

Nordic Tankers and Clipper Group join forces to establish major Danish tanker operator

Company announcement no. 64

Published via NASDAQ OMX on 26 November 2009

Nordic Tankers A/S has signed a conditional agreement under which the company will acquire parts of the chemical tanker operations of Clipper Group A/S and Clipper will become a major shareholder of Nordic Tankers. The agreement implies a shift in Nordic Tankers' strategy, as the company will change from being a tonnage provider to becoming a global operator of some 70 chemical and product tankers with an organisation of about 120 employees. The agreement is expected to be closed in early January 2010.

The transaction will result in a major Danish tanker operator with strong competencies in commercial and technical operation of chemical and product tankers. Following the combination, Nordic Tankers will have a strong platform for meeting the challenges that have characterised the markets throughout the past year and a solid base for taking part in the consolidation of the chemical tanker market expected to take place in future.

Through the combination, Nordic Tankers, being a tonnage provider that has previously outsourced all commercial and technical operations, will in a single move become a key global operator of a total of some 70 vessels. The new company aims to become a leading, global operator of chemical tankers in the 5,000–25,000 dwt segment and to double its total fleet of owned vessels and vessels under management. The long-term opportunities for expanding Nordic Tankers' participation in the product tanker market will be explored concurrently with this process.

The year 2009 has been marked by adverse global economic trends, which especially late in the year severely impacted freight rates in the tanker segment. As a consequence of this development, Nordic Tankers' financial position has come under pressure, and as part of the agreement with Clipper, the company has signed an agreement with its banks for deferring payment of instalments and easing its financial covenants. The company's banks have worked with Nordic Tankers to find a long-term solution, which, as part of a refinancing agreement, also requires an injection of fresh capital, which is achieved through the transaction with Clipper.

Klaus Kjærulff, Chairman of Nordic Tankers, said: "Clipper Tankers is in every way an ideal partner for Nordic Tankers, and by signing this agreement, we will achieve the most essential components of the strategy presented by the Board at the general meeting held in the spring of 2009: we will achieve our ambition for growth, and we will take part in the market consolidation with a view to establishing a major Danish tanker operator. The timing is also quite optimal; on the one hand, Nordic Tankers has been significantly affected by the crisis, but on the other hand the new company will be in a strong position once the markets begin to recover."

Tommy Thomsen, Chief Executive Officer of Clipper, said: "With this agreement, we will establish a solid platform that will ensure future, profitable expansion of the joint fleet of Clipper Tankers and Nordic Tankers. We all look forward to the new and exciting challenges and to securing long-term value growth for all shareholders of Nordic Tankers."

The transaction

The first part of the transaction: Clipper's contribution of ownership interests in vessels

- Clipper will make a non-cash contribution into Nordic Tankers in the form of companies with majority ownership interests in five vessels. In return, Clipper will obtain about a 30% ownership interest in Nordic Tankers through an issue of new shares in Nordic Tankers and a debt vendor note of approximately USD 3 million. The final number of shares will be determined before an extraordinary general meeting to be held in Nordic Tankers and will depend on whether the minority owners in the shipowning companies contributed will want to convert their ownership

interests into shares in Nordic Tankers. If all minority owners decide in favour of this option, they may achieve an ownership interest in Nordic Tankers of approximately 14%, and the vessels would then be wholly owned by Nordic Tankers.

- The valuation of the companies' vessels forming part of the transaction is based on the average of two international, independent broker valuations of the market value of each vessel. The sharp decline in vessel prices witnessed recently has caused these values to be lower than the hitherto recorded book values of the vessels (see Nordic Tankers' company announcement no. 63 of 26 November 2009 stating among other things that vessel values are written down by USD 58.9 million). These market valuations of Nordic Tankers' vessels, adjusted for debt and other liquid net assets, relative to a corresponding value of the ownership interest of the vessels contributed, will form the basis of Clipper's and the minority owners' potential ownership interests in Nordic Tankers. As a result, the new shares of Nordic Tankers will be issued at a transaction price corresponding to DKK [16.86] per share.
- A prospectus will be prepared and published as soon as possible with a view to admission to trading and official listing of the new shares in Nordic Tankers to be issued to Clipper and any participating minority owners in the five vessel companies contributed.

Vessels indirectly contributed (Clipper's share)			
Name	Ownership interest	Built year	Tonnage (dwt)
Clipper Nadja	70%	1996	5,764
Clipper Nelly	75%	1997	5,767
Clipper Nora	75%	1997	5,810
Clipper Inge	65%	2005	6,203
Clipper Marianne	55%	2005	6,228

Clipper's contribution of ownership interests in the five vessels companies into Nordic Tankers is expected to be completed in early January 2010 and is subject to approval by the present shareholders of Nordic Tankers at an extraordinary general meeting to be convened shortly and to be held in Copenhagen on 17 December 2009.

The second part of the transaction: Nordic Tankers' acquisition of Clipper's commercial and technical operation of chemical and product tankers

- Nordic Tankers will take over Clipper's tanker organisation with a total of about 120 employees, who will undertake the commercial and technical operation of the entire fleet. The acquisition price of this part of the transaction will be not less than USD 7.5 million and not more than USD 15.0 million, and will depend on the future earnings of the organisation in the period 2010–2013. The acquisition price is payable in 2014. During the period 2010–2012, Clipper will provide a guarantee against loss of up to USD 11.0 million as part of the acquisition price.
- The present tanker organisation at Clipper handles the operation of some 60 chemical and product tankers, and the parties have agreed that the organisation will continue to handle the operation of Clipper's chemical and product tankers for a period of not less than four years following the acquisition by Nordic Tankers.

Financing

To ensure the necessary short-term financing of operations, Clipper will provide a loan to Nordic Tankers of USD 6 million on completion of the transaction. Furthermore, Clipper will make a loan facility of USD 2.5 million in 2010, USD 5.0 million in 2011 and USD 7.5 million in 2012 available to Nordic Tankers in the period 2010–2012. Both loan facilities, totalling USD 13.5 million, are interest-only facilities, are subject to roll-up interest and subordinated to the bank financing. Repayments including

interest on the loan of USD 6 million are payable in 2012, 2013 and 2014, by 25%, 25% and 50%, respectively, and any drawings on the loan facility of USD 7.5 million are repayable by the end of 2014.

As mentioned above, Nordic Tankers will refinance its existing bank debt, implying a deferral of payment of instalments until December 2011 and easing of financial covenants.

With a view to further strengthening future operations under the current difficult market conditions, and the opportunities to play an active role in the future consolidation of the tanker market, Nordic Tankers contemplates carrying out a rights issue in the spring of 2010 with a view to raising proceeds of up to USD 40 million. In that connection, Clipper intends to subscribe for its proportionate share of the issue.

Nordic Tankers after the combination

After the combination, Nordic Tankers' fleet will consist of 15 owned vessels (six product tankers of between 35,000 and 73,000 dwt and nine chemical tankers of between 5,000 and 13,000 dwt), and Nordic Tankers will further be responsible for the operation of Clipper's some 55 remaining chemical and product tankers. Nordic Tankers' existing product tankers will continue to be marketed through TORMs LR1 pool and Maersk's Handytanker pool.

Following the transaction, Nordic Tankers' total assets will amount to approximately USD 300 million, and the company will generate total pro forma revenue for 2009 of about USD 90–100 million. Nordic Tankers expects to create shareholder value through a profitable growth strategy. This will be achieved through the target of doubling the entire fleet of owned vessels and vessels under management combined with efficient cost management and economies of scale. Growth is to be achieved through Nordic Tankers' focus on playing an active role in the consolidation of the tanker market. The present weak market conditions may provide good opportunities for developing Nordic Tankers into a leading, global operator of chemical and product tankers.

Following the combination, Nordic Tankers will have a total of about 120 employees, 20 of whom will be employed at offices in Connecticut and Texas in the United States, and Bogota in Columbia.

Following the transaction, the present Board of Nordic Tankers, made up of Klaus Kjærulff, Chairman, Flemming Krusell Sørensen, Vice Chairman, and members Sven Rosenmeyer Paulsen, Jens Fehrn-Christensen, Mogens Buschard and Jesper Tullin, will continue until the annual general meeting to be held in April 2010. Clipper is subsequently expected to be represented by two members on the Board. The present chairman, Klaus Kjærulff, is expected to continue as chairman after the annual general meeting to be held in the spring of 2010.

After the transaction, the Management of Nordic Tankers will consist of:

Tommy Thomsen, CEO

Present CEO of Clipper Tankers, former partner of A.P. Moller - Maersk.

Christian Hassel, CFO

Present Executive Adviser of Clipper, former CEO of Carnegie Investment Banking, Denmark.

The remaining senior management team of Nordic Tankers will consist of:

Jens Pontoppidan, Senior Vice President

Present CEO of Nordic Tankers, former Vice President of TORM.

Claus Thornberg, Senior Vice President

Present COO of Clipper Tankers, former executive officer of Camillo Eitzen, Norway.

Additional information

Nordic Tankers and Clipper will arrange a telephone conference and a webcast for the press, investors and equity analysts to take place on 26 November 2009 at 11.00 a.m. To participate, please call +45 70

26 50 40 or +44 208 817 9301. The telephone conference will also be accessible through Nordic Tankers' website (www.nordictankers.dk), where an accompanying presentation will also be available.

Contacts

Klaus Kjærulff, Chairman, Nordic Tankers:	+45 40 10 81 11
Tommy Thomsen, CEO, Clipper Tankers:	+45 40 32 36 30

Advisers

Nordea Corporate Finance acted as financial adviser to Nordic Tankers in connection with the transaction.

About Nordic Tankers

Nordic Tankers is a Danish shipping company listed on NASDAQ OMX Copenhagen. Nordic Tankers is a tonnage provider, meaning that it owns the vessels, but outsources commercial and technical operations. Nordic Tankers also outsources the main part of its administrative functions. The shipping company wholly or partially owns ten tankers: six product tankers (one LR1 vessel of 73,500 dwt and five handy-size tankers of 35,000–38,000 dwt) and four chemical tankers of approximately 13,000 dwt. All Nordic Tankers' vessels are employed in market-leading pools, managed by recognised shipping companies such as the Danish companies TORM and Maersk Tankers. Nordic Tankers has its roots in the limited partnership company Difko 47, and the company was listed in 2007.

About Clipper Tankers

Clipper Tankers is part of the Clipper Group and operates a fleet of about 60 chemical and product tankers of between 2,500–20,000 tons dwt. Clipper Tankers has four offices, which are situated in Copenhagen (headquarters), Stamford (Connecticut), Houston (Texas) and Bogota (Columbia).