Market developments

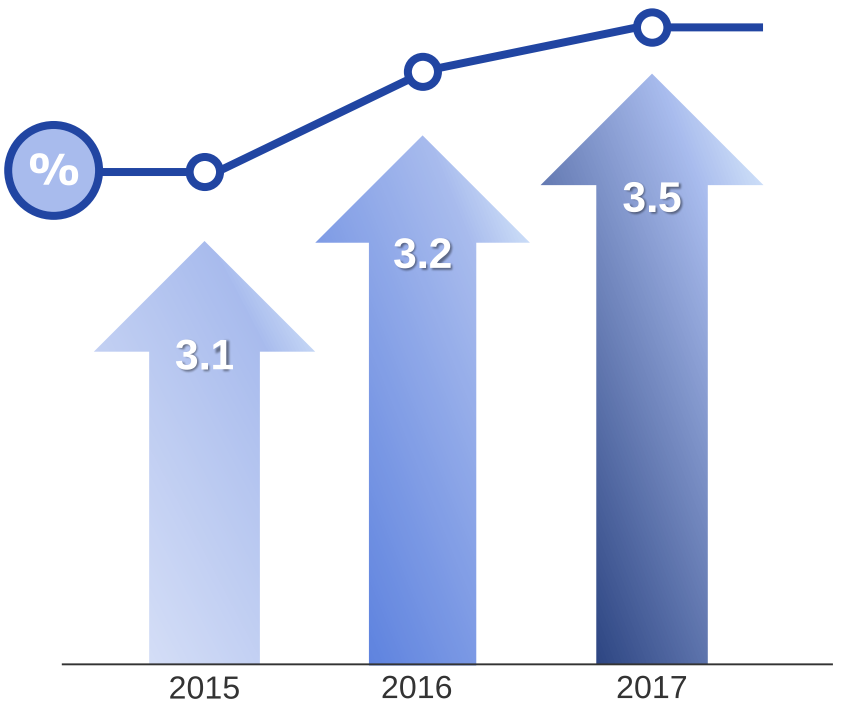
ESPO Conference

02 June 2016

World Economy

GLOBAL ECONOMY

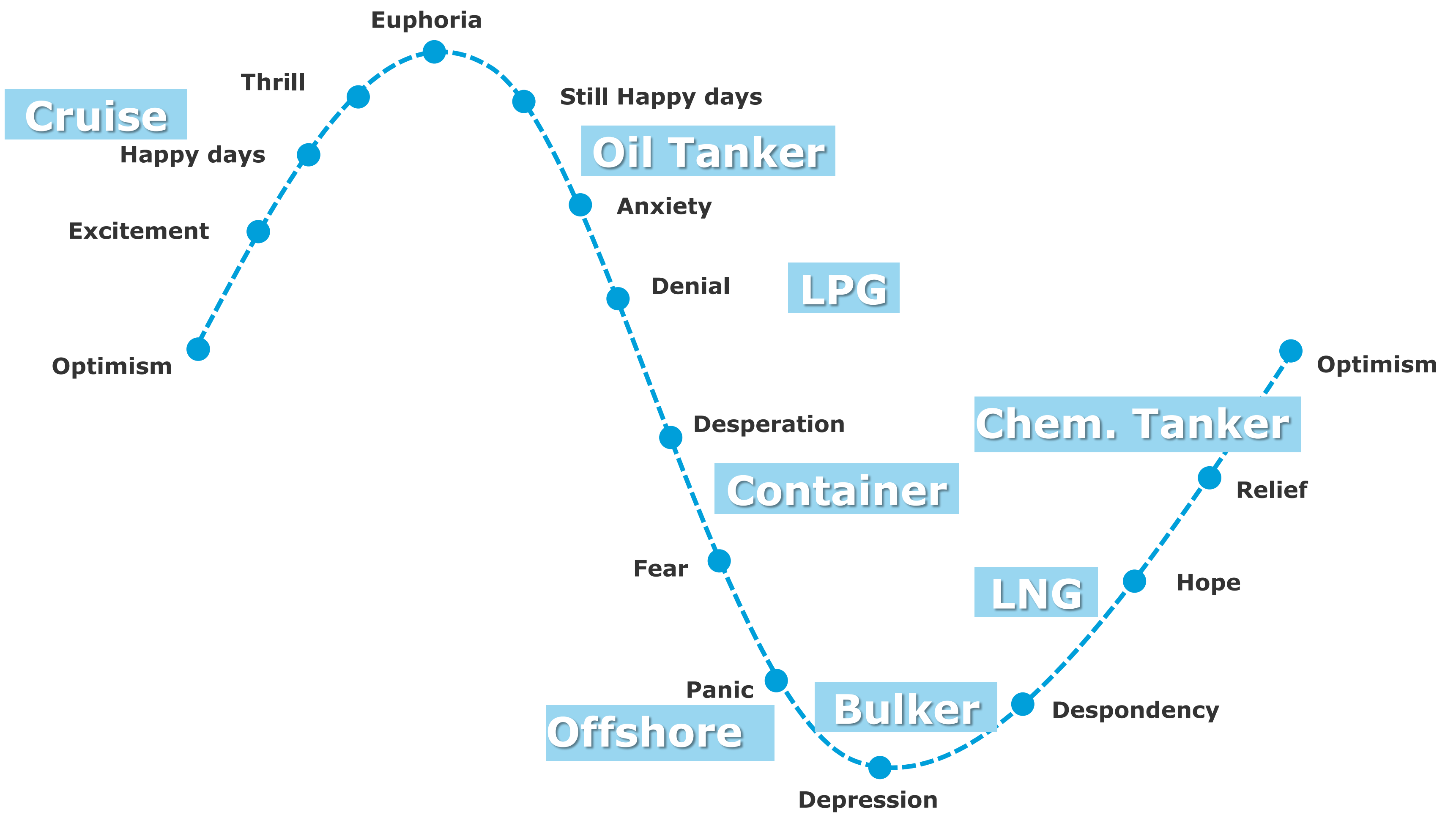
Too slow for too long



TOP 10 economic risks

1. Disappointing **GDP growth**
2. **Deflation**
3. Energy & raw material **prices** do not stabilize
4. Private sector **debt stress** in emerging economies
5. Global **investment drought**
6. China's **'hard landing'**
7. US Dollar **appreciation**
8. EU political **crisis**
9. Cyber **attack**
10. Geopolitical **risk**

Market cycle-ogy



DNV·GL

The real shape of the cycle?

Good times usually last shorter:

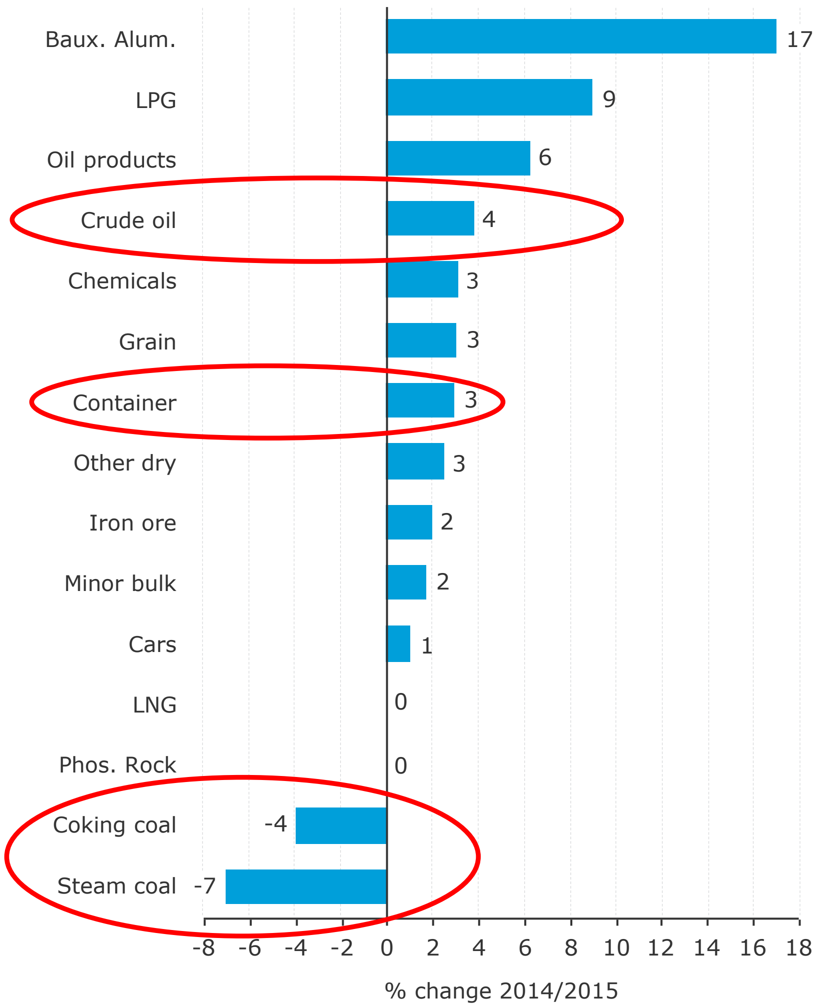
- *as rates are high **only** during extreme capacity utilisation*
- *it takes years to absorb excess of tonnage*

World seaborne trade

- 2015
  - 10.72 billion tonnes
  - 2% growth (initial forecast 4.1%)
- 2016
  - 10.96 billion tonnes
  - 2.2% growth

- Seaborne trade in 2015
  - 29% from Major bulk
  - 17% from crude oil
  - 16% from containers
  - 15% from minor bulk
  - 10% from oil products

Seaborne trade growth by commodity in 2015



Source: Clarksons Research

Finance

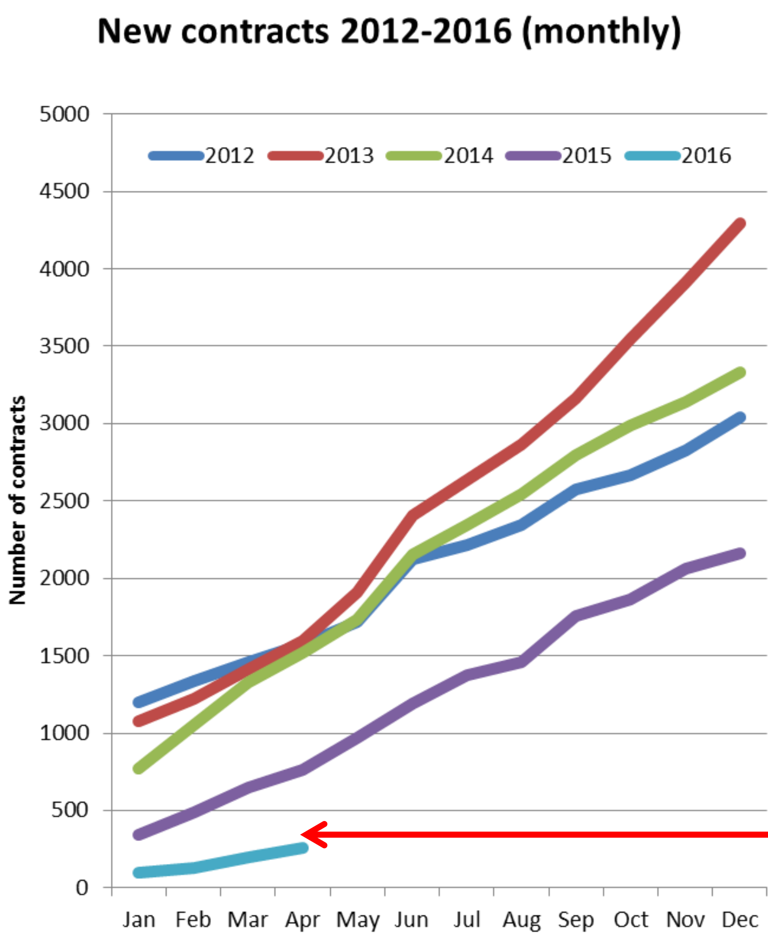

EXIT


EXPENSIVE
EXPENSIVE
EXPENSIVE


Sorry We're
CLOSED


Come in We're
OPEN

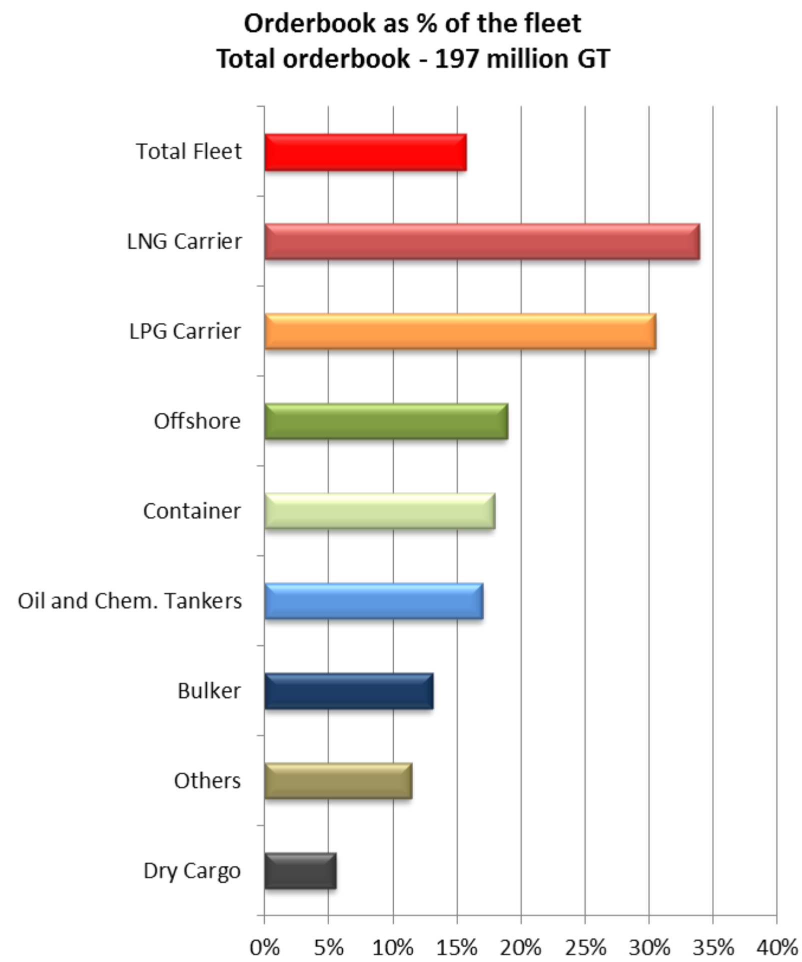
New contracts – or no new contracts?



- 2269 contracts (80 mill. GT) reported in 2015. We believe it is 20% less (Tier III?)
- **256 contracts (10.2 mill. GT) reported in Jan - Apr 2016!**
  - The above includes 30 VALE contracts (6 million GT)
- Shipyards desperate for contracts, predominantly merchant ships
- Financing hardly available
- Unavoidable defaults, delays, cancellations and bankruptcies

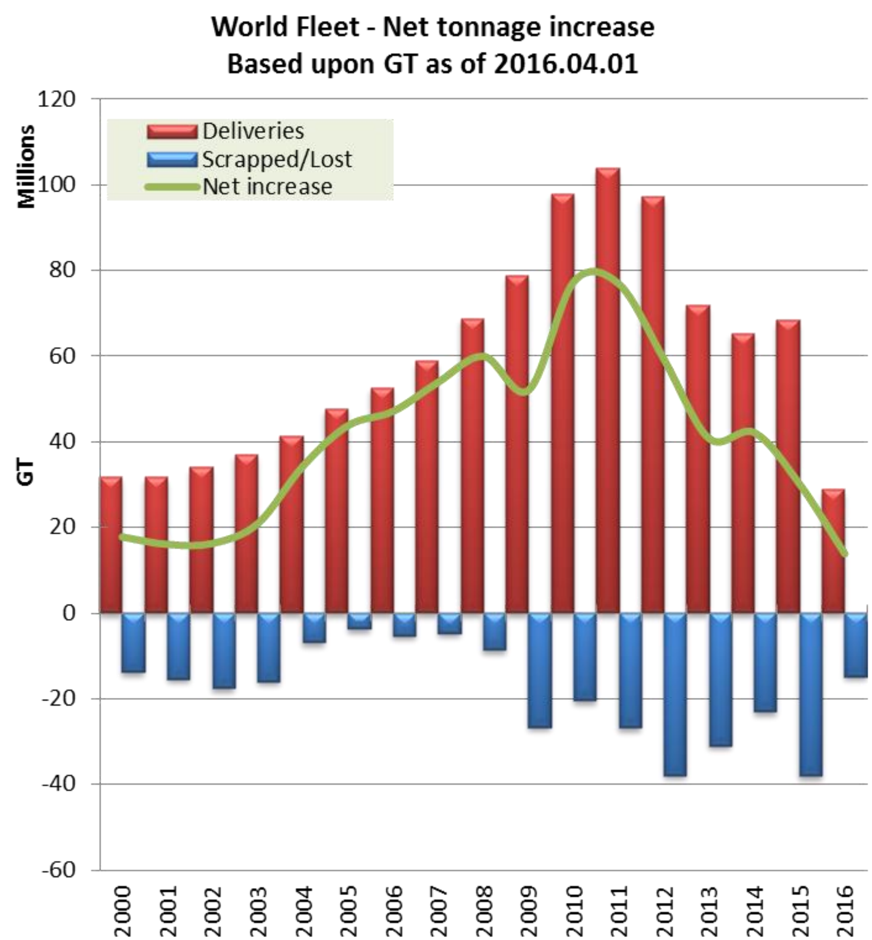
Orderbook vs fleet

- Total orderbook contains:
  - 6336 ships
  - 197 million GT
- Orderbook represents 16% of the existing fleet
- Highest leverage in:
  - Gas sector
  - Large container ships
  - Suezmaxes and LR2



Net tonnage increase

- Despite heavy scrapping the fleet is still growing
- Even if we reach 40 million GT of scrapping in 2016 - deliveries will still amount to at least 60 million GT
- Lack of contracting will slow down the fleet development in 2017-2018

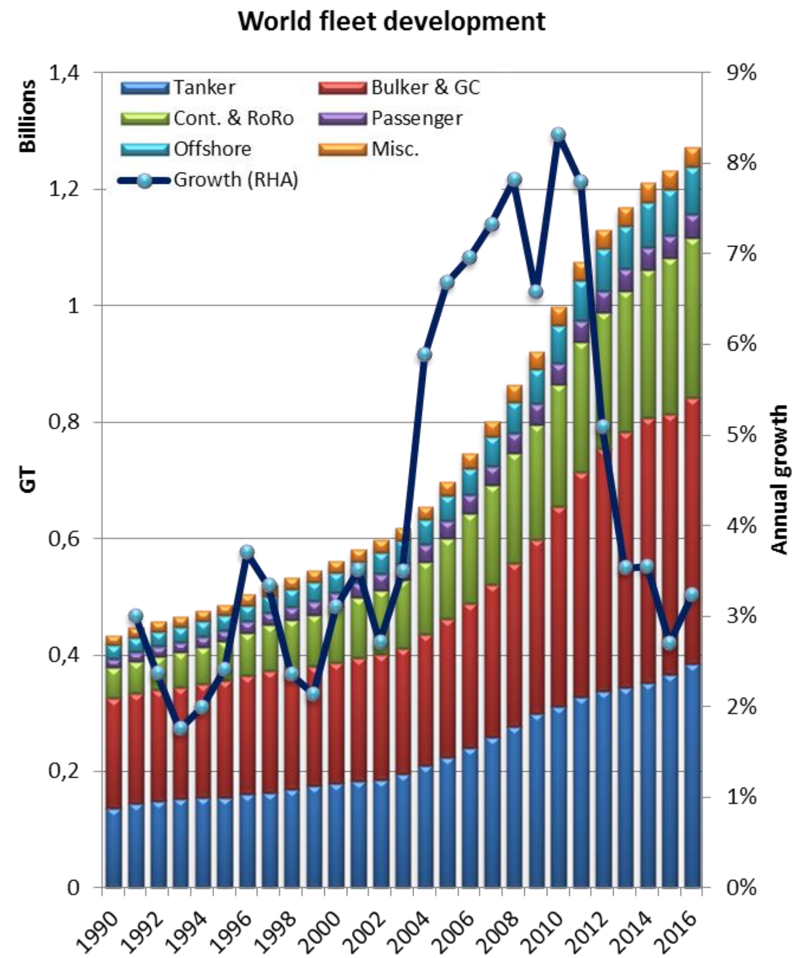


World fleet development

- Expected growth in 2016:
  - 3.4% GT
  - 1.3% number of ships

- Below 1996-2015 average of 4.8%

- Small increase of the growth in 2016 as a result of heavy contracting in 2013-2014



Weather chart

TANKERS

CONTAINERS

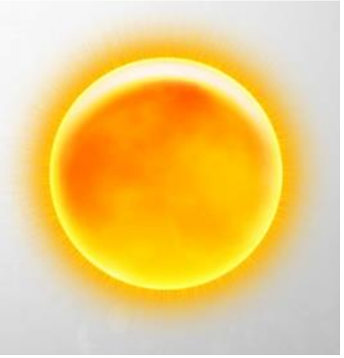
LNG

LPG

BULKERS

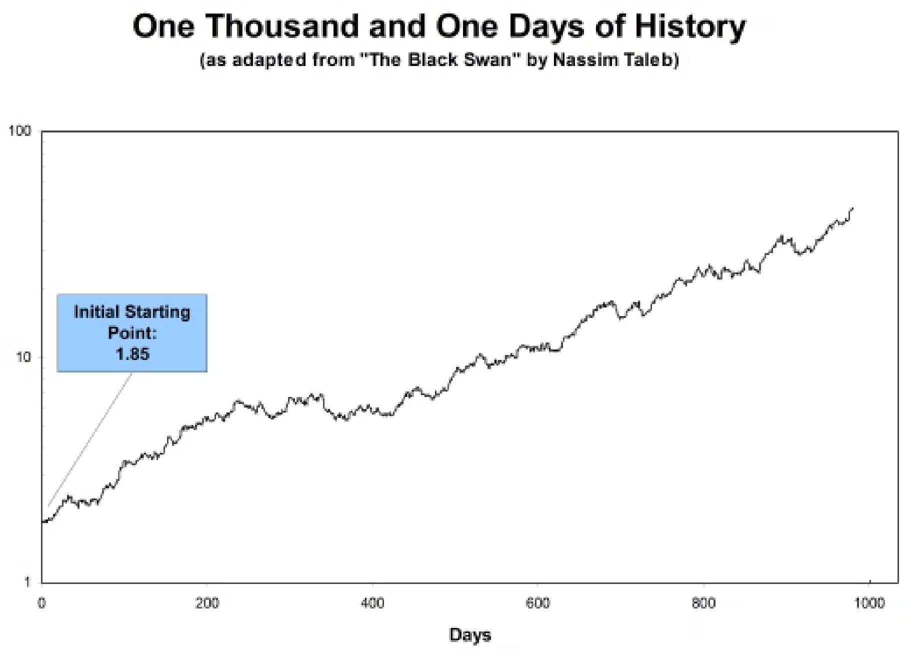
OFFSHORE

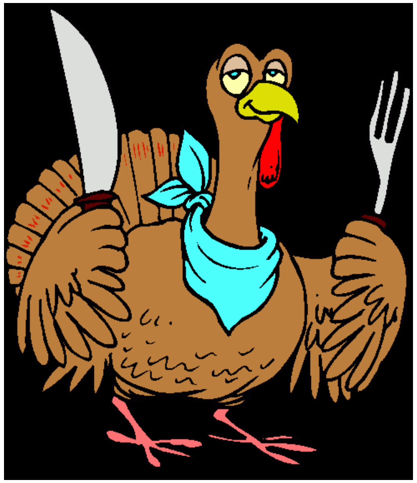
CRUISE



RO-RO

SINS OF FORECASTING





Thank You!

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