

Capital Markets Group
***Entering the US
securities market***
A guide for shipping companies



Content

Thinking of raising capital in the US?	4
Choosing a US Exchange	5
Questions to consider when entering the US securities market	6
What is the process of listing in the US market?	7
Other considerations	10
The shipping industry in the US capital markets	11
How we help you succeed	12
About PwC	14
Contacts	14



Thinking of raising capital in the US?

The United States securities market represents one of the richest sources of capital in the world. In this booklet, we highlight the key issues that you need to resolve in advance, during and after a successful initial public offering ('IPO') in the US.

A private or public offering in the US has many advantages. It provides a company with an infusion of long-term capital to fuel growth but also can:

- Enhance shareholder value by benefiting from the establishment of a currency to pursue acquisitions in the US.
- Strengthen a company's reputation and profile.
- Lower a company's overall cost of capital through access to US debt.
- Provide a foundation for establishing a share option reward programme.

Raising capital in any of the global markets today presents many different and complex challenges. The process of entering the US capital markets has its own set of unique challenges.

A successful transition into the US market will be largely dependent on Management's ability to navigate a strong internal and external team through a complicated and often time-consuming process.

At PwC, we have considerable experience on offerings in the US, both private and public, and combining it with our shipping industry expertise, we are able to effectively support you all the way in successfully entering the US market.

Listing in the US	
Advantages	Key Challenges
Provides access to the largest source of capital in the world	Requires a significant commitment of management time and resources
Can generate significant proceeds that may be used to accelerate company growth through increased investment	Results in the company being subject to the US regulatory environment
Establishes another currency to pursue acquisitions in the US	Requires compliance with the ongoing reporting requirements of the SEC
Gives investors the opportunity to realise and/or monetise their appreciation in the value of their investment	Requires the preparation of audited financial statements under IFRS as issued by the IASB ('IFRS') or US GAAP
Provides share-based compensation for US-based employees	Results in the company being subject to additional US shareholder demands
Improves timeliness and cost of capital of subsequent offerings	
Offers access to US commercial paper markets through the establishment of a US credit rating	
Provides greater exposure of the company's products and services in the US and abroad	

Choosing a US Exchange

There are a number of stock exchanges in the US, but the majority of foreign companies want to be traded on the New York Stock Exchange ('NYSE') or the National Association of Securities Dealers Automated Quotations ('NASDAQ'). Each exchange has minimum entry requirements, including profit history, shareholders' equity, size of market capitalisation, number of expected shareholders and corporate governance.

Summary of Significant Listing Requirements*

	NYSE	NASDAQ Global Select Market**	NASDAQ Global Market**	NASDAQ Capital Market**
Minimum number of investors	•	•	•	•
Minimum public shares outstanding	•	•	•	•
Minimum total market value of public shares	•	•	•	•
Minimum bid price	•	•	•	•
Operating history				•
Minimum shareholders' equity			•	•
Pre-tax income	•	•	•	
Market makers		•	•	•



* Refer to nyse.com and nasdaq.com for a complete list of initial and continuing listing requirements

** Each of the NASDAQ markets have alternative listing standards that may be applied

Questions to consider when entering the US securities market

Transaction structure and financing

- What type of security should the company list in the US?
- Should the company pursue a public or private offering?
- With which US exchange should the company list its securities?
- What should the company's dividend policy be?
- What type of share-based compensation should the company offer employees?
- Does the company meet the definition of a Foreign Private Insurer or will it be treated as a domestic company?
- Does the company qualify as an EGC under the JOBS Act?

Historical track record

- Can the company demonstrate a history of significant and sustainable revenue growth?
- Can the company demonstrate a history of profits?
- Will the company's fleet and operations be attractive to US investors?
- Is the company prepared to follow US GAAP or IFRS?
- What will the company's financial position and results from operations look like under US GAAP or IFRS?
- What is the process of transitioning the company's financial statements to US GAAP or IFRS?

Corporate governance and management

- Does the company have the in-house management experience needed to successfully execute an IPO and meet the ongoing reporting requirements?
- What additional corporate governance will be required?
- How do the company's accounting policies compare with other companies in the industry?
- Is the company's internal control environment and information systems capable of handling growth and increased SEC reporting requirements?
- Investor considerations - Does management have an attractive story for potential investors?
- Can management clearly articulate and demonstrate the company's strategy?
- What are the implications of offering shares to US investors?

Other considerations

- How long does it take to complete an IPO?
- What is the typical cost of the various alternatives of entering the US market?



What is the process of listing in the US market?

Strategic Planning

Planning and good preparation are crucial to successfully enter the US market. This is not simply a question of appointing the right advisors, but also ensuring that the company is prepared to be listed on the US market. Key issues to be considered prior to initiating the process of listing in the US market include:

- Weighing the benefits and drawbacks of a securities offering in the US
- Developing a strategic plan with financial and non-financial goals and objectives to maximise value
- Preparing a well-constructed, attractive investor 'story'
- Assuring that a board and management team with the right skills and experience is in place
- Selecting a registration team (counsel, independent auditor, accounting advisor, investment bank(s) and investor relations firm)
- Establishing high quality corporate governance standards underpinned by robust management information and management reporting systems
- Evaluating readiness to comply with the provisions of the Sarbanes-Oxley Act
- Composing the historical financial track record
- Performing an analysis of financial information to identify SEC reporting and disclosure differences
- Evaluating the suitability of existing capital, future goals, needs and financing alternatives
- Planning for the tax implications
- Assessing corporate and legal governance
- Evaluating management and employee incentive arrangements
- Preparing a timetable for the IPO process

JOBS Act

In April 2012, the Jumpstart Our Business Act (JOBS Act) became law. The JOBS Act significantly modifies the US securities laws by making the IPO process more attractive to most US and non-US companies considering a US IPO.

The JOBS Act created a new category of issuer, called an Emerging Growth Company or EGC. EGCs benefit from a transition period, or on-ramp, from private to public company. During this period – which can last for up to five years – EGCs are exempt from certain costly requirements of being a public company. EGCs may choose all, some or none of the on-ramp accommodations, such as:

- **Confidential SEC review** – EGCs may initiate the SEC registration process confidentially by submitting a draft registration statement for nonpublic review by the SEC Staff. However,

an EGC may not commence its IPO road show marketing process until at least 21 days after publicly filing the initial confidential submission and all confidentially submitted amendments.

- **Scaled financial disclosures** – An EGC may conduct its initial public equity offering using two years, rather than three years, of audited financial statements and as few as two years of selected financial data. The MD&A may cover only the years for which audited financial statements are provided. After its IPO, an EGC will phase into full compliance.
- **SOX** – The JOBS Act defers the requirement to have the independent auditor assess and EGC's internal controls over financial reporting (ICFR) under Section 404(b) of the Sarbanes-Oxley Act. However, an EGC still must comply with the Section 404(a) requirement that management assess its ICFR, generally beginning with its second annual report on Form 20-F.

Audited Financial Statement Requirements for Foreign Private Issuers

The SEC has specific and sometimes complex rules regarding the content and age of the financial statements that must be presented in a registration statement. The requirements may vary depending on the basis of presentation used to prepare the historical financial statements. In a Form F-1 registration statement, a company must generally present the following financial statements:

Basics of preparation	Balance sheet	Statements of income, cash flow and shareholders' equity
US GAAP	Two years	Two years
IFRS (as adopted by IASB)	Two years	Three years
US GAAP or IFRS as an EGC	Two years	Two years

Public Offerings

The IPO process involves a significant amount of time and resources and the demands placed on senior management can easily be underestimated. The process is challenging and dynamic.

Careful planning and an understanding of the process are essential to the success of the offering.

IPO Process. From the view-point of SEC, once a preliminary understanding with an underwriter on the proposed offering is reached, the IPO process has begun. In the beginning of the IPO process the registration team - including the company's Management, counsel, independent auditor, investment bank, investment bank's counsel and depositary bank - convene to discuss the timetable, roles and responsibilities, potential bottlenecks and the structure of the offering (referred to as the 'all hands' meeting).

Registration Statement. After the all hands meeting, the working group begins preparing a draft of the registration statement. This process involves all members of the working group and, depending on the complexities of the offering and/or the significance of issues that need to be addressed, can take 45 days or more to complete. Responsibilities for the various sections of the registration statement by the working group team typically include the following:

Working group team	Primary responsibilities
The Company	<ul style="list-style-type: none"> • Along with company counsel, prepares the nonfinancial sections of the registration statement • Prepares the required financial statements under IFRS or US GAAP, financial statement schedules and other financial disclosures • Evaluates significant/complex issues for potential pre-clearance with the SEC
Accounting Advisor	<ul style="list-style-type: none"> • Assists the company in evaluating and resolving significant/complex accounting issues • Advises the company regarding required financial statement and registration statement disclosure
Company Counsel	<ul style="list-style-type: none"> • Coordinates and directs the efforts of the working group • Assists the company in preparing the non-financial sections of the registration statement
Independent Auditor¹	<ul style="list-style-type: none"> • Performs the audit of the company's financial statements • Performs comfort letter procedures and prepares a comfort letter to assist the underwriter and underwriter counsel in their due diligence process
Underwriter and Underwriter Counsel	<ul style="list-style-type: none"> • Drafts the description of the securities being offered • Performs due diligence procedure, including obtaining a comfort letter from the independent auditor
Depositary bank	<ul style="list-style-type: none"> • Assists with the closing and maintains custody over the deposited underlying securities • Pays dividends and handles other corporate actions (i.e. distributes shareholder reports)

¹ The auditor must be independent of the company in accordance with the SEC's independence rules.

As the various sections of the registration statement are completed and assimilated, financial information and disclosures are reviewed, considered and often redrafted. Once the outstanding issues have been resolved to the satisfaction of the members of the working group and signed off by company management, the registration statement is submitted to the SEC for review¹.

SEC Review. The SEC performs a review of the registration statement to determine whether or not the registration statement includes adequate disclosures and complies with the SEC regulations. The SEC will then issue a comment letter, usually within 30 days, which includes a description of deficiencies identified in the review and may also include requests for supplemental information. Company counsel and the independent auditor typically assist in addressing any deficiencies and in preparing responses to the SEC. There may be more than one series of comments on a registration statement, lengthening the SEC review period to five or more weeks. Once the SEC signals that all comments have been cleared, the company typically prints the preliminary prospectus (the 'red herring') and begins the selling phase of the IPO process².

Road Show. The road show is the core selling effort when senior management and the lead investment bank meet with prospective members of the underwriting and selling syndicates, significant investors and securities analysts to help build interest in the company and the IPO. The investment bank uses the road show to gauge the level of interest in a company's stock and help build an order book among significant investors. The more interest a company generates, and the more credibility management earns, the higher the expected price of the offering.

Pricing and Closing. Once the selling efforts are finished and final comments from regulators are cleared, the offering is priced and the final prospectus is filed with the SEC. The underwriting agreement between the company and the investment bank is signed and the public offering begins. The offering is formally concluded on the closing date, which is usually three to five business days after the effective date of the registration statement. On that day, the company delivers the registered securities to the investment bank and receives payment for the issue.

Life as a public company

The challenge does not end once the company has effectively completed the IPO. Once the company is in the public domain, it will need to fulfil its ongoing reporting requirements, deal with market analysts and manage investor relations.

Ongoing Reporting Requirements. Once a non-US company registers and has publicly placed securities in the US, it must file an annual report with the SEC on Form 20-F. In addition, the company will be required to furnish material information on Form 6-K with the SEC under certain circumstances. It will be important to embed financial reporting procedures to improve the timeliness and efficiency of producing the required financial information as the company's CEO and CFO provide certifications to the SEC.

Investor Relations. Managing expectations is the key to successful investor relations. Providing timely and reliable information is important to the well-being of a public company. A good relationship should be developed with the investment community to foster interest in the company and gain positive publicity.



¹ EGCs are permitted to submit confidential filings of their registration statements for SEC review on a non-public basis up until 21 days before the roadshow.

² Typically companies are advised against printing and distributing the 'red herring' prior to receiving full clearance from the SEC as any additional changes would require a full recirculation to investors.

Other considerations

Private vs. Public Offering

Non-US companies seeking to raise capital in the US do not necessarily have to become registered with the SEC. An exemption called Rule 144A entitles a company to offer securities for sale or resale to certain institutional investors without requiring registration of the offer or sale with the SEC. As a result, companies can raise capital in the US without having to meet the ongoing reporting requirements associated with a SEC registration.

Financing objectives, costs and timing are among the many factors that need to be considered in deciding whether to initiate a public or private offering. A public issue allows a company to establish a wider trading market for its securities, as well as broader exposure to the business and investing public than is possible in a private offering. The advantages of a private issue include potentially lower costs of preparing the offering document and faster processing. Companies commonly use private offerings as an interim step to going public. Such private offerings come with registration rights to enhance post-closing liquidity of the securities sold in the offering. Registration rights are rights given to investors to sell or register unregistered shares in the event that the company carries out a public offering.

Selected financial information

Selected financial information for the lesser of five years or the period of existence of the company's business(es) is generally required (unless an EGC and a minimum of two years is required). Selected financial data should also include interim data related to any interim financial statements included in the registration statement.

Carve-out accounting

If a subsidiary, a division or smaller business component is 'carved out' of another entity and becomes a separate registrant, the SEC rules require audited financial statements to be presented for the carved-out business. Each carve-out situation is unique and requires separate consideration. Limited specific accounting rules or guidance exist that govern the composition of carve-out financial statements. As a result, the preparation of carve-out financial statements can be complex and is often highly judgmental.

Pro forma financial statements

The SEC may require pro forma financial statements in a number of circumstances to give effect to significant transactions, such as significant business combinations, dispositions or other events or transactions that would be material to investors. Pro forma financial statements provide users of financial statements a clearer picture of the impact on the financial structure of the company as a result of significant changes to the business. The SEC prescribes the specific form and content of pro forma financial statements for companies required to file such financial statements in a public filing.

Separate financial statements

Separate financial statements of businesses acquired or to be acquired may be required. The annual audited financial statement requirement ranges from one year to three years and could require reconciliation to US GAAP for up to two years, depending upon whether certain significance criteria are met.

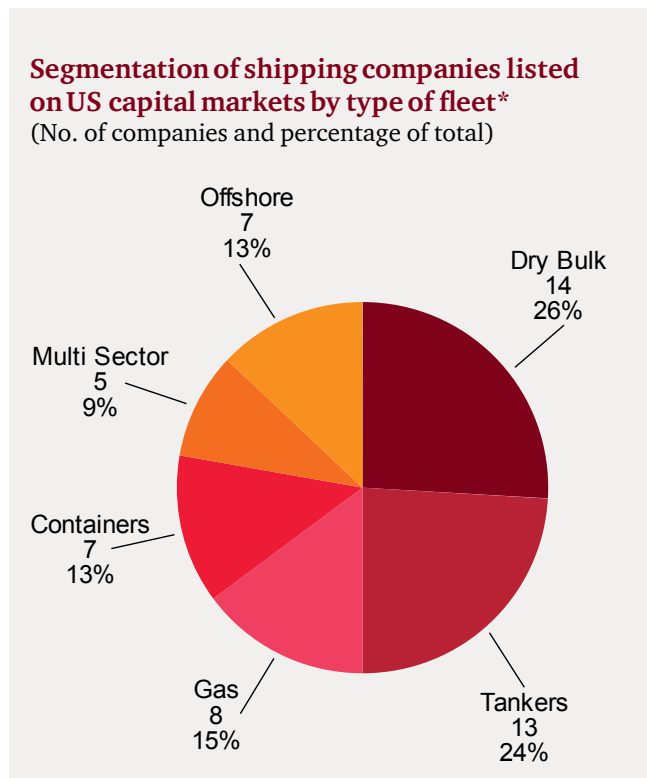


The shipping industry in the US capital markets

From the 54 shipping companies that are listed on the US capital markets, 21 companies (39% of the total) are listed on NASDAQ and 33 companies (61% of the total) are listed on NYSE*.

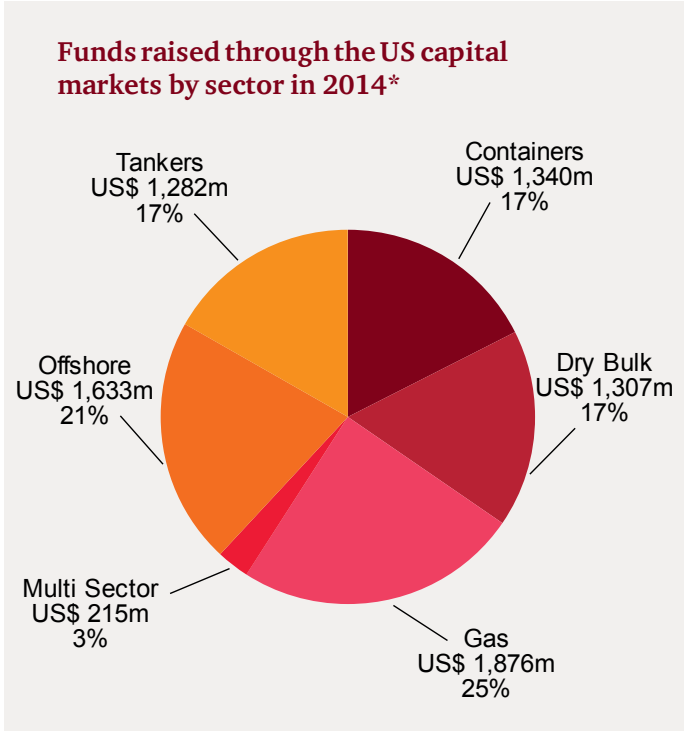
The following chart shows the segmentation of the shipping companies listed on US markets, indicating that almost half of those companies belong either to the dry bulk or tanker sector.

PwC's audit clients raised \$2.4 billion in the US capital markets in 2014 representing 31% of the total funds raised by shipping companies.



Source: Publicly available information

In 2014, total funds raised by shipping companies through the US capital markets amounted to \$7.6 billion of which 46% was raised through Bond Offerings, 45% through Follow-On Offerings and 9% from IPOs.



Source: Publicly Available information

*Cruise and Ferries sectors are excluded.

How we help you succeed

With more than **50 years of shipping and public company transaction experience** we are able to offer effective advice and services to non-US companies interested in raising capital and/or listing their securities in the US. Our global presence, extensive knowledge of capital markets, and our network of financing relationships provide the expertise and insight needed at every stage.

Our broad range of capital markets services include:

Strategic planning

We help to provide alternative approaches for raising capital to optimise the company's strategy. Also, we perform a study of the impact of complying with the SEC's financial reporting requirements, we offer practical solutions to potential issues, advice on the accounting under IFRS or US GAAP, and we assist management in organising an effective team of internal and external specialists with the right skill-sets needed to complete a successful offering.

Pre-IPO diagnostics

We have a pre-IPO diagnostic toolkit to assist management in performing an assessment of the company's readiness to make the transformation to a publicly-held company in the US.

This diagnostic helps management to highlight potential people, process, organisational and technical issues associated with an initial public offering in the US. Through a pre-IPO diagnostic, we help management to evaluate deal structure and tax planning alternatives, determine the additional information needed to complete financial statements under IFRS or US GAAP, assess the company's existing information systems and financial reporting procedures and identify potential factors impacting the company's business valuation.

IPO support

Once the company's strategy has been established, we guide the execution of the blueprint for success. Picking the right route through the rules, regulations and interpretations is extremely complex and hazardous. In this area we can:

- Review management's identification of significant IFRS or US GAAP issues.
- Review management's assessment of the disclosures required by SEC rules, regulatory agencies, IFRS or US GAAP in relation to the primary, pro forma or separate financial statements.
- Assist the company in establishing corporate governance needed to comply with the target US listing.
- Advise the company in developing the Management's Discussion and Analysis (MD&A) and other parts of the prospectus or offering circular.
- Review the registration statement prior to filing to help minimise the number of SEC comments.
- Assist in evaluating significant/complex issues for potential pre-clearance with the SEC.
- Assist the company in requesting relief from the SEC where required information is not considered meaningful or cost effective to provide.
- Help management address and resolve issues raised by the SEC in its review of the registration statement.
- If applicable, advise management in relation to the preparation of carve-out and/or pro forma financial statements.



Ongoing support

After a listing has been obtained, we offer ongoing SEC, US GAAP and IFRS support to help companies comply with SEC requirements. Such services include providing assistance in embedding policies and procedures to enhance the company's internal control environment, reviewing management's evaluation of new or complex accounting treatment under IFRS or US GAAP and providing courses and technical updates on IFRS, US GAAP and SEC developments.

PwC Capital Markets Group

A unique cross border group, within the global PwC Network, that has a dedicated professional team in Greece serving the shipping industry and public companies

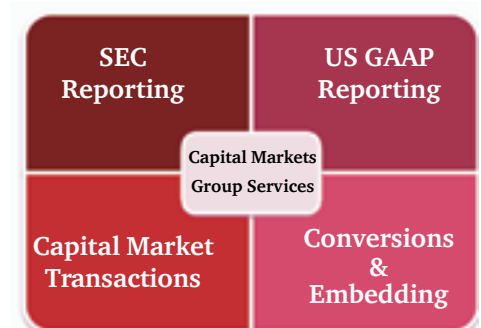
We have deep SEC expertise and specialise in providing a broad range of services in connection with capital markets transactions.

Our core service offerings include:

- SEC Registration and Reporting Requirements
- US GAAP Financial Reporting
- Capital Market Transactions
- US GAAP/IFRS Conversions and Embedding

How we bring value and help you succeed

- **Expertise to quickly deal with your challenges**
Our industry and wide subject matter knowledge means we can help you solve complex registration, accounting, and financial reporting matters, quickly.
- **Change Agility and Readiness**
We are multilingual, multicultural, and multi-GAAP. This means we can adapt and mobilise expert resources quickly to find you solutions.
- **Stamina**
Working across multiple time zones is business as usual for us. We have a hands-on-execution style and stay until your job gets done.



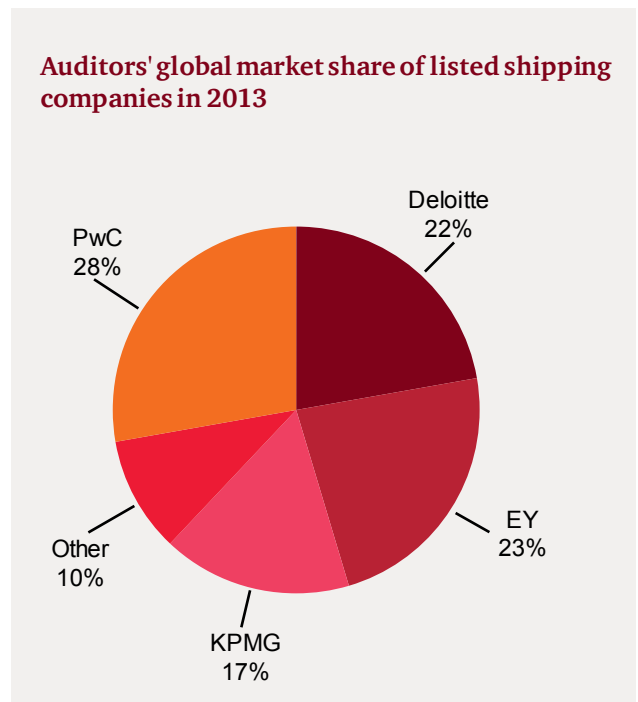
Global shipping industry markets expertise

PwC is a global leader in providing assurance services to shipping listed companies.

When you're looking to transform your business or take it to the next level, there are many options – including capital markets transactions, acquisitions and spin-off transactions. Regardless of your strategy, the process will require strong leadership and the commitment of diverse, experienced resources.

Through our vast experience in the shipping sector and dedicated Capital Markets team focusing on shipping industry transactions, PwC can help you with your plans to access the capital markets.

Auditors' global market share of listed shipping companies in 2013



Source: Based on 2013 Annual Reports of 108 top listed shipping companies in key exchanges around the world.

About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at www.pwc.com

PwC Greece is the largest professional services organisation in the country, with

more than 900 people and premises in Athens and Thessaloniki. We are part of the global network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity.

As audit and assurance market leader, we provide services that improve corporate reporting and assurance systems that operate effectively within a well-controlled environment. Not only does your audit help assure compliance with applicable reporting standards,

but there are also important by-products of the audit process such as the identification of internal management issues and important insights that can help you address both present and future challenges. We approach your audit with a deep and broad understanding of your business, the industry in which you operate, and the latest regulatory standards. We consider the risks your company faces, the way management controls these risks and the transparency of your company's reporting to stakeholders.

<http://www.pwc.com/gx/en/transportation-logistics>

Contacts

The Shipping industry is a strategic priority for us. We have built a strong team of dedicated professionals that service many of the leading shipping companies, including entities listed in the US capital markets (foreign private issuers).

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