



WHAT NEXT IN SHIP FINANCE, MERGERS & CONSOLIDATIONS?

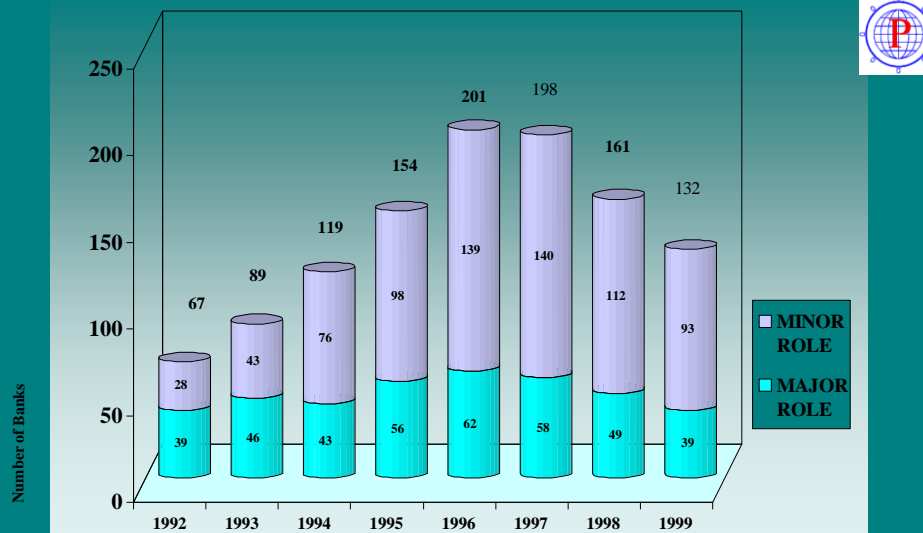
ACOMARIT CONFERENCE PIRAEUS 15/9/1999

Mr. Ted Petropoulos, Managing Director
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BANKS INVOLVED IN INTERNATIONAL SHIPLENDING 1992 - 1999



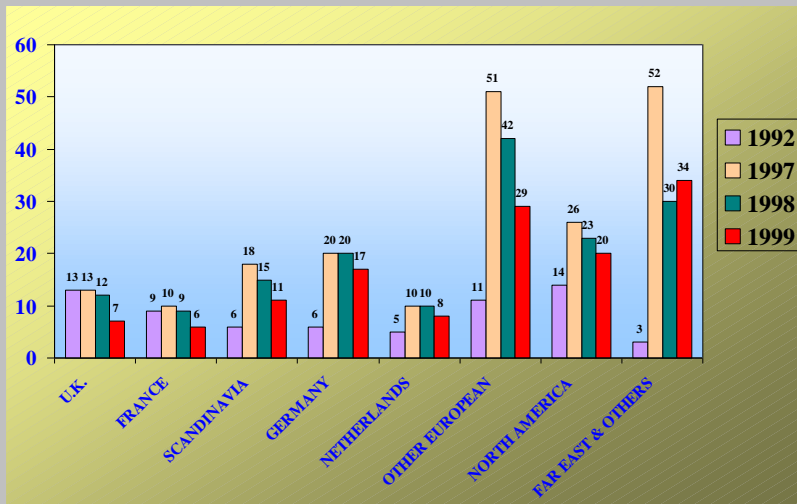
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SLIDE A



**BANKS INVOLVED IN INTERNATIONAL SHIPPING
ANALYSIS BY REGION
FOR 1992, 1997, 1998 AND 1999**



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SLIDE C



**IS THE GREEK SHIPMANAGEMENT
INDUSTRY HEADING TOWARDS
GREATER CONSOLIDATION?**

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**COMPOSITION OF GREEK
SHIPMANAGEMENT COMPANIES
AND ANALYSIS OF 1999 VERSUS 1998
RESULTS**

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**MAIN FACTORS SUPPORTING
FURTHER CONSOLIDATION OF THE
GREEK SHIPMANAGEMENT
INDUSTRY**

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MAIN FACTORS SUPPORTING FURTHER CONSOLIDATION OF THE GREEK SHIPMANAGEMENT INDUSTRY

- Attitude of Banks
- Economies of scale - technical
 - operating
 - supplies
 - crewing
 - management
- Attitude of Charterers
- Attitude of Insurers

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MAIN FACTORS SUPPORTING FURTHER CONSOLIDATION OF THE GREEK SHIPMANAGEMENT INDUSTRY

- Increased regulatory environment (ISM, Port State Control, Flag and Class requirements, etc.)
- IT revolution
- Increasingly more stringent reporting / accounting requirements
- Worldwide trend towards intermediation in management of assets, as well as investments

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MAIN FACTORS OPPOSING FURTHER CONSOLIDATION OF THE GREEK SHIPMANAGEMENT INDUSTRY

- Valued independence of Greek shipmanagement companies - link to ownership
- Loss of control fears
- Cost related fears / factors
- Intangible factors
- Competitive / antagonistic factors

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2. CHANGES IN MANAGEMENT STRUCTURES IN SHIPPING

- As Petrofin Research 1999 has shown, 18.73% of Greek shipmanagement companies are no more.

1. FACTORS AFFECTING THE CHANGE OF MANAGEMENT STRUCTURES IN SHIPPING

A. BANKS

LAST SHIPPING SLUMP REVEALED THE FOLLOWING WEAKNESSES IN TRADITIONAL SHIPMANAGEMENT:

- *1. SMALL FLEET MEANT LARGER EXPENSE IN TERMS OF INSURANCES, SUPPLIES, ETC - NO ECONOMIES OF SCALE*
- *2. OVERAGED FLEET SHOWED DIFFICULTY IN BEING EMPLOYED DUE TO REDUCED NUMBER OF FREIGHTS COMPARED TO NUMBER OF YOUNGER VESSELS IN THE MARKET*

1. FACTORS AFFECTING THE CHANGE OF MANAGEMENT STRUCTURES IN SHIPPING

A. BANKS

- *3. OVERAGED FLEET AFFECTED BY COST OF IMPLEMENTING NEW INTERNATIONAL RULES AND REGULATIONS*
- *4. ASSET TO LOAN RATIO PLUNGED AS VESSEL VALUES COLLAPSED TOGETHER WITH SCRAP PRICES*
- *5. SMALL FLEET VALUE UNABLE TO PAY OFF LOAN THROUGH SALE/SCRAP*
- *6. SMALL OWNER/MANAGER PROVED UNRELIABLE BORROWER*

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

A. BANKS

TRADITIONAL SHIPLENDING BANKS
HAVE REVISED THEIR POLICIES, WHICH
RESULTED IN DEMANDING:

- *YOUNGER VESSELS*
- *COMPLIANCE WITH INTERNATIONAL
RULES AND REGULATIONS*
- *WELL KEPT AND AUDITED ACCOUNTS*

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

A. BANKS

- *REGULAR, CLOSER SCRUTINY OF THE
COMPANY'S STATE*
- *BIGGER AND YOUNGER FLEET IN ORDER
TO MINIMISE RISK OF ASSET/LOAN RATIO
PLUNGING AGAIN*

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

A. BANKS

VERDICT

SMALL AND OLD RENDERED ALMOST
UNBANKABLE

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

B. MARKET

- 1. *ECONOMIES OF SCALE PROVE A MAJOR CATALYST UPSETTING THE BALANCE IN THE MARKET SHARE BETWEEN SMALL AND BIG FLEETS*
- 2. *CHARTERERS INCLINED TO PREFER YOUNGER VESSELS THAT COMPLY WITH SAFETY REGULATIONS*
- 3. *THE RECENT SLUMP EQUATED FREIGHTS OFFERED TO BOTH OLD AND YOUNG VESSELS - YOUNGER PREFERRED OF COURSE*

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

B. MARKET

- 4. *HIGH COST OF REPAIRS AND LOW VESSEL VALUES DRIVE MANY OLD VESSELS OUT OF THE MARKET*
- 5. *AS SCRAPPING PRICES PLUNGED, ASSET VALUE REDUCTION LED A NUMBER OF SMALL OWNERS OUT OF THE MARKET*

1. FACTORS AFFECTING THE CHANGE OF
MANAGEMENT STRUCTURES IN SHIPPING

B. MARKET

**MARKET BECOMES INCREASINGLY
DIFFICULT FOR THE SMALLER AND
OVERAGED FLEET AS PROSPECTS OF
SURVIVAL THROUGH ANOTHER
SLUMP VIRTUALLY DISAPPEAR**

MAIN CONCLUSIONS

- The Greek shipmanagement industry is undergoing a period of consolidation
- The smaller shipmanagement companies are the worst affected
- The overall consolidation may be partly explained by the slump market conditions in dry bulk shipping and other market segments
- To develop reliable results the Greek shipmanagement and its fragmentation should be observed over a longer period of time and over a number of shipping cycles

