NEWSLETTER

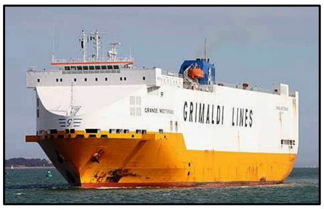
42 – November 2011

Grimaldi fully geared for worsening shipping crisis

During a recent interview with Belgian newspaper The Lloyd, top Emmanuelle Grimaldi manager from the ship owner carrying the same name, declared his company is fully ready to anticipate whenever the global economical crisis would be worsening in the near future.

According to his info the ship operator will be realizing a status quo situation compared with last year. This despite the fact that most of his colleagues shipping lines are facing tough times. The "euro crisis", the excessive debt situation of various EU countries, including Grimaldi's home base Italy, the revolution in different African countries, all these facts and figures are forcing companies to be prudent.

Mr. Emmanuelle Grimaldi stated they had an excellent liquidity situation with euro 2.1 milliard thanks to excellent financial results. He continues by saying the Grimaldi services to the Mediterranean had increased with 12% and their Euromed service even performed 20% better. According to Mr. Grimaldi, most of it's affiliated companies were performing satisfactory. Finnlines, Minoan Lines and ACL were doing very well while for Tirrenia they were still awaiting for ratification from Brussels.



Also the new service "Mediterranean Express" is performing well according to Grimaldi. We are operating with two vessels between Salerno, Genoa, Marseille and Valencia to the West African coast with Dakar as official hub. With a third vessel coming into the service we will increase the frequency from 18 days to 10 days, he stated. In Barcelona Grimaldi will be investing euro 20 million in a new cargo and passenger terminal of 60.000 square meter.

It would be no disaster when there would be no cash flow for the financing of the Italian eco bonus and this would not change our present strategy, Emmanuelle Grimaldi continued. We have an ultra modern flexible fleet which allows to transport exchangeable cargo types and projects. Our larger vessels can also load trucks and other rolling equipment upto 4000 length meters and 500 length meters for cars. This situation would not cause Grimaldi any problems when road truckers would not be subsidized by Europe anymore in future.

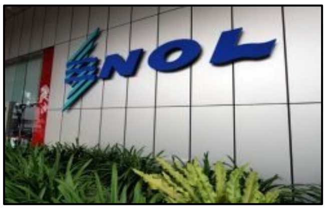
Questioned by Grimaldi's position in Antwerp being considered as an expensive port, Mr. Grimaldi replied mildly. We will develop further the Antwerp Euro Terminal and remain positive in respect of Antwerp. We enjoy an excellent service and relationship with the port authorities. Moreover the geographical location of Antwerp and it's hinterland connections are very important to us, Mr. Grimaldi finalized.

NOL Group reports Q3-2011 net loss of us dollar 91 million

Global container shipping and logistics services provider NOL Group today announced a net loss of us dollar 91 million for the third quarter of 2011 compared to a profit of us dollar 282 million in the same period last year. The Group said its APL Logistics business reported higher revenue and a 9% year-to-date gain in Core EBIT (Earnings Before Interest and Taxes). The container shipping business incurred losses in line with an industry-wide trend.

"The liner shipping industry is faced with slowing trade demand, excess capacity and fuel costs that are significantly higher than a year ago," said NOL Group CEO Ng Yat Chung. "Our urgent priority is to drive down costs and increase efficiency." NOL reported third quarter 2011 revenue of us dollar 2.2 billion, down 9% from a year ago. It announced a Core EBIT loss for the period of US$72 million. Through three quarters of 2011, NOL has a net loss of us dollar 158 million.

APL, the liner shipping business of NOL Group, reported increased volume of 7% in the third quarter of 2011. Revenue declined 12% and the business announced a Core EBIT loss of us dollar 88 million. Revenue per FEU (Forty-Foot Equivalent unit) was 19% lower in the third quarter of 2011 compared to the same period in 2010. Fuel prices increased 45% in the third quarter from the same period a year ago.



"Higher volume was offset by increased fuel cost and lower freight rates," said APL President Kenneth Glenn. "In this environment, we must continue to concentrate on operational efficiency and managing costs down." APL Logistics, NOL's supply chain management business, reported third quarter revenue of us dollar 333 million, up 10% from a year ago. Third quarter Core EBIT was us dollar 16 million, down 11% from a year ago.

Year-to-date in 2011, APL Logistics has reported revenue of US$1 billion, up 15% from 2010. "We achieved our highest average weekly revenue ever during the third quarter and we continue to invest for growth," said APL Logistics President Jim McAdam. "But at the same time, we are actively managing costs as a reflection of uncertain economic conditions."

<u>OOCL preparing for loops with 13.100 teu vessels</u>

OOCL is today ranked 11th on the global mega carriers listing, being a member of the Grand Alliance. Compared to most of it's competitors, OOCL's results look quite reasonable according to some statements of the shipping line recently.

While most container carriers were facing losses at the end of June, OOCL was proud to announce they achieved beneficial results amounting to us dollar 160 million. It is expected that H2 of 2011 will be less bright but still OOCL is aiming for a break even situation or even a slight profit. Last year the carrier could still make a nice benefit of us dollar 870 million, compared to 2009 when they were loosing us dollar 400 million.

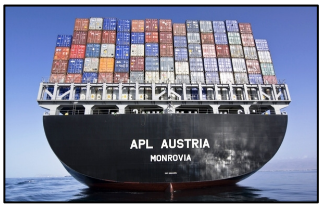
According to a recent study made by maritime consultant Drewry, OOCL was the only one, out of a selection of 18 competitors, who was performing satisfactory towards the financial stress test. The operator is taking the benefit of their carefully outlined investment policy. At present OOCL has a fleet of 94 vessels with an average age of seven years only, which is considered to be very young. More then 50% is fully owned by OOCL, counting to 48 units. The other tonnage is being chartered on long term basis, 11 vessels, or short term, 35 vessels.

This way the container carrier has the required flexibility to follow the negative market fluctuations. Also for their new built program, OOCL is quite careful. They have only orders pending for six container vessels of 8.888 teu and ten ULCS-classes with 13.100 teu capacity which will be delivered in 2013. Four of them will be chartered out to Grand Alliance partner NYK.

The carrier declared that their main strategy on short term will be is to stay out of problems in view of the continuous pressure on the WB tariffs and the expected overcapacity of 1.5%. for 2012 Moreover they expect a considerable cost increase due to new environmental and safety rules being applied and developed. OOCL also disclosed having no interest to start serving West Africa and South America from Europe in near future since they consider these markets to much volatile.

<u>Container fleet growing with 1.28 million slots in 2011</u>

Statistics have showed that in October the container fleet had increased with 1 million teu compared to January of this year. It is estimated that by the end of the year this will be totaling 8.4% more then at the beginning of 2011. The figure is already considering the delayed delivery of some tonnages although there are very little delays occurred this year compared to both previous years. Despite this sustainable increase and the over capacity on many trade lanes, almost no new built orders were cancelled.



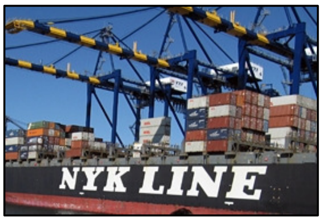
Also very few container vessels were taken out of active service to become scrap. It would only concern 65.000 teu this year and estimations say the maximum could go up to 80.000 teu towards the end of 2011. The balance of both growth and scrap would be resulting to an increase with 8.4% according to French analysts Alphaliner. It is expected the growth in 2013 and 2014 will be even more substantial with additional slots being delivered in the market of 1.4 million teu, respectively 1.8 million slots.

The majority of this extra capacity will be delivered by vessels with more then 7.500 teu. This year, 37 vessels will be delivered with teu capacities above 10.000 per vessel. They apply to 47% of the new built capacity increase. Al of them operate between Europe and Far East and represent a slot total of 640.000 teu. In order to compensate this overflow, the carriers have diverted their smaller tonnage to other trade lanes. They withdrew a total capacity of 404.000 teu, so the effective increase of slots was limited to only 7%. Many of the vessels were activated in services to Latin America. The capacity on this lane increased as a result thereof with 250.000 teu for this year only.

The slot average of vessels operational between Europe and Asia, today amounts to 9.400 teu per vessel. Specialist expect this will further increase to 11.000 teu by the end of 2014. By that time no vessels under 8.500 will be operational anymore on this shipping lane. For the trade between Far East and the Mediterranean vessels capacity will grow from 6.500 teu to 8.000 teu as an average.

<u>NYK and MOL suspending services due to drastic losses.</u>

MOL and NYK have announced that they are to cut container services following huge first half losses Japanese lines report respective losses of US$ 150 million & US$ 214.8 million in the first half of the fiscal year Mitsui O.S.K Lines Ltd. (MOL) and Nippon Yussen K.K (NYK), Japan's two largest shipping lines, have announced that they are to cut their container services following huge losses in the first half of the fiscal year.



NYK and MOL stated that weak rates, the flooding in Thailand and a strong Yen contributed to their respective $150 million and $214.8 million losses. A strong Yen damages Japanese carriers as their revenue is in dollars while the majority of their expenses remain as domestic currency. The figures for the first six months of the fiscal year do not bode well for the firms' forecasted yearly profits, which are expected to be reversed to huge net losses.

According to the JOC, MOL is now expected to post a net loss of $52 million for the entire fiscal year, and NYK as much as $225 million for the April/March period. In further bad news for Japanese ocean carriers, Kawasaki Kisen Kaisha Ltd., Japan's third-largest shipping line, released a statement today that it too expects major losses this fiscal year. The Tokyo-based company is forecasting a group-wide net loss of $417 million. Revenue from Japanese shipping lines has been further hit this year following the country's largest earthquake on record. The resulting tsunami destroyed and damaged a large quantity of Japan's car factories leading to a huge decline in vehicle exports.

The shipping industry as a whole has been affected by falling freight rates, caused by a rising surplus of larger vessels that has resulted in overcapacity. In August, global container-shipping trade fell by 1 percent in its worst performance for 11 years, in what is normally the peak month for containerized trade. A surge in the supply of larger vessels has resulted in the overcapacity of the industry.

The news that Japan's major shipping lines are to cut its services follows last week's announcement that US shipper Horizon Lines is to discontinue some of its services. The company will discontinue its Five Star Express (FSX) trans-Pacific container shipping service between the U.S. West Coast, Guam and China. "This has been a very difficult decision in light of the tremendous contributions from our associates, and our organized labor and vendor partners, who have worked so hard to make the FSX service a success," said Stephen H. Fraser, President and Chief Executive Officer last week