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Value observations in the shipping sector

2nd Annual Capital Link Greek Shipping Forum
22 February 2011

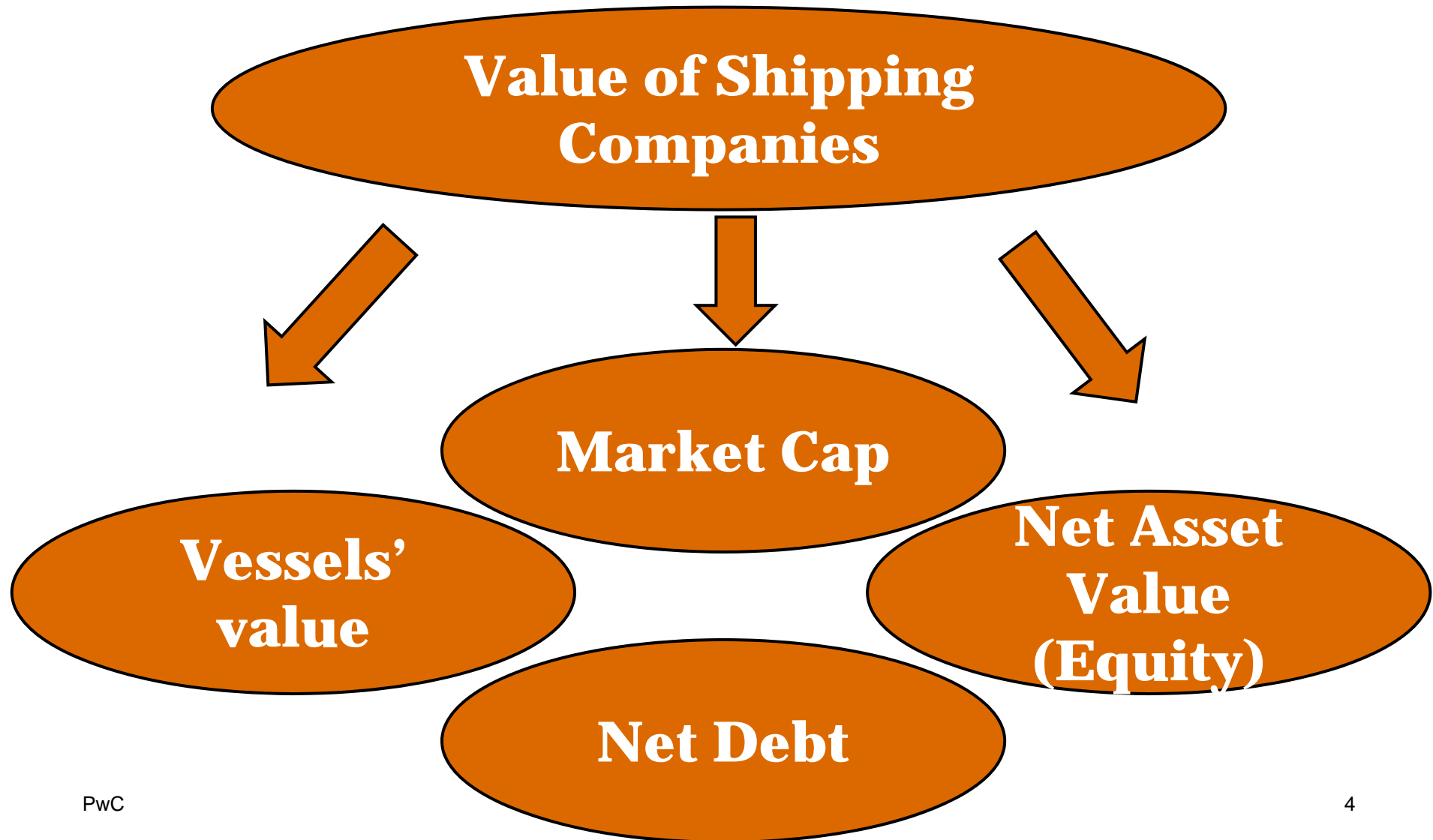
Defining value...

What is Value?

...and the answer

**Value is like
beauty...
it's in the eye of
the beholder**

Value relationship

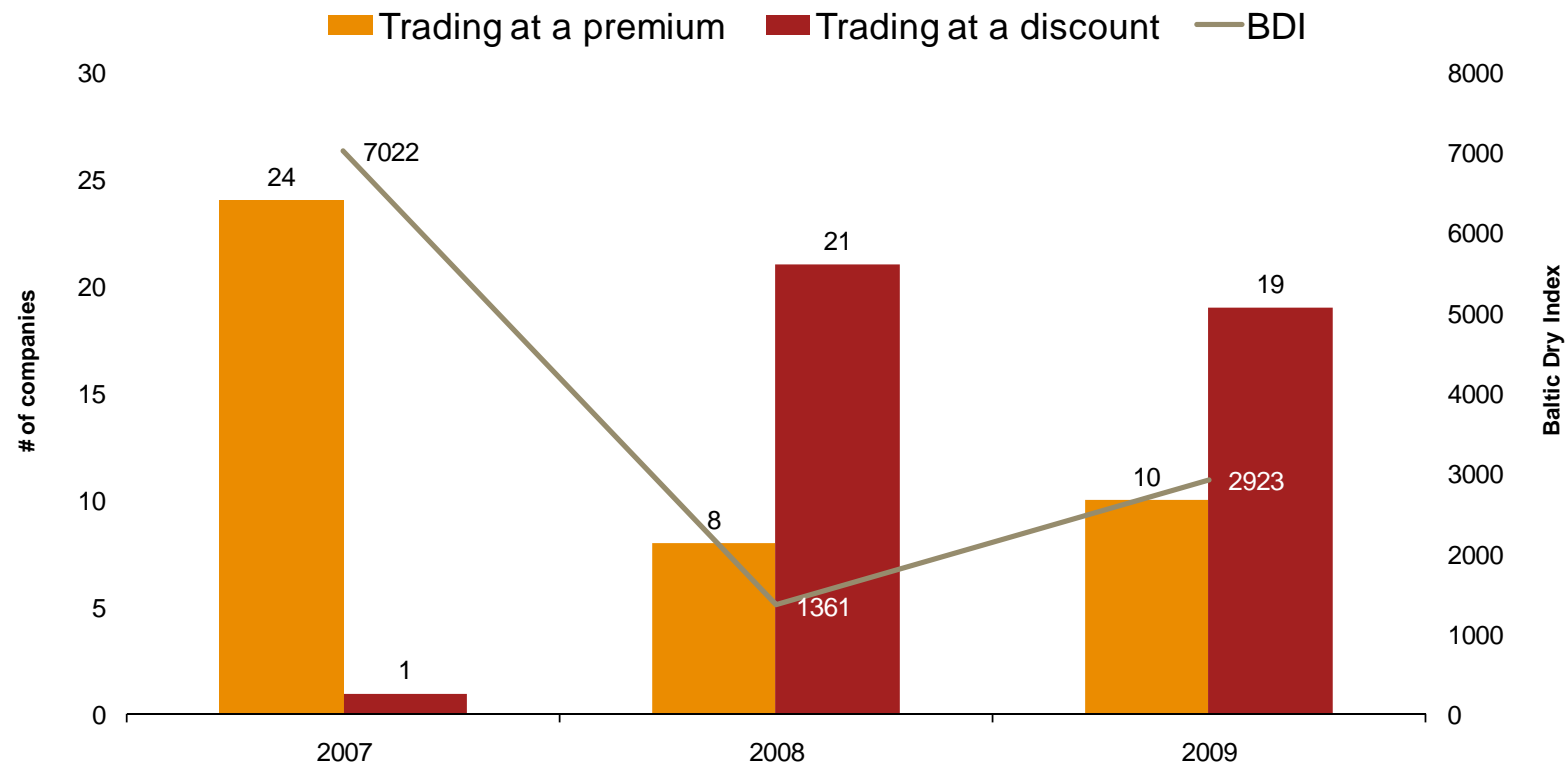


Overview of Dry/Wet market over the period 2007-2009

1

Most dry bulk companies consistently trading below their NAV since 2008

Market capitalisation vs. Net Asset Value performance

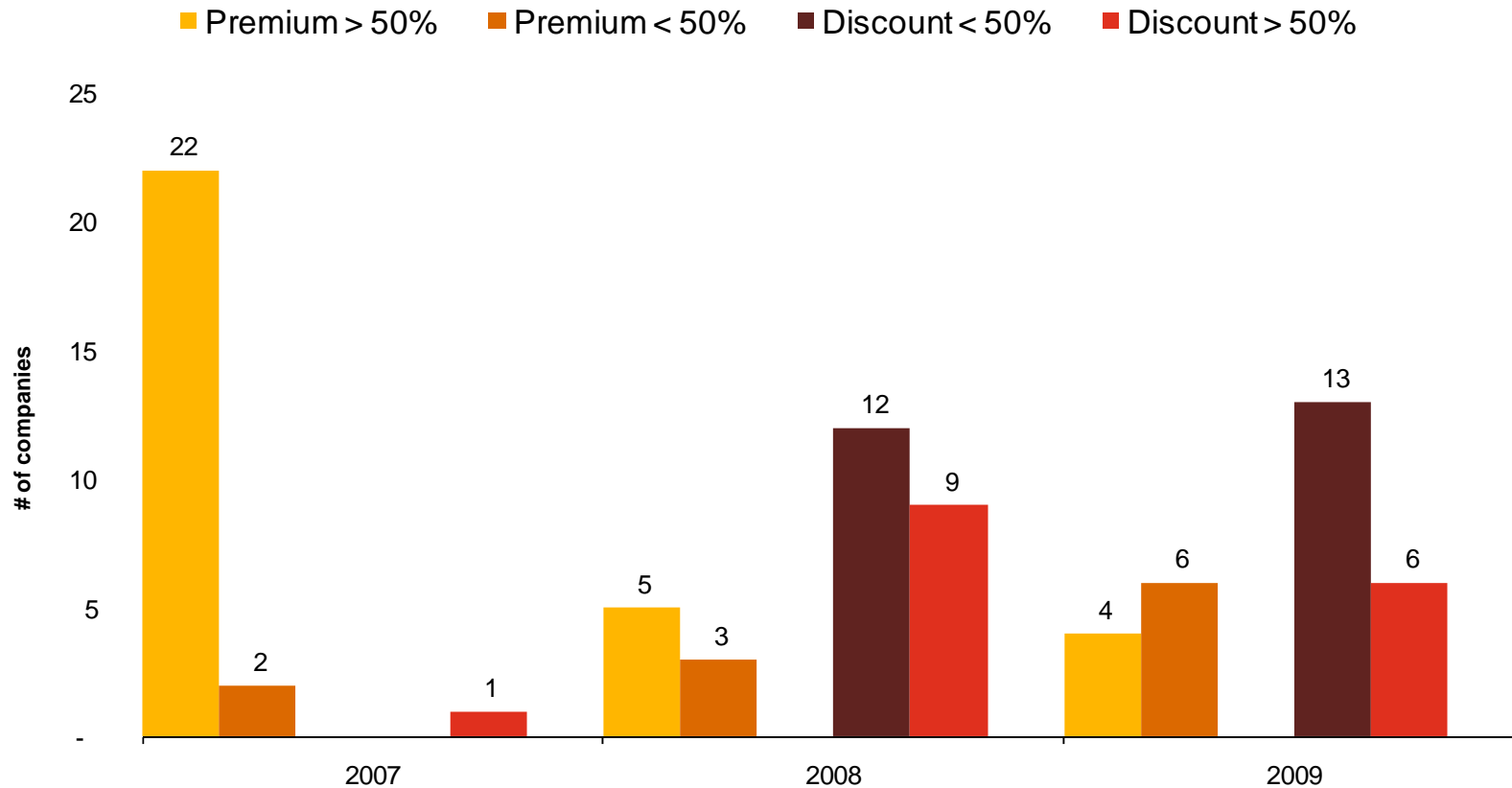


Source: Published Financial Statements, Reuters, Clarkson Research

Notes:

- Market Caps have been calculated as the 2 month average after the reporting date.
- Non controlling interest has been excluded from the NAVs.
- BDI presents the Baltic Dry Index 2 month average (January – February of 2008, 2009, 2010).

Dry bulk - less companies trading below NAV in 2009 and at lower discount



Source: Published Financial Statements, Reuters

Wet market trend is similar to that of dry market

Market capitalisation vs. Net Asset Value performance

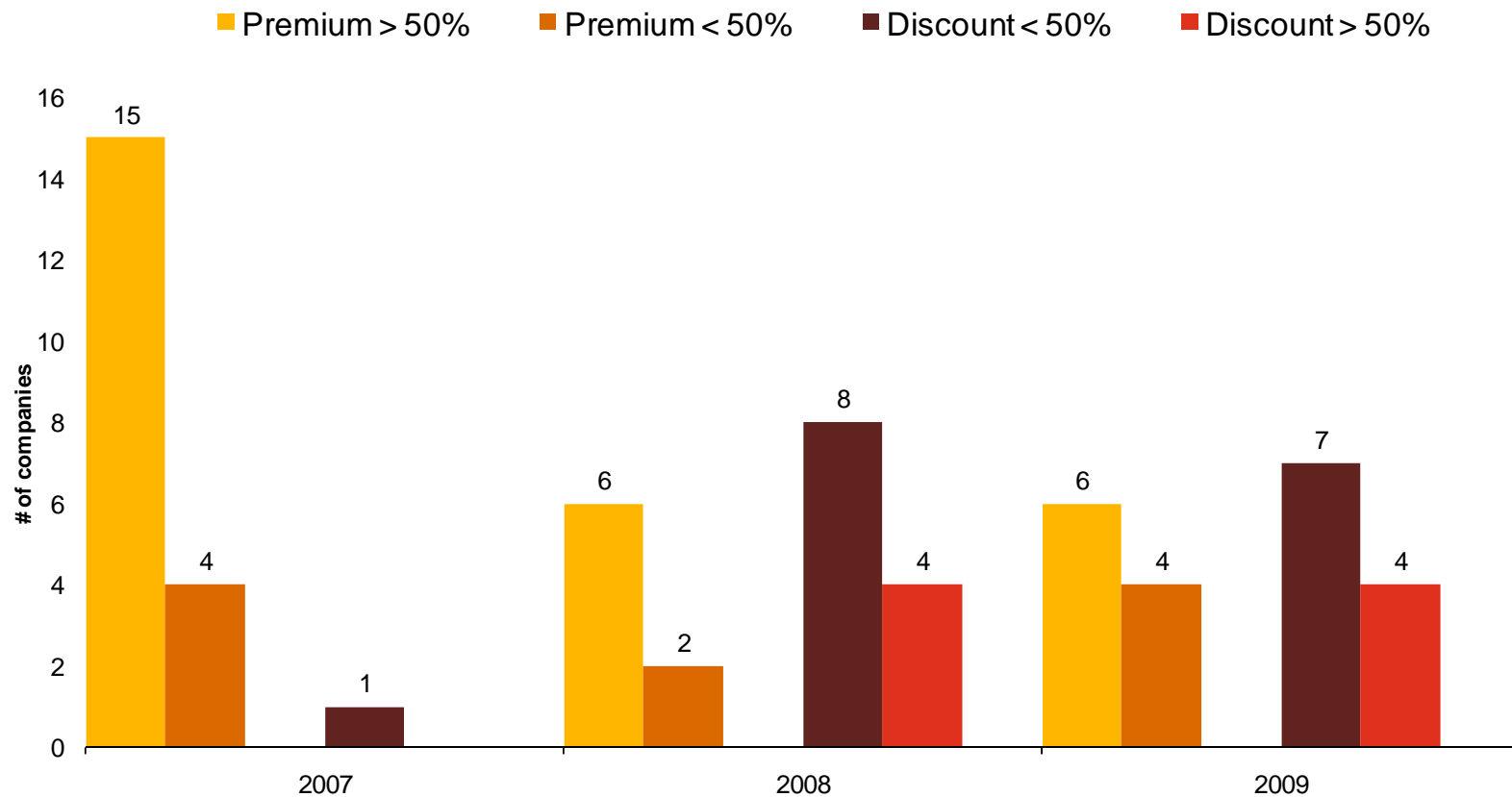


Source: Published Financial Statements, Reuters, Clarkson Research

Notes:

- Market Caps have been calculated as the 2 month average after the reporting date.
- Non controlling interest has been excluded from the NAVs.
- BCTI and BDTI present the Baltic Clean & Dirty Tanker Indices 2 month average (January – February of 2008, 2009, 2010).

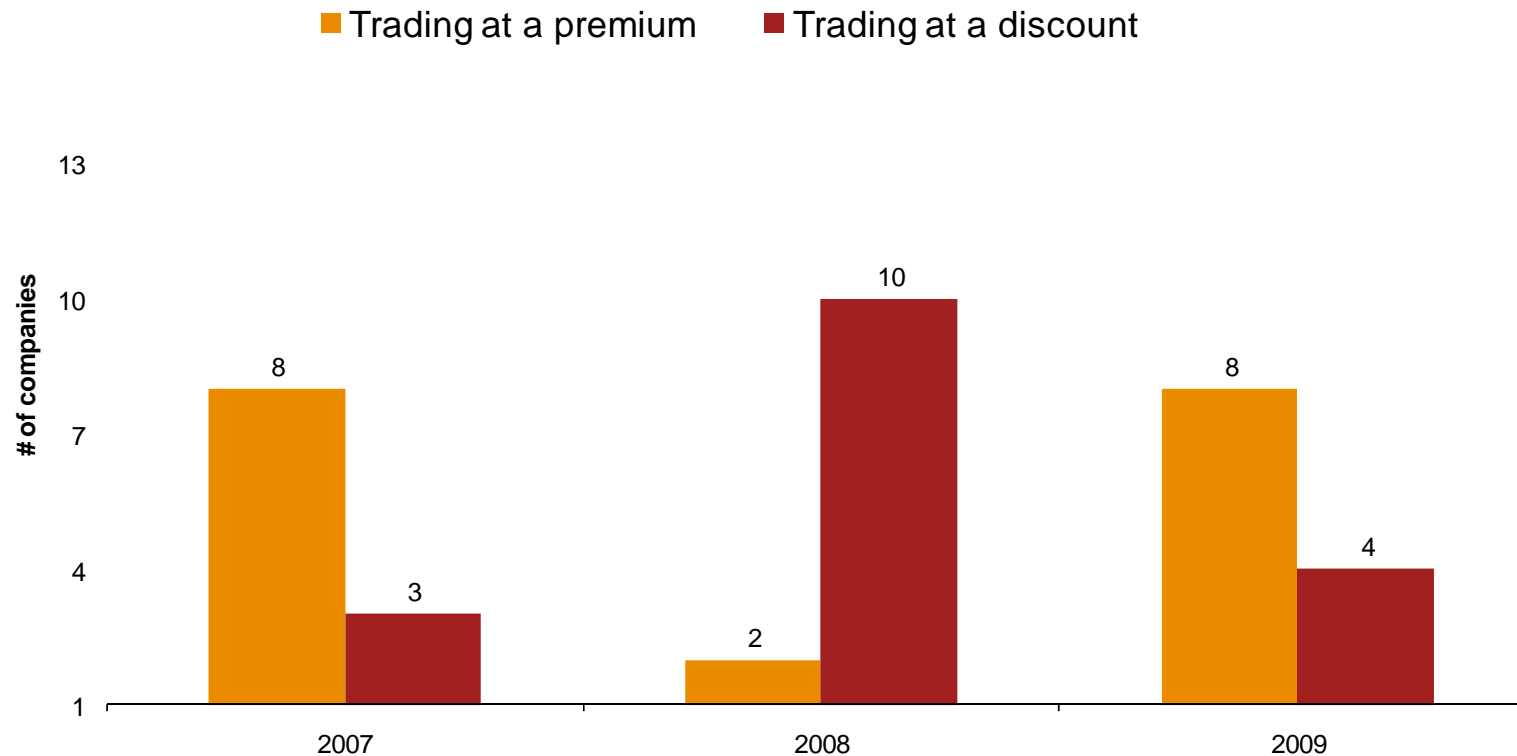
Tankers – more companies trading above NAV in 2009



Source: Published Financial Statements, Reuters

Containers – different trend to wet and dry sectors... Why ?

Market capitalisation vs. Net Asset Value performance



Source: Published Financial Statements, Reuters

Notes:

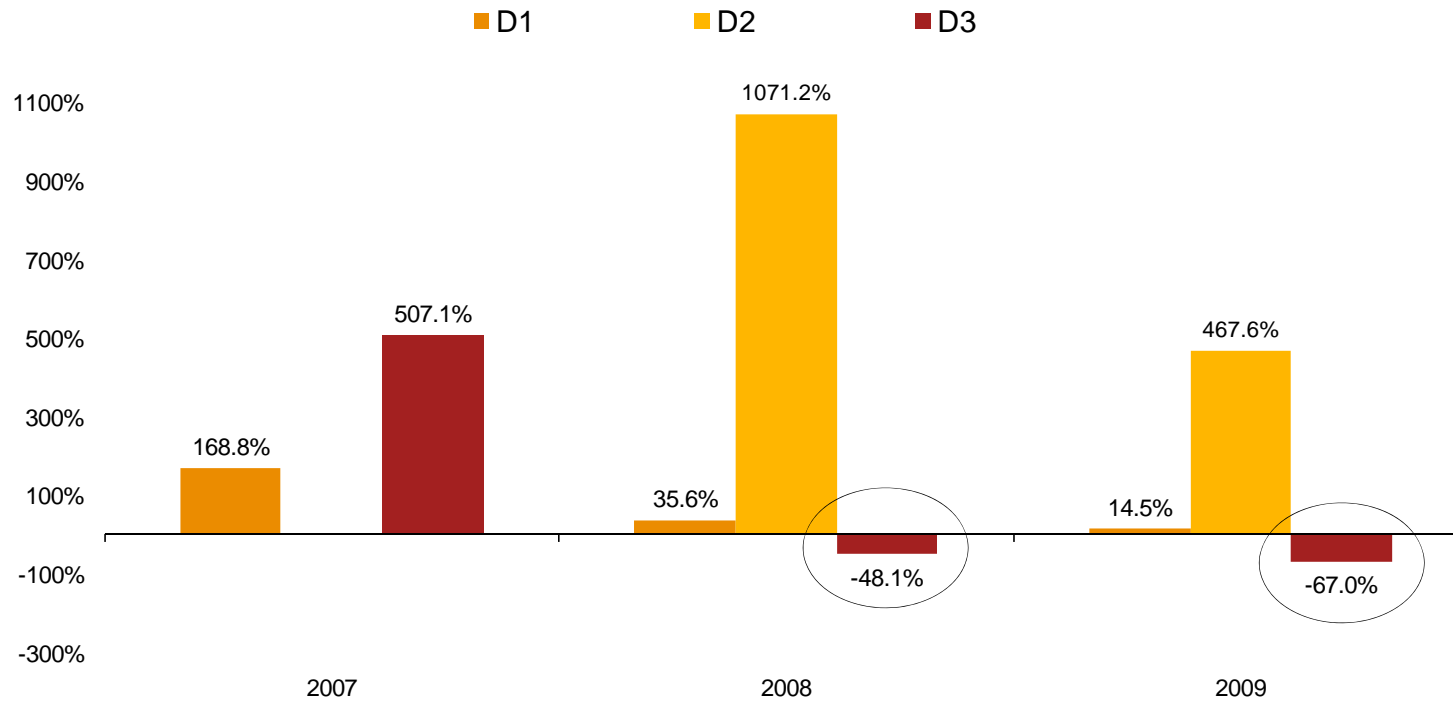
- Market Caps have been calculated as the 2 month average after the reporting date.
- Non controlling interest has been excluded from the NAVs.

*Quantitative / Qualitative Analysis
(2009 data)*

2

Dry bulk sector – 3 companies illustration

Market Cap vs. NAV performance



Source: Published Financial Statements, Reuters

Company	2007 trading at	2008 trading at	2009 trading at
D1	Premium	Premium	Premium
D2	n/a	Premium	Premium
D3	Premium	Discount	Discount

Dry bulk sector – 3 companies illustration

Common factors

- All three companies are listed on NYSE
- All companies have a fleet size exceeding 1.1 million dwt
- Vessels' market values are not disclosed in the financial statements
- No impairment recorded in 2009

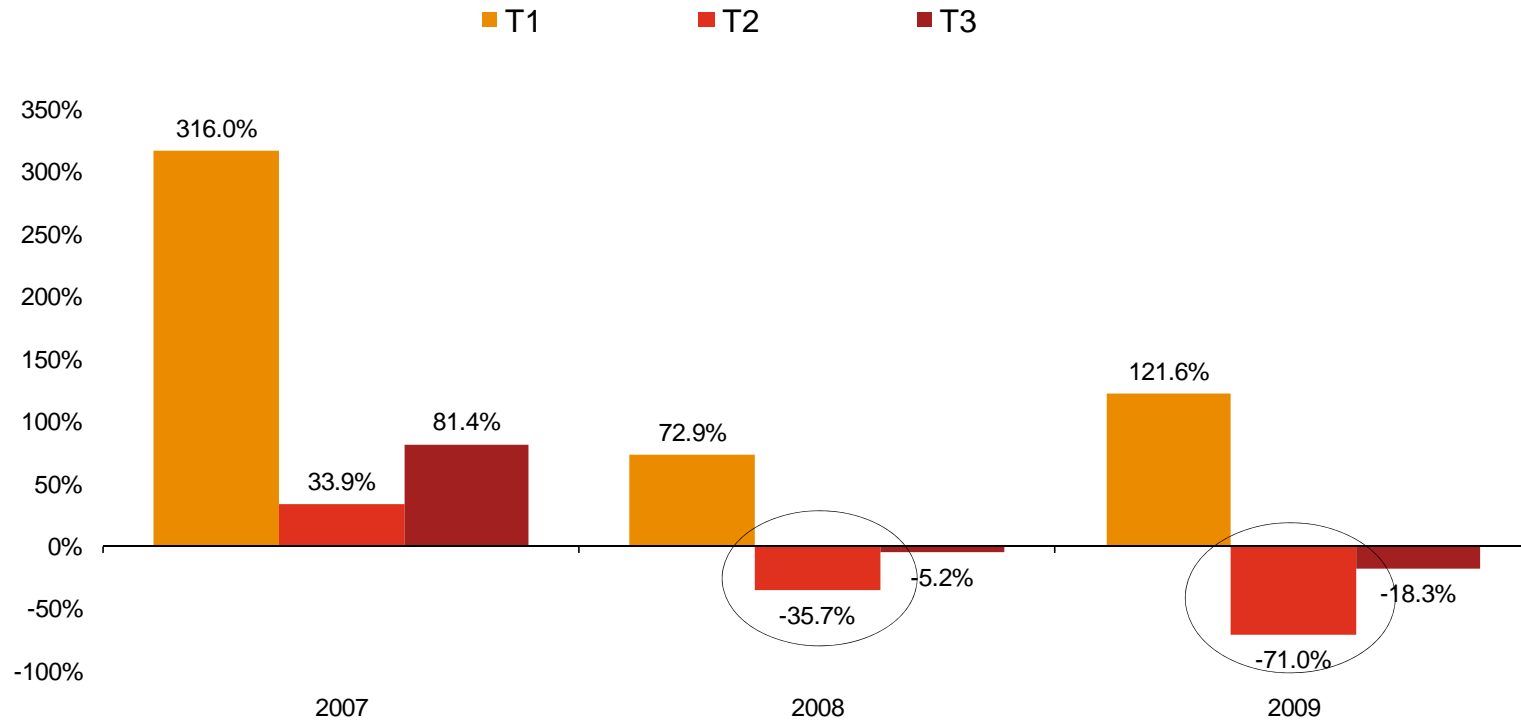
Dry bulk sector – 2009 data (MC Q1 2010)

Criteria Assessed	Company D1 at Premium	Company D2 at Premium	Company D3 at Discount
Long Term Contracts Coverage	100% of fleet on TC (45% of TCs expire in 2010-2011; Remaining expire by 2016)	100% of fleet on TC (38% of TCs expire in 2010-2011; Remaining expire by 2016)	68% of fleet on TC (87% of TCs expire in 2010-2011; Remaining expire by 2016)
Dividend Policy	No Dividend since Q4 2008	Yes, stable	No Dividend since Q4 2008
Average Fleet Age (in years)	4.8	3.6	9.7
Debt Issues	None	None	Breach of covenants / waivers agreed

Source: 2009 Published Financial Statements

Tanker sector – 3 companies illustration

Market Cap vs. NAV performance



Company	2007 trading at	2008 trading at	2009 trading at
T1	Premium	Premium	Premium
T2	Premium	Discount	Discount
T3	Premium	Discount	Discount

Tanker sector – 3 companies illustration

Common factors

- T1 and T2 are listed on NASDAQ, while T3 is listed on NYSE
- All companies have a fleet size exceeding 0.7 million dwt
- Vessels' market values are not disclosed in the financial statements
- Only T3 recorded an impairment on vessels in 2009

Tanker sector – 2009 data (Q1 2010 MC)

Criteria Assessed	Company T1 at Premium	Company T2 at Discount	Company T3 at Discount
Long Term Contracts Coverage	94% of fleet on TC (65% of TCs expire in 2010-2011; Remaining expire by 2018)	50% of fleet on TC (17% of TCs expire in 2010-2011; Remaining expire by 2015)	67% of fleet on TC (68% of TCs expire in 2010-2011; Remaining expire by 2014)
Dividend Policy	Yes (increasing since 2007)	Yes (decreasing since 2009)	Yes (decreasing since 2009)
Average Fleet Age (in years)	3.5	3.3	6.8
Debt Issues	Covenants amended	Under negotiation to obtain waivers	None

Source: 2009 Published Financial Statements

Conclusion

3

Potential factors affecting value

Factors that may be influenced by Management:

- Dividend Policy
- Time Charter Coverage
- Fleet Age
- Governance / Transparency

Factors which are outside Management's control:

- Economic Outlook / Market Conditions
- Investor Sentiment

Final Thoughts

«Ἐτεὸν δε ουδέν ἴδμεν. Ἐν βυθῶ γαρ η αλήθεια.»

“We know nothing for sure: truth is hidden at the bottom of the ocean.”

Bridging Value to Accounting

- ***Purchase Price Allocation***

- Assigning fair values to company's balance sheet
- Recognizing intangibles like backlog assets/liabilities

Thank you

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