

Greek Shipping

**Understanding the past, making the most of the present,
preparing for the future**

**By Ted Petropoulos
Petrofin S.A.**

In the present climate of volatility and excess in the world of shipping and the financial markets, it is always worth looking into long term trends and forming clear pictures of patterns regarding any particular industry. In shipping, a traditionally volatile industry, identifying trends is particularly important, as this helps with understanding more clearly its structure, its past, its foundations and, of course, its prospects.

Shipping has always been an industry where nerves of steel were of primary importance, as well as expertise and being in touch with the international situation. As vessel prices have exploded, investment decisions have become crucial and often the difference between success and failure. The latter is relative in terms of opportunity losses as all owners have benefited from this booming market. As the market has risen, second-hand vessel purchases have increasingly involved IPO related buyers. Traditional owners have either sold part of their fleets at a huge profit and wait or alternatively they swap older vessels today for newbuildings in the future. A whole game has developed, whereby many owners would place on a speculative basis newbuilding orders in order to sell them prior to delivery at a profit. There are currently over 630 newbuildings on order and more announced each month despite the rising vessel deliveries taking place at present.

In the absence of scrapping, one would expect that the fleet would age except for a) the effect of newbuilding deliveries and b) the fact that the average age of sold vessels are substantially higher than the average age of purchased vessels by Greeks.

In Petrofin Research 2007, we present the current composition of the Greek fleet and an analysis of its results over the last 10 years that we have been analyzing the field.

The focus point is always the vessels afloat, but of equal importance are the Greek shipping companies operating them. Therefore, we look into the companies, as well as their vessels, as these are the brains and steam engine behind the ships that transport the goods on a world wide basis.



Greek shipping has been of great interest in terms of who operates the fleets. Its particular traditionally family-oriented make up, its evolution towards large entities that entered international stock markets, still with the big names floating around even after a company becomes public, we can establish a that a very personal connection between individuals and their shipping operations is an ongoing trend.

In terms of the number of shipping companies, we note that we have a substantial increase this year. Since 1998, there has been a notable downward trend, but in 2007 shipping companies went up. This year's results are summarized in Graph 1 below.



Graph 1



The significant reduction in the number of Greek owners between 1998 and 2005 was attributed to the decline in competitiveness of the small owner, usually running very small overage fleets. Economies of scale, increased regulations, attitude of banks and the collective view of all market participants contributed to this overall consolidation process. This was achieved, though, in the context of a stronger Greek sector, both in terms of number of vessels, age and especially DWT.

With the good markets from 2003 onwards, owners (especially small ones) took advantage of the high vessel prices for their overage vessels and continued selling or left the industry with some of them hoping to return when the market would correct itself, which they expected in 1-2 years at most. As the market continued to boom, however, interest in



shipping exploded from shipping related and non-shipping related routes including the rapid development of interest by the public markets and private equity providers. In addition, some owners returned to shipping having given up with the 'wait and see' theory and lastly a number of companies split up to different ownership positions depending on the varying strategies of each party.

Last of all, there have been some new entrants to the market from non-shipping related areas, wishing to enjoy the potential profits of shipping. All this contributed to a rise of the total number of Greek owners by 32 to 725 in 2007.

In line with the increase in the number of shipping companies, we see an increase in the number of vessels by a similar percentage, 4.8%

Due to primarily the delivery of newbuildings, the slowdown of scrapping as well and the almost frantic S&P activity, the actual number of vessels of the Greek fleet has gone up to **4346**, i.e. up by 182 vessels of all types and size. This figure represents vessels of any type, any tonnage and any flag under Greek ownership.

Table 1

Year	2001	2002	2003	2004	2005	2006	2007
Number of vessels in the Greek-based, Greek-owned fleet	4110	4142	4085	4184	3970	4164	4346

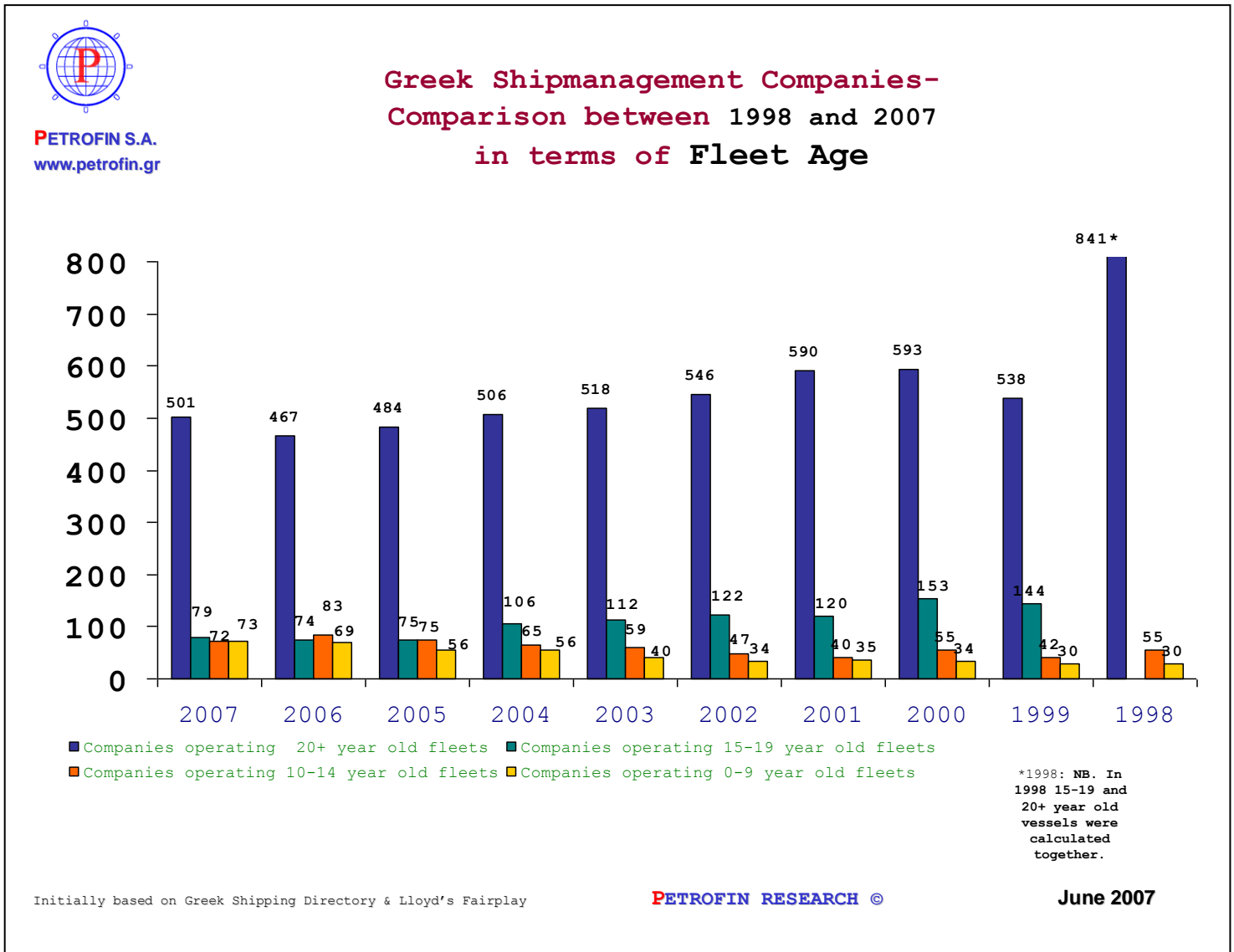
It is evident that the number of vessels is climbing substantially as owners are chasing after as much tonnage as they can get their hands on.

But the most important development this year occurs in the area of fleet age, whereby the average age of the ENTIRE Greek fleet irrespective of type, tonnage or flag is reduced to **18.71** years of age down from **19.14** years of age in 2006 and **23** years in 2005. This important development reflects the influx of newbuildings, as well as the results of the rigorous replacement of older vessels with younger tonnage over the last two years.

However, overage vessels have been added to the Greek fleets, reversing a trend that had them reducing in the last few years.



Graph 2



Breaking a 6-year trend, the oldest fleet type (operating vessels 20+ years of age) is up by 34. Old tonnage has regained its allure in view of the huge demand for sea transportation.

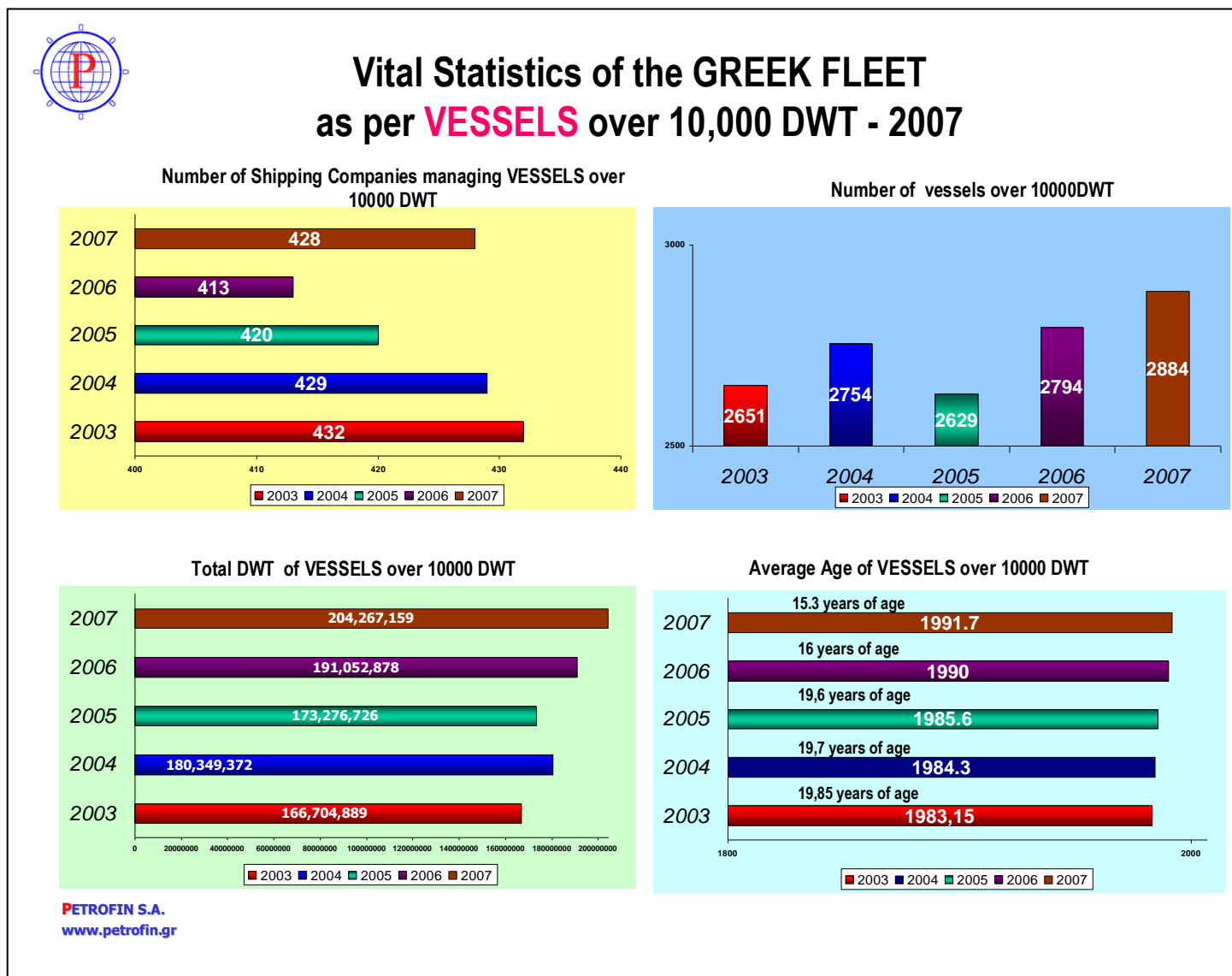
The only category that has gone down is 10-14 year old fleets.



The whole of the Greek fleet

Since 2003, when we started collecting data on different types and DWT of vessels, we see that for the over 10,000 DWT ones, there has been a steady upward trend regarding their numbers and DWT, an overall downward trend regarding the number of companies that run them and a remarkable fall in their age over the same period.

Graph 3 Vessels of over 10,000 DWT



The same pattern is true for vessels of over 20,000 DWT.



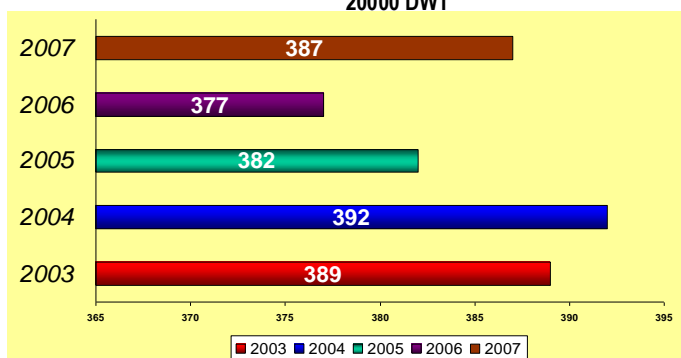
Graph 4 - Vessels of over 20,000 DWT



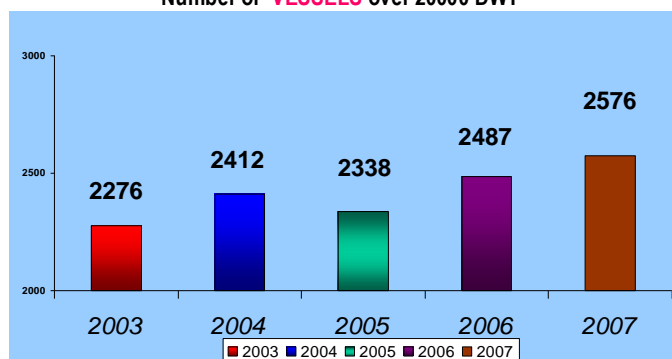
Vital Statistics of the GREEK FLEET

VESSELS over 20,000 DWT - 2007

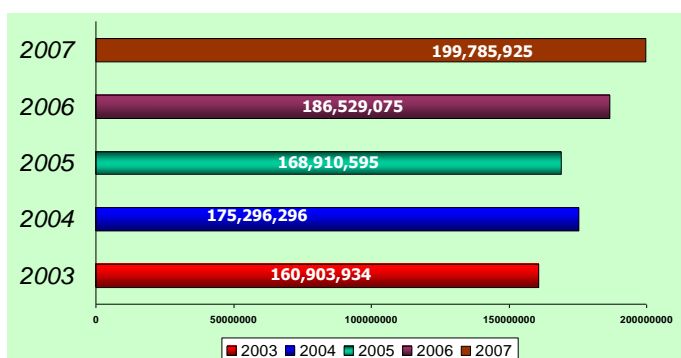
Number of Shipping Companies managing VESSELS over 20000 DWT



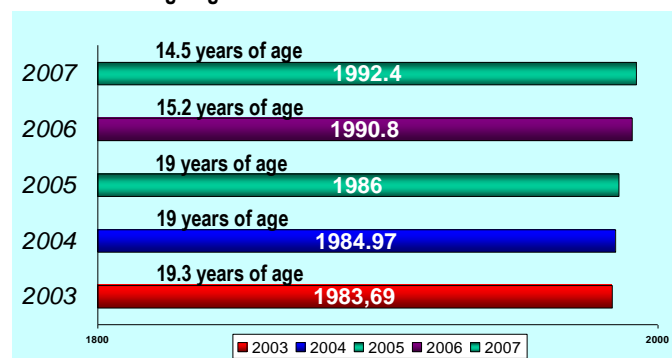
Number of VESSELS over 20000 DWT



Total DWT of VESSELS over 20000 DWT



Average Age of VESSELS over 20000 DWT



PETROFIN S.A.
www.petrofin.gr

An important observation is that the over 20,000 DWT vessels represent and impressive 96% of the total of the Greek fleet.

Summary of results

In Table 2 below, we present over time the development of the Greek fleet using the DWT fleet thresholds of 10,000 DWT and 20,000 DWT in terms of 4 key criteria:

- Total fleet DWT
- Number of vessels
- Average age of the fleet, and
- Number of shipping companies



Table 2

Analysis of the Greek fleet

	Total Fleet	No. of vessels	Average Age	No. of Cos.
Ships over 20,000 DWT 2007	199,785,925	2,576	14.5	387
Ships over 20,000 DWT 2006	186,529,075	2,487	15.2	377
Ships over 20,000 DWT 2005	168,910,595	2,338	19	382
Ships over 20,000 DWT 2004	175,296,296	2,412	19	392
Ships over 20,000 DWT 2003	160,903,934	2,276	19.3	389
Ships over 10,000 DWT 2007	204,267,159	2,884	15.3	428
Ships over 10,000 DWT 2006	191,052,878	2,794	16	413
Ships over 10,000 DWT 2005	173,276,726	2,629	19.4	420
Ships over 10,000 DWT 2004	180,349,372	2,754	19.6	429
Ships over 10,000 DWT 2003	166,704,889	2,651	19.85	432
Ships over 10,000 DWT 2002*	166,117,271	3,451	20.75	487
Ships over 10,000 DWT 2001*	152,092,312	3,491	21.13	505
Petrofin Research ©				

*Petrofin Research© - www.petrofin.gr

Looking at different types of vessels, we have examined the evolution trends regarding bulkers, tankers and containers.

Bulkers, the Greek fleet's current favourites, follow the general trends already identified above, i.e. less companies running more vessels, more tonnage and a younger age of vessels. The graph below shows that the number of companies has gone up by 2 to 318 and that the bulk carriers over 10,000DWT went up to 1,482 in 2007 from 1,437 units last year, i.e. up by 45 units. Tonnage also went up by an impressive **6,663,966 DWT**, beating by over 2m tons last year's rise of **4,310,317 DWT**. There is also the expected increase of average vessel size from 60,272m. tons DWT last year to 62,938m tons this year.

With the influx of newbuildings gathering pace, the average age continues to go down to 16.3 years of age. This is particularly important for bulkers, as these are the ships that traditionally have enjoyed a longer useful life.

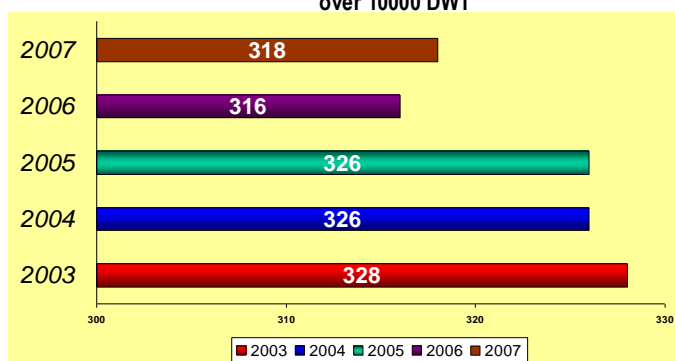


Graph 5

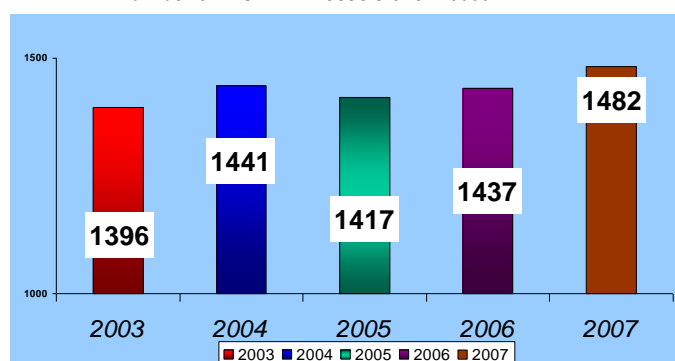


Vital Statistics of the GREEK BULKER FLEET as per BULKER VESSELS over 10,000 DWT - 2007

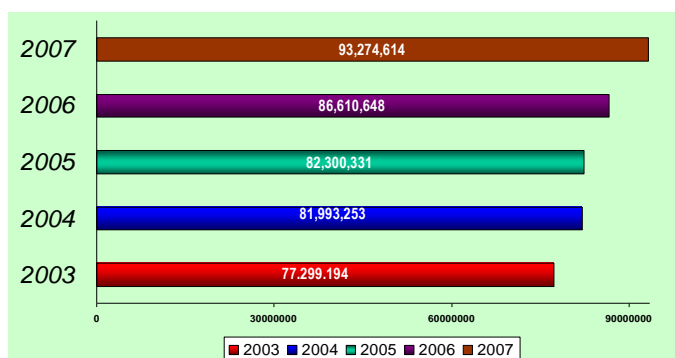
Number of Shipping Companies managing BULKER VESSELS
over 10000 DWT



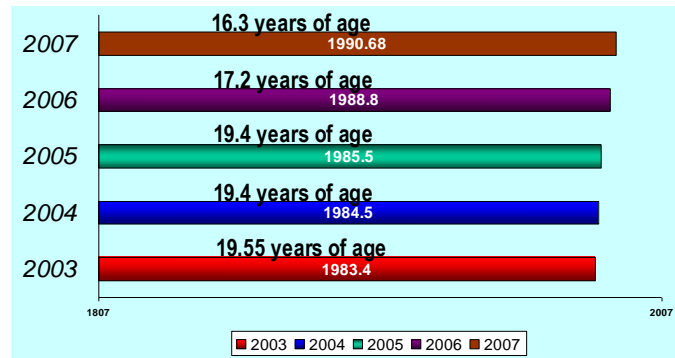
Number of BULKER vessels over 10000 DWT



Total DWT of BULKER VESSELS over 10000 DWT



Average Age of BULKER VESSELS over 10000 DWT



PETROFIN S.A.
www.petrofin.gr

Similar trends again hold true for the over 20,000 DWT bulkers. Vessels are up by 52 units as opposed to a rise of 25 units last year, companies are up by 2, and tonnage is up by again a very impressive 6,7m tons DWT, which is almost double last year's rise of 4,393,624tons DWT. Age has dropped even further for the larger vessels, by one year to 16. Average DWT here is 64,712 tons whereas last year it was 62,239 tons DWT.

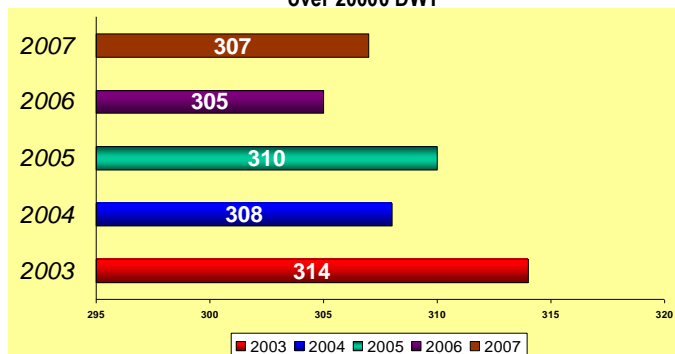


Graph 6

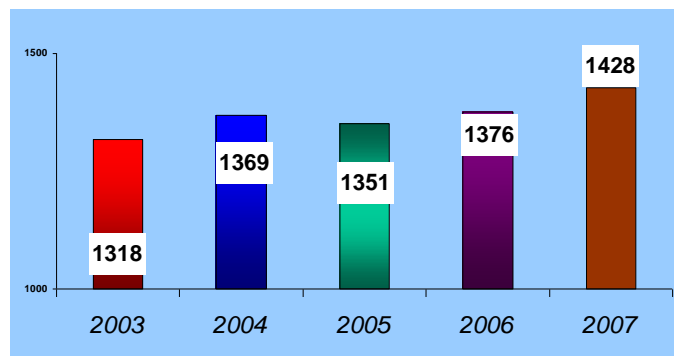


Vital Statistics of the GREEK BULKER FLEET as per BULKER VESSELS over 20,000 DWT - 2007

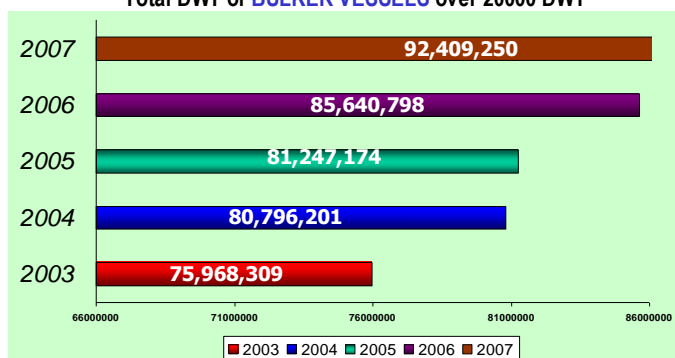
Number of Shipping Companies managing BULKER VESSELS
over 20000 DWT



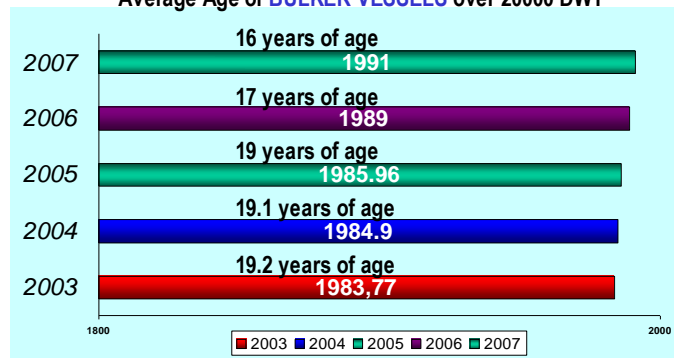
Number of BULKER vessels over 20000DWT



Total DWT of BULKER VESSELS over 20000 DWT



Average Age of BULKER VESSELS over 20000 DWT



PETROFIN S.A.
www.petrofin.gr

Regarding containers, after last year's increase of approx. 1.5m tons DWT, this year the increase is only 57,000 tons. The companies running such container vessels are down by 3. The number of vessels is also down by 6 to 182, after last year's increase by 40 units. Interestingly, age has gone up by 1 year, to 18. An internal reshuffle may be assumed, where newer container vessels were sold for a high profit in a very alluring market. Currently, interest in container vessels has been largely eclipsed by interest in bulkers.

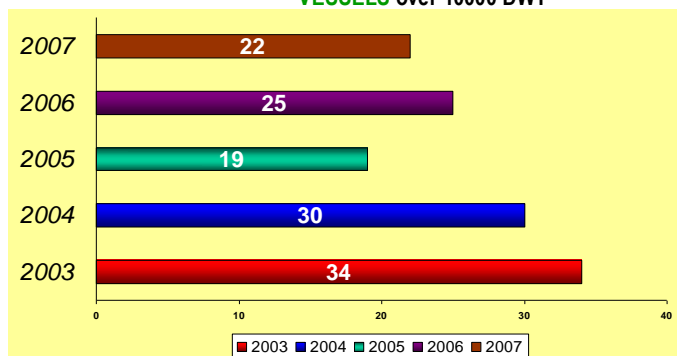


Graph 7

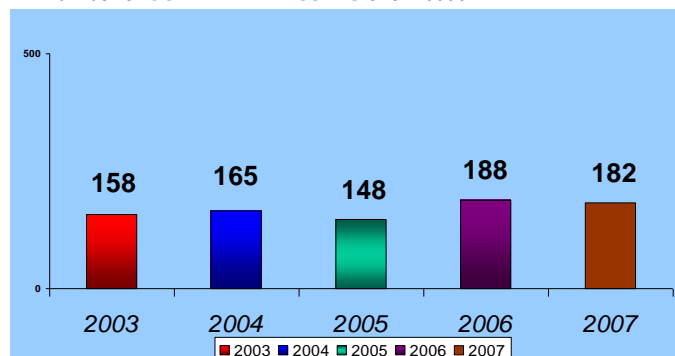


Vital Statistics of the GREEK CONTAINER FLEET as per CONTAINER VESSELS over 10,000 DWT - 2007

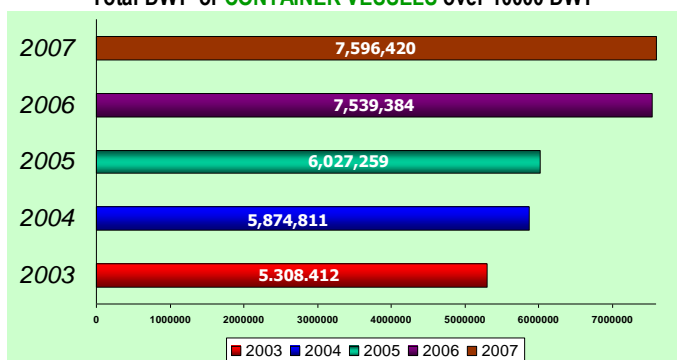
Number of Shipping Companies managing CONTAINER VESSELS over 10000 DWT



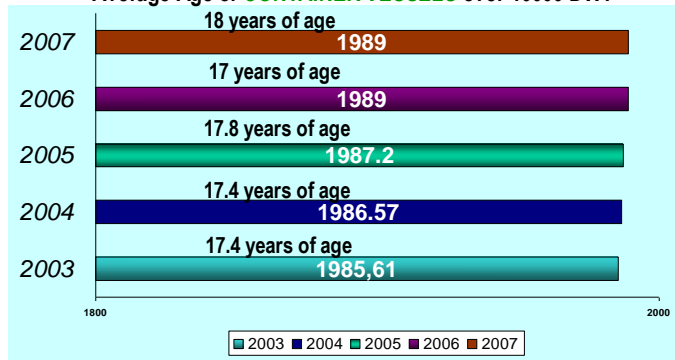
Number of CONTAINER VESSELS over 10000 DWT



Total DWT of CONTAINER VESSELS over 10000 DWT



Average Age of CONTAINER VESSELS over 10000 DWT



PETROFIN S.A.
www.petrofin.gr

As far as the over 20,000 DWT container vessels are concerned, the tonnage increase is almost triple than in the smaller container sector, although nowhere near as substantial as it was last year (145,7000tons in 2007, vs. 1.4m in 2006). The number of companies has remained the same. The age has also gone up here, by nearly a year and the actual number of vessels is down by 1.

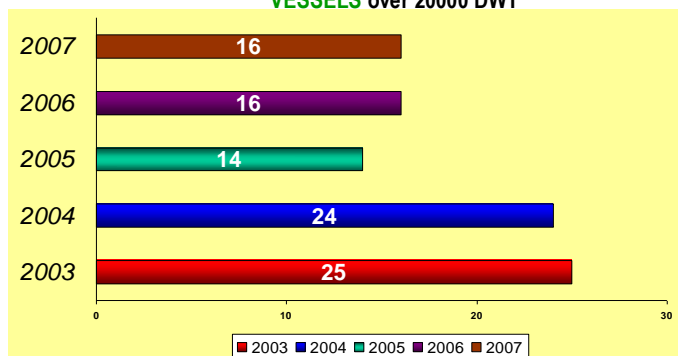


Graph 8 - Container vessels over 20,000 DWT

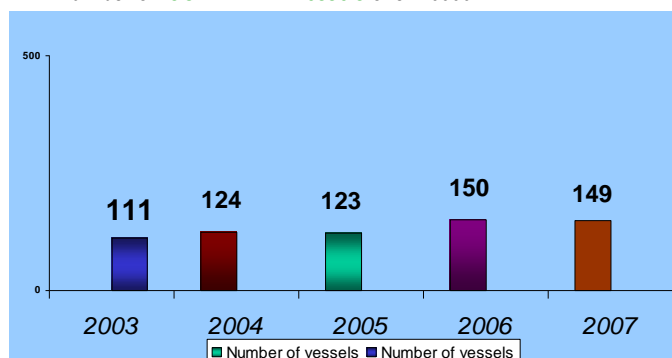


Vital Statistics of the GREEK CONTAINER FLEET as per CONTAINER VESSELS over 20,000 DWT - 2007

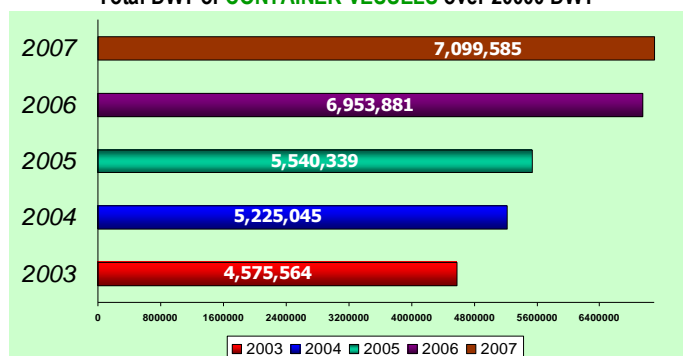
Number of Shipping Companies managing CONTAINER VESSELS over 20000 DWT



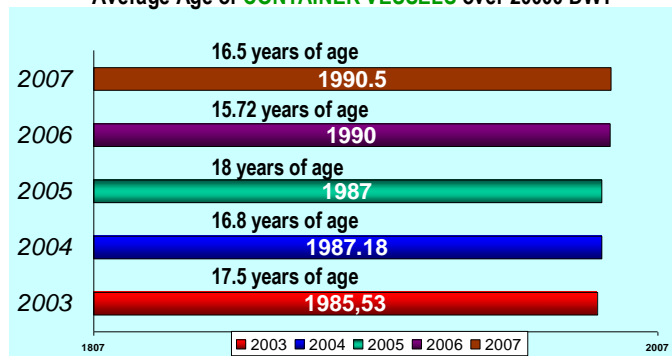
Number of CONTAINER vessels over 20000 DWT



Total DWT of CONTAINER VESSELS over 20000 DWT



Average Age of CONTAINER VESSELS over 20000 DWT



PETROFIN S.A.
www.petrofin.gr

Tankers are also one of the most preferred types of vessels by Greeks. This sector has been showing a steady improvement on all fronts.

Specifically, companies that run tankers over 10,000DWT have remained at the same number but units are up by 13, albeit a small rise compared to the 43 of 2006. In terms of tonnage, they have climbed up to 86.4m tons, a rise by 5.5m tons.

This is also the sector which continues its renovation journey. The fall in average vessel age continues and it is now 11.3 years.

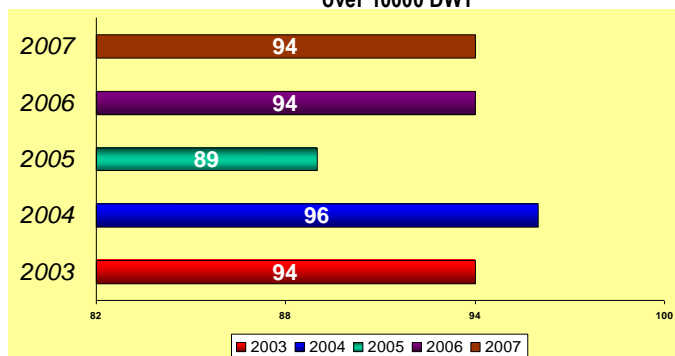


Graph 9

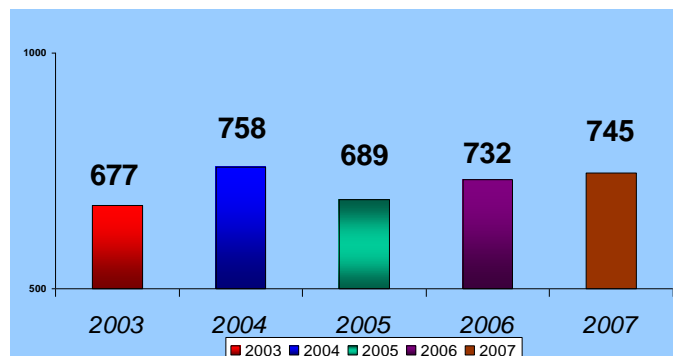


Vital Statistics of the GREEK TANKER FLEET as per TANKER VESSELS over 10,000 DWT - 2007

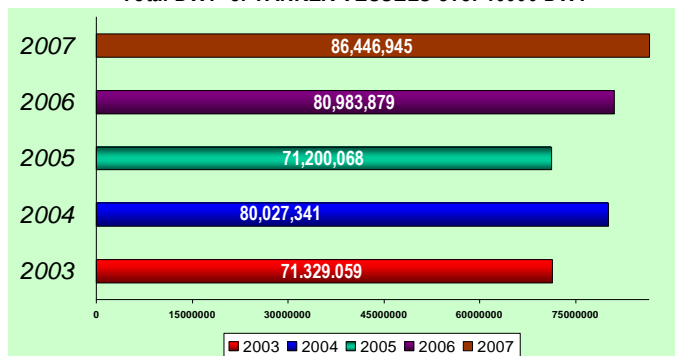
Number of Shipping Companies managing TANKER VESSELS
over 10000 DWT



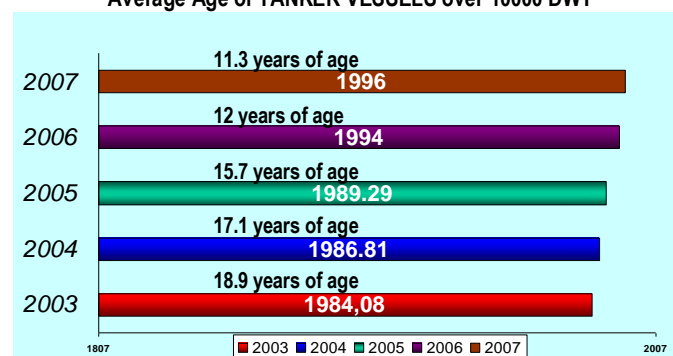
Number of TANKER vessels over 10000DWT



Total DWT of TANKER VESSELS over 10000 DWT



Average Age of TANKER VESSELS over 10000 DWT



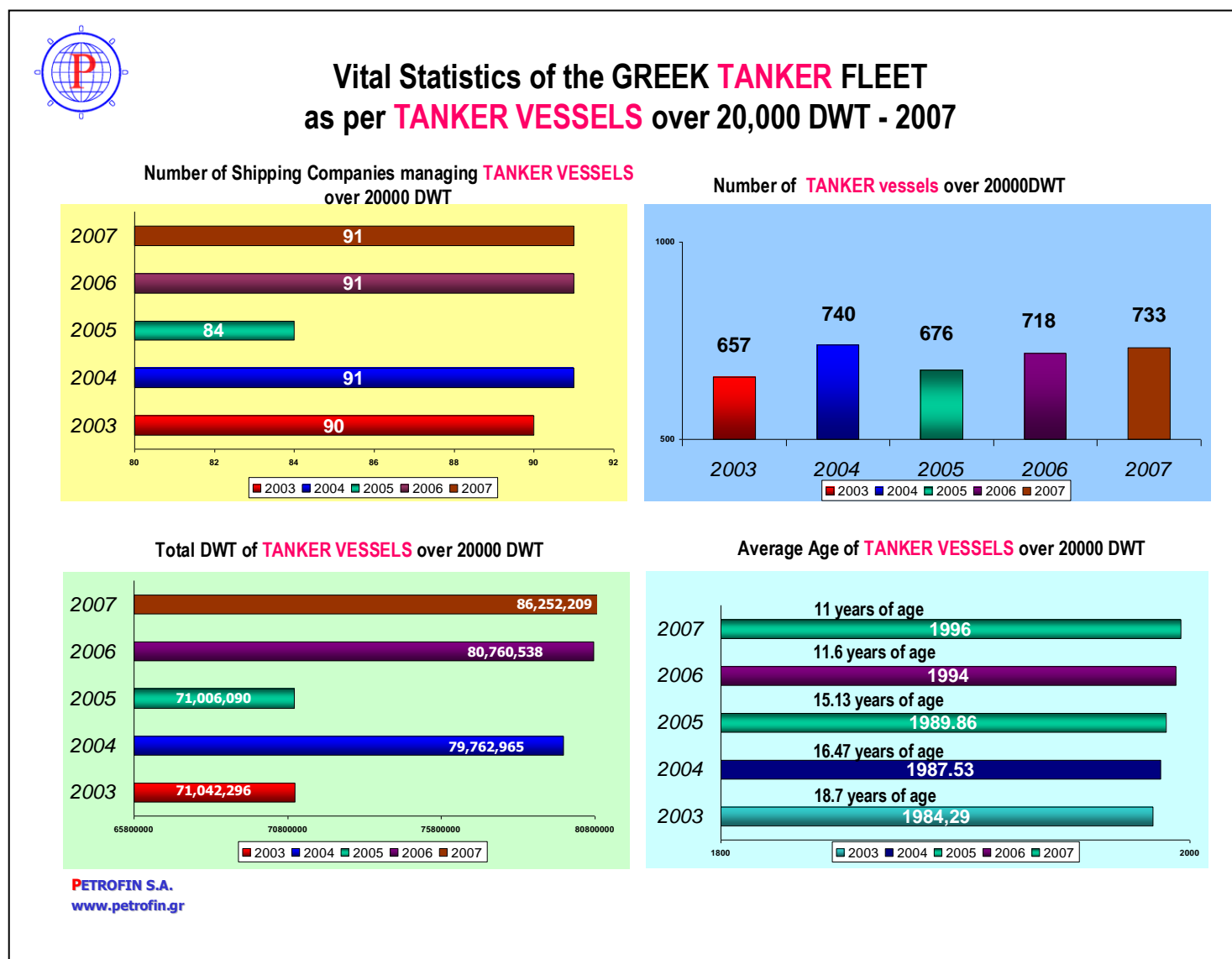
PETROFIN S.A.
www.petrofin.gr

For the larger tanker sector, over 20,000 DWT, we note that the companies that run them have also remained the same number. 15 units were added this year, increasing their tonnage to 86.25m metric tons DWT. It goes without saying that the overall tanker sector really increased in the over 20,000 DWT range rather than the 10,000 ton one.

Tankers in this sector remain by far the youngest vessels of the entire Greek fleet, with an average age of 11 years.



Graph 10



The impact to the Greek fleet of the extraordinary developments of the last 3 years continues.

Clearly, the figures this year point out to the fact that new vessels continue to enter the fleet at a good pace.

Newbuilding orders are turning to deliveries and the fall in average age is impressive, with tankers leading in youth. Interestingly, the container fleet looks aged by a year. In this research we have not included newbuilding orders for delivery 1st January 2009 and beyond.

As already discussed, we expect that an internal reshuffle has taken place, with younger tonnage fetching good profits via sales.

In essence, the quality revolution of Greek Shipping continues to show in figures. Vessel prices are going up as they have never



done in the past. It is in everybody's mind that this market is running ahead of everyone's predictions, analysis and expectations.

It will be interesting to observe the tug-of-war between demand and supply as all the new vessels will be competing for employment. The fact that vessel prices have raced ahead of charter rates, is indicative of a deeper confidence in the prospects of shipping, as well as the fact that the huge economies of the Far East are continuing to grow. Oil and gas are indeed the unfathomable factors as to the near future, but owners seem to bet on the fact that whatever the developments, demand for shipping will continue unabated.

In terms of its overall number of vessels, as we anticipated, they are now well above the 4000 vessel mark. Due to the increasing average size of Greek vessels, we anticipate the overall capacity of the Greek fleet to continue to grow.

As the Greek fleet grows in capacity and involves younger vessels, the overall capital utilised by Greek shipping is growing to unprecedented figures underlying the rising confidence and commitment by Greek owners to investing in younger, larger and more competitive vessels/fleets.

Lastly, it is inevitable in a world shipping market increasingly dominated by fleet size, economies of scale, regional and international interests for the number of shipping companies to reduce but for their size to grow larger.

However, the increase by 32 of Greek shipping companies shows that despite a worldwide consolidation trend, the temptation of shipping is too much for ex-owners or liquid business people to stay out of this extraordinary market.

The Greek success story riding on the strength of international trade flows has attracted capital from non-traditional shipping sources, i.e. public markets via flotations, private equity funds, as well as an entry by non shipping oriented investors.

There is no doubt that at some stage this frenetic activity and huge vessel price rises will stop and reverse themselves. No one, though, can forecast accurately when such a turning point shall occur. Our analysis indicates that this turning point may well take place in / about 2010 when the increasing deliveries will require an acceleration of demand to maintain equilibrium. Such acceleration from today's very high international trade growth annual rates appears improbable. Cynics say that the turning point will come when everyone who can enter the shipping investment sector will have done so and as such shipping will run out of steam.

However, for the time being, the growth of vessel prices and to a lesser extent, freight appears unstoppable, especially in the dry bulk sector and this is reflected in our published research this year.

