

Liquid specialist Fredriksen turning dry

Frontline's supremo is converting former order placed for VLCCs into more Capesizes, also giving his trust to a little experienced shipyard in China

Shipping magnate John Fredriksen is seriously considering to cancel order for building mega tankers and turn his investment in the construction of large bulkers in view of an expected reprieve of the dry cargo markets, that should be quicker than the oil sector in such a hoped for resurgence.

The Norwegian owner would use, as

vehicle of such an innovative strategy for a renown liquid specialist, his latest development Frontline 2012 - and spin-off company from Frontline.

It seems that a previous order set in 2008 at Jinhai Heavy Industries (a subsidiary of state-owned Grand China Logistics) for 3 very large crude carriers, priced for 135 million USD each and scheduled to

be delivered this year, will be converted into up to 14 (provided options are used) capesizes, each one priced around 45 million USD - the lowest since October 2003, down from 100 million in summer 2008 - to be made still in China, although in another two shipyards, and for a later delivery (in between 2014 and 2015).

Said 180,000 dwt newbuildings are

understood to be eco-designs able to cut dramatically fuel costs.

Brokers reported that Fredriksen is committed for 4 capesize bulkers (with option for another 4) with STX Dalian, affiliated to South Korea's STX Group; and for 4 capesize bulkers (with option for another 2) with Shanghai Waigaoqiao Shipbuilding, a unit of China State Shipbuilding Corp. The point is that STX Dalian - which would like to tender a 30%-40% stake as equity investment, after putting aside a previous plan to float the company at the Hong Kong Exchange - admittedly has no experience in building bulkers larger than



John Fredriksen

post-panamax and grasped its first capesize order last July with Polaris Shipping of Turkey, although construction has not started yet.

However the Norwegian shipping tycoon is not a new client at all since in early 2012 he placed an order with STX Dalian for

10 product tanker newbuildings worth 50,000 dwt.

In a different move, Fredriksen is rumored to be taking over 2 kamsarmaxes newbuilding at Xiamen shipyard in China for 45 million USD overall initially ordered by South Far Ocean Group for almost 70 million USD.

Blonde twin sisters to inherit the Vi-King's legacy but not soon...

John Fredriksen's 27-year-old twin daughters Kathrine and Cecilie work aside their father covering top positions in many companies part of his galaxy.

Kathrine, graduated from the European Business School in London, has been a board member of oil trading company Arcadia Petroleum since 2008 and sits on

the board of offshore company Seadrill, Independent Tankers and Golar LNG. She decided not to stand for re-election to the board of tanker company Frontline in 2010, leaving the way open for her sister to take up the role.

Cecilie, graduated from London Metropolitan University in business and Spanish, has a place on the board of Frontline, Aktiv Kapital, Frontline, Seawell, Northern Offshore, Ship Finance International and bulk-carrying company Golden Ocean.

Who knows whether the blonde daughters of Big Wolf's or Viking King - as he is sometimes nicknamed - will eventually head up the family business when their father steps aside?

Actually this could happen a long time in the future since he has big plans for the new LNG division and appears to be genuinely excited about the success of offshore company Seadrill.

As written in the last part of the chapter five dedicated to describe his character in the recent best seller 'Dynasties of



Kathrine, John and Cecilie Fredriksen

it follows to page 21

SHIPYARDS SINCE 1967

<p>Naples Shipyard</p> <p><i>Shipyards in the heart of the Mediterranean</i></p> <p>Naples</p> <p>Palumbo SpA Via Calata Marinella (Int. porto) 80133 Napoli ph: +39 081287164 fax: +39 0815538455 cantierenapoli@palumbo.it</p>	<p>Messina Shipyard</p> <p>Messina</p> <p>Palumbo SpA Via S. Raineri 98122 Messina ph: +39 090712069 fax: +39 090672209 cantieremessina@palumbo.it</p>	<p>Malta Shipyards</p> <p>Malta</p> <p>Palumbo Malta Shipyard Ltd The Docks, Ghajn Dwieli Road Paola PLA 9056 Malta ph: +356 23960000 fax: +356 21824027 maltashipyard@palumbo.it</p>
<p>Palumbo Malta Superyachts Ltd 31st of March Street Senglea ISL 1041 Malta ph: +356 23996008 fax: +356 23995292 info@palumbosy.it</p>		

www.palumbo.it www.palumbosy.it

it follows from page 20

the Sea', written by Lori Ann LaRocco, "at a time in life when many executives are slowing down, Fredriksen is working harder than ever. In addition to making counter-cyclical investments in the depressed crude oil tanker market through Frontline 2012, he is also banking on trends like increased natural gas shipping post-Fukushima, deepwater drilling, and historically cheap new- buildings that come with the added bonus of reduced fuel consumption.

Fredriksen is proud to have his twin daughters, Cecilie and Kathrine, involved in the business, serving on the board and gaining experience working across the various business platforms, from offshore oil rigs to tankers to fish farming".

In this valuable book, Fredriksen is subbed as a Champion of Shareholder's and the world's largest private shipowner. The Norwegian tycoon presides over a 12 billion USD empire (being eight times worth Onassis' fortune) and owns nearly 150 among oil tankers, LNG carriers, deepwater drilling rigs, dry bulk carriers and an ever- changing collection of other maritime-related assets. and counting.

When asked about the key to his success, Fredriksen - dubbed a secretive billionaire; his humble working class beginnings (the son of an Oslo shipyard welder, at 16 he dropped out of school and went to work for a Norwegian shipbroker) and the story of how he built his shipping empire from scratch are legendary - answered: "The

shipping business is very simple. You just have to work hard, look at all the information, and do deals quickly when there is a good value. We are never just sitting back waiting for the phone to ring". At 27 he made his own way transporting Iranian oil during the armed conflict between Iran and Iraq. While many would have shirked at the great risk, Fredriksen saw opportunity.

"In the beginning, our strategy was to always get cargoes and buy ships cheaper than our competitors. Gaining control of ships, either by purchasing or time chartering, is much easier when supported by cargo contracts. As a young man I would trot around the world, in the Middle East and Singapore and Indonesia, and I developed very good contacts" he explained. "Cargo is king in the shipping business, and once you show somebody that you will work hard to do a good job carrying their cargo, they will give you more. We would always look at the timing to make sure we were buying on lower prices. We would look at the order book for new ships, as well as the economic outlook, looking for trends".

He has one important criterion before examining a proposal: "If a deal can't be explained on a half a sheet of paper, I am not interested."

What sets Fredriksen apart from his competition is his willingness to commit his own fortune to a deal right alongside his investors, and both have benefited handsomely. "When there is extra money in the business, we give it back to the people who back us". In fact his companies have paid dividends totaling close to 12 USD billion in the last 10 years, a performance that has earned him the support of the world's biggest shipping investors, from Fidelity to Soros to Viking Global.

"If I have learned one thing in this business, it is never to be greedy" pinpointed Fredriksen, who has managed to remain true to the guiding principles

on which he built his business: a demand for value and an aversion for risk. "I have been in the shipping business for 52 years and the first 40 were a struggle, and it is during the good times that people get into serious trouble. This is why I always think about how much I can lose from doing a deal, not how much I can make."

Fredriksen's takeover spree would establish his remarkable reputation in the capital markets for playing on equal footing, both in terms of giving outsiders access to best deals and risking his own money alongside that of his investors. This alignment of interest is one of the keys to his success.

"When you are risking your own money, you look at things differently. If you want to go public, you need to conduct your business like a private company so you avoid unnecessary risk-taking."

While being able to raise billions of dollars in the capital markets, he managed to keep close control over his dozen public companies. "Being able to make quick decisions is crucial in this business."

Fredriksen also credits his success with the ability to do deals at a moment's notice. "If there is a good deal, we will do it right now. What might take a public company a year to make a decision about, we can decide on in an hour".

Dynasties of the Sea

Dynasties of the Sea is really a must read for anyone in the shipping industry.

"The author captures the big ideas and backgrounds of these shipping titans who tend to stay out of the spotlight. This book is engaging and emphasizes shipping's vital role in free trade and how important

capitalism is to the growth of the global economy. Powerful!" commented an enthusiast Donald Trump, Chairman of The Trump Organization.

Published in November 2012 by Stamford, CT, Marine Money Inc. and written by CNBC's Lori Ann LaRocco, the volume offers a rarefied view of shipowners and financiers in dynasties of the sea who expanded the era of free trade.

Packed with personal stories, actionable business strategies and tips for navigating the precarious world of global finance, *Dynasties of the Sea* is both a vital business book and a rollicking good read, since it profiles 21 of the world's shipping pioneers, the men and women who have built and lost and re-built vast fortunes moving goods across the sea.

Whether born into the business or swept into it by a love of adventure and profit, these fascinating characters tell the stories of their early beginnings and cyclical successes in one of the most volatile and profitable businesses on earth.

Ship2Shore, with the permission of the publisher, will publish a few selected abstracts in the course of next issues.

Terminal San Giorgio



LO-LO & RO-RO SERVICES:

Containers
General Cargo
Project Cargo
Heavy Lift
Yachts
Trailers
Cars
and more...

Your Terminal of choice in Genoa

Ponte Libia - 16149 Genova
Tel. +39 010 0894102 - Fax +39 010 0894129
e-mail: commerciale@terminalsangiorgio.it
web: www.terminalsangiorgio.it

