PwC annual Global Shipping Benchmarking Analysis

Clear weather on the horizon?

38%

of the companies reported about sustainability, however only 29% of these companies have their reports verified.

RONOA increased for all subsectors compared to the previous year and amounts to

3% on average.

Solvency rates are relatively high in all shipping sectors and remained at

40%

on average.

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Foreword

We are now in the sixth year of our annual Global Shipping Benchmarking Analysis, in which we provide an overview of the factors that impacted the shipping industry in the previous year and analyse how these have been reported by a large number of shipping companies from around the world.

The year 2013 was characterized by a growing optimism. Global economic activity and world trade picked up in the second half of the year. Demand in advanced economies expanded while in emerging market economies the export activity was the main driver behind the reported improvement in the relevant measures. In the shipping sector, freight rates in several segments turned to positive levels and both vessel values and cash flows showed some signs of recovery.

Even though the macroeconomic fundamentals for 2014 are expected to show a gradual upturn performance, the first half of 2014 indicated that this recovery is erratic and not evenly spread among the various shipping sectors. The impact of the decreasing oil prices is likely to be positive depending on the strategy for bunkers.

For the third year in a row we have also chosen to look at sustainability reporting for shipping. Our analysis shows that although sustainability has become an integral part of the business process within many land-based corporations, it has not been high on the agenda within the maritime industry.

Should you wish to provide feedback or are interested in learning more about this publication or about our services to the shipping industry, we will be pleased to hear from you.

Socrates Leptos-Bourgi
PwC Global Shipping & Ports Leader

1 Market developments

1.1 General outlook

Global economic growth dropped to 3% in 2013 from 3.1% in 2012. However, global activity and world trade strengthened during the second half of the year. According to UNCTAD, although there was an overall lack of dynamism in trade in developed economies, especially in the first half of the year, in emerging countries and regions, imports grew (in volume) at relatively high rates between 8% and 9% in 2013 with China remaining a strong market for several primary commodities.

In the shipping sector, fleet growth, which appears to be the main cause for low freight rates, began to slow down in 2013. Newbuilding deliveries were on a declining trend and according to RS Platou were about one third lower than in 2012. Lower deliveries and demolition resulted in the reduction of fleet growth from 9% in 2011 to a more moderate 3.8% in 2013. The dry bulk fleet continued to have the fastest growth at 6% but it also registered the biggest slowdown from last year when the increase was 11%. Total demolition figures were lower than in 2012, but still remained relatively high compared to previous years. A total of 46m dwt was sent for demolition in 2013 from 58.2m dwt in 2012. This represented approximately 2.9% of the world fleet. In general, fleet growth matched trade growth although structural oversupply was still evident across the major sectors.

In 2013, newbuilding orders increased relatively low, but rising newbuilding prices, new eco-design vessels and increased private equity capital availability caused, according to brokers, the order intake to more than triple from 2012.

The high contracting activity has enabled newbuilding prices to increase at yards that attracted new orders, especially for dry bulk and container vessels, while tanker prices were also on the rise in the second half of the year. The secondhand market was relatively quiet during the first six months of 2013, but it also picked up significantly in the second half.

Looking at freight rates, after a difficult first half of 2013, the dry bulk and tanker sectors enjoyed some increase in rates which probably had more to do with a seasonal surge in cargoes and slow steaming, rather than in fundamental improvements in the market. According to ship owners, the "slow-steaming" of services since 2009, particularly on longer trade routes, enabled them to both moderate the impact of high bunker cost and to absorb additional capacity.

For container shipping, the downward pressure on box and charter rates continued. The supply surplus widened while ship values remained at low levels.

LNG shipping market in 2013 remained one of the very few shipping segments, which provided relatively stable and satisfactory returns throughout the whole of 2013, while the LPG market registered its third consecutive year where spot rates for the largest ships, VLGC's, gave the owners a healthy return on invested capital.

Average Earnings for Bulk Carriers (USD per day)							
	2010	2011	2012	2013	2014		
					June	July	August
Capesize (2000-built)							
Average Earnings	33.473	16.405	7.091	15.647	10.787	9.183	12.634
1 Year T/C Rate	32.967	16.938	13.685	15.760	23.750	20.563	22.100
Panamax (1998-built)							
Average Earnings	20.363	10.174	5.271	6.600	3.076	3.427	3.922
1 Year T/C Rate	24.559	14.663	9.706	10.099	10.969	10.250	10.550
Handymax							
Average Earnings	21.867	13.814	8.859	9.648	7.531	7.266	7.848
1 Year T/C Rate	20.847	14.108	10.130	10.034	10.938	10.125	10.850

Source: Clarksons

Crude Tanker Earnings (USD per day)							
	2010	2011	2012	2013	2014		
					June	July	August
VLCC							
Average Earnings	37.929	15.461	18.359	16.217	14.524	25.776	24.835
1 Year T/C Rate	37.962	24.947	22.125	19.837	23.500	26.500	28.800
Suezmax							
Average Earnings	31.259	18.154	16.908	15.511	22.095	33.877	21.652
1 Year T/C Rate	28.377	19.587	17.356	16.014	19.000	20.750	23.800
Aframax							
Average Earnings	19.792	12.597	12.939	14.131	15.481	29.343	23.745
1 Year T/C Rate	18.731	15.457	13.639	13.288	15.438	17.000	18.000
Panamax							
Average Earnings	14.956	8.456	11.637	11.127	10.032	17.458	17.421
1 Year T/C Rate	16.604	14.745	12.995	14.981	15.000	15.000	15.300

Source: Clarksons

Looking at freight rates, after a difficult first half of 2013, the dry bulk and tanker sectors enjoyed some increase in rates which probably had more to do with a seasonal surge in cargoes and slow steaming, rather than in fundamental improvements in the market.

1.2 Characteristics of the market

1.2.1 New-buildings order book

According to Clarksons, the volume of tonnage delivered globally fell by 30.3% year on year in 2013 with 2,140 ships of 108.5m dwt output. A further decline is expected for 2014.

As shown on the table below, bulkers were once again the predominant vessel type to enter the market in 2013 with 797 vessels reported as being delivered of 62.8m dwt compared to 1,199 vessels of 100m dwt in 2012. The tanker sector, on the other hand, recorded 200 vessels of approximately 21.5m dwt delivered into the fleet in 2013, compared to 266 vessels of 32.4m dwt in 2012. Finally, in the container sector, deliveries of vessels of more than 8,000 teu capacity grew by 5% in 2013 by capacity compared to 2012.

Vessel Deliveries

	2011		2012		2013	
	Number of Vessels	Dwt (m)	Number of Vessels	Dwt (m)	Number of Vessels	Dwt (m)
Tankers > 10,000	365	39.9	266	32.4	200	21.5
Bulkers > 10,000	1,192	100.1	1,199	100.1	797	62.8
Containers > 8,000 teu	71	9.1	78	10.1	83	10.6
Containers 3,000-8,000 teu	59	4.1	59	3.7	75	4.5
Containers < 3,000 teu	60	1.2	66	1.1	44	0.9
LNG Carriers	16	1.0	3	0.2	18	1.4
LPG Carriers	54	0.5	44	0.3	49	1.1

Source: Clarksons

The table below shows the fleet growth in various sectors. The dry bulk fleet grew by approximately 6% during 2013 compared to 11% in 2012. The tanker fleet grew by only 1.7% in 2013 while the fleet growth for containerships was approximately 6% in 2013, the same as in 2012.

Fleet Development & Orderbook

	2010	2011	2012	2013
Bulkers				
Fleet (dwt million)	537	619	685	724
year over year % increase	17%	15%	11%	6%
Orderbook (teu million)	302	234	142	172
Orderbook % fleet	56%	38%	21%	24%
Tankers				
Fleet (dwt million)	449	475	493	502
year over year % increase	4%	6%	4%	2%
Orderbook (teu million)	127	85	59	68
Orderbook % fleet	28%	18%	12%	14%
Containerships				
Fleet (teu million)	14.2	15.3	16.2	17.1
year over year % increase	10%	8%	6%	6%
Orderbook (teu million)	3.9	4.4	3.4	3.3
Orderbook % fleet	27%	29%	21%	19%

Source: Clarksons

*Our analysis shows that **40** companies of the total **108** that we covered, have newbuilding vessels on order.*

In recent years, oversupply and weak earnings in almost all shipping sectors has made shipowners turn towards specialized gas and offshore sectors. However, in 2013 newbuilding orders rose significantly and a total of 175m dwt was contracted globally. Dry bulk sector had a notable activity and represented the 58% of the tonnage ordered globally. Close to 14m dwt product tankers were also ordered in 2013 that is significantly more than in the past years.

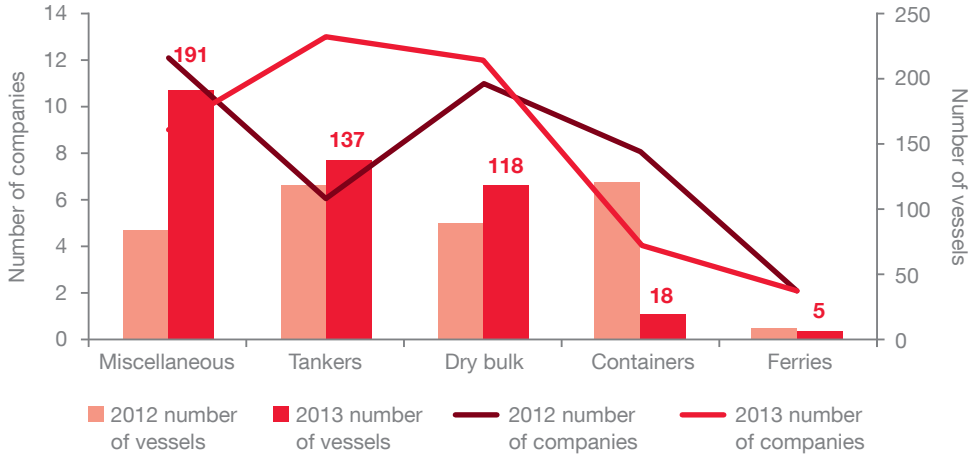
Vessel Contracting

	2011	2012	2013
Tankers > 10,000 dwt	6.3	8.5	24.4
Product & Chemical Tankers	3.8	5.6	13.7
Bulkers > 10,000 dwt	43.1	25.2	100.8
Containers > 8,000 teu	15.5	2.8	21.1
Containers 3,000-8,000 teu	4.7	1.9	1.4
Containers < 3,000 teu	1.4	0.5	1.7
LNG Carriers	4.3	3.3	3.5
LPG Carriers	0.4	1.2	3.3
Other	6.5	5.6	5.1
Total Contracting	**86.0**	**54.6**	**175.0**

Source: Clarksons

Our analysis shows that 40 companies of the total 108 that we covered, have newbuilding vessels on order, compared to 39 companies last year. The companies with the largest number of vessels on order are from the miscellaneous category (191 vessels), followed by tankers (137 vessels) and dry bulk (118 vessels). Last year, the companies with the largest number of vessels on order were from the container sector again followed by tankers and dry bulk.

Companies with vessels on order and numbers of vessels on order



The increased ordering activity led newbuilding prices to increase slowly in the second and third quarter and then more rapidly after the summer.

1.2.2 Vessel values and impairment losses

The sale and purchase market was relatively quiet during the first six months of 2013 but activity improved towards the end of the year. According to Clarksons approximately 1,415 vessels of 65.6m dwt were reported sold in 2013. Bulkcarriers continued to be the most traded ship type, accounting for 35% of all sales in 2013. The second hand prices for dry bulk vessels increased steadily throughout the year at a rate higher than 20%. The values for five year old tanker vessels rose by about 5% during the fourth quarter while older vessels rose by more (10-30%).

As already mentioned, in 2013 there was significant ordering activity undertaken by companies. Possibly the first deliveries of "eco ships" with improved fuel efficiency and their success in sea trials persuaded many shipowners to place new orders.

The increased ordering activity led newbuilding prices to increase slowly in the second and third quarter and then more rapidly after the summer. This increase varied depending on the type and the size of the ship, the shipyard and the country of construction. Dry bulk and containers led the way but tanker prices were also on a rise in the last quarters of the year.

Bulk Carriers - Second Hand Prices (in USD million)

					2014	
	2010	2011	2012	2013	June	July
Bulk Carriers (5 yrs old)						
Capesize	50.0	36.0	32.5	44.0	47.0	47.0
Panamax	36.0	26.5	18.0	25.5	24.0	24.0
Handymax	29.0	24.5	19.5	24.5	25.5	24.5
Handysize	25.0	21.0	15.5	19.0	19.5	19.5

Source: Clarksons

Bulk Carriers - Newbuilding Prices (in USD million)

					2014	
	2010	2011	2012	2013	June	July
Bulk Carriers						
Capesize (180K)	57.0	48.5	46.0	53.5	57.5	56.0
Panamax (76K)	34.5	29.0	25.8	27.8	30.0	30.0
Handymax (60K)	31.0	27.0	24.3	26.5	28.3	28.3
Handysize (35K)	24.0	21.5	20.0	20.5	22.0	22.0

Source: Clarksons

Tankers - Second Hand Prices (in USD million)

					2014	
		2011	2012	2013	June	July
Tankers (5 yrs old)						
VLCC	310.000 dwt	76.6	62.4	56.2	74.0	70.4
Suezmax	160.000 dwt	54.0	44.3	40.0	49.0	49.0
Aframax	105.000 dwt	38.7	30.5	29.0	37.0	40.0
Panamax	73.000 dwt	34.8	26.1	28.0	32.5	33.0

Source: Clarksons

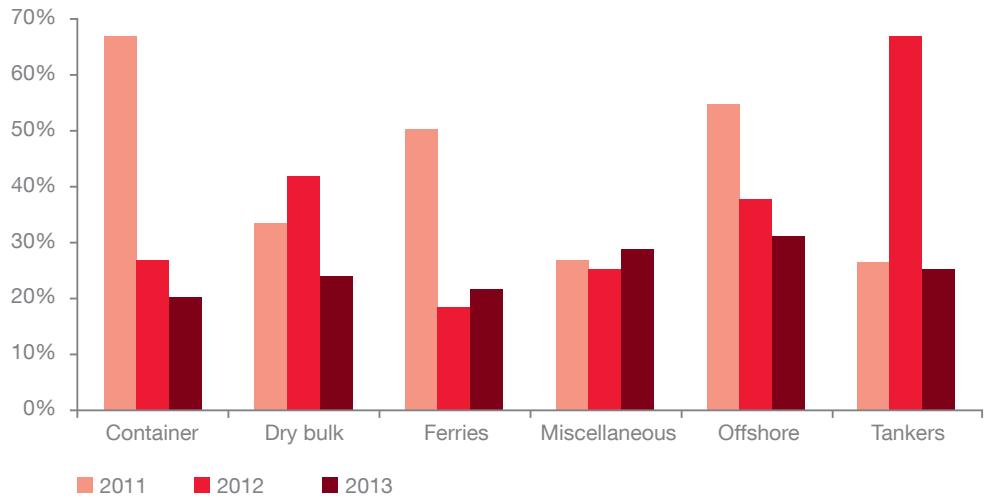
Tankers - Newbuilding Prices (in USD million)

				2014	
	2011	2012	2013	June	July
Tankers					
VLCC	101.5	95.7	90.8	100.0	99.0
Suezmax	63.4	58.3	56.4	66.0	65.5
Aframax	53.8	49.9	48.5	55.0	54.5
Panamax	44.2	42.3	41.3	45.5	45.5

Source: Clarksons

Due to the rebound in asset values, a reduced number of the shipping companies reported impairment losses in 2013. Of the companies covered by our analysis, 25% reported vessel impairments in 2013 against 39% in 2012. As shown in the diagram below (showing the percentage of companies reporting impairment to the total of companies per sector we have analyzed) the offshore sector reported the largest share of impairments on vessels with 31% of the companies belonging in the sector incurring impairment losses. In the tanker and dry bulk sectors the respective percentage was 25% and 24%.

Impairment losses on vessels (% of companies in our survey)



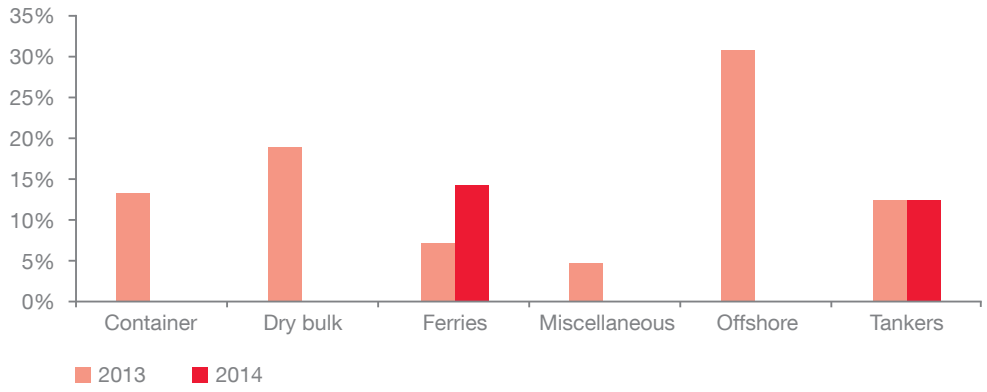
1.2.3 Shipping finance

Bank lending to the shipping industry remained tight. Banks continued to seek to improve the health of their loan portfolios and their shipping exposures. Other reasons for the lack of ship lending appetite were related to regulatory and other challenges that finance providers are facing, and which are forcing them to deleverage or reduce their lending activities. More recently, however, in the second half of 2013 and first half of 2014, banks have also been seen actively competing for large shipowners. This is possibly an indication that dynamics are changing for finance providers.

In terms of the conditions faced by shipping companies, when dealing with their lenders, some improvements have been noticed in 2013 for the first time since the beginning of the crisis. The number of loan modifications, restructurings, and write-offs all declined, though there is still work to be done. Fewer shipowners had loans in technical covenant default and fewer covenants were modified. Similarly, fewer shipowners had their portfolio in some form of restructuring.

Among the companies covered by our analysis, 14% have reported that they restructured their loan facilities in 2013 (2012:16%) while 5% foresee debt restructuring for 2014. Approximately 19% of the drybulk companies in our sample have reported a restructuring of their loan obligations in 2013. The percentage for tanker owners and containership owners was 13%. The respective percentage for offshore was 31%.

Restructuring debt in 2013 compared to the estimation for 2014



As a finance gap still exists, private equity funds have often stepped in to provide much needed finance. Private equity firms were increasingly interested in teaming up with shipowners to jointly expand their fleet at low newbuilding prices.

Investments by private equity take place generally in three forms:

- Acquisition of individual loan exposures;
- Acquisition of loan portfolios from lending banks exiting/deleveraging;
- Equity investments through joint ventures.

A likely exit route for such ventures is that of an IPO. But the question remains:
Will markets be ready for so many listed shipping companies pursuing very similar strategies?

In 2013 the attention was also on the capital markets where risk appetite for shipping among investors came back strongly. Following subdued activity in 2011 and 2012, the shipping companies listed on the public markets raised according to Clarksons USD 6,616m from follow on offerings in 2013 and USD 3,640m by August 2014. Respectively in the offshore sector the amounts

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raised from follow on offerings in 2013 reached the USD 8,212m in 2013 and USD 445m by August 2014. The companies covered from our analysis raised USD 5,128m in 2013 and USD 2,857m in 2014 (August). The vast majority from follow on offerings were raised in the US Capital Markets. The funds raised by shipping companies' IPOs and OTC listings in 2013 equaled USD 2,790m (eight IPOs and six OTC listings) and USD 1,195m in 2014 (five IPOs and four OTC listings). The Oslo exchange, particularly the private placement process and OTC market, has been used as a stepping stone for a subsequent IPO in the US.

This year we added five companies in our benchmarking analysis that performed either an IPO or an OTC listing. Three of them belong to the gas sector (Dynagas, Dorian and Navigator Gas). The other two are Norwegian Cruise Lines and Scorpio Bulkers both listed in US Markets. The amount raised by these five companies reached the USD 1,400m.

On the other hand Genco Shipping & Trading, Excel Maritime Carriers and Overseas Shipholding Group companies, who in 2013 entered into Chapter 11, were removed from our analysis.

1.3 Year 2014 outlook

Despite improved prospects, the world economy remains fragile as key downside risks of low inflation, potential capital flow reversals, geopolitical turmoil and policy implications are present.

The euro area is expected to return to growth, however demand is expected to remain sluggish, given continued financial fragmentation, tight credit and a high corporate debt burden. A major driver for global growth in 2014, comes from the United States while the forecast for China is that growth will remain broadly unchanged at about 7.5% in 2014-15.

With the world economy on an upswing and a significantly lower order book there are of course some signs for improvement. However, charter markets are expected to continue suffering from high volatility, stemming from the addition of tonnage in newly designed vessels and general tonnage oversupply, as well as changing market dynamics between subsectors and within subsectors.

For 2014 Clarksons expects the dry bulk fleet to grow at 5.1%, at a slightly faster pace than projected dry bulk demand growth (4.5%) and it is expected that the cumulative build up of the oversupply will continue to place pressure on the market. The average bulkcarrier earnings in September 2014 amounted to USD 8,636/day. The earnings for all vessel categories on September 2014 were generally lower that the 2013 average.

Crude tanker deadweight demand is expected to increase 2.1% year over year by the end of 2014. Crude tanker demand growth is expected to outstrip supply growth which is forecast to reach 0.8% year over year in 2014. However, the crude tanker market remains challenged. The fleet is young and premature scrapping seems inevitable if future supply exceeds demand. The growth of US oil production is likely to reduce global demand of seaborne crude imports in the future. The outlook for the product tankers is more positive, though fragile, due to the substantial ordering activity in 2013. Demand growth has matched or outpaced growth in tonnage since 2010. Demand growth is projected to once again outstrip vessel supply in 2014 at 4.3% compared to fleet growth of 4%.

Global container trade is projected to expand by 6% in 2014, while global container supply is expected to increase by 4.7% in the same year. Freight rates on individual trade lanes will continue to remain volatile and the focus in the sector will be the enhanced competitiveness by lowering unit costs through economies of scale and optimizing of operations. According to shipbrokers, in the latest part of 2014, a higher than expected demand was noticed in intra-regional routes. However, despite the high level of demand experienced in some specific subsectors, rates remained below their historical average. The 6-12 month charter rate for a gearless 4,400 teu Panamax reached USD 10,500/day in September 2014 (Average 2013: USD 8,696/day), while for a 2,750 teu vessel, the rate was USD 8,000/day in the same month (Average 2013: USD 6,829/day).

2 Sustainability

We continue to consider sustainability reporting in the shipping industry as part of our Global Benchmarking Analysis as we know this is a focus area for the industry. The main conclusion from this year's analysis was that there is still a mismatch between the growing interest for sustainability by different stakeholders and the extent to which shipping companies are reporting about the topic.

2.1 Recent developments in addressing CO_2 emissions from maritime transport

It is estimated that the shipping industry is responsible for about 3% of the worldwide CO_2 emissions. Although maritime transport is considered to have a modest contribution to the world's CO_2 emissions, the reduction of CO_2 emissions and other air pollutants remains a hot topic for the shipping industry. On different levels stakeholders are working on measures to reduce air pollution from the shipping industry. The International Maritime Organization (IMO) has adopted mandatory technical and operational energy efficiency measures which should lead to a reduction of CO_2 emissions from ships. These measures, the Energy Efficiency Design Index (EEDI) and the Ship Energy Efficiency Management Plan (SEEMP) became effective on January 1, 2013. Although, the EEDI only applies to the most fuel consuming sectors of the industry (e.g. new build tankers, bulk cargo and container ships) the IMO expects that it embraces about 70% of the CO_2 emissions coming from vessels built after January 2013.

IMO estimates that both measures combined will reduce CO_2 emissions by 180m tonnes by 2020 and by 390m tonnes by 2030. This is equivalent to a value of USD 34 billion to USD 60 billion savings in fuel costs by the industry (*www.imo.org*).

IMO also acknowledges that the reductions from technical and operational measures alone will not result in the required reduction of CO_2 emissions from the shipping industry. This view is also shared by the European Commission which would like to play an active role in achieving the required reduction targets for the industry. According to the European Commission the total CO_2 emissions from European Maritime traffic were estimated to be around 180 MT. Despite the mandatory EEDI and SEEMP measures from the IMO, CO_2 emissions in Europe from the shipping industry are expected to increase in the future as a result of world trade growth.

In this context, the European Commission issued a Regulation proposal for the Monitoring, Reporting and Verification (MRV) of CO_2 emissions in June 2013. On November 20, 2014 the European Parliament has adopted the Regulation and will require the calculation of CO_2 emissions based on fuel consumption, energy efficiency data and cargo load. The required data will be obtained from existing sources like log books and bunker delivery notes. The adoption by the European Parliament means that the operational effectiveness of the MRV system as per 1 January 2018 is a step closer.

The scope of this MRV system will impact most of the shipping companies, which have sailings into Europe. The European Commission is aiming to include all sailings between European ports, sailings from the last non-EU port to the first EU port of call and sailings from an EU port to the next non-EU port of call. The MRV system will apply to ships above 5,000 GT which represents around 60% of the ships sailing in European waters.

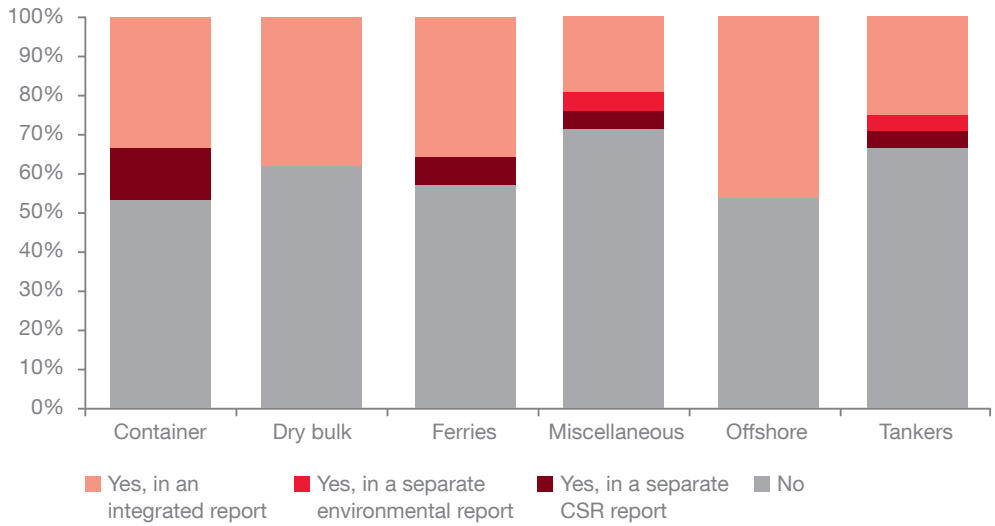
For most companies this will mean that in 2017 a monitoring plan will need to be submitted to the European Commission describing the methods and data sources used to calculate the fuel consumption for sailing subject to the MRV system. As of January 1, 2018 the fuel consumption for each sailing in, to and from ports of call in Europe needs to be monitored and reported.

2.2 Sustainability reporting takes flight

Based on our analysis this year, 38% of the companies covered in our analysis, reported about sustainability. The respective percentage for 2012 was 27% and 24% in 2011. The offshore and the container sectors are leading the way with 46% of the covered companies belonging to these segments, reporting about sustainability. The ferry sector, which held the first position in the previous years, ended up in third place this year with 43% of the companies reporting on sustainability followed by the drybulk sector (38%) and the tanker sector (33%). With the exception of the miscellaneous sector, we have noticed an increase in sustainability reporting in all sectors compared to prior years.

The percentage of shipping companies reporting about sustainability in an integrated report increased to 31% in 2013 from 14% in 2012. This could indicate that shipping companies are acknowledging the trend of integrated reporting. The trend towards a more integrated report results in less reports published by the shipping industry related to their environmental performance, while the number of separate, and more broad, CSR reports remains relatively stable.

Does the company report about sustainability?



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Another returning topic in our coverage is addressing stakeholder concerns. In the debate about corporate reporting by companies, including the material topics as identified by the company's stakeholders, gains increasing traction and therefore importance. Companies reporting about their sustainability performance along the G4 guidelines have already experienced the greater emphasis on the identification of material themes resulting from the stakeholder dialogue.

About 52% of the companies that report about sustainability, address their most important stakeholders. This is a significant increase compared to 2012 when 40% of the shipping companies mentioned their most important stakeholders. According to these reports, employees are the most important stakeholders for 18 companies, shareholders for 17 companies, governments for 12 companies and the environment comes last with four companies. The increase in companies identifying governments as one of the most important stakeholders could indicate the increased awareness of upcoming regulation from governments and other legislative bodies by the shipping companies.

Verification of the companies sustainability performance is still low. Only 29% of the shipping companies reporting about sustainability have their reports verified.

2.3 Conclusion

This year's analysis showed a significant increase of shipping companies reporting about sustainability. Almost four out of ten shipping companies report about sustainability in their 2013 corporate reports. This indicates that the industry increasingly acknowledges the importance of informing their stakeholders about their performance on sustainability issues.

For the upcoming years the industry will become subject to increased laws and regulations regarding sustainability. Most prominent on the agenda is the upcoming regulation by the European Commission for shipping companies to start monitoring and reporting their fuel consumption (and thus CO_2 emissions) for voyages to, from and between EU ports.

3 Financial performance review

3.1 Background

Our financial benchmark analyses key performance indicators (KPI's) of companies in different subsectors of the shipping industry; namely container, tanker, dry bulk, off shore, ferries and miscellaneous (companies active in different sectors of the shipping industry). More than 150 companies have been selected for this benchmarking analysis. Financial data have been derived from publicly available financial statements and annual reports of these companies from 2009 to 2013. The purpose of this benchmarking analysis is measuring the financial performance of individual companies in subsectors, comparing performance between subsectors and the overall shipping industry and identifying trends and developments. In this publication we present the average financial performance in each sub sector. Individual companies can obtain tailor made benchmark presentations upon request. An individual report enables a shipping company to benchmark its own financial performance with other companies in its sub sector on the basis of key performance indicators. Individual reports can be commissioned by contacting any of our shipping industry group contacts at your local PwC office as presented at the end of this publication.

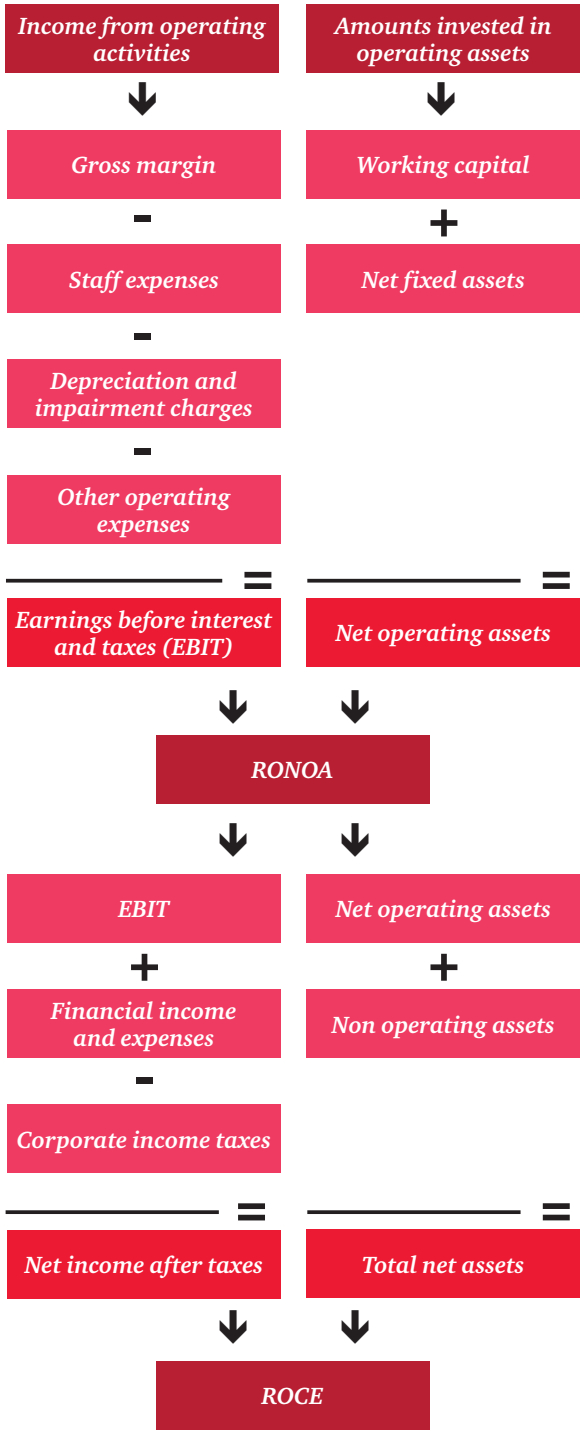
3.2 Benchmark model

The financial performance of the shipping companies has been measured on the basis of the following key performance indicators:

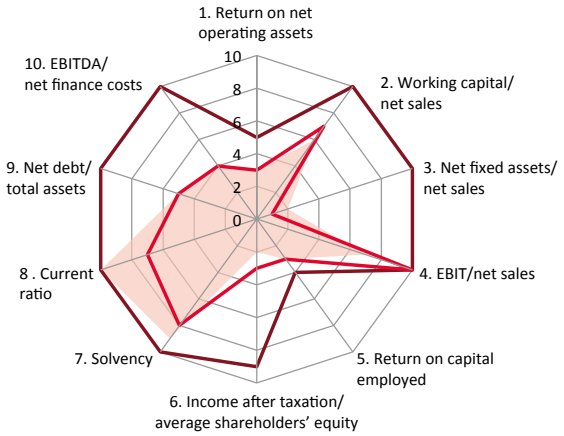
Profitability ratios

RONOA, being ***Return On Net Operating Assets***, is one of the most important performance indicators for measuring returns on investments in companies. RONOA measures returns on operating activities of a company. To calculate RONOA the ratios '***Working Capital/Net Sales***', '***Net fixed Assets/Net Sales***' and '***EBIT/Net Sales***' are measured in our analysis.

If a company has also invested money in other companies or granted loans, ROCE is another important performance indicator. ***ROCE***, being ***Return On Capital Employed***, presents total net returns on all assets, not just on operating assets. The following graph presents a breakdown of the components of RONOA and ROCE:

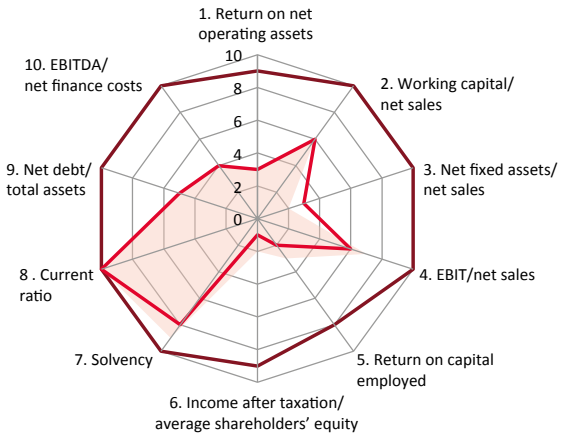


Radar chart 2013 - Container



For the second year in a row, the container subsector reported a slight deterioration in its performance.
A positive development is seen at the "Working capital/net sales" ratio, which has decreased. The decrease in this particular ratio is also observed within the whole shipping industry.

Radar chart 2013 - Tankers



Although the tankers subsector is still the worst performing subsector, its performance shows a substantial improvement compared to 2012. Not a single ratio shows a deterioration compared to 2012. Largest improvements are noted at the "EBIT / net sales"- and "Net debt / total assets" ratio.

In addition to RONOA and ROCE we have also measured ***Return on Equity (ROE)***, defined as net income after taxes over average shareholders' equity.

Finance structure ratios

To assess the financing structure of the companies analysed, as well as their ability to pay their long term liabilities, we have measured the ***Solvency Ratio***. In addition to RONOA and ROCE, the Solvency Ratio is of special interest for companies that invest money in (or lend money to) a shipping company such as banks. For the same reason, we have measured the ***Net Debt Ratio*** of the companies analysed. Maximum requirements for net debt ratios are often included in bank covenants. Another ratio that is often included in bank covenants is ***EBITDA / Net Finance Cost*** which has also been included in our benchmarking analysis. This ratio indicates how many times a company's interest expenses can be covered from operating cash earnings (earnings before interest, depreciation and amortisation).

Liquidity

Meeting long term liabilities is only relevant when a company is able to pay its short term liabilities in the short run. To obtain an understanding of the liquidity of the shipping sector including the developments in the last five years we have measured the ***Current Ratio*** of the companies covered by our analysis.

3.3. Results summary by subsector

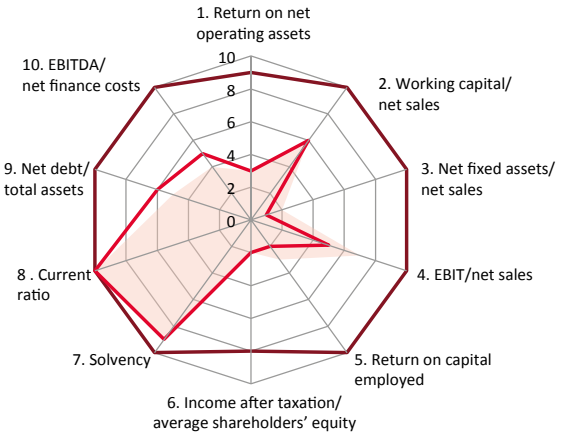
The radar charts on this page and the following pages show the outcomes of the key performance indicators by subsector in 2013. The outcomes of the ratios have been ranked on a scale from zero to ten. A score of ten (the outside line of the chart) means a highly favourable outcome on that ratio and a score of zero (centre of the graph) a very unfavourable outcome of the ratio. The radar charts we have presented include the following scores:

- Average score overall shipping industry 2013 (light red area)
- Average score subsector 2013 (red line)
- Best in class in subsector 2013 (dark line)

The radar chart provides a very quick overview of the financial performance of the subsector and overall shipping industry.

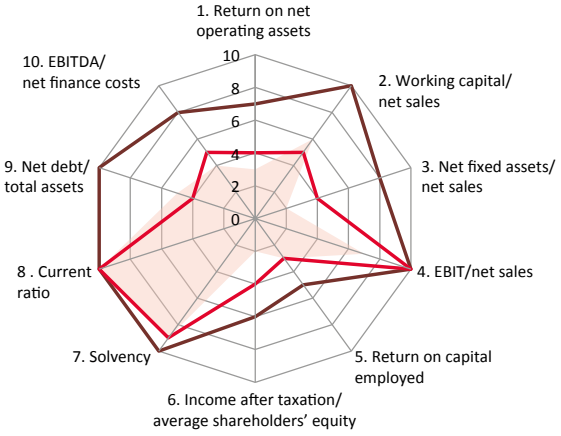
Based on the average performance per sector, the offshore subsector remained the best performing subsector in 2013 followed by the miscellaneous subsector. In 2012 the container subsector was the second best performing subsector. For all subsectors the total performance for 2013 improved compared to 2012, except for the container subsector which reported a slightly worse performance compared to 2012. The tankers subsector remained the worst performing subsector in 2013, followed by the dry bulk subsector. Both subsectors, however, show a considerable improvement in their performance compared to 2012. On the following pages radar charts of each subsector are presented and analyzed compared to previous years. It must be mentioned that previous years have been updated based on the latest available information.

Radar chart 2013 - Dry Bulk



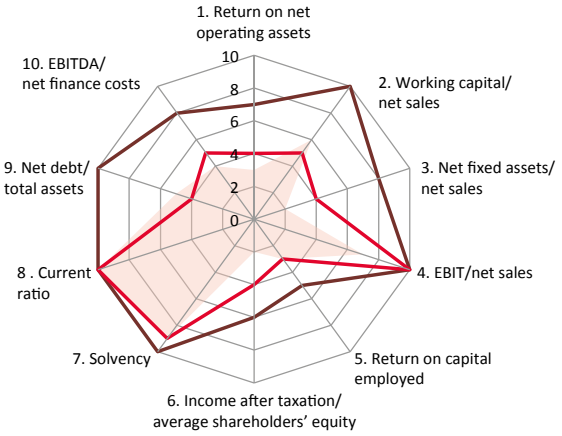
After stabilizing its performance in 2012 (compared to 2011) the dry bulk subsector shows an improvement in 2013, which is mainly driven by the increase of the "EBIT / net sales" ratio.

Radar chart 2013 - Ferries



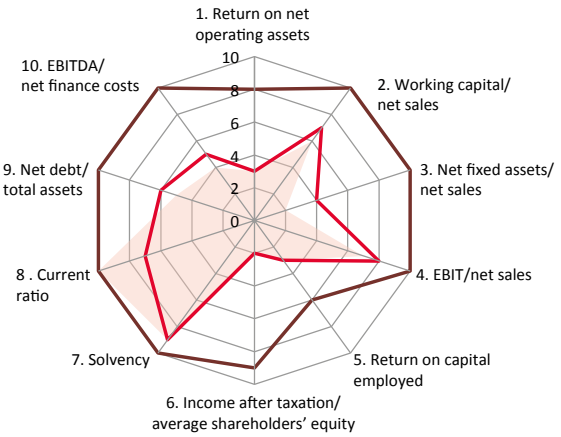
Although this sector encountered a substantial deterioration in its performance during 2012, in 2013, the sector showed the highest improvement in its financial performance across all subsectors. Not a single ratio shows a deterioration compared to 2012. The main improvement was with regard to the improving net debt position.

Radar chart 2013 - Offshore



For the second year in a row the offshore subsector remains the best performing subsector and even shows a small improvement in its performance, which is mainly driven by the "Net fixed assets / net sales" ratio and the "Current ratio".

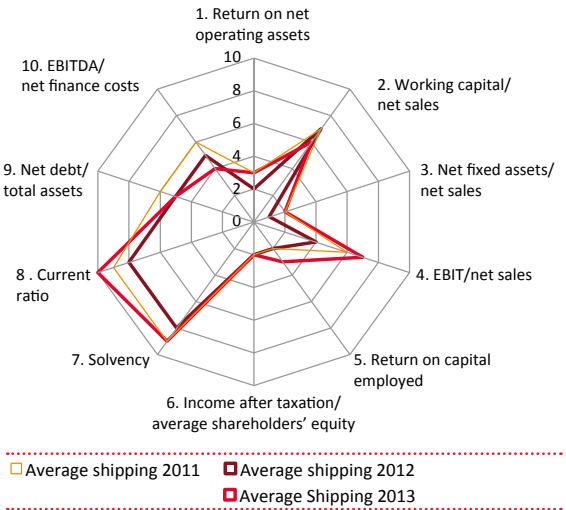
Radar chart 2013 - Miscellaneous



In line with almost all other subsectors, this subsector also shows an increase in its performance, mainly on "EBIT / net sales".

In the following radar chart we have presented the developments in the performance indicators in the years 2011, 2012 and 2013 for the overall shipping industry. After several difficult years, the shipping industry showed some signs of recovery in 2013. Important ratios like “EBIT / net sales”, “RONOA” and “Current ratio” are almost back to the level of 2010, which was the last year that a mild recovery was shown. Whether this recovery will be sustainable is uncertain. Global economy shows signs of slow recovery, but still faces difficult challenges.

Radar chart 2011, 2012 and 2013 Shipping Industry

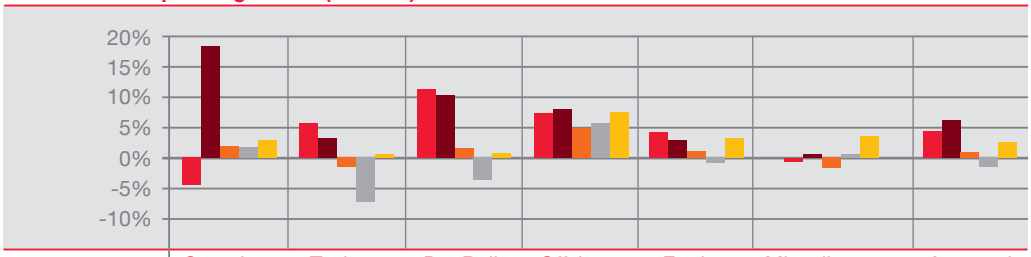


3.4. Performance indicators

Return on net operating assets (RONOA)

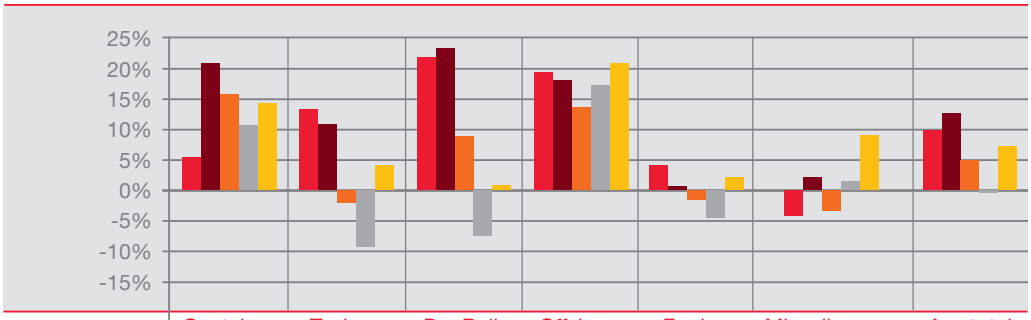
The following charts present the RONOA by subsector over the last five years, and the evolution of some of the components that affect RONOA, such as Earnings Before Interest and Tax (EBIT), working capital and fixed assets.

Return on net operating assets (RONOA)



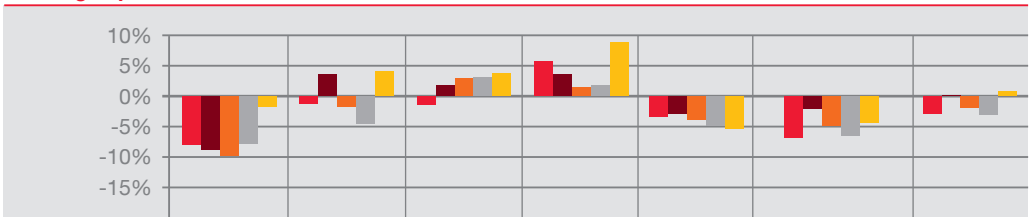
	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	-4%	6%	11%	7%	4%	-1%	4%
2010	18%	3%	10%	8%	3%	0%	6%
2011	2%	-1%	2%	5%	1%	-2%	1%
2012	2%	-7%	-4%	6%	-1%	1%	-2%
2013	3%	1%	1%	7%	3%	3%	3%

EBIT / net sales



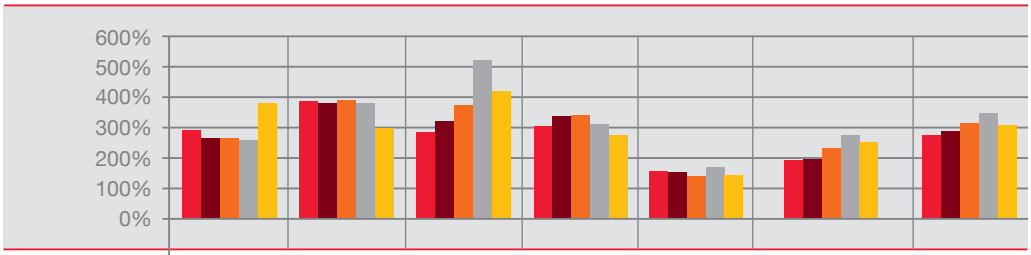
	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	5%	13%	22%	19%	4%	-4%	10%
2010	21%	11%	23%	18%	0%	2%	12%
2011	15%	-2%	9%	13%	-1%	-3%	5%
2012	11%	-9%	-7%	17%	-4%	2%	0%
2013	14%	4%	1%	21%	2%	9%	7%

Working capital / net sales



	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	-8%	-1%	-1%	6%	-3%	-7%	-3%
2010	-9%	4%	2%	3%	-3%	-2%	0%
2011	-10%	-2%	3%	1%	-4%	-5%	-2%
2012	-8%	-5%	3%	2%	-5%	-6%	-3%
2013	-2%	4%	4%	9%	-5%	-4%	1%

Net fixed assets / net sales

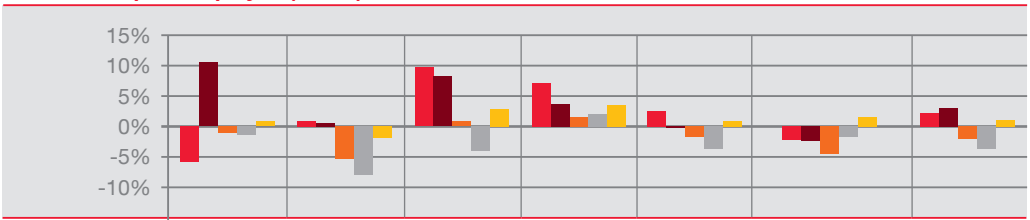


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	284%	379%	277%	300%	149%	186%	268%
2010	256%	375%	315%	331%	147%	191%	279%
2011	259%	385%	367%	335%	134%	226%	308%
2012	255%	375%	517%	308%	166%	273%	345%
2013	378%	294%	417%	272%	140%	249%	304%

'Working capital to net sales increased in 2013 for almost all subsectors.'

RONOA increased for all subsectors compared to the previous year. Especially both the dry bulk- and tankers subsector show a large increase compared to previous years (both subsectors also showed the largest decline in 2012 compared to 2011). This appears to be mainly due to an increase in EBIT to net sales. For the third year in a row it is the offshore subsector which shows the highest RONOA. The increase in the demand for oil and gas in especially the upcoming markets (BRIC-countries) continues to have a positive influence on this subsector. Working capital to net sales increased in 2013 for almost all subsectors (the ferries sector remains unchanged). A relatively low working capital or even negative working capital to net sales is a cost efficient way of financing but may also indicate that a company faces difficulties in meeting its short-term obligations. Half of the subsectors show a negative working capital to net sales. However, the magnitude of these negative numbers has decreased in 2013. In 2013 the net fixed assets to net sales ratio decreased for all subsectors except for the container subsector. Although the explanation for the decrease could lie in the decrease in investments in fixed assets (vessels), it is more likely that the decrease is caused by companies being able to generate increased sales revenue at better rates than in the previous years with their assets.

Return on capital employed (ROCE)

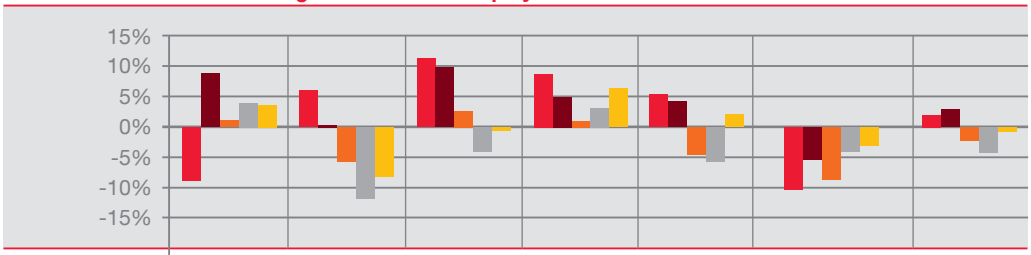


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	-6%	1%	10%	7%	2%	-2%	2%
2010	10%	0%	8%	4%	0%	-2%	3%
2011	-1%	-5%	1%	1%	-2%	-5%	-2%
2012	-1%	-8%	-4%	2%	-4%	-2%	-4%
2013	1%	-2%	3%	4%	1%	1%	1%

Return on capital employed (ROCE)

ROCE is structurally lower than RONOA, which can be explained by the fact that net income after taxes is generally lower than EBIT in a normal course of business and all investments are taken into account. The trend over the last five years in ROCE follow the same trends evidenced in the RONOA. After two years of negative ROCE for the whole shipping business, ROCE in 2013 increased to 1%. In 2014, it is expected ROCE will increase even further. Although the tankers subsector shows an increase in its EBIT, it is still insufficient to cover the finance costs, resulting in a negative ROCE.

Income after taxation / average shareholders' equity



	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	-9%	6%	11%	8%	5%	-10%	2%
2010	9%	0%	10%	5%	4%	-5%	3%
2011	1%	-6%	3%	1%	-4%	-9%	-2%
2012	4%	-12%	-4%	3%	-6%	-4%	-4%
2013	4%	-8%	-1%	6%	2%	-3%	-1%

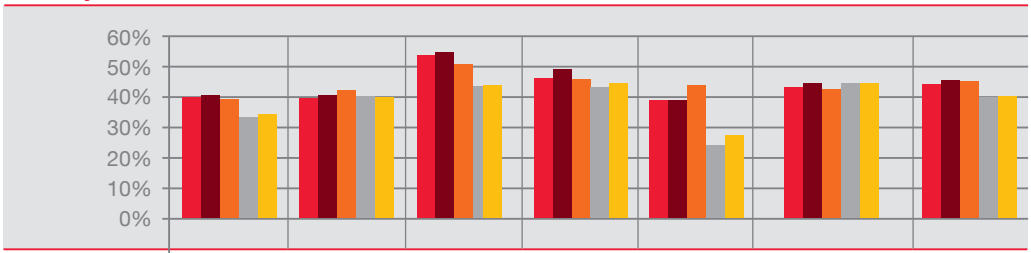
Return on equity

Developments in return on equity show a wide differentiation between subsectors. In 2012 return on equity decreased in half of the subsectors, primarily due to decreased profitability of the companies in these sectors in 2012. In 2013 return on equity increased in all subsectors except for the container subsector, which remained unchanged compared to 2012. More than 50% of the companies in this category reported losses in 2013. In contrast to the previous year the offshore subsector has the highest return on equity of all other shipping sub sectors in 2013, and this was even higher than the highest of 2012 (container sector). The highest outcome for the offshore sector is also reflected in both the RONOA and ROCE.

Solvency

Solvency rates are relatively high in all shipping sectors and do not show significant changes during the last five years, except for the sharp decrease in the solvency in the ferries sector during 2012, compared to the previous years. This decrease however is partially offset by the increase in 2013.

Solvency

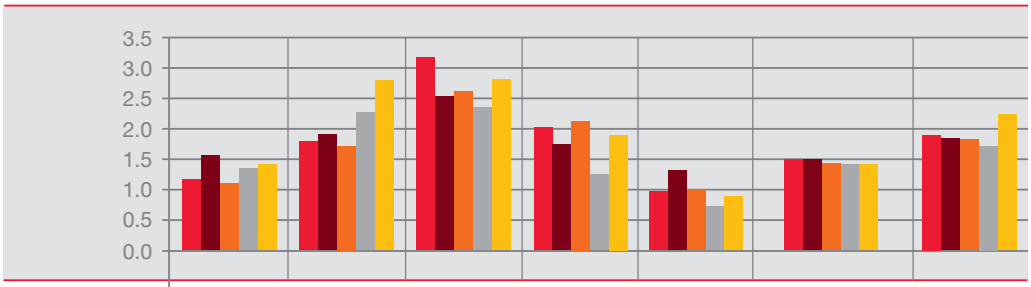


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	40%	39%	54%	46%	39%	43%	44%
2010	40%	40%	54%	49%	39%	44%	45%
2011	39%	42%	51%	46%	44%	42%	45%
2012	34%	40%	44%	43%	24%	45%	40%
2013	34%	40%	44%	45%	28%	45%	40%

Liquidity

The current ratio indicates the ability of the company to pay its short term liabilities in the short term and is calculated by dividing the amount of current assets by the amount of current liabilities. As a rule of thumb, a current ratio of approximately 1.5 is generally deemed to be healthy while current ratios less than one are generally deemed to be unhealthy. Except for the container and miscellaneous subsector all subsectors have shown an increase in their liquidity. In particular the tankers and offshore subsector show a market increase compared to last year.

Current ratio

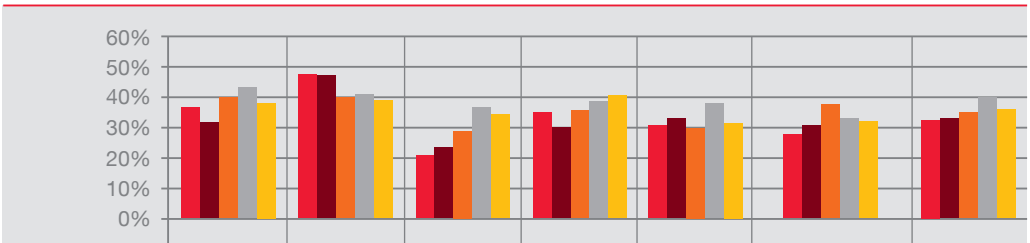


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	1.2	1.8	3.1	2.0	1.0	1.5	1.9
2010	1.6	1.9	2.5	1.7	1.3	1.5	1.8
2011	1.1	1.7	2.6	2.1	1.0	1.4	1.8
2012	1.4	2.3	2.4	1.3	0.7	1.4	1.7
2013	1.4	2.8	2.8	1.9	0.9	1.4	2.2

Net debt

The net debt ratio is calculated as the ratio of interest bearing debt less cash divided by total assets. The higher the ratio, the more the company has been financed by interest bearing liabilities. Borrowing capacity of the company decreases when net debt on total assets increases. For this reason, this ratio is usually monitored by banks or other finance providers. The developments in this ratio in the years 2009-2013 vary between subsectors, however the average totals appeared to have an increasing trend until 2012. This ratio decreased in 2013 for all subsectors except for offshore subsector. A likely cause for the trends observed relates to increased impairments during 2011 and 2012 (when this ratio had a notable increase for most subsectors) and the impact of decreasing cash positions. In 2013 assets increased again while interest bearing debt less cash decreased as a result of regular redemptions. Net debt has been the highest in the tanker and container subsector for many years. For 2013 the offshore subsector has the highest outcome on this ratio followed by the aforementioned subsectors. Net debt is still the lowest in the miscellaneous subsector. This subsector also has the highest average solvency.

Net debt / total assets

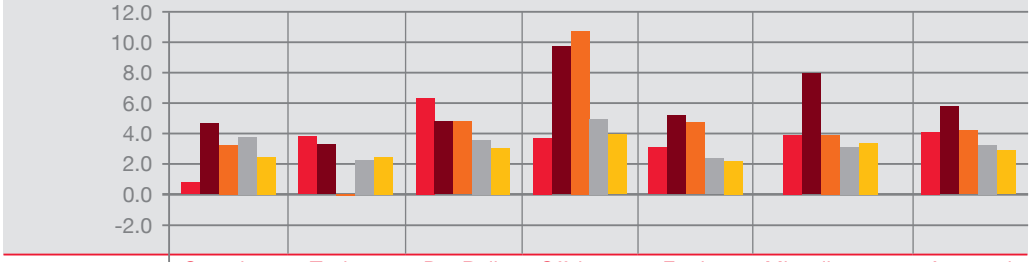


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	37%	48%	21%	35%	31%	28%	33%
2010	32%	47%	23%	30%	33%	30%	33%
2011	40%	40%	29%	36%	30%	38%	35%
2012	43%	41%	37%	39%	38%	33%	40%
2013	38%	39%	35%	41%	32%	32%	36%

EBITDA/net finance cost

This ratio indicates how many times interest expenses (after deduction of interest income) can be paid from earnings before interest, taxes, depreciation and amortization. This ratio is important for credit institutions as it indicates the ability of the company to pay the interest expenses on the debts. This ratio is often monitored as part of bank covenants. In 2013 the EBITDA to net finance cost ratio deteriorated for two thirds of the subsectors. The decrease in this ratio is mainly as a result of higher depreciation costs compared to the increase at the EBIT level. In total the average in 2013 is the lowest of all five years indicating that companies will still face further challenges requiring additional (or new) debt from credit institutions.

EBITDA / Net finance cost

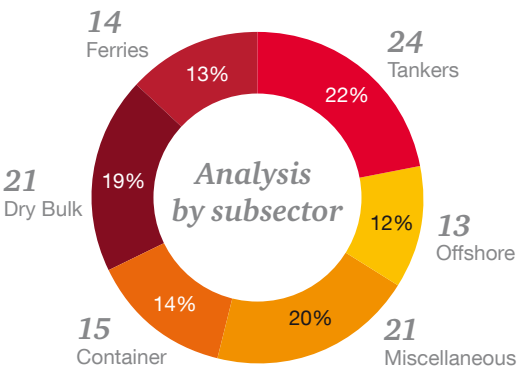


	Container	Tankers	Dry Bulk	Offshore	Ferries	Miscellaneous	Avg total
2009	0.7	3.8	6.2	3.6	3.0	3.8	4.0
2010	4.6	3.2	4.7	9.6	5.1	7.9	5.7
2011	3.2	0.0	4.7	10.6	4.6	3.8	4.1
2012	3.8	2.3	3.5	5.0	2.3	3.1	3.2
2013	2.5	2.5	3.0	4.0	2.2	3.4	2.9

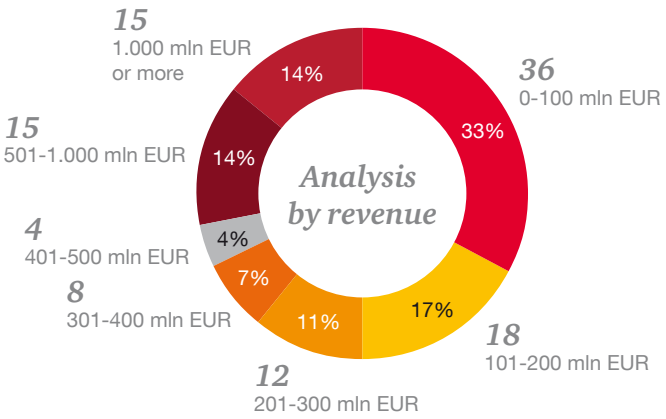
4 Companies covered by the analysis

Our benchmarking analysis was based on the financial statements the companies presented in the Appendix to this publication for the last five years up to their 2013 annual reports. The shipping companies included in the benchmarking analysis operate in the tanker, container, dry bulk, offshore or ferry industry. Companies operating in different subsectors to the above (e.g. LNG carriers) or in more than one subsector and have been categorised as "miscellaneous". The first charts present the segmentation of the shipping companies in our benchmarking analysis.

Analysis by subsector

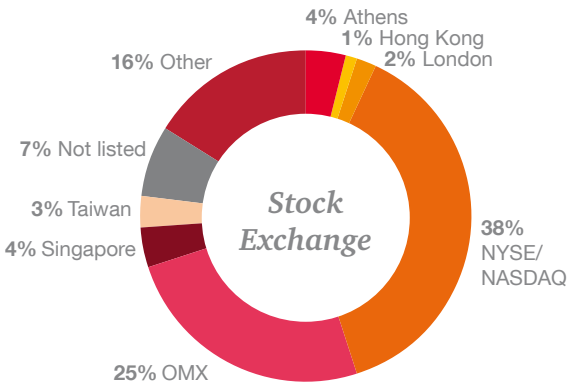


Analysis by revenue



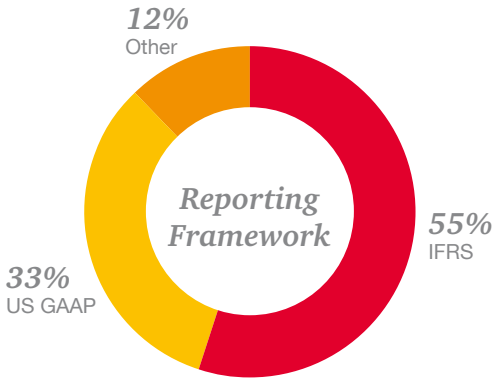
Of the companies included in our benchmarking analysis for 2013, 93% are public companies listed on various stock exchanges, mainly in Europe and the United States. A categorization of the listings on stock exchanges is presented in the following chart:

Stock Exchange



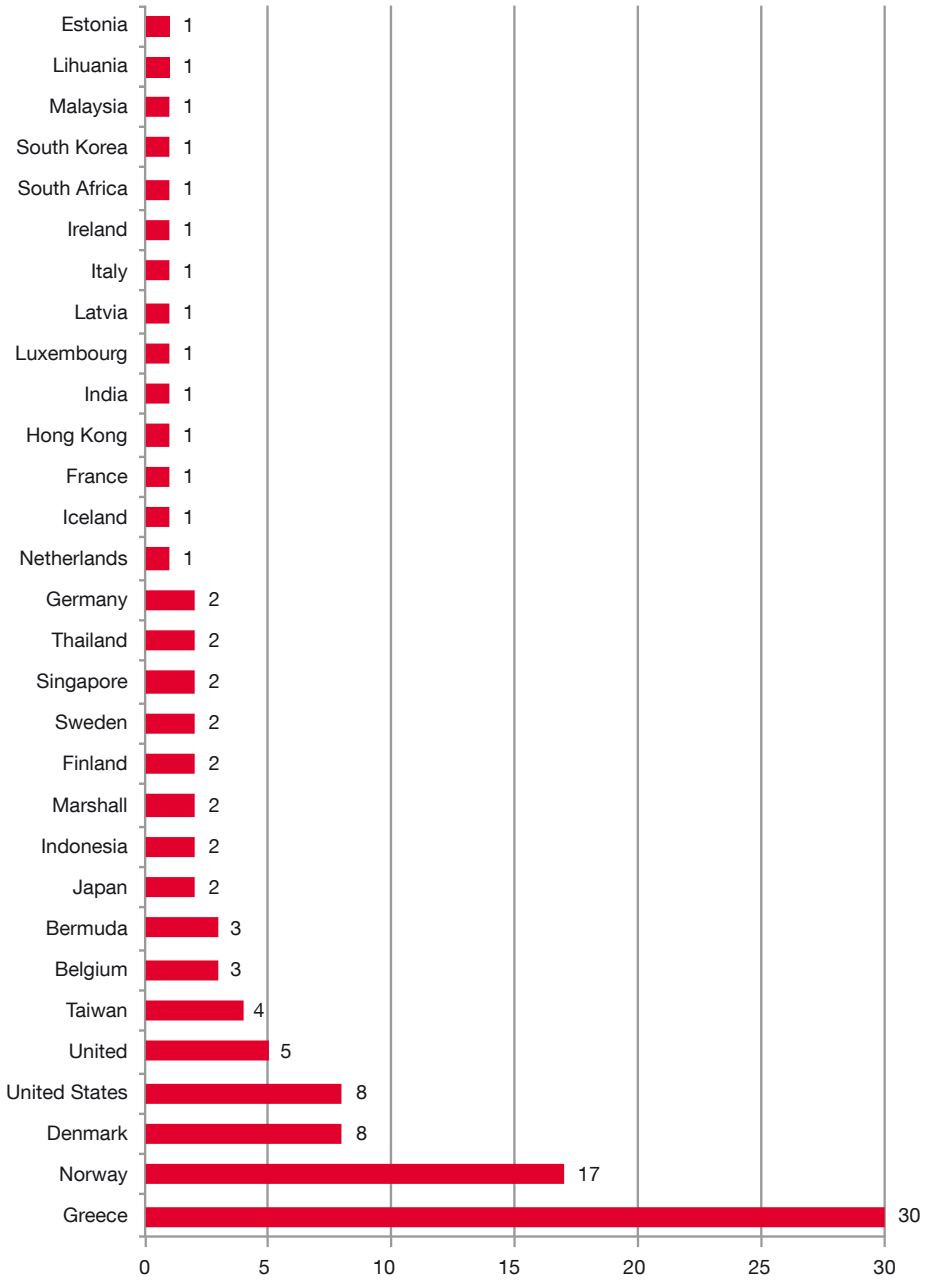
The ratios for the financial performance benchmark have been calculated on the basis of their publicly available financial statements and annual reports without any adjustment for possible differences in generally accepted accounting principles (GAAP) applied. A significant number of the companies in our benchmarking analysis have prepared their financial statements based on the International Financial Reporting Standards (IFRS). Application of IFRS is required when listed in Europe and further accepted in several other jurisdictions. Up until the end of 2007, financial reporting under US GAAP was a requirement for companies listed on a US stock exchange. From 2008 onwards, IFRS is also considered an acceptable reporting framework for these companies. As shown on the next graph, 12% of the companies we have analysed use accounting principles different from IFRS or US GAAP, for example Greek GAAP, Dutch GAAP, Hong Kong GAAP etc.

Reporting framework



The distribution of shipping companies participating in the 2013 benchmarking analysis is as follows:

Participating Shipping Companies by Country



List of participating shipping companies

Aegean Marine
Algoma Central Corporation*
Anek Lines
Anthony Veder*
Attica Enterprises
Baltic Trading
Belships ASA
Bourbon
Box Ships
Bumi Armada
BW Gas
Caledonian Macbrayne
Capital Product Partners
China Shipping*
CMB
Color Line Group
Concordia Maritime
Container Lines (CSCL)*
Cosco*
Costamare
d'Amico International
Danaos
DFDS
DHT HOLDINGS, INC.
Diana Containerships
Diana Shipping
Dockwise*
Dof
Dorian
Double Hull Tankers*
Dry Ships
Dynagas
Eagle Bulk Shipping*
Eimskip
Essar Shipping*
Euronav
Euroseas
Evergreen
Exmar
Farstad
Fesco*
FINAVAL SPA
Finnlines Group
Freeseas
Frontline*
Gas Log
GC Rieber Shipping
Genco Shipping*
Global Ship Lease
Globus Maritime
Golar LNG
Golden Ocean Group Limited
Goldenport
Grindrod
GulfMark Offshore
Hanjin Shipping
Hapag Lloyd
Havila Shipping
Hellenic Carriers
Hornbeck Offshore
I.M. Skaugen SE
International Shipholding Corp
Irish Continental
Jinhui
Kawasaki Kisen
Knightsbridge Tankers Limited
Latvian Shipping
Lauritzen
Lesvos Maritime
Limarko
Maersk
Mercator Lines
Minoan Lines
Mitsui OSK Lines*
Mols-Linien
Navigator Gas
Navios Maritime Acquisition
Navios Maritime Holdings
Navios Maritime Partners
Neptune Orient Lines
Newlead
Nile Dutch*
Nipon Yussen Kabushiki
Norden
Nordic American Tankers Corp
Novoship*
Norwegian Cruise Line
Odjfell
OSG Inc.
Pacific Basin Shipping*
Paragon Shipping
Precious Shipping
Rickmers Maritime
Royal Arctic
Safe Bulkers
Saga Tankers
Samudera Shipping
Scorpio Tankers
Seacor Holdings Inc
Seanergy Maritime
Seaspan corporation*
Ship Finance
SIEM Offshore
Sinotrans Ltd*
Sloman Neptun
Skaugen*
Solstad
Solvang ASA
Star Bulk
Star Reefers
Stealthgas
Stolt-Nielsen
STX Panocean*
Subsea 7
Tallink
Teekay Corp.*
Temas Lines
Thorensen Thai
Tidewater Marine
Top Ships
Torm
Transatlantic
Tsakos
UltraBulk Shipping
U Ming Marine Transport*
UNITED EUROPEAN CAR CARRIERS B.V.
Varun Shipping*
Viking Line
Vroon*
Wan Hai Lines Ltd
Wilhelmsen Holdings ASA
Yang Ming Marine Transport

*Financial statements for the year 2013 of these companies have not been included in the benchmarking analysis as the 2013 financial statements were not yet available at the time that the data was collected.

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Ratio definitions

RETURN ON NET OPERATIONAL ASSETS (RONOA)
EBIT / average NOA* – reflected as a percentage

EBIT: Earnings Before Interest and Taxation
NOA: Net Operational Assets calculated as net fixed assets (excluding financial assets) + working capital (excluding cash) + net fixed assets (excluding financial assets

WORKING CAPITAL / NET SALES
Average working capital* / net sales - reflected as a percentage

Working capital: Current assets minus non-interest bearing current liabilities

NET FIXED ASSETS / NET SALES
Average of net fixed assets* / net sales - reflected as a percentage

EBIT / NET SALES
EBIT / net sales - reflected as a percentage.

RETURN ON CAPITAL EMPLOYED (ROCE)
Income after taxation / average of capital employed* - reflected as a percentage.

Capital employed: intangible, tangible and financial fixed assets + working capital

RETURN ON EQUITY
Net income after taxation / average shareholder's equity* - reflected as a percentage

SOLVENCY
Shareholders' equity / total assets

LIQUIDITY (CURRENT RATIO)
Current assets / current liabilities.

NET DEBT / TOTAL ASSETS
Interest bearing liabilities less cash / total assets

EBITDA / NET FINANCE COST
EBITDA / interest expenses after deduction of interest income

EBITDA: Earnings Before Interest, Taxation, Depreciation and Amortization

* Average is calculated by balance as at year end 2012 + balance as at year end 2013 divided by 2