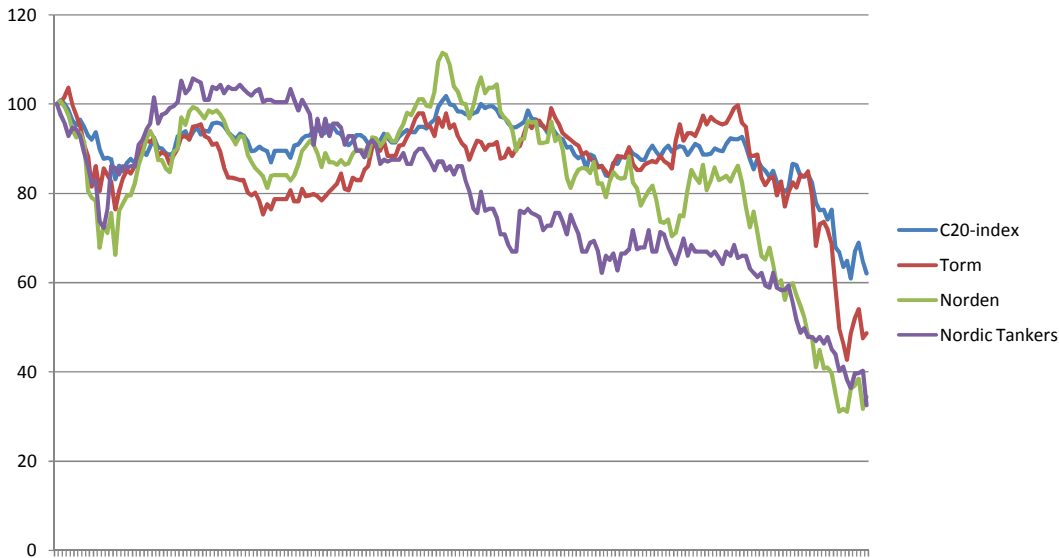
Unfortunately, the liquidity crunch is a phenomenon that has hit the entire western world.

In the short term, the crisis has had no effect on Nordic Tankers. But the Supervisory Board would like to exploit the possibilities in the market created by the crisis to make attractive investments.

Therefore, we are seeking the shareholders' mandate to establish a flexibility that will make Nordic Tankers sufficiently strong and dynamic in this situation.

# The share price

Shareholders are not happy with the performance of the share. Unfortunately, the development in share prices is not just characteristic of Nordic Tankers, but also fine shipping companies such as Torm and Norden – as well as the blue chip companies of the C20 Index. Movements in prices from 1 January 2008 (Index 100) to 17 October 2008:



In the end, the financial performance of Nordic Tankers determines the development of the share price, and the existing Supervisory Board will do everything in its power to bring about a strong financial development of the company.

## Amendments to the articles of association

The Supervisory Board finds it necessary to open the company up to new business areas and thus strengthen the process of value creation and diversification of risk.

Moreover, we wish to implement the long-pending decision to move the headquarters of Nordic Tankers from Holstebro to Copenhagen.

Most of the Danish shipping industry, also known as the Blue Denmark, is concentrated in Copenhagen, which results in a strong concentration of competencies and an international shipping environment.

Nordic Tankers wishes to develop its own organisation in this environment.

During a transitional period, Difko has

performed the administrative function of the company, and now the company has to stand on its own feet. The expansion of the Management Board and the appointment of Geir Jansen as CEO were a step in this direction. Now, the company is ready to take the next step and move its domicile.

This requires an amendment to the articles of association, and in this connection the Supervisory Board has decided to propose a number of changes to update the articles of association with regard to communication and the possibility of rewarding key employees through a warrant scheme.

Our authorisation to increase the capital expired in March of this year, and today this authorisation is more important than ever as all possibilities of bringing fresh capital into the company must remain open.



### Appoint the Board as your proxy

Support the endeavours of the existing Board to create a healthier, stronger and more profitable Nordic Tankers. Appoint the Supervisory Board as your proxy and order your admittance card by 27 October on [www.nordictankers.dk](http://www.nordictankers.dk). For further information, please see the notice convening the extraordinary general meeting to be held on 31 October 2008.