

SHIPPING MARKET REVIEW

2ND HALF 2008

DSF/09/25



DANMARKS
SKIBSKREDIT

SHIPPING AT A GLANCE

GLOBAL GDP TO DECLINE 1.3% IN 2009

IMF, WORLD ECONOMIC OUTLOOK, APRIL 2009

WORLD TRADE TO DECLINE 9% IN 2009

WTO, PRESS RELEASE, MARCH 2009

DRY BULK DEMAND TO DECLINE 1.6% IN 2009

DANISH SHIP FINANCE, SHIPPING MARKET REVIEW 2ND HALF 2008, APRIL 2009

CONTAINER DEMAND TO DECLINE 2 % IN 2009

DANISH SHIP FINANCE, SHIPPING MARKET REVIEW 2ND HALF 2008, APRIL 2009

OECD OIL CONSUMPTION TO DECLINE 3% IN 2009

EIA, SHORT-TERM ENERGY OUTLOOK, APRIL 2009

HIGH SUPPLY GROWTH IN ALL SEGMENTS IN 2009 AND 2010

DANISH SHIP FINANCE, SHIPPING MARKET REVIEW 2ND HALF 2008, APRIL 2009

DRY BULK MARKET

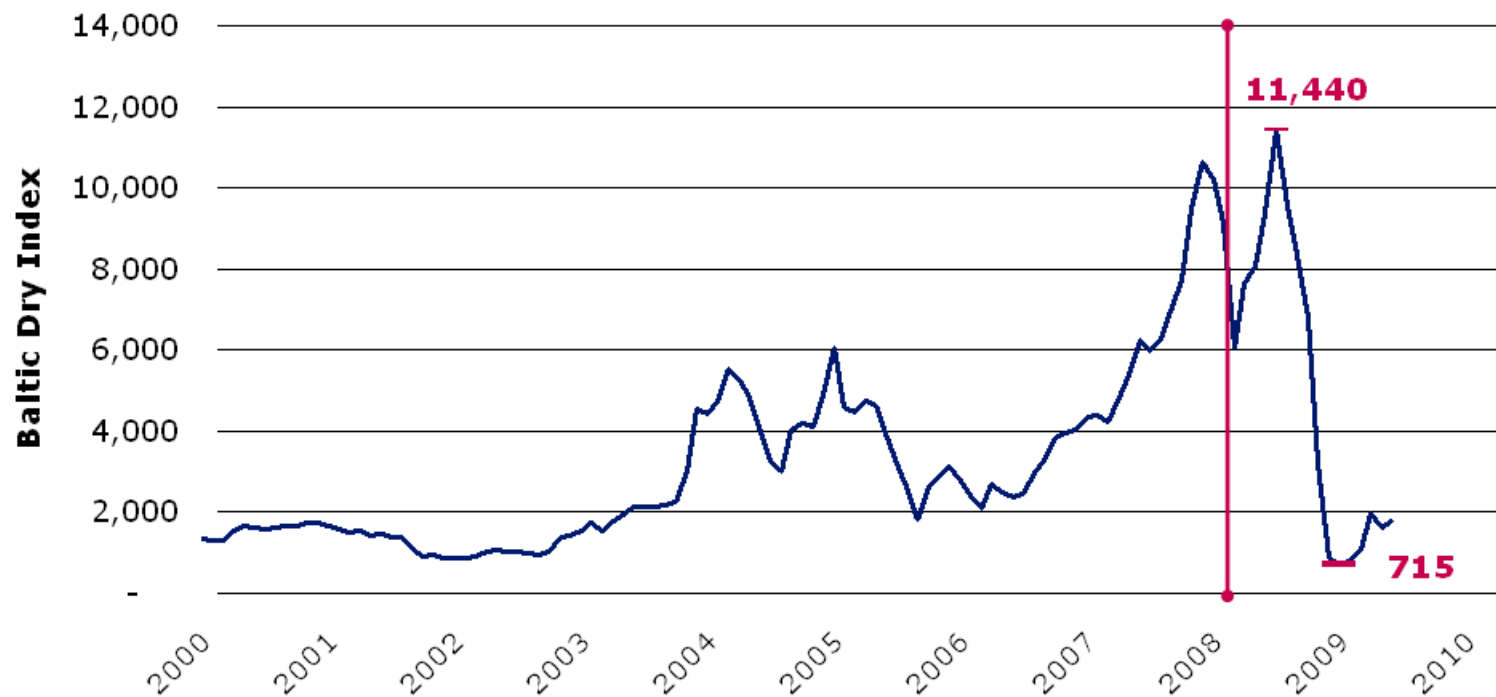
STATE OF AFFAIRS



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STATE OF AFFAIRS

The Baltic Dry Index both peaked and bottomed out in 2008

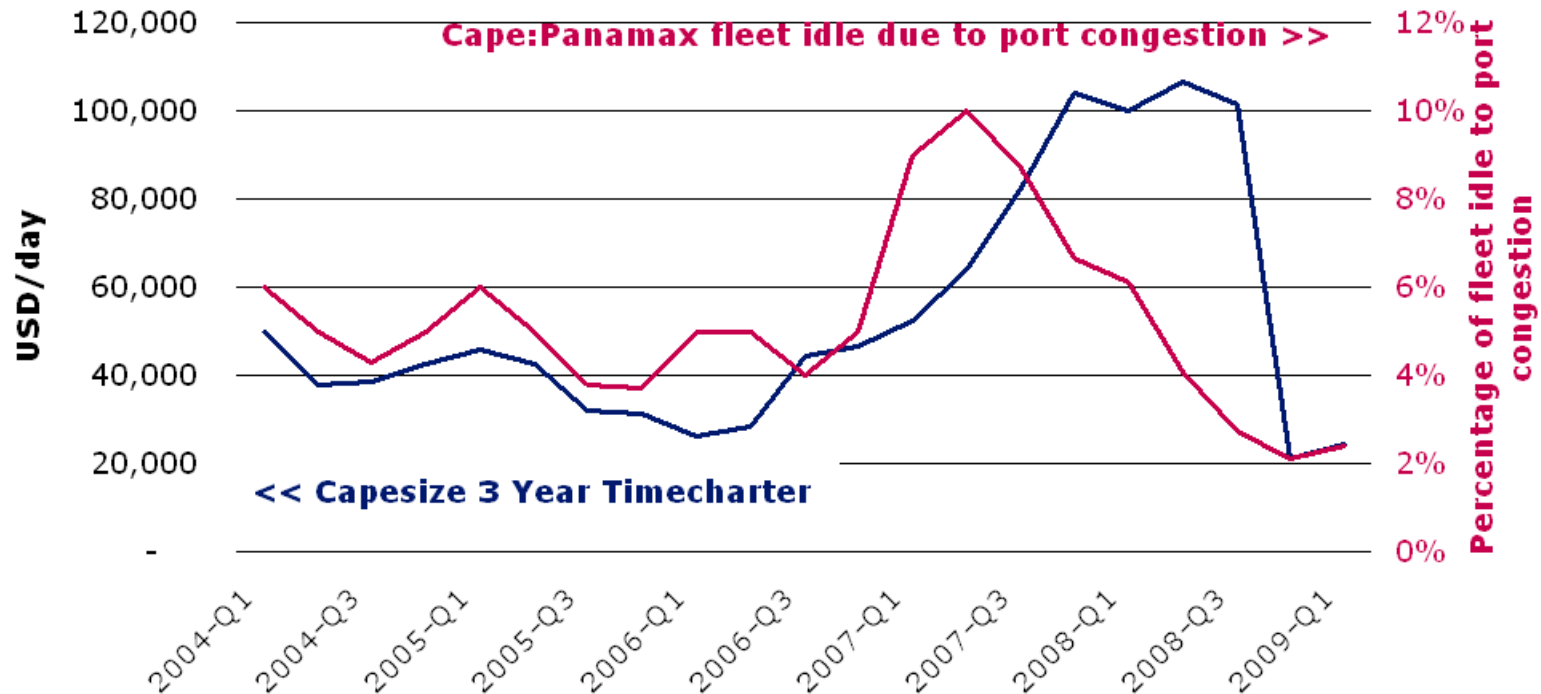


Sources: Clarkson, Danish Ship Finance

THERE IS MORE TO FREIGHT RATES THAN DEMAND

FLEET AVAILABILITY INCREASES AS PORT CONGESTION DECLINES

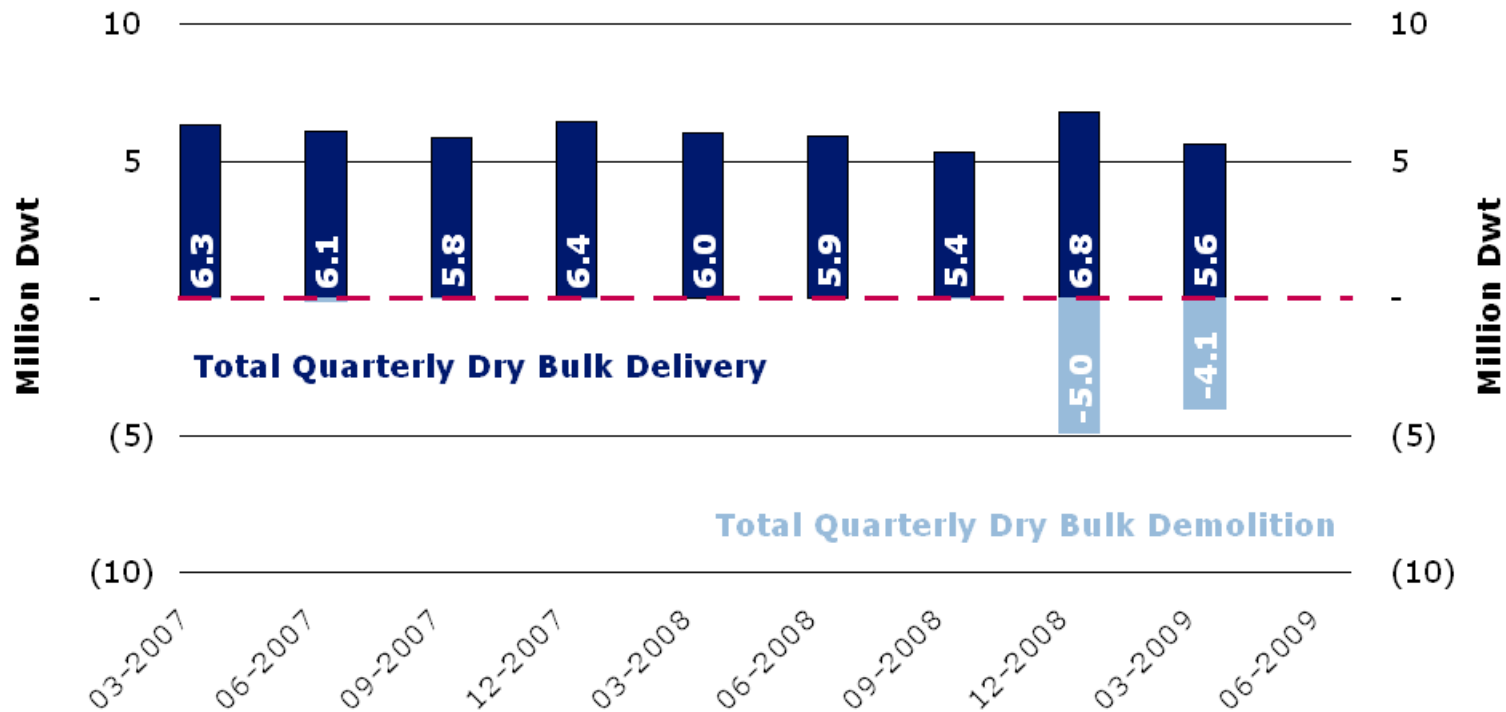
Port congestion declines in tandem with lower demand



Sources: Clarkson, SSY, Danish Ship Finance

FREIGHT RATES DECLINE DESPITE HIGH SCRAPPING ACTIVITY

Demolition activity has increased remarkably - almost absorbing the inflow of new tonnage



Sources: Clarkson, Danish Ship Finance

DRY BULK MARKET

OUTLOOK



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OUTLOOK

DEMAND EXPECTED TO DECLINE IN 2009 AND 2010

1. IN PARTICULAR DEMAND FOR LARGER VESSELS

SUPPLY EXPECTED TO EXPLODE IN 2009 AND 2010

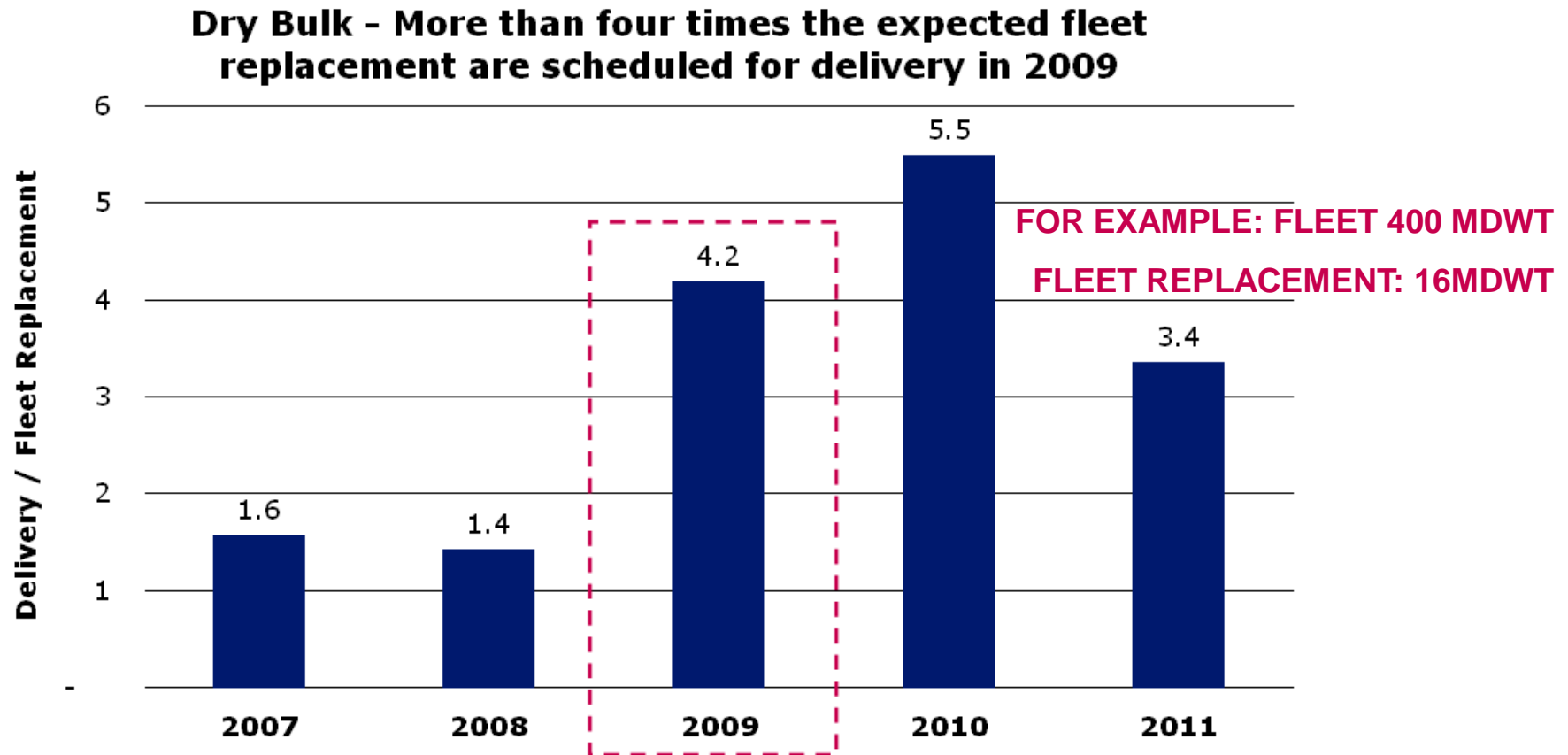
1. LARGE INFLOW OF NEW TONNAGE

FIGHTING OVERCAPACITY

1. SCRAPPING
2. CANCELLATION
3. LAYUP

POTENTIAL LARGE INFLOW OF NEW TONNAGE

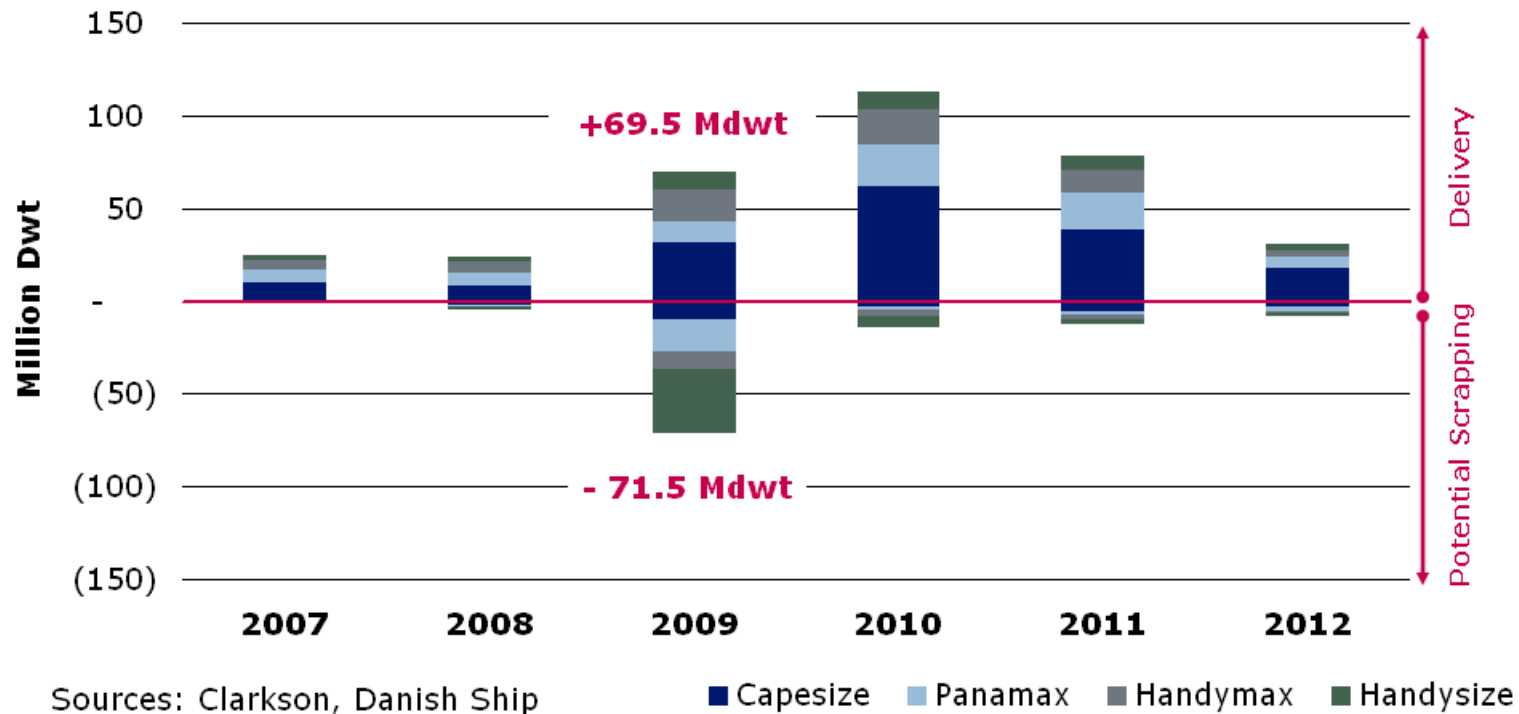
THE DRY BULK FLEET IS EXPECTED TO INCREASE BY 15% IN 2009



Sources: Clarkson, Danish Ship Finance

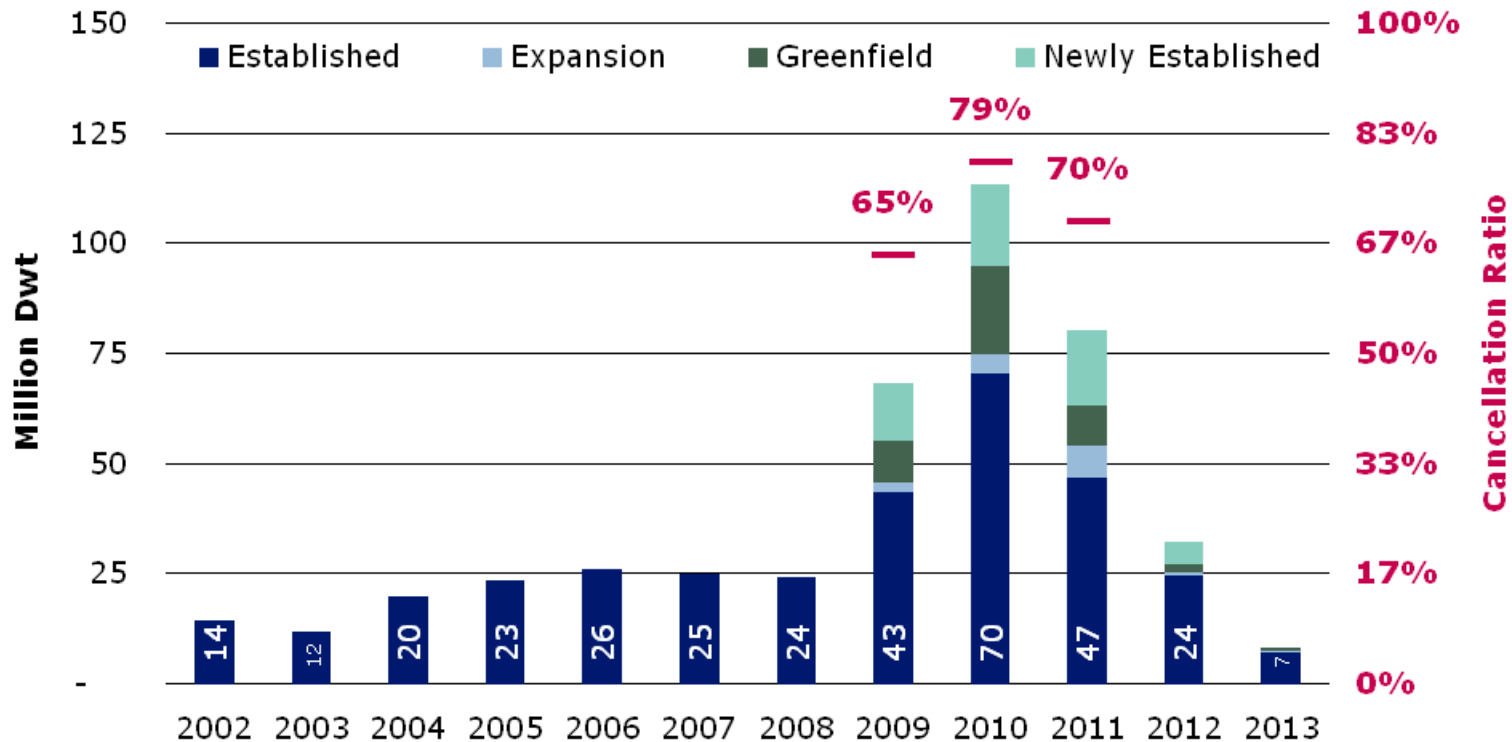
FIGHTING OVERCAPACITY – LARGE SCRAPPING POTENTIAL

More than 71 million dwt of the Dry Bulk fleet is older than 25 year by 2009. If every vessel is scrapped in 2009 the year will show negative fleet growth.



2008 DELIVERY COMPARED TO 2009 AND 2010 DELIVERIES

The Dry Bulk Orderbook is large by any means



Sources: Clarkson, Danish Ship Finance

SUMMARY

LARGE INFLOW OF NEW TONNAGE

- IN PARTICULAR IN THE CAPE-SIZE SEGMENT

LARGE SCRAPPING POTENTIAL

- BUT UNEVENLY DISTRIBUTED AMONG SEGMENTS

LAYUP MIGHT BECOME AN ISSUE

- IN PARTICULAR FOR LARGER VESSELS

GLOOMY OUTLOOK FOR RATES AND VALUES

DRY BULK MARKET

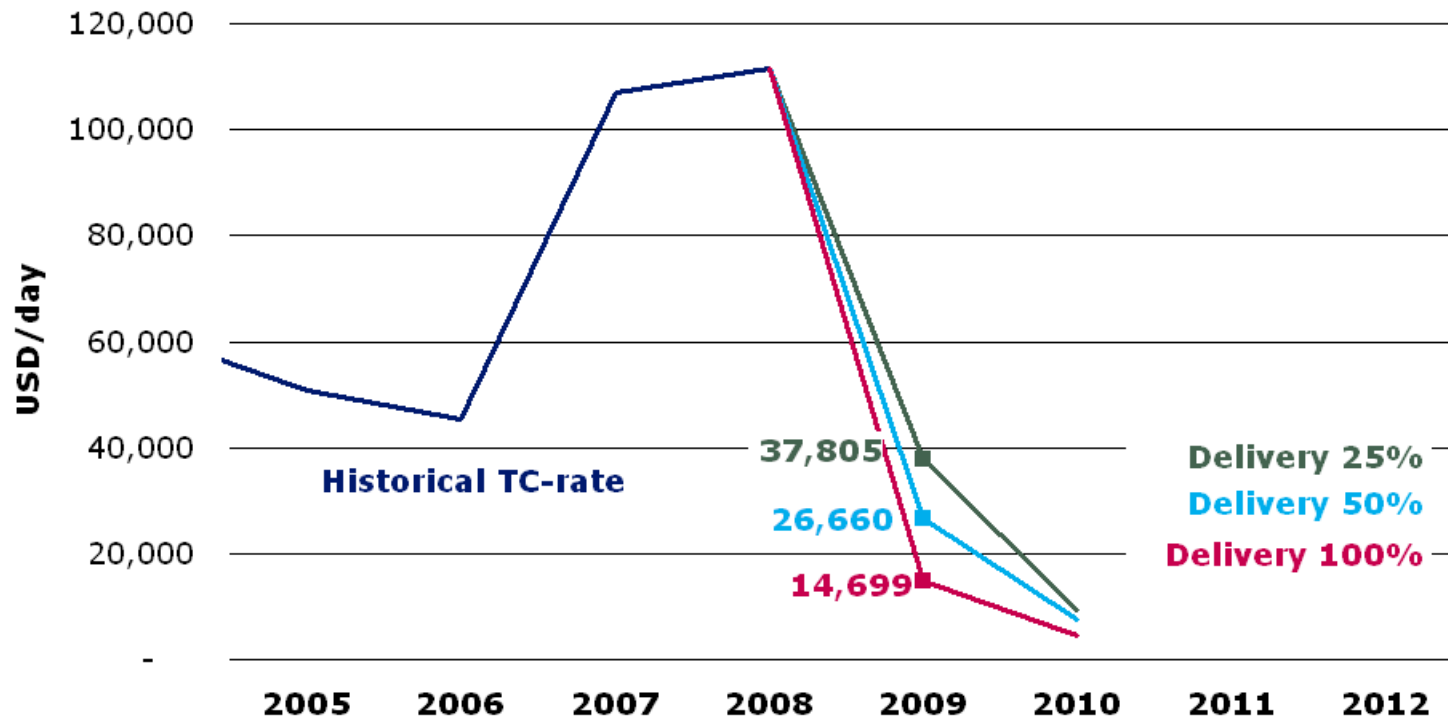
FREIGHT RATES AND ASSET VALUES



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A LARGE SUPPLY SURPLUS IMPACTS FREIGHT RATES

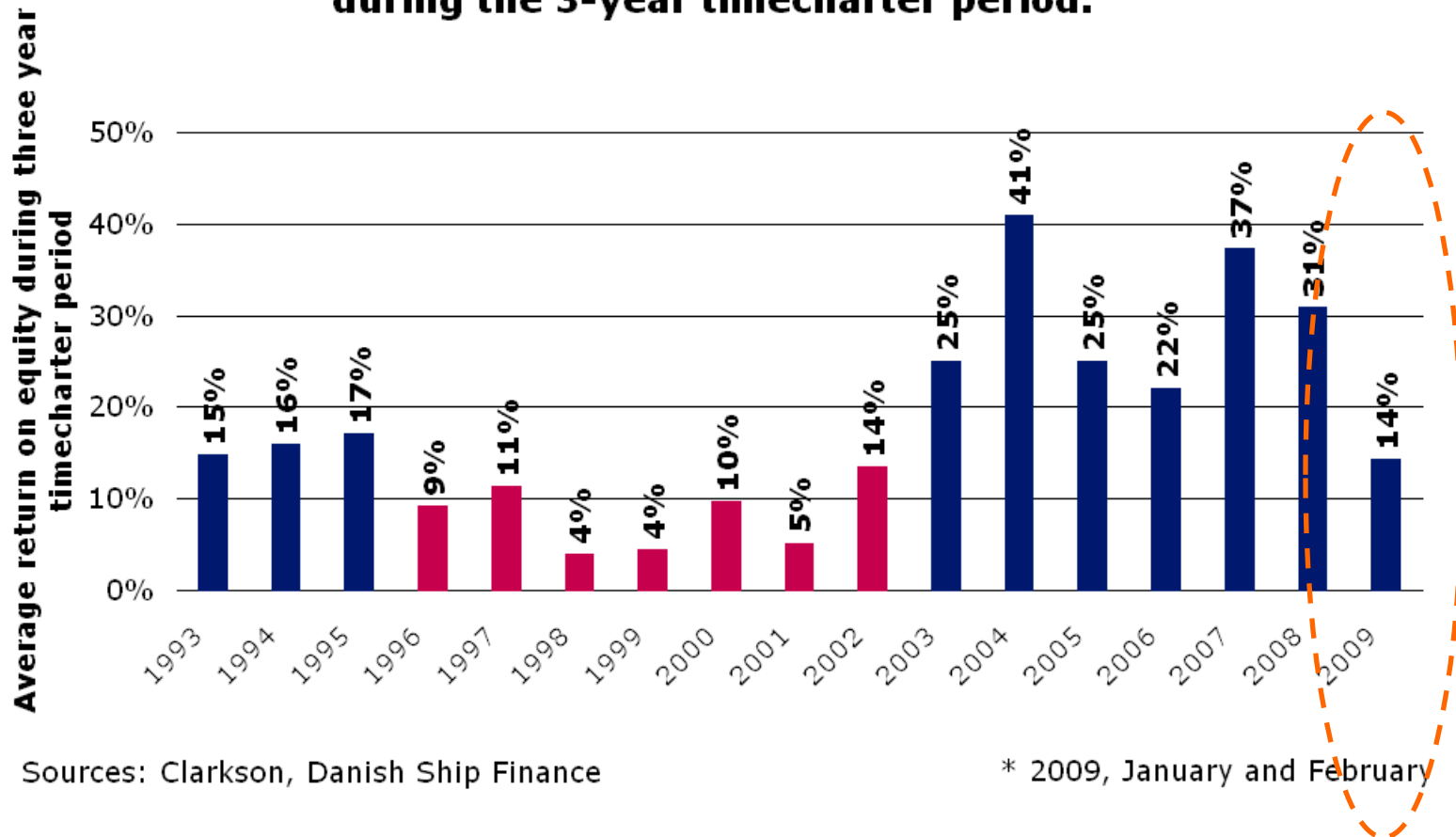
1-year Capesize timecharter rates to close 2009 at USD 14.700 per day



Sources: Clarkson, Global insight, Danish Ship Finance

AND LOWERS SHORT-TERM RETURN ON EQUITY

High Capesize prices drives return on equity below 15% during the 3-year timecharter period.

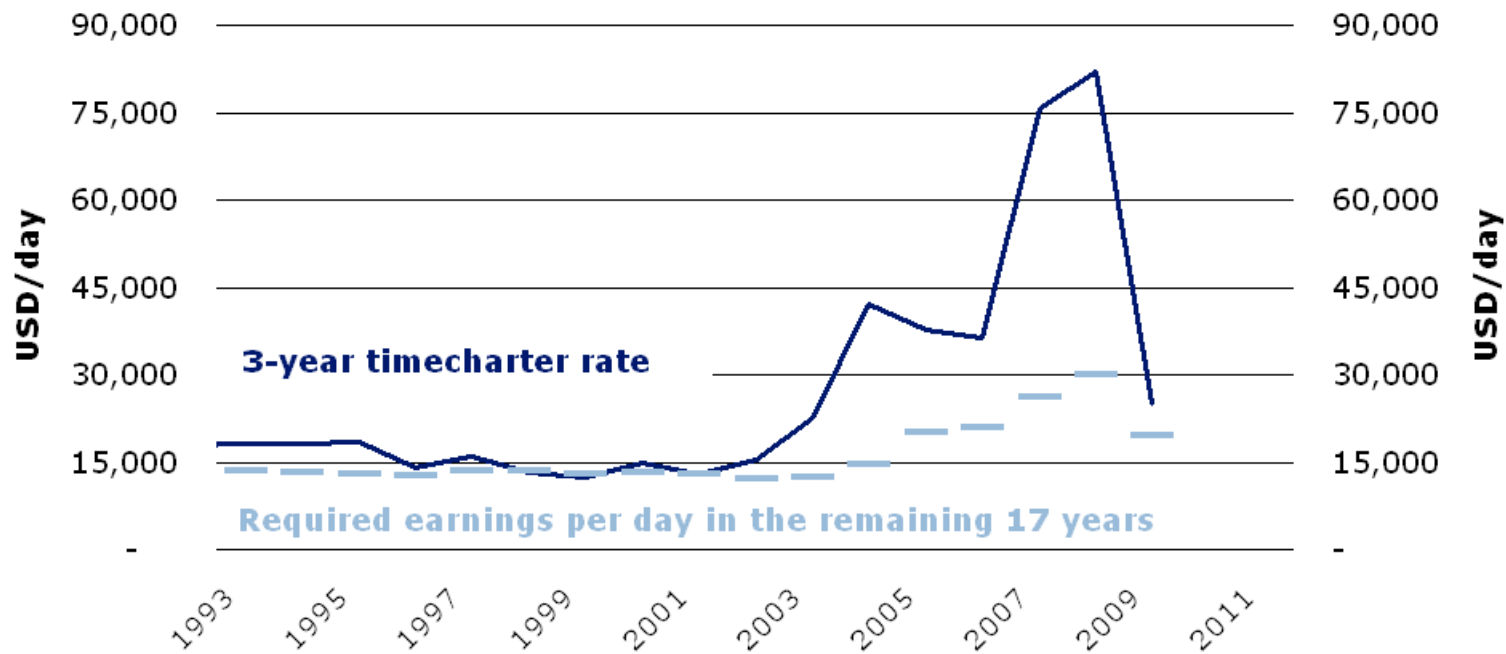


Sources: Clarkson, Danish Ship Finance

* 2009, January and February

THE LONG-TERM LIABILITY IS STILL ABOVE AVERAGE BUT DECLINING

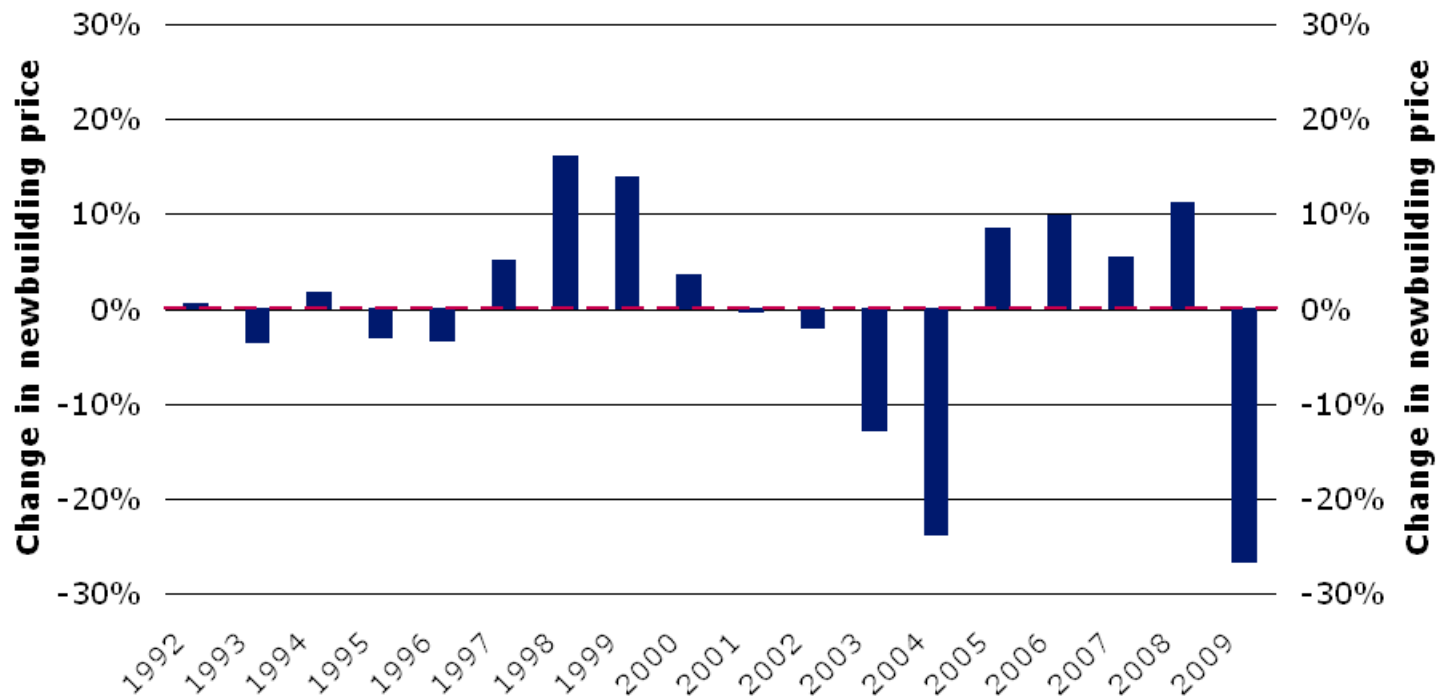
Five-year-old Capesize: Required timecharter equivalent after end charter period are entering territory of the historical average



Sources: Clarkson, Danish Ship Finance

CAPEX: NEWBUILDING PRICES ARE TO DECLINE 20% IN 2009

Newbuilding prices will have to drop 20-25% for secondhand prices and replacement cost to balance



Sources: Clarkson, Danish Ship Finance

SCRAPPING, CANCELLATION AND CONSOLIDATION

FREIGHT RATES AND ASSET VALUES ARE APPROACHING CRITICAL LOW LEVELS.

2009 IS EXPECTED TO BE AN EXTREMELY DIFFICULT YEAR IF THE COMBINATION OF EXTENSIVE **SCRAPPING** AND **CANCELLATION** ACTIVITY TURNS INADEQUATE TO ADJUST SUPPLY TO LOWER DEMAND.

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