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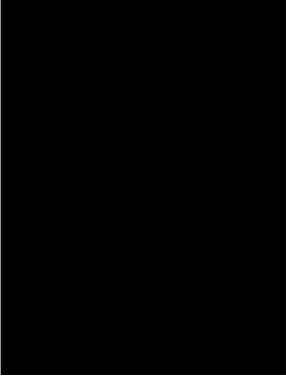
MBA Master Thesis

BUSINESS PLAN | Oceanis Maritime Acquisition Shipping Group S.A (OC.M.A)

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Submitted as a prerequisite for acquiring the post-graduate diploma on Business Administration specializing in Accounting and Finance.



**BUSINESS PLAN | Oceanis Maritime
Acquisition Shipping Group S.A (OC.M.A)**

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The Postgraduate Studies contribute to the creation of a bond between the University and the society by helping the University to keep up with the constant social changes. Postgraduate Studies are by definition related to the development of research of the academic staff and in my personal occasion, of a scientific field in Civil Engineering.

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I thank them for hoping I won't disappoint them.

EXECUTIVE SUMMARY



Figure 1: Feeder Vessel MR

Source: Photographer-Mirjam Terpstra

OC.M.A SHIPPING GROUP S.A. (Oceanis Maritime Acquisition Shipping Group S.A.) is a new ship management - owning company with its origin dating back to 1999, when its forerunner was established to manage and operate a reliable link to the global maritime industry.

Established under the laws of the Marshall Islands and operationally headquartered in London, United Kingdom, aiming to become a vertically integrated international shipping company in the seaborne transportation of refined oil products and chemicals.

The growth of the company would be achieved by acquiring initially fuel efficient, Eco-type second-hand Medium Range (MR2) and Long Range Product/Chemical Tankers (LR1) through individual purchases, en bloc purchases as well as targeted new buildings. The company is looking initially to acquire six 2009/2010 built Medium Range (MR2) Product/Chemical Tankers (IMO II/III) and additionally tankers with Ice Class 1A notation. Ice Class 1A vessels may potentially earn a premium during winter months because they can navigate through ice covered routes and adverse weather conditions. To date we have identified, begun negotiations with the current owners and with the charterers in order to fix the identified fleet of Product/Chemical Tanker vessels. The company is seeking to position itself as an attractive investment vehicle for institutional lenders and private investors. The major building blocks to get into this position will be excellent corporate governance, transparency, our strong management team, active business dealing, attractive long term equity return as well as a lender friendly information philosophy.

Key Words: Efficiency gap, investment, maritime industry, seaborne transport, tankers, trading, SWOT analysis

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1. INTRODUCTION

OC.M.A is pure-play owner of modern Product/Chemical Tankers engaged in the seaborne transportation of refined petroleum products and other bulk liquids. We offer a unique mix of experience and fresh energy – and combine these two elements to form a streamlined and adaptive operation in which both our people and hardware are highly tuned to client needs.

We are focused on acquiring initially a fleet of fuel efficient, Eco-type Product/Chemical Tankers which provide operational flexibility and enhanced earnings potential due their versatility, operational efficiency and modern features or modifications.

1.1 Mission and Keys to Success

We are excellent positioned to opportunistically expand and maximize the desired fleet due to our strong market footprint and relationships with major industry players, competitive cost structure, experienced and dedicated management team, whose interests are squarely aligned with our lenders/investors.

- Market timing: excellent market entry point while asset prices remain historically attractive in relation to freight rates, fundamentals and long-term growth prospects. Well positioned to win the asset play by being acquisitive during a highly fragmented market with restrictive financing sources available.
- Being a start-up with a strong and experienced management team, we are in a position to have the flexibility to manage successfully through shipping cycles and take advantage of strategic growth opportunities currently available.
- Remaining order book for product tankers provides favorable supply/demand balance and the need for consolidation especially within the MR sector. Demand for product tankers set to exceed supply starting now.
- We focus heavily on fuel-efficient MR product/chemical tankers which are deemed as the “yellow cabs” of the market. MR Tankers comprise 32% of the world tanker fleet by number of ships, while seaborne oil transport is gradually shifting away from crude toward refined products. This is the main growth driver for MR & LR1 tankers.

We intend to expand the fleet through selective acquisitions of high class modern product tankers. We intend to employ the desired fleet primarily through time charters to blue chip clients and on the spot market. We continually evaluate the tanker markets in which we operate and based upon our view of market fundamentals, adjust our mix of vessel employment by counterparty and charter expirations to maximize returns and cash flow sustainability while securing uninterrupted profitability and avoiding contract aging issues.

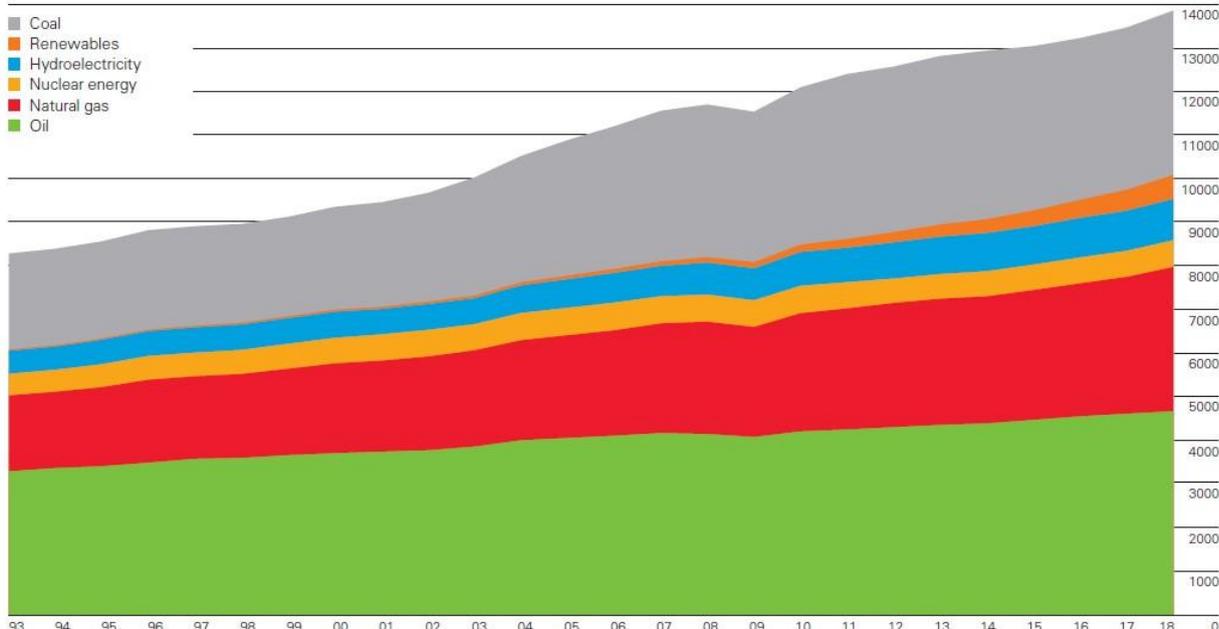
Structural demand drivers in the product tanker industry,

- U.S. has emerged as a refined products powerhouse, becoming the world's largest product exporter.
- Changes in refinery locations, expansion of refining capacity in Asia and Middle East as well as a reduction in OECD refining capacity (Europe & Australia).
- Changes in consumption demand growth in Latin America, Africa, and non-China/Japan Asia and lack of corresponding growth in refining capacity.
- Balance of trade – needs of each particular region – gasoline/diesel trade between U.S./Europe is a prime example of this given significantly different diesel penetration rates for light vehicles.
- Europe imports surplus diesel from the U.S. and exports surplus gasoline to the U.S.

Global oil demand continues to increase,

- Global oil demand is expected to grow by 7.2 mb/d between 2015 and 2021, or a CAGR growth rate of 1.2% reaching 101.6 mb/d in 2021.
- Global oil demand growth is primarily driven by non-OECD countries, specifically Asian countries. Non-OECD countries are expected to contribute 8.1 mb/d to the global growth between 2015 and 2021, versus a net-OECD decline of 0.9 mb/d.
- Gasoline and gasoil are expected to account for roughly 75% of the non-OECD demand growth.

World consumption
Million tonnes oil equivalent



Global energy consumption increased by 2.9% in 2018. Growth was the strongest since 2010 and almost double the 10-year average. The demand for all fuels increased but growth was particularly strong in the case of gas (168 mtoe, accounting for 43% of the global increase) and renewables (71 mtoe, 18% of the global increase). In the OECD, energy demand increased by 82 mtoe on the back of strong gas demand growth (70 mtoe). In the non-OECD, energy demand growth (308 mtoe) was more evenly distributed with gas (98 mtoe), coal (85 mtoe) and oil (47 mtoe) accounting for most of the growth.

Chart 1: Oil world consumption
Source: BP statistical review (2019)

2. COMPANY CONFIGURATION

2.1 History

OC.MA, an emerging growth pure play product tanker company, has been founded by our President and is administrated in this maritime project from managers which have been for decades active in the shipping industry as well as in the banking industry, have been shareholders and managing directors of SN SHIPPING INC, a company which have been founded under the laws of Marshall Islands and operated since inception from Athens.

Above companies, headquartered in London (UK), provide worldwide marine transportation services in the form of ship management and as ship operators in the following areas:

- 4** Chemicals Transportation
- 5** Oil & Gas Transportation
- 6** Dry Bulk Cargo Transportation
- 7** Technical Management & Operations
- 8** Classification-Surveys-Inspections-Sales Support-Crewing
- 9** Chartering Services – Commercial Operations
- 10** International Supply & Demand Planning – Networking
- 11** Bunkering Services – Planning & Pricing Risk Management

The fleet managed by our management during the last 17 years comprised of tankers and bulkers and has ranged from 10 to 20 vessels with an aggregate tonnage from 350,000 to 900,000 dwt. During this period, our management has successfully completed 430 Voyage Charter (spot) contracts and 120 Time Charter (TC's) contracts worldwide.

We exited our last vessel investment in 2013 and we deem that it is now an opportune time for an entry and long-term investment into the product/chemical tanker sector.

Our company has been founded under the laws of the Republic of Panama and intends to be operationally based in London. Being operationally based in Athens, a major global hub for international shipping and especially for the tanker sector, enables us to benefit from a vibrant cluster from businesses and resources, while Greece maintains the world's largest merchant fleet and controls 25,2% of the worldwide tanker tonnage.

2.1.1 Organizational Structure

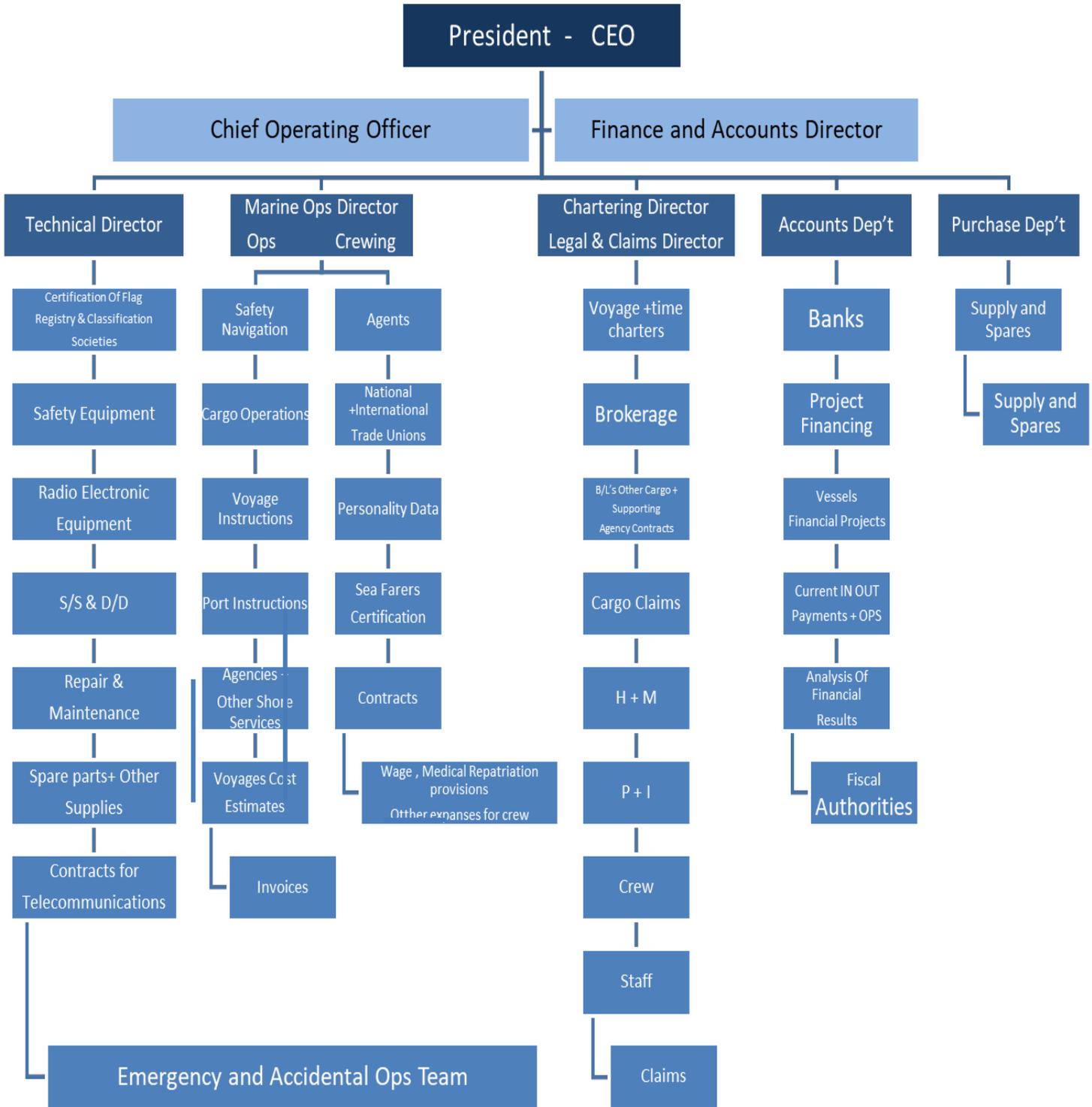


Figure 2: Organizational Diagram

EXPERIENCED TEAM WITH DECADES OF EXPERIENCE

Dimitrios Papadopoulos, CEO & President

- 32 years experience in ship owning, operating and managing with various shipping sectors, including clean oil products, chemicals, crude oil, dry bulk, special cargoes as well as ship financing & risk analysis.
- Commercial Operations Director of Marei co Ltd in 2013-2015.
- Specialized in shipping finance & risk management having co-founded during 2000-2002 in Singapore a boutique investment banking services company, working among others for the Greek maritime industry with Swiss banking institutions.

Evgenios Tsakalos, Finance & Accounts Director

- 42 years commercial, investment and merchant banking experience with a focus in the shipping industry.
- Previous banking positions include CITIBANK (Corporate Manager for Greece), EGNATIA BANK (Co-founder & Executive Vice President).

Konstantinos Moraitidis, Chief Operating Officer

- 35 years experience as a seagoing master on various tanker classes, ISM marine auditor by American Berney Shipping.
- Sea services records as a Master for product tankers (MINERVA SHIPPING), for VLCC-ULCC tankers, for chemical tankers (Member HELLENIC)
- Shore based services as a Chief Operations Director for Marine SHIPMANAGEMENT S.A. and Mirage SHIPMANAGEMENT CO LTD chemical tankers.

Georgios Ignatakis, Director Risk Management & Marine Insurance

- 20+ years experience in shipping trade (M.Eng in Marine Engineering) & marine risk management (MSc degree London Business School of Economics).
- Working experience across various areas of the shipping industry (ship broking, shipbuilding, classification & regulatory) and a solid track record of numerous new building projects with prestigious world class shipbuilders.

2.2 OVERVIEW

2.2.1 Shipping and World Trade

The international shipping industry is responsible for the carriage of around 90% of world trade.

Shipping is the life blood of the global economy. Without shipping, intercontinental trade, the bulk transport of raw materials, and the import/export of affordable food and manufactured goods would simply not be possible.

Seaborne trade continues to expand, bringing benefits for consumers across the world through competitive freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalization, the prospects for the industry's further growth continue to be strong.

There are over 50,000 merchant ships trading internationally, transporting every kind of cargo. The world fleet is registered in over 150 nations, and manned by over a million seafarers of virtually every nationality.

Ships are technically sophisticated, high value assets (larger hi-tech vessels can cost over US \$200 million to build), and the operation of merchant ships generates an estimated annual income of over half a trillion US Dollars in freight rates (www.ics-shipping.org).

2.2.2 Refining at a glance

Oil tankers are divided into two main categories, namely crude tankers and product tankers. Crude tankers make up the larger part of the total oil tanker fleet in terms of cargo carrying capacity, accounting for about 70% of the total, with product tankers making up about 28% (the balance being made up of shuttle tankers). Product tankers have a similar design to crude tankers, the difference being the coating inside the tanks enable the product tankers to carry products that would otherwise be contaminated by and/or have an adverse impact on the steel tanks used when carrying crude oil.

Product and Crude Tankers

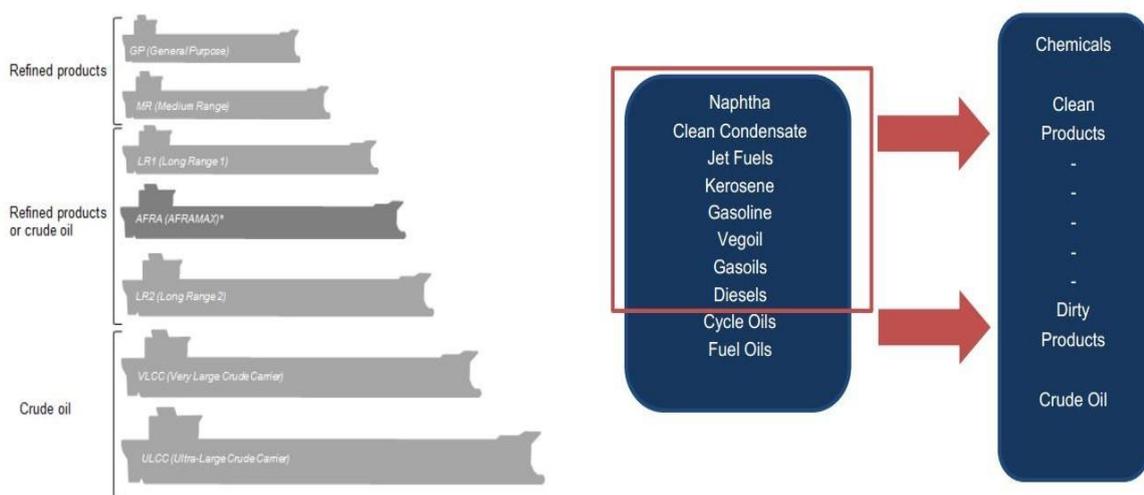
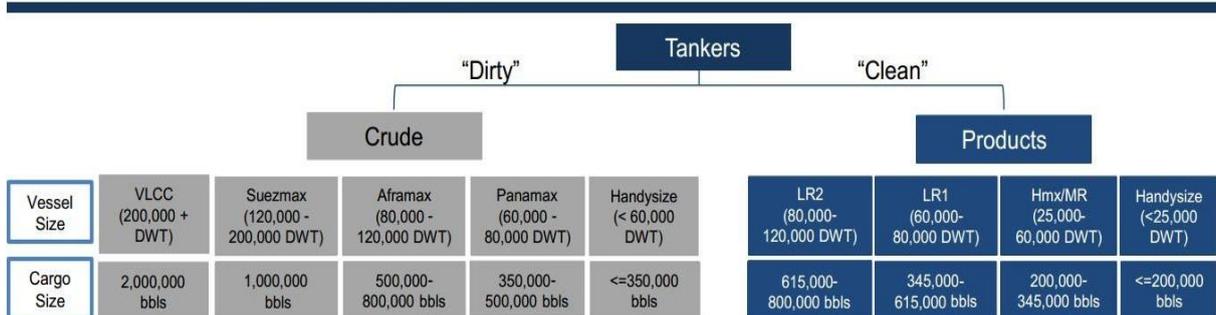


Figure 3: Product and crude tankers

Source: U.S. Energy Information Administration, based on Bloomberg and London Tanker

Brokers' Panel

Net change in oil and chemical tanker fleet

number of ships

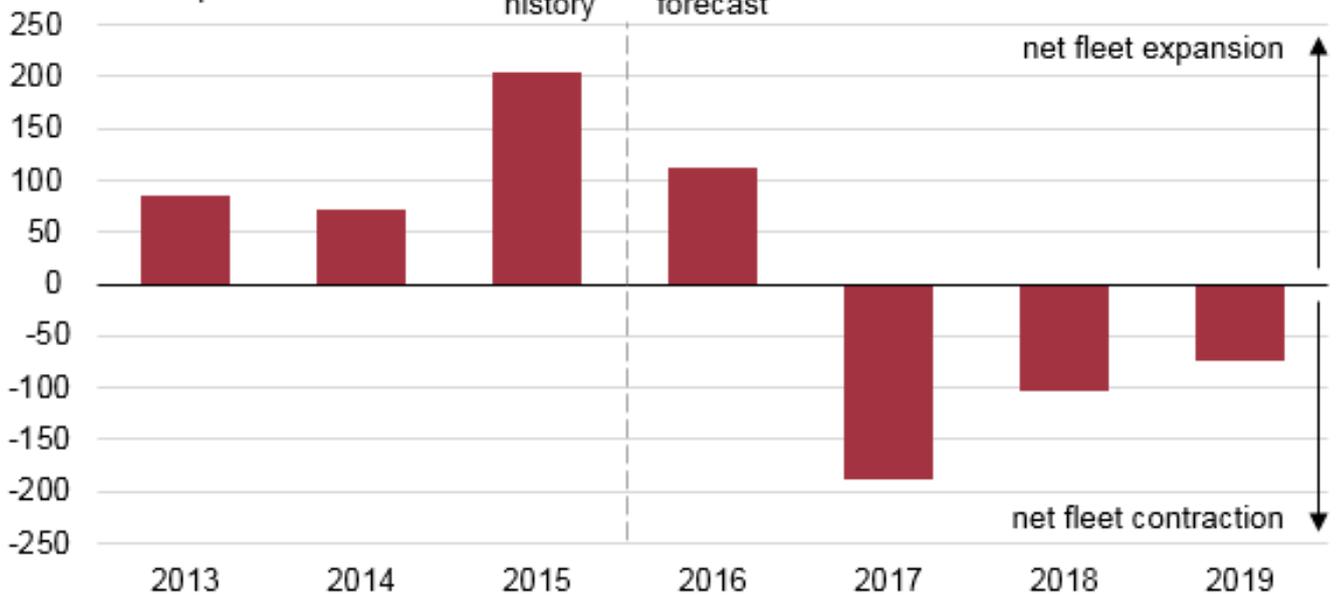


Chart 2: Net change in oil and chemical tanker fleet

Source: U.S. Energy Information Administration, based on Thomson Reuters Research & Forecasts

The specific material used for coating the tanks determines what types of products the vessels can carry. An epoxy coating enables vessels to carry various refined oil products, vegetable oils and easy chemicals. Tankers with epoxy coatings are referred to as “product tankers”, as no more advanced coating is required to compete in refined oil product trades. Vessels with more advanced coatings like Marine Line, zinc or stainless steel are normally employed in chemical trades.

On a global scale, demand for tankers is influenced by differences in supply and demand conditions across regional markets. Tankers of different sizes and classes have specific characteristics that help determine the markets and shipping routes they serve. For example, so-called dirty tankers, which transport unrefined or less-refined cargos (such as crude oil and residual fuel oil), tend to be large, with low per-barrel transportation costs. So-called clean tankers, which transport refined products such as gasoline and diesel fuel, are typically smaller vessels.

Going forward, tanker rates should recover as the global market slowly returns to balance. EIA's most recent [Short-Term Energy Outlook](#) (STEO) [forecasts a global quarterly draw in crude oil stocks](#) in the third quarter of 2017, the first since 2013 (www.eia.com).

Quarterly change in world liquid fuels inventories (2011-17)

million barrels per day

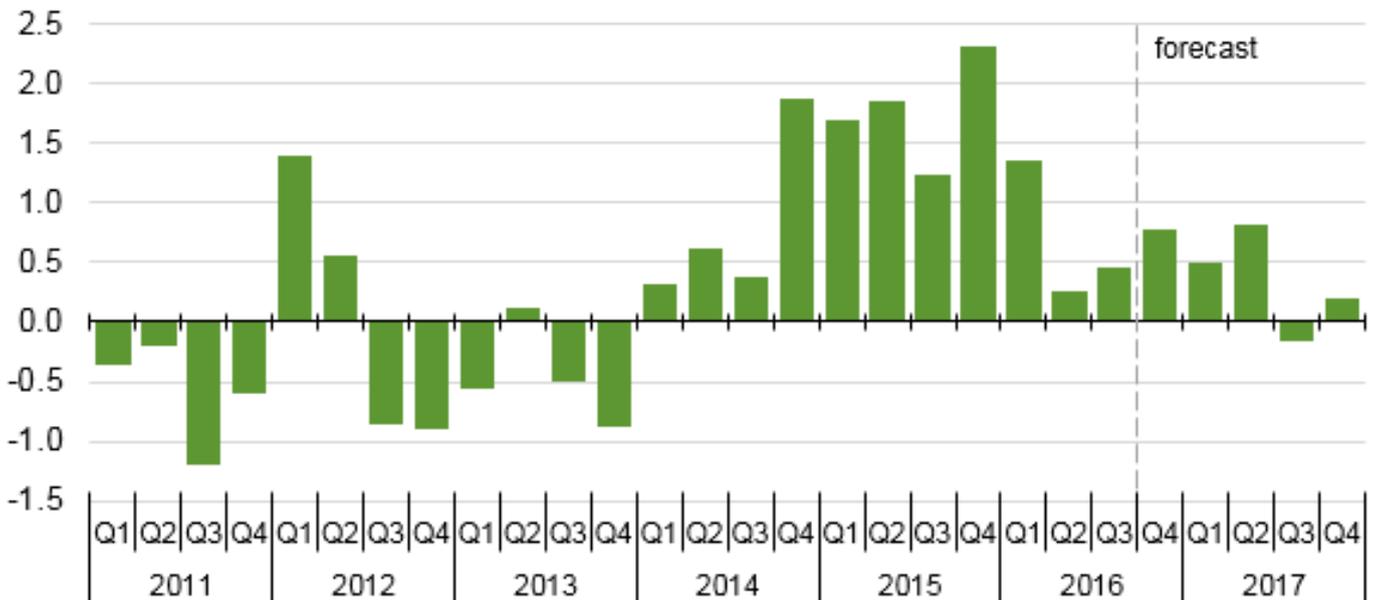


Chart 3: Quarterly change in world liquid fuels inventories (2011-2017)

Source: U.S. Energy Information Administration, [Short-Term Energy Outlook](#), October 2016

Crude oil and refined crude products are the building blocks of modern society. A refined barrel of crude oil yields, amongst other products, gasoline to fuel cars, naphtha to make plastics, gasoil to heat homes and fuel generators, and fuel oil to power ships. Gasoline, gasoil, jet fuel and naphtha are examples of clean petroleum products (“**CPP**”) while propane and butane are liquefied petroleum gases (“**LPG**”), and fuel oil is referred to as a dirty petroleum product (“**DPP**”). Refined oil products, especially CPP, are valuable outputs of a refinery’s distillation column and are what give crude oil its inherent value. LPG is a by-product.

Basic refining overview

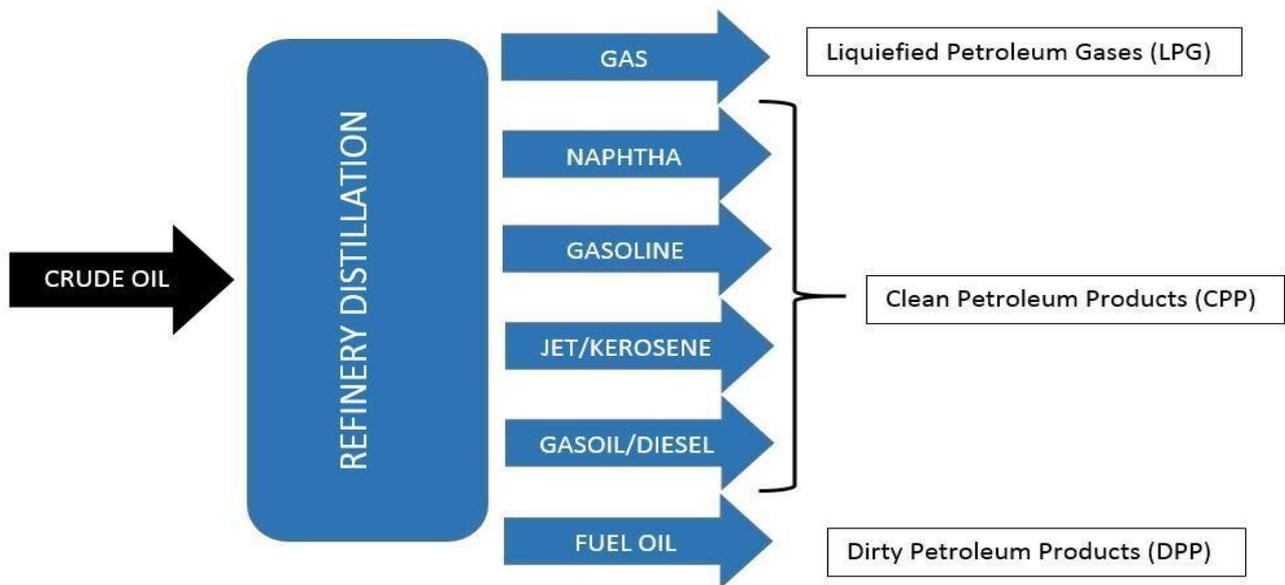


Figure 4: Basic Refining Overview

Source: My own

Refineries, historically and generally, were located close to the demand centers of developed nations. Since these countries often did not have enough domestic crude oil to feed their refineries, crude tankers were built to ship crude oil from oil producing nations in the Middle East, West Africa, and South America to industrialized nations in Europe, the Far East and the U.S. The need for product tankers emerged when the economies of industrialized countries outgrew their captive refining capacity and began importing key refined products from those nations with excess capacity, typically from regional suppliers.

2.2.3 CPP Seaborne Trade – From Regional to International

Growth in seaborne trade developed as volumes expanded and CPP began being traded over longer distances. One of the major drivers of this shift was U.S. demand for gasoline. Given legislative and environmental hurdles associated with constructing new refineries in the U.S. and strong oil consumption growth from the early 1980s to a peak in 2005, the U.S. began importing large amounts of gasoline from Europe and the Caribbean. This regional trade was serviced by medium ranged product tankers (“MRs”).

The other major driver in seaborne CPP trades developed as Asia increasingly became a global manufacturing hub, a trend that started with Japan and Korea, and later grew to include China as well as several other countries in the 1990s. The production of plastics at petrochemical facilities requires naphtha and LPG as feedstock. Asian refiners are limited in how much naphtha they produce. The shortfall was primarily met by refineries in the Middle East Gulf region and CPP tankers emerged to service this long haul trade with long ranged product tankers (“LR1s” or “LR2s”).

2.3 COMPANY SERVICES & PRODUCTS - MANAGEMENT

2.3.1 Summary

Our business is comprised of the following main elements:

- Employment and operation of our product tanker vessels.
- Management of the financial, general and administrative elements involved in the conduct of our business and ownership of our product tanker vessels.

The employment and operation of our vessels require the following main components:

- Vessel maintenance and repair.
- Crew selection and training.
- Vessel spares and stores supply.
- Contingency response planning.
- Onboard safety procedures auditing.
- Accounting.
- Vessel insurance arrangement.
- Vessel chartering.
- Vessel security training and security response plans (ISPS).
- Obtain ISM certification and audit for each vessel within the six months of taking over a vessel.
- Vessels hire management.
- Vessels surveying.

- Vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires the following main components:

- Management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts.
- Management of our accounting system and records and financial reporting.
- Administration of the legal and regulatory requirements affecting our business and assets.
- Management of the relationships with our service providers and customers.



Figure 5: Maritime Employers

Source: International Chamber of Shipping

www.ics-shipping.org

2.3.2 Our Company's Operating Departments

Operations Department

The heart of the management company lies in the operations department. This is the starting point of all actions taken when running the ships. Essentially, the operations department is the main coordinator between the Board of Directors (BOD), the company's departments, the vessels under management, the charterers, and all third parties involved with the ships (Ship agents, ship-chandlers, bunkering suppliers, shippers, receivers, stevedores, etc.).

Among other things it is the duty of the operations department to provide post-fixture support to the vessels, to issue voyage instructions, to make sure that the ships perform as per the charter party agreements, and to ensure the safe and efficient carriage and delivery of cargoes. In addition, the department has to supervise the disbursement of all funds necessary to run the ships, it has to arrange for freight / hire / demurrage collection from charterers, and finally it has to arrange for the provision of the vessels with bunkers Cargo handling, port activities, pilotage, towage, wharf age, dockage, canal transits, conveying of cargoes, cargo handling arrangements, loading and discharging of vessels, are some of the actions supervised by the operations department. It is exactly this operational involvement that keeps us so closely abreast and in touch with current market conditions - vitally important in maintaining a competitive edge.

Chartering Department

While instructions are provided by the Company's Management, chartering negotiations is an on-going process; among other things daily, weekly, monthly and quarterly reports are obtained and reviewed by the Chartering Department in order to assess the market conditions and identify the opportunities.

The Chartering Department is responsible for screening the various employment opportunities for their respective vessels, and receives instructions by company's management to choose which ones to pursue, negotiate terms and conditions of the contracts under which the vessels are going to be chartered and eventually enter, on behalf of the Owners, into a chartering agreement. The Chartering Department is

responsible for establishing and maintaining relationships with reputable chartering brokers and various Charterers.

Technical Department

The technical department is responsible for the technical supervision, superintendence, maintenance and attendance of dry dockings and repairs necessary to achieve the maximum efficiency of the vessels under management.

It is always one of shipping companies largest departments in terms of employees and consists of experienced professionals who ensure that each vessel under management attains the highest standards of safety, maintenance and efficiency so as to maintain full compliance with the requirements and recommendations of the Classification Societies, the applicable laws and regulations of the country of registry of the vessel, and of the places where she trades, and with the industry's highest standards so as to provide high quality transportation services.

The technical team aims to minimize vessels' non-trading days, while ensuring the highest level of quality service is achieved. This is achieved through a top quality service in running vessels and monitoring their progress through regular inspections, planned maintenance and technical upgrading.

Through our close relationships with manufacturers and suppliers, combined with our projected bulk purchasing power, we would be able to obtain ship supplies at the most competitive rates.

Claims and Insurance Department

The operation of any vessel includes risks such as mechanical failure, collision, property loss and cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labour strikes.

In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

The Claims and Insurance Department is responsible for maintaining hull and machinery insurance, war risks insurance, protection and indemnity cover, increased value insurance and freight, demurrage and defense cover for the fleet in amounts that we believe to be prudent to cover normal risks in our operations.

Claims and Insurance Department strives to obtain the very best possible security at the most advantageous terms. Such security includes cover within the world's leading insurance markets, utilizing the services of leading risk consultants and insurance brokers where necessary. Whilst continually striving to prevent incidents, any claims are negotiated and handled in an efficient and timely manner.

Crew Department

The crew department's responsibility entails the crewing of vessels, officers and seamen. It is responsible for identifying officers, which are hired by the vessels owning subsidiaries. The officers and seamen are to be referred to us by an independent crewing agency.

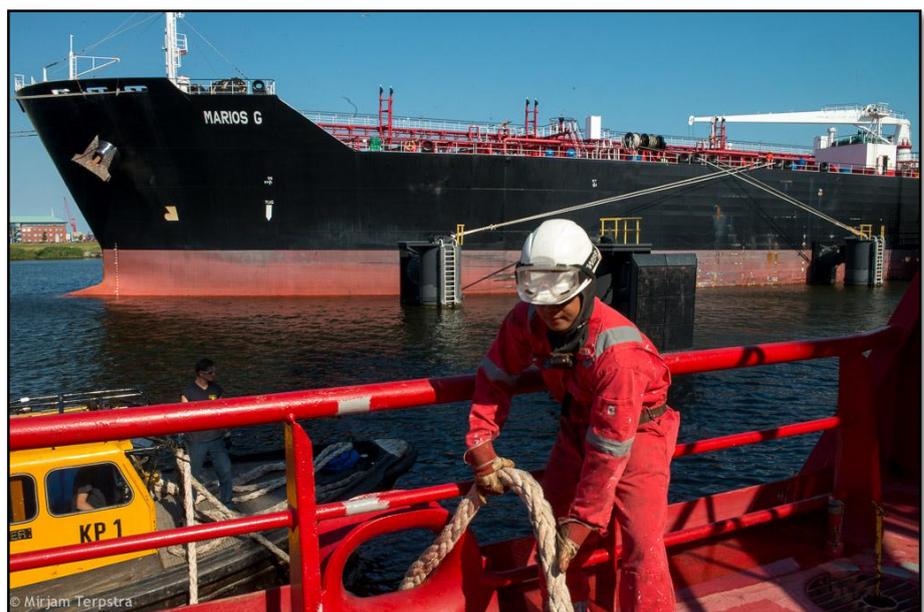


Figure 6: Aframax - Maritime Employers
Source: [www.maritime – connector.com](http://www.maritime-connector.com)

The crewing agency handles each seaman's training, travel and payroll. We ensure that all of our seamen have the qualifications and licenses required to comply with international

requirements and regulations and shipping conventions thereby ensuring that our vessels are manned by experienced, competent and trained personnel.

Additionally, our seafaring employees perform most commissioning work and supervise work at shipyards and dry-dock facilities.

Financial Management and Accounting Department

This department manages the Company's accounting services as well as the collection of Company's revenues. Department of Finance and Accounting also promotes the Company's economic health by providing leadership in the development and execution of sound fiscal policies.

The Financial and Accounting Department provides all ship performance information and accounting, through highly experienced and qualified personnel, allowing the management to monitor ships' operations and maintain ultimate control.

This is achieved through an in-house group of operating systems, financial and management accounting systems and purchasing control that cover all aspects of vessels' operation and proper accounting of their performance, revenue management, having overseen the conceptual development and implementation of the company's highly regarded revenue- management systems and procedures.

The department would follow internationally recognized accounting standards (US GAAP) and would have excellent relations with first class banking institutions while it takes much pride in maintaining its excellent name in the industry. In addition to the above the role of the Finance Department is the overall management of financial affairs. Such as to negotiate and co-ordinate budgets in respect of the administrative costs of the Company and funding the various services provided by the Company. Also it administers the Company's funds in compliance with all required accounting and financial procedures.

2.3.3 Policy on Outsourcing

OC.MA intends to outsource at the beginning of our project implementation through selected specialized ship management services specific Marine Operations related mainly to Technical Management issues, providing a maximum of efficiency and security for the invested equity, leveraging in the same time our expertise in the worldwide market as well as our growth.

While implementing gradually our own technical management department, this policy ensures benchmarking and competition between the technical managers, as well as a significant reduction of the risk of vetting issues with specific customers and access to a wider pool of officers and crew. In this respect not only potential savings in operating costs is a criterion, also vetting procedures, planning and control of maintenance and repairs, prevention of incidents and communication are key to our company's selection of a third party manager.

Our company's management maintains for many years an excellent relationship with related ship management services companies and we already work closely for the basis of a future cooperation according to our business plan.

The tasks which shall be outsourced may include positions such:

- **Crewing** (efficient supply of officers and training schemes for officer's ratings, cadet training schemes, study pay, recruitment and interview, ensuring applicable requirements of the law of the flag of the vessel, rank and qualification of the crew, social insurance and discipline, ensuring medical examinations, transportation of the crew, operating the managers drug and alcohol policy etc).
- **Technical Management** (maintenance & general efficiency of the vessels, arrangement and supervision of dry dockings, modifications to ensure classification standards laws and regulations, appointment of surveyors etc).
- **Purchasing** (providing on a basis of 24/7 all-over the world stores, spares, provisions or lubricating oils for vessels or crew needs, as a member of the Marine

Contracting Association Ltd.)

- **Insurance** (compile such statistics, to enter in negotiations with underwriters and P&I Clubs in order to arrange desirable insurances for the owners)

- **Vessels budgeting and accounting** (maintain records for all costs and expenditure incurred for the vessel, establishing an accounting system for each vessel according to owners needs, monthly comparisons between budgeted and actual expenditure)

- **Operations-Managers Information System Software** (according to owners needs providing monitoring of voyage instructions and liaising with owners brokers and charterers, appointment of agents and stevedores, arrangement of surveying of cargoes etc)

- **Shipboard Oil Pollution Emergency Plan-OPA** (United States Oil Pollution Act 1990 and any subsequent amendments, filing and updating of a contingency vessel response plan etc)

- **ISM Code** (securing the requirements for the International Maritime Organization, International Management Code for safe operation of ships and for pollution prevention)

- **SMS** (Safety Management System in accordance with the ISM Code)

- **ISPS Code** (securing the requirements for the International Ship and Port Facility Security Code)

- **STCW** (organizing and securing requirements for the International Maritime Organization Convention on Standards of Training Certification and Watch keeping for Seafarers)

We believe that we must maintain a culture of safety and operational integrity, focusing our attention on operations and future growth, and not just on a commercial agenda. To accomplish these objectives we are securing our aim and company's philosophy working

with first class third parties like V.Ships together (www.vships.com).

This is a priority of corporate responsibility for all our employees as well as for the financial institutions supporting our business plan and growth strategy. In the same time, we accomplish substantial internal economies of scale keeping our running costs lower than otherwise required in order to cover all outsourced marine tasks with highly experienced and numerous executives, being able to secure efficiency and to leverage economic growth for our start-up.

Our Policies

For our Company's Manpower

All our men on board, everyone in our office and those interacting with the ships we going to manage, return home safe and healthy. They are fairly compensated, personally supported and satisfied for a good job well completed. We provide a stable and secure working environment and proactively take all possible precautions to avoid any human accident.

For a Better Environment



Figure 7: Deck cargo ship

Source:

www.worldmaritimenews.com

The ships we are going to manage would be designed and built for safety, efficiency and high environmental performance. Our seafarers and staff go through continuous

training to enhance their eco-awareness and a genuine personal concern for our environment. Our people and hardware are well tuned to prevent damage to property and to actively avoid even the slightest impact to our clean seas and the coasts.

For Our Clients

We try to understand the specific requirements and the priorities of our clients. We aim to anticipate the needs of our colleagues, our seafarers and the external providers who we select to work with. Each one of us is eager to go that extra mile to deliver quality & value beyond expectations.

For Our Solid Results

Our corporate energy is focused on fair, sustainable and positive progress for the company, our staff, our seafarers and our shareholders.

To Go Forward and Beyond

- We learn from our experiences and the experiences of others.
- We measure and benchmark to enhance the effectiveness and accountability of our systems.
- We educate, encourage and motivate all those we can positively influence.
- We assess our exposure and set the control mechanisms for prevention and risk avoidance.
- We develop our skills in mastering the complex nature of our cargoes and our destinations.
- We guide, support and empower each member of our team to deliver our promises.
- We respond immediately to situations with thoughtfulness, resourcefulness and integrity.
- We select our ways and carefully plan for change and innovation.
- We inspire our people to be alert, proactive, professional and responsible.
- We concentrate emphatically on the openness and efficiency of our services.
- We continue building on trust and the synergies with our clients based on our performance.

2.3.4 Ship Operations, Administration and Safety

Our company's management provides expertise in various functions critical to our operations.

This affords a safe, efficient and cost- effective operation while we have access to human resources, financial and other administrative services, including bookkeeping, audit and accounting services, administrative and clerical services, banking and financial services, client, investor relations, information technology and technical management services, including commercial management of the vessels, vessel maintenance and crewing (not required for vessels subject to bareboat charters), purchasing, insurance and shipyard supervision.

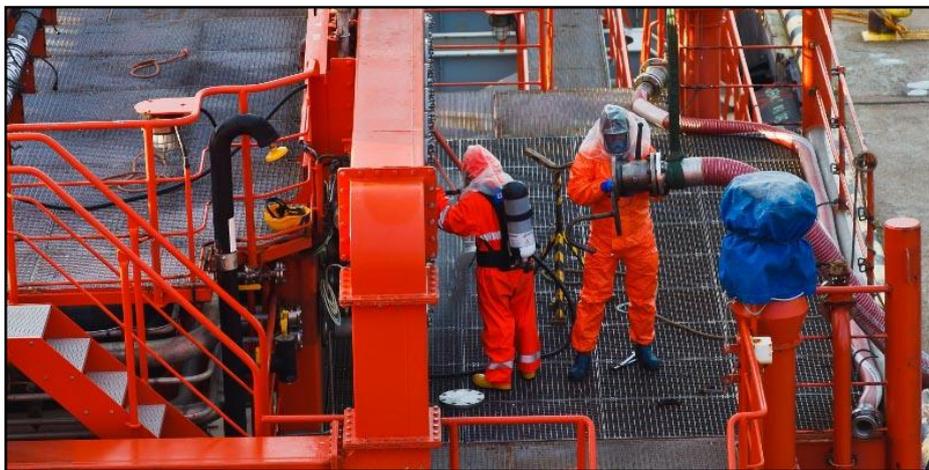


Figure 8: Safety-Cargo

Source: International Chamber of Shipping

Our company would operate under a safety management system in compliance with the IMO's ISM code which would be certified by the American Bureau of Shipping. Our management systems would also comply with the quality assurance standard ISO 9001, the environmental management standard ISO 14001 and the Occupational Health & Safety Management System ("OHSAS") 18001, all of which would be certified by Lloyds Register of Shipping.

As a result, our vessels' operations would be conducted in a manner intended to protect the safety and health of our company's employees, as applicable, the general public

and the environment. Our company’s technical management team actively manages the risks inherent in our business and is committed to eliminating incidents that threaten safety, such as groundings, fires, collisions and petroleum spills, as well as reducing emissions and waste generation.

2.3.5 Major Oil Companies Vetting Process

Shipping in general, and crude oil, refined product and chemical tankers, in particular, have been, and will remain, heavily regulated. Many international and national rules, regulations and other requirements – whether imposed by the classification societies, international statutes (IMO, SOLAS (defined below), MARPOL, etc.), national and local administrations or industry – must be complied with in order to enable a shipping company to operate and a vessel to trade.

Traditionally there have been relatively few large players in the oil trading business and the industry is continuously consolidating. The so called “oil majors companies”, such as ExxonMobil Corporation, BP p.l.c., Royal Dutch Shell plc, Chevron Corporation, ConocoPhillips, StatoilHydro ASA and Total S.A., together with a few smaller companies, represent a significant percentage of the production, trading and, especially, shipping logistics (terminals) of crude and refined products world-wide.



Figure 9: Cargo-Climate changes and oceans

Source: www.wartsila.com

Concerns for the environment, health and safety have led the oil majors to develop and implement a strict due diligence process when selecting their commercial partners.

This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel.

While a plethora of parameters are considered and evaluated prior to a commercial decision, the oil majors, through their association, the Oil Companies International Marine Forum (“OCIMF”), have developed and are implementing two basic tools: (i) a Ship Inspection Report Programme (“SIRE”) and (ii) the Tanker Management & Self Assessment (“TMSA”) Program.

The former is a physical ship inspection based upon a thorough Vessel Inspection Questionnaire (“VIQ”), and performed by accredited OCIMF inspectors, resulting in a report being logged on SIRE, while the latter is a recent addition to the risk assessment tools used by the oil majors.



Figure 10: Oil tanker

Source: www.business-standard.com

Based upon commercial needs, there are three levels of risk assessment used by the oil majors:

- (i) terminal use, which will clear a vessel to call at one of the oil major's terminals,
- (ii) voyage charter, which will clear the vessel for a single voyage; and
- (iii) term charter, which will clear the vessel for use for an extended period of time. The depth, complexity and difficulty of each of these levels of assessment vary.

While for the terminal use and voyage charter relationships a ship inspection and the operator's TMSA will be sufficient for the assessment to be undertaken, a term charter relationship also requires a thorough office assessment.

In addition to the commercial interest on the part of the oil major, an excellent safety and environmental protection record is necessary to ensure an office assessment is undertaken.

Classification, Inspection and Maintenance

Every oceangoing vessel must be "classed" and certified by a classification society. The classification society is responsible for verifying that the vessel has been built and maintained in accordance with the rules and regulations of the classification society and ship's country of registry as well as the international conventions of which that country has accepted and signed.

In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state or port authority.

These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For the maintenance of the class certificate, regular and extraordinary surveys of hull and machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- **Annual Surveys**, which are conducted for the hull and the machinery at intervals of 12 months from the date of commencement of the class period indicated on the certificate.

- **Intermediate Surveys**, which are extended annual surveys and are typically conducted two and one-half years after commissioning and after each class renewal survey. In the case of new buildings, the requirements of the intermediate survey can be met through an underwater inspection in lieu of dry-docking the vessel. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

- **Class Renewal Surveys** (also known as *special surveys*), which are carried out at the intervals indicated by the classification for the hull (usually at five year intervals). During the special survey, the vessel is thoroughly examined, including Non- Destructive Inspections (“NDIs”) to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society will order steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every five years, depending on whether a grace period is granted, a ship-owner or manager has the option of arranging with the classification society for the vessel’s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner’s application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as ESP (Enhanced Survey Program) and CSM (Continuous Machinery Survey).

- **Occasional Surveys** which are carried out as a result of unexpected events, e.g. an accident or other circumstances requiring unscheduled attendance by the classification society for re-confirming that the vessel maintains its class, following such an unexpected event.

All areas subject to survey, as defined by the classification society, are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a “recommendation” which must be rectified by the ship-owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in class” by a classification society which is a member of the International Association of Classification Societies. All new and secondhand vessels that we may purchase must be certified prior to their delivery under our standard agreements. If any vessel we contract to purchase is not certified as “in class” on the date of closing, we will have no obligation to take delivery of such vessels.

3. EXTERNAL ENVIRONMENT ANALYSIS STRUCTURE

3.1 THE PRODUCT TANKERS MARKET

3.1.1 Market Segmentation – Targeted fleet

Medium Range Tankers (MR)

The MR is one of the most popular tanker types due to its flexibility, both in terms of size and trading opportunities, as well as from an investment perspective. The MR’s flexibility as well as liquidity due to the size of the fleet and number of owners, make it a natural entry point into the product tanker market. The MR segment of the product tanker fleet has seen limited new contracting in 2017, the lowest point in 20 years, while net fleet growth is expected to slow further with an expansion of 2.1% in 2018 and 1.7% in 2019.

2017 MR (>50,000dwt) Exports by Load Area

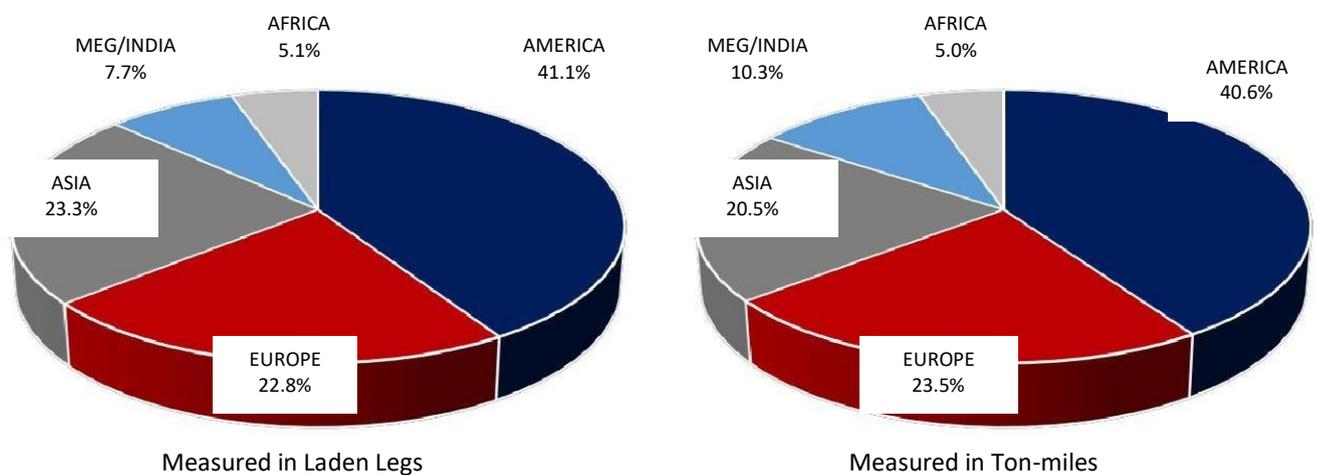


Chart 4: 2017 MR (>50,000dwt) Exports by Load Area

Source: Fearnleys

For trading, the MR size allows it to call on smaller and shallower ports, while at the same time providing the capability to carry multiple cargos such as clean and dirty petroleum products as well as easy chemicals and vegetable/edible oils for some of the more modern MRs. This is also the class of tankers that has seen the largest change in size and specifications.

The oldest MRs are now often referred to as Handy size ships, as their deadweight has grown from approximately 27,000 dwt to approximately 55,000 dwt for the largest currently delivered and on order. Today, many of the larger MR vessels trade in the Atlantic Basin, carrying ULSD to South America or gasoline from Europe to the U.S., while the smaller MR (<45,000dwt) and Handy size vessels engage in more regional intra-Europe, intra-Middle East and intra-Asia trade (note that the definition of a small MR vessel and a large Handysize can be the same in deadweight tone capacity, depending on source).

Long Range Tankers (LR1)

LR1s are similar in dimension to the crude oil carrying Panamax tankers between 60,000 dwt and 85,000 dwt. Modern LR1s are almost exclusively around 75,000 dwt with very similar dimensions which is unique to the LR1 segment, particularly when compared to the vast size variances seen in the MR segment.

While the +50,000 dwt MRs mainly trade in the West, with 65% of the cargo lifting's generated by Atlantic basin exports in 2016, and the LR2s mainly trade in the East, LR1s are able to compete both East and West of the Suez Canal. In the Americas and West Africa, the LR1 size is the largest that can be used in many of the ports due to draft limitations, among other things.

2017 LR1 Exports by Load Area

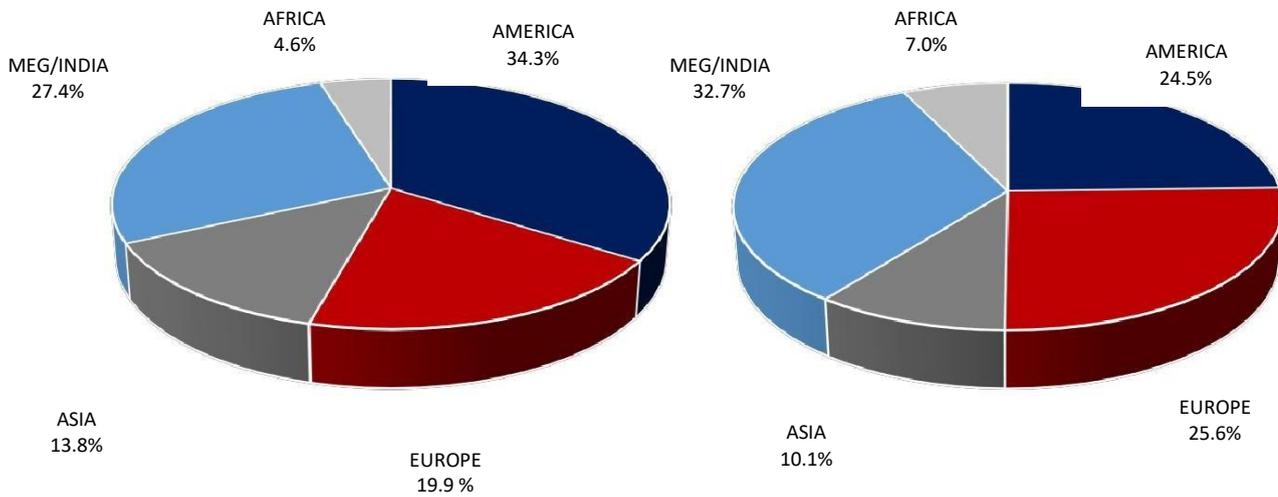


Chart 5: 2017 LR1 Exports by Load Area

Source: Fearnleys

The LR1 tanker is positioned well in terms of versatility, as the cargo capacity allows it to compete with the LR2 cousin as well as serve smaller cargo stems historically carried out by MR2 tankers.

As such, trade consolidation is importantly less than the LR2 sector with about 57% of demand concentrated on the top 10 routes. The LR1 tanker sector is expected to record 5% expansion in tanker demand this year, after travelling on a growth trajectory since 2001.

As with its larger cousin, the LR1 sector generates significant demand along the Middle East to Far East route; however, the projected balances for Middle East point to slowdown in exports, which historically proves beneficial to the LR1 sector due to its versatility for smaller cargo sizes.

3.1.2 Evolving Trade Routes

Key historic CPP trades

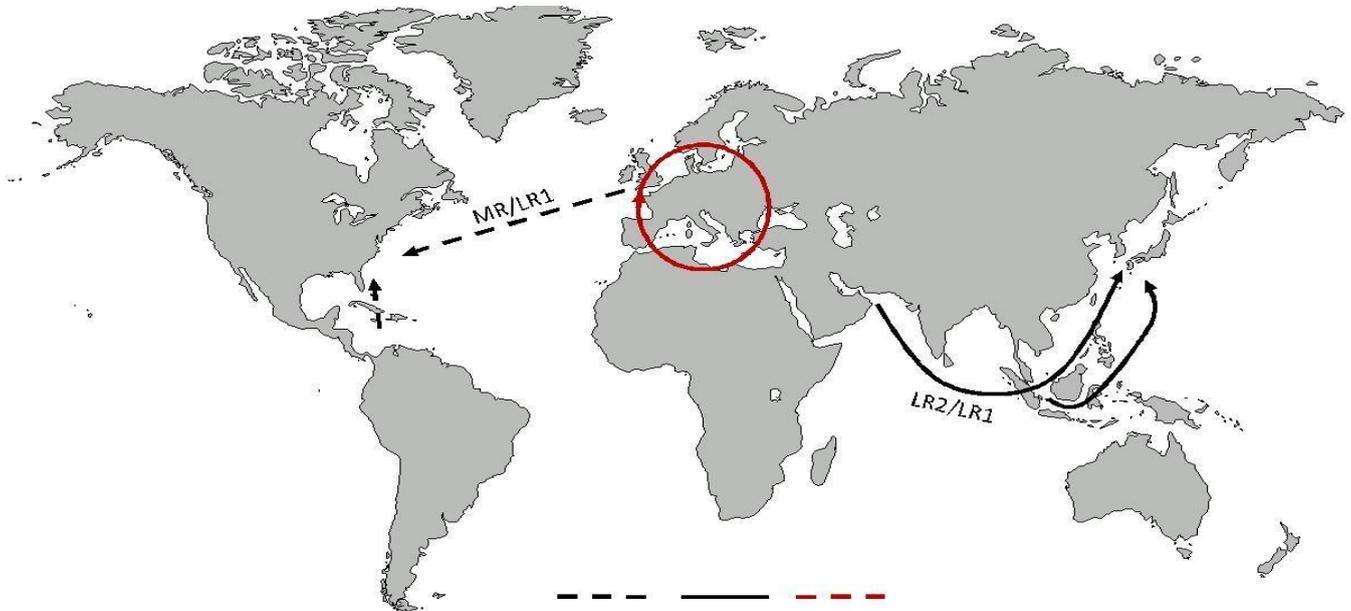


Figure 11: CPP trades

Source: www.business-standard.com

Selection of Current Complex Trade Patterns for CPP¹

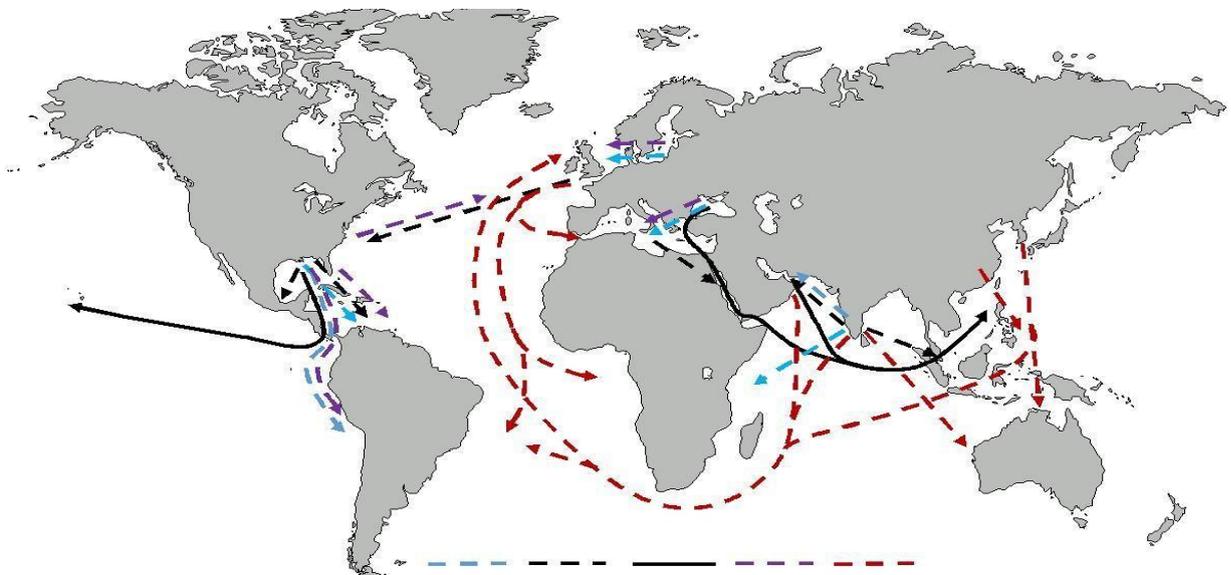


Figure 12: Current Complex Trade Patterns for CPP

Source: www.business-standard.com

3.1.3 Reduction of Emissions, our Commitment, Trends

We are committed to gain ISO 14001, to monitor and analyze energy consumption on our vessels, demonstrating our commitment to protect people and the environment, using lessons learned and general guidelines and procedures, to improve energy efficiency while reducing emissions.

Increased energy efficiency is one of the most effective means of protecting the environment. The Ship Energy Efficiency Management Plan, in line with the guideline of IMO on ship efficiency, would be implemented on board our vessels, to optimize operational processes and improve profitability through the efficient use of people and assets. It is a guide for all our personnel to increase energy efficiency in our vessel systems and operational processes.

Our management is committed to:

- Increasing energy efficiency
- Reducing emissions
- Investing in clean, energy efficient technologies where financially viable.
- Reducing environmental impacts arising from consumption of energy.
- Raising staff awareness and commitment to reduce energy consumption.

In this regard, OC.MA is committed to obtain the certification ISO 50001, the international standard that recognizes Management Systems aimed at promoting energy efficiency.

The Paris Climate Agreement (2015) is dealing with greenhouse gas emissions, sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.

The EU was the first major economy to submit its intended contribution to the new agreement in March 2015. It is already taking steps to implement its target to reduce emissions by at least 40% by 2030.

In this regard, EU issued the Regulation 2015/757 for the Monitoring Reporting and

Verification (MRV) of CO2 emissions by vessels for voyages between European ports. In this respect, we are going to integrate a specific Monitoring and Reporting Plan for each vessel and the procedure to provide all data necessary to the monitoring and reporting. The monitoring starting date is January 2018. At the end of the year, all data shall be verified and a report with the CO2 emissions shall be submitted in 2019 to the EU Commission, which will issue a specific certificate to each vessel. This represents a first step to understand how the maritime industry can contribute to the reduction of global emissions.

Market Trends

The tanker market has made the most of a solid and much needed boost that was ignited by falling oil prices, which started in early October. Prices were pushed down by all-time high Saudi Arabian crude oil production that peaked at 11.1m barrels per day in November. Earnings for all sizes of crude oil tankers touched USD 50,000 per day as they peaked in late November and early December 2018 (www.bimco.org).

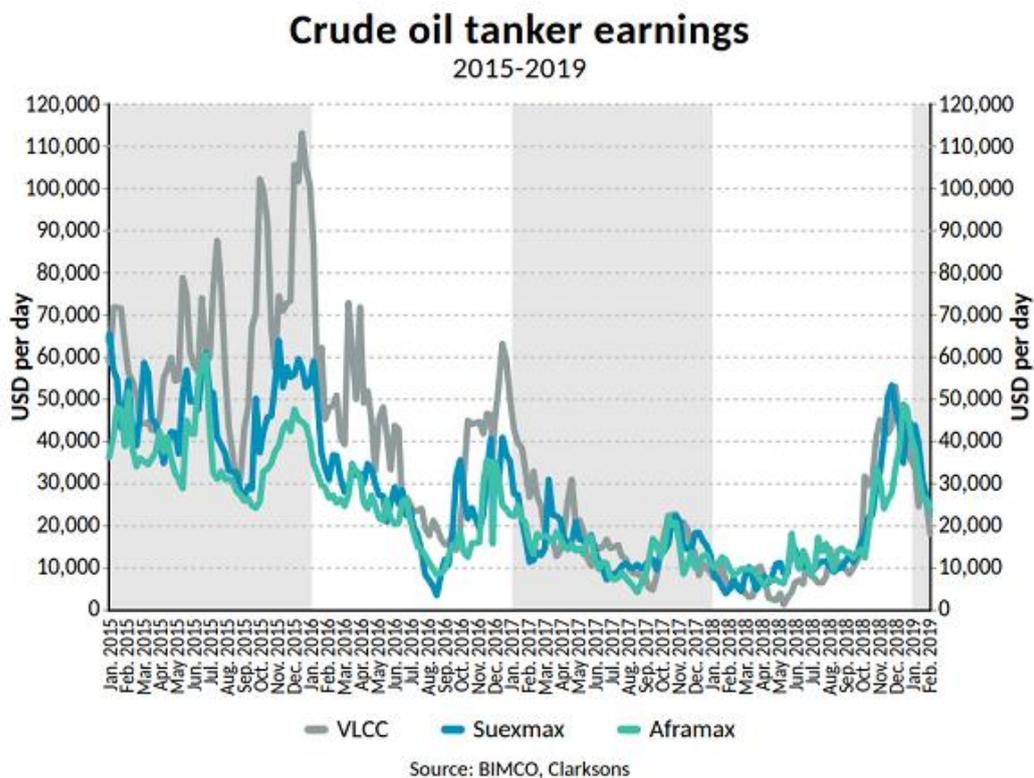


Chart 6: Crude oil product tanker earnings

Source: BIMCO, Clarksons

Earnings for oil product tankers followed suit, peaking in December. Rates for LR2 and LR1 tankers reached USD 32,000 per day, but those for MRs disappointed because they only reached USD 20,000 per day.

After deduction of operational expenditures (OPEX), bunker cost and capital expenditures (CAPEX), all crude oil tanker spot fixtures made in Q4-2018 were profitable. Oil product tankers were only seeing profitable spot freight rates in December (www.bimco.org).

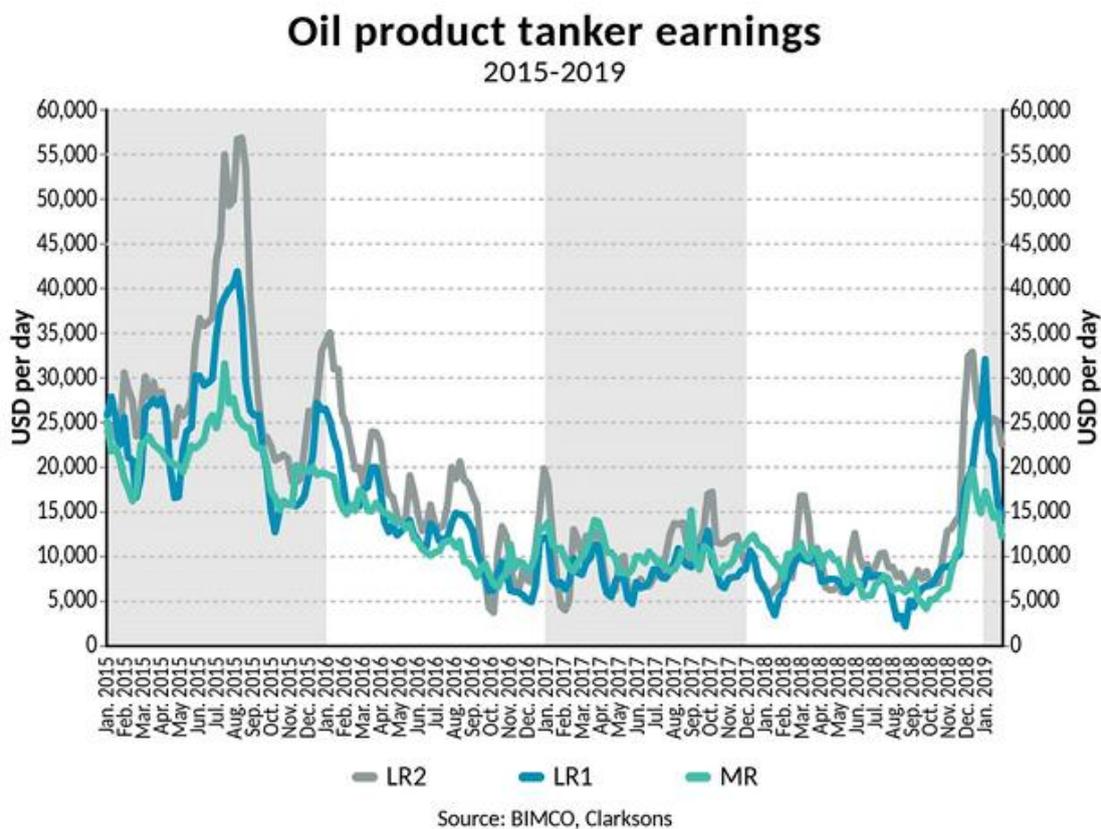


Chart 7: Oil product tanker earnings

Source: BIMCO, Clarksons

Oil product tankers benefited as global refiners increased throughput and refined oil products were shipped and stored at different facilities around the world. But oil product tankers did not get the full benefit of the falling oil prices because Chinese crude oil imports (link to news story of 31 Jan) - which grew massively in Q4 - went, to a large extent, into strategic petroleum reserves as well as to independent Chinese “teapot”

refiners' storage. The crude oil wasn't immediately refined, so no products were produced for exports.

December exports of oil products from China are normally seasonally strong, but they dropped 5% in 2018 compared with December 2017 (www.bimco.org).

We firmly believe that the product tanker sector presents attractive opportunities for consolidation and growth. The seaborne transportation industry is a vital link in international trade, with ocean going vessels representing the most efficient and often the only method of transporting large volumes of basic commodities and finished products.

Demand for oil tankers is dictated by world oil demand and trade, which is influenced by many factors, including international economic activity, geographic changes in oil production, processing, and consumption, oil price levels, inventory policies of the major oil and oil trading companies; and strategic inventory policies of countries such as the United States, China and India. Generally, growth in gross domestic product, or GDP, and industrial production correlate with peaks in demand for marine transportation services.

Shipping demand, measured in tone-miles, is a product of (a) the amount of cargo transported in ocean going vessels, multiplied by (b) the distance over which this cargo is transported. The distance is the more variable element of the tone-mile demand equation and is determined by seaborne trading patterns, which are principally influenced by the locations of production and consumption. Seaborne trading patterns are also periodically influenced by geo-political events that divert vessels from normal trading patterns, as well as by inter-regional trading activity created by commodity supply and demand imbalances.

Tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity as well as the long-term impact of oil prices on the location and related volume of oil production. Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries.



Figure 13: Chemical tanker – Market trend

Source: www.shippingwatch.com

Demand for tankers and tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity as well as the long-term impact of oil prices on the location and related volume of oil production. Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries.

Demand for energy will rise through 2040 as global economic output doubles and prosperity expands across a world where population will grow to nearly 9 billion people, Exxon Mobil Corporation states in its 2015 outlook for energy. Extending its annual long-term energy forecast to 2040 for the first time, ExxonMobil said this year's outlook reveals several trends that will influence how the world uses energy over the coming decades.

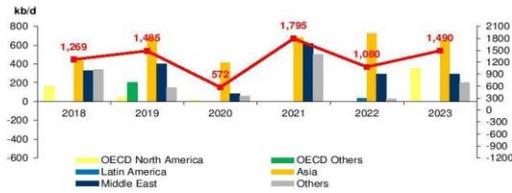
The outlook projects that global energy demand in 2040 will be about 30 percent higher than it was in 2010, led by growth in developing regions such as China, India, Africa and other emerging economies.

3.2 DEMAND AND SUPPLY FACTORS

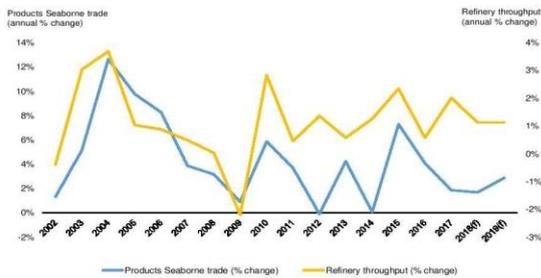
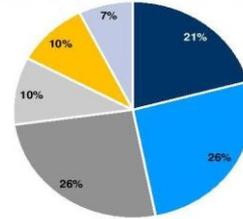
3.2.1 Refineries Growth and Consumer Dislocation

Growth in refinery capacity and oil demand¹.

Capacity additions 2018-2023 by region



Refinery growth 2018-2023



- In their last report, the IEA revised their forecast for demand growth in 2018 and 2019, reducing it for both years by 110 thousand b/d to 1.3 million b/d and 1.4 million b/d, respectively. This is due to a weaker economic outlook, trade concerns and higher oil prices.
- Strong correlation between refinery throughput and demand for seaborne transportation of refined products.
- Global refinery crude distillation capacity is forecast to rise by 7.7 m b/d from '18 to '23.** Most of the expansion is expected in the Middle East (+2 m b/d), followed by China (+1.6 m b/d).
- 73% of the planned refinery additions are in Asia and the Middle East.**

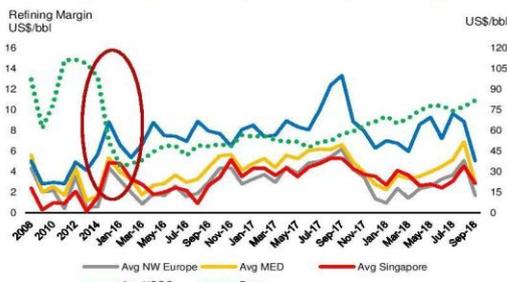
¹ Source: Clarksons Research Services, Oct'16, IEA Apr'16 and BP Statistical Review of World Energy 2016

Figure 14: Growth in refinery capacity and oil demand

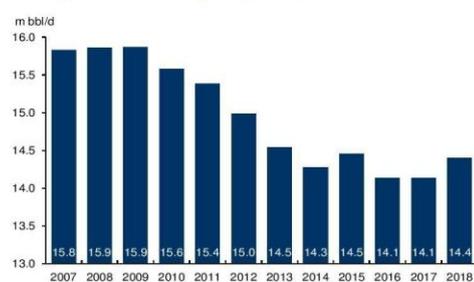
Source: Clarksons Research Services

Market Overview. Demand, Refining Margins

Refining Margins Europe, USG (cracking)¹



European Refining Capacity 2007-18²



- New refineries in the US and Asia can obtain much higher margins than those in Europe.
- Europe is still one of the world's largest refining regions, but capacity and throughput are on a sharp downward trend.
- The large increase expected in refinery capacity worldwide, is going to create further difficulties for European refineries.
- In addition, the **January 2020 IMO deadline limiting sulphur content in marine fuels to 0.5% worldwide, is going to pose an additional challenge for European and in particular Russian refineries, which are large producers of marine fuel oil.**
- Further reductions in European refineries throughput is therefore expected, with their volumes being displaced by the more competitive North American, Asian and Middle Eastern refineries. The effect of this process is an increase in volumes transported and average ton-miles.**

European refining capacity is on a downward trend, creating pent-up demand for seaborne transportation of refined petroleum products

¹ IEA – OMR report Sep'18
² Source: Clarksons Research Services as at Mar'18

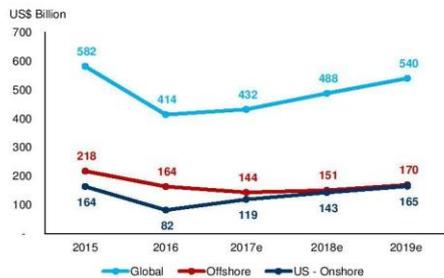
Figure 15: Market Overview. Demand, Refining Margins '18

Source: IEA – OMR, Clarksons Research Services

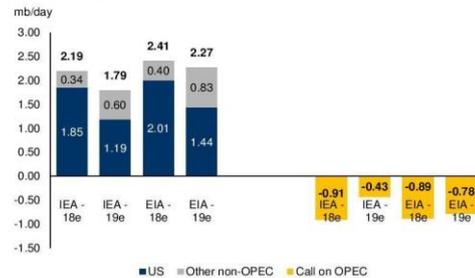
3.2.2 Oil Production Demand

Market Overview. Demand, Oil Production

E&P - CAPEX estimate¹



Non-OPEC Oil Production vs Call-on OPEC¹



- An increase in the oil price has been driving and should continue **stimulating an increase in oil companies' E&P spending**. This applies mainly to US shale oil but also to offshore investments.
- In fact, the rebound in the oil price (driven by strong demand, Iran sanctions, the Venezuelan and Libyan crisis, and partially reverted OPEC supply curtailments) has been improving the economics for oil companies, allowing them to fund an increase in capex through higher operating cash flow.
- The large majority of the estimated increase in oil production in 2018 and 2019 will come from the US.** US shale oil is expected to flood the market due to its short investment cycle, and a rise in production efficiency which resulted in an important decline in break-even costs. Logistical bottlenecks in US inland infrastructure could, however, slowdown growth from this source of oil.
- The call-on OPEC (the OPEC production required to balance supply and demand) is estimated by the IEA and EIA to be negative in 2018 and 2019, implying **growth in non-OPEC supply will outpace increase in oil demand**.

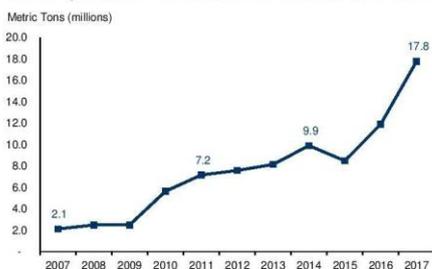
1. Source: ABG Sundal Collier - Oct'18

Figure 16: Market Overview. Demand, Oil Production

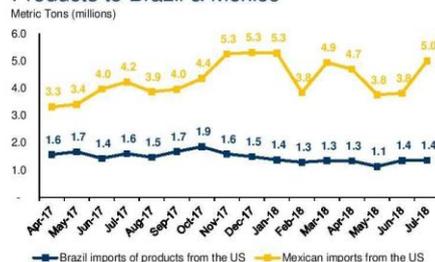
Source: ABG Sundal Collier - Oct'18

Market Overview. Demand

US Exports of Petroleum Products to Brazil¹



Last 12 months' US Exports of Petroleum Products to Brazil & Mexico²



- In Brazil, the truck drivers' strike in protest to rising fuel prices, contributed to a fall in petroleum product imports of around 0.3 million tons per month (-16.3%) in the first four months of 2018 (average of 1.3 million tons per month), relative to the last eight months of 2017 (average of 1.6 million tons per month). Since the strike ended in May demand for Distillates and Gasoline has improved to above the five year average. However this demand has been largely met by increased domestic refinery throughput.

- Mexico has become the largest refined product importer in the world, taking in as much as 600,000 b/d of gasoline and 300,000 b/d of diesel, mostly from the US Gulf Coast. Imports averaged around 4.3 million tons per month from April '17 to January '18, declining, however, by a massive 1.5 million metric tons between January and February '18 (-27.3%), which is the equivalent of 50 MRs. From May to July '18 imports have been erratic, averaging 4.2 millions tons per month, 21% lower than in the Nov '17 to Jan'18 period.

Growth in Brazilian and Mexican imports, were over the last few years, amongst the main drivers of the rise in demand for seaborne transportation of petroleum products. Unfortunately, this positive trend suffered a strong reversal in both countries in 2018.

1. Source: EIA Feb'18.
2. Source: EIA Jul'18

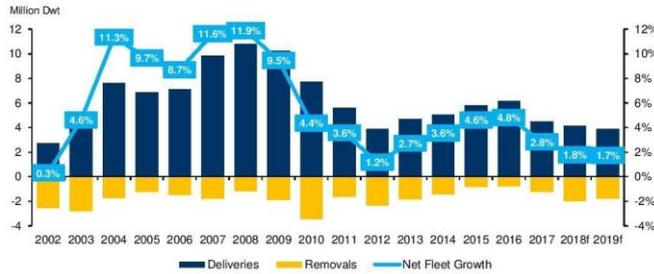
Figure 17: Market Overview. Demand

Source: EA Feb'18 , Jul'18

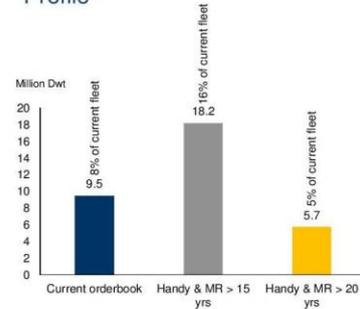
3.2.3 New Deliveries vs. Existing Fleet

Market Overview. Fleet Growth

MR & LR1 deliveries and scrapping (m dwt) (lhs), and net fleet growth (%)¹ (rhs)



Current MR & LR1 Fleet Age Profile¹



Scheduled deliveries are slowing. Even with limited scrapping, fleet growth is expected to slow even further with an expected expansion of 1.8% in 2018 and 1.7% in 2019

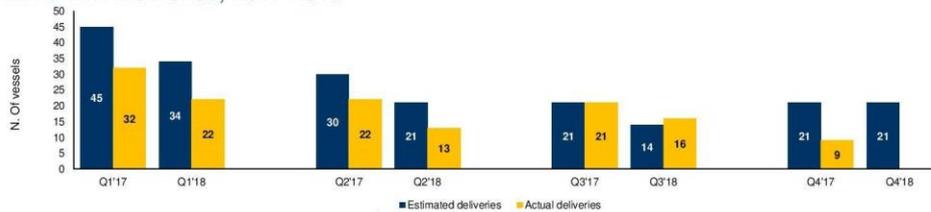
¹ Source: Clarkson Research Services as at Oct'18 and Clarksons Oil & Tanker Trades Outlook – Oct'18

Figure 18: Market Overview. Fleet Growth

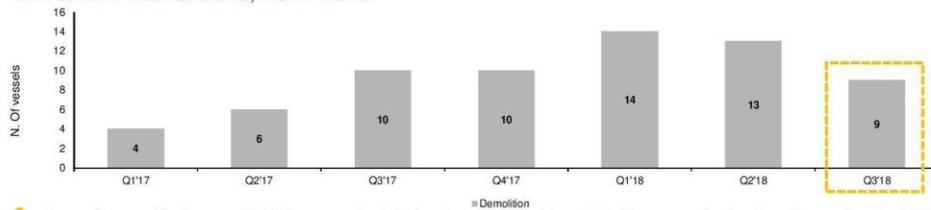
Source: Clarksons – Oct'18

Supply 2017-2018. Vessel supply slowing down

MR & LR1 Deliveries, 2017-2018¹



MR & LR1 Demolitions, 2017-2018¹



- According to Clarksons 74 MRs are scheduled to be delivered in 2018. However, in the first 9 months of 2018 actual MR deliveries were of only 39 vessels, compared to 57 planned, a slippage of 32%.
- According to Clarksons 16 LR1s are scheduled to be delivered in 2018. In the first 9 months of 2018 actual and planned deliveries were in line at 12 vessels.
- Lower demolition activity in Q3'18 is mainly attributable to the monsoon season.

As anticipated, the increase in demolitions and reduction in deliveries, contributed to a sharp reduction in fleet growth, which was of only 0.6%² in the first nine months of 2018

¹ Source: Clarksons, Affinity and Company estimates. Oct'18

² Total numb of MR and LR1 at the end of 2017: 2321 (according to Clarksons Oil & Tanker Trades Outlook – Oct'18) plus 51 deliveries less 36 scrapped

Figure 19: Vessel Supply 2017-2018

Source: Clarksons

3.2.4 Employment Rates and Second-hand Values

Rates and Asset Values.

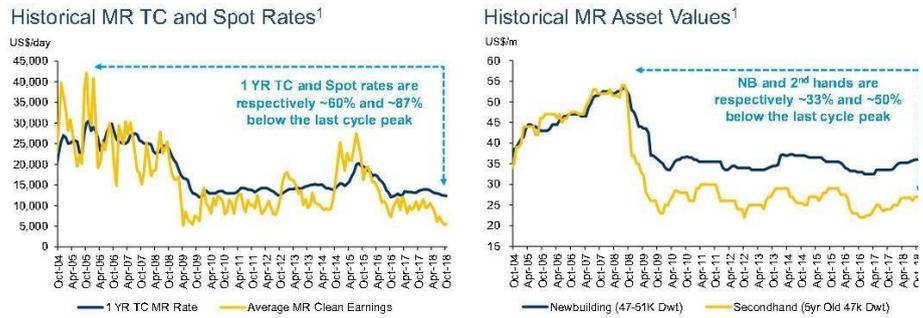


Figure 20: Rates and asset values
Source: Clarksons

Current charter rates and asset values are well below historical averages, providing a very attractive potential upside

¹ Source: Clarksons Research Services as at Oct'18

1 Year TC vs Secondhand values.



- The one-year TC rate for Eco MR vessels stood as at the end of Oct'18 at around US\$ 13,500-14,000 per day.

In the last cycle, the product tanker market hit bottom in October 2016 and since then asset values for younger vessels have been gradually recovering (5 year old MR, +23%); TC rates also improved initially but experienced a correction in 2018 and they are currently close (2% higher) to the levels of October 2016

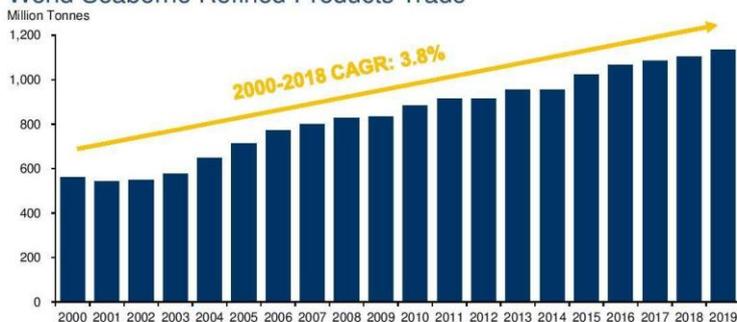
Figure 21: 1 Year TC vs. Secondhand values
Source: Clarksons

¹ Source: Clarksons Research Services as at Oct'18

3.2.5 Demand for Seaborne Transportation

Market Overview. Demand

World Seaborne Refined Products Trade¹



- Seaborne oil product trade has increased at a **strong CAGR of 3.8%** since 2000.
- Furthermore, refineries are increasingly being built far from the main consuming areas, contributing to a rise in volumes transported by sea, and average distances sailed.
- Unsurprisingly, refined products have increased their share of the total oil seaborne trade from 25% in 2000 to 35% in 2018/2019.

Product share of Oil Seaborne trade¹

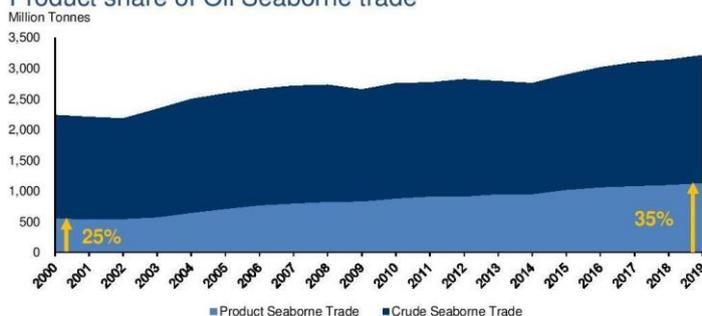


Figure 22: Market Overview. Demand

Source: Clarksons Oct'18

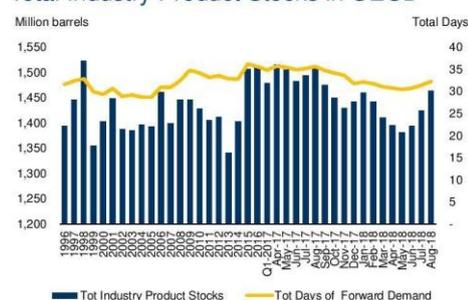
¹. Source: Clarkson Research Services as at Oct'18

Market Overview. The market since 2015

Refining Throughput¹



Total Industry Product Stocks in OECD²



- Accelerating economic growth has resulted in a healthy rise in oil consumption, driving reductions in OECD commercial product stocks.
- Since peaking in August '16 at 1.58 billion barrels, stocks drew by an impressive 200 million barrels to a trough in May 2018 of 1.38 billion barrels, before rebounding to 1.46 billion barrels in August '18.
- Although OECD inventories have increased since May '18, for some products they were as at end of August '18 close to or below the 5 year average.
- Refining throughput is expected to increase to a seasonal high of 84.0 million bpd in December '18, up from only 81.5 million bpd in October '18, an increase of around 3.1%.
- Average refining throughput in 2019 is expected to amount to 83.3 million bpd, 1.3 million bpd higher (+1.6%) than in 2018.

The upswing and downturn in freight rates since early 2015 is partly attributable to an inventory cycle

¹. Source: IEA Oil Market Report Sep'18. Average margins for refineries in NW Europe, Med, Singapore, and USGC (US Midcon excluded).

². Source: IEA Oil market report Sep'18. It also includes a small portion of NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Figure 23: Market Overview, since 2015

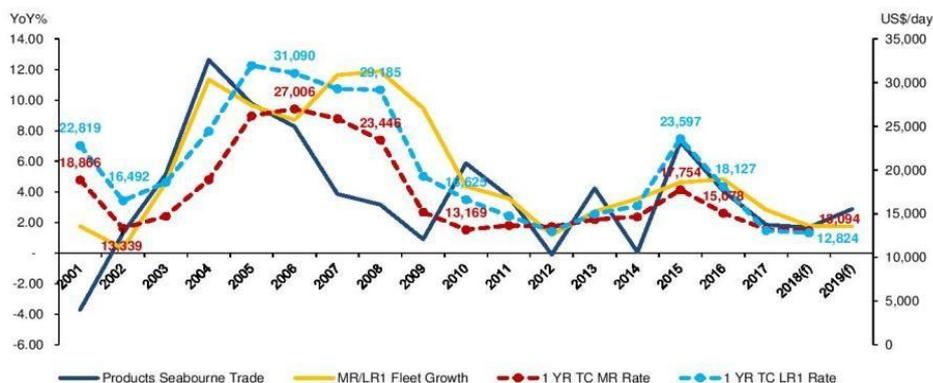
Source: International Energy Agency (IEA)

3.2.6 Supply vs. Demand Factors

The International Energy Agency (IEA) stated in their most recent report refinery capacity is expected to increase by 12.5 million barrels per day between 2018 and 2023, including all additions, expansions and upgrades. About 67% of that capacity will be added in Asia and the Middle East, with the IEA projecting China and other non-OECD to increase refinery capacity by 3.3 million barrels per day and 2.5 million barrels per day respectively.

Market Overview. Supply vs Demand

Seaborne Volume and MR/LR1 Fleet Growth (lhs)%¹ vs 1 year MR and LR1 TC rate (rhs)



If demand for seaborne transportation of refined products were to rise in 2019 at the average rate since 2000 of around 3.8%, it should comfortably exceed supply growth, leading to a tighter market and increasing freight rates

1. Source: Clarkson Research Services as at Oct'18. Based on the current orderbook

Figure 24: Market Overview. Supply vs Demand

Source: Clarksons Oct'18

- The International Maritime Organization (IMO) has mandated that from 2020 vessels use marine fuels with less than 0.5% sulphur content outside the Emissions Control Areas (ECA), down from the current standard of 3.5%. Changes in this regulation are likely to lead to a surge in demand for ultra-low sulphur distillates and gasoil. However, since these fuels are not available in sufficient quantities in many locations, they will have to be imported. This could structurally support demand for product tankers.

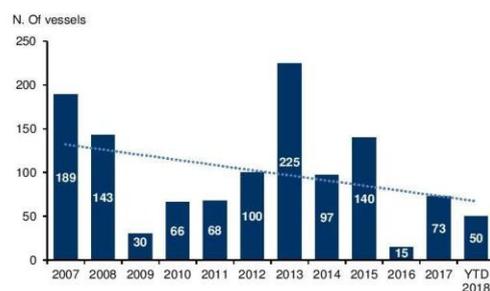
- According to Clarksons total seaborne volume of petroleum products traded has been growing at a 4.1% CAGR since 2000, driven by refinery expansion and throughput. In 2019, according to Clarksons', product tanker dwt demand is projected to grow by 3.8%, with products trade anticipated to expand on several trade routes, partly as a result of expected healthy growth in non-OECD oil demand. In addition to rising oil demand, expanding refinery capacity in key countries such as the US and China is also expected to support oil products trade growth, notably on ex-USG and intra-Asian routes.
- Seaborne trade thrives on the existence of mismatches – in the oil products sector these can be in any given country driven by differences among the types of products produced and demanded, the types and quality of oil products produced by refineries, and the margins achieved by refineries due to the different prices of crude oil used, of the energy consumed and of their technological sophistication.

Market Overview. Supply

MR Newbuilding parity curve vs Second-hand values¹



MR & LR1 orders



- Shipyards worldwide are facing severe financial difficulties, which has led to a **sharp reduction in shipbuilding capacity**.
- **Attractive valuation of secondhand vessels versus newbuildings**, reduces incentive to order new ships.
- **Regulatory uncertainty** (water ballast tank system) and IMO low-sulphur deadline for marine fuel in January 2020, is also **limiting orders for newbuildings**.
- **Lower interest in the sector from financial investors** (Private Equity), and large investments by industrial players in the recent past, is further contributing to a drop in new construction contracts, which reached a ten-year low of 15 MRs and LR1s in 2016. Although MR and LR1 orders in 2017 rose to 73 vessels, they were still low by historical standards. 44 MRs and 6 LR1s were ordered in the first nine months of 2018.

¹ Source: Vessel prices from Clarkson Research Services as at Oct'18. Newbuilding prices evolution based on 25 years depreciation, including US\$ 1m first supply and US\$ 4.34m scrap value.

Figure 25: Market Overview. Supply

Source: Clarksons Oct'18

IMO 2020. Implications

IMO 2020 in brief:

- The impending marine bunker specification change, mandated by the IMO, will **cap sulphur emissions from ocean-going vessels to 0.5%, starting from January 2020**.
- To comply with the new regulations, vessels will need either to use low-sulphur fuel for bunkers (LSFO), gasoil, or reduce engine emissions through the use of scrubbers.
- The changes will impact current consumption of high sulphur fuel oil (HSFO) bunkers of approximately 3.2 million b/d.

Potential implications of IMO 2020 for the product tanker market:

- According to Clarksons, 442 scrubbers have been ordered for installation in tankers by the end of 2020, representing 6.62% of the trading fleet¹; **for smaller tankers (10-55k dwt), current orders represent 4.43% of the trading fleet¹**. Number of scrubbers ordered are, however, expected to continue rising, since there is still significant space available for installation in 2020.
- Expected increase of average bunker prices from Jan '20 will encourage **slow-steaming and scrapping of older tonnage**;
- **Potential floating storage of HSFO**, as forward curve is expected to be initially in contango, reducing effective trading fleet;
- **Retrofits of scrubbers will entail longer off-hires for planned maintenance and additional dry-docks** with associated deviations, reducing tonnage availability;
- **Part of the HSFO produced will need to be transported to refineries with secondary units** for further processing to reduce sulphur content, and thereafter be distributed to ports, increasing trading opportunities;
- **Additional need to distribute gasoil and LSFO**. In particular, lower number of refineries that can produce LSFO relative to HSFO should lead to a larger overall need for seaborne transportation.
- **Dislocation in production of sweet and sour crude and location of refineries that will be buying these different types of oil, will benefit also crude tankers and indirectly us** – more vessels switching to the dirty trade and less clean cargoes transported by these vessels on their maiden voyages.
- **Predicted increase in average refining margins, utilisation and throughput** should further contribute to an increase in the demand for product tankers. Refineries in northern Europe and Russia, which are less flexible and produce more fuel oil, expected to loose, further increasing European import needs (and ton-miles) from Asia and the Middle East.

IMO 2020 regulation is expected to be extremely beneficial for product tankers

1. Based on number of vessels.

Figure 26: IMO 2020. Implications

Source: Clarksons

Industry Summary

The key variables affecting the seaborne trade for refined products are the underlying demand in the key consuming regions, local and regional refining capacity relative to demand by product type, regional differences in refining margins, and regional pricing differentials leading to arbitrage opportunities.

Petroleum products are transported for several reasons

Many product carriers are employed on so-called deficit trades. These are regular trades between an area of surplus and an area of shortage. These deficit trades are the result of regional imbalances in refining capacity. Some regional shortages are structural, such as in the United States, where product demand will continue to exceed refining capacity, as no new refineries are planned. In other regions, such as China, where demand grows faster than refinery capacity can be added, these shortages are expected to be temporary.

Balancing trades are caused by the fact that the product mix of local refineries does not always match local demand. The regular trade in gasoline and diesel fuel between Europe and the United States is an example of this. In their efforts to produce enough diesel fuel, refineries in Western Europe produce too much gasoline for the local market. In the United States however, there has traditionally been a shortage of gasoline and a surplus of diesel. So it is natural for oil companies and oil traders to move the diesel surplus from the U.S. to Europe and to transport gasoline in the opposite direction, provided that the economics make sense.

Unusual price differentials between regions can trigger temporary product movements. Sometimes, local refiners export a product, even if there is a domestic shortage, because the export prices are higher than the domestic prices. These trades are called arbitrage trades.

Rapidly growing demand for oil products, combined with a shortage of suitable refining capacity in certain regions of the world has led to a significant increase in refined product movements in recent years. These developments are likely to persist in the coming years and will create further growth in employment opportunities for product carriers.

Major Seaborne Refined Products Trades

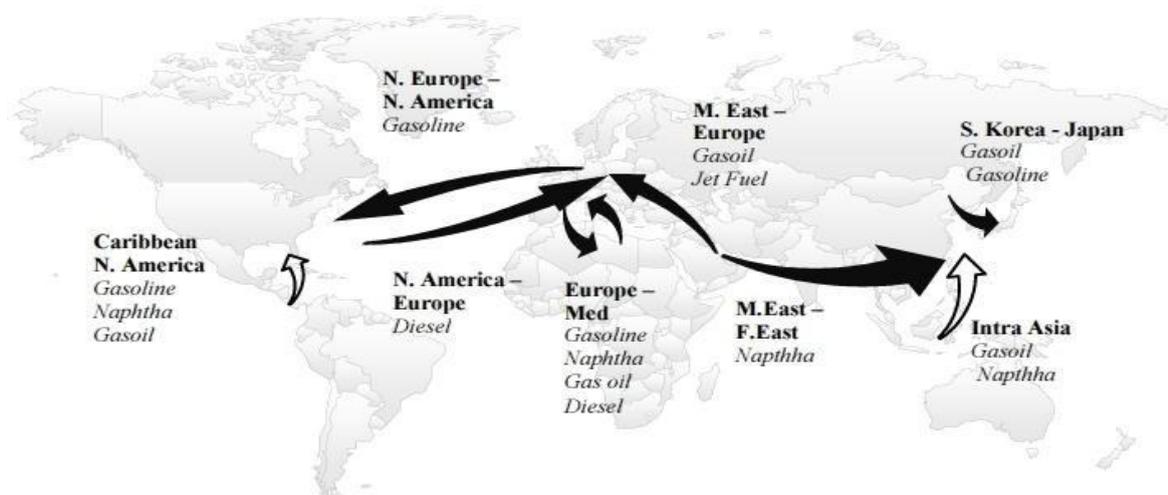


Figure 27: Typical MR Triangulation in Atlantic Basin

Source: Drewry

distillation capacity. This trend suggests a growing capability, and desire, of the refining industry collectively to run heavier crude and generate less fuel oil.

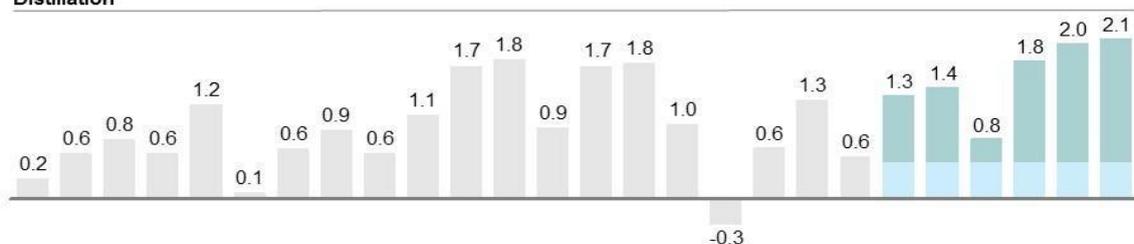
For traders and the shipping sector, the impact of this capacity outlook for trade flows varies by region. Latin America is currently significantly short light product; fewer new refining projects will prolong reliance on product imports and continue to support the US Gulf Coast as a product export hub.

Delays seen in Russian conversion projects might slightly reduce pressure on European refiners, but continued growth in the Middle East and continued US product exports imply that the growth of imports into Europe will persist and drive additional import logistics- related opportunities.

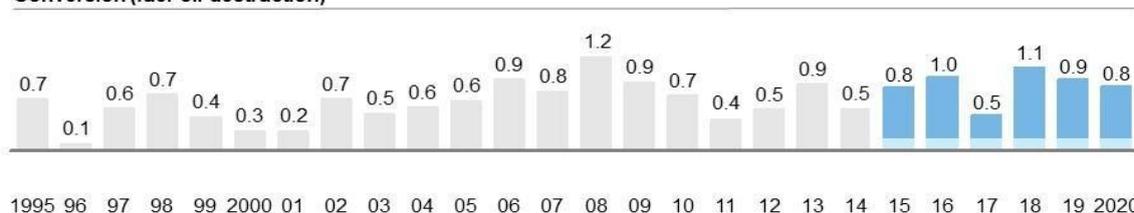
Distillation and conversion capacity will continue to be added at high levels over the next five years

Refinery net capacity additions^{1,2}
Million barrels/day

Distillation



Conversion (fuel oil destruction)³



1 Includes projects classed as Firm and Probable; forecasts include planned capacity reductions and closures

2 Forecast includes 0.5% per annum creep

3 Fuel oil destruction defined as 100% coking, 85% FCC, 100% HCU and 38% of thermal processes (derived from LP modeling)

SOURCE: McKinsey refining capacity database



Chart 8: Future distillation & conversion capacity

Source: McKinsey database

Employment of the Targeted Fleet

OC.MA intends to employ its managed vessels in a combination of spot charter market and period time charters, choosing always according to the prevailing charter-market conditions in order to avoid to fix our vessels under low-priced contracts while jettison by this “income security policy” any upside potential and organic growth. With growing fleet we will employ specific vessels in product tanker pools while in order to achieve our goals we are going to cooperate with reputable third parties with a proven track-record.

Time Charters

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel’s owner provides crewing and other services related to the vessel’s operation, the cost of which is included in the daily rate and the charterer is responsible for substantially all vessel voyage costs except for commissions which are assumed by the owner. The basic hire rate payable under the charters is a previously agreed daily rate, as specified in the charter, payable at the beginning of the month in U.S. Dollars.

Voyage/Trip Charters

Under a voyage charter the vessel is hired for a single voyage from one or more named load port to one or more specified destination ports. In this case all related costs are included in the specified hire amount.

As is common in the shipping industry, we would have to pay commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter, while commissions payable have to be consistent with industry practices.

A spot charter and a period time charter are contracts to charter a vessel for an agreed period of time at a set daily rate. Under a spot charter, this daily rate can either be a contract to carry a specific cargo for a per day rate or a per- ton carry amount, depending on the agreement with the charterer.

Vessels operating on period time charter provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot market during periods characterized by favourable market conditions. Vessels operating in the spot market generate revenues which are less predictable but may enable OC.MA to increase profit margins during periods of increasing product tanker charter rates.

Carrier Pools/Profit Sharing

Our company may from time to time employ its vessels in carrier pools and/or under profit sharing agreements. These pools, operated commercially by third parties, bring together vessels from one or multiple owners to service the needs of charterers. In this arrangement, voyage and operating expenses are paid by the pool manager, and OC.MA would be paid its "share" of the voyage revenues on a predetermined schedule.

3.3 COMPETITIVENESS SECTORS

3.3.1 Competitive Factors

Acquire and operate a diversified, modern fleet in selected markets, preferable sister ship vessels providing us with efficiencies in meeting our customer's needs, enhancing the revenue generating potential allowing us to service virtually all major ports and routes.

MR and LR Product Tankers carry a great variety of refined oil products, being historically well positioned to take advantage of the geographical dislocation between refining capacity and consumption.

Capitalize OC.MA's & BSM reputation, a world leader company in technical management services, for high operating standards and maintain at the same time low cost and highly efficient operations (www.bs-shipmanagement.com). The management maintains long-standing relationships with first-class charterers and commercial managers for the employment of the targeted fleet.

Strategically deploy our fleet between time charters, which can last up to several years, and spot market voyage charters assisting in generating increased profit margins during periods of strong rates, while vessels on time charters will provide us predictable and less volatile cash flows. Initiate, enhance and continue long-term relationships with major end-users.

We consider that our leading position is attributable to the following strengths:

- High specification, fuel-efficient MR2 and/or LR1 Product/Chemical Tankers
- Strong management team with 100+ years of experience
- Highly cost-efficient operations
- Our team's excellence in managerial competence
- Strong customer relationships to ensuring customers' needs are met
- Our team's transparency in operations and corporate governance
- Focus on Sister Ships and a balanced fleet deployment strategy

Our strategy is focused on optimizing return on our investments and maximizing shareholder value by:

- Return driven acquisitions of vessels
- Maintaining a fleet profile that is best equipped to optimize trading opportunities
- Focus on acquisition of IMO II and III class modern product tankers built in Tier 1 Asian shipyards
- Limiting the level of overall indebtedness, which in turn provides greater investor confidence in the sustainability of OC.MA's growth policy
- Following a balanced fleet deployment strategy. Period time charters provide comfort against the market disruption through stability of income flow and lower risk, whilst associated profit sharing agreements and spot market voyage charters are accretive to overall profitability
- Expanding our fleet through selective return, as well as vessel specification, driven acquisitions
- Developing our expanding and dynamic presence in the shipping market and maintaining enduring relationships with major charterers, oil traders and producers.

3.3.2 Competitors

The product Tanker market remains highly fragmented and represents an excellent entry point for our acquisition targets. The world total fleet as of November 2018 consists of 1601 MR2 and 377 LR1 tankers (Affinity Research).

Top Five MR / LR1 owners are (by ship numbers on the water):

- Scorpio Tankers, 71
- Torm AS, 67
- SCF Group, 45
- Cosco, 45
- A.P. Moller, 42 *

4. RESUME OF THE PROJECT

4.1 RISK AND EXPECTED REWARDS - BUSINESS PROJECTIONS

4.1.1 SWOT Analysis

With the understanding that there are many approaches and techniques in strategic science, the SWOT analysis (strengths, weaknesses, opportunities, and threats) is one of the most popular (Kajanus et al. 2004) and provides a systematic analysis toward case studies (Halla 2007). SWOT has been extensively used in strategic decision-making and competitive analysis in many fields, such as market research, business management, and competitor analysis (Wang 2011a; Luo and Jin 2014). However, traditional application of SWOT analysis cannot evaluate the situation comprehensively (Hill and Westbrook 1997; Tahernejad et al. 2013). In addition, it lacks any quantitative measurement on the degree of importance for each factor and, thus, not possible to determine the level of influence from each factor (Jiang et al. 2012). Therefore, the result of SWOT analysis is sometimes an imprecise list or an incomplete qualitative examination of internal and external factors (Kurttila et al. 2000).

Product Tankers – SWOT

Strengths:

1. Prevailing oil prices should be keeping refinery runs relatively healthy and demand growing.
2. Exceptional correlation of product tanker demand growth with oil demand growth.
3. Naphtha continues to be in surplus in the West and flowing to demand pockets in the East.
4. Mismatches between fuels required and fuels produced leads to moving surpluses of fuels around the world.
5. Price volatility keeps traders active.
6. Increasing triangulation opportunities are adding ton-mile demand.

Weaknesses:

1. Ton-mile growth can be capped by high freight rates as it is very arb-dependent.
2. Competition with LPG leaves naphtha in short demand in Asia at times – New condensate splitters will compete with long haul naphtha in Asia.
3. A heavy maintenance season next year will help alleviate some of the fuels held in storage; however this could backfire if it leads to a weak crude tanker market.

Opportunities

1. MR & LR1 scheduled deliveries are slowing. Even with limited scrapping, fleet growth is expected to slow even further with an expected expansion of 2.1% in 2018 and 1.7% in 2019. Lowest point in 20 years.
2. Slippage during 2017 remained high with 27% non deliveries.
3. IMO 2020 decision on global 0.5% fuel sulphur cap on bunker fuels could significantly boost diesel demand.
4. If over the next two years demand for seaborne transportation, were to rise at the average rate since 2000 of around 4%, it should comfortably exceed supply growth, leading to a tighter market and increasing freight rates.

Threats

1. Weak crude market could limit dirty ups and push some existing vessels to clean up.
2. Crude tankers taking clean cargoes ex- yard.
3. Relatively low new building costs, the bearish outlook of the crude sector and relatively bullish demand outlook for the product sector may lead to another ordering spree.
4. Oil prices rising can kill trade whilst owners will be unable to offset increased bunker costs.
5. US crude exports may lead to a declining US refinery profitability and therefore a declining in product exports.
6. Macroeconomic risks.

SWOT Analysis Conclusion

According to IEA global refinery crude distillation capacity is forecast to rise by 7.0 m b/d from '16 to '22, to 103.8 m b/d. About 65% of that capacity will be added in Asia and the Middle East with the IEA projecting China and other non-OECD to increase refining by 3.3mb/d and 1.5mb/d respectively. We see refinery closings in EU and the Caribbean as well as in Australia and Japan. Because of this structural shift the growth in ton miles of refined oil products is expected to continue to outpace the general demand for refined oil products, leading to strong future demand for modern product tankers. Additionally, while macroeconomic risks remain in line within expectations, favorable demand and supply dynamics expected to support growing period rates and activity going forward. The former is supported by a dwindling MR and LR1 order book while for the first time in 20 years more MR's will turn 15 years old than new buildings are delivered in 2018.

4.1.2 Risk Assessment

Risk Management and Insurance

The operation of any ocean-going vessel carries an inherent risk of catastrophic marine disasters, death or personal injury and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The occurrence of any of these events may result in loss of revenues or increased costs or, in the case of marine disasters, catastrophic liabilities. Although we believe our planned insurance program is going to be comprehensive and fully compliant with existing standards, we cannot insure against all risks, and we cannot be certain that all covered risks are adequately insured against or that we will be able to achieve or maintain similar levels of coverage throughout a vessel's useful life.

Furthermore, there can be no guarantee that any specific or minor claim will be paid by the insurer or that it will always be possible to obtain insurance coverage at reasonable rates. More stringent environmental regulations at times in the past have resulted in increased costs for, and may result in the lack of availability of, insurance against the risks of environmental damage or pollution. Any uninsured or under-insured loss has the potential

to harm our business and financial condition or could materially impair or end our ability to trade or operate.

We currently plan the traditional range of main and liability insurance coverage for each of our targeted vessels to protect against most of the accident-related risks involved in the conduct of our business.

Specifically we intent to obtain:

- **Hull and machinery insurance** covers loss of or damage to a vessel due to marine perils such as collisions, grounding and weather and the coverage is usually to an agreed “insured value” which, as a matter of policy, is never less than the particular vessel’s fair market value. Cover is subject to policy deductibles which are always subject to change.
- **Increased value insurance** augments hull and machinery insurance cover by providing a low-cost means of increasing the insured value of the vessels in the event of a total loss casualty.
- **Protection and indemnity insurance** is the principal coverage for third party liabilities and indemnifies against such liabilities incurred while operating vessels, including injury to the crew, third parties, cargo or third party property loss (including oil pollution) for which the ship-owner is responsible. We intent to carry the current maximum available amount of coverage for oil pollution risks, \$1.0 billion per vessel per incident.
- **War risks insurance** covers such items as piracy and terrorism.
- **Freight, Demurrage & Defense** cover is a form of legal costs insurance which responds as appropriate to the costs of prosecuting or defending commercial (usually uninsured operating) claims.
- **Maritime Lien Insurance for Second-Hand Ships** is designed to provide protection against possible claims relating to the vessel’s previous ownership.

Not all risks are insured and not all risks are insurable. The principal insurable risks which nevertheless remain uninsured across the fleet are “loss of hire” and “strikes.” We do not intend, subject to currently existing data, to insure these risks because the costs are regarded as disproportionate to the benefit.

Safe and Reliable Shipping Services

The increasingly strict pollution and safety regulations worldwide require careful, diligent and detailed attention. At the same time competitive realities and the high cost of fuel necessitate the lowest possible costs. OC.MA is dedicated to upholding consistently high

standards in the most efficient and economical way. We use the latest engineering technology, and work with the best marine experts.

OC.MA is operated by fully qualified, multilingual experienced personnel, Marine Engineers - Mechanical Engineers - Naval Architects - Electrical and Electronic Computer Engineer and Classification Specialist as well as ISM /ISPS Specialist. In an increasingly complex industry, OC.MA relieves the customer from the day-to-day burdens of operating ships.

Today's ship owners and operators are required to navigate through a world of mounting regulations and increasingly stringent market requirements. The quality of our customer service, our accountability, technical expertise and detailed knowledge of safety and environmental regulations, together provide our customers with absolute peace of mind, allowing them to focus on the business of owning or operating ships.



Figure 29: Oil tanker

Source: [www.ICS – Shipping.org](http://www.ICS-Shipping.org)

The experienced Operations and Technical Departments are dedicated to ensuring the efficient day-to-day running of every operations aspect of each vessel. Being at the heart of the ship -shore interface, the Operations and Technical Departments work closely with the customers to coordinate all management activities, whilst remaining focused on monitoring, maintaining and, where possible, improving the condition and performance of each vessel.

4.1.3 Important Assumptions and Key Financial Indicators

This following presentation includes certain estimated financial information and forecasts (EBITDA, and Time Charter Equivalent Revenue) that are not derived in accordance with generally accepted accounting principles (“GAAP”). We believe that the presentation of these non-GAAP measures provides information that is useful to our potential lenders as they indicate the ability of our company to meet capital expenditures, working capital requirements and other obligations.

Vessels to be Acquired

Funding requirement for 6x MR Product-Chemical Tankers: US\$ 115,000,000.00

The funds will be used for the acquisition of six MR Product/Chemical Tankers IMO II/III. The acquisition cost for the targeted fleet is assessed at US\$ 17,500,000 per vessel.

This funding requirement is including the arrangement fees linked to the acquisition of these Product Tankers, the setting up of this project as well as the related working and contingency capital, which amounts US\$ 10,000,000.00

Key Financial Indicators

The project is based on the following financial income lines:

- A. Time charter period is 10 years (TCE)
- B. Time charter Equivalent level is approx. US\$ 13,750 on a basis of 355 days per annum
- C. Total charter income is US\$ 82,500 per day for 6 tankers on a basis of 355 days/annum
- D. Average operating result (EBITDA) is around US\$ 17,988,000 per annum
- E. Our investment pays back more than the value of the asset within the contract period

Historical One Year TC Rates (\$/day): 2003-2017

MR Product Tanker

LR1 Product Tanker

Min: \$13,160

Min: \$12,995

Avg: \$17,784

Avg: \$20,927

Max: \$27,000

Max: \$31,904

- *EBITDA represents the sum of net income, interest and finance costs, depreciation and amortization and, if any, income taxes during a period and is not a recognized measurement under U.S. GAAP. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by US GAAP. EBITDA is included here because it is a basis upon which we assess our liquidity position while we believe it presents useful information to third parties regarding our ability to service and/or incur indebtedness.*
- *Time Charter Equivalent Rate (TCE) is defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE Rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.*
- *VESSEL DEPRECIATION as a non-cash cost. Depreciation is excluded from our assumptions while we are tax exempted and we focus on EBITDA as a preferred performance metric. Depreciation in itself is not material for valuing privately held shipping companies, although it's an indication of aggressive/conservative accounting treatment for publicly listed companies. In this context, depreciation policies are determinative for stock listed companies.*
- *The market value of a shipping asset, especially of high specification modern product/chemical tankers which have demonstrated remarkable resilience and value preservation historically, can vary over its lifetime depending mostly on prevailing charter rates and available market/financing liquidity, so that financial institutions and accredited investors look directly to current market values for covenant and valuation*

purposes.

- *The industry accepted useful life of a vessel is defined at 25 years commencing at the date the vessel was originally delivered from the shipyard and the residual value is assessed at current market rates (“last done sales”). Current market rates are influenced by charter rates and new building prices; thus the value of a modern tanker may be assessed higher or stagnant in one year from the acquisition date due to strong utilization and a firmer freight market (a vessel should be in good and seaworthy condition without need for repair and, if inspected, should be certified in class without notations of any kind).*
- *Residual values are a product of a vessel’s lightweight tonnage (scrap value), the remaining estimated live of the vessel in question, future vessel utilization and cash flows consistent with historical estimates. Considering the high spec status and Tier 1 shipyard pedigree of the projected MR II/III Product/Chemical Tankers and the associated age at the time of the acquisition (approx. 9 to 10 years old), the carrying*

Residual Value

The historically estimated value of each Product Tanker after 10 years will be approx. 50%, meaning US\$ 8,750,000 (MR2). Accordingly, the estimated fleet value after 10 years would be US\$ 52,500,000

Illustrative Refinancing

The time charter income of the above mentioned Product Tankers for a period of 10 years generates around US\$ 335,700,000 in cash flow for this specific period of 10 years.

Consequently, after the employment contracts are agreed, these ships could be refinanced in particular by:

- Finance leasing.
- Structured financing on this future cash flow.

An attractive alternative method of refinancing remains the capital markets, in particular:

- The New York Stock Exchange.
- The German KG or the Norwegian KS shipping funds financing market.

Overall

The combined total ordering activity (bulker, tanker, container, gas) was increased in the first half of 2018. While the sentiment is positive and ship prices are seen moving upwards in the forecast, near term uncertainties are likely to have investors taking a more cautious stance on ordering. Though the total orderbook for vessels has picked up from its bottom in 2017, it is still at levels giving the shipyard industry cause for concern, leaving investors and shipowners with the upper hand in new building price negotiations. Implementation of IMO 2020 is expected, to shave off supply capacity going forward.

The following chart presents the differences between second hand MR product tanker and new building tankers.

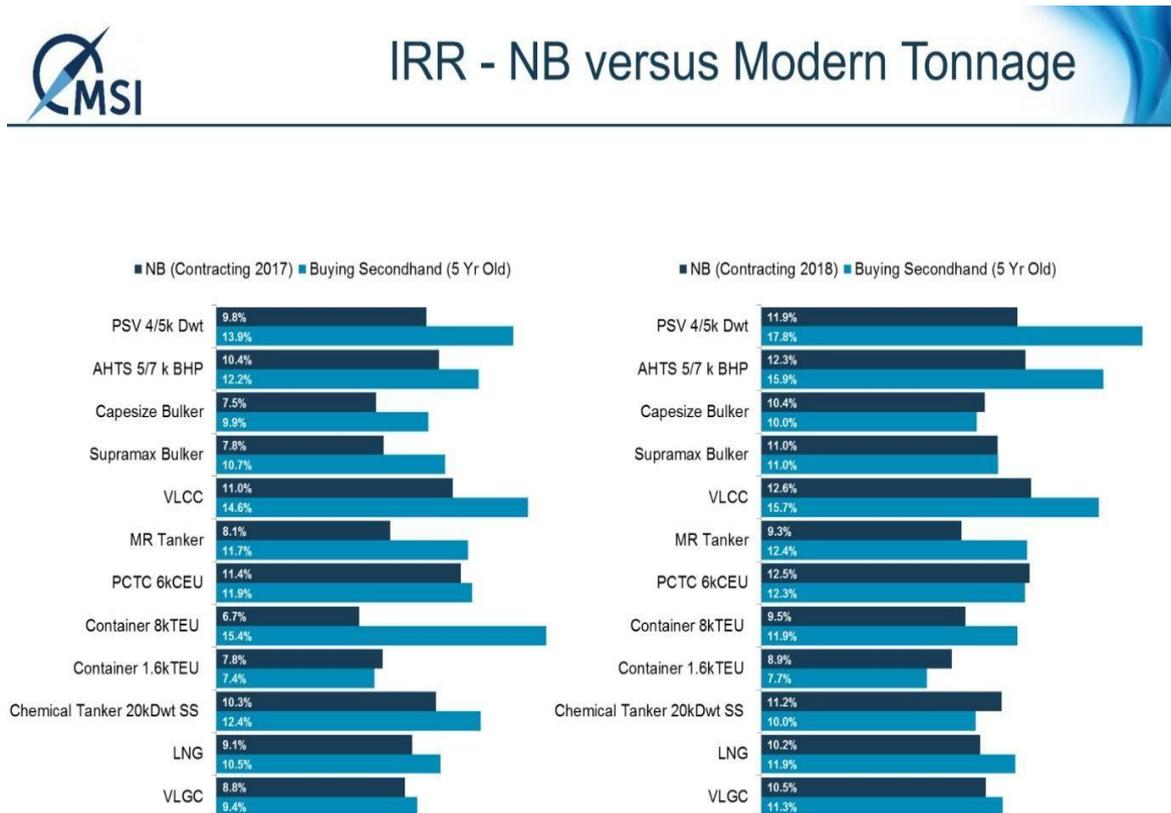


Chart 9: IRR-NB vs Modern tonnage

Source: www.msilt.com

An asset value upside is present during our projection period for both newbuild and secondhand tanker vessels. At the same time, the ongoing trade war is still casting a shadow on the outlook for economic development. Now it seems that the trade war is most likely to intensify before easing, giving a potential sentiment boost in the second half of 2020, for which the timing of a resolve remains highly uncertain.

Forecasted ton mile demand growth coupled with slowing fleet growth, in turn helped by increased scrapping, will give improved earnings and values for tankers. An anticipation of lower ordering activity in 2019 caused by the current unstable geopolitical environment will aid the balance towards the end of the forecast, though the positive momentum may cool as softer demand sets its mark. The market direction during our forecast period will of course hinge on oil production developments in non OPEC (US) and OPEC countries, the ensuing oil price, and its impact on demand in oil hungry nations like China and India.

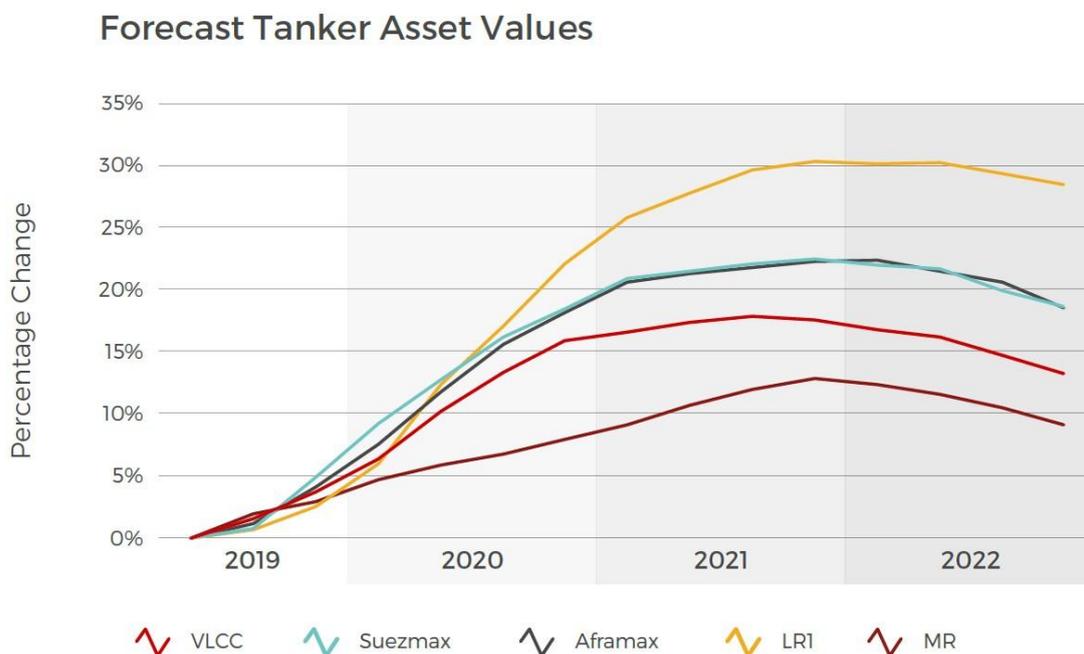


Chart 10: Forecast tanker asset values

Source: Vessels Value

Moreover, trading patterns continue to evolve, with the most apparent changes in the Atlantic (US) for crude and in the Far East for refined products.

Values climbed for the third consecutive quarter.

For the tanker newbuild sector, improved charter earnings and a positive sentiment should ensure that asset values will continue upwards and accelerate towards the end of 2019. Scrapping activity in the first quarter totaled 1.7m DWT, which is the lowest since the second quarter of 2017. Ordering activity climbed to 6m DWT in the first quarter of 2019 from 3m DWT in the fourth quarter of 2018 (www.vesselsvalue.com).

5. CONCLUSION

This presentation is intended for discussion purposes only and does not create any legally binding obligations on the part of OC.MA SHIPPING GROUP S.A. and its affiliates (“OC.MA”). Without any limitation, this presentation does not constitute an offer, an invitation to offer or a recommendation to enter into any transaction.

When making an investment decision the recipient of this presentation should rely solely on the final documentation of a transaction and not the summary contained herein. The information herein does not constitute the provision of investment advice; its sole purpose is to generate interest for a proposal. OC.MA is not acting as the recipient's investment advisor with respect to this proposed investment.

The proposal described herein may not suit all investors/lenders and before entering into any transaction each investor/lender should take steps to ensure that the investor/lender fully understands the product and has made an independent assessment of the suitability of the product, including its possible risks, in light of the investor's own objectives and financial situation.

Any investor/lender should seek advice from its professional advisors in making this assessment, in particular with regards to its tax implications. If an investor/lender decides to invest into the proposal described herein, the investor/lender does so in reliance on its own judgement.

Opinions expressed may differ from views set out in other documents. Although the above information has been taken from sources which OC.MA believes to be accurate, no warranty or representation is made as to the correctness, completeness and accuracy of the information or the assessments made on its basis.

GLOSSARY OF SHIPPING TERMS

The following are definitions of certain terms that are commonly used in the shipping industry.

Aframax tanker. A tanker ranging in size from 85,000 dwt to 120,000 dwt.

Annual survey. The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

Ballast. A voyage during which the vessel is not laden with cargo.

Bareboat charter. A charter of a vessel under which the vessel-owner is usually paid a fixed daily or monthly rate for a certain period of time during which the charterer is responsible for the ship operating expenses and voyage expenses of the vessel and for the management of the vessel. In this case, all voyage related costs, including vessel fuel, or bunker, and port dues as well as all vessel operating costs, such as day-to-day operations, maintenance, crewing and insurance are paid by the charterer. A bareboat charter is also known as a “demise charter” or a “time charter by demise” and involves the use of a vessel usually over longer periods of time ranging over several years. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.

Bunkers. Fuel oil used to operate a vessel’s engines, generators and boilers.

CERCLA. Comprehensive Environmental Response, Compensation and Liability Act.

Charter. The hiring of a vessel, or use of its carrying capacity, for either (1) a specified period of time or (2) to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty.

Charterer. The party that hires a vessel pursuant to a charter.

Charterhire. Money paid to the vessel-owner by a charterer for the use of a vessel under a time charter or bareboat charter. Such payments are usually made during the course of the charter every 15 or 30 days in advance or in arrears by multiplying the daily charter rate times the number of days and, under a time charter only, subtracting any time the vessel was deemed to be off-hire. Under a bareboat charter such payments are usually made monthly and are calculated on a 360 or 365 day calendar year basis.

Charter rate. The amount of money agreed between the charterer and the vessel-owner

accrued on a daily or monthly basis that is used to calculate the vessel's charterhire.

Classification society. An independent society that certifies that a vessel has been built and maintained according to the society's rules for that type of vessel and complies with the applicable rules and regulations of the country in which the vessel is registered, as well as the international conventions which that country has ratified. A vessel that receives its certification is referred to as being "in class" as of the date of issuance.

Clean petroleum products. Liquid products refined from crude oil, whose color is less than or equal to 2.5 on the National Petroleum Association scale. Clean products include naphtha, jet fuel, gasoline and diesel/gasoil.

Contract of Affreightment. A contract of affreightment, or COA, relates to the carriage of specific quantities of cargo with multiple voyages over the same route and over a specific period of time which usually spans a number of years. A COA does not designate the specific vessels or voyage schedules that will transport the cargo, thereby providing both the charterer and ship owner greater operating flexibility than with voyage charters alone. The charterer has the flexibility to determine the individual voyage scheduling at a future date while the ship owner may use different ships to perform these individual voyages. As a result, COAs are mostly entered into by large fleet operators such as pools or ship owners with large fleets of the same vessel type. All of the ship's operating, voyage and capital costs are borne by the ship owner while the freight rate normally is agreed on a per cargo ton basis.

CVE income. Allowance paid by charterers to owners in respect of communications, victualing and entertainment costs for crew.

Deadweight ton or "dwt." A unit of a vessel's capacity for cargo, fuel oil, stores and crew, measured in metric tons of 1,000 kilograms. A vessel's dwt or total deadweight is the total weight necessary to submerge the vessel to its maximum permitted draft.

Dirty petroleum products. Liquid products refined from crude oil, whose color is greater than 2.5 on the National Petroleum Association scale. Dirty products usually require heating during a voyage, because their viscosity or waxiness makes discharge difficult at ambient temperatures.

Double-hull. Hull construction design in which a vessel has an inner and outer side and bottom separated by void space, usually 2 meters in width.

Draft. Vertical distance between the waterline and the bottom of the vessel's keel.

Drydocking. The removal of a vessel from the water for inspection and/or repair of those parts of a vessel which are below the water line. During drydockings, which are required to be carried out periodically, certain mandatory classification society inspections are carried out and relevant certifications issued. Drydockings are generally required once every 30 to 60 months.

Gross ton. A unit of weight equal to 2,240 pounds.

Handymax (also known as MR or Medium Range) tanker. A tanker ranging in size from 25,000 dwt to 59,999 dwt.

Handysize (also known as SR or Small Range) tanker. A tanker ranging in size from 10,000 dwt to 24,999 dwt.

Hull. Shell or body of a vessel.

IMO. International Maritime Organization, a United Nations agency that issues international regulations and standards for seaborne transportation.

ISM Code. International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, which, among other things, requires vessel-owners to obtain a safety management certification for each vessel they manage.

ISPS Code. International Security Code for Ports and Ships, which enacts measures to detect and prevent security threats to vessels and ports.

Intermediate survey. The inspection of a vessel by a classification society surveyor which takes place between two and three years before and after each special survey for such vessel pursuant to the rules of international conventions and classification societies.

Metric ton. A unit of weight equal to 1,000 kilograms.

MR Product Tanker. A vessel ranging from 25,000 dwt to 59,999 dwt and classed for petroleum or IMO 3 cargoes (e.g. vegetable oils, caustic soda, or liquid fertilizer).

Newbuilding. A new vessel under construction or just completed.

Off-hire. The period a vessel is unable to perform the services for which it is required under a time charter. Off-hire periods typically include days spent undergoing repairs and drydocking, whether or not scheduled.

OPA. Oil Pollution Act of 1990 of the United States (as amended).

Panamax tanker. A tanker ranging in size from 60,000 dwt to 85,000 dwt. The term is derived from the maximum length, breadth and draft capable of passing fully loaded

through the Panama Canal.

Period charter. A period charter is an industry term referring to both time and bareboat charters. These charters are referred to as period charters or period market charters due to use of the vessel by the charterer over a specific period of time.

Product tanker. A tanker designed for the carriage of refined petroleum products whose cargo tanks are usually coated with epoxy-based paint to facilitate the cleaning of the tanker between the carriage of different cargoes and to prevent product contamination and hull corrosion. A product tanker typically has multiple cargo tanks capable of handling different cargoes simultaneously. The vessel may have equipment designed for the loading and unloading of cargoes with a high viscosity.

Protection and indemnity (or P&I) insurance. Insurance obtained through mutual associations (called “Clubs”) formed by vessel-owners to provide liability insurance protection against a large financial loss by one member by contribution towards that loss by all members. To a great extent, the risks are reinsured.

Refined petroleum products. Refined crude oil products, such as fuel oils, gasoline and jet fuel.

Scrapping. The disposal of old or damaged vessel tonnage by way of sale as scrap metal.

Single-hull. A hull construction design in which a vessel has only one hull.

Sister ship. Vessels of the same type and specification.

SOLAS. The International Convention for the Safety of Life at Sea 1974, as amended, adopted under the auspices of the IMO.

Special survey. An extensive inspection of a vessel by classification society surveyors that must be completed within five years. Special surveys require a vessel to be drydocked.

Spot charter. A spot charter is an industry term referring to both voyage and trip time charters. These charters are referred to as spot charters or spot market charters due to their short term duration, consisting mostly of a single voyage between one load port and one discharge port.

Spot market. The market for the immediate chartering of a vessel, usually for single voyage.

Strict liability. Liability that is imposed without regard to fault.

Suezmax tanker. Tanker ranging in size from 120,000 dwt to 200,000 dwt. The term is derived from the maximum length, breadth and draft capable of passing fully loaded through the Suez Canal.

Tanker. Vessel designed for the carriage of liquid cargoes in bulk with cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined petroleum products, liquid chemicals and liquid gas.

Time charter. A time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for use of the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports of loading and unloading. The charterer pays the voyage related expenses such as fuel, canal tolls, and port charges. The vessel-owner pays all vessel operating costs such as the management expenses and crew costs as well as for the capital costs of the vessel. Any delays at port or during the voyages are the responsibility of the charterer, except for certain specific exceptions such as loss of time arising from vessel breakdown and routine maintenance.

Time charter equivalent (TCE) rates. Time charter equivalent, or TCE, rates, are a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in U.S. dollars per day and is generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the number of days in the period.

Trip time charter. A trip time charter is a short term time charter where the vessel performs a single voyage between load port(s) and discharge port(s) and the charterer pays a fixed daily hire rate on a semi-monthly basis for use of the vessel. The difference between a trip time charter and a voyage charter is only in the form of payment for use of the vessel and the respective financial responsibilities of the charterer and vessel-owner as described under time charter and voyage charter.

Ton. See “Metric ton.”

Ultra Large Crude Carrier (ULCC). A tanker whose size is above 200,000 dwt and has a typical cargo capacity of about 350,000 dwt.

Very Large Crude Carrier (VLCC). A tanker whose size is above 200,000 dwt and has a typical cargo capacity of about 300,000 dwt.

Vessel operating costs. The costs of operating a vessel that are incurred during a

charter, primarily consisting of crew wages and associated costs, insurance premiums, lubricants and spare parts, and repair and maintenance costs. Vessel operating costs exclude fuel and port charges, which are known as “voyage expenses.” For a time charter, the vessel-owner pays vessel operating costs. For a bareboat charter, the charterer pays vessel operating costs.

Voyage charter. A voyage charter involves the carriage of a specific amount and type of cargo from specific load port(s) to specific discharge port(s), subject to various cargo handling terms. Most of these charters are of a single voyage nature between two specific ports, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tons of cargo loaded on board by the cost per cargo ton, as agreed to transport that cargo between the specific ports. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel. The charterer is typically responsible for any delay at the loading or discharging ports.

Voyage expenses. Expenses incurred due to a vessel’s traveling from a loading port to a discharging port, such as fuel (bunker) cost, port expenses, agent’s fees, canal dues and extra war risk insurance, as well as commissions.

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APPENDIX A: CODE OF BUSINESS CONDUCT AND ETHICS

I. Introduction

The Board of Directors (the “Board”) of SEVEN MARE SHIP P ING GROUP S.A. (the “Company”) has adopted this Code of Business Conduct and Ethics (the “Code”). This Code applies to the Company and all of its employees, directors, officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, its agents and persons performing similar functions, (the “Employees”) as well as to all of its subsidiaries and other business entities controlled by it worldwide.

The purpose of this Code is to set out those legal and ethical standards of conduct that the Company believes are reasonably designed to deter wrongdoing and to promote the conduct of all Company business in accordance with high standards of integrity and in compliance with all applicable laws and regulations. This Code cannot, however, detail every situation that may arise. It is the responsibility of the Employees of the Company to familiarize themselves with the principles of this Code and to observe not only the letter, but also the spirit of this Code, as well as other more detailed statements of the Company’s policy issued from time to time. Each manager will also be responsible for administering the Code as it applies to Employees and operations within such manager’s area of supervision.

II. Compliance with Applicable Government Laws, Rules and Regulations

The Company requires that all Employees comply with all laws, including anti-trust, environmental and safety laws, and all rules and regulations applicable to the Company in all jurisdictions where it operates. Employees are expected to use good judgment and common sense in seeking to comply with all applicable laws, rules and regulations, and in particular those relating to accounting and auditing matters, and to ask for advice from the Legal Department if there is any uncertainty whether a situation may violate any applicable laws. If you become aware of the violation of any law, rule or regulation by the Company,

whether by its Employees or any third party doing business on behalf of the Company, it is such Employee's responsibility to promptly report the matter to the Legal Department.

III. Environmental Compliance

It is the Company's policy to operate its vessels in accordance with all applicable safety and environmental laws and regulations so as to ensure the protection of the environment and the Company's personnel and property. All Employees must conduct themselves in a manner consistent with this policy. Everyone at the Company who deals with crude oil, petroleum products, hazardous or toxic materials or other potential pollutants must comply with environmental laws and regulations and follow the environmental safety procedures specified in the relevant training programs and environmental compliance manuals.

IV. Conflicts of Interest

Employees must act in the best interests of the Company at all times and must refrain from engaging in any activity or having a personal interest that presents a "conflict of interest". A conflict of interest occurs when an Employee's personal interest interferes, or even appears to interfere, with the interests of the Company as a whole. While it is not possible to describe every situation in which a conflict of interest may arise, you must never use or attempt to use.

your position with the Company to obtain improper personal benefits, whether received from the Company or a third party, or take action or have an interest that prevents such Employee from performing his or her Company duties and responsibilities honestly, objectively and effectively. It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer or supplier. Directors and officers should consult with the Chairman of the Board before accepting any position as an officer or director of an outside business concern and employees should consult with the Legal Department. Any Employee who is or becomes aware of a transaction or relationship that could give rise to a conflict of interest, or is concerned that a conflict might develop, has a responsibility to immediately disclose and discuss the matter with the Chairman of the Board or the Legal Department and adhere to instructions concerning how to address such conflict.

V. Confidentiality

Employees must maintain the confidentiality of confidential information entrusted to them by the Company or other companies, including the Company's suppliers and customers, except when disclosure is specifically authorized by a supervisor or required by law, regulations or legal proceedings. Unauthorized disclosure of any confidential information is prohibited. You should consult the Legal Department if you believe you have a legal obligation to disclose confidential information.

Confidential information includes, among other things, any non- public information concerning the Company's business, financial performance, results, prospects or potential corporate transactions as well as any confidential non-public information provided by a third party and any personal information about the Company's customers or Employees. Employees are required to keep such information confidential during employment as well as thereafter, and not to use, disclose or communicate it to third parties.

Third parties, including media and market professionals, securities analysts or securities holders, may ask you for information concerning the Company. Subject to the exceptions noted in the preceding paragraph, Employees (other than the Company's authorized spokespersons) must not discuss internal Company matters with, or disseminate internal Company information to, anyone outside the Company, except as required in the performance of their Company duties and after an appropriate confidentiality agreement is

in place. All responses to inquiries on behalf of the Company must be made only by the Company's authorized spokespersons. If you receive any inquiries of this nature, you must decline to comment and refer the inquirer to one of the Company's authorized spokespersons set out in the Company's Disclosure Policy.

VI. Corporate Opportunity

Employees are prohibited from (a) taking for themselves personally opportunities that properly belong to the Company or are discovered through the use of Company property, information or position, unless the Company has already been offered the opportunity and turned it down; (b) using Company property or information for personal gain or benefit; and (c) competing with the Company. Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

VII. Protection and Proper Use of Corporate Group Assets

Employees must use the Company's assets and services for legitimate business purposes of the Company. All Employees should seek to protect the Company's assets, which include proprietary information such as intellectual property information, financial and engineering data and business and marketing plans, and its physical assets, and ensure their efficient use. Personal use of Company resources must not result in significant added costs, disruption of business processes or any other disadvantage to the Company. Theft, carelessness and waste have a direct impact on the Company's financial performance and should be reported to your supervisor immediately

VIII. Electronic communications

Use of voice, video, and data communications, such as voice mail, e-mail, fax, and Internet. Employees should use electronic communications for business purposes and refrain from personal use. Among other things, you should not participate in any online forum where the business of the Company or its customers or suppliers is discussed: this may give rise to a violation of the Company's confidentiality policy or subject the Company to legal action for defamation. The Company reserves the right to inspect all electronic communications involving the use of the Company's equipment, software, systems, or other facilities ("Systems") within the confines of applicable local law and Employees should not have an expectation of privacy when using Company Systems.

IX. Honest and Ethical Conduct and Fair Dealing

Employees should endeavor to deal honestly, ethically and fairly with the Company's suppliers, customers, competitors and employees. Statements regarding the Company's products and services must not be untrue, misleading, deceptive or fraudulent. You must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

X. Gifts and Entertainment

Gifts include physical objects, services, favors or other items of value. Some business situations call for giving gifts or receiving gifts. Gift giving and receiving practices vary among cultures. In all cases gifts given or received by Employees must be legal and reasonable. Employees must never pay or receive a bribe or kickback, or accept anything that would or would make it appear that their judgment to act in the best interests of the Company could be compromised. In some instances it may be impractical or harmful to refuse or return a gift. In those cases the Employee should disclose the circumstances and the gift to the Legal Department.

Employees may accept or provide entertainment (i.e. activities where a representative of both parties is present), provided such activities or entertainment advances the Company's legitimate business interests and is reasonable in the context of that business. Accepting entertainment that may appear inappropriate should be discussed with the Legal Department, in advance, if possible, and if not possible, then promptly after the event has occurred.

XI. Accuracy of Books and Records and Retention

Each Employee is personally accountable for the accuracy of his or her records and reports. Accurate information is essential to the Company's ability to meet legal and regulatory obligations and all reports must be made honestly, accurately and in reasonable level of detail. All Company books, records and accounts shall be maintained in accordance with all applicable regulations and standards and accurately reflect the true nature of the transactions they record. The financial statements of the Company shall conform to generally accepted accounting rules and the Company's accounting policies and internal controls.

Employees will not knowingly (i) make, or permit or direct another to make, materially false or misleading entries in the Company's or any of its subsidiary's financial statements or records; (ii) fail to correct materially false and misleading financial statements or records; (iii) sign, or permit another to sign, a document containing materially false and misleading information; or (iv) falsely respond or fail to respond, to specific inquiries of the Company's independent auditor or outside legal counsel.

Business expenses incurred by employees must be authorized and must be documented and recorded accurately. No undisclosed or unrecorded account or fund shall be established for any purpose. No false or misleading entries shall be made in the Company's books or records for any reason, and no disbursement of corporate funds or other corporate property shall be made without adequate supporting documentation.

Business records and communications often become public, and all Employees should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations of people and companies. This applies equally to e-mail, internal memos and official reports.

Records should always be retained or destroyed according to the Company's established record retention policies. In accordance with these policies, in the event of any litigation or governmental investigation or in the event of any questions, you should consult with the Company's Legal Department or your supervisor.

XII. Finance Code – Special Ethics Obligations for Employees with Financial Reporting Responsibilities

It is the policy of the Company to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed. Depending on their position with the Company, officers and employees may be called upon to provide information to assure that the Company's reports are complete, fair and understandable. The Company expects all of its personnel to take this responsibility very seriously and to provide prompt and accurate answers to inquiries related to the Company's disclosure requirements.

The Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Accounting Officer (CAO), and other employees designated by the CFO as being involved in the preparation of the Company's financial statements (collectively "Finance employees") hold an important and elevated role in corporate governance in that they are uniquely capable and empowered to ensure that all stakeholders' interests are appropriately balanced, protected, and preserved.

This Finance Code embodies the principles which Finance employees are expected to adhere to and advocate. These principles of ethical business conduct encompass rules regarding both individual and peer responsibilities, as well as responsibilities to the

Company, its employees and other stakeholders. Because of this special role, the Finance employees are bound by the following Finance Code, and by accepting the Code, each Finance employee agrees that he or she will:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in their personal and professional relationships.
- Provide stakeholders with information that is accurate, complete, objective, fair, relevant, timely, and understandable.
- Act in good faith, responsibly, with due care, competence, and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose.
- Not use confidential information acquired in the course of one's work for personal advantage.
- Share knowledge and maintain professional skills important and relevant to stakeholders' needs.
- Proactively promote and be an example of ethical behavior as a responsible partner among peers, in the work environment and the community.
- Exercise responsible use, control, and stewardship over all the Company's assets and resources that are employed by or entrusted to us.
- Not directly or indirectly, make or cause to be made a materially false or misleading statement to an accountant in connection with (or omit to state, or cause another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to, an accountant in connection with) any audit, review or examination of the Company's financial statements or the preparation or filing of any document or report.
- Not coerce, manipulate, mislead, or unduly influence any authorized audit or interfere with any auditor engaged in the performance of an internal or independent audit of the Company's system of internal controls, financial statements, or accounting books and records.

The CEO, CFO, and Finance employees are expected to abide by this Finance Code as well as all applicable Company business conduct standards and Company policies or guidelines relating to areas covered by the Code. Any violations of the Company's Finance Code may result in disciplinary action, up to and including termination of employment.

XIII. Reporting and Compliance Procedures

Every Employee has the responsibility to ask questions, seek guidance and report suspected violations and express concerns regarding compliance with this Code. Any Employee who knows or believes that any other Employee or representative of the Company has engaged or is engaging in Company related conduct that violates applicable law or this Code must report such information to the Legal Department or the Chairman, on a confidential, and if you desire anonymous, basis.

The Company will not discipline, discriminate against, retaliate or allow retaliation for reports made in good faith, or against Employees who cooperate in any investigation or inquiry regarding such conduct.

Any supervisor who receives a report of a violation of this Code must immediately inform the Legal Department or the Chairman.

Failure to comply with the standards outlined in this Code will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, and reductions in salary, discharge and restitution. Certain violations of this Code may require the Company to refer the matter to the appropriate governmental or regulatory authorities for investigation or prosecution.

XIV. Third Party Rights

No provision of this Code is intended to create any right in favor of any third party, including any security holder or Employee of the Company, in the event of a violation of this Code.

XV. Dissemination and Amendment

This Code shall be distributed to each new Employee of the Company upon commencement of his or her employment or other relationship with the Company. The Company reserves the right to amend, alter or terminate this Code at any time for any reason. This document is not an employment contract between the Company and any of its Employees.

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