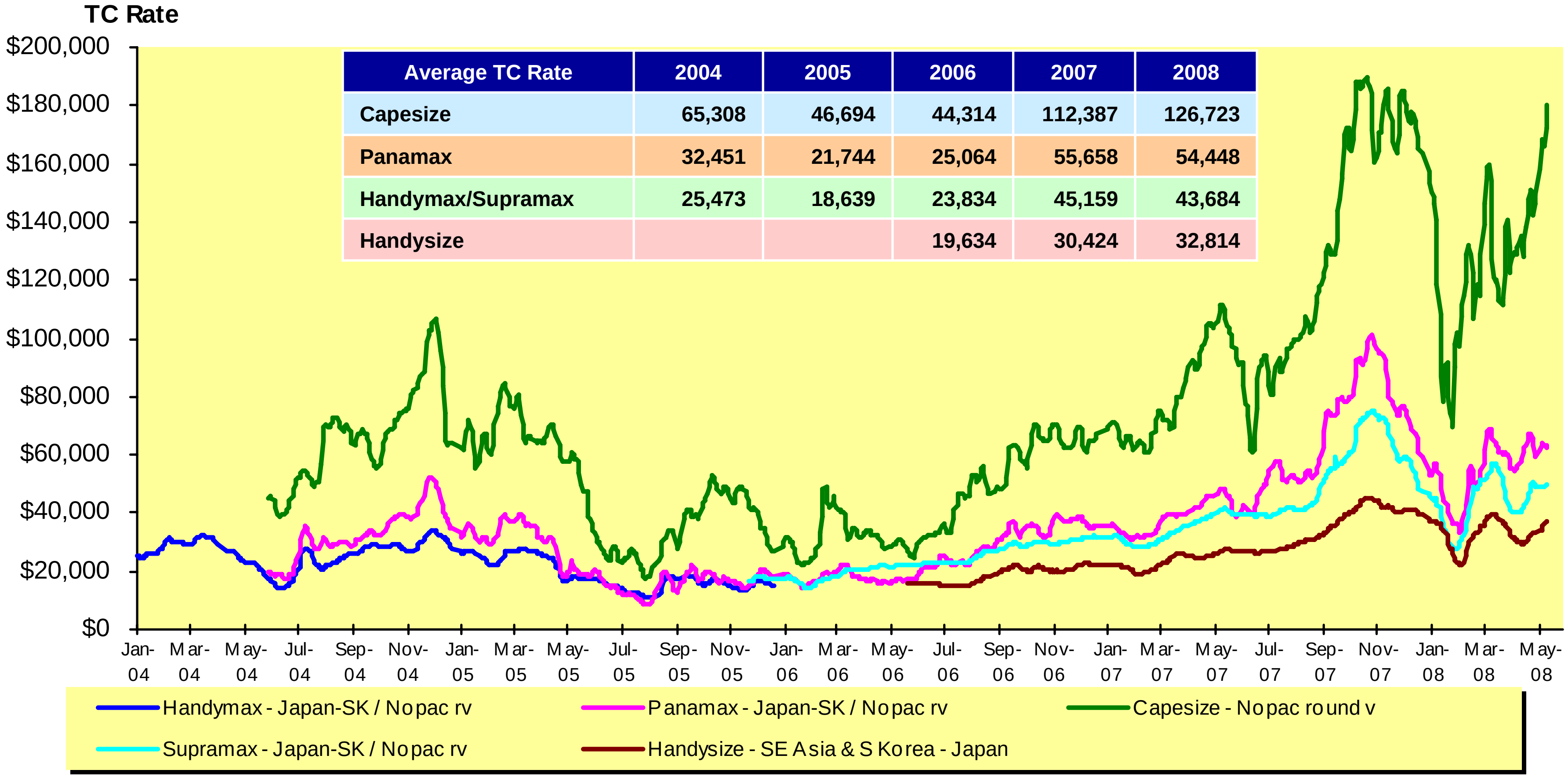
May 2008

HANDYSIZE & HANDYMAX MARKETS 2008 CONFERENCE

Key Strengths and Concerns of the Handyclass

Strong freight rates should continue in 2008, but a multi-year downturn is expected to begin in 2009

Average TC Rate	2004	2005	2006	2007	2008
Capesize	65,308	46,694	44,314	112,387	126,723
Panamax	32,451	21,744	25,064	55,658	54,448
Handymax/Supramax	25,473	18,639	23,834	45,159	43,684
Handysize			19,634	30,424	32,814



Source: Baltic Exchange Limited

Strong freight rates should continue in 2008, but a multi-year downturn is expected to begin in 2009 (cont.)

Size (DWT 000's)	Total Order Book (incl. Delivery in April 2008)			Total Order Book (2008-2014)		
	No.	DWT (MM)	% of Fleet	No.	DWT (MM)	% of Current Fleet
10-40	2,844	75.738	19.06%	576	18.465	24.38%
40-60	1,613	77.696	19.55%	796	44.511	57.29%
60-100	1,511	110.377	27.78%	545	44.928	40.70%
100-150	153	21.362	5.38%	80	9.318	43.62%
150+	626	112.157	28.23%	587	117.892	105.11%
Total	**6,747**	**397.330**	**100.00%**	**2,584**	**235.114**	**59.17%**

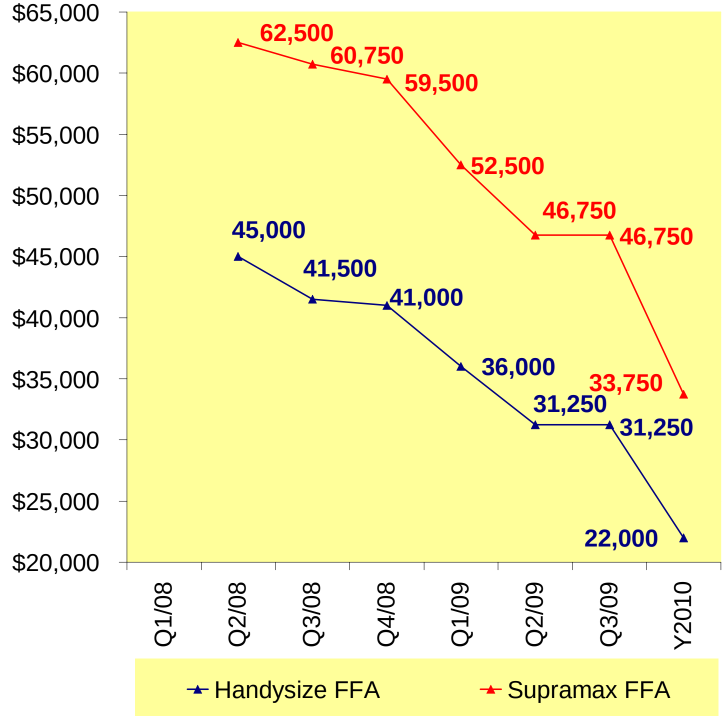
Source : Fearnleys – Bulk Fleet Update (Apr - 2008)

- Freight rates will face pressure from significant supply growth in 2009 - 2012, with the total order book at 59% of the current fleet
- The Handymax fleet is estimated to grow 46% from 2008 to 2011, while demand for cargoes is expected to grow only 10%
- Handymax/Handysize vessels can compete with Panamaxes to transport coal and iron ore
- Handysize vessels are most attractive in terms of supply growth, because they have the lowest order book

Strong freight rates should continue in 2008, but a multi-year downturn is expected to begin in 2009 (cont.)

- Dry bulk shipping demand growth is expected to be solid over the next few years
- Global steel demand is expected to increase 5% - 6% in 2008
- China will become more dependent on overseas iron ore imports, as older steel mills are phased out, thereby increasing tonne-miles
- Coal shipments will increase as China and other Asian countries are expanding their use of imported coal in energy and steel production

Forward Freight Agreement Rates (Handysize/Supramax)



Source : Clarkson Securities Ltd. dated 15 May 08

Handysize vessels have a number of unique strengths

- Shallow draft, box-hold vessels are perfect for unitized, high value commodities, like copper concentrate and aluminum, which are not typically shipped in large quantities

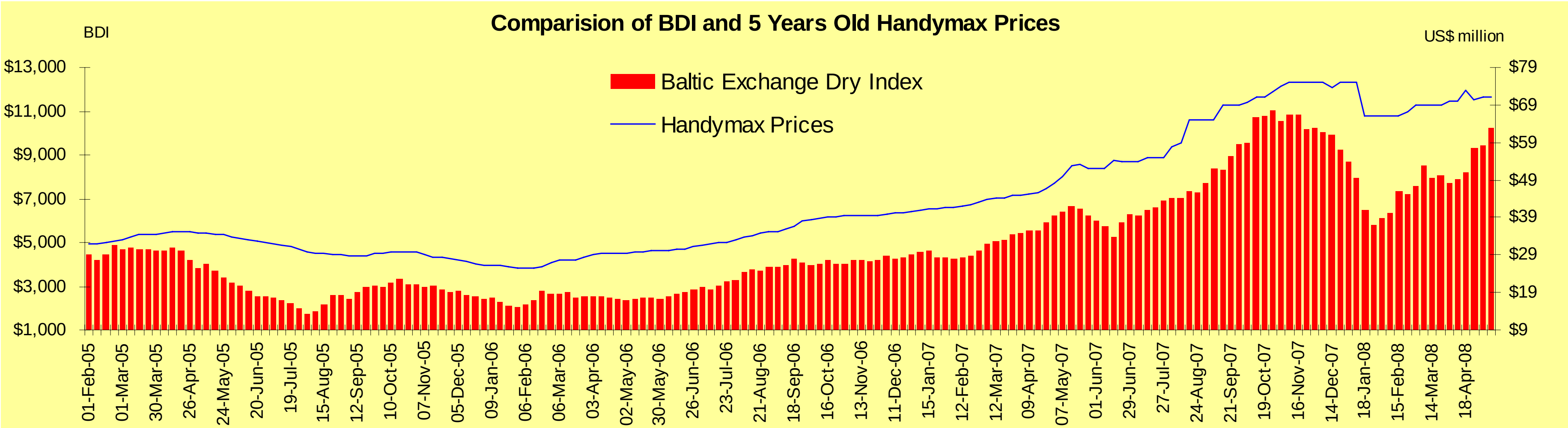
- Market downturn should remove a large number of vessels and pave the way for more balanced fleet development and earnings over the next 3-5 years

- Flexibility in multi-port parcelling operations, as they can carry most commodities and can operate in smaller ports with limited loading/unloading equipment

- Storage and production infrastructure and value favor smaller vessels for smaller stem sizes

- Future greenhouses gas emission trading schemes may be positive for modern, economical Handyclass vessels

Even though freight rates are expected to decrease, vessel prices might not significantly move down

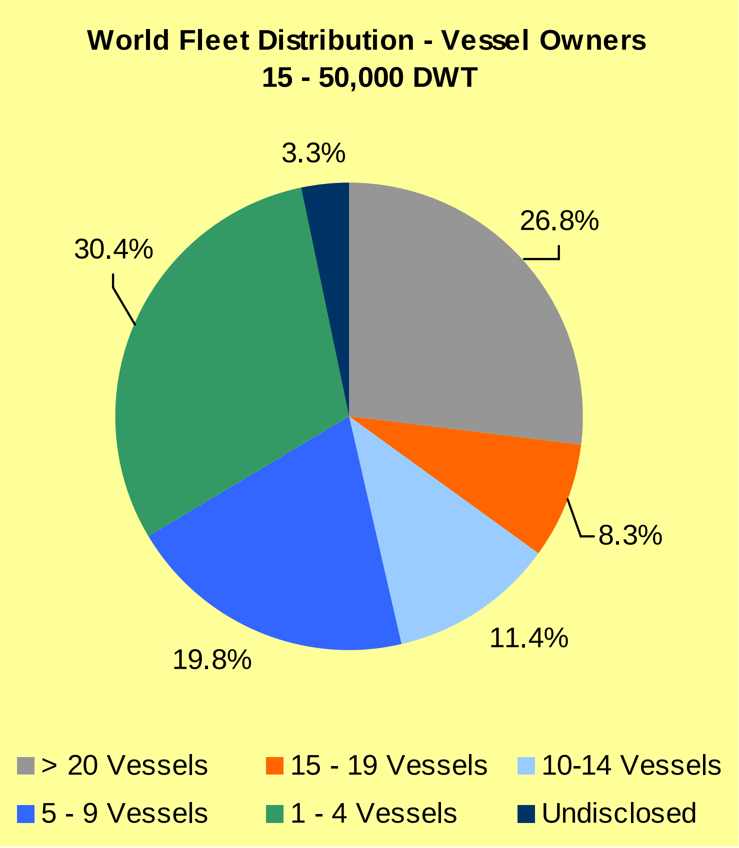


Source: Baltic Exchange Limited

- Shipyards have experienced a strong increase in their input factors, such as labor, steel (in 2007, prices rose almost US$ 200 per ton to US$ 900 per ton), and main equipment (prices rose between 10% - 15% in 2007)
- In 2002, 21 yards in China and 9 yards in Korea could build vessels larger than 30,000 DWT; by 2007, the number increased to 82 in China and 22 in Korea
- Yards in China and Korea took three-quarters of all new orders in 2007; on average, 7% of Korea contracts and 30% of China contacts were delayed for more than 1 month between 2000 – 2007

Even though freight rates are expected to decrease, vessel prices might not significantly move down (cont.)

- The Handysize fleet is rapidly ageing, and a newbuild program has been limited, so one can expect a shortage of tonnage
- The Handysize/Handymax fleet has a wide ownership structure, and we believe that there are many capital-constrained players
- Only a few established yards are willing to build Handysize vessels, so owners must negotiate with relatively new yards in China, Vietnam, India, etc.
- As ports in Asia are steadily expanded and Handymax vessels are accepted, this could create more difficult environment for Handysize vessels



Source: Fairplay World Shipping Encyclopedia (April 2008)

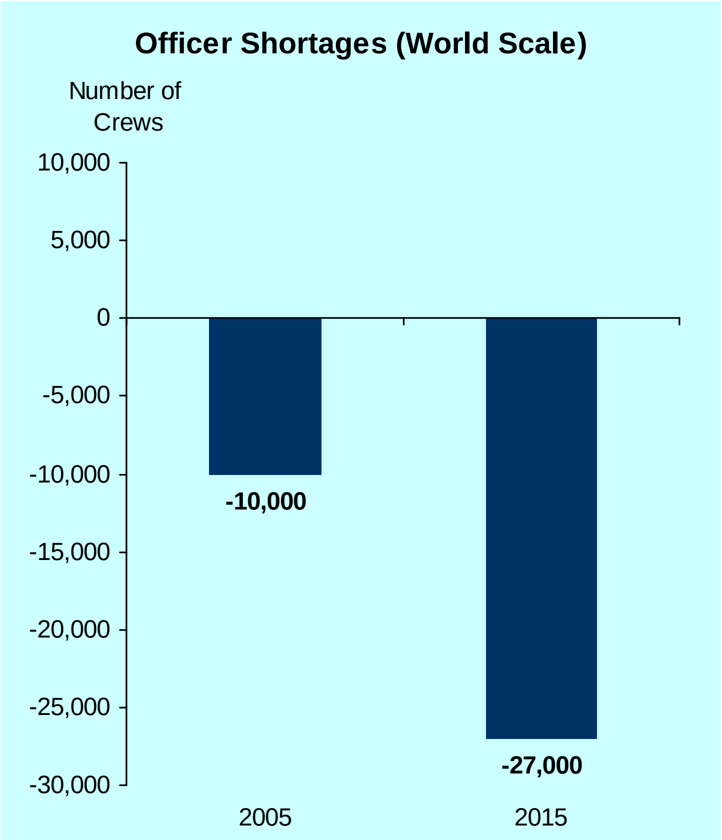
Effective human resources management is becoming even more critical

- The 2005 BIMCO/International Shipping Federation survey estimates worldwide crew of 466,000 officers and 721,000 ratings

- It is estimated that there will be a shortfall of 27,000 qualified officers by 2015, which equals 3,000 vessels

- Economies of scale might not favor Handysize vessels; when qualified officers are in high demand and the same crew amount is used for a smaller or larger vessel, it makes more sense to operate the large vessel

- Smaller vessels with quicker voyages and more complicated cargoes require more shore staff to operate the vessels and control quality



Source: BIMCO / ISF

It is estimated that more than 30% of all newbuild vessels have not secured debt finance

- The estimated orderbook for bulk carrier, container vessels, tankers, and offshore units is US$ 500 billion through 2012

- If we assume 65% debt financing, it means that debt of US$ 325 billion, or US$ 81 billion per year, must be secured

- High yield bond markets are not readily available to finance construction risk at the moment

- Credit will not be sufficient from the commercial bank market to support this loan growth

- Evidence of owners renegotiating or canceling contracts

- Problems with greenfield yards in China and Korea

It is estimated that more than 30% of all newbuild vessels have not secured debt finance (cont.)

- Credit markets deteriorated significantly towards the end of 2007 due to the sub-prime crisis
- Sub-prime writedowns threaten capital adequacy, cutting lending amounts
- As loan demand remains strong, amortization has increased with lower advance rate, tighter covenants, and wider credit spreads
- Credit spreads have increased by 50% - 60% in today's market

Large Loan Transactions in 2007

Company	Total Size (Millions)
Seadrill Rig AS	US$ 1,500
Prosafe SE	US$ 1,300
Awilco Offshore ASA	US$ 1,085
General Maritime Corporation	US$ 900
Teekay Corp. / Teekay Tankers Ltd.	US$ 845
Victoria Marine Inc.	US$ 777
Songa Offshore ASA	US$ 650
Royal Caribbean Cruises Ltd.	US$ 589

Source: Nordea Bank

Container vessels are competing directly for some dry bulk commodities

- There appears to be some size adaptation to larger parcels to reduce freight costs per unit
- Migration of demand from Handysize to Handymax vessels could steal market share away for the smaller vessels
- Container vessels are competing with dry bulk vessels for a number of reasons:
  - ⇒ Increasing size and quantity of container vessels
  - ⇒ Imbalance in container trade, so low rates are able for repositioning voyages
  - ⇒ More ports of call in the networks of container shipping lines