

Nederlandse Beleggingsmaatschappij voor Zeeschepen NV

Semi-Annual Report 2021

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Management Report

Below we enclose the management report regarding the Nederlandse Beleggingsmaatschappij voor Zeeschepen N.V. (“NBZ”). This report constitutes a summary of the Dutch published semi-annual financial report reviewing the first 6 months of 2021.

Result first 6 months

NBZ reports an excellent result of USD 531,000 over the first 6 months, or USD 0.67 per share. This is mainly due to the revaluation of interests in container and dry cargo vessels.

The good result reflects the situation in the container market and the dry bulk market, in which NBZ holds 55% of its investments. The recovery of these markets was already apparent in the last quarter of 2020 and has continued at an accelerated pace during the first 6 months of 2021. The profit from the revaluations of the future cash flows comes almost entirely from the participations in the above two market segments. NBZ also has interests in the tanker market, where the situation is less favourable. Due to the robust contract position in this market, a (modest) positive return could be achieved on this part of the portfolio.

In the 2nd quarter of 2021 it was decided to liquidate NBZ Norway AS and to hold all the investments directly in NBZ NV. In connection with this, NBZ expects to still have to pay tax to the Norwegian tax authorities. For this reason, it has been decided to make a provision of USD 50,000 for this purpose.

On June 14, 2021, the first tranche of USD 725,000 of the bond loan was drawn. This bond loan has a coupon of 6% and a term of 4 years. NBZ aims to place a total amount of USD 4 million with investors

Developments with regard to the shareholders

NBZ is founded on March 16, 2005. The NBZ shares have been listed on the NYSE/Euronext since November 15, 2011. The management of NBZ is carried out by Annexum Beheer BV.

The General Meeting of Shareholders was held on June 10, 2021. The shareholders approved the 2020 annual accounts and granted discharge from liability to the Management Board and the Supervisory Board. During this meeting, a report was made on the course of business during 2020. The appointment of Ms M.F.M. van den Berg as a member of the Supervisory Board was unanimously approved by the General Meeting of Shareholders. Furthermore the shareholders approved the proposal for cancellation of outstanding shares upon (re-) purchasing own shares.

For the coming year the management will target further increasing the investment capacity of the fund amongst others by placement of the bond issue.

Shipping markets

Charter rates for dry bulk ships increased substantially in recent months and are now approximately twice as high as a year ago. The background to this increase results from a number of interrelated factors. First of all, world-wide commodities trade increased with 4.0% when compared to 2020 and 2.4% when compared to the pre-corona year 2019. In addition, the trade conflict between China and Australia resulted in China being forced to buy iron ore in Brazil instead of Australia. As a

consequence tonne-miles in the bulk market increased thereby tightening tonnage availability. Also congestion caused by local measures related to the corona pandemic should be mentioned as this decreased efficiency and translated to upward pressure on freight rates. On the supply side, the current order book is modest and the scrapping of old ships continues as required investments to meet environmental requirements are often too large to justify a next special survey.

The situation in the container market is even more extreme. In this segment current charter rates are up to 3-4 times higher than in 2019-2020. Strongly increased trade volumes and related disruptions to logistics chains (including relocation of containers) in addition to congestion in ports are the background to the sharply increased tariffs. In contrast to the situation in the dry bulk market, we do see an increase in new-build orders in this market. The majority of these ships will not enter service until the end of 2022 and during 2023.

The multipurpose market, vessels that transport bulk, containers and project cargo, will obviously benefit as well from the aforementioned market developments.

In conjunction with the increase in freight rates in the above-mentioned markets, the prices of second-hand vessels have also risen sharply, in the container market by as much as 100-200% compared to last year. The price increase in the bulk market and the multipurpose market is smaller, but also significant at 10-50% compared to a year ago.

The situation in above market segments in comparison with the situation in the tanker market has rarely been greater. Global oil production, an important indicator for the tanker market, is still a long way from the pre-corona era. It is expected that a large part of the growth in oil demand for the coming six months will come from Europe and the US. The high vaccination rate in these countries will contribute to this expected development. A cautious recovery in aviation and road transport are reasons for some optimism on the demand side.

The markets for the transport of chemicals and gas are related to the production of semi-finished products for industry. This market has suffered greatly from production shutdown during the corona pandemic. Recovery of these production processes has started, but disruptions in logistics are still going on. In a difficult market such as the current state with reduced cargo volumes, related vessel types are absorbing cargo from each other thereby further undermining rates. An example of this is small product tankers taking traditional chemical tankers cargo at lower rates or larger tankers trading down to take smaller parcels than they normally would.

Despite the current bad tanker market, we do see that the prices of second hand tankers have increased by about 5-10% compared to last year. The background will probably be speculation on a future value increase.

For the transport sector as a whole, congestion is a problem in most ports, because goods do not arrive on time at their destination. Globally, the reliability of sailing schedules in the entire shipping world has declined to 40% since the start of the corona crisis, while 70-80% was common in the years 2018-2019. Congestion, longer waiting- and cargo handling time for vessels in ports take out sea transport capacity and thus positively influence freight rates which benefits the NBZ investment portfolio.

The sustainability issue within the shipping industry has been pushed forward for a long time, but now action must be taken. Following measures to reduce sulphur emissions as of January 1, 2020, steps are now being taken to reduce CO2 emissions. Initially via the IMO (International Maritime Organisation), but recently the European Commission has also announced that it will introduce legislation in this area in order to adapt the objectives of the Paris Treaty to the shipping sector as well.

Newbuilding projects will have to comply with the new rules, but the rules will also be introduced in phases for existing ships. The international shipping world is complex because multiple jurisdictions are always involved, but it is clear that the shipping sector cannot escape from taking measures. Investments in innovative sustainability solutions will, within the international shipping industry, be the main topic of discussion for the coming years.

In summary, the situation in two of the three main shipping markets, the container market and the dry cargo market, is very good. Here we notice high charter rates and increased market values. The outlook for both markets is positive with increasing trading volumes and modest fleet growth over the next 6-12 months. In the tanker market, the situation is completely different due to low oil production. Expectations for the next 6-12 months are moderately positive for the tanker market based on the expectation that oil production in 2022 will be at pre-corona levels.

NBZ Investment portfolio; current status

As explained above, the recovery of the container market is quite remarkable. NBZ has a 3.5% participation in the container vessel company Thor Dahl Shipping AS and is therefore benefiting from the upturn in the market. Thor Dahl Shipping AS paid to her shareholders (a/o NBZ 3,5%) an extraordinary dividend of USD 10 million from the profit on the sale of a 75% interest in two ships, Since acquisition of the shares by NBZ in October 2018, NBZ has already received 1.35 times the original purchase price in dividends. Given the current contract position of the ships, there is still a lot of potential for NBZ holding this participation.

The interest in Forest Wave's 4 multipurpose vessels also developed very well during the first half of the year. NBZ is benefiting here from the sharply increased freight market due to the agreed profit split in the time charter contracts and also due to the increased values of the vessels. Because current time charter contracts were concluded at relatively low rates in the past, NBZ's participation in Super Greenship hardly benefits for the time being, but, if the current market continues, NBZ will also benefit from this participation as a 5.6% shareholder

The participation in the bulk market (Nordic Handysize) is also very profitable as a result of the strongly increased freight income (contracts recently renewed) and the increased market values.

NBZ has 45% of its interests in the various sub-markets of the tanker market. These sub-markets, the (crude) oil tanker market, the product tanker market, the chemical tanker market and the gas tanker market are all currently suffering. NBZ has 7 participations in these markets, 6 of them have fixed long-term contracts, namely investments in UACC Bergshav, Henrietta, Parchem III, RF Tankers, Brasgas and Partankers XVII. Only the participation of NBZ in 2 gas tankers of North Sea Gas AS was slightly loss-making (-/- USD 20,000) as these vessels are temporarily being operated on the basis of short-term time charter contracts at current low market levels. In short, it can be concluded that the risks of NBZ are well covered due to the good contract positions in the various (tanker) submarket

Investments during the first 6 months of 2021

On June 17, 2021, NBZ took a 3% interest for an acquisition price of USD 546,000 in Partankers XVII IS, the Norwegian owner of two suezmax tankers of both 165,000. The two vessels, MT Arctic and MT Antarctic, are chartered to Tsakos Energy Navigation Ltd for a period of 5 years (plus 3 options of 1 year) on a bareboat charter. NBZ expects to make a return on this investment of 12-16% per year.

Financial risks

There are financial risks associated with investing in general as well as investing for the financing of seagoing vessels. Potential investors are requested to take note of the fact that the value of the Company's investments can and is expected to fluctuate. As a result, the net asset value of NBZ and thus the net asset value of the NBZ participations will be subject to fluctuation. The various risks associated with investing in NBZ are extensively explained in the 2020 annual accounts and the 2019 Prospectus, dated December 2, 2019 (which can be found on the NBZ website).

Outlook

After a sharp decline in all shipping markets at the start of the corona crisis, the container market and the dry bulk market are in good shape. Current supply and demand factors support such optimism. The outlook for the tanker market is favourable, but such recovery will need some more time.

NBZ is well positioned with regard to the investment portfolio. The return on the portfolio measured over the first half of 2021 is approximately 24%, well above the average of 12% measured over the 2016-2020 period. In addition to making the right choices regarding new and current investments, NBZ wants to realize its growth ambition. First of all with the placement of the bond loan, but also with the expansion of the share capital.

Although the corona crisis is not over yet with a worldwide vaccination rate of (only) around 20%, taking into account the current investment portfolio that is well diversified across sectors and contract terms, NBZ has every reason to be optimistic about the future.

Amsterdam, 6 August 2021

The Manager, Annexum Beheer BV

Consolidated Balance Sheet

(x usd 1.000)	30 June 2021	31 Dec 2020	30 June 2020
Assets			
Non-current assets			
Loans issued	-	-	-
Participations in ships	5.195	4.759	4.687
Investments in joint ventures	7	7	7
	<u>5.202</u>	<u>4.766</u>	<u>4.694</u>
Current Assets			
Loans issued	-	-	-
Participations in ships	1.985	1.251	1.316
Other receivables	50	117	142
Cash and cash equivalents	490	402	330
	<u>2.525</u>	<u>1.770</u>	<u>1.788</u>
	<u><u>7.727</u></u>	<u><u>6.536</u></u>	<u><u>6.482</u></u>
Equity and liabilities			
Group equity	6.744	6.335	6.372
Provisions			
Deferred tax liabilities	50	-	-
Long-term liabilities			
Bond loan	725	-	-
Short-term liabilities			
Other liabilities	208	201	109
	<u>7.727</u>	<u>6.536</u>	<u>6.482</u>

Consolidated Profit- and Loss Statement

(x usd 1.000)	First half 2021	The year 2020
Income		
Interest income loans issues	-	15
Other income	7	22
Alteration in valuations on participations in ships	810	424
Results from investmentss in joint ventures	-	-
	<u>817</u>	<u>461</u>
Other results		
Transaction and investment costs	-18	-78
Currency result	-2	14
Interest expenses	-3	-
	<u>-23</u>	<u>-64</u>
Operating expenses		
Management fees	111	191
Expenses feeder funds	-	4
Other operating expenses	101	242
	<u>213</u>	<u>436</u>
Results before taxes		
Corporate income taks	581	-39
	-50	-39
	<u>531</u>	<u>-78</u>
Result of the year		
Attributable to shareholders	531	-78
Result per share	0,67	-0,10
Average number of shares over the reporting peric	798.682	754.158

Consolidated Cash Flow Statement

(x usd 1.000)	First half 2021	The year 2020
Result from ordinary activities before taxes	581	-78
Adjustments for:		
Alterations in valuation on participations in shi	-810	-424
Interest income (financial lease and loans issue	-	-15
Change in working capital and others	64	-194
Cashflow from business activities	<u>-165</u>	<u>-711</u>
Receipts from joint ventures	-	-
Received interest from loans issued	-	16
Refunds from participations in ships	211	519
Sale of participations in ships	-	-
Investments in participations in ships	-571	-1.218
Investments in loans issued	-	396
Refinancing of loans issued	-	-
Cashflow from investment activities	<u>-360</u>	<u>-287</u>
Cashflow from financing activities		
Repurchase OEK shares	-	-108
Receipts from issues of shares	-	926
Dividends paid out	-110	-135
Issued bond loans	725	-
	<u>615</u>	<u>683</u>
exchange rate result and translation differences on cash and cash equivalents	<u>-2</u>	<u>14</u>
Connection to cash and cash equivalents		
Increase/(decrease) cash and cash equivalents	88	-301
Balance cash and cash equivalents as at 1 Januari	<u>402</u>	<u>703</u>
Balance cash and cash equivalents as at 31 Dece	<u><u>490</u></u>	<u><u>402</u></u>

Alteration in Valuation per Participation

(x usd 1.000)	First half 2021	The year 2020
Alteration in valuation Henrietta Product DIS	6	23
Alteration in valuation North Sea Gas AS	-20	61
Alteration in valuation UACC Bergshav II DIS	30	54
Alteration in valuation BrasGas IS	27	46
Alteration in valuation Super Greenship BV	34	85
Alteration in valuation Forest Wave Navigation	252	62
Alteration in valuation Parchem III AS	13	-9
Alteration in valuation Partankers	3	-
Alteration in valuation Nordic Handysize III AS	210	-166
Alteration in valuation Thor Dahl Shipping AS	252	104
Alteration in valuation RF Tanker AS	3	164
Other income	7	37
	<hr/> 817	<hr/> 461

Changes in Equity

(x usd 1.000)	Shares A number	Shares B number	Paid-up and called-up capital	Share premium general	share premium shares A	Revaluation reserve	Currency translation reserve	General reserve	Total
Position as of 31 December 2019	624.545	27.510	315	9.037	6.368	922	-7	-10.905	5.730
Profit for the year	-	-	-	-	-	-	-	-78	-78
Other mutations:									
Exchange	27.510	-27.510	-351	-	301	-	-	50	-
Repurchase OEK shares	-38.303	-	-1	-	-566	-	-	459	-108
Amendmet of the Articles of Association	-	-	858	-	-858	-	-	-	-
Currency change in share capital	-	-	141	-	-	-	-	-141	-
Revaluation participations in ships	-	-	-	-	-	424	-	-424	-
Dividend	-	-	-	-	-	-	-	-135	-135
position as of 31 December 2020	795.658	-	978	8.952	6.240	1.346	-7	-11.174	6.335
Profit for the year	-	-	-	-	-	-	-	531	531
Other mutations:									
Stock dividend	18.771	-	22	-76	42	-	-	-	-12
Dividend	-	-	-	-	-	-	-	-110	-110
Revaluation participations in ships	-	-	-	-	-	810	-	-810	-
Position as of 30 June 2021	814.429	-	1.000	8.876	6.282	2.156	-7	-11.564	6.744