LLOYD'S
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SHIPPING economist

Globalisation: shipping was there first

RESULTS

Company	Period	Net Profit	Turnover	Change on Net Profit (%)	Change on Turnover (%)
CMB	1H99	$7.62m	$463.74m	(46.2)	(40.1)

The group's consolidated income statement for the first half-year of 1999 reports an operating income of €7m, a substantial decrease from €13m in the first half of 1998. During the period the company made several investment decisions: it acquired an 18.25% interest in Wah Kwong Shipping Holdings and sold its stakes in TiGest, CNN, Amifin Holding and Transami. Bocimar, the group's dry bulk representative, faced difficulties, but in early August decided to charter 30 capesize vessels on long-term contracts. In the tanker and gas sector, Euronav's and Exmar's results were lower than expected, due to variations in the spot market and Opec cutbacks. The group's well-respected port activities and insurance divisions did not manage to compensate for the negative results in the other market segments.

Company	Period	Net Profit	Turnover	Change on Net Profit (%)	Change on Turnover (%)
Det Norske Veritas	AR98	$27.7m	587.0m	30.6	18.6

In 1998, DNV continued to consolidate its industrial operations, reporting a net profit of $27.7m – a 30.6% increase from 1997. The group enhanced its operations in the specialised field of classification, certification and consultancy. The operating revenues resulting from the maritime industry amounted to NKr1.80bn, about 41% of the total revenue, with the other business interests of the company falling far below. During 1998, the worldwide fleet under DNV class grew by 3.5%. About 145 vessels entered from other classification societies, comprising 2.9m grt. The total fleet under DNV now includes more than 78m grt. The company is aware of the current difficulties in the freight market and expects it to remain low throughout 1999, a year in which further consolidation seems likely.

Company	Period	Net Profit	Turnover	Change on Net Profit (%)	Change on Turnover (%)
DFDS	1H99	$7.49m	$856.02m	(64.0)	27.4

DFDS Group reported half-year net profit of DKr51.1m compared with DKr142.0m for the same period the year before, despite a 27.4% increase in turnover. These results surpassed the company's gloomy expectations at the beginning of this year. In the passenger sector, DFDS Seaways achieved a better outcome, since passenger traffic increased by 2%. For both DFDS Transport and DFDS Tor Line, the results were considerably better than expected, but lower than in the year before. DFDS A/S acquired all shares of the DanTransport Holding A/S from FLS Industries A/S, for DKr2.0bn. DFDS is undertaking several organisational changes. All shipping and port terminal activities will be united in a new company called DFDS Tor Line Group A/S.

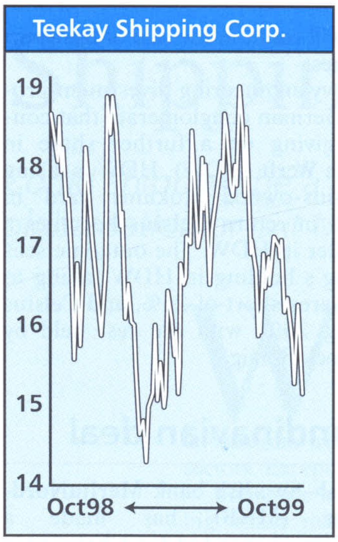
Company	Period	Net Profit	Turnover	Change on Net Profit (%)	Change on Turnover (%)
DnB	1H99	$166.6m	$1.17bn	51.3	32.1

The company announced 'healthy profits' for the first half of 1999, up 51.3% in comparison with 1998. Costs have been monitored closely and, as a result, the ratio of ordinary expenses to ordinary income for the second quarter was 55.8, a significant reduction from 64.1 the year before. Net losses on loans and guarantees were also down in the second quarter, to NKr39m from NKr161m in 1998. First-half returns on equity were 15.2%, with earnings per share at NKr1.96 – a significant improvement from the previous half-year results. DnB has initiated measures to improve the risk profile in the shipping and oil sectors, which will limit growth outside Norway. However, the company anticipates that an improved core capital ratio will provide a sound basis for stronger credit growth in its key business areas. The merger between DnB and Postbanken is to be implemented in the fourth quarter of the year.

Company	Period	Net Profit	Turnover	Change on Net Profit (%)	Change on Turnover (%)
Ugland	AR98	($11.7m)	$84.24m	n/a	80.0

The Norwegian shipping group attained a considerable growth in its fleet, despite the generally depressed market conditions. The consolidated revenue for the 1998 was NKr635.6m, with a deficit of NKr88.3m as the consolidated result for the year after deductions. In the bulk carrier sector, the company's performance deteriorated due to the low demand for bulk commodities to the Far East. All bulk carriers were deployed in the Ubulk-Pool, with Ugland Bulk Transport responsible for chartering and operation. In the tanker sector, the company was active with shuttle tankers trading in the North Sea and Canada. According to the company, the prospects for the first half of 1999 for the offshore units are satisfactory, but the weak bulk market will continue. Nevertheless, the company remains positive, since approximately 50% of its fleet have already secured favourable contracts of affreightment.

Notes: All figures in US$ unless otherwise stated. Exchange rates used (period averages): €-$ = 0.91862; NKr-$=7.5451; DKr-$= 6.826.



Source: Yahoo Finance

Teekay Shipping reformation takes time to materialise

THE actual benefits from the merger of the Bona Shipholding with Northwest Maritime Inc, a wholly owned subsidiary of Teekay Shipping, are yet to come.

Even so, Teekay Shipping is now the dominant operator in the Indo-Pacific Basin, with a fleet of more than 50 aframax tankers. The operating results of the company have been affected from the general weak tanker market and poor tanker charter rates.

During 1999, 58% of the company's revenue has been derived from spot voyages and 12% from time charters and contracts of affreightment.

More specifically, Teekay Shipping Corporation announced a net income of $732,000, compared with $25.4m for the quarter ending June 30,1999. These are the first published consolidated results since the acquisition of Bona Shipholding Ltd on June 11, 1999, for an investment of approximately $450m.

At the end of September, the company's shares stabilised at $15.44 after freefalling from the price of $16.94 last month.

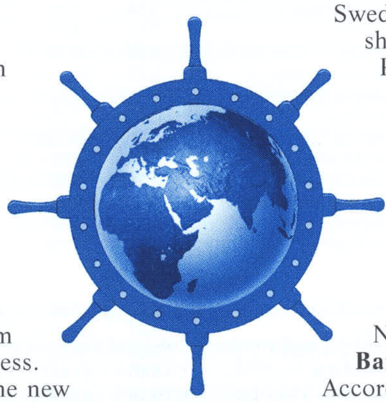
The company's market capitalisation in US dollars was $587.60m – still higher than $508.33m five months ago.

Recently the board of directors has declared cash dividends on its common stock of $0.215 per share, payable at the end of October to all shareholders.

SHIPPING SHARE PRICE MOVEMENTS

STOCK	$closing 01/10/99	% change: 1 month	% change: 6 months	% change: 1 year	%change/all share index: 1 month	%change/all share index: 6 months	%change/all share index: 1 year	$m market capitalisation	P/E ratio	Dividend yield %
US	($)									
Anangel-American	4.94	1.23	n/a	n/a	6.50	3.56	–	79	n/a	n/a
B+H Ocean	1.63	30.4	n/a	n/a	4.13	1.19	–	7	n/a	n/a
BT Shipping	0.63	(40.56)	n/a	n/a	7.5	0.63	–	5	n/a	n/a
Global Ocean Carriers	0.31	(18.42)	n/a	n/a	1.31	0.25	–	1	n/a	n/a
International Shipholding	11.06	(3.82)	n/a	n/a	16.63	11.06	–	72	n/a	n/a
Knightsbridge	15.75	(7.35)	n/a	n/a	23	15.50	–	269	n/a	n/a
MC Shipping	0.81	(23.58)	n/a	n/a	1.50	0.63	–	5	n/a	n/a
Marine Transport Corp	3	(20)	n/a	n/a	4.5	1.44	–	20	n/a	n/a
OMI Corp (a)	2.50	8.22	n/a	n/a	3.94	1.50	–	104	n/a	n/a
Overseas Shipholding Grp	13.75	(0.93)	n/a	n/a	21.38	10.50	–	498	n/a	n/a
Stolt Nielsen	14.50	(4.91)	n/a	n/a	17	8.5	–	1,014	n/a	n/a
Teekay Shipping	16.06	(5.19)	n/a	n/a	19.25	14.06	–	611	n/a	n/a
UK	(£)									
Horace Clarkson	0.72	7.46	46.9	n/a	0.82	0.59	–	17	n/a	n/a
Inchcape	3.07	(20.47)	149.6	n/a	4.14	1.92	–	50	n/a	n/a
James Fisher & Sons	0.84	(6.67)	12	n/a	1.08	0.55	–	68	n/a	n/a
Jacobs Holdings	0.65	(2.98))	4.84	n/a	0.73	0.39	–	110	n/a	n/a
P&O Steamship	8.94	(12.3)	27.17	n/a	11,17	4.85	–	9,868	n/a	n/a
Seacon Holdings	0.31	3.33	(6.06)	n/a	0.43	0.22	–	14	n/a	n/a
FRANCE	(€)									
CNN	17.53	(5.45)	n/a	n/a	21.34	13.10	–	86	n/a	n/a
NETHERLANDS	(€)									
Koninklijke Nedlloyd NV	26.65	(1.29)	n/a	n/a	29.85	9.17	–	669	n/a	n/a
GERMANY	(DM)									
Bremer Vulkan	1.07	(7.75)	n/a	n/a	2	0.22	–	17	n/a	n/a
BELGIUM	(€)									
CMB	43.50	8.21	n/a	n/a	51.44	30.69	–	388.5	n/a	n/a
Price as at 05/10/99										
SOURCE: Bloomberg; £/$=0.6031; €/$=0.9336; DM/$=1.8258										
NORWAY	(NKr)									
Awilco	13.00	(0.8)	(10.3)	4.0)	1.7	(25.0)	(32.0)	67.90	1.91	11.54
Benor Tankers	24.90	18.6	24.5	(0.4)	21.1	9.9	(36.4)	69.33	15.98	0.00
Bergesen	130.50	9.7	23.1	25.5	12.2	8.5	(10.5)	1,173.81	15.54	2.30
Bonheur	205.00	(8.9)	20.6	32.3	(6.4)	6.0	(3.8)	302.37	63.86	1.95
First Olsen Tankers	50.00	8.7	49.1	25.9	11.2	34.5	(10.1)	128.70	4.42	0.00
Ganger Rolf	210.00	(6.7)	23.5	35.5	(4.2)	8.9	(0.5)	246.66	19.57	2.05
Leif Hoegh	88.00	(3.3)	0.00	(10.2)	(0.8)	(14.6)	(46.2)	338.90	7.52	4.55
Odfjell	104.00	(5.0)	31.6	38.7	(2.5)	17.0	2.6	286.32	3.91	3.85
Wilh Wilhelmsen	197.00	(6.2)	3.70	14.5	(3.7)	(10.9)	(21.5)	359.05	4.32	2.79
NCL Holding	20.90	(18.0)	25.90	33.1	(15.5)	11.3	(2.9)	639.34	70.61	0.00
SOURCE: Sundal Collier & Co; NKr/$=7.85										
SWEDEN	(SKr)				(a)	(b)				
N&T Argonaut	6.05	(2.42)	16.35	4.31	7	4	–	6.05	n/a	n/a
Concordia	9.20	3.37	(17.1)	(20.69)	14	8.90	–	9.20	2.12	47.15
Stena Line	9.30	(7.92)	8.14	7.53	14	7.40	–	70	n/a	n/a
Frontline	35.60	30.89	n/a	n/a	36.20	8	–	207	n/a	n/a
ICB Shipping	130	0.00	106.34	n/a	150	100	–	232	22.18	4.51
DENMARK	(DKr)									
J. Lauritzen	845	5.62	62.5	53.9	850	400	–	295	n/a	n/a
DFDS	4,360	(7.23)	(17.73)	(14.5)	5,500	4,150	–	309	7.51	13.32
D/S Norden	610	10.9	24.49	5.17	610	285	–	43	n/a	n/a
D/S Torm	255	5.37	14.86	1.92	3,768	179.50	–	67	n/a	n/a
D/S 1912	66,500	0.76	56.47	60.24	71,000	37,000	–	10,683	102.93	0.97
Price at 05/10/99										
(a) 52-week high										
(b) 52-week low										
SOURCE: Bloomberg; SKr/$= 8.14 DKr/$=6.94										
HONG KONG	(HK$)									
Orient Overseas	3.50	0.00	155.5	29.6	5.9	119.5	(23.0)	226	n/a	n/a
IMC	0.80	(3.6)	33.3	(11.1)	2.1	14.6	(47.2)	39	n/a	n/a
Wah Kwong	3.50	2.2	105.9	20.7	8.2	76.9	(28.3)	59	n/a	n/a
SOURCE: SG Securities; HK$/$= 7.75										

Merger fashion remains all the rage



Mergers may be all the rage in shipping, but there are to be no mergers among the many shipping trade associations. At least that is the official line from **Intertanko**, **Intercargo**, **Bimco** and the **International Chamber of Shipping**.

It is a question of logistics, and how best to serve members, a problem that is facing all facilitators to shipping, from trade associations to the trade press. Another problem will be what to call the new amalgamated trade body. Suggestions on a postcard to the editor.

There are many reasons for the continuing clumping together of companies. Industrial deregulation is one of the factors driving companies together. The latest is an alliance between **Cosmo Oil** and **Nippon Mitsubishi Oil**. Initially the union will take the form of an agreement for joint oil procurement, refining and distribution.

According to *Lloyd's List*, Cosmo is bringing 13 VLCCs to the party to add to nine VLCCs owned by Nippon Mitsubishi Oil subsidiary Tokyo Tankers. Another five VLCCs are on order, to add to the 10 or more units controlled by the parent Nippon-Mitsubishi. Altogether the alliance controls 12 refineries, and 150 storage tanks nationwide.

The main aim of the alliance is to find $85m in cost savings. This is typical of the changes taking place in the Japanese shipping industry at the moment and shipowners are finding it difficult to cope with the latest round of deregulation. Speaking to *Lloyd's List*, Toshio Yamada, managing director and Asia head of regional ship finance at Citibank, said: "Previously, Japanese shipowners could get whatever funding they wanted from Japanese banks. Now, with the problems in the Japanese banks, they have to look to overseas debt and equity markets." In the New Year LSE will be exploring the shipping finance issues facing owners in Japan.

European all-clear

The European Commission has cleared the mergers of **BP Amoco** and **Atlantic Richfield**, and that between **Exxon** and **Mobil**. The mergers still have to be cleared by the US Federal Trade Commission. In Europe, the mergers mean **Mobil** is withdrawing from **Aral**, a dominant petrol retailing operation in Germany. Another Aral participant is **BP Amoco** and German industrial conglomerate **Veba**.

At the same time Exxon is selling its 25% stake in **Thyssengas**, a joint venture between **RWE** and **Megas** (a Mobil operation in the Netherlands). These sales and others are part of the compromise competition deal between the European Commission and companies.

Veba, the Aral member mentioned above, is a front runner to pick up the pieces discarded by the oil majors. It has also announced a merger with fellow German industrial giant **Viag** to create a group focusing on energy. The $14bn deal will result in the sale of transport subsidiaries such as **Stinnes**.

In a long-running heavy engineering divestment programme, **Preussag**, the German conglomerate that controls **Hapag-Lloyd**, is giving up a further share in **Howaldtswerke Deutsche Werft** (HDW). HDW is taking over the Celsius-owned Kokums yard in Sweden and in return **Celsius** becomes a shareholder in HDW. The outcome sees Preussag's holding in HDW falling to two shares short of 25%, and Celsius taking 25%, with the rest held by Babcock Borsig.

Scandinavian deal

Finnish-Swedish bank **MeritaNordbanken** (MNB) has made a NKr24.3bn ($3bn) bid for **Christiania Bank og Kreditkasse** of Norway. According to the *Financial Times*, MNB's total assets are SKr866bn and Christiania just SKr211bn.

Both banking groups have large shipping portfolios, although the lending philosophies have been quite different. The Norwegian bank is still partly owned by the government, and this may prove a hindrance to the sale. Should the deal go through, it would produce a new and interesting player composed of some familiar faces in the world of shipping finance.

In what could be the start of a flood of new environmental initiatives aimed at shipping, Norway has revealed a policy in its draft 2000 budget aimed at encouraging the 'green' shipowner. Prime minister Kjell Magne Bondevik proposes to raise the tonnage tax by 50%, but then offer a series of discounts based on an objective assessment of environmental worthiness of the owner's fleet.

The ships will be rated according to emissions' output, with varying scorecards for the different types of ship. The proposed system is voluntary, except that those not in the system have to pay the highest rate of tonnage tax. If such a system could be made to work, it could become an interesting addition to the increasing use of tonnage tax in Europe.

Black box recommendation

Perhaps such moves should be linked with the introduction of 'black boxes'. The navigation sub-committee of the **International Maritime Organisation** is expected to recommend the global introduction of these devices, which record data for accident investigators.

In aviation, this data has been instrumental in designing new safety features and systems of operation. Quite who should pay for this has not been decided, and how practical fitting can be made compulsory is not clear.

When the oil price stayed over $20/bbl and the US Gulf was thick with exploration units, **Hvide** made the strategic move deeper into the rig support vessels. Then the oil price fell and now Hvide Marine is actively trying lift itself out of Chapter 11.

A $433m debt-for-equity plan is design to reduce the company's leverage and restore liquidity. This would give creditors 98% of the new equity in a restructured Hvide Marine. The plan is before the creditors and subject to approval by the US bankruptcy court. With the oil price rising again, the timing of the restructuring plan could be just right.

Fresh blood braves shipping cycles

With vessel values falling and a ready supply of loans available to entrepreneurs, new Greek players are entering the market. Is history repeating itself?

Greek owners control the majority of the world's bulk carriers. However, the Greek flag portion of this fleet has been falling, and many established players choose to reinvest earnings in other sectors. The number of famous shipping names behind hotel and property development is legion. Indeed, the concentration on diversification threatened the fabric of Greek shipping at a time when few new players were entering the market.

It is easier said than done, but the prescription for success is rather simple – just invest in a period when the market is rock bottom and be well enough prepared and financially strong to withstand the aftermath of market pressures. The risks from operating at that specific time are sufficient to keep any prudent investor away from financial exposure.

The consensus among financial analysts and entrepreneurs themselves is that emerging new Greek players may struggle at the beginning of their operating years, but they will eventually reap the benefits as the market improves.

Old traditions

When looking at a typical Greek entrepreneur success story, there are many templates to choose from. Take the case of Aristidis J Alafouzos, who in 1964 entered a market principally dominated by traditional names. Prior to this, Mr Alafouzos had no interests or links with the shipping sector. However, because of his engineering background, he was involved in construction as well as in other business interests. His companies Glafki (Hellas) Maritime Co and Kyklades Maritime Corp currently manage and operate a fleet of 10 tankers and one bulk carrier.

Thirty years after the emergence of Glafki Shipping Co, nine young Greek companies have set their stalls out in the shipping market, ready to brave the ups and downs of the market cycles. Gleamray Maritime Inc, New Wave Shipping Co SA, Elmira Shipping & Trading SA, Cosmoship Management SA, Tide Line Inc, Mediterranean Maritime SA, Petrobulk Maritime Inc, the Minerva Marine Inc and the Arcadia Shipmanagement Co Ltd are some of the emerging players in the Greek shipping community.

New generation

Gleamray Maritime Inc appeared in the Greek market last year and, as many analysts have commented, has been formulated along the lines of the Glafki Shipping Co. The beneficial owner of the company is George Economou (no relation to his namesake at Alpha Shipping). He had no prior connections with shipping, since his background is in the construction sector.

Captain Kountouris, the operations manager of the company, noted to LSE that the company is doing well and simply took advantage of the low vessel values, which came as result of the prolonged recession in the shipping market. The management of the company agrees that Gleamray has entered the market at its rock bottom and expects better market conditions ahead.

Its fleet consists of one handysize bulker and about four handymax bulk carriers. The *Annou*, a 1986-built bulk carrier with a capacity of 28,468 dwt, has been fixed in August on a one-year time charter at $5,500 per day. The 1991-built 42,226 dwt *Konamar* and the 1990-built 42,469 dwt *Ocean Gem* were purchased for $10-11m. According to market reports, Gleamray purchased the 45,000 dwt dry bulk carrier *Coral Halo*, built in 1995, and the *Flaxen Halo*, a slightly larger 47,000 dwt specimen built in 1997, en bloc for $34m.

New Wave Shipping Co SA, a Panamanian ship management company, made itself known at the beginning of this year, between March and April. The beneficial owner is the Korasidis family, which controls the Radio A Korasidis Commercial Enterprises Group, a well-known enterprise in Greece. The Radio A Korasidis Group is listed on the Athens stock exchange with its main business in wholesaling and retailing of electrical household appliances.

Considering the lack of shipping experience, the Korasidis family is fortunate to retain the services of Aris Batayiannis, formerly the chartering manager for the Good Faith/Moundreas Group. The company acquired its first vessel, the 32,961 dwt *An-An*, for $3.5m last June. In July it proceeded with its second acquisition, the 17,000 dwt tweendecker *Ocean Wave*, purchased for approximately $2m. The *Ocean Wave* is under a long-term timecharter to Huyndai Merchant Marine, while the bulk carrier continues to operate in the spot market after the completion of a charterparty with Lorico. The company anticipates increasing its fleet to four or five vessels by the end of this year or the beginning of 2000.

Elmira Shipping & Trading SA entered the market in 1997 as a Liberian corporation for the management of ships. The company represents the shipping arm of Mr Lanaras, who has significant interests in the textile sector. During the past two years the number of ships managed by the company rose to seven. Mr Lanaras acquired his first vessel, the *Aegean Clipper*, in 1994.

Elmira's current fleet comprises bulk carriers ranging from 28,000 dwt to 41,000 dwt, with values estimated at around $40m. Most of the vessels are currently operating in the spot market, but three of them are under long-term charter basis.

The Tide Line Inc is a Liberian company incorporated in early 1998 and established in Greece. Mr C Xanalatos, director of the Tide Line, told LSE: "Having a long experience in shipping I believe that it is a business that can be profitable under certain conditions, especially at the present time. The management has to provide excellent quality in the operations, the technical follow-up and the accounting. Our company has started by managing one ship about a year ago. Six months later we added one more ship and a third ship is going to be delivered in October this year, while we are looking in the S&P market for more ships."

Mr Xanalatos focused on the ongoing changing climate of the shipping market and he strongly believes that the emerging players will find new ways and more flexible operational channels. A former executive ⇨

'The times when shipping was a family business operating with limited means and semi-capable and cheap personnel have gone by. With new regulations and the ever-increasing competition, the quality of management is of paramount importance' – C Xanalatos

director at Mr Peratikos's company Pegasus Shipping, Mr Xanalatos noted: "The times when shipping was a family business operating with limited means and semi-capable and cheap personnel have gone by. With new regulations and the ever-increasing competition, the quality of management is of paramount importance. The time will come when small owners will find it difficult to carry on operating their ships. Either they will abandon shipping or they will give the management of their ships to companies with a high standard of expertise and – above all – honesty in their management."

A mist of speculation surrounds Mediterranean Maritime SA (MMS), which, despite the fact that it was incorporated in the 1980s, remained lethargic until 1998. Last year it came back into action under George Gyftakis, a shipping surveyor by profession, who had been in the ship owning scene in the early 1980s. However, he did not withstand the dire market conditions at that time and was forced to exit the market.

The newly active company comprises five ships ranging from 11,000 dwt to 40,000 dwt. During the summer of 1998, the company acquired two bulk carriers – the 38,000 dwt *Med Faith* and the 29,000 dwt *Med Pride* – and in November 1998 it acquired the 40,000 dwt *Med Unity*. The company faces natural pressures at the moment, since the market has yet to make a positive turn and the spot market is fiercely competitive.

Cosmoship Management SA is under the direction of Capt Nick Savvas, a previous shareholder and senior executive at Goldenport Shipmanagement, which itself currently controls and operates about 11 vessels specialised in the dry and bulk cargo sector. Beginning operations in 1997, Cosmoship quite aggressively acquired three vessels previously under Goldenport management, as well as four from Anangel Shipping Enterprises.

The company has invested in older tonnage of bulk and general cargo vessels, but there is scepticism towards acquisition of containerships. The current fleet of vessels is employed on a contract basis on the Black Sea or on the west coast of Africa. Cosmoship, along with MMS, has penetrated the market quite early and are both considering disposing of older tonnage.

Petrobulk Maritime Inc is a dry cargo vessel management company connected with Ted Petropoulos, of Petrofin fame. Mr Petropoulos is a regular speaker at shipping finance conferences, and Petrofin is his private shipping finance consultancy vehicle. He is also principal of the Athens campus of the New York University shipping course.

For anyone so active in business it is surprising he found time to form Petrobulk, but it is always interesting to see the theorist put his own advice into practice. Petrobulk manages four dry cargo vessels built between 1978 and 1985, while the company plans to build up a fleet of six to eight vessels within the next 12 months. During the early months of the summer, Petrobulk has been active in the secondhand market, acquiring the *Crown Rose*, a 29,000 dwt bulk carrier, for about $5m.

Improving conditions

Mr Petropoulos said: "The conditions and prospects for the dry bulk market shall improve over the coming years. The risks/rewards of investing in shipping are also expected to improve. Economies of scale dictate vessel management companies comprising a larger number of vessels. However, this must be done without sacrificing quality and control aspects." It is believed that Petrobulk is being supported by a group of investors, however, it welcomes additional bank loan infusion, when and where available.

Minerva Marine Inc, an investment vehicle of Andreas Martinos, is a different case from the above companies since it was incorporated back in 1993. However, it only commenced independent operations as a ship management company in June 1998. Mr Martinos is of the well-known Martinos family, long established in the Greek shipping market through Eastern Mediterranean Maritime Ltd and Thenamaris Inc. His own company was created after the demerger of the three brothers, who now lead their own shipping ventures. The company's fleet comprises more than 10 tankers, all of modern tonnage built between 1984 and 1996, while current newbuildings illustrate the dynamic pace of the company.

Another company has been spotted on the surface of the Greek shipping market, following the demerger of the Angelopoulos family shipping interest in the Metrofin group. The Angelopoulos family emerged as shipping operators in the 1960s with the transportation of steel and other metal from its mills. Arcadia Shipmanagement Co Ltd represents the interests of Konstantinos Angelopoulos and started its operations in November 1998.

After the split-up of Metrofin, the company took over five vessels, three panamax bulk carriers and two aframax tankers. During the last few months the company took delivery from Samsung of its first 105,000 dwt tanker newbuilding, while there is one more tanker and three bulk carriers to come until 2001.

Despite the fact that the tanker sector has not revived yet, the company has established close and significant links with international reputable charterers. A result of this has been seen recently – its newbuilding tanker is to be deployed in the aframax tanker pool organised by Torm.

Self finance

The attitude of the banking institutions in Greece towards new shipping outfits is one of caution, especially toward non-traditional names in the Greek shipping market. Facing the fragmented banking scene, the emerging players usually put up their own financial sources. This seems to be the case for New Wave, where the financing has been mainly from its shareholders. The same seems to apply for Gleamray.

Mr Xanalatos highlighted his financial perspective as a newcomer: "From the owner's point of view, one has to look not only for the amount that the banks are there to lend, the spread and the terms of payment, but also for the experience the bank has in shipping and the understanding of this particular line of business. From the banks' point of view I have the impression that after the two poor markets in the 1980s and the 1990s they are not so much concerned about the values of the ships. They are financing the personality, the capability in management and the credibility of the borrower. These facts are going to be for the benefit of both parties."

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Costamare boxes its way to the top

In the last 15 years Costamare has changed from an operator of bulk and general cargo vessels into one of the largest independent operators of containerships, serving the chartering needs of some big names

Costamare Shipping Company SA is one of the most interesting companies currently operating in Greece. It will shortly be the largest operator of new containerships in Greece and will rival the German KG fund partnerships in terms of fleet size.

Costamare is a private company, and the founder, Capt Vassilis C Constantakopoulos is a very private man, whose natural inclination is not to talk to the press. But it is difficult for the trade press to ignore a company with a history and track record like Costamare.

Therefore Costamare is back in the news following the announcement (not attributed to Costamare), that the final brace of 5,500 teu containerships ordered speculatively at Hyundai Heavy Industries (HHI) earlier this year, have been fixed to the rapidly growing Shanghai-based China Shipping Container Lines.

The rate has not been reported, but the charter length is between five and 10 years once the vessels are delivered at the end of 2000. Another five 6,300 teu post-panamaxes ordered at around $300m are under construction at HHI and are due next year. These were earlier fixed to Sea-Land and will sail in the Maersk/Sea-Land fleet. Three other Costamare newbuildings arrive next year, the 4,800 teu sisterships to vessels also ordered by Hapag-Lloyd. The Costamare versions have been also been fixed to Hapag-Lloyd. There are also options for three vessels (two post-panamax and a panamax) at HHI, which if confirmed, would be delivered in 2001.

Fleet expansion

Therefore the Costamare fleet will swing from some 12% of the fleet built in this decade (see fleet list) to nearly 40% by this time next year.

This fleet renewal programme is all the more dramatic when seen in the context of the company's history. Capt Vassilis Constantakopoulos set up the company in 1974, and his first acquisition was the 1947-built Auk. a 5,500 dwt tweendecker in reasonable condition which was chartered out to local shipping companies in Greece. This has remained a central tennent of the company's strategy , to own and operate vessels in demand from the charter market, but not to trade on its own account.

Costamare gradually took advantage of the cyclical low sale and purchase markets and expanded its fleet. As a result, the late 1970s found the company with a fleet of five elderly vessels ranging from 3,000 dwt to 9,500 dwt. Between 1982 and 1984 it took advantage of the depressed ship values and obtained eight vessels beneath scrap values. The fleet was expanded embracing tonnage ranging from 10,000 dwt tweendeckers to handymax bulk carriers.

Until the early 1980s Costamare was following something of a traditional pattern, and had it continued along this path one would expect today a mixed fleet of wet and dry bulk carriers of varying ages. But Capt Constantakopoulos already envisaged the potential of containerisation.

The actual containership expansion stage began in 1984 with the purchase of four containerships for $2.4m en bloc from Morgan Guarantee. Since then the company has focused its interest in the container market and concentrated on its own fleet as a sole vessel operator, leaving the logistics and marketing to the liner services.

In effect the company transferred its skills of managing bulk vessels in a poor market to that of a struggling containership chartering market. At the end of 1988, Costamare sold three vessels for $11m en bloc, yielding a profit of $9.2m.

As containerships grew in size, the liner companies were turning over vessels long before the end of ⇨

Costamare factfile

Structure

ADDRESS:	Syngrou Avenue & 60 Zephyrou Street, 17564 Paleo Faliro, Athens, Greece
TEL:	301 949 0000
FAX:	301 940 9051
TYPE:	Private Limited Company incorporated in Panama in 1974
MAIN ACTIVITY:	Containership owners/managers

Management

PRESIDENT:	Capt Vassilis Constantakopoulos
VICE PRESIDENT	Costis V Constantakopoulos
MD:	Capt George Sardis
DIRECTOR:	Capt Fanis C Constantakopoulos

From March 1999, Costis V Constantakopoulos has taken over the management of the company, while Capt V Constantakopoulos is the head of Costamare chartering and ship sale and purchase operations.

Associated banks

Nedship, ABN-Amro Bank NV - Piraeus, Bank Indosuez, Deutsche Schiffbank - Bremen, Alpha Credit Bank - Piraeus, Bank Of New York, Credit Commercial De France, Bank Of Nova Scotia, National Bank Of Greece, Bayerische Hypo-Und Vereinsbank - Athens, Netherlandse Scheepshypotheekbank.

P&I/ HULL & MACHINERY INSURANCE: Swedish Club

Source: Costamare Shipping Co SA

It is true that in those days all the major liner companies were reluctant to believe a Greek container operator could offer lower rates and still meet their exacting operating requirements. Costamare has obviously overcome these old fears with its enviable client list

their working lives. For the large liner companies, Costamare offered an opportunity to sell a vessel out of the fleet to a non-rival, then charter it back, often at a rate below its internal own operating costs. The new larger unit could be phased into the fleet, the older vessel moved down toward feeder trades and eventually phased out of services altogether. If demand suddenly picked up, a familiar vessel would be available.

Thus Costamare moved forward with further secondhand acquisitions, while at the same time establishing employment under long-term charters with reputable international charterers. In 1986 the company dived deeper into containerisation with the acquisition of two container vessels from Hapag-Lloyd, while the bankruptcy of US Lines in 1987 was a wide open opportunity for Costamare to acquire two of its largest container vessels at that point.

In the second half of the 1980s, the company's sales activity consisted of a regular disposal of singledeck and bulk carrier tonnage that had been acquired in the depressed market of 1983 to 1985.

Tonnage adjustment

Facing the prospect of chronic overtonnaging, the deepsea containership operators were examining the scenario of cutting down their charter fleets. At the same time they organised a sequence of newbuildings, mergers and acquisitions. Beginning in 1995, the so-called Grand Alliance introduced a plan to match its tonnage to trade lane demand.

Normally, charterers have very specific requirements, but mostly they are happy to pay more when a vessel has the right speed and operating characteristics. These are elements Costamare has contested all those years to prove its position and to create its present reputation. Indeed, the current generation of Costamare newbuildings are to tried and tested Samsung designs for the German market, but with larger main engines to increase service speed.

It is true that in those days all the major liner companies were reluctant to believe a Greek container operator could offer lower rates and still meet their exacting operating requirements. Costamare has obviously overcome these old fears with its enviable client list and the company was able to benefit from the 1995-1996 impetus in charter rates.

After nearly 10 years of strengthening charter rates the Asian currency crisis precipitated a traumatic downturn. There was a concerted shift from the larger containerships to medium-size vessels as the intra-Asian trade slumped. Some larger ships found new business repositioning containers, but it was a fraught time for all containership owners, and Costamare was no exception.

Charter parties

During March 1997, Costamare chartered two old 2,544 teu vessels to Sea-Land for $9,350 per day. In the first half of 1998 it acquired a 2,528 teu vessel from NYK and has chartered it to Zim Israel Navigation for 30 months at a reported $14,000 per day. The other company vessels enjoyed a mixture of some exceptional and some meagre charter rates.

The *Chetumal*, *Manzanillo* and *Sinaloa* have all been chartered to an APL associate since autumn 1998 at $20,600 per day each for a period of 24 months. The *MSC Yokohama* has achieved a 12-month extension from mid-1999 for $7,500 per day with Mediterranean Shipping Company SA (MSC). The *MSC Genova* is also chartered with MSC, and its charter has been extended in September 1999 for $6,200 per day. The *Windward* charter with Grimaldi was extended for 12 months commencing October 1999 for the price of $5,225 per day.

Finally, there are unconfirmed market reports of an extension of the charter for the *Houston* with Mitsui OSK Lines for just $8,500 per day, while the *MSC Antwerp* seems to have an extension in its charter with MSC commencing January 2000 for a period of 24 months at $8,200 per day.

According to the company, the prolonged period of depression and market deterioration brought along some good things. The crisis showed the healthy condition of the company and tested its ability to withstand pressures. Moreover, the downturn in the market gave Costamare the chance to acquire some mid-1980s tonnage at reasonable prices.

Approximately 12 vessels have been sold during the past two years, while the disposal of many elderly and smaller vessels has improved the company operating status. Recently Costamare has sold the 1972-built *Fame* and *Frontier*, two sisterships of almost 3,000 teu, to breakers in Bangladesh, while previously the *Korrigan* had also been sold to breakers.

According to market reports, the company sold two 978 teu sisterships for further trading last year. In 1997, Costamare had also sold a 1,685 teu vessel built in 1970 for scrap. The company was paid $2.77m for it, while it bought it in 1993 for $4m. Late last year, it sold a 1,852 teu vessel built in 1970 for scrap at a price of $1.7m. This vessel had been bought for just $4m in 1996. In the same year the company scrapped two 2,500 teu vessels built in 1976 and one 1,212 teu vessel built in 1972.

Purchasing deals

On the purchasing side, Costamare has completed several deals for quality vessels from the beginning of the 1990s. *MSC Singapore* and *MSC China*, both built in 1978, were bought for $15m each in 1991. *Zim Eilat I* was acquired for $22m in 1992, while in 1993 *Caribia Express*, *Sierra Express* and *Cap Vilano* were purchased for $12m each. Among the other deals, the 1995 purchase of *Houston* and *MSC Antwerp*, both built in 1976, for $15.75m including 36-month charterback at $18,000 per day.

The market was taken by surprise by the first newbuilding orders in 1994. Costamare ordered three 3,400 teu vessels at Samsung, at a price of approximately $45m each. It was highly unlikely that Costamare would order speculatively, and it appeared that the vessels were ordered against long-term charter to the Mexican liner service TMM. Since then, other newbuilding orders have followed.

Costamare has placed an order with South Korea's Hyundai Heavy Industries for five post-panamax 6,300 teu vessels, for a price of about $300m. The company's newbuilding programme has expanded further by three panamax orders of 4,870 teu and two post-panamaxes of 5,551 teu scheduled for delivery from the end of 2000 onwards, again from Hyundai Heavy Industries.

Costamare fleet

VESSEL NAME	TYPE	FLAG	DWT	TEU	BUILT	PURCHASED	CURRENT CHARTERER
Bremen Express	UCC	GRC	47,995	2,984	1972	1999	Hapag-Lloyd
Cap Vilano	UCC	GRC	27,893	1,502	1977	1993	Hamburg-Süd
Caribia Express	UCC	GRC	27,795	1,560	1976	1993	Hapag-Lloyd
Chetumal*	UCC	GRC	42,966	3,398	1996	1996	APL (Bermuda)
City of Glasgow	UCC	GRC	15,271	956	1978	1988	Andrew Weir Shipping
Houston	UCC	GRC	37,872	2,382	1976	1995	Mitsui OSK Lines
Maersk Trondheim**	UCC	GRC	53,325	3,850	1984	1999	A.P.Möller
Maersk Toyama**	UCC	GRC	48,485	3,850	1984	1998	A.P.Möller
Manzanillo*	UCC	GRC	42,938	3,398	1996	1996	APL (Bermuda)
MSC Antwerp	UCC	GRC	37,852	2,382	1976	1995	MSC
MSC China	UCC	GRC	24,382	1,466	1978	1991	MSC
MSC Genova	UCC	GRC	19,261	1,181	1979	1988	MSC
MSC Pacific	UCC	GRC	39,579	3,152	1987	1997	MSC
MSC Romania	UCC	GRC	15,451	956	1978	1988	MSC
MSC Singapore	UCC	GRC	24,383	1,468	1978	1991	MSC
MSC Venice	UCC	GRC	19,261	1,181	1978	1988	MSC
MSC Yokohama	UCC	GRC	27,738	1,755	1979	1996	MSC
Sierra Express	UCC	GRC	27,800	1,560	1977	1993	Hapag-Lloyd
Sinaloa*	UCC	GRC	42,980	3,398	1996	1996	APL (Bermuda)
Tokio Express	UCC	GRC	47,733	2,984	1973	1999	Hapag-Lloyd
Westmed II	UCC	GRC	19,316	1,181	1978	1988	Zim
Windward	UCC	GRC	21,834	978	1974	1991	Grimaldi
Zim Britain	UCC	GRC	15,270	956	1978	1988	Zim
Zim Eilat I	UCC	GRC	40,624	2,594	1977	1992	Zim
Zim Shenzhen**	UCC	GRC	37,915	2,750	1986	1998	Zim

NEWBUILDINGS
- 5 POST-PANAMAX FOR DELIVERY 2000
- 3 PANAMAX AND 2 POST PANAMAX FOR DELIVERY 2001
- PLUS OPTIONS FOR 2 POST PANAMAX AND ONE PANAMAX

NOTE: * Vessels purchased new. ** Unconfirmed ratings

Source: Costamare, as at September 1999, and LSE/Boxfile Containership database

Based on recent market reports, the price for three panamax vessels is estimated at $48m per vessel, while the five 6,300 teu are valued at $60m and the two 5,500 teu units at $55m each. It is quite clear that Costamare came to a decision to enter a sector where there are only few other non-liner/independent container operators to compete with.

The bold move has the support of several international as well as Greek banks supporting its recent ventures. During August, Nedship Bank, the shipping arm of the Rabobank Group, and the Bank of New York finalised a $144m syndicated loan for the financing of the newbuildings.

It is also understood that several international financial institutions have approached the company in a process to offer their competitive rates. The Bank of New York has been actively involved in Costamare's secondhand acquisition trail during mid-1990s, providing a $6m loan facility for three and three-quarter years, to early September 1995, for the *Oceanus Tokyo*. Earlier on, it had provided a $33.5m loan facility for over five years to early September 1998. The bank has been secured for the amount of $37.35m upon four Costamare vessels.

Management style

Capt Constantakopoulos started his career at sea and later went ashore into the managerial side of shipping. His leadership of the company can be summarised in just a few words – inspiring management and consistency. The strong managerial attitude is also based on the experience of George Sardis, an ex-operation director of Hellenic Lines. Other important elements are the excellent relationship with the crews, which have always been mainly Greek.

Costamare is committed to the Greek flag and the maintainence of Greek crews has been vindicated by the company, which has invested in the training of its own cadets.

At present the company employs 70 employees in the Athens head office, while overall employees, including the ocean-going crew, number approximately 1,050. In terms of officers and crew on board, there are about 700 Greek and 350 Filipinos.

The Maersk-Sea-Land merger, and the earlier P&O-Nedlloyd merger are signs of the times and signal a new era of fewer and larger players. These larger companies will put enormous strain at the smaller players, and those operating in niche markets. Costamare does not appear to be concerned about the new status quo in the global ⇨

Costamare's management foresees that liner operators will gradually reduce their appetite for investment in newbuildings and instead focus on port infrastructure and operational co-ordination. Subsequently, investment in terminal operations and sophisticated supply-chain, logistics and distribution concepts will shift the operators towards independent owners for their short or long-term needs

arena since it has successfully co-operated with many large charterers such as Mearsk/Sea-Land, Hapag Lloyd,K-Line, Nedlloyd, NOL, Zim, MSC, OOCL and TMM, among others.

The management of the company foresees that liner operators will gradually reduce their appetite for investment in newbuildings and focus instead on port infrastructure and operational co-ordination. Subsequently, investment in terminal operations and sophisticated supply-chain, logistics and distribution concepts will shift the operators towards independent owners for their short or long-term needs.

Currently, Costamare is building 10 box vessels for long-term charter, including three 4,800 teu units for Hapag-Lloyd and five 6,200 teu units for Sea-Land, while its current fleet is contracted in long-term charters under some prestigious operators.

Break from norm

The Hapag-Lloyd and Sea-Land negotiations with Costamare were really a break from the norm. It is well known that both companies charter in vessels, however, they are not keen on long-term charters. Upon the completion of the vessels in 2000, they will be deployed for Hapag Lloyd in the Grand Alliance and the newly combined Maersk/Sea-Land service. Including the newbuildings, Costamare's total container capacity is estimated to be around 110,861 teu. As a result, the company is one of the world's largest independent non-liner owner/operator of container tonnage.

One liner sector analyst commented: "Taking under consideration the present market conditions, the prospects for Costamare fleet are reasonably good. Rates for all ships over 1,000 teu have been rising from their low levels of the recent past, and larger ships are doing particularly well. Even the older ones (such as *Tokio* or *Bremen Express*) could gain reasonable rates, once they come back onto the market in the coming months, as there is pent-up demand at present for ships of this size, even for these old 'gas-guzzlers'. The expectation for Costamare is to continue to sharpen its focus on larger and newer ships from now on and doing so should be a positive step."

Diversification

Capt Constantakopoulos was prudent enough after his many years of involvement with the shipping industry to diversify his business interests into other investment segments. The successful completion of some of his ventures run parallel but do not interfere with the operations of Costamare.

Among his other interests are an investment partnership in Aegean Air, a Greek domestic airline, Global Finance, a venture capital scheme headed by Mr Plakopita, a former Citibank executive, as well as tourism developments in Greece.

The latest venture is Temes, a tourist resort in the Messinia region, the birthplace of Capt Constantakopoulos. The project finance has been covered from a mixture of own capital resources, Greek government and EU funds, as well as loan facilities. It is remarkable to note that the whole project has solidified support from leading company names in the international leisure industry, while its schedule is to be completed just before the Athens Olympic Games in 2004.

Costamare still constitutes the main business concern for the Constantakopoulos family. Costamare is a private company and does not publish accounts, but Costamare states that the newbuilding programme has not been a burden. It feels its debt/equity ratio is still on par or lower that its competitors.

As with any family company, suppliers and clients are always concerned that there is a visible line of succession in a company they too have invested a great deal of time and money. In this case, the oldest son of Capt Constantakopoulos, Costis V Constantakopoulos, has already been appointed as the head of Costamare with full authority.

Like father, like son

It is believed that he will pursue the same strategy and philosophy as his father. However, new concepts and ideas, especially in financing of the company, is something that father and son are examining thoroughly. For example, they are following the rapid growth of the Athens stock exchange and the potential future listing of ocean-going shipping companies is a development that might be of interest to the company. Costamare was not tempted by the high yield bonds offered in the US some years ago. The company closely monitored the performance of several fellow Greek shipowners that entered the junk bonds ventures, and was not impressed.

As a privately-owned corporation, no financial information is available, but, according to the company, a thorough examination of its financial history will show its strong links with many major international banks – Nedship, Bank of New York, Deutsche Schiffsbank Bremen, Credit Agricole Indosuez, National Bank of Greece, ABN-AMRO Bank NV and Alpha Credit Bank among others.

Capt Constantakopoulos is a well-respected personality among the Greek shipping members, since he is the chairman of the Hellenic Marine Environment Protection Association (Helmepa), the voluntary Greek pollution fighting body, and the creator of its school childrens' wing called Helmepa Junior for the Children and a board member of the Union of Greek Shipowners.

Costamare today is the leader of what is still a small group of Greek shipowning companies that diversified their shipping operating portfolio into container shipping. Others in the field include Danaos Shipping Co, Tsakos Shipping & Trading and Dioryx Maritime Corporation.

Costamare has blazed a trail for its fellow Greek operators, convincing the global liner operators that Greek run tonnage is both acceptable and cost effective. The problem for other operators will be finding space in a market dominated by Costamare and the German KG fund partnerships. Certainly Costamare is not going to help them out, as it prefers to scrap its tonnage. But its movement away from secondhand tonnage toward newbuildings may present the right opportunities for the right player.