

FR8 to NAVIG8

FR8 was established in 2003 as a joint venture with **Projector Ltd**, a prominent oil trader, who provided a core volume of cargos and access to attractive time charter opportunities. FR8 is not your father's shipping company. With its owned fleet, time chartered fleet and management companies, it resembles a normal shipping company except for the fact that its brain is wired and its perspective is that of a trader. In short, this is the world of seeking arbitrage opportunities, while managing risk and not just looking at "last done."

The company controls a fleet of approximately 30 product tankers via a combination of time charters, joint ventures, ownership and commercial agreements. Of the controlled fleet, the company together with its joint venture partners own two LR product tankers and eleven MR tankers (including the orderbook) and have purchase options on three more vessels.

FR8 trades both in the physical and paper markets, utilizing its proprietary risk management systems, which were developed in-house building on their market and analytical expertise. They view the business in terms of a financial landscape that pits risk against capi-

tal intensity. The end result is what is termed a structured transaction which might involve a charter-in with profit sharing and a purchase option, an early exercise of the purchase option, a time charter out with a forward resale and a time charter back and re-let. This is a long way to achieve the simple performance measure of handily beating the market.

And the results illustrate their success. Starting with virtually no equity in 2002, the company built up a fleet worth approximately \$500 to \$550 million today financed with a mix of debt, equity and joint ventures. But change is a constant in the business world.

Following the recent split from Projector SA, the former management of FR8 just recently announced the formation of NAVIG8. In effect, the former management of FR8 sold its asset interests to Projector while retaining the full ownership and control of the management companies including the commercial management and brokerage arms, FR8 Logistics (London) and FR8 Services (Singapore) and will acquire FR8 Shipmanagement Pte Ltd, which will remain the group's technical management arm.

Marine Money "Fair Value" Table for Shipping Equities

Company	Price*	NAV	P/NAV	Marine Money's "Fair Value"***	Difference from Actual Price
Tsakos Energy Navigation	\$47.90	70.55	68%	\$73.43	\$25.53
Aries Maritime Transport	\$7.56	10.96	69%	\$11.41	\$3.85
B+H Ocean Carriers	\$18.68	25.87	72%	\$26.93	\$8.25
Excel Maritime	\$16.57	20.09	82%	\$20.91	\$4.34
StealthGas	\$12.78	14.86	86%	\$15.47	\$2.69
Overseas Shipholding Group	\$58.95	66.83	88%	\$69.56	\$10.61
OMI Corporation	\$22.13	23.91	93%	\$24.89	\$2.76
Quintana Maritime	\$13.22	14.18	93%	\$14.76	\$1.54
Teekay Shipping	\$50.49	53.10	95%	\$55.27	\$4.78
Ship Finance International Ltd.	\$26.83	25.98	103%	\$27.04	\$0.21
TORM	\$65.06	61.80	105%	\$64.32	-\$0.74
Knightsbridge Tankers Ltd.	\$23.98	22.59	106%	\$23.51	-\$0.47
DryShips	\$21.48	19.62	109%	\$20.42	-\$1.06
Omega Navigation	\$14.76	13.31	111%	\$13.85	-\$0.91
Danaos Corporation	\$24.36	21.47	113%	\$22.35	-\$2.01
Arlington Tankers	\$22.95	20.27	113%	\$21.10	-\$1.85
General Maritime	\$44.31	39.27	113%	\$40.87	-\$3.44
Nordic American Tanker Shipping Ltd.	\$33.48	27.06	124%	\$28.16	-\$5.32
Genco Shipping & Trading	\$30.71	22.26	138%	\$23.17	-\$7.54
Diana Shipping	\$18.93	12.96	146%	\$13.49	-\$5.44
Eagle Bulk Shipping	\$18.92	12.07	157%	\$12.56	-\$6.36
		Average:	104%		

*Price data current as of closing on March 14, 2007

**Based on current average P/NAV

Compiled based on Jefferies & Company, Inc. Energy Group Estimates, Marine Money Research, Company information

The new company has been set up with an initial capitalization of \$50 million and is in discussions with banks and investors regarding further capitalization in the amount of \$150 to \$200 million. Currently NAVIG8 has ownership interests in a number of MR tankers with an aggregate market value of approximately \$200 million.

With commercial and technical management agreements in place on the FR8 fleet and an exclusive brokerage agreement for Projector

SA cargos, the company is well positioned to grow both organically and through third party business. The company's main goal remains to be an innovative player in the product tanker sphere integrating time-charter trading and ship owning with active trading of freight and oil derivatives through the employment and development of unique risk management technology.

This appears to be a mutually satisfactory parting of the ways and we wish both parties good luck.

Research Notes

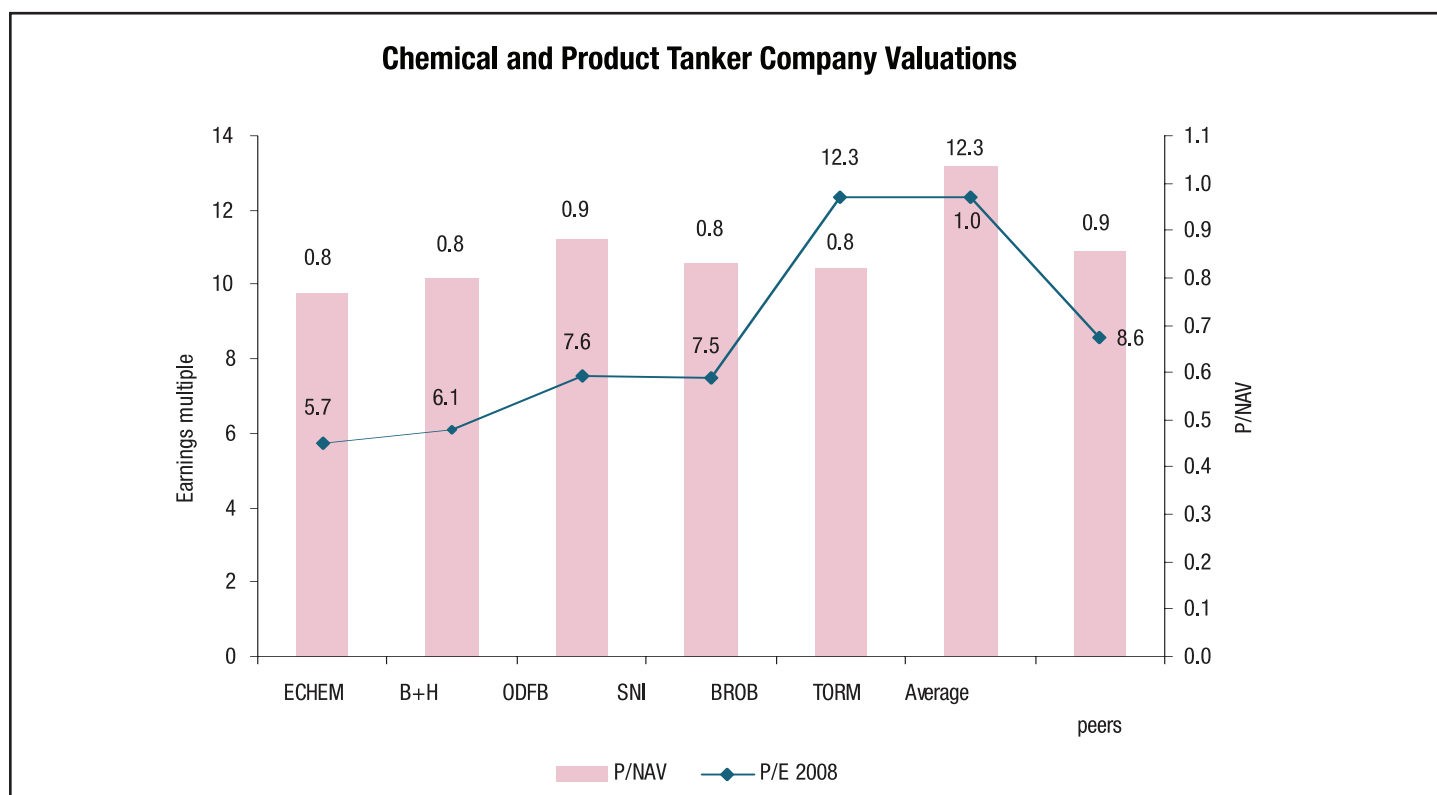
Golden Ocean CEO Herman Billung presented a very optimistic picture of the dry bulk market to analysts at Pareto today, pointing out that massive dry bulk demand in the second half of 2006 had continued into 2007, while record port congestion has further bolstered rates. Secondhand values for bulk carriers continue to increase significantly and have reached all time high levels, indicating a belief in the market among dry bulk vessel buyers and owners.

Pareto analysts share a bullish view on the dry bulk sector, but express more concern over the market for crude oil transport. Though they note that the crude tanker market has improved, they are concerned about high US crude inventories, seasonally lower demand and a busy VLCC delivery schedule, the majority of which

has yet to occur. They are confident in a strong market for clean product and chemical tankers, noting that solid rates are not yet reflected in the corresponding share prices, with valuations as illustrated in the graph that accompanies this article.

Nordea initiated analyst coverage of Oslo-listed **Fred Olsen Energy** with a Buy rating and a 12-month target price of NOK 314 per share, reflecting a 15% upside. Analysts estimate the company's mature fleet of 10 offshore drilling rigs should generate NOK 4,200 million in 2008.

Lazard Capital Markets analyst **Urs Dür** issued an update for NY-listed **Genco Shipping & Trading** on the heels of the company's



Source: Pareto