

Opening Address

IIR Conference

London

23rd – 24th September 2002

A warm welcome to you all in the 2002 London Shipfinance Conference.

My name is Ted Petropoulos and I shall be your chairman for these two days. In order for everyone to benefit the most from this conference, I encourage you all to ask questions and use the coffee and meal breaks for making fresh contacts. Kindly switch off your mobile phones or at least turn them to mute.

I have been the MD of Petrofin S.A. for 15 years. Petrofin S.A. is an Athens based International Shipfinance consultancy and research company. I am an ex Shipfinance – banker and I am also chairman of Petrobulk Maritime Inc, an Athens based shipmanagement company with a fleet of 9 vessels.

For all of you, as well as myself, 2002 has been a year in which we had anticipated a shipping market recovery on the back of a world economic recovery lead by a rebound in the US economy and the restoration of confidence by the US consumer. Instead, the US economy has grown at a lukewarm pace, the world stock markets have fallen, European growth has slowed down, Japan is still trying to come out of a deflationary spiral and energy prices, especially oil have shot up from \$18 per barrel at the beginning of the year to nearly \$30 dollars recently.

Although interest rates are still commendably low, the winds of war have begun to blow with a possible US strike at Iraq and a possible spreading of instability in the whole Middle and Near East region.

Argentina defaulted and there are pressures on the other South American countries to follow. China and the Far East dragons have shown strong growth although trade restrictions and tariffs are hindering international further trade growth.

Although the international economy and its outlook remain cloudy, few will argue that there are brighter days ahead. The question is how soon and how much.

Spurred by low newbuilding prices and large shipyard building capacity, owners have continued to place orders especially for tanker and container vessels. With the exception of the handysize dry bulk sector, the demand – supply situation for all sectors would require a significant pick-up in demand for the expected newbuildings to be absorbed and freight rates to recover.

Perhaps the most favourable indicator is the increased interest by major charterers in securing 2 and 3- time time-charters at what they perceive to be attractive longer-term rates.

Shipfinance banks have expanded their loan portfolios in anticipation of a shipping recovery with special emphasis on newbuildings. Their worry lies in the cashflow effects to their clients of a possible delayed shipping recovery and in case they shall be squeezed by low freight rates on the one hand and rising interest rates on the other.

All banks have well laid out plans in anticipation of Basel II and in general there is a widespread feeling that higher loan yields are ahead for banks that may restore the competitiveness of shipfinance lending compared to other lending sectors.

Thus far, banks have contained well their problem loans, including those in the hard-hit container sectors and their main challenge is to improve areas of expertise.

Both the shipping and the shipfinance industry are facing increasing challenges as well as opportunities. In this conference we shall be assessing all the factors that bear and shape the outlook of shipping, so that you can steer your own safe course to success.