

Bulk Carriers

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Market Update

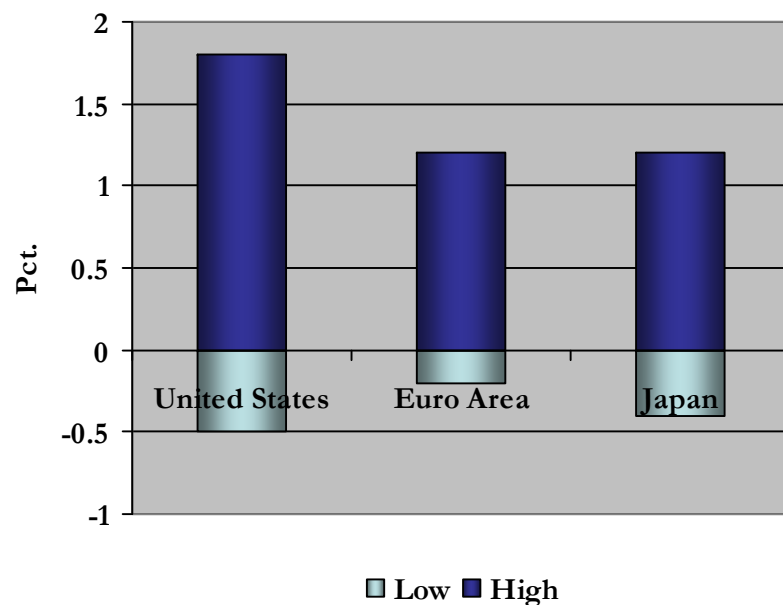
IPIA % HBIA Members' Meeting
Istanbul, October 21st 2008

Global Economy - Snapshot

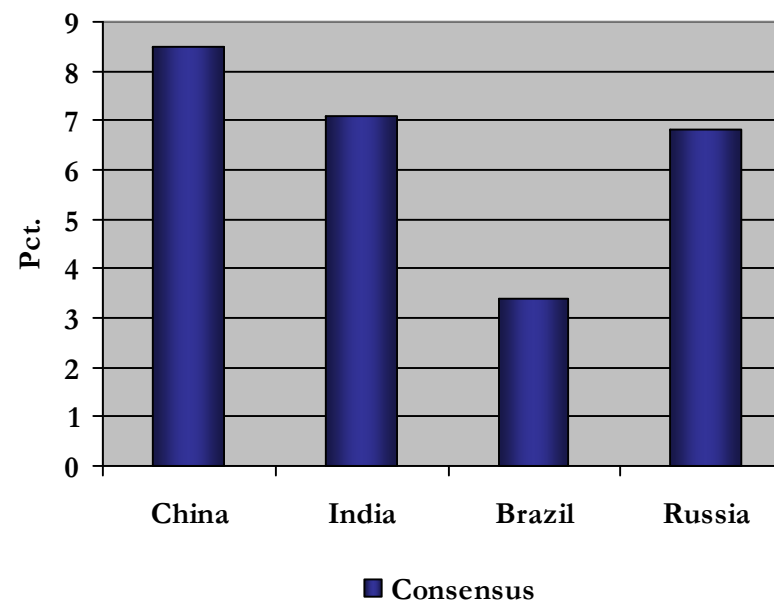
- ❖ **Global GDP growth rates reduced for 2008 and 2009**
- ❖ **Industrial production growth reduced for 2008 and 2009**
- ❖ **Inflationary pressure globally**
- ❖ **Japan, USA, and better part of Europe in recession...?**
- ❖ **Have we seen the worst of the financial crisis.....and just waiting for the effects to trickle into the economies....reduction in construction activity.....weaker demand for durable goods.....declining consumer spending....??**
- ❖ **We believe we are in for a rough ride, however, we are pretty sure that at least 95% of seaborne bulk trades in 2008 will happen next year as well.**

Economist Poll of Forecasters

Major Economies - 2009 GDP



BRICs - 2009 GDP Growth



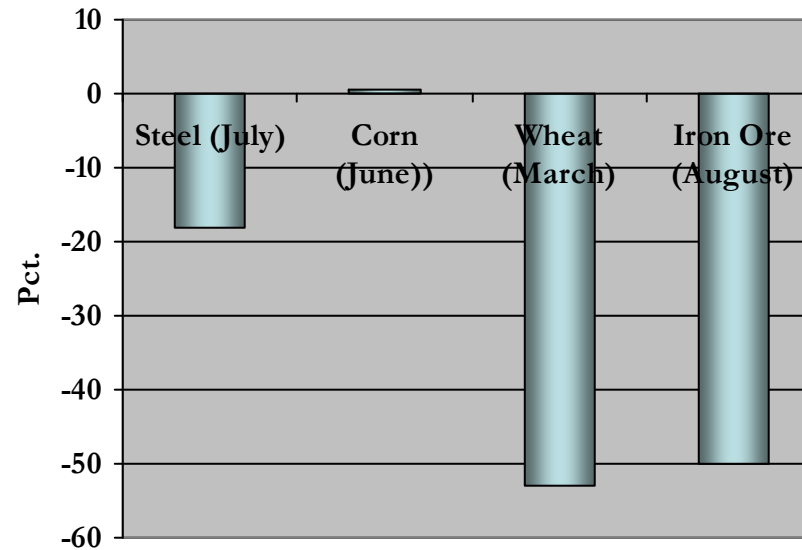
Commodity Prices

The Economist commodity-price index
2000=100

	Sep 30th	Oct 7th*	% change on	
			one month	one year
Dollar index				
All items	209.8	190.4	-16.0	-10.7
Food	214.5	194.3	-15.8	+1.2
Industrials				
ALL	203.8	185.3	-16.2	-23.0
Nfa†	169.6	153.7	-17.5	-7.3
Metals	222.5	202.6	-15.7	-28.1
Sterling index				
All items	178.5	164.0	-15.8	+3.2
Euro index				
All items	138.1	129.1	-12.9	-7.8
Gold				
\$ per oz	877.60	877.40	+8.2	+18.9
West Texas Intermediate				
\$ per barrel	101.26	89.85	-12.2	+11.9

*Provisional †Non-food agriculturals.

Price changes - selected commodities

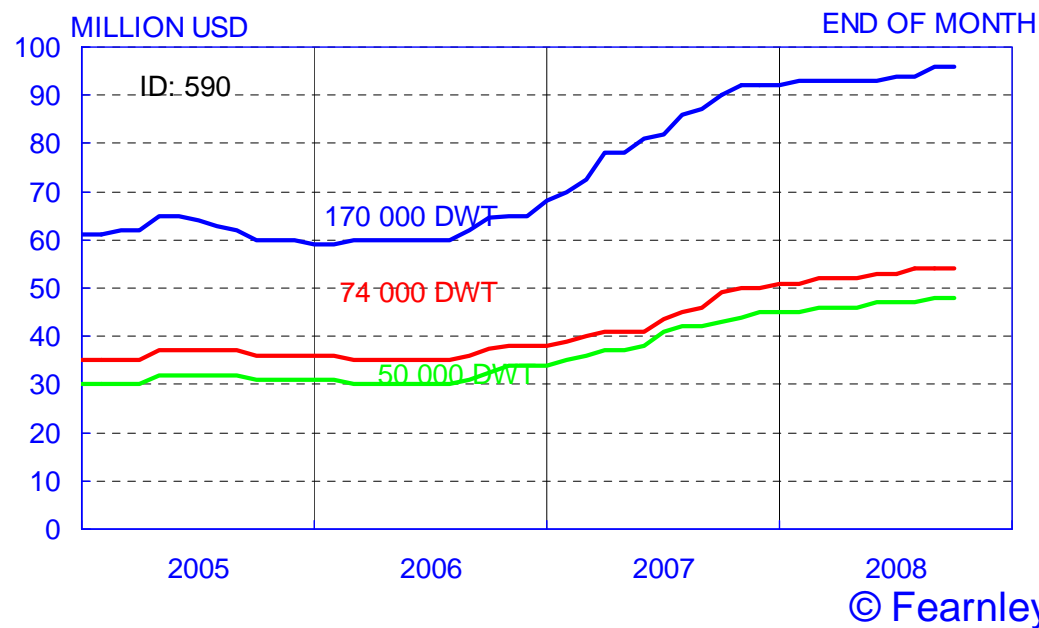


■ Change since 2008 peak

Initial Comments – Bulk Carriers

- ❖ The market, measured by the BDI, has dropped 87% since June 5th.
- ❖ YTD average, despite the fall, is 24% higher than the same period in 2007, and 9% higher than the 2007 average.
- ❖ Newbuilding prices at “all time high” but have increased little since end 2007.
- ❖ 2nd hand prices are under extreme pressure and the market has dried entirely up.
- ❖ 12 month time charter rates are down 75%-80% from earlier this year.
- ❖ Outlook for demand growth is much weaker than earlier anticipated.
- ❖ However, despite the enormous order book, the current crisis could bring about changes that will sustain the market in the longer term.

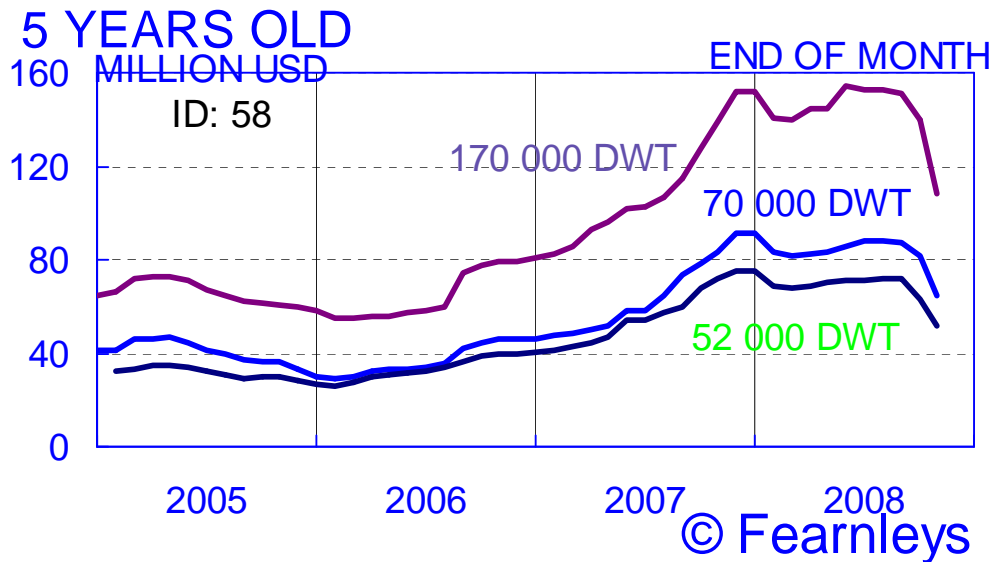
DRY BULK NEWBUILDING PRICES



- Newbuilding prices rose about 32-35% in 2007.
- Current NB prices are still about \$96, \$54, and \$48 for Capesize, Panamax, and Supramax bulkers, respectively.
- However – limited, or no contracting activity.
- We expect prices to come under pressure due to weak demand and strongly depreciated Won. However, costs are still high and most yards have a comfortable order book

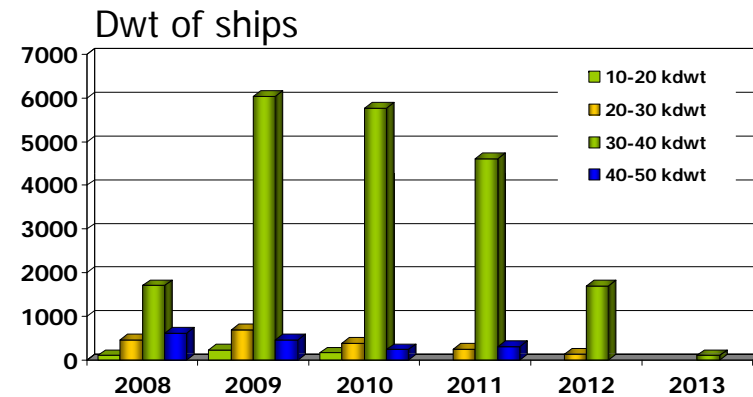
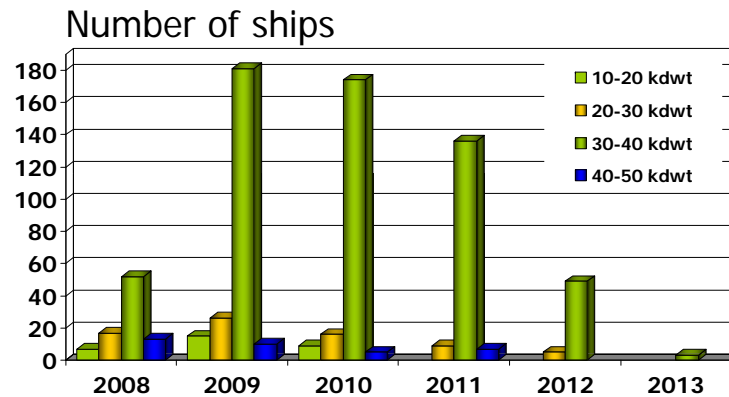
2nd Hand Values

SECOND-HAND BULK PRICES



- Latest data based on BSPA assessment October 16th.
- Indicate a drop of 17%-23% over three weeks.
- We expect a normalization of the ratio between 5 year old vessels and newbuilding prices.
- During 1990-2003 a five year old vessel was on average valued at 75% of a newbuilding, but varying between 62% and 91%
- Assuming stable newbuilding prices next 12 months we expect values to come down to 72, 40, and 36 MUSD for Capesize, Panamax, and Supramax, respectively.
- Assuming a 10% drop in newbuilding prices and a the 2001 average ratio (69%) values could potentially fall to 66, 37, and 33 MUSD for Capesize, Panamax, and Supramax, respectively.

Order book 50k- dwt



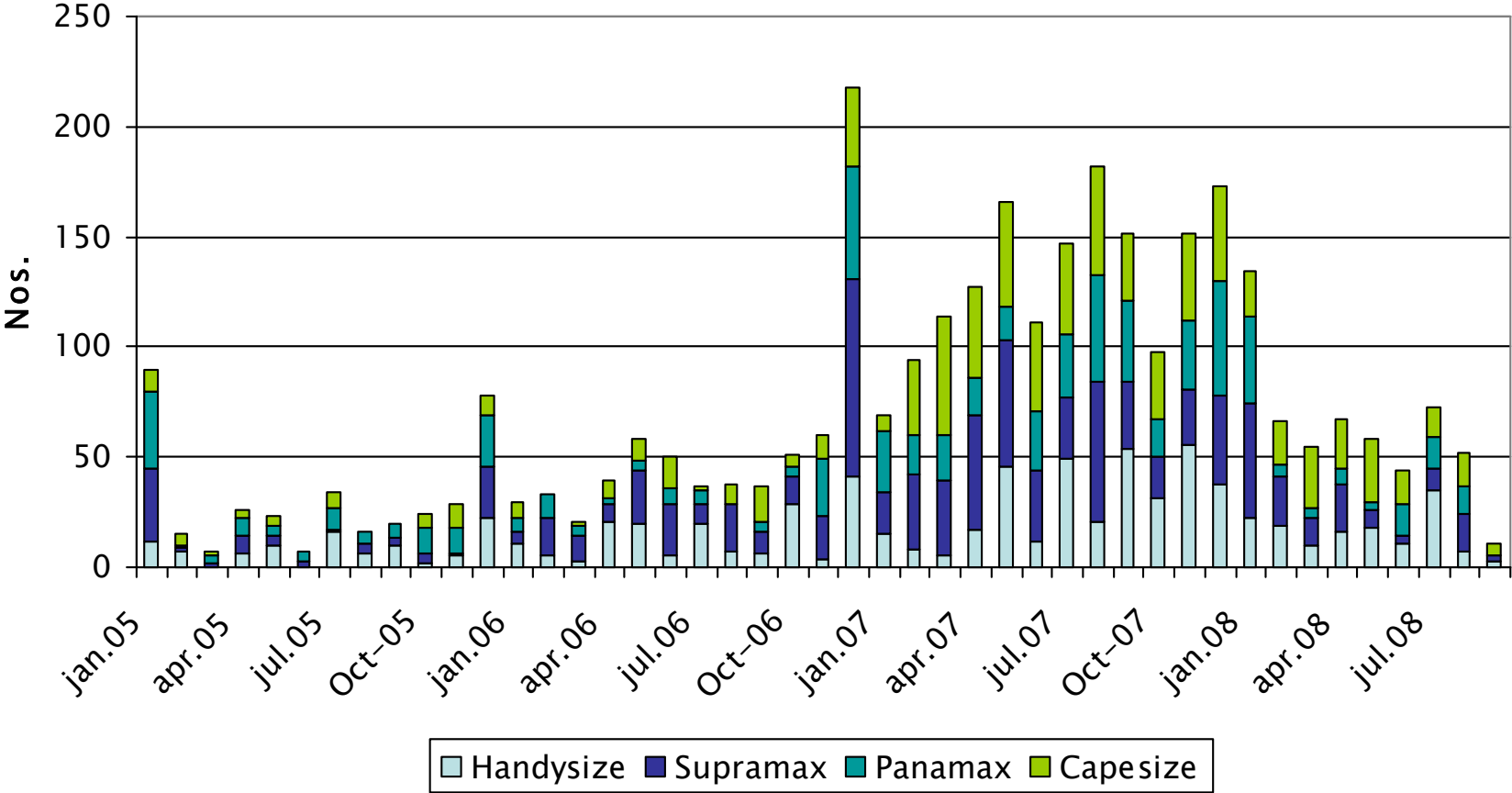
- The orderbook has increased about 50% over the past 12 months
- Estimated gross annual fleet growth

	2008	2009	2010
▪ 10-20 kdw	1,1%	2,5%	1,6%
▪ 20-30 kdw	1,4%	2,0%	1,1%
▪ 30-40 kdw	5,1%	17,3%	14,1%
▪ 40-50 kdw	1,4%	1,0%	0,5%
▪ 10-50 kdw	2,4%	6,0%	5,0%

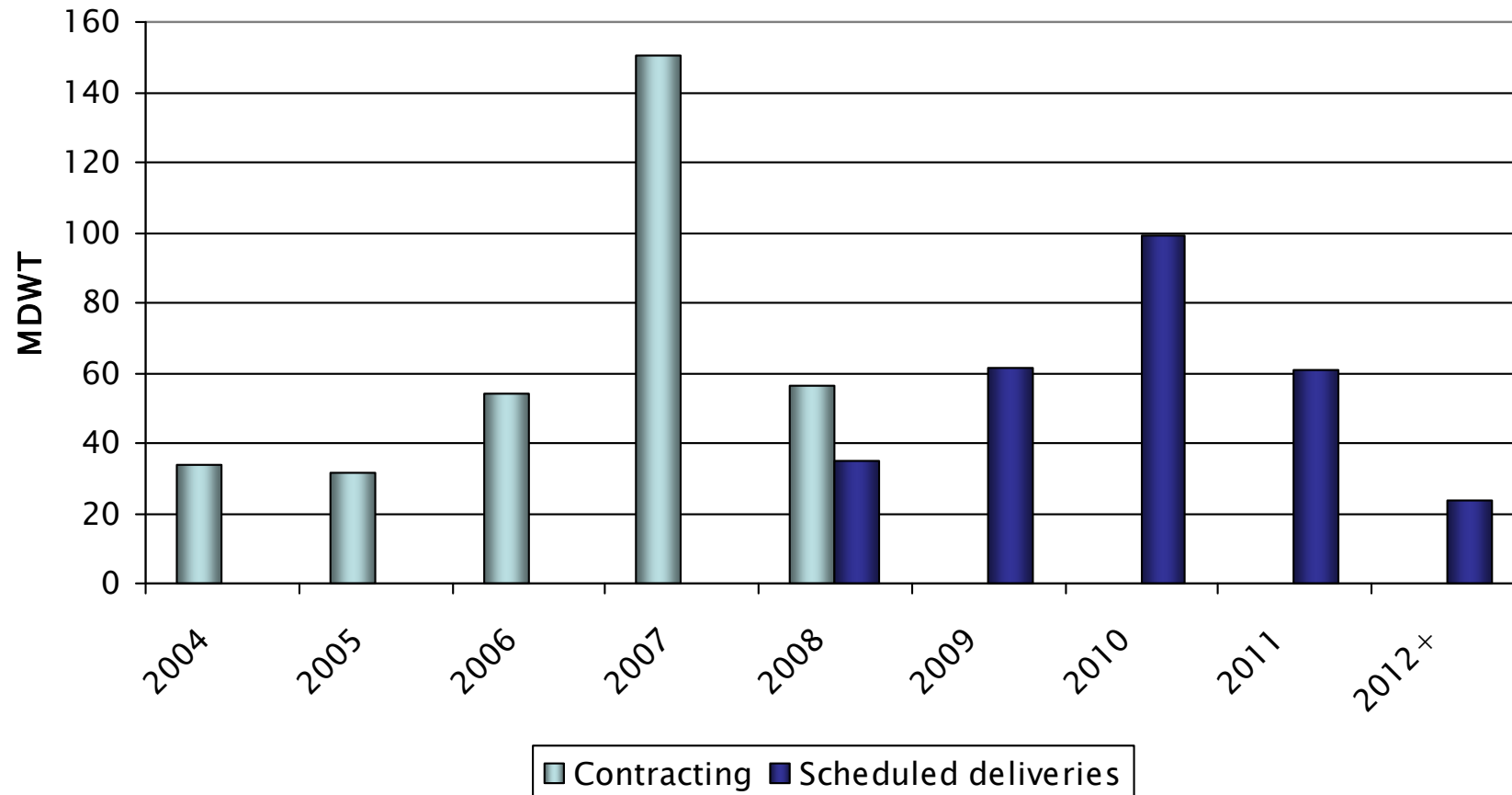
- Share of fleet 25 years, or older:

▪ 10-20 kdw	59,7%
▪ 20-30 kdw	34,8%
▪ 30-40 kdw	38,3%
▪ 40-50 kdw	11,8%
▪ 10-50 kdw	29,3%

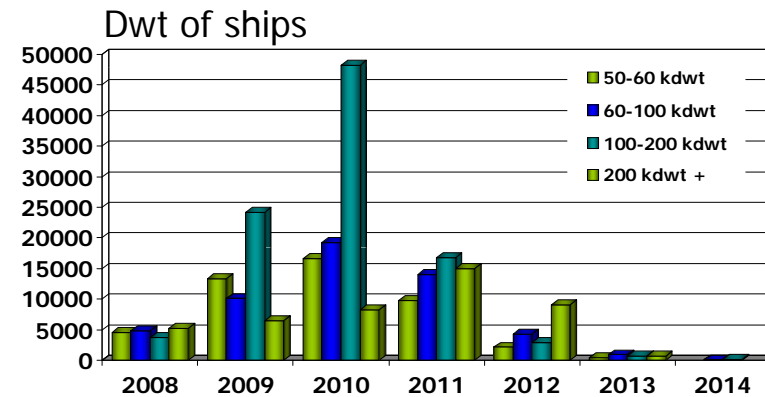
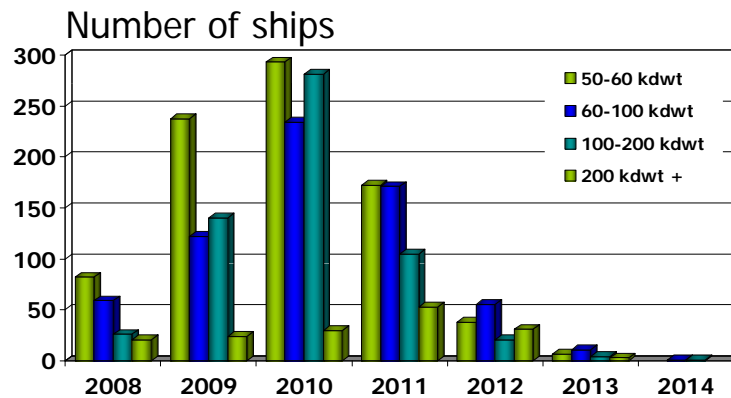
BC Contracting



Contracting & Deliveries

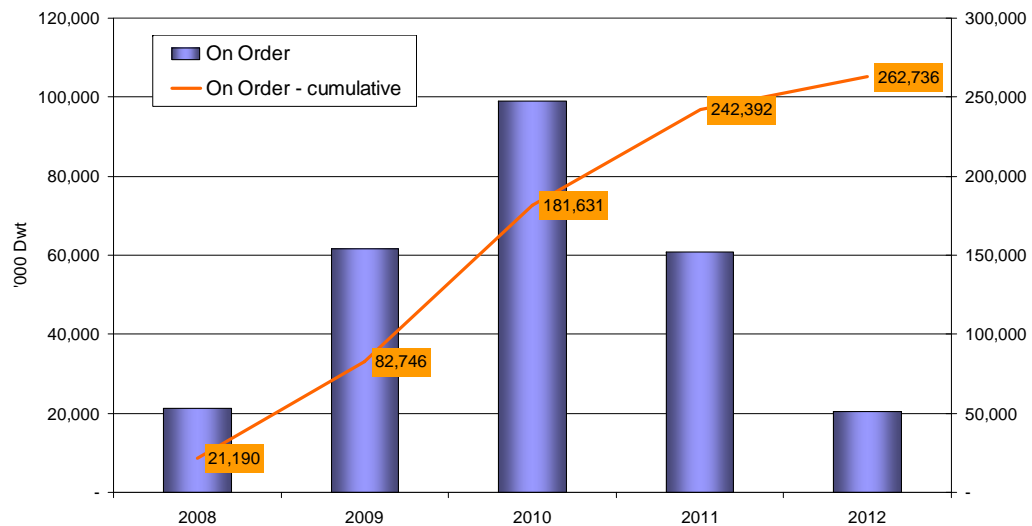


Order book 50k+ dwt



- The Current order book contains 241.9 mdwt, or 2222 vessels scheduled for delivery over the next 7 years.
- 50 kdw+ constitute 91% of the order book
- 56.1 mdwt has been contracted during the first 8m 2008
- 164.8 mdwt, or about 68% of the order book is scheduled for delivery by the end of 2010.

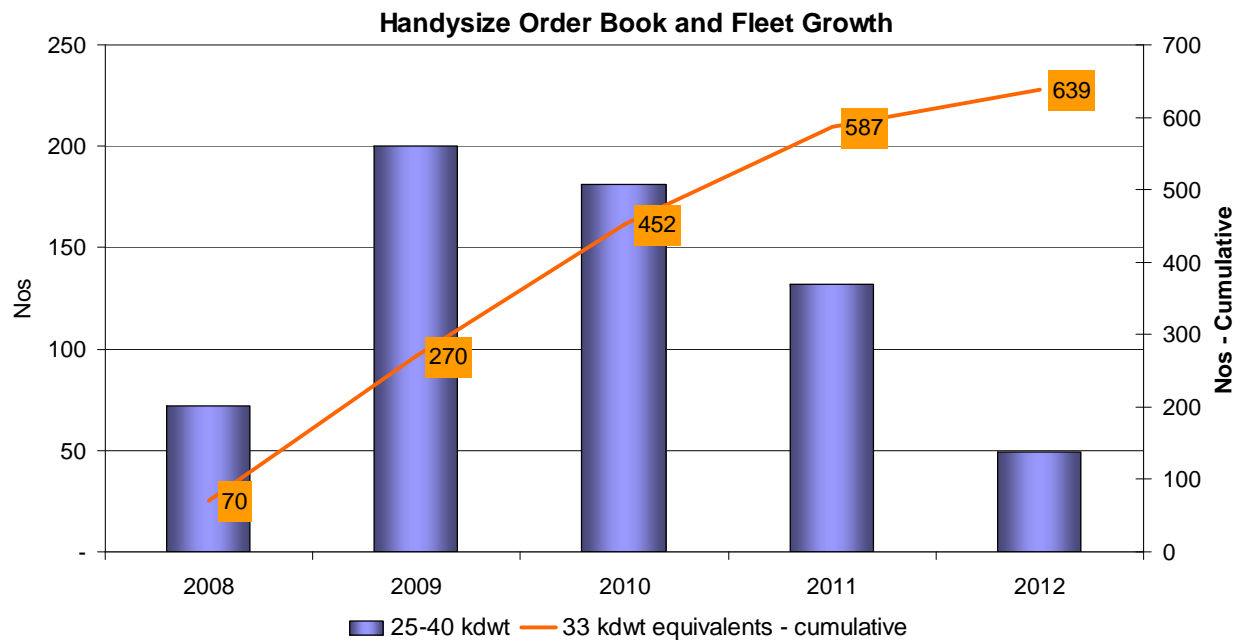
Total fleet growth – Excl. demolition



- Current fleet: 407.3 Mdw
- Orderbook: 265.7 Mdw
- The orderbook represents 65% of the existing fleet

- 2008: 5.2%
- 2009: 14.4%
- 2010: 20.2%
- 2011: 10.3%

Handysize fleet growth – Excl. demolition

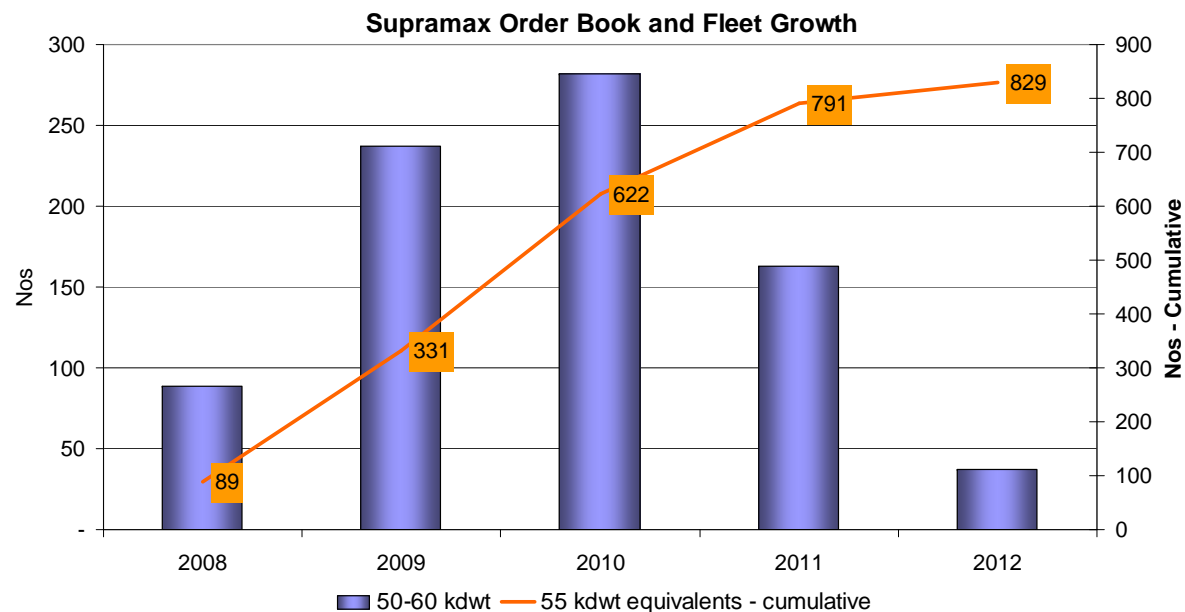


- Current fleet consists of 1747 units
- The orderbook represents 38% of the existing fleet

- Annual estimated gross growth:

■ 2008	4.1%
■ 2009	11.4%
■ 2010:	9.3%
■ 2011:	6.3%

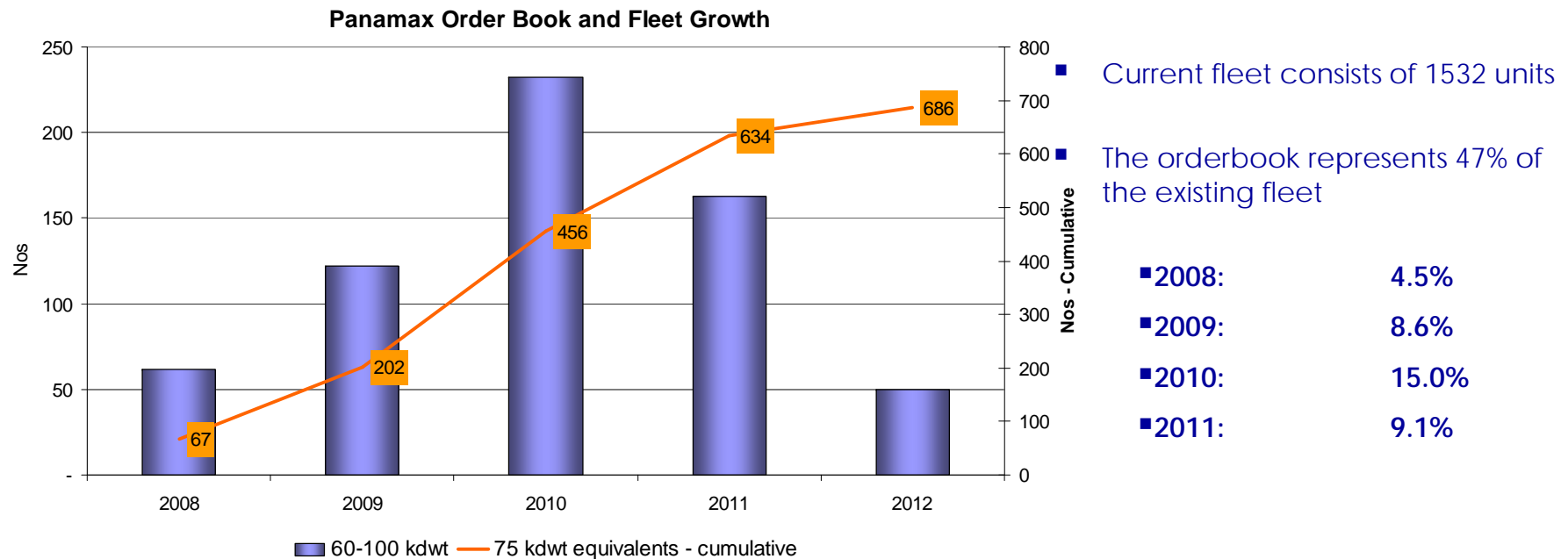
Supramax fleet growth – Excl. demolition



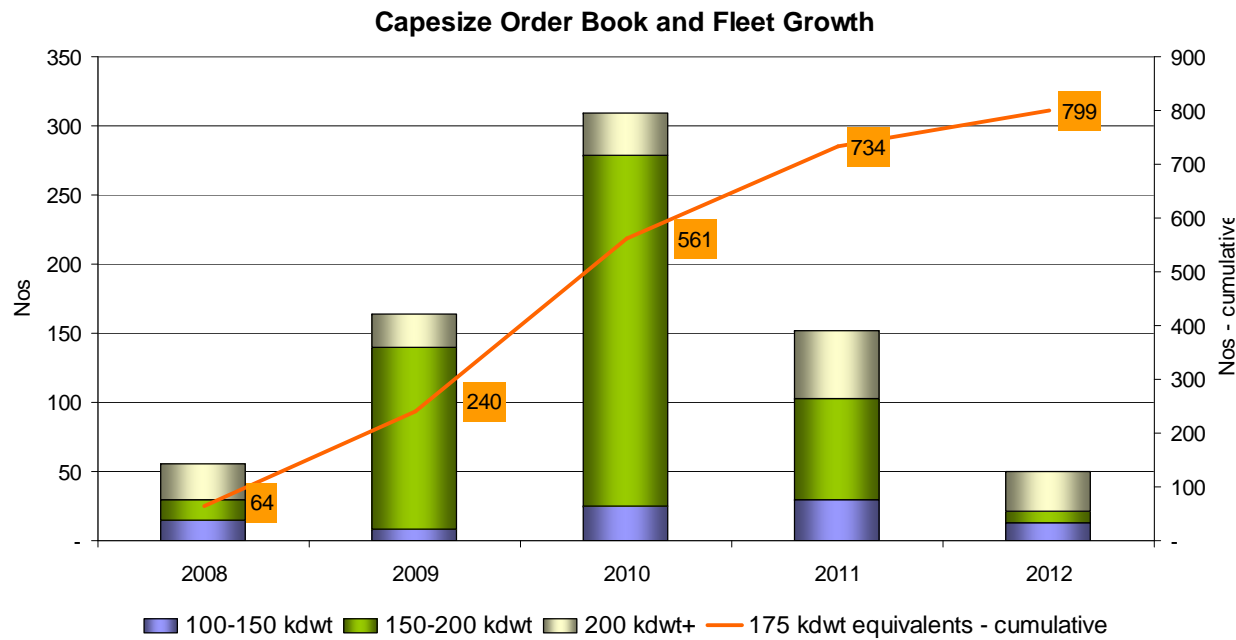
- Current fleet consists of 664 units
- The orderbook represents 129% of the existing fleet

■ 2008	13.8%
■ 2009	33.0%
■ 2010:	29.8%
■ 2011:	13.3%

Panamax fleet growth – Excl. demolition



Capesize fleet growth – Excl. demolition



- Current fleet consists of 783 units
- The orderbook represents 105% of the existing fleet

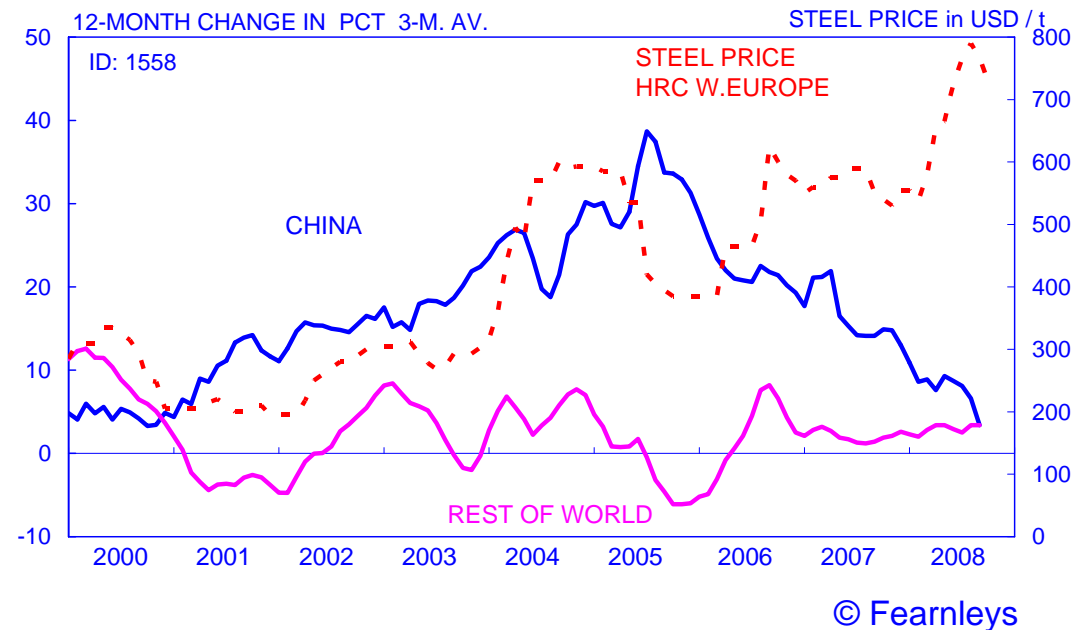
■ 2008:	8.1%
■ 2009:	20.8%
■ 2010:	31.4%
■ 2011:	12.8%

Risk Factors – Newbuilding deliveries

- ❖ Financing has become THE issue.
- ❖ Owners are in trouble as are shipyards
- ❖ 2009 deliveries are (fairly) safe as
 - The better part of scheduled deliveries have started steel cutting
 - Owners have paid in 2nd and even third installment
 - However, Greenfield yards look “shaky” with respect to funding of construction..
- ❖ We have seen very few cancellations so far
- ❖ We expect to see massive cancellations of bulk carriers scheduled for delivery in 2010/11
- ❖ This could bode well for the longer term health of the dry bulk market.

Demand Outlook

STEEL PRICE AND PIG IRON PRODUCTION



Chinese steel output is still increasing in nominal terms, however, the growth rate is falling rapidly

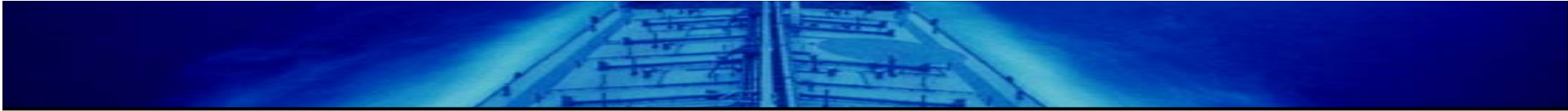
Chinese output of ore is a success story and with the latest increases in imported iron ore prices we believe domestic mining is boosted.

Negative for growth in imported volumes.

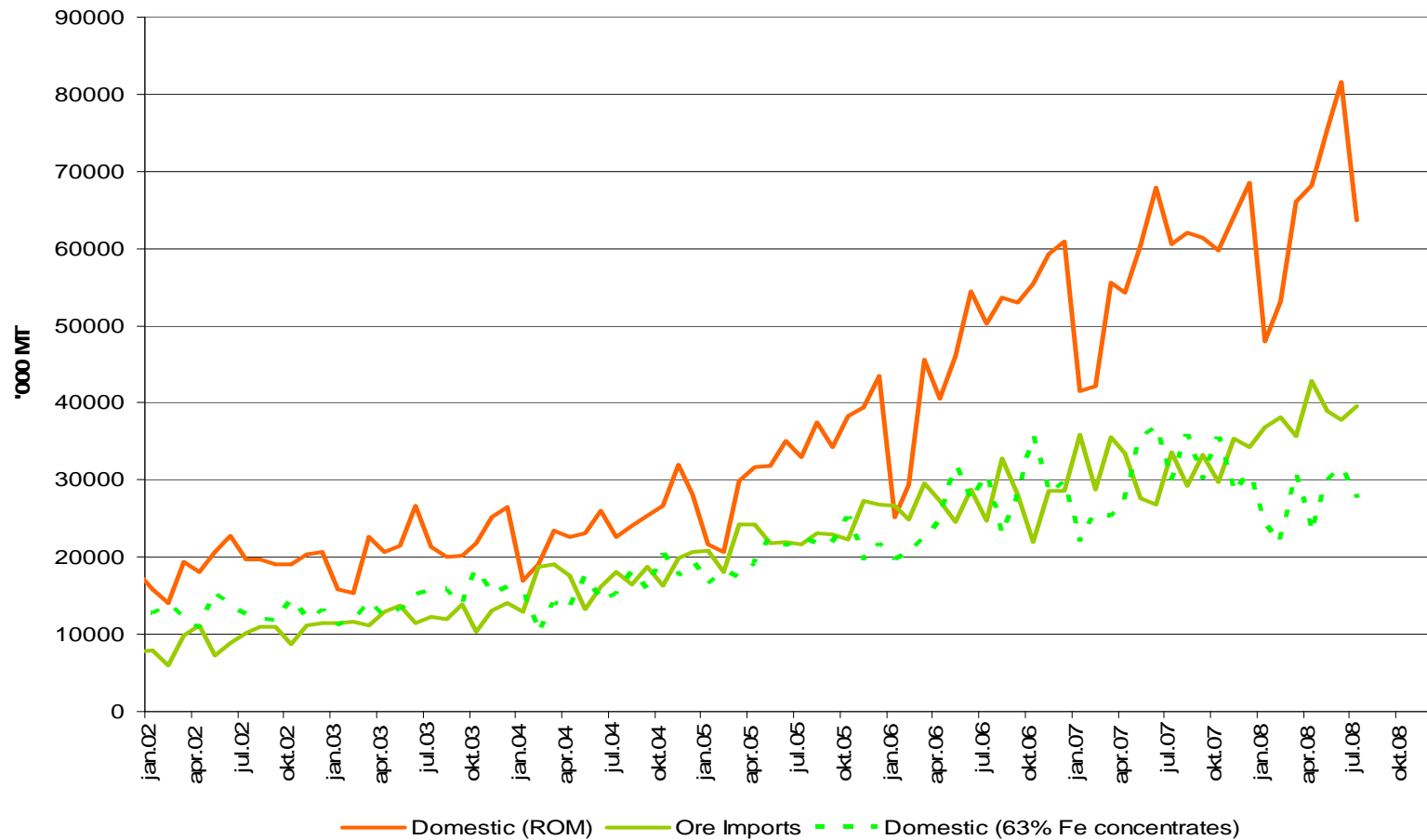
Chinese mills have signalled cuts of 20% in output from 4q onwards.

This will impact imports of iron ore and exports of steel

In addition, US and European steel mills have announced cuts as well as closure of capacity

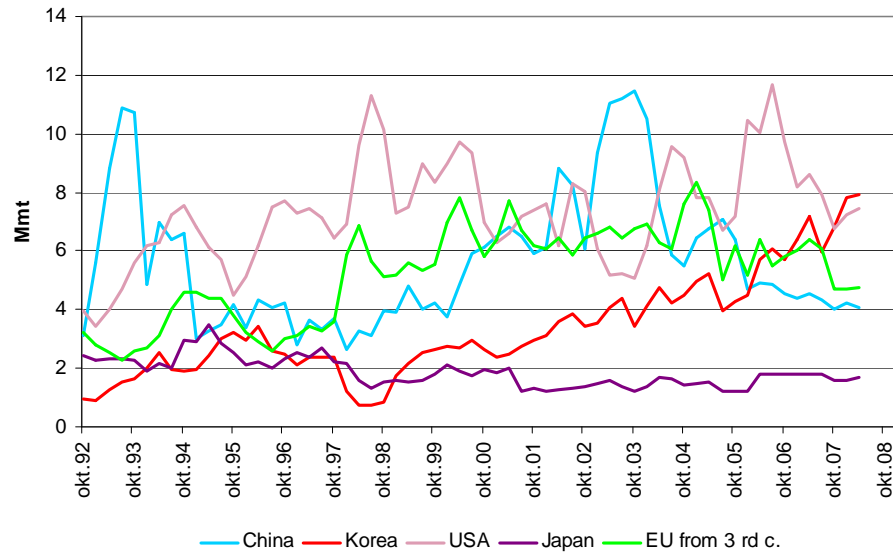


China Iron Ore Supplies

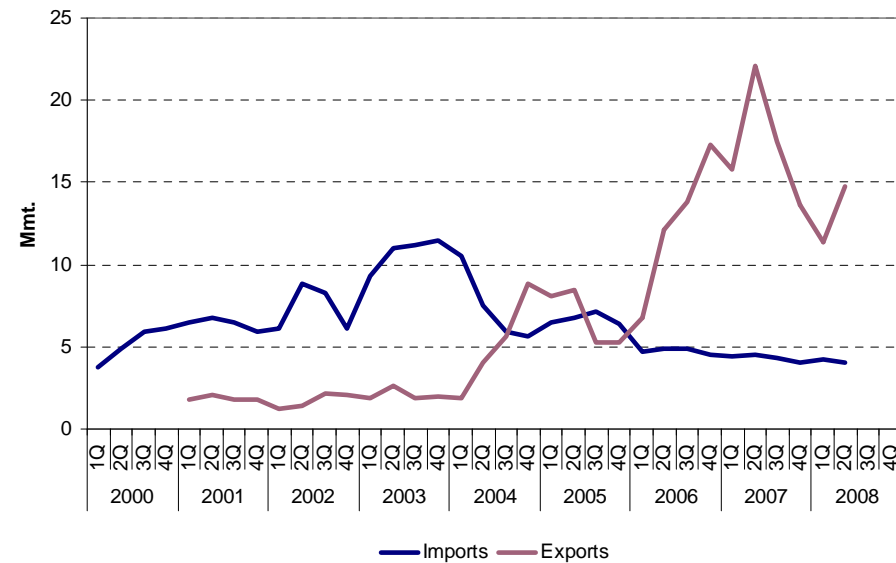


Steel Trades

Steel Imports

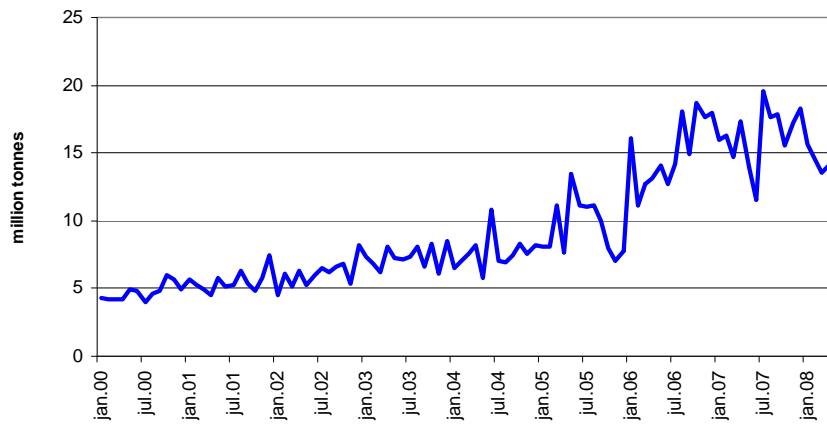


Chinese Steel Trade

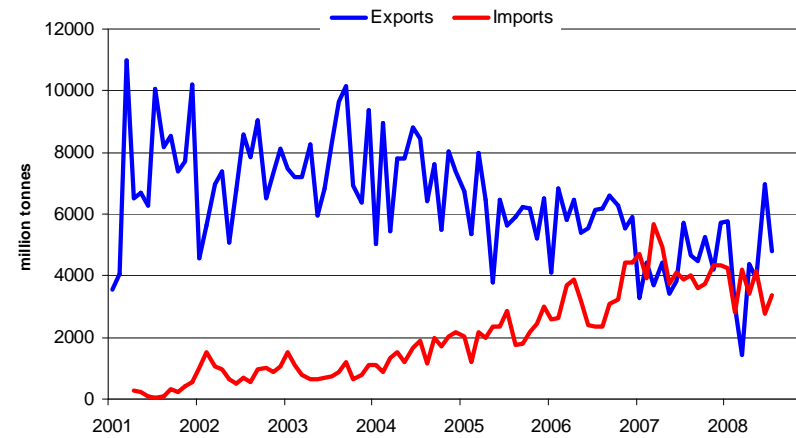


Pacific Coal Trades

Indonesian coal exports

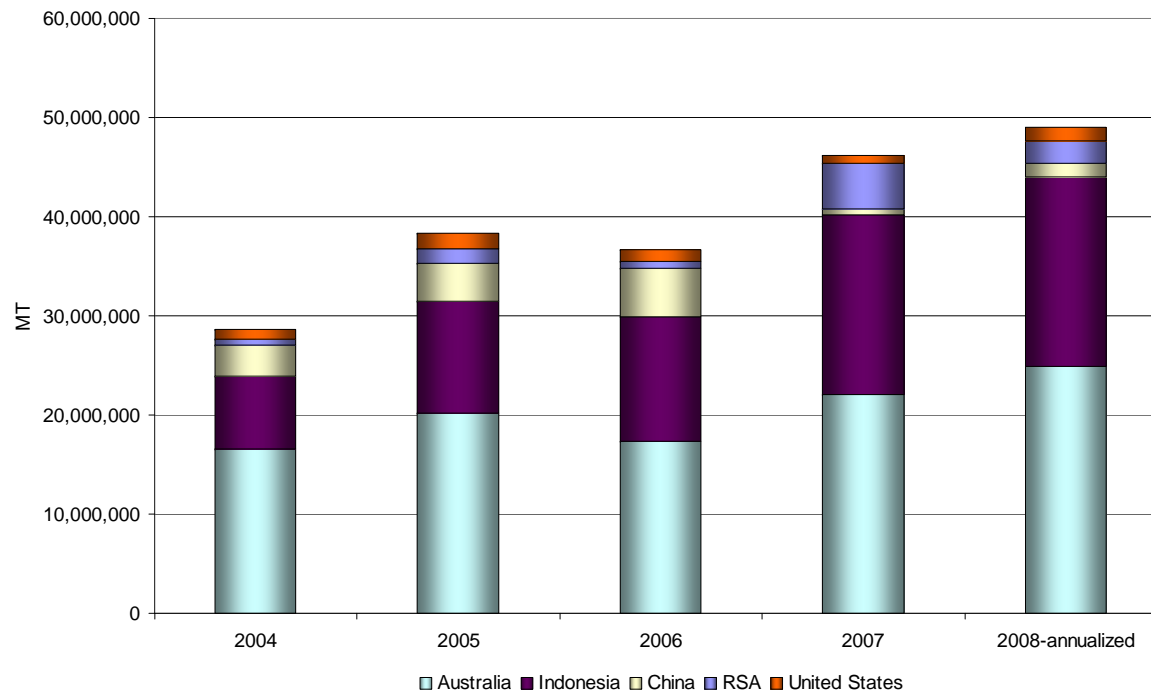


Chinese Coal trade



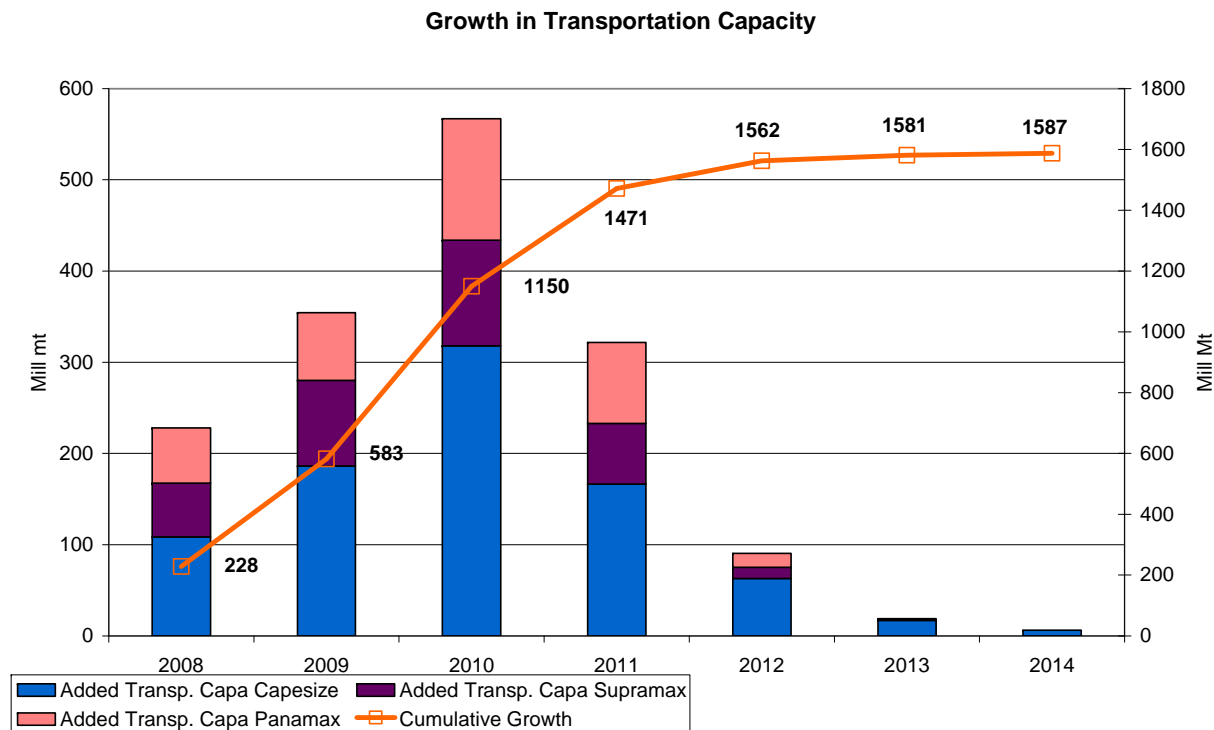
Pacific Coal Trades

India Coal Imports



- Indian coal imports are estimated to 49 Mmt in 2008
- This is an increase of almost 11 Mmt since 2004, or 14% p.a.
- Outlook is very positive and imports are expected to almost double by 2013
- However, we believe most of the growth will be in Capesize bulk carriers.

Future Transportation Capacity



Assuming unchanged fleet productivity

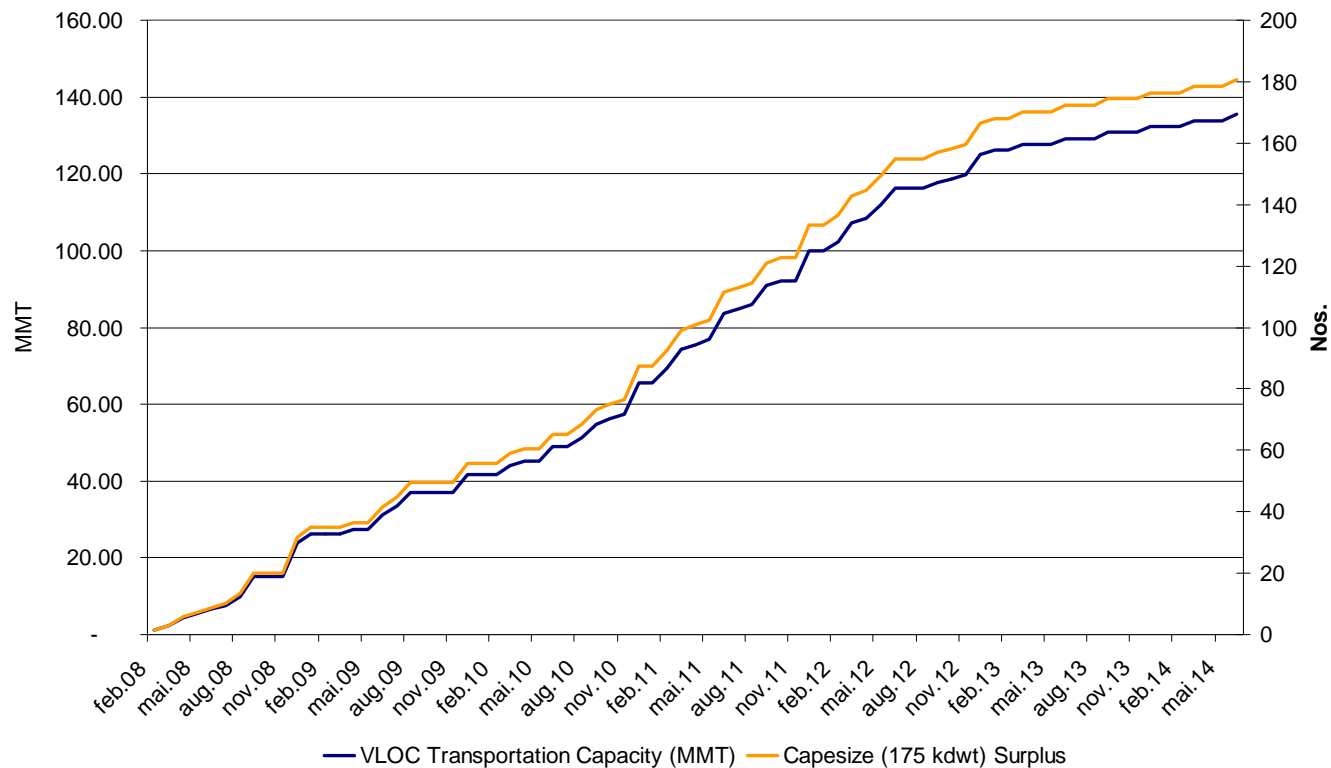
Transportation capacity increases by about 1.3 bill. mt next 3 years

Annual average growth rate is about 12%

We see no chance that demand can grow at such pace the next three years



Market effect of VLOCs

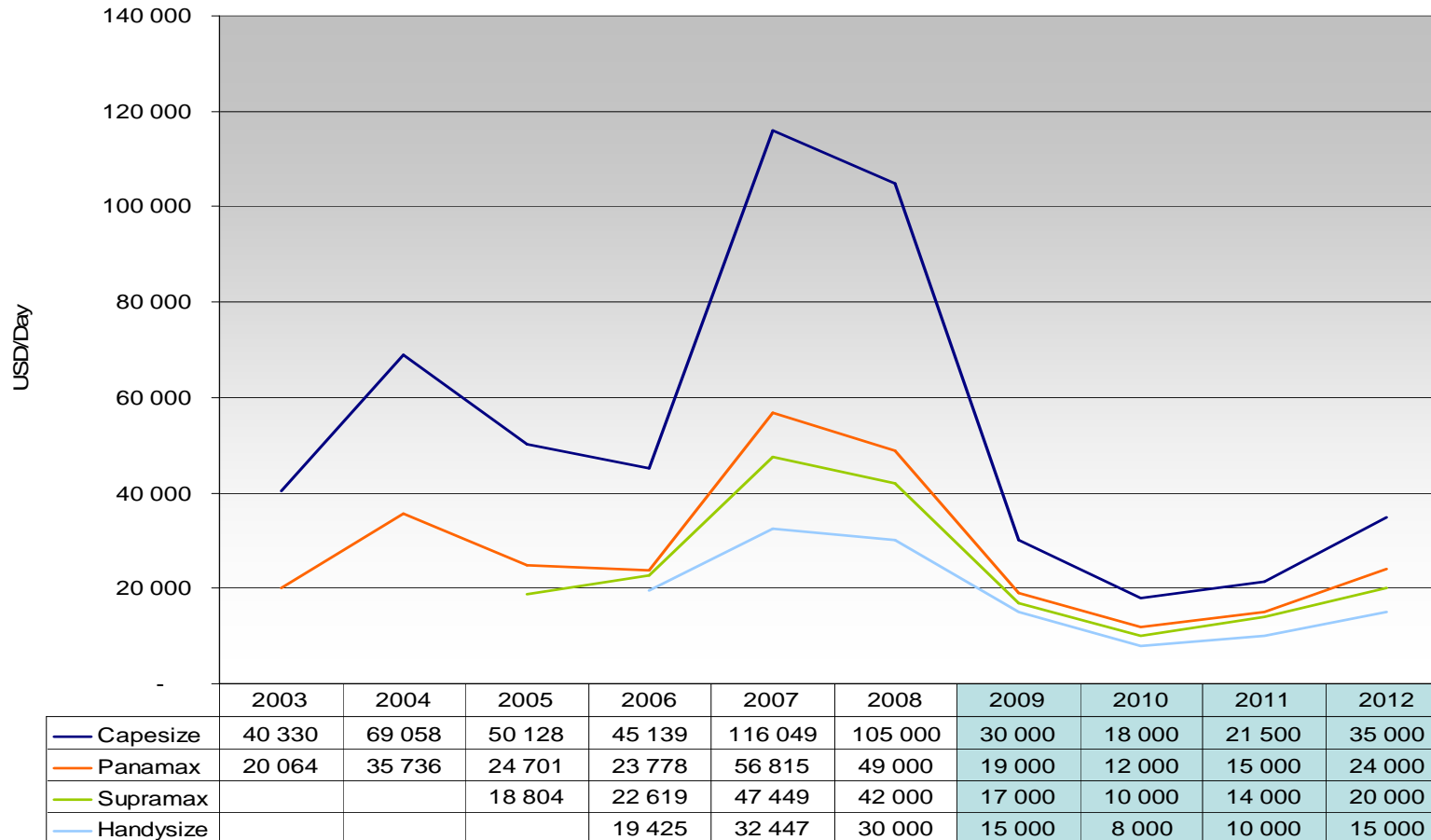


Assuming the majority of new VLOCs will trade Brazil-East Asia, the fleet growth will have a great impact on the Capesize fleet and trade.

The growth in VLOCs will substitute about 180 Capesize carriers over the period.

This surplus will come in addition to the 488 Capesize bulk carriers already scheduled for delivery the next, few years.

Bulk Carrier Earnings Forecast





Conclusion

- ❖ We expected as late as one month ago that the freight market would come off, and stay low, during 1H09.
- ❖ We missed this target by 6 months as the financial crisis have taken its toll.
- ❖ Even with massive cancellations (50%) we see fleet growth stronger than demand growth.
- ❖ We believe the freight market will stay very soft in the 2009-11 period
- ❖ We see a massive downwards potential in vessel values.