

Mare Forum Conference

Grand Hotel Parco dei Principi,
Roma, Wednesday 8th May 2013

SPEECH + POWERPOINT for Mr Emanuele Grimaldi presentation

PANEL SESSION: h9.30 to 10.50 + discussion: "Where is the shipping industry going?"

Time frame per speaker: 8 min. (max 10); Other attendants : as attached

INTRO

Ladies and Gentlemen,

Good morning to all of you and thank you for giving me the chance to address you in this qualified Conference and in this beautiful Roman context.

I wish to thank especially Mr Ugo Salerno for his kind invitation, and all the distinguished representatives of the European Commission, authorities, shipping operators, dockyards, classification society, banks, category associations, ship suppliers and media attending the Panel.

This Forum is an excellent occasion for all concerned parties to discuss interesting topics: where our beloved shipping industry sector is going? Is it possible to develop a successful and sustainable business model in the interest of all stakeholders?

SELF PRESENTATION

As owner and managing director of the Grimaldi Group, in this presentation I will adopt the visual angle of one of the leading groups in Roro/ropax sector. Our shipping group was born after the Second World War and since then it has experienced a continuous development, growing but becoming more specialized in its core business. Through decades we went through the several world shipping

economical upside and downturns and we matured a certain knowledge in our sector. This long-life experience may allow me to outline some of the trend who are involving the shipping industry more than in the past and that I will point out hereafter:

1. GLOBALIZATION OF PROBLEMS AND SOLUTIONS

The roro sector in Europe is facing today very interesting but challenging times. Expenses are mainly rising due to the ever increasing cost of fuel and to the forthcoming more restrictive legislations concerning passenger rights and environment. The uncertain trends of economies and of the overall aggregate demand add another thick layer of complexity to the business which is making the challenge even more complex.

I see among you European, Americans, Middle East, Far east people. I'm sure that much of the above challenges applies also to many of your companies on large scale, in large areas of the world, with great interconnection one to the other, with an hexogen profile not controllable directly by single players. The outcome of the crisis affects all the rings of the shipping supply chain involving for example certification societies and shipyards industry upstream, banks, supplier, dockers and ports downstream. That's Globalization, that's the name of the game now. Globalization of markets, of problems and solutions seems to me to be the first big trend ongoing in our sector. That's why it is often more efficient to find some sort of cooperation among stakeholders of the shipping industry at international level in order to solve common problems. For example shipping and European institutions can find together a way to avoid environmental pollution and congestion onshore by launching at international level some forms of subsidy for shifting cargo from more polluting

land based mode to more clean sea based ones. This would benefit the whole shipping chain and the territories. Same way ship tech suppliers can cooperate with institutions and shipyards worldwide in order to test new environmental technologies and help technological progress of the shipping industry for the benefit of territories, workers and companies of the industry and so forth.

2. CONSOLIDATION

Another consequence of ongoing globalization is that if markets go global, companies can succeed only by getting bigger. If companies get bigger in a stagnating market, this means that there are going to be fewer and fewer companies, but of a bigger size. In other words: consolidation is the second evident trend ongoing in our sector, and I try to explain you why :

2.A Big cargo clients requires big shipping companies: In a global market, clients requesting for ship transportation are themselves big and global. I make the example of automotive clients. A Hyundai, Fiat, Ford or GM top manager have hundreds of issues on the table, and they normally want to simplify complexity. They want to talk to the least possible number of logistic suppliers, possibly one, with one comprehensive contract and able to cope with their sea transportation requirements, to solve multiple problems wherever they stem and offer dozens of lines and hundreds of ports and destinations in the world. As big clients, they want to talk to big suppliers. This fact increase the chance of big shipping companies, whilst make life more difficult for small sized ones.

2.B Big shipping companies purchase better then small ones. This is also a very simple but convincing concept. Big suppliers discount only on large orders and

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to big frequent clients. I make the example, maybe very familiar to this panel, of the shipyards. In this year the Grimaldi Group was able to get very good conditions and design work from a Chinese shipyard for building a series of 5 giant con-ro ships. This wouldn't have been possible if we would have ordered only one ship, or very cheap small vessels, or if we wouldn't have been able to hint the possibility to build more ships in future with the same yard. Thanks to our size, we could get from shipyard valuable commitment, forefront designwork and good prices in our key shipbuilding activity. Same purchasing advantage for large shipping companies applies to other sectors such as luboil, maintenance, spare parts, insurance, money borrowing and so on.

2.C Purchase ability is not only a price led bargaining exercise, but include also a quality dimension. Big companies enjoy an economy of scale effect when it comes to R&D activity. Thanks to their dimensions, big shipping companies are today in general succeeding more than smaller in investing in forefront technology, building successful engineering offices in their structure only devoted to this task. This would be too expensive for a small player and this explains why big companies take a faster and bigger advantage from technology than smaller ones, improving their margins accordingly.

2.D Size of fleet plays also a role when coping with market volatility. In shipping world, counting on a large and diversified fleet is a key to success. Money making is done in shipping when you are able to deploy the right vessel on the right route, constantly adapting your tonnage offer to the volume demand. When demand is volatile and changes are quick, only large fleet controllers can properly react shifting vessels from one route to another, downgrading some route and upgrading some other.

2.E Finally, big shipping companies with an important corporate-led developed commercial structure have more chance to succeed than companies who don't have. During times of cargo flows collapse like the present ones, controlling cargo booking makes the difference. A network of local offices and agencies working for canvassing is a huge comparative advantage during crisis. Pure tonnage providers without commercial network have shown very recently to perform bad in the roro sector or, as in the case of the german KG funds, in the container sector.

3. GREEN TECHNOLOGY

Last place where shipping is going is green technology. On this point the most distinguished and knowledgeable engineers who sit at this table can speak better than me. I only mention a figure which may give the idea of how this issue is becoming important in our sector also by an economical point of view. In 2011 the annual Grimaldi Group aggregate costs for fuel and lubricating oils accounted for about €800 mln, nearly 3 times the cost of the 10.000 people working for the Group on land and at sea, and as much as 10 times the cost paid to the banks for financing the largest and more modern roro fleet in the world. This means, for instance, that enhancing fuel efficiency is three times more important, in economic terms, than the vital job of enhancing work-force productivity.

This evidence, together with ethical dimension of reducing pollution, pushed our Group to strive for cutting consumption and polluting emissions. In 2012 for example year-on-year we reduced consumption by more than 50.000 tons, despite operating more ships and of a bigger size. This achievement allowed us to cope with steep increase of fuel costs and even to improve results considerably.

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Further improvement will be possible for our Group in the future thanks to technological added value of newbuildings. As mentioned above, recently we finalize the order for 5 newbuildings who will replace the biggest con-ro in the world. These newbuildings will be able to host at the same time more than double of the containers of its predecessors - 3,800 teus, compared with 1,850 teus – plus more than 30% more cars– 1,307 units compared with 1,000 – plus almost 40% more Ro-Ro units– 4.650lm compared with 3.330lm. The capacity increase for high-and-heavy cargo will be also almost doubled.

In conclusion, the running costs of these fourth-generation ships will be much improved by comparison with the current fleet. On its Atlantic route, the G3 vessel uses a ton of fuel to carry 40 containers. By comparison, the G4 vessel plying the same route will carry 80 containers, or double the number, for the same fuel consumption, and at a higher cruising speed.

This is progress.

Thank you,

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PROGRAMME FOR THE PANEL

09:30

session 1

Where is the shipping industry going?

SESSION CHAIRMAN:

● **Ugo Salerno**

CEO, RINA

SPEAKERS:

● **Michael Thamm**

CEO of Costa Crociere

● **Emanuele Grimaldi**

CEO Grimaldi Group

● **Khamis Juma Buamim**

Chairman Drydocks World and Maritime World

● **Coco Vroon**

Managing Director, Vroon BV

● **Tom Boardley**

IACS Council, Chairman and Lloyd's Register, Marine Director

● **Enrico Buschi**

Fincantieri Chief Operating Officer

10:50

Discussion between speakers, discussion panelists and audience participants

DISCUSSION PANELISTS:

● **Liu Haijin**

Board Director & President New Century and New Times Shipbuilding

● **Angelo d'Amato**

CEO, Perseveranza SpA

● **Lorenzo Rosato**

Bravo Tankers

● **Rajaish Bajpae**

President & Group Managing Director, Bernhard Schulte Shipmanagement

● **Federica Barbaro**

Managing Director, PB Tankers SpA

● **Stefano Messina**

Chairman of Gruppo Messina SpA

● **Giuseppe Mauro Rizzo**

Managing Director and CEO,
Rizzo-Bottiglieri-De Carlini Armatori S.p.A.

● **David Peel**

European Manager, Rightship

● **Dr. Jerzy Majewski**

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Deputy Head of Origination Europe, Shipping
HSH Nordbank AG
● **Kevin O'Hara**
Director, AMA Capital Partners LLC
● **Umberto Masucci**
Vice President Federazione del Mare
● **Janos Koenig**
Managing Director, Eurofin
● **Francesco Fuselli**
Managing Director, Banchemo Costa & Co., SpA
● **Carlos DiMottola**
Partner, Venice Shipping and Logistics S.p.A., Investment & Advisory
● **Philip van Aerssen**
Associate Director, ABN AMRO BANK
● **Mauro Iguera**
Managing Director, CAMBIASO RISSO MARINE SpA
● **George Tsavlis**
Chairman, INTERMEPA
Principal, Tsavlis Salvage Group
● **Pierpaolo Campostrini**
Managing Director
CORILA - Consortium for Managing Scientific Research on Venice Lagoon System
● **Dimitris Lyras**
Director, Lyras Shipping Ltd.
● **Chen Yajun**
Sales Director New Century and New Times Shipbuilding
● **Qian Jun**
Assistant General & Business Director
Jiangsu Yangzijiang & Jiangsu New Yangzi Shipbuilding
● **All conference speakers**
● **More discussion panelists to be announced**

11:10 Break hosted by CONFITARMA
