

October 20, 2010



## RECORD ATTENDANCE AT THIRD ANNUAL INTERNATIONAL SHIPPING AND MARINE SERVICES CAPITAL LINK FORUM

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More than 250 delegates attended last week's Capital Link Third Annual Invest in International Shipping and Marine Services Forum in London. Attendance increased by over 25% from last year, setting a new record.

The Forum was organized by Capital Link in cooperation with the London Stock Exchange on Tuesday, October 12, 2010.

The event focused on providing a comprehensive review and current outlook of the various shipping and marine services markets, in addition to raising the profile of listed shipping and marine services companies throughout the UK and the wider European investment communities.

The Forum featured a distinguished group of expert panelists and presenters which discussed the latest developments in the dry bulk, tanker, container and marine services industries. The presentations included topics covering ways to access capital for listed sector companies, the availability of bank financing in today's markets, as well as legal developments and challenges in shipping and the marine services sectors.

The level of investor participation at this year's Forum demonstrated that the maritime sector gains more traction among UK investors. Despite the overall current market volatility, opportunities exist not only with shipowning companies; investors are seeking further investments in the marine services business.



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This year's Forum featured opening remarks from the Head of Continental Europe Primary Markets, Mr. Luca Peyrano. He discussed the overall importance of London as a global investment destination.



Mr. Nicolas Bornozis, President of Capital Link, highlighted the significance of the Forum in raising the profile of the shipping and marine services sectors among the wider investment community especially in the United Kingdom. He also presented Capital Link's Maritime Indices which track the performance of US listed



shipping companies providing investors with benchmarks with which they can track the performance of individual shipping stocks, shipping sub-sectors and the listed shipping industry as a whole against freight indices and the broader market. He mentioned that Capital Link is working on producing a similar index for the UK Shipping and Marine Services sector.

## MARINE SERVICES SECTOR OVERVIEW



**Mr. Peter Ashworth, Equity Analyst of Charles Stanley Securities** discussed the activities of the Marine Services sector, which encompasses engineering skills, technical services, marine operations, consultancy and other services and port, logistics and freight services. He analyzed the sector's characteristics which support maritime transportation operations around the globe. He mentioned that the large vessel order books spanning a number of years translate into demand for marine services thereby offering better visibility for the sector.

He emphasized that the sector has a range of companies which serve niche markets and have managed to better maintain their margins. Many marine services companies have fared better during the recession than shipowners because they focus more on operations and maintenance than on capital expenditure. "The best way to play with the sector is to follow the 'service not assets' approach, as that way they represent a different opportunity to investors who follow the sector," he concluded.

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## JAMES FISHER & SONS (LSE: FSJ)



**Mr. Tim Harris, Chairman** of James Fisher and Sons gave a company presentation. James Fisher & Sons is UK's leading marine service provider, with a turnover in excess of £250 million and a market capitalization of about £258 million. Mr. Harris discussed the great opportunities that the international marine markets offer, being one of the world's largest businesses. He emphasized that the sector is indeed less recognized in the UK – while it is fast growing in Asia – because the UK exited ship building and ship owning with P&O in the 1970s, and also due to the fact that the local financial press doesn't focus much on it.

He analyzed that the Company's strategy is to apply its technical and operational skills in the marine sector to further enhance their four divisions, including specialist technical, offshore, defence and marine oil. They use their strong cash flow for marine oil to grow other divisions and focus on niche markets with high margins, high returns on capital and good cash generation. "We plan to further grow by acquisition initially and then use capital to support our organic growth," he said.

Mr. Harris concluded that James Fisher is well placed to continue its proven track record of producing good growth and further value for its shareholders.

## BRAEMAR SHIPPING SERVICES (LSE: BMS)



**Mr. James Kidwell, Finance Director** of Braemar Shipping Services presented an overview of the company, which is a London-listed marine and shipping services business with a market capitalization of about £105 million and around 750 employees in total of which 500 are in the UK. He outlined the company's diversification into marine services, including technical, environmental, logistics and ship broking services. He emphasized that their strategy is to recruit, train and develop their staff to provide excellent client service. They have a

broad base, both geographical and operational, with a mixture of commission and fee or project based business.

## GOLDENPORT HOLDINGS (LSE: GPRT)

**Mr. Christos Varsos, Chief Financial Officer** of the company highlighted the competitive strengths of Goldenport Holdings Inc. (LSE: GRPT.L), an international shipping company that currently owns and operates a total fleet of 25 container and dry bulk vessels that transport cargo worldwide, comprised of 11 container vessels and 14 dry bulk carriers.

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Goldenport has an experienced management team with significant equity stake and operates a well diversified fleet and has been active in acquiring additional tonnage and continuously renewing its fleet with the acquisition of younger tonnage. Mr. Varsos emphasized that the company has a proven track record and has secured strong and visible cash flows through medium- and long-term charters with high quality customers. “Goldenport follows a prudent and focused fleet expansion program, has low leverage with strong access to financing, sustains an attractive dividend payout and maintains a strong balance sheet aiming at safeguarding the value created through its strategic initiatives, even during the downturn,” said Mr. Varsos.



About the container market, he added that the freight rates and volumes in 2010 improved vastly on the back of the rebound in global economy and the increase in demand for container vessels has been encouraging after a period of prolonged de-stocking. This positive recovery in the freight rates has filtered through to new-building and secondhand values and even though supply remains a threat, it is less than before as the orderbook as a percentage of the fleet has dropped from a peak of 60% to 25%.

He added that the outlook for the dry bulk market needs to be evaluated separately for the large sizes versus the smaller sizes because the big sizes will continue to be dependent on how the Chinese thirst for steel raw materials lasts for and how much of the planned orderbook really gets delivered while the outlook for the smaller sizes seems to be brighter as it also depends on the emerging markets growth in total, with trades other than the iron ore and coal that apply for the big sizes.

#### **HELLENIC CARRIERS (AIM: HCL)**



**Mr. Anastasios Pantelias, Commercial Manager** and **Mr. Graham Roberts, Non-Executive Chairman** presented Hellenic Carriers Ltd (LSE: HCL.L), an international provider of marine transportation services for dry bulk cargoes. Currently Hellenic owns a fleet of five dry bulk carriers, comprising three Panamax, one Supramax and one Handymax with an aggregate carrying capacity of 303.141 dwt. “We focus on the Panamax and Handymax markets and predominantly on long-term and medium-term charters, and we aim to continue

strengthening our balance sheet and deliver long-term growth and shareholder value,” Mr. Roberts said.

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Mr. Pantelias emphasized that Hellenic has initiated its fleet renewal and expansion program by selling a 1993-built Panamax vessel in May 2010 and placing an order for the construction of two new-building Kamsarmax bulk carriers with expected delivery in January and March 2013.

“In regards to the dry bulk market, the demand remains robust with the global dry bulk seaborne trade expected to grow by 9% in 2010, while for 2011 the preliminary forecasts for seaborne trade is for between 6-7% growth,” Mr. Pantelias added.

In terms of supply the new-building deliveries gather pace with actual deliveries to continue being distorted by the effects of misreporting, slippage and continued constraints in the financial markets while the scrapping levels remain low. He pointed out that there are some supply factors to consider, such as port congestion which has been gradually rising during 2010 and increased fleet utilization with new trade routes emerging and usually involving longer voyages.

He added that the freight markets remain resilient and freight rates in 2011 can be expected to come under pressure due to the influx of new- building deliveries. “The fortunes of dry bulk shipping are very much intertwined with those of the emerging economies, and especially of China and India,” he concluded.



## LEGAL CHALLENGES IN SHIPPING TODAY



**Mr. Alistair Mackie, Partner of Holman Fenwick Willan** discussed the legal issues and fallout that rose in the shipping industry following the Q3-Q4 2008 crash. “Many parties became insolvent, unable or unwilling to pay and many contracts were cancelled and suspended, while there were many problems with financing,” he said. He outlined the process for assessment of damages. He mentioned that the Rule B is no longer applicable to Electronic Fund Transfers and he outlined the problems of piracy including the attack and capture, ransom and various anti-

terrorist and anti money laundering legislations. Mr. Mackie presented the restrictions and the commercial issues that Iran faces following the sanctions. “The import and export of specific items to and from Iran, the sale, supply or transfer of key equipment and technology for the Iranian oil and natural gas industry or even opening new branches, subsidiaries or offices of Iranian banks in Member States have all been restricted,” he added.

Mr. Mackie also discussed pooling arrangements highlighting that any pool agreements between competitors that result in joint selling could infringe EU competition laws, and must be examined on a case by case basis. The key feature of standard shipping pools is joint selling, coupled with features of joint production.

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## SHIPPING & THE CAPITAL MARKETS PANEL



The Shipping & Capital Markets Panel comprised **Mr. Harry Wong, Managing Director, Knight Capital Markets**, **Mr. Philippe Chryssicopoulos, Director, Head of Shipping EMEA, Bank of America Merrill Lynch**, **Mr. Stratos Chazigiannis, Investment Director at NGBI Private Equity Ltd.** and **Mr. Konstantin Driker, Managing Director of Sunrise Capital Markets.**

The panel was moderated by **Mr. Alaric Nightingale, Shipping Reporter, Bloomberg News.**

The overall expectation was for shipping IPOs to provide a greater proportion of ship finance over the next year. Shipping lines and related companies are also tapping debt markets to raise funds, with \$10 billion of bonds sold over the last three years. The UK can spur greater demand for shares of shipping companies by promoting them to smaller investors through better research coverage, the panel found.

## SHIPPING & BANK LENDING PANEL



**Mr. Manos Pelidis, a Senior Partner of Deloitte in Athens** moderated a panel on Shipping & Bank Lending and included the following panelists: **Mr. Joep Gorgels, Head Transportation West-Europe, ABN AMRO**, **Mr. Shreyas Chipalkatty, Director, EMEA Shipping, Citigroup** and **Ms. Eri Tsironi, Senior Vice President, Dry Bulk**

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The panel discussion mainly centered around the lending environment over the last few years, the outlook for the future, the handling of the recent crisis by the banks and the anticipated effect for Asian banks entering the market. The panel noted that bank lending has become available again but mostly to good clients and with increased margins and equity requirements. Generally banks are looking to lend at between 60% and 70% of value.

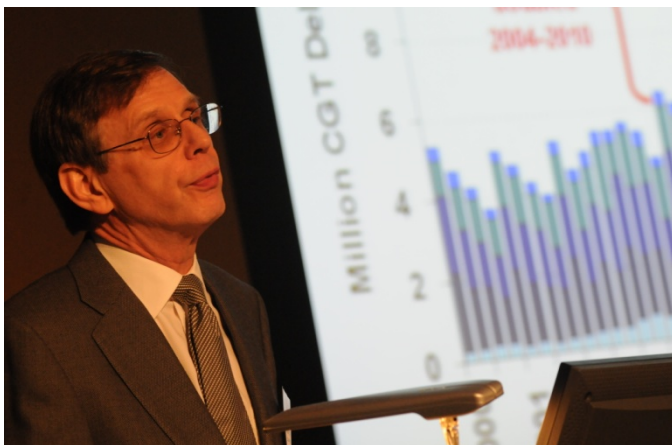


The recent crisis did not lead to several repossessions as banks were more inclined to seek solutions through waivers, loan restructuring etc. A further reason was that though loan to value covenants had been breached, the vessels were often able to carry on earning revenue allowing capital and interest commitments to be met.

The Korean and Chinese banks are slowly becoming bigger players. At the moment however, they are largely looking at the bigger more credit worthy players and are essentially providing loans for vessels being constructed in their local shipyards. Therefore, such finance is not available to all.

The overall general consensus was that the industry had been through a difficult period but in contrast to previous crises, there had been better cooperation between banks and owners, thereby ameliorating the effects to the benefit of all.

## GLOBAL SHIPBUILDING SECTOR OVERVIEW



**Dr. Martin Stopford, Managing Director of Clarksons (LSE: CKN)** discussed global shipbuilding, one of the world's most competitive markets with a very volatile history, and said that we are now approaching the peak of a 35-year shipbuilding capacity cycle with shipyards having doubled their capacity since 2003 to 55 m CGT (it was 25 M CGT).

He said that China is now the biggest shipbuilder with a 36% market share of the total output putting the country as such in the Big League and still continues to expand. "The investment trend continues to be to invest in new ships, with the industry ordering \$857 billion of new ships between 2003 and 2008, with about 50% of these orders being placed in 2007-2008 when the prices were at a peak," Dr. Stopford added.

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Mr. Stopford concluded that even though investments slumped approximately 84% in 2009, they speeded up in the first three quarters of 2010 and there is now a solid orderbook to 2013.

## OIL & GLOBAL ENERGY MARKETS OVERVIEW



**Dr. Leonidas P. Drollas, Deputy Executive Director & Chief Economist - Centre for Global Energy Studies** (founded in 1990 by Sheikh Ahmed Zaki Yamani, Minister for Petroleum and Mineral Resources of Saudi Arabia) presented the key issues of the oil industry and said that in order to boost the trade in oil what is needed is a higher oil demand and a lower local oil output which will lead to low oil prices.

A few of the key questions he addressed were why oil demand is stagnating in the OECD countries and is booming in the developing world, especially in the Far East and whether this will continue, and also why the fundamentals suggest weaker oil prices but the financial sector thinks otherwise? He emphasized that in the longer term, the oil demand growth is likely to be on the low side (1.1% p.a.) due to OPEC's preoccupation with high oil prices and its concern about the environment and technological change. Even though OPEC will try to keep the prices above \$70/bbl, this will depend on the amount of the spare oil production capacity that is available, the fiscal needs of the oil producing states and how willing OPEC's members will be to cooperate.

"The world's oil resources are ample and most of them are relatively cheap to extract, but the cartel prefers to keep a lot of this low-cost oil in the ground," added Dr. Drollas. "So the high oil prices are most likely to stay for the near future, keeping this way the global oil demand at a lower level than it would otherwise be and also do the same to the trade in oil," he concluded.

## TANKER SECTOR PANEL



The Tanker Sector Panel was moderated by Mr. **Henry Curra, Head of Research, ACM Shipping Group plc** (AIM: ACMG), and included the following panelists: Mr. **Nic Reardon Smith, Director, Research & Project Management, d'Amico International Shipping** (MI: DIS), Mr. **Simon Chattrabhuti, Head of Tanker Research, ICAP Shipping**, Mr. **Richard Moore, Chief Commercial**

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## **Officer, Pyxis Maritime and Mr. Laurent Bozzoni, Managing Director, Socatra.**

The panel focused on future prospects for the crude and product tanker sectors. MR tankers were expected to remain the workhorse of the product carrier market thanks to their flexibility to respond to a re-shuffling of traditional MR trade routes, particularly in the Atlantic basin. The panel explored the emergence of new product carrier demand centers, such as India, China and the Middle East that could favor the larger LR tankers, and explained the extent to which product carrier earnings could beat the indices if vessels are traded intelligently.



The problems associated with the large orderbook were recognized, but it was suggested that the sector would probably be the first to emerge from the current slump because of ordering restraint since the financial crisis in 2008 – a restraint not shared by investors in the large crude carrier sector. Potential oversupply was discussed particularly in relation to VLCCs. The panel ventured that single hulls would have little or no impact on spot market tonnage availability next year, and the attention should instead switch to tradability of older (20 year+) double hulls.

A possible reemergence of oil price contango supporting floating storage employment was discussed, coinciding with refineries turnaround in the second quarter of next year.

Questions from the audience drew attention to the IMO's position on veg oil carriage in IMO Type 3 tankers, and whether this position could change as availability of the IMO Type 2 tonnage increases.

## **THE FLOATING PRODUCTION STORAGE & OFFLOADING (FPSO) SECTOR OVERVIEW**

**Mr. Marius Messer, Head of Energy: Energy, Commodities & Transportation** of ABN AMRO presented an overview of the FPSO sector. He stated that floating production has developed rapidly over the past decades and several different types of these systems have been created, offering flexibility and includes FPSOs, Semi-Sub, Tension Leg Platforms (TLP) and SPAR. He said that FPSOs are still globally the preferred production solution, with 239



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floating production systems operating as of July 2010.

Their storage capacity, their extensive deck area which provides flexibility in process plant layout and the fact that they operate in all environments and are self propelled and moveable are just a few of their distinct advantages.

FPSOs demand drivers are expected in the near future to show considerable growth, which will lead to strong FPSO demand, which however is not yet met by the current projected supply. The industry is influenced by important trends, such as the increasing size and complexity of projects, capital constraints, tighter regulatory control and higher local content requirements which are expected to lead to new industry dynamics, including consolidation, company structure and finance solutions.

## CONTAINER SECTOR PANEL



The Container Sector Panel was moderated by **Mr. Petter Hatlem, Joint Managing Partner & CFO, Lloyds Chartering / Lloyds Containership Pool**, and included the following panelists: **Dr. John Coustas, President & Chief Executive Officer, Danaos Corporation (NYSE: DAC)**, **Mr. John Dragnis, Commercial Director, Goldenport Holdings (LSE:GPRT)**, **Mr. Kevin Kennedy, Director,**

**Synergy Marine** and **Mr. Claes Devantier, Senior Vice President, Maersk Broker K/S, Copenhagen, Denmark.**

The container panel noted that following a difficult 2009 the market has recovered remarkably well in 2010. The present disparity between time charter rates and second hand values, especially for small and medium sized containerships, is not expected to last. However, the panel did not conclude whether charter rates would increase or values decrease. Access to funding is considered a vital success criterion for tonnage providers going forward and an increasing part of the capital is expected to come from Asia. The panel was particularly optimistic about the prospects for very large containerships and expects this segment to represent attractive opportunities in the time to come. In the other end of the spectrum, as the drive for efficiency in supply chains continues, the smallest feeder ships are expected to face tough times.



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Although the market is expected to be more volatile and challenging in the year to come as a lot of new capacity is being phased into the market, the panel believes that the longer term growth prospects of this industry remain attractive.

## THE GLOBAL ECONOMY & DRY BULK COMMODITIES



**Mr. Casper Burgering, Senior Sector Economist of ABN AMRO** said that the recovery of the global economy will continue with China leading the way forward. ABN AMRO's view on China is that the stimulus packages towards the country have ended and the Government is now taking serious measures to cool down the economy in an orderly fashion while its central economic goal this year is to get a grip on the economy, especially through the level of fixed investment in construction.

“The Eurozone recovers slowly, while the leading economic indicators in China and US suggest further recovery. The emerging countries on the other hand such as China are far from done growing,” he concluded.

## DRY BULK SECTOR PANEL



**Mr. Nigel Gardiner, Managing Director, Drewry Shipping Consultants** moderated The Dry Bulk Sector Panel which included the following panelists: **Mr. John Dragnis, Commercial Director, Goldenport Holdings (LSE:GPRT)**, **Mr. Anastasios Pantelias, Commercial Manager, Hellenic Carriers (AIM: HCL)** and **Mr. Dale Ploughman, Chief Executive Officer, Seanergy Maritime Holdings Corp (NASDAQ: SHIP)**.

The panelists highlighted several key points on the dry bulk market. The panel agreed that 2010 was another year when the market beat expectations and that predictions at the start of the year had been negative.

There has been a robust rebound in trade for commodities such as coal, ores and steel sector. The Russian ban on grain exports for instance, has provided a positive stimulus to the dry bulk

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sector. Most importantly, the large ship market will continue to remain volatile and is heavily dependent on Chinese demand importing dry bulk materials.

This year it is evident there has been continued changes in voyage patterns and greater long haul voyages. The panelists stressed that strong growth in trade and ship demand in 2011 is expected, especially for ships below capsizes. Furthermore, port congestion has continued to absorb shipping capacity in 2010 and there is no immediate end to this congestion in sight.

The panel's consensus was that the outlook for bulk carriers up to panamax size was slightly better than for the larger ships which not only suffer from a large orderbook, but less trading flexibility. As a result, the uncertainty created by the large orderbook, that is heavily weighted to the capsizes sector, has held back dry bulking shipping stocks.

### **THE M&A, CONSOLIDATION, GROWTH & INVESTMENT OPPORTUNITIES IN TODAY'S SHIPPING MARKETS PANEL**

The panel was moderated by **Mr. Tony Edwards, Partner, Corporate Finance, Stephenson Harwood**, and included the following panelists: **Mr. Perry van Echtelt, Managing Director, Corporate Finance & Capital Markets, ABN AMRO**, **Dr. Martin Stopford, Managing Director, Clarksons (LSE: CKN)**, **Mr. Henrik Lund Dal, Partner & Group CFO, Clipper Group A/S** and **Mr. Gildas Maire, Chief Executive Officer, Louis Dreyfus Armateurs**.

The panel explored some of the factors which were likely to influence the level of M&A activity and investment opportunities. Their view on the sector's health was reasonably pessimistic and whilst they did not expect widespread distressed fleet sales they believed that some owners would struggle to survive. They believed that the size of the orderbook, growing impatience of banks coupled with reduced access to affordable leverage and the continued manipulation of markets by China could tip some owners over the edge particularly those who had built up expensive dry bulker fleets in the lead up to the peak of 2008. Certainly owners would need to consider ways to hedge against these risks.

However this would present opportunities for the stronger trade players and for private equity investors who have realistic return requirements. The panel warned investors about 'get rich quick' strategies being applied to shipping and encouraged all concerned to take a more longterm view.



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The Forum was organized by Capital Link, a New York based Investor Relations and Financial Communications Firm with a strategic commitment to shipping.

This Forum was in cooperation with the London Stock Exchange.

## **CONFERENCE MATERIAL**

All conference material is available on Capital Link's website at:  
<http://Forums.capitallink.com/shipping/2010london/index.html>.

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