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Italian owners are not 'zombies', claims Confitarma finance specialist

ITALIAN SHIPPING IS not in as much trouble as widely believed outside the country, according to a big name local ship finance specialist who sits on the board of the Italian and European Union-wide shipowner associations.

Fabrizio Vettosi, managing director of investment and advisory firm Venice Shipping and Logistics, made his counterintuitive remarks in an interview with Lloyd's List, following the political turmoil seen in Italy in recent weeks.

On top of his standing as probably the country's best-known ship financier, he also plays prominent roles in both Confitarma and the European Community Shipowners' Associations.

Despite the generally acknowledged statistic that something like 90% of the top 50 Italian owners are struggling to service debt, Mr Vettosi dismissed the popular 'zombie company' designation as "not correct".

Italian shipowners acquired their debt burden responsibly, on the back of a basically sound investment strategy, unlike their speculation-driven German and Greek counterparts, he also opined.

Italy has just seen the formation of a populist/far right coalition government, which has rattled markets and increased spreads on sovereign bonds, which Mr Vettosi concedes will not help the maritime sector.

But by his lights, that should not retract from the reality that the country has a very efficient international register and a generous

tonnage tax scheme, fully the equal of any other European country.

These factors have allowed rapid growth in the maritime space over the last decade, boosting the number of seafarers from 30,000 to 60,000

"The Italian international register brought the benefit of huge growth to the Italian maritime cluster, increasing and improving the knowledge and increasing the number of employees in maritime industry," said Mr Vettosi.

Accordingly, he will work with Confitarma president Mario Mattioli to preserve and defend this framework from any potential political interference.

Italian shipping's secret weapon is the cabotage market, which Mr Vettosi claims to be the largest in Europe, running to 100m tonnes of cargo and 40m passengers. That gives it a stronger domestic base than Greece, for instance.

"It is not correct to say Italian companies are zombie companies. We have to separate the situation of Italian ferry companies from deepsea operators in tankers and dry bulk," he went on.

In particular, ferry operators such as Grimaldi, Grande Navi Veloce and Moby are doing well and making profits.

And it's a similar story for those companies that are dedicated to niche markets such as towage or chemical tankers, citing Marnavi and Ievoli family interests in the latter category.

"Companies involved in tramp activities — tankers and dry bulk — are suffering, like other such companies elsewhere in the world, like Greek companies or Danish companies.

"But I want to stress that the crisis of Italian companies arose not from speculation but from the strategic view of the market they took in 2008 and 2009, where a lot of them decided to renew their aged fleets and to invest in new ships.

"Unfortunately this happened at the peak of the market. They ordered at high prices and are now suffering from the drop of the market.

"Italian owners did not take a speculative approach, they invested for the effective needs of transportation and effective needs to renew the fleet."

Total mortgage lending to Italian owners is in the order of $14bn, of which about 80% has been lent by Italian banks. Mr Vettosi admits that just over half of the total exposure is likely non-performing.

Within that figure, some $1.5bn is connected to companies that have gone bust, and a further $2.5bn is being hawked around on the secondary market.

The rest, perhaps something around $3.5bn, is subject to restructuring through friendly negotiation, on the basis of Italian bankruptcy law.

WHAT TO WATCH

No good deed goes unpunished for Aegean Marine activists

THE Committee for Aegean Accountability, a group of activist investors wanting to seize control of Aegean Marine's board, have got their wish.

They have severed all ties with company founder Dimitris Melissanidis, and seek to unlock long-term shareholder value.

They also own a $200m accounting scandal, criminal and civil investigations by the US Department of Justice and the US Securities and Exchange Commission, and a free-falling stock.

Let's put some perspective on why this accounting scandal threatens the existence of Aegean as an independent entity, or to borrow an accounting term its "going concern" status. After all, it is the auditors that have been asked to clean the mess.

The bunker supplier had $640m in accounts receivable as of December 31, 2017, and $11m in allowance for doubtful accounts (Both figures above are unaudited, since Aegean has yet to publish its annual report for 2017).

You cannot go from $11m in bad debt to $200m without engaging in some kind of creative accounting.

No wonder analyst Ben Nolan of Stifel called the revelation a “seemingly fraudulent activity”.

Aegean had a market cap of $115m before the news broke. Its stock traded down 40% in after-hours trading on Monday.

The accounting scandal could force the hand of the company’s lenders to try salvage what they can. The interesting question is, if Aegean files for Chapter 11 bankruptcy, will the company founder (who presumably knows best where to look for the dead bodies) have any interest to pick up the good pieces?

Lloyd’s List has reached out to Tyler Baron, the leader of the activist group who was appointed to the board in May 2018, for a comment.

When the committee published its original manifesto in December 2017, in the form of an open letter to the board of directors, it described itself as “a group of five long-term shareholders collectively owning more than 12% of the outstanding shares of the company and seeking to unlock value on behalf of all shareholders through enhanced corporate governance practices and board refreshment”.

The group members were right to agitate for proper corporate governance and they were indeed able to effect change.

Will they be willing to stick a little longer and try to turn this around, or will the time to cut their losses have finally arrived?

The smartest people in the room ain’t smart no more.

Aegean in $200m write-off over improper accounts

BUNKER supplier Aegean Marine Petroleum Network will take a $200m write-off on account receivables, owing to suspect transactions found by an internal probe.

The $200m was due from four counterparties and was reflected in the company’s financial statement as of December 31, 2017, Aegean said in a release, having launched an internal audit review last month into its 2017 annual report.

Aegean said: “The transactions that gave rise to the accounts receivable may have been, in full or in part, without economic substance and improperly accounted for in contravention of the company’s normal policies and procedures.”

There were approximately $172m at end-2016 and $85m at end-2015 due from the four counterparties, whose identities were not revealed in the release.

“At this time, the company cannot determine the full impact on the financial statements or how this adjustment will be recorded. In addition, there could be other adjustments that result from the Audit Committee’s review that could impact the financial statements,” Aegean said.

A number of Aegean’s employees who are believed to have been involved in the transactions have been laid off or placed on administrative leave pending the outcome of the review.

The company has reported its preliminary findings to the US Securities and Exchange Commission and the Department of Justice, and intends to co-operate with any resulting investigations.

Aegean’s shares plunged more than 40% to $1.25 in after-hours trading on Monday.

Meanwhile, Stifel has suspended the coverage of Aegean, saying that the transactions “causes us to question the financial integrity of the company making it impossible to forecast”.

The investigation further casts doubts on Aegean’s ability to honour its convertible notes due November 2018 and December 2019. That could potentially break covenants with now lower net assets and possible contraction of credit from suppliers, Stifel said.

In May, Aegean said its board, which included three new members, had directed the management to continue a review focused on maximising profitability and return on capital.

Rising cost of money is good news for shipping

HARD-to-find bank loans. Closed bond markets. Expensive alternative financing. Rising interest rates and loan spreads. Soured equity markets. On the face of it, that is bad news for a capital-intensive industry such as shipping.

It is also good news. The rising cost of money could be what the industry needs to become more rational, less volatile and, perhaps, more profitable.

Gary Vogel, chief executive of Eagle, told Lloyd's List at a Posidonia event: "If a hedge fund can only order four ships instead of five (due to lack of funds) we are all better off."

"If private equity guys realise that their IRR (internal rate of return) targets cannot be met because of higher lending costs, perhaps they will go somewhere else," Pyxis Tankers chief financial officer Henry Williams told Lloyd's List.

"Companies would need to offer optionality (in the form of convertible debt) to raise capital," veteran banker Jim Cirenza of DNB Markets said.

"The market for secured bonds is not open to shipping companies," one senior credit analyst who covers shipping said. Witness International Seaways, arguably an industry blue chip, raising a meagre $25m in baby bonds.

Could all this lead to a more rational industry?

Shipping cycles are often driven by excess tonnage supply. Access to easy money has unfortunately enabled one too many ordering binges. We could live with fewer mega newbuilding orders in the future.

The fact is, we should embrace more discriminatory debt and equity markets.

Take the example of the dry bulk industry. Ten years ago, the Lehman Brothers bankruptcy burst the shipping bubble. China has since grown by leaps and bounds. Stock markets worldwide have had a remarkable bull run.

But for dry bulk shipowners and equity investors you can call it the lost decade.

"I've been waiting for 10 years to do this," John Michael Radziwill told Lloyd's List of his ambition to list on Wall Street.

Mr Radziwill will get to ring the opening bell on Nasdaq soon. GoodBulk has filed a preliminary registration statement with the US Securities and Exchange Commission, the first of many steps towards an initial price offering.

GoodBulk is thought to have a good chance to pull through. It has a good size fleet including 25 capesizes that could grow to 28 with acquisition of five secondhand units if the IPO succeeds. It has a strong commercial and operating track record, a low-cost structure and financial leverage. And yes, it could benefit from a dry bulk market in the early stages of a recovery.

But notice the difference between now and the past.

Ten years ago, Britannia Bulk Holdings was the last shipping company to do an IPO before the Lehman Brothers fiasco.

We are all forgiven for not remembering who Britannia was or that it went into receivership a few months after raising $125m in equity.

Ten years ago, all you needed to do an IPO was a Power Point presentation. Today you need a 10-year track record of surviving through a down-cycle.

The hope is that GoodBulk will set the right trend and the right message that only companies with a track record and a long-term view have a place on Wall Street. Expensive money and selective markets could indeed be the best news for the long-term prosperity of the industry.

More carriers move to avoid Iran sanctions

CMA CGM is understood to have pulled out of an arrangement with Islamic Republic of Iran Shipping Lines following the US's withdrawal from the Joint Comprehensive Plan of Action and the reintroduction of sanctions against Iran.

The French container line, the world's third-largest box carrier by capacity, signed a co-operation deal with IRISL early in 2016, after earlier sanctions against Iran were lifted.

The company had already resumed services to Iran and hoped to develop the market further by teaming up with IRISL.

The memorandum of understanding, which was signed during a visit to Paris by Iranian president Hassan Rouhani, provided for exchanges of slot spaces on vessels of both groups.

CMA CGM had three services linking Iran to Africa, Asia, and India, with trans-shipment at Jebel Ali to reach northern Europe and the Mediterranean.

IRISL used CMA CGM services from Jebel Ali as well as to Asia, while CMA CGM could utilise IRISL vessels travelling from the Far East to Iran.

"CMA CGM scrupulously respects the US decision and has already made necessary decisions to be fully compliant by August 6 and November 4, 2018," the French line said in an emailed statement.

The dates refer to the 90- and 180-day deadlines for winding down business with Iran, after which sanctions will apply again.

Meanwhile, German carrier Hapag-Lloyd has also imposed restrictions on the carriage of goods that have been indicated to form part of the reconstituted sanctions.

The world's fifth-largest carrier has two slot-service agreements that call at Iran, the CMS service with Pacific International Lines and the KME service with Hyundai Merchant Marine.

A company spokesman said volumes to and from Middle East Gulf and European countries, transhipped on to Hapag-Lloyd's owned or operated vessels in Jebel Ali, are catered for by third party-operated feeders.

"For the moment we do not expect a major impact on these services due to the current political developments, however we are closely monitoring the situation, and taking necessary actions, to ensure full compliance with US government with regards to the reimposition of sanctions," the spokesman said.

"We are furthermore closely monitoring developments and will adjust our approach with regards to Iran to ensure compliance with the re-imposed sanctions."

Other European carriers, including Mediterranean Shipping Co and Maersk, have already pulled out of services that called at Iran.

OPINION

Veniamis blasts lawmakers for misguided focus on shipowners

UNION of Greek Shipowners' president Theodore Veniamis has urged politicians and industry leaders not to take shipping for granted.

Because they fail to understand the role shipping plays in growing the prosperity of the global economy, lawmakers are holding shipping "disproportionately responsible" for meeting environmental standards compared with other industries, he said during his opening address to Posidonia 2018.

"As shipowners, we have no say in the manufacture of ships' engines, nor are we responsible for the quality of the fuels we have to use," Mr Veniamis said. Even though many stakeholders are involved in responding to the growing demand for maritime transport, "it has so far proved to be more expedient, at a political level, to focus solely on shipowners", which was "misguided and ineffective".

"What guarantees have oil companies given for the availability of sufficient quantities of [low-sulphur] fuel?" he asked. "What guarantees have ship engine manufacturers given for the safety of the use of blended fuels?"

Only shipowners are bound by the new rules and they have no control regarding these factors.

In a landmark agreement at International Maritime Organization, shipping has become the first industry ever to adopt a specific strategy with quantitative targets for the reduction of its global greenhouse gas emissions. But all parties involved should acknowledge their responsibilities and "do their fair share to develop the necessary tools for the successful implementation of this strategy".

He called on European Union Transport Commissioner Violeta Bulc, who was in the audience, not to overlook the role played by Greece, which accounts for half the EU fleet. The EU controls 40% of the world's ships, "thus securing its export trade and import needs for essential goods".

"Without a competitive business environment, shipping... can neither survive nor progress. This is a fundamental principle that should not be overshadowed by policies of a horizontal application."

Welcoming Greek prime minister Alexis Tsipras, Mr Veniamis reminded him that shipping was a national asset that went "beyond political parties", and assured him of shipowners' close ties with their homeland.

"With the responsible stance of our political leadership, our country can become a unique shipping centre of a multitude of shipping and maritime services, with deepsea shipping being the cornerstone of an ambitious development plan."

Livanos hits out at 'irresponsible' newcomers putting price before safety

GASLOG founder and chairman Peter Livanos has hit out at 'irresponsible' newcomers putting price before safety in liquefied natural gas charter deals.

Owners using third party vessel operators to secure charter deals were ultimately putting lives at risk, he said.

"I have very, very little respect for anybody who doesn't feel it's worth their while to operate their own vessels, whether it's in LNG or some other sector," he told an industry audience at Posidonia in Athens.

Operating your own vessels is the only way to guarantee the integrity of the asset, particularly for highly a 'very tricky' cargo such as LNG, he said.

"If we have an accident and we kill someone it is unbelievably costly, both morally and financially, and the only way you can legitimately guard against that is to take full responsibility for the way you run your assets.

"To give that out to someone on a financial basis because they can do it cheaper; or to give it out to someone because you can't do it and they do it, so that gives you the right to own that asset is irresponsible, because the accountability of having your own operations is fundamentally critical to the asset integrity that you maintain and use."

His comments were backed by fellow industry heavyweights John Angelicoussis and George Prokopiou, who shared the stage at the ABS panel debate at the Stavros Niarchos Foundation.

Using a third party operator specifically to drive down costs was dangerous for the collective industry, Mr Angelicoussis said.

Mr Prokopiou said he welcomed competition within the industry, but that it was "a must to run your own vessel" in order to maintain the highest quality standards.

Shipowners that operate their own LNG vessels feel a moral responsibility towards maintaining them to the highest standards, while others "did not care", Mr Livanos said.

"If there is an incident it's our reputation at risk; our reputation cannot be recovered," he said. "Others don't care. They will leave. They will walk away... and that's not right."

ANALYSIS

Terminal operators feeling the heat of a tough business climate

DWINDLING returns and the lingering prospect of trade wars are posing fresh challenges for container terminal operators that threaten further sector destabilisation, according to analysts.

The uncertainty surrounding a potential trade war between the US and China as well as the European Union will be of grave concern to the port sector, while those with significant exposure to the US

market will have more than a keen eye on proceedings, according to Drewry senior ports and terminals analyst Neil Davidson.

“It is highly uncertain how this is going to pan out,” he said during a webinar this week. “There is a lot of flip-flopping going whether pushing forward or drawing back, so it is very difficult to see any clear way forward.

“But what it would mean is that the US will be increasingly isolated, as if it goes down the route of a full-out trade war and becomes increasingly protectionist then EU countries and Asian countries will look to trade with each other.”

While these tactics are a substantial threat to the US market it does however breed opportunity elsewhere, as on the flipside this could open new trade routes and help other trades to grow as alternative sourcing is pursued, Mr Davidson said.

Elsewhere, he said there is still considerable risk at the hands of the small number of large liner alliances along with liner consolidation and M&A activity, which has led to significant market share volatility for terminal operators.

Taking the example of the highly competitive Southeast Asian transhipment market, Mr Davidson said that after a long period of no real change in market share following the global financial crisis, the ports of Singapore, Tanjung Pelepas and Port Klang have seen significant market share volatility in recent years because of the carriers’ actions.

But where there is risk, a general rule of thumb is that returns should be increasing.

The issue for the port sector is that it is proving to be the exception to the rule, with the industry on a downward trajectory in terms of return on invested capital, according to Mr Davidson.

Analysing a cross-section of the industry, Drewry said that a downward trend on ROIC is “clearly evident”.

Although average ROIC recorded a slight uptick in 2016 and in 2017, excluding APM Terminals — which suffered a $600m impairment last year, there was still little difference to that experienced in 2009, when the industry suffered its one and only drop in annual volumes in its history.

“It is clear that industry returns are reducing, but it is not just due to the ‘perfect storm’ of larger ships and alliances but rather a sign of inevitable maturity in the industry,” said Mr Davidson.

But terminal operators are responding to these challenges through several strategies.

Liner affiliation for one is a growing tendency.

“We are seeing hybrid category terminal operators, which are owned by shipping lines, increasing in prominence and more joint venture agreements between non-liner-affiliated terminal operators and carriers.”

The other decisive move from terminal operators is consolidation and M&A activity of its own, where there is a focus on filling existing capacity rather than building new terminals.

Mr Davidson said he expects more of the same as the industry adapts to this increasingly challenging operating environment.

Nomura sees continuing China LNG imports on domestic demand

CHINA’S imports of liquefied natural gas will continue to see strong growth in the next three years on soaring domestic gas consumption as the government seeks to reduce pollution, according to Nomura.

As reported in Lloyd’s List, LNG vessel demand is already outstripping supply, giving short-term rates a boost. Furthermore, according to a new analysis by the Japanese investment bank, surging Chinese demand for LNG imports will further increase the demands on the global LNG fleet over the next three years.

“We expect [China’s] LNG imports momentum to continue, and record a 16% CAGR (Compound Annual Growth Rate) during 2017-20,” said the report by analysts Lin Chen and Jessie Xu.

Driven by the improving economics of gas versus alternative fuels in a rising oil price environment, and the government’s drive to use cleaner fuels

especially in northern regions which are heavily coal-reliant, Nomura expects China's gas demand to increase by a CAGR of 11% through 2020, resulting in imports by sea and pipeline to rise by a CAGR of 17% over the same period. Seaborne imports are in the form of LNG.

"Imported LNG will contribute approximately 54% of total gas imports and 28% of total consumption during the period, in our view," said the analysts.

In 2017, China imported 38.1m tonnes of LNG — or 53bn cu m natural gas — in total, accounting for 39% of total domestic consumption, according to the report. China's leading suppliers were Australia (45%), Qatar (20%) and Malaysia (11%)

The surge in import demand will require heavy investment in LNG terminals.

By mid-May 2018, there were 18 LNG terminals in China in operation, with total designed capacity of 57.3m tonnes per annum. But another 17 terminal projects — either expansions or newbuildings — are currently under construction, which will more than double total import capacity to 120m tonnes per annum by 2021. A further nine have also now received approvals.

"The implied average utilisation rate reached 70% in 2017, with the actual utilisation rate exceeding 100% in the last winter heating season, especially in some northern ports," said the report. "This echoes the necessity and urgency of building new supporting facilities like terminals and storage tanks. Accounting for the 26 projects in the pipeline, the total capacity will be more than doubled to 120m tonnes by 2021.

"The average utilisation rate of LNG terminals should remain at 67-80% in the next three years, if all the projects in the pipeline are commissioned as per schedule."

Nomura also noted that among the 18 LNG terminals currently in operation, there were only two terminals owned by non-state players with relatively small capacity — Dongguan Hongmei owned by JOVO (1.5m tonnes per annum) and Qidong owned by Guanghui Energy (600,000 tonnes per annum). In addition, ENN Group's Zhoushan LNG terminal is expected to commence operation within this month.

"On the contrary, among all the projects in the pipeline — under construction, approved and proposed — 46% of them are non-oil majors," said the report. "The nature of the players is also getting more diversified — there are gas distributors, power generators and independent refineries."

MARKETS

Brazil supply chains will take weeks to normalise

IT WILL take weeks for supply chain operations in Brazil to normalise following devastating industrial action in recent weeks that forced ports to cease most operations, as hundreds of roads were blockaded for 10 days.

Highway shutdowns by more than 600,000 truckers protesting rising fuel costs were only lifted at the end last week after an agreement with unions was reached by under-fire president Michel Temer.

The trucker blockades were exacerbated by additional strikes by stevedores and oil workers last week — and ongoing industrial action by customs officers that continues to affect cargo clearances at ports.

At the height of the strike, which started on May 20, more than 300,000 trucks were deployed to ensure an estimated 1,300 highways remained closed. With roads in Brazil responsible for more than 70% of goods distribution, this resulted in widespread medicine, food and fuel shortages last week.

Antonio Dominguez, managing director of Maersk Line for East Coast South America, told Lloyd's List that the agreement reached between the government and trucking associations led to ports gradually being reopened late last week, but perishable exporters had lost many cargoes that had been stranded on roads.

"We expect Brazilian export volumes will continue to be seriously impacted for the next few weeks," Mr Dominquez said.

Santos, Latin America's largest port — which handled 3.9m teu last year — started receiving truck

deliveries and pick-ups during the weekend, and port managers will attempt to clear vessel backlogs in the coming weeks.

An estimated 60 to 70 ships were anchored off the port on Friday waiting to load or unload, and shipping agents' association Syndarma said it would take at least 10 days for operations to return to normal.

A spokesperson for DHL Global Forwarding said the strikes from May 20 by the Brazilian Association of Truckers had affected businesses across Brazil, but said the company had immediately put in place a contingency plan to minimise the effects of this strike for customers.

"As the strike is over, we are working to restore operations to normal levels and continue to ensure the integrity and safety of our customers' shipments."

LNG shipping eyes short-term rates boost

THE liquefied natural gas shipping market is entering a short-term tightening cycle that should see rates improvement, but availability of gas supply and potential fleet growth could cloud the longer term outlook, the world's top three LNG shipowners have indicated.

Greater production coming out of the US Gulf will in the short term boost rates as vessel supply tightens, according to the panel, which included Dynagas' George Prokopiou, GasLog's Peter Livanos and Maran Gas' John Angelicoussis.

Cheap newbuilding costs and low interest rates had worked to keep LNG shipping rates low. The market is now starting to improve from the trough seen in early 2016 when energy prices were low. That trend should continue, Mr Angelicoussis said.

Longer term risks include LNG infrastructure development. "We have had a good line of sight on LNG supply coming online, but not much line of sight of the next investment cycle," Mr Livanos said.

"One issue we have faced is that we have had a reliable delivery of ships and a reliable delay of projects," he said.

However, trade was growing fast enough to keep up with that supply – for now, Mr Angelicoussis said.

The shale gas revolution would continue to encourage the growth potential in the sector, panellists agreed.

US shale was a game changer pushing the price of gas to lows of $9 per mmbtu and increasing vessel tonne miles.

Another factor working in owners' favour was congestion in the Panama Canal.

As the global LNG fleet expands and more cargoes take Far East as a destination it's inevitable that congestion in the Panama Canal will increase, with a limited number of ships able to transit. That would work in owners' favour pushing more ships round the two capes and adding to tonne mile demand.

While vessel demand was expected to grow, none of the top three global owners had plans to use the spot market, preferring the longer term contract environment they have been used to.

In the medium to long term healthy short term rates would be capped as the ability to buy and sell gas from different locations around the world was further developed, Mr Livanos said.

Dynagas founder George Prokopiou held a steadying view: "I don't believe in extremes, it's a high investment business with low returns," he told an industry audience at Posidonia in Athens.

IN OTHER NEWS

Yangzijiang secures orders worth $578m

YANGZIJIANG Shipbuilding secured orders worth $578m last month, with the lion's share linked with the fleet renewal by Yang Ming.

The contracts consist of two 82,000 dwt dry bulkers, two 208,000 dwt dry bulkers and five 12,000 teu containerships, the China-based shipbuilder said in an exchange filing.

Singapore-listed Yangzijiang did not identify the owners, but brokers earlier pointed to Costamare Shipping as the buyer of the 12,000 teu vessels.

New LNG bunkering start-up eyes future of marine energy

A NEW company formed to invest in liquefied natural gas bunkering worldwide believes it can change the future of shipping and bunkering.

Probunkers may have given its public launch at the Posidonia maritime fair in Greece, but it has its eyes set firmly on the future of vessel energy, including the potential of fuel cells and innovative marine fuels.

Headquartered in Athens, Probunkers comprises a shipping division to design, build and operate a fleet of LNG bunkering vessels, and a commercial arm that will have a presence in seven key ports internationally.

Songa Bulk shareholders approve Star Bulk deal

SONGA Bulk shareholders have voted almost unanimously to approve the deal with US-listed bulker owner Star Bulk.

In an ordinary general meeting held in Oslo on Tuesday, of 24,976,006 shares, representing 69.95% of voting rights, only 68,615 voted against the proposed transaction, according to the minutes published on Songa's website. That translates to 99.7% voting for the transaction.

Last month, Star Bulk made a move to buy Songa's entire fleet of 15 vessels for a total of $145m in cash and 13.7m common shares. The deal is expected to complete in the third quarter.

Scale seen as key in technological era

SHIPPING's increasingly rapid embrace of digitalisation, within a complex regulatory environment and underpinned by declining growth rates, elevates the importance of scale considerably, according to a company expected to provide much guidance to the industry in what feels like a prolonged transitional period.

"Scale will matter for all parts of the maritime industry, not only classification, but also owners, manufacturers, shipyards and others," DNV GL maritime chief executive Knut Orbeck-Nilssen said during a press conference in Athens during Posidonia week.

Mr Orbeck-Nilssen's observation underlies industry concerns about how smaller companies will cope with regulation without being scooped up by larger counterparts and how can they adopt the various promoted digital tools given their limited capabilities.

Troubled KG house Lloyds Fonds to launch share issue

TROUBLED former KG house Lloyd Fonds is to strengthen its capital base with an issue of additional shares.

The move comes after its main shareholder AMA Capital Partners walked away from the Hamburg outfit earlier this year.

The US investor helped rescue the ailing Lloyd Fonds with a $21m cash injection in 2011, and its departure effectively left Jena-based fund DEWB in the driving seat

CMA CGM and PSA sign MOU on digitalisation efforts

CMA CGM and PSA International have signed a Memorandum of Understanding to drive digitalisation and innovation in shipping and the supply chain ecosystem.

The agreement was signed by the companies' venture capital arms — Ze Box for the French carrier and unboXed of the Singapore-based port giant, according to a joint statement.

The pair have agreed to share resources to support each other's ecosystems, and exchange knowledge and experiences to provide a test bed for new ideas and better solutions for supply chain problems.

France opens probe into former MSC executive

FORMER Mediterranean Shipping Co finance director Alexis Kohler, who now serves as French president Emanuel Macron's chief of staff, is part of an investigation by anti-corruption authorities.

The inquiry is looking into whether Mr Kohler violated conflict of interest rules when he was a civil servant at France's finance ministry.

President Macron's office said in a statement that the allegations were "completely unfounded" and based on "totally unfounded suspicions", and that Mr Kohler had been transparent about his relationship with MSC and had not been involved in discussions related to STX.

For classified notices please view the next page.

IN THE HIGH COURT OF JUSTICE **CR-2017-009373**
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)

IN THE MATTER OF

AIG EUROPE LIMITED

AND

AMERICAN INTERNATIONAL GROUP UK LIMITED

AND

AIG EUROPE SA

AND

IN THE MATTER OF

THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE

NOTICE IS HEREBY GIVEN that, on 5 March 2018, AIG Europe Limited (the "**Transferor**") and American International Group UK Limited (the "**UK Transferee**") and AIG Europe SA (the "**European Transferee**") made an application (the "**Application**") to the High Court of Justice, Business and Property Courts of England and Wales, Companies Court in London (the "**Court**") pursuant to section 107(1) of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") for an Order:

1. under section 111 of FSMA sanctioning an insurance business transfer scheme (the "**Scheme**") for the transfer of:
   (a) certain insurance business carried on by the Transferor to the UK Transferee (the "**Transferring UK Business**") in accordance with the terms of the Order and without any further act or instrument; and
   (b) shortly after the transfer of the Transferring UK Business, all remaining insurance business carried on by the Transferor to the European Transferee (the "**Transferring EEA Business**") under the planned cross-border merger by absorption of the Transferor by the European Transferee pursuant to the Companies (Cross-Border Mergers) Regulations 2007 (**SI 2007/2974**) (the "**Merger**") and in accordance with the terms of the Order; and
2. making ancillary provision in connection with the Scheme pursuant to section 112 and 112A of FSMA.

The following documents are available free of charge and can be downloaded at www.aig.com/brexit:

- A copy of a report on the terms of the Scheme prepared in accordance with section 109 of FSMA, by an Independent Expert, Steve Mathews of Willis Towers Watson, whose appointment has been approved by the Prudential Regulation Authority, (the "**Scheme Report**");
- the full Scheme document;
- the Scheme Booklet (which contains a summary of the terms of the Scheme, and a summary of the Scheme Report); and
- a question and answer document about the Scheme.

Supporting documents and any further news about the Scheme will be posted on this website so you may wish to check for updates. You can also request free copies of any of these documents by writing to or telephoning the Transferor using the contact details below.

The Application is due to be heard on 18 October 2018 by a Judge of the Chancery Division of the High Court at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. A similar application in relation to the Merger is due to be heard at the same time. If approved by the Court, it is proposed that the Scheme and the Merger will take effect on 1 December 2018.

Any person who claims that he or she may be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views either in person or by a legal representative.

Any person who claims that they may be adversely affected by the Scheme but does not intend to attend the hearing may make representations about the Scheme by telephone or in writing to the solicitors named below or the Transferor using the contact details set out below.

Any person who intends to appear at the hearing or make representations by telephone or in writing is requested (but is not obliged) to notify his or her objections as soon as possible and preferably at least five days before the hearing of the Application on 18 October 2018 to the solicitors named below or to the Transferor using the contact details set out below.

If the Scheme is sanctioned by the Court, it will result in the transfer of:

1. all the contracts, property, assets and liabilities relating to the Transferring UK Business to the UK Transferee in accordance with the terms of the Order; and
2. all the contracts, property, assets and liabilities relating to the Transferring EEA Business to the European Transferee under the Merger and in accordance with the terms of the Order,

in each case, notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified in respect thereof. Any such right will only be enforceable to the extent the Order of the Court makes provision to that effect.

6 June 2018

Transferor contact address:

The AIG Building, 58 Fenchurch Street, London EC3M 4AB, United Kingdom

Transferor contact information:

Telephone number: United Kingdom - 00800 244 244 29. Our phone lines are open from 9.00am to 5.00pm Monday to Friday (excluding bank holidays and public holidays). For telephone numbers in other countries, please visit www.aig.com/brexit

Postal address: AIG Brexit Team, The AIG Building, 58 Fenchurch Street,
London EC3M 4AB, United Kingdom

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Freshfields Bruckhaus Deringer LLP

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Solicitors for the Transferor

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