The International Propeller Club
of the United States
Port Of Piraeus, Greece

"The Greek Shipping Industry and its Prospects on the Greek Stock Market"

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Ladies and Gentlemen,

I would like to thank Mr. Nikolaos Tsavliris, the President of the Propeller Club of the United States, Port of Piraeus, for inviting me to this luncheon to speak about the Greek Shipping Industry and its prospects on the Greek Stock Market.

We are experiencing, beyond any doubt, one of the most violent financial crises of all times, a crisis that is in no small part **due to the greed for quick and easy profits** by a large number of traders in banks, hedge funds and other financial intermediaries. This greed led to highly leveraged investments of doubtful quality and limited liquidity and we are all witnessing the violent outcome being played out.

The financial turbulence that began in the US a year ago continues, and it looks like it is reaching a violent crescendo. It is fair to say that no-one could foresee the magnitude of this crisis 15 months ago when it started with the meltdown of the US housing market.

Initially the crisis was simmering in the USA, first with the subprime loans, then with the fall of housing prices and the increase in mortgage defaults; yet it looked like the world economy would weather it out. However, this summer and autumn we are witnessing a financial upheaval, unprecedented both in scope and in the speed with which events unfolded, and continue to unfold.

The Fed injected massive doses of liquidity into the system through various new and existing lending facilities. Nevertheless, several major financial firms with both massive systemic ties and large exposures to US subprime mortgage debt began to falter. The Fed and Treasury then stepped in to finance private takeovers or, in real terms, effectively nationalize several of these firms, an unprecedented action in the history of the U.S.

So far we have seen the US government's taking control of **Freddie Mac** and **Fannie Mae** and their $5 trillion combined mortgage portfolios; **Bear Stearns** collapsing and being taken over by JPMorgan **.**

AIG, the insurance giant, received a $85bn cash infusion from the Fed, in an effort to stave off bankruptcy, and has asked for $38bn more, as the initial amount provided is proving to be insufficient.

Merrill Lynch avoided trouble by being swallowed up by Bank of America in a $50bn deal; **Lehman Brothers**, the 158-year-old investment bank, was the only major bank to go bankrupt and was broken up and sold to various buyers including Barclays and Nomura. The US Congress finally approved a $700 billion bailout plan, whereby the government will buy illiquid mortgage assets from banks and other financial institutions, thus providing liquidity to banks. And this is what is happening just in the US.

In Europe, we are seeing similar things happen. In the UK, the government took control of **Northern Rock**, the mortgage bank. The Dutch, Belgian and Luxemburg governments with the participation of BNP Paribas paid €17bn to rescue **Fortis**, a bank also closely linked to the shipping industry, as it has granted loans to the Greek shipping community. Yesterday, the Dutch Government agreed to put €10bn to the troubled giant ING.

Just over a week ago, the UK government unveiled a £400 billion bank rescue plan to take equity stakes in UK banks, including Royal Bank of Scotland, which is ranked first regarding loans to Greek shipping companies with a portfolio of over USD 10 bn.

European governments, including Greece, which has unveiled its own €28bn bank support package, have agreed to rescue the financial system by providing liquidity to the banks and capitalizing the banks whenever necessary.

And, perhaps overlooked, but certainly not unimportant in its implications is the fact that **Iceland**, after seizing its top banks, is on the brink of bankruptcy, and market watchers are looking among others at Hungary in Europe and possibly Dubai in the Middle East which are experiencing similar difficulties.

About ten days ago, for the first time ever, we saw central banks across the world, in a coordinated effort, reduce interest rates by 50 basis points. A number of countries, including Greece, are guaranteeing the bank deposits of individual depositors, all in an effort to shore up confidence.

The size and number of victims of the crisis, all point to a turbulence that is extraordinary in nature. However, despite the continuing bailout, the banking sector still faces challenges on several fronts:

1) Banks still need to de-leverage and re-capitalize
2) Loan growth is expected to be weak or negative short and mid-term

3) Bad debt charges will continue rising and
4) In all likelihood there will be more bank failures.

This crisis has spread beyond the financial sector and has affected the capital markets, which are sharply down this year; Exchanges globally, from Japan and Hong Kong in the East to UK and the US in the West are experiencing unprecedented levels of volatility, with record one day gains being followed by equally impressive one day losses. Some countries, such as Russia, either shut their exchanges down, or imposed limits on trading activity, while in most markets short sales, a well known tool for speculation, have been banned.

I have given you a brief listing of recent events, in order to impress on you the fact that this is not an "ordinary" crisis and the big question to everybody is how much and for how long this crisis will affect the "real economy".

As anticipated, the financial crisis and the expected recession in the real economy, has already hit the shipping industry, a capital intensive business, worldwide.

In October so far, the Baltic Dry Index has dropped by approximately 90% from its Mid May value, while charter rates have shown a huge reduction over the previous weeks, due to lack of cargo demand and financing from the banks in the form of letters of credit. The Baltic Clean and Dirty Tankers indices have dropped significantly as well.

It is extremely difficult to obtain new bank loans by shipping companies in an effort by banks to de-leverage the industry. Banks already require higher spreads and margins and favor only existing clients.

So, for the first time, shipping companies face difficulty in financing their investment plans for expansion and for new-buildings. For this reason a large number of shipowners will either have to cancel orders for new-buildings or to self-finance them.

Already a number of new-building orders have been cancelled worldwide, a fact that might lead some shipyards in China and South Korea in trouble regarding their financing from the banks. Additionally the ship-owners will certainly try to renegotiate the already agreed terms and conditions.

Analysts expect a slow down in economic growth as exports from the East towards Europe and the US have been reduced.

Today, Greek Shipping companies manage more than 4.000 vessels, out of which about 500 belong to the 28 under Greek management shipping companies listed in the US and London markets.

Greek shipping stocks listed in these markets have dropped dramatically and have suffered enormous losses in the last few months. The total market cap of these stocks is today at USD 9 bn, a reduction of approximately 60% from its Mid June all time high value of USD 23 bn.

Greek Shipping companies have a strong program for new-buildings for the next four years. The debt portfolios of Greek Shipping companies at the end of 2007 amounted to USD 67 bn.

The consequences of the crisis are already visible in the shipping industry worldwide: cancellation of investment plans for new-buildings, scarcity of capital, change in the borrowing terms, a reduction in seaborne trade, an impressive drop in charter prices and scrap prices, demand for mergers and acquisitions and secondhand sales. We are also seeing a fall in ship values.

The weak chain link, though, in this crisis seem to be the small shipping companies that will soon face intense pressure by the banks for the payment of their debt, and those shipping companies that will be unable to find bank financing for the payment of the rest of the new-building price.

As “funding” is the major issue arising from the current credit crisis, going public for a shipping company that has an interesting story and a good track record, might constitute a good alternative in order to raise capital at a lower cost.

The crisis proved the necessity for transparent and reliable mechanisms for the price formation. We believe that Exchanges constitute a reliable option since they offer increased transparency, enough liquidity and guarantee the transactions finality, what we call counterparty risk.

Athens Exchange wants to be ready to welcome the next cycle of development that will bring the rebirth to our markets. For this reason ATHEX made a number of changes in its Regulation aiming to make the listing requirements for shipping companies more flexible in an effort to become more competitive towards the large foreign exchanges, where many Greek shipping companies have sought listing.

The new relaxed listing criteria for shipping companies are:

- Any size and any nature of shipping activity are welcome
- Foreign off-shore companies can directly get listed on ATHEX
- With any number and type of vessels
- All ATHEX market segments are offered, namely:
    - ü The Big Cap Segment for companies with a market cap of over €150 million and equity of €15 million (on a consolidated basis)
    - ü The Medium & Small Cap Segment for companies with an equity of €3 million (on a consolidated basis)
    - ü The Alternative Market “EN.A” for companies wishing to get listed on a market with less rigid listing requirements and limited disclosure obligations. Equity of €1 million (on a consolidated basis).

From our part we have created a more friendly listing environment. Now, it is shipowners’ turn to decide to come to Athens. But why should one choose to come to Athens Exchange?

ATHEX has proved to have enough fund raising capacity to support an IPO of any big size. Last year through ATHEX €11 bn were raised.

This great fund raising capacity is due to the presence of international investors to our market, who hold more than 50% of the total capitalization of ATHEX.

And of course, these investors are the same and would trade your stock irrespective the place in the world you are listed. Actually, history has shown that, many of these funds prefer to trade on the home country of the listed company.
With international investors responsible for more than 60% of daily transactions, last year the average daily value of transactions were close to €500 million.
There are already 5 remote members operating in ATHEX: Merrill Lynch, UBS, Societe Generale, Deutsche Bank and Chevreux, which are expected to increase liquidity and visibility of the Greek market.
Shipping companies listed on ATHEX would gain visibility due to their size, as they will be probably considered Blue chips in our market and would most participate in the FTSE indices.

We have a Corporate Governance framework that protects investors without the excessive red tape and costs that other foreign regulations impose such as the Sarbanes Oxley Act for companies listed in the US exchanges.

We have reduced bureaucracy and adopted a quick and flexible listing procedures.
Greek companies listed in the US that will seek dual listing on ATHEX will enjoy increased liquidity and seamless trading for almost 14 hours/day due to the time difference, in a strong currency.
After listing on ATHEX ship-owners will continue to enjoy their favorable tax regime.
Our Roadshows in London and the US have proved that there is an appetite by institutional investors for new investment tools. Shipping could be one of them.
ATHEX has an ideal location, since Piraeus operates the largest fleet of the world and has many shipping industry participants, who could contribute the seed capital for an IPO, while the rest could be covered by the local and foreign financial players.

- Shipping companies located in Greece: 1.200
- Shipping sector: 16.000 shipmen, 12.000 executives in the sector and 250.000 employees in general.

Finally, I should also mention the comparatively low cost for listing on ATHEX regarding fees for underwriting, due diligence, roadshows.
Of course, for a successful listing it takes three to tango: the shipping company, the exchange and the Underwriter. Till now Greek Underwriters have not been as active as their peers abroad who have advised their clients to seek listing in the foreign exchanges where they could enjoy better valuations.
We believe, though, that the long tradition of Greek banks in financing the shipping industry with their great experience as Underwriters in valuing newly listed companies will be a guarantee for fair valuations on ATHEX for both ship-owners and investors.

Ladies and Gentlemen,

Despite the current financial crisis that is deemed to be one of the worst in years, we are planning ahead. We strongly believe that at periods of recession shipping companies should evaluate the possibility to restructure their balance sheets and to issue equity instead of debt, while investors should consider positioning themselves wisely in fields with proven track record and await for the markets to recover.

Athens Exchange has taken the necessary steps in order to make itself attractive to the shipping industry. It is now up to the Greek shipping companies, underwriters and investors to welcome these initiatives and boost the development of the Greek shipping industry, using the financing tools offered by the Greek Capital Market.

Thank you.