IHS MARITIME & TRADE

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IHS REVIEWS CONTRASTING 2016 MARKETS: DRY BULK & DIRTY TANKER

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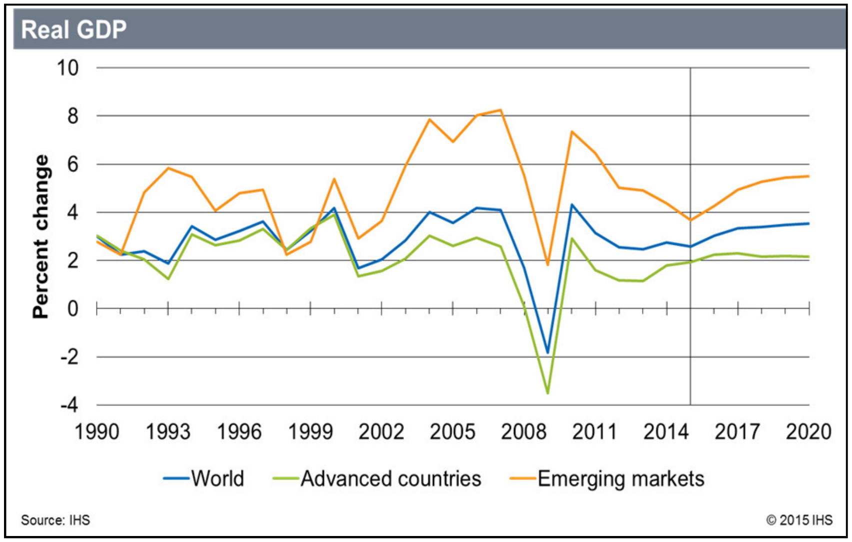
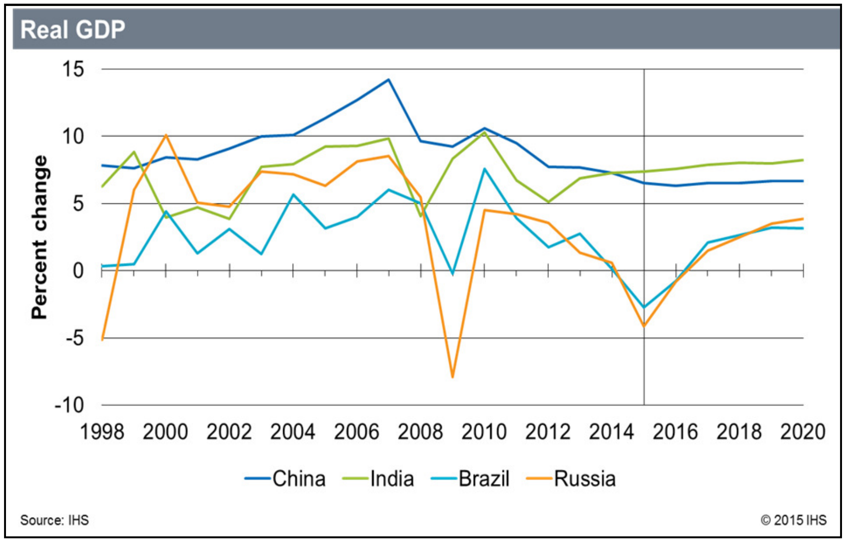
Global economy observations – commodity demand slowdown





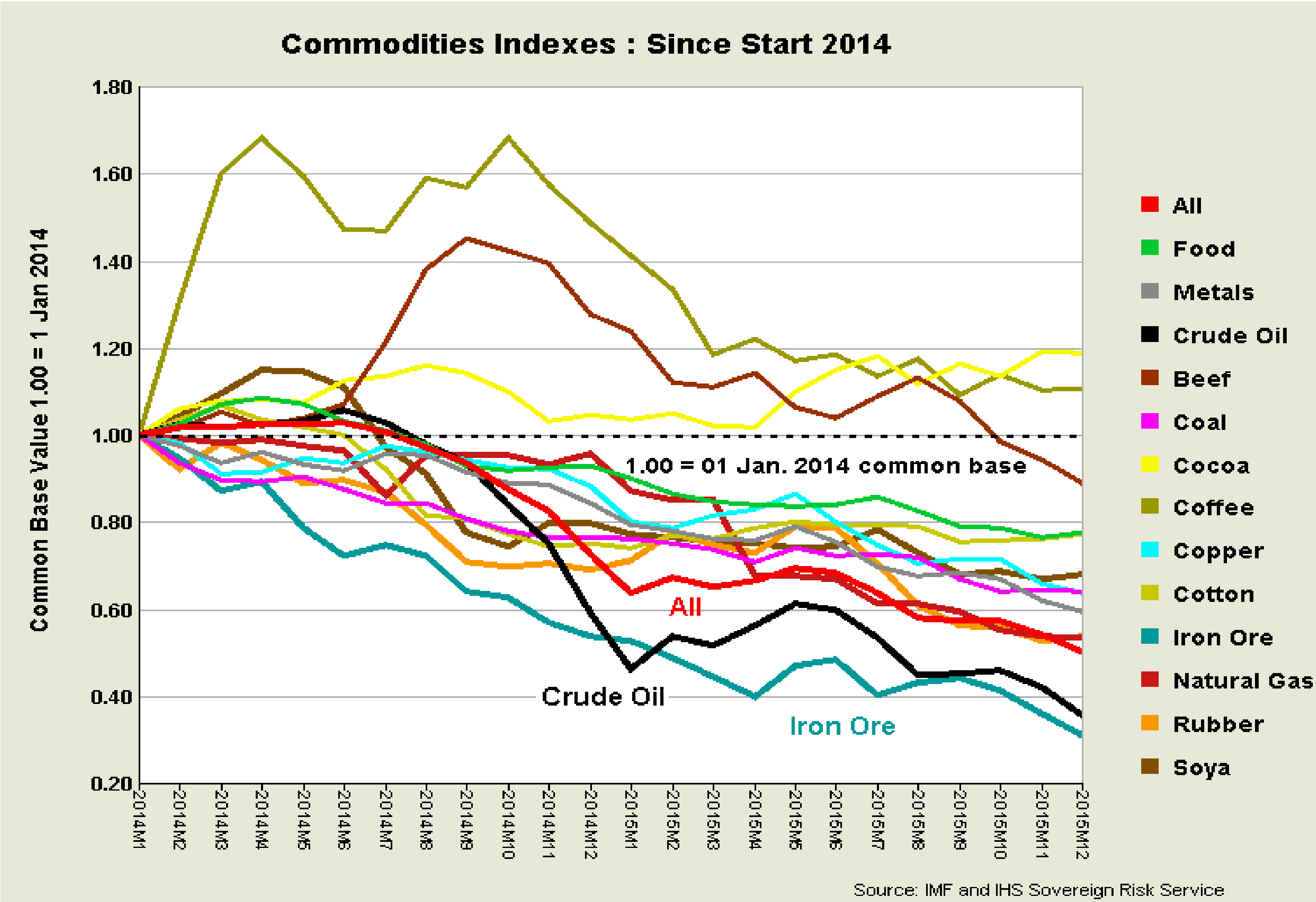
- Stronger economic growth for some developed economies like USA, not strong enough?
- China GDP slow down and economic restructuring – possibility low commodity demand going for years.
- Emerging Market economies growth is slowing down.

Source: IHS

- Low commodity prices benefit – Commodity importing nations.
- Commodity exporting nations expected to rebalance their economy.
- **Shift in Purchasing Power**: Energy producers to consumers

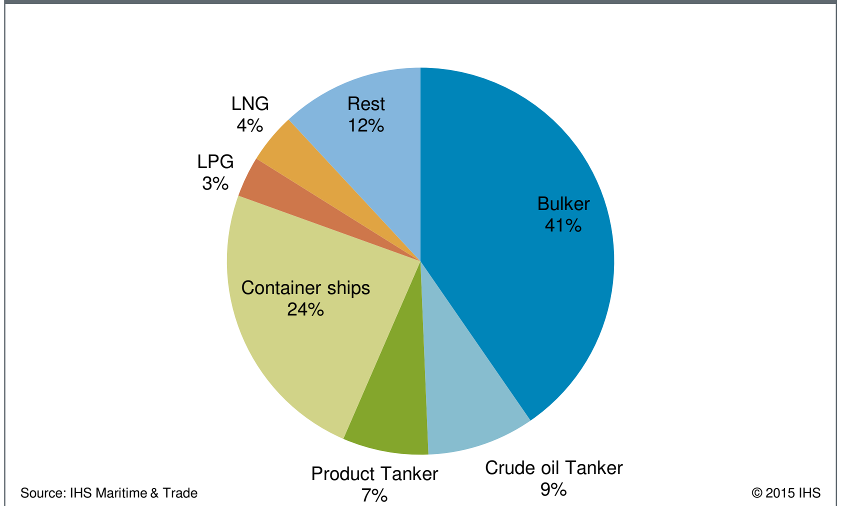
= **$0.9 - $1.4 trillion** est.

Oil price fall "stands-out" - but is not alone

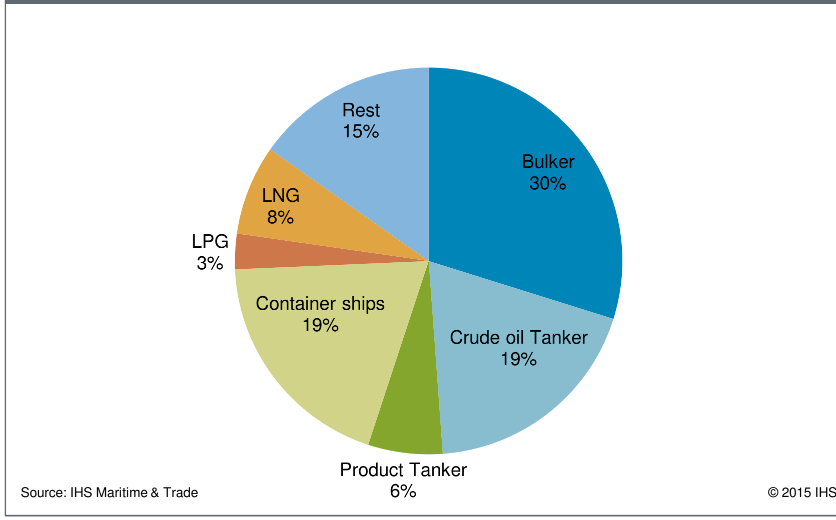


Newbuilding market observations

Capacity in GT delivered in 2015



Capacity in GT on order - January 2016

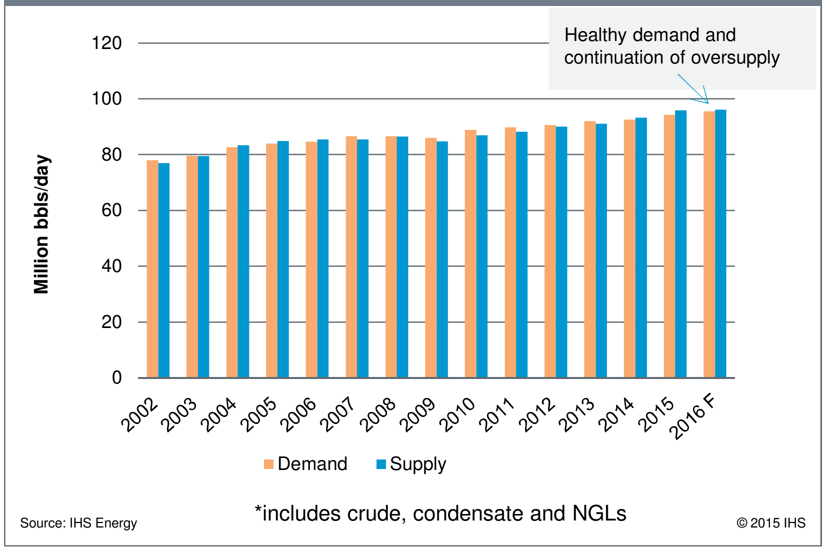


- Higher number of deliveries in dry bulk sector –downward push on freight rates.
- Lower deliveries in tanker market – upward push on freight rates.
- Low bunker prices having mainly positive effect

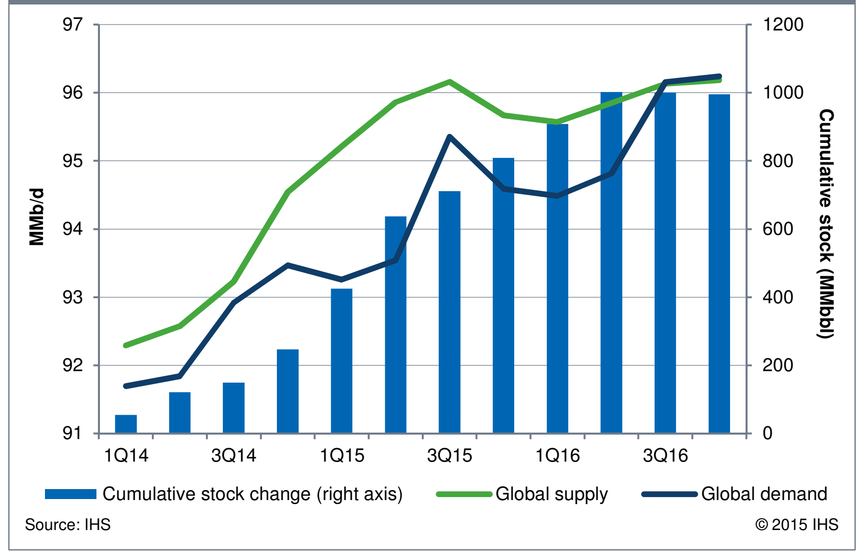
- Orders/deliveries are switching towards tanker shipping, mainly based on recent/current sentiment.
- Conversions from Dry bulk carriers
- First orders for 20,000teu + boxships placed this year
- Continued investment in more efficient, but slower, ships

Crude oil tankers fleet drivers - Crude oil trade

Total world liquids* supply and demand



Global supply/demand balance

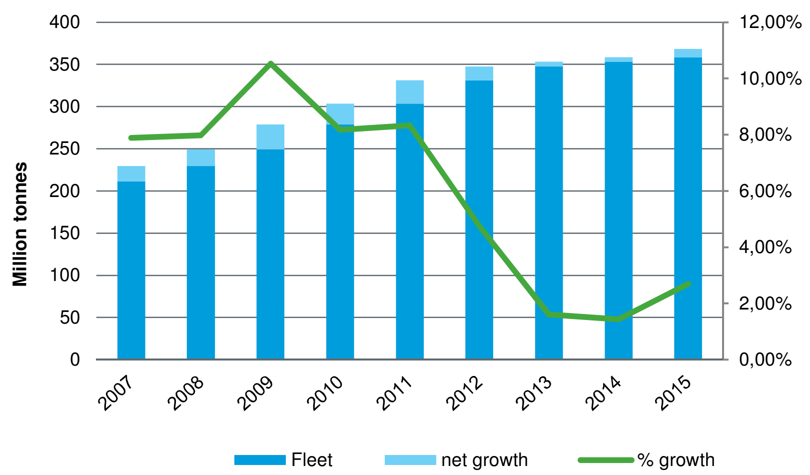


- 2015 was characterized by stockpiling of crude
- Refinery – higher utilization rates; higher demand for products.
- European refineries rationalization; USA refineries utilization of domestic crude.
- US relaxing exporting rules are expected to have some effect at later stage – dependant on oil price recovery

- Iranian exports are expected to increase by 0.5 million bbl/day by end 2016.
- Possibility of Libyan crude coming back to the market
- USA crude oil production is expected to drop towards middle of the year
- US exports opening possibility for more imports to USA

Crude oil tankers fleet

Crude oil tanker fleet capacity



Source: IHS Maritime & Trade
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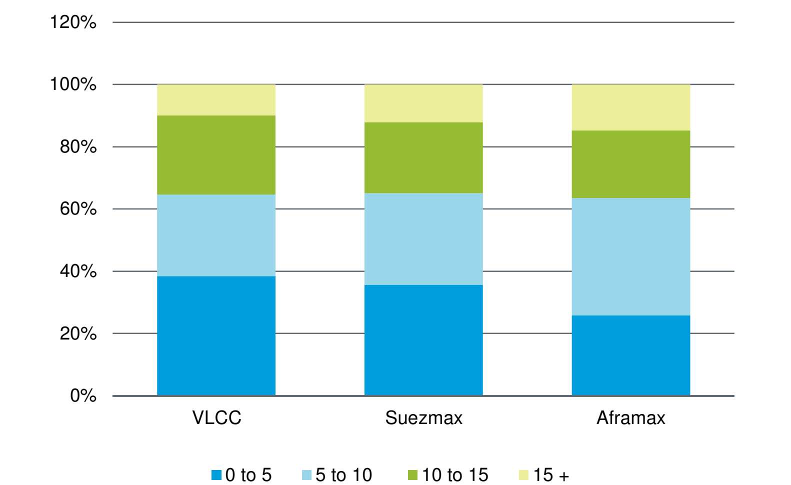
Crude oil tankers fleet age structure - Jan 2016



Source: IHS Maritime & Trade
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- Low deliveries in previous year and modest addition in 2015 sustained high freight rates amid positive trading conditions.
- 2016 and 2017 are expected the show higher growth due to strong market conditions in last year and stronger orderbook.

- Orderbook for current year is about 9% of current capacity
- Fleet growth is expected to be between 6 and 7% for current year
- 2017 fleet growth is expected to see higher growth
- There is some room for demolitions and removal of less efficient fleets.

Crude oil tankers market – Summary

Crude oil market volatility. Possibility of OPEC cutting production – resilience of US producers.

China slow-down

Stronger deliveries in 2016 onwards - are we heading towards another cycle?

Crude oil demand is expected to remain healthy.

Refineries high utilization rates set to continue.

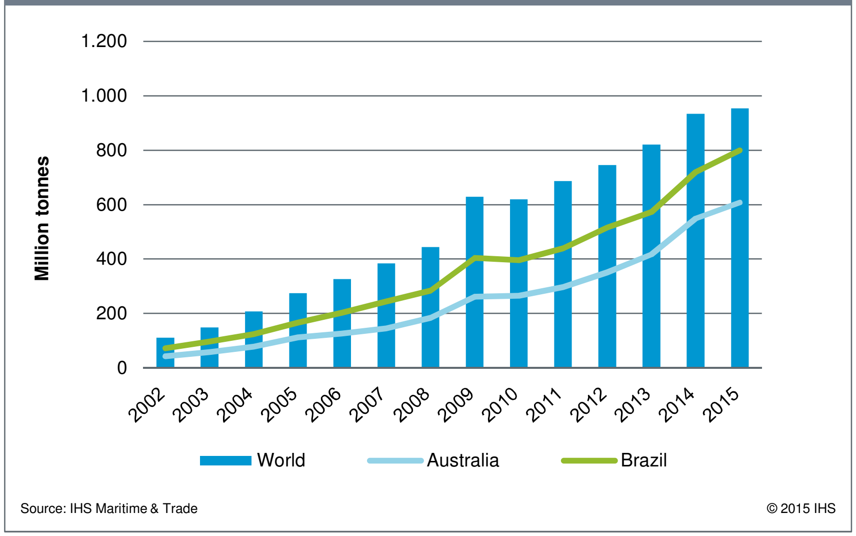
Tanker owners seem more cautious – general sentiment in shipping low

More oil to the market – lifting of Iranian sanctions.

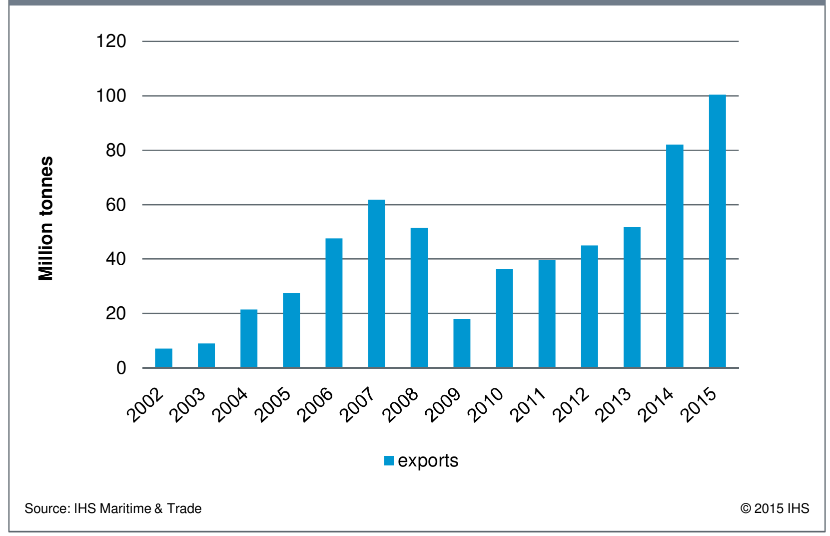
Contango widening spread – incentive for floating storage

Dry bulk carriers - Iron Ore trade

China iron ore imports



China steel and iron exports

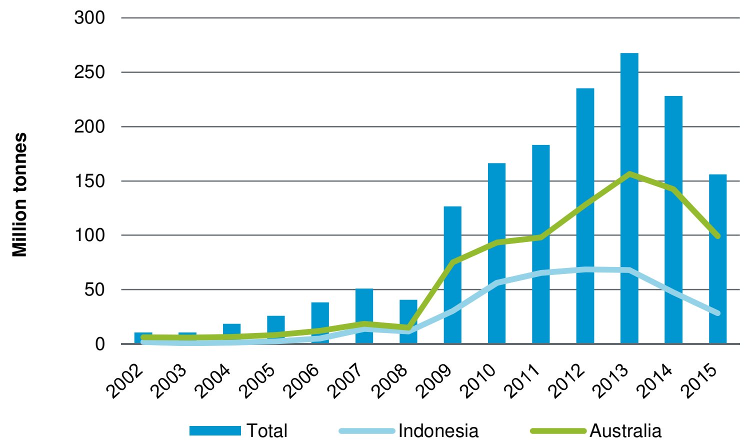


- Even at current Iron ore price, Big 3 producers still having significant profit, rough cost of production 25$/tonne.
- Significant oversupply in the market.
- Chinese Iron ore suppliers resilient.
- Australia and Brazil exports to China grew slightly – but not to the level of expected growth.

- Iron ore price is expected to remain weak for the rest of the year and 2016 – detrimental effect on some new projects.
- Chinese construction slowdown
- Chinese steel exports expected to slowdown – antidumping.
- As a consequence Chinese imports are expected to slowdown further

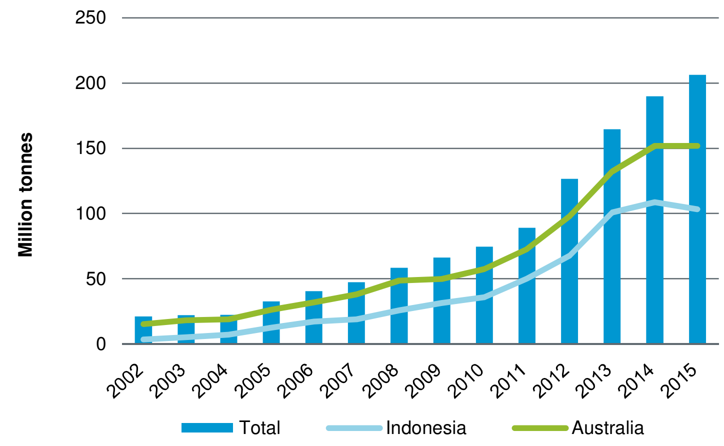
Dry bulk carriers drivers – Coal trade

China coal imports



Source: IHS Maritime & Trade

India coal imports

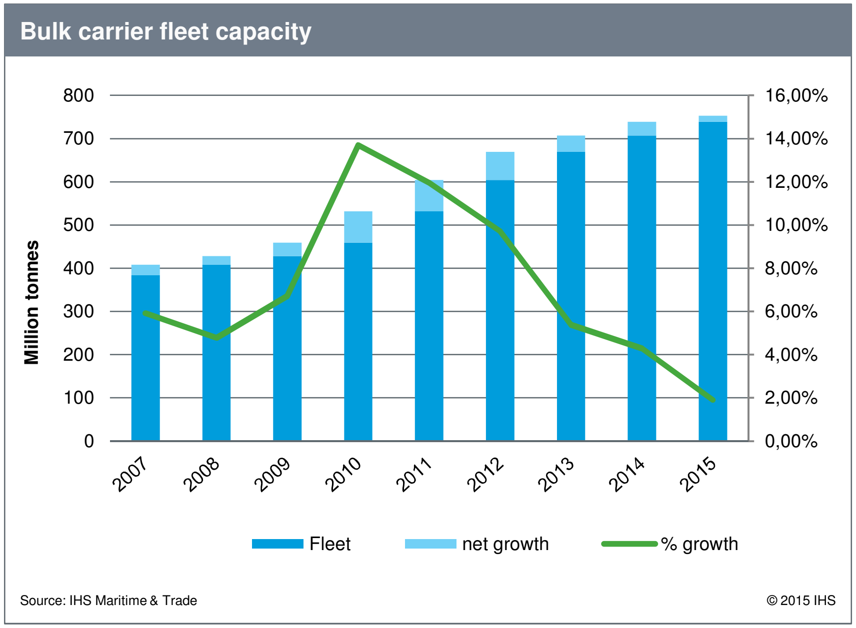


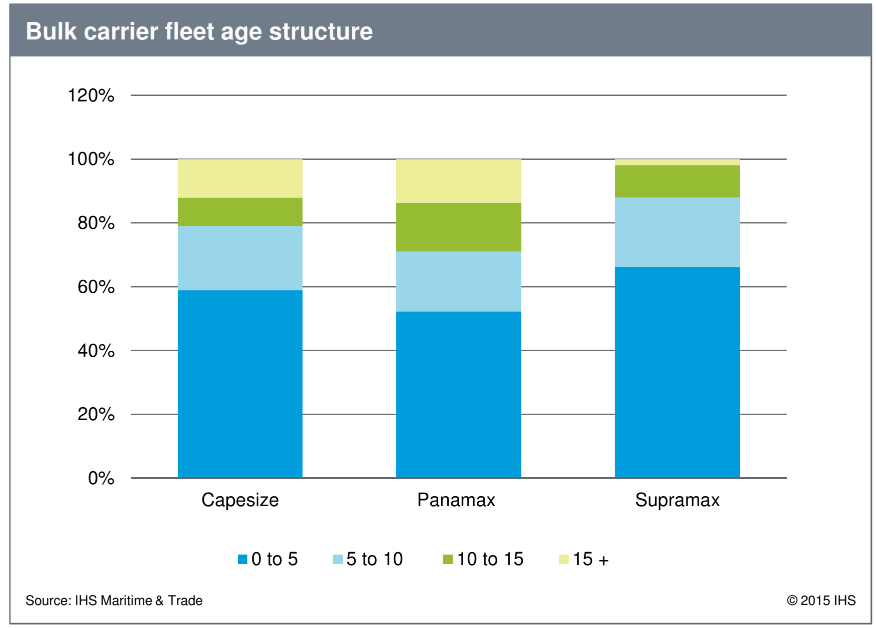
Source: IHS Maritime & Trade

- India is rapidly became major importing area.
- This was not enough to offset Chinese slowdown
- Steam coal had disappointing year in 2015, and expected to shrink at slower pace in 2016

- Seaborne imports are expected to remain under pressure in China, particularly steam coal.
- Steam coal imports under pressure also in India
- Coal imports slowdown not as bad as 2015
- Cheap freight rates may intensify Canada and US exports.

Dry bulk carriers fleet





- Around 30 million dwt removed from the market in 2015.
- Total orderbook currently stands at about 16% of fleet size.
- 83 million dwt scheduled orderbook in total for 2016.
- Deliveries expected to be delayed and pushed back as market distress continues.
- So far in 2016 almost 7 million dwt removed and 10 million dwt delivered.
- Demolitions expected to reach 30 million or more this year which should bring some relief to the market.
- Fleets relatively young - This may push demolition age down and shorten economic life of ships.

Dry bulk – 2016 outlook "too far from balance"

Fleet growth is still to remain very high

Demand for Iron ore and Coal in China is lowering – steel production consolidation

Indian steam coal imports expected to remain weak

Market still oversupplied, possibly years ahead of low commodity prices/demand.

Low bunker prices are expected to remain for 2016 – slow crude oil price recovery.

Indian coal imports are partially living up to expectations.

Deliveries are being delayed and postponed.

High demolition activity

Possible intensification of lay ups

SUMMARY

- Dry Bulk market is expected to see very slow and painful recovery based on unfavourable trading conditions and large orderbook.
- Crude Oil tankers and Products tanker markets are expected to continue seeing strong returns throughout 2016 in general, based on high refinery utilization rates, higher demand for products and chemicals based on low crude oil price scenario and stalemate between OPEC and US producers.