SHIPPING MARKET REVIEW

OCTOBER 2010

DANMARKS SKIBSKREDIT

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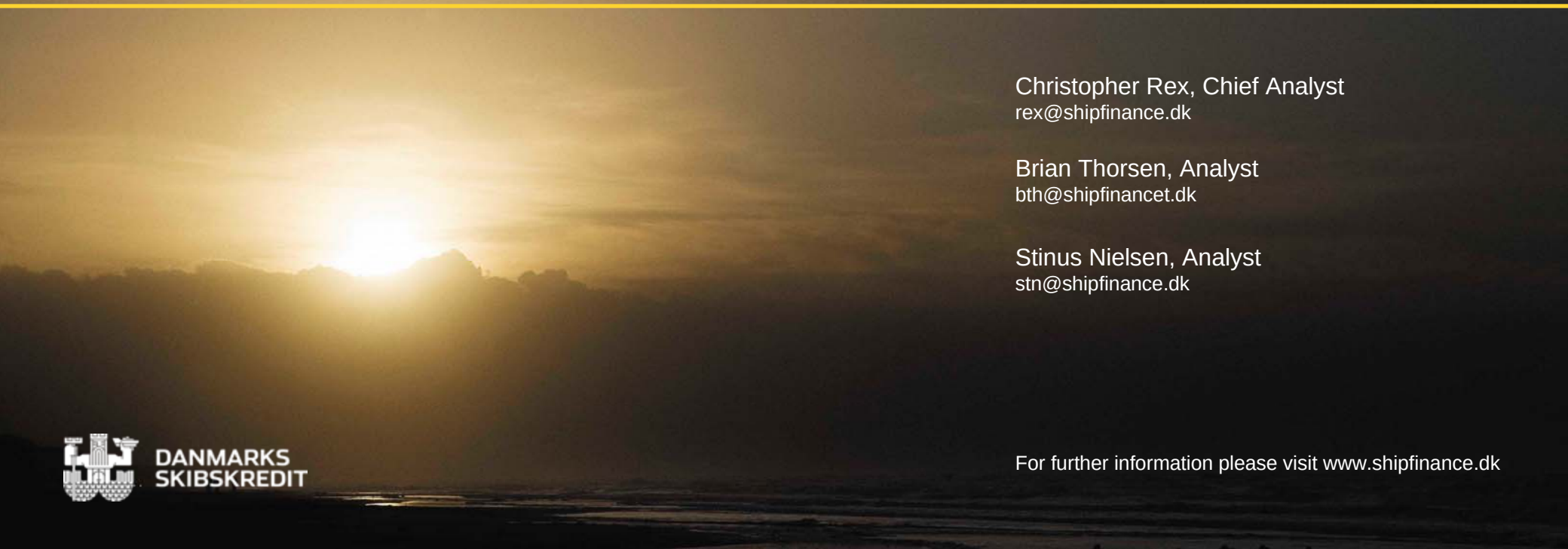

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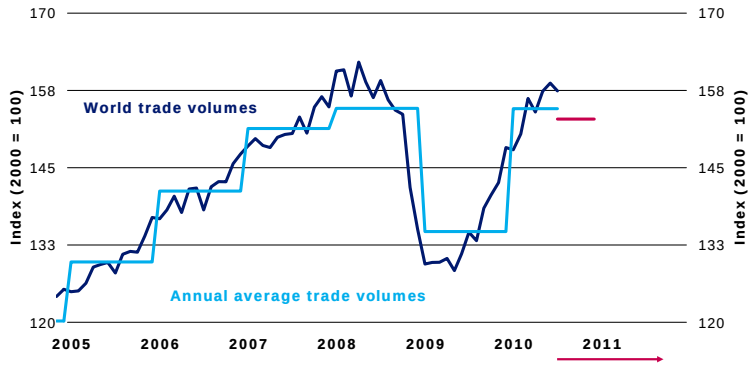
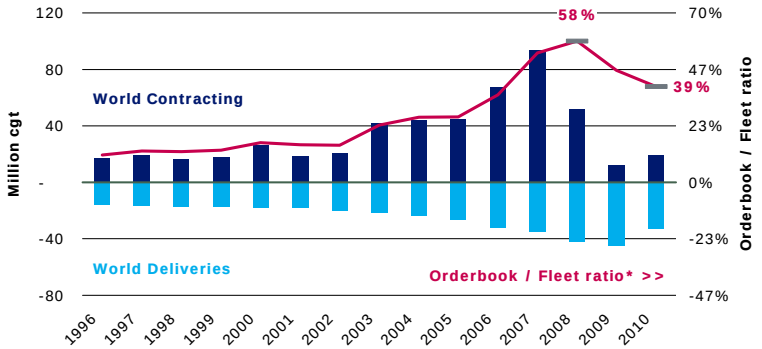
- **Strong global economic recovery**
  The global economic recovery has proven stronger than previously anticipated. Global GDP is expected to grow 4.6% in 2010.
- **Global trade volumes at 2008 levels**
  Global trade volumes increased 19% during first-half 2010. Global trade volumes are approximately back at pre-crisis levels.
- **Supply up 17% from 2008-2010**
  The combined capacity of the Container, Tanker and Dry Bulk fleets has increased approximately 17% since 2008. With demand volumes back at 2008 levels, many segments are struggling to utilize the full potential of the fleet.
- **Risk of further oversupply**
  Nonetheless, more tonnage is yet to come. The current orderbook/fleet ratio stands at 39%, indicating that the threat of an escalating supply surplus is still present.

World trade volumes up 13.5% in 2010
By increasing 13.5% in 2010, 2010 volumes are back at 2008 levels



Sources: Reuters EcoWin, Danish Ship Finance

The global orderbook declines as more tonnage is being delivered than contracted



* Container, Tankers, Dry Bulk

Sources: Clarksons, Danish Ship Finance

■ World Contracting ■ World Deliveries

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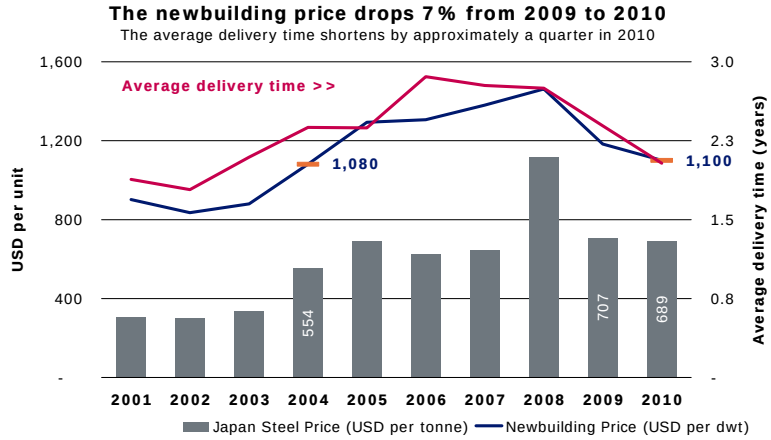
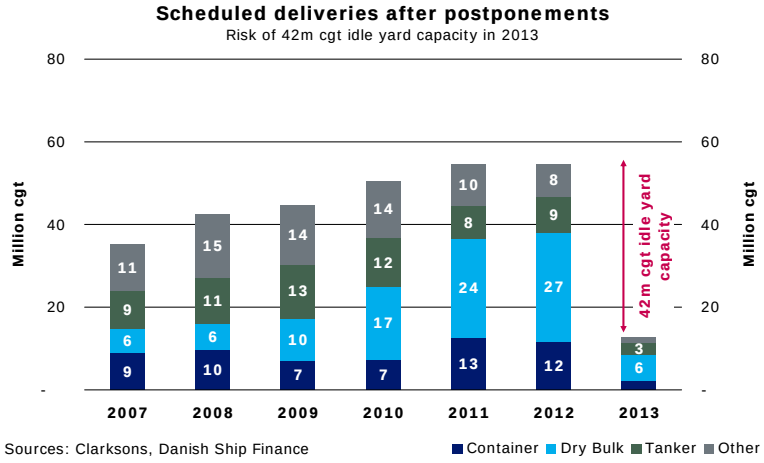
EXECUTIVE SUMMARY

- SHIP BUILDING

- **Newbuilding prices decline 7%**
  The global orderbook peaked in 2008, and has since declined 25% because more tonnage is being delivered than contracted. The newbuilding price dropped 7% from 2009 to 2010 (25% from 2008 to 2010).
- **Yard capacity at 51m cgt in 2010**
  Global yard capacity is projected to run an almost 100% utilization from 2010 to 2012. Global yard capacity is expected to increase to 51m cgt in 2010 (+6m cgt or 14%).
- **Yard capacity at 55m cgt in 2011**
  Global yard capacity is expected to increase to 55m cgt in 2011 (+4m cgt or 8%). So far, yard capacity is expected to be stable beyond 2011.
- **Yard overcapacity in 2013**
  The equivalent of 950 VLCCs (i.e. 42m cgt) is required in new contracts in order to utilize global yard capacity in 2013. The current VLCC fleet contains 547 vessels.



Sources: Clarksons, Danish Ship Finance



Sources: Clarksons, Danish Ship Finance

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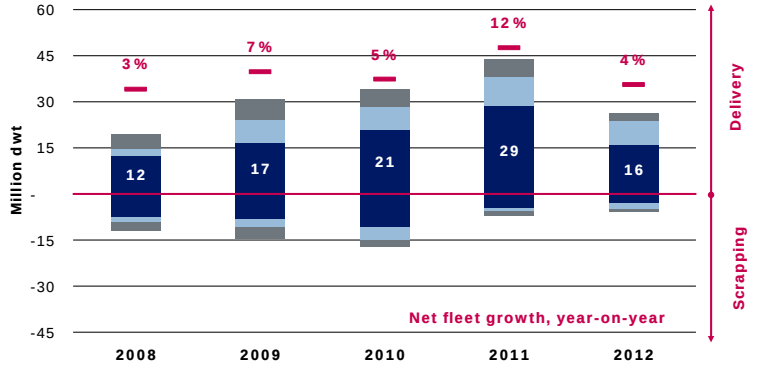
EXECUTIVE SUMMARY

- CRUDE TANKERS

- **Spot rates are low**
  Current rates are low and are approaching operating costs. The 2010 average is 27% below the 10-year average from 1999 to 2008, and 37% below the 2008 average.
- **5% fleet growth during 2010**
  The Crude Tanker fleet is expected to grow 5% in 2010 (13% before 17m dwt scrapped) and 12% in 2011 (16% before 7m dwt scrapped).
- **Ton-miles demand up 11% in 2010**
  Despite the expectation of a modest increase in global oil consumption, longer travel distances are expected to lift distance-adjusted Crude Tanker demand by 11% in 2010 and 9% in 2011.
- **Worsening 2011 outlook**
  The combination of a large inflow of new tonnage and a demand outlook inadequate to absorb the entering capacity creates a bleak outlook for Crude Tanker rates and values in 2011.

43.8m dwt scheduled to enter the fleet in 2011

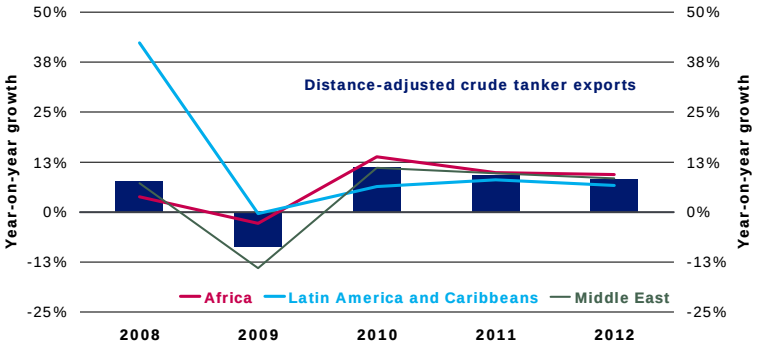
7.3m dwt qualifies for scrapping in 2011



Sources: Clarksons, Danish Ship Finance

VLCC Suezmax Aframax

Distance-adjusted Crude Tanker demand is expected to benefit from longer travel distances



Sources: Global Insight, Danish Ship Finance

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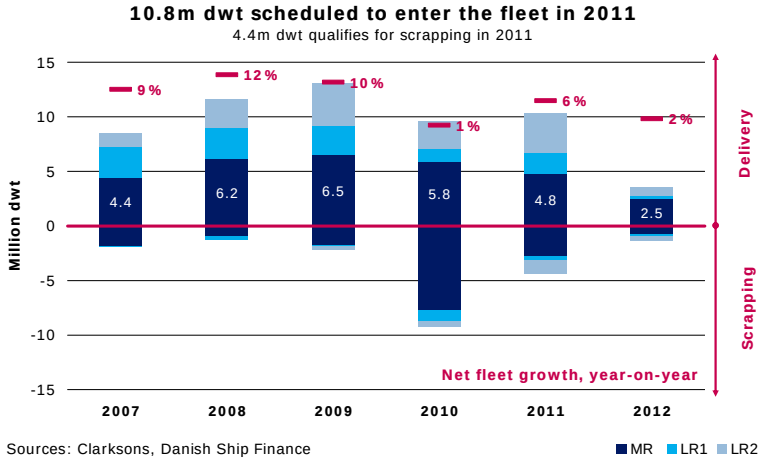
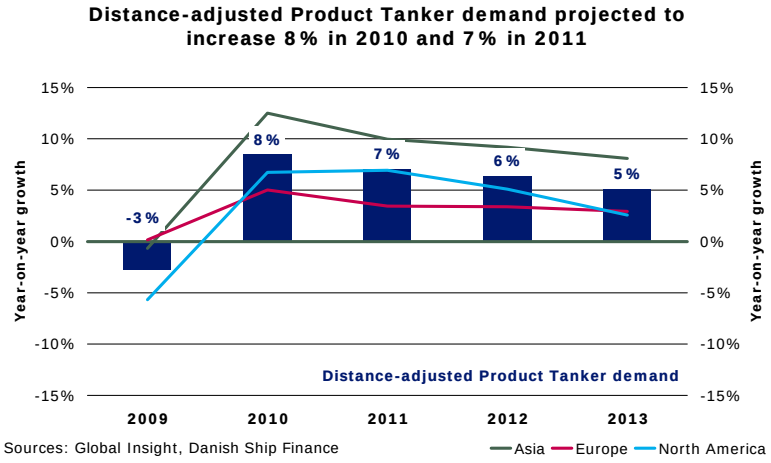
EXECUTIVE SUMMARY

- PRODUCT TANKERS

- **Current rates are low**
  Current rates are low and are approaching operating costs. The 2010 average is 30% below the 10-year average from 1999 to 2008, and 44% below the peak of 2005.
- **6% fleet growth in 2011**
  The Product Tanker fleet is expected to grow 1% in 2010 (9% before 9m dwt scrapped) and 6% in 2011 (10% before 4m dwt scrapped).
- **Ton-miles demand up 8% in 2010**
  Despite the expectation of a modest increase in global oil consumption, longer travel distances are expected to lift distance-adjusted demand by 8% in 2010 and 7% in 2011.
- **Gloomy 2011 outlook**
  The combination of a large inflow of new tonnage and a demand outlook inadequate to absorb the entering capacity creates a bleak outlook for Product Tanker rates and values in 2011.





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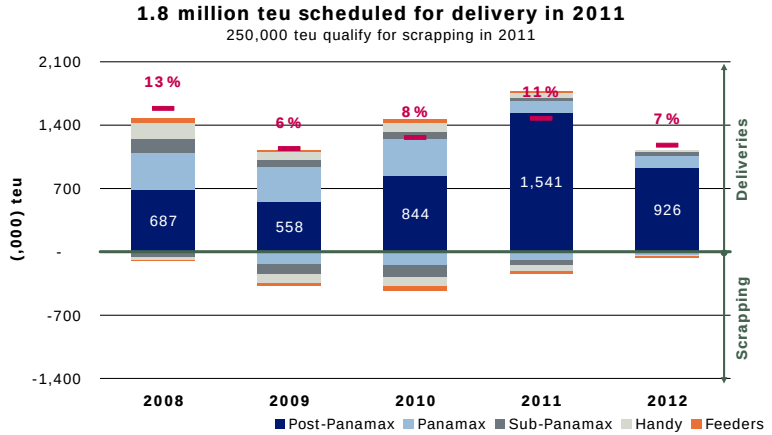
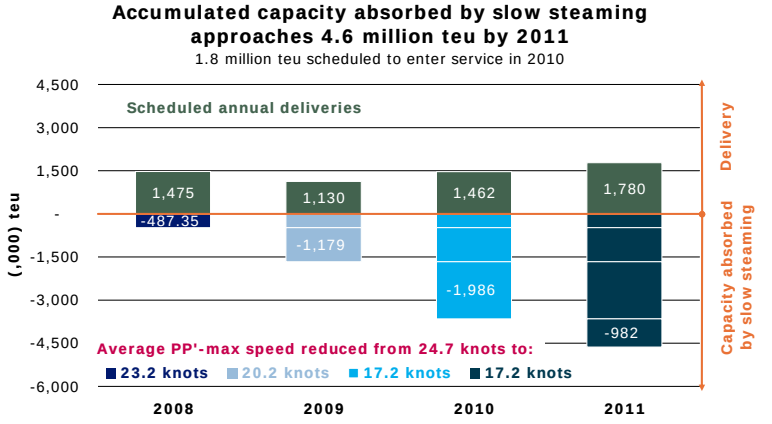
EXECUTIVE SUMMARY

- CONTAINER

- **Record-high box rates**
  The average box rate index out of China has surpassed index 1200, recovered more than 400 index points in 14 months and is now above pre-crisis levels.
- **8% fleet growth in 2010**
  The Container fleet is expected to grow 8% in 2010 and 11% in 2011.
- **Ton-miles demand up 9% in 2010**
  Distance-adjusted head-haul demand is expected to increase 9% in 2010 and 7% in 2011.
- **Spare capacity escalates in 2011**
  Head-haul demand volumes are expected to surpass 2008 levels during the last part of 2011. Nominal spare capacity of the container fleet is, nonetheless, expected to escalate to 4.6m teu by 2011. Extensive use of slow steaming may, however, continue to absorb the overcapacity in 2011.



Sources: Clarksons, Danish Ship Finance



Sources: Global Insight, Danish Ship Finance

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EXECUTIVE SUMMARY

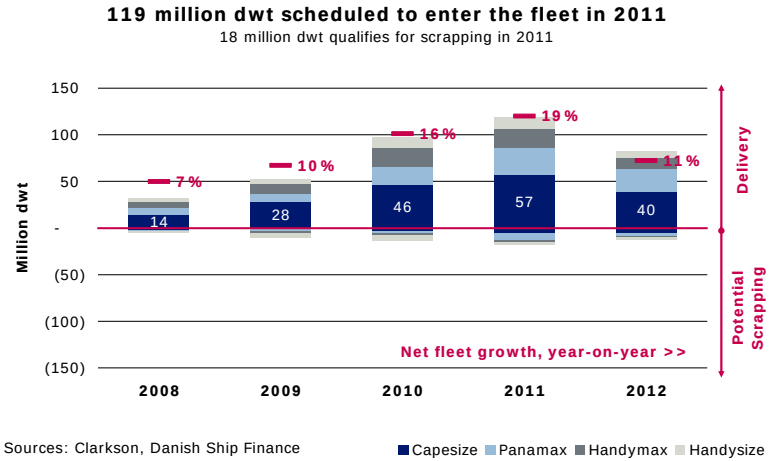
- DRY BULK

- **BDI down 32% in eight months**
  The Baltic Dry Index has declined 32% during the first eight months of 2010. However, the annual average for 2010 is 12% above the 2009 average.

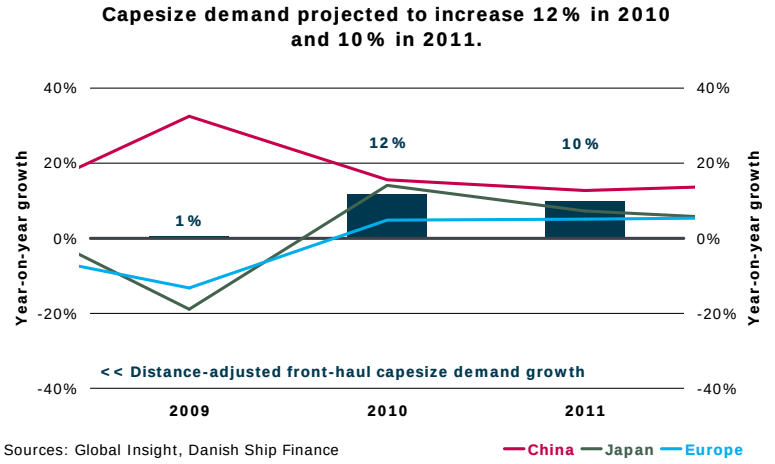
- **16% fleet growth in 2010**
  The Dry Bulk fleet is scheduled to grow 16% in 2010 and 19% in 2011.

- **Ton-miles demand up 12% in 2010**
  Distance-adjusted front-haul demand is expected to increase 12% in 2010 and 10% in 2011.

- **Overcapacity in 2011**
  The cargo-carrying capacity of the entering fleet in 2011 is expected to outpace the growth in key Dry Bulk commodity demand. We risk a Capesize supply surplus of 12% (29m dwt) in 2011.



Sources: Clarkson, Danish Ship Finance



Sources: Global Insight, Danish Ship Finance

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WORLD DEMAND INDICATORS

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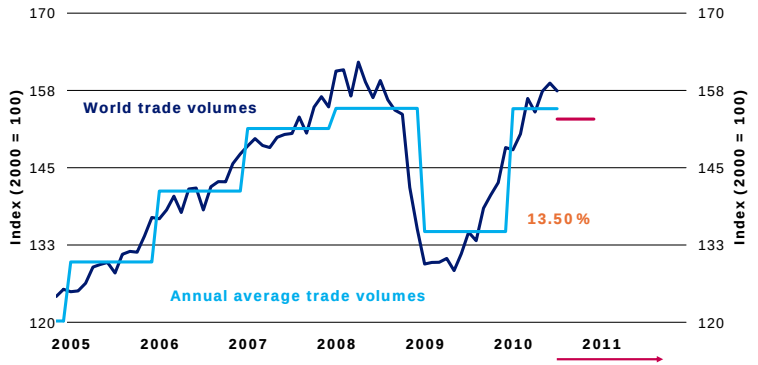
WORLD DEMAND INDICATORS

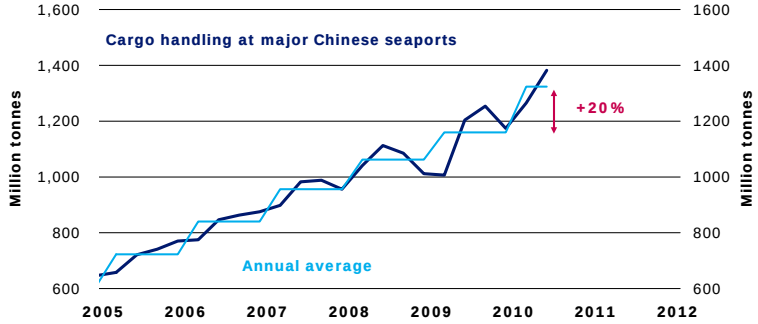
- **Strong global economic recovery**
  The global economic recovery has proven stronger than previously anticipated. By July 2010, the IMF revised their 2010 expectations for the global economy upwards. Global GDP is expected to grow 4.6% in 2010 (+0.4% points compared to the IMF April forecast).
- **Strong Asian growth**
  The recovery is largely driven by Asia. Increased exports and private consumption have been the main driving forces behind the strong Asian growth.
- **Global trade increases 19% in 1H10**
  The strong global economic growth had great impact on global trade volumes: Global trade volumes increased 19% during first-half 2010. Global trade volumes are approximately back at pre-crisis levels. For 2010, the WTO forecasts that global trade volumes will increase 13.5%, indicating a potentially weaker growth in trade volumes during second-half 2010.

World trade volumes up 13.5% in 2010
By increasing 13.5% in 2010, 2010 volumes are back at 2008 levels



Sources: Reuters EcoWin, Danish Ship Finance

Cargo handling at major Chinese seaports increased 20% during the first half of 2010



Sources: Reuters EcoWin, Danish Ship Finance

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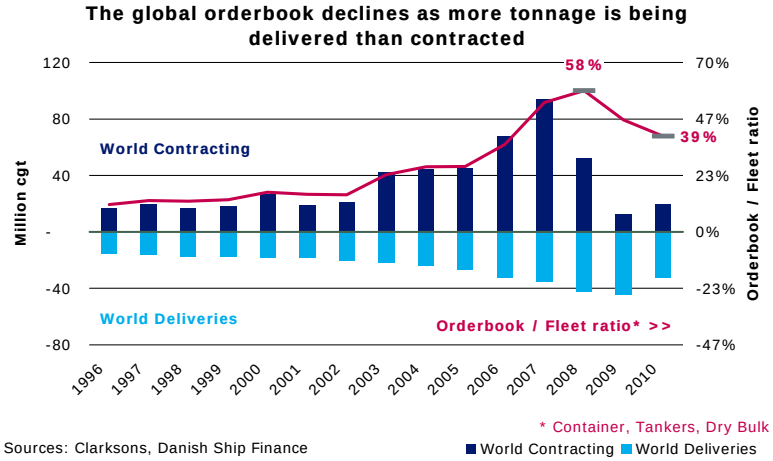
WORLD DEMAND INDICATORS

- **Supply up 17% from 2008-2010**
  The combined capacity of the Container, Tanker and Dry Bulk fleets has increased approximately 17% since 2008. With demand volumes only back at 2008 levels, many segments are struggling to utilize the full potential of the fleet.
- **Risk of further oversupply**
  Nonetheless, more tonnage is yet to come. The current orderbook/fleet ratio stands at 39%, indicating that the threat of an escalating supply surplus is still present.
- **Inadequate demand outlook**
  The global economy remains fragile. The outlook for 2010 and beyond is shrouded in uncertainty. Although global GDP is expected to grow 4.6% in 2010 and 4.3% in 2011, the benefits of the fiscal stimuli packages are soon coming to an end. Whether the stimuli packages will have lasting effects beyond 2010 remains to be seen.



Sources: Clarksons, Danish Ship Finance

- **Demand unlikely to absorb supply**
  Asia has been the hot topic for the last few years, and for good reason. Asian economic growth has been the tide that lifted all boats. Asian growth could, once again, take us all by surprise. To us, though, a demand scenario where the global orderbook is absorbed by pure demand in 2011 seems unlikely, as too much tonnage is expected to be delivered.

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SHIP BUILDING
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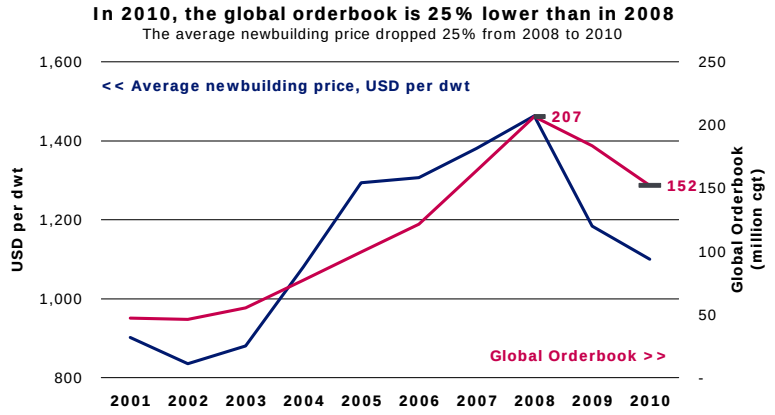
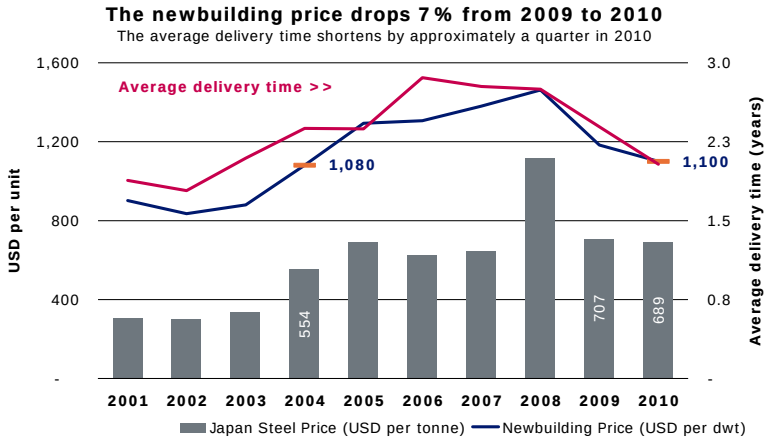
NEWBUILDING PRICES

- **Newbuilding prices decline 7%**
  The global orderbook peaked in 2008, and has since declined 25% because more tonnage is being delivered than contracted. The newbuilding price dropped 7% from 2009 to 2010 (25% from 2008 to 2010).
- **Declining delivery times**
  The global orderbook is now back at the same size as in 2006. Global yard capacity has, however, increased 53% between 2006 and 2010. Consequently, the average delivery time is shortening and the risk of a considerable future yard overcapacity is increasing.
- **Newbuilding prices at 2004 levels**
  Compared to historical levels, the current newbuilding price is 10% below the average price in 2004. The steel price, however, has increased 25% from 2004 to 2010. If the steel price can be used as a proxy for component costs, this may indicate that yard profitability is lower in 2010 than it was in 2004.



Sources: Clarksons, Danish Ship Finance



Sources: Clarksons, Danish Ship Finance

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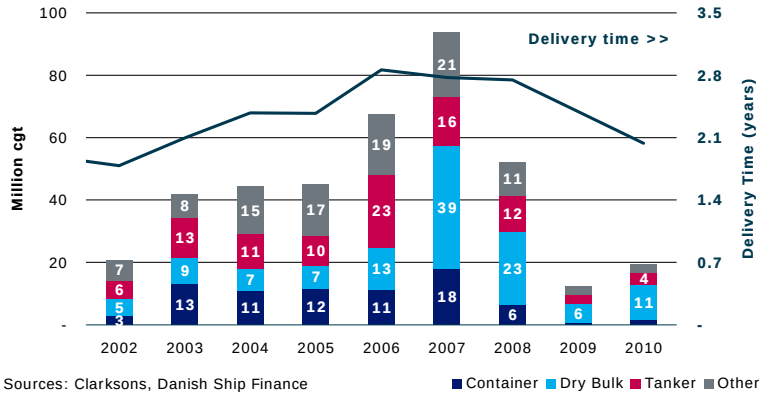
CONTRACTING ACTIVITY AND DELIVERY TIME

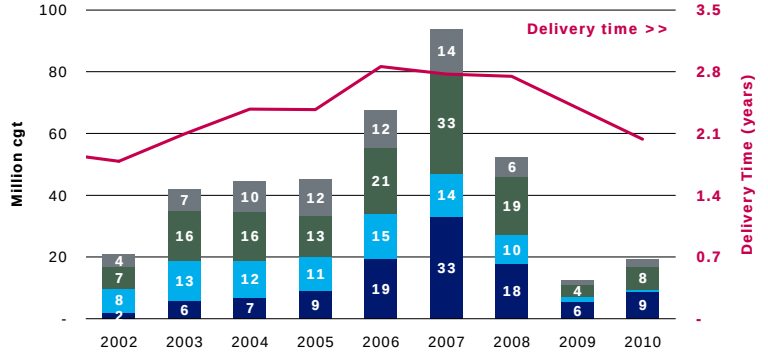
- **Contracting activity resumes**
  19m cgt was contracted during the first eight months of 2010. Although still very low compared to historical averages, this is an increase of 55% compared to 2009.
- **Dry Bulk drives contracting**
  The increased contracting activity during the first eight months of 2010 is largely driven by new Dry Bulk orders. So far, 11m cgt has been contracted (6m cgt in 2009).
- **Few new Japanese orders disclosed**
  Contracting activity has mainly been reported at Chinese and South Korean yards. Japanese yards, on the other hand, continue to underreport their new orders.
- **Delivery times decline**
  More tonnage is being delivered than contracted, and the average delivery time has fallen accordingly - from 2.4 years in 2009 to approximately 2 years in 2010.

Global contracting activity increases during 2010
Primarily due to a surprisingly strong appetite for Dry Bulk tonnage



Sources: Clarksons, Danish Ship Finance

Most orders placed at Chinese and South Korean yards
Japanese yards seem to continue to underreport contracting activity



Sources: Clarksons, Danish Ship Finance

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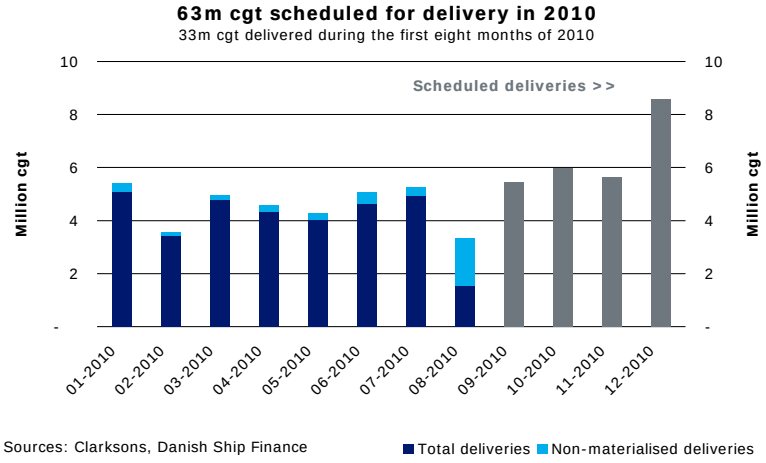
DELIVERY PERFORMANCE

- **63m cgt scheduled for 2010**
  A total of 63m cgt was scheduled for delivery in 2010. 33m cgt has been delivered during the first eight months of 2010.

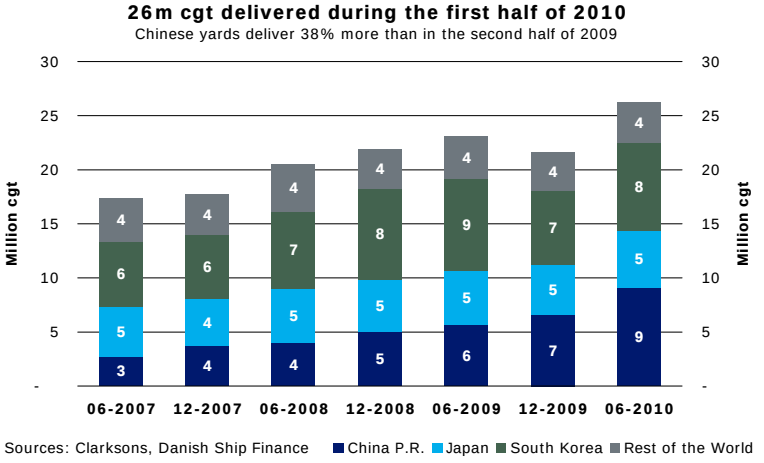
- **Global yard output up 14%**
  Global yard output was 14% higher during the first six months of 2010, compared to the same period in 2009.

- **South Korean output down 6%**
  Measured in cgt, South Korean yard output was 6% lower in the first half of 2010, compared to first-half 2009. Simultaneously, Japanese yard output increased 9%.

- **Chinese yard output up 59%**
  Chinese yard output soared 59% during first-half 2010, compared to the same period in 2009. In particular, Chinese Dry Bulk deliveries surged during first-half 2010.



Sources: Clarksons, Danish Ship Finance



Sources: Clarksons, Danish Ship Finance

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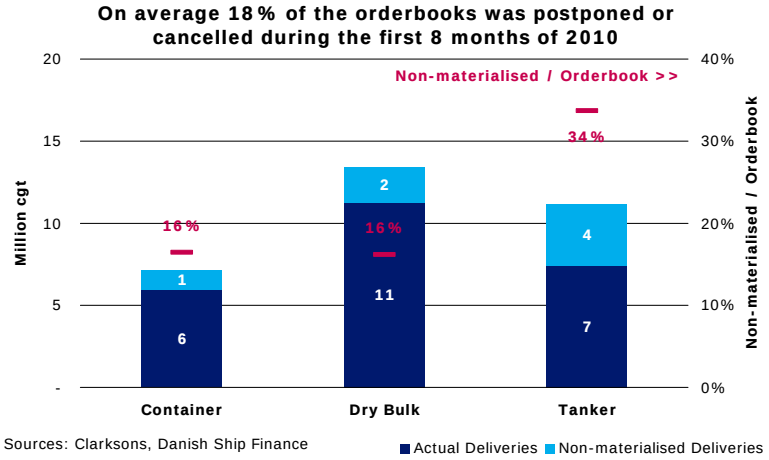
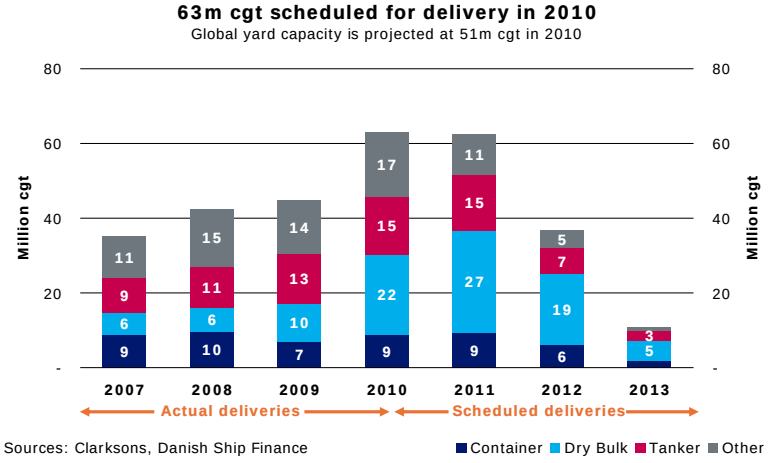
DELIVERY PERFORMANCE

- **18% postponed in 2010**
  7m cgt (18%) of the orders scheduled for delivery in the first eight months of 2010 was postponed. Consequently, we see an increase in the delivery performance compared to 2009.
- **Tanker deliveries perform the worst**
  4m cgt (34%) of scheduled Crude and Product Tanker deliveries was postponed during the first eight months of 2010.



Sources: Clarksons, Danish Ship Finance

- **Yard capacity at 51m cgt in 2010**
  Global yard capacity is projected to increase to 51m cgt in 2010. The majority of the new yard capacity is located in China.
- **12m cgt postponed into 2011**
  To sum up: 63m cgt is scheduled for delivery in 2010. With global yard capacity forecasted to 51m cgt, as much as 12m cgt (19%) could be postponed into 2011.



Sources: Clarksons, Danish Ship Finance

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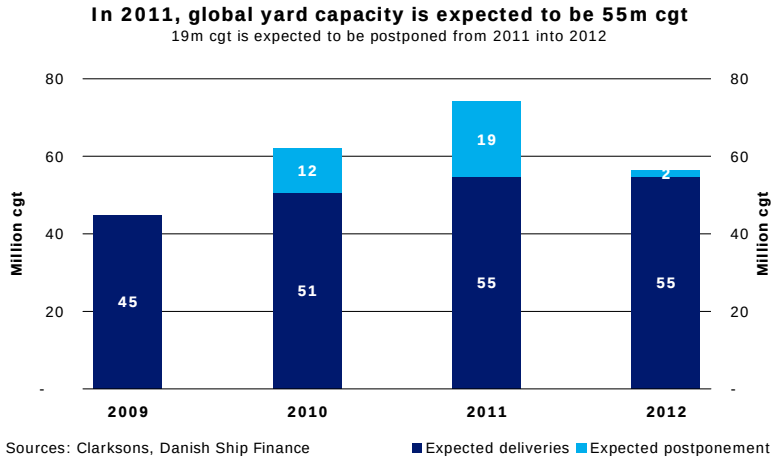
OUTLOOK

- **Yard capacity at 55m cgt in 2011**
  For 2011, we expect a modest increase in global yard capacity of 8% (+4m cgt). Global yard capacity is therefore expected to be approximately 55m cgt.
- **63m cgt scheduled for delivery**
  For 2011, as much as 63m cgt is scheduled for delivery. When adding the 12m cgt postponed from 2010 to 2011, as much as 74m cgt would be scheduled for delivery in 2011.
- **55m cgt delivered in 2011**
  For 2011, we expect an almost 100% utilization of global yards. Consequently, we expect that 74% of the 74m cgt (i.e. 55m cgt) will be delivered during 2011.
- **19m cgt postponed into 2012**
  Postponements are expected to escalate during 2011 as the global orderbook is expected to be rescheduled. 26% or 19m cgt is expected to be postponed from 2011 to 2012.



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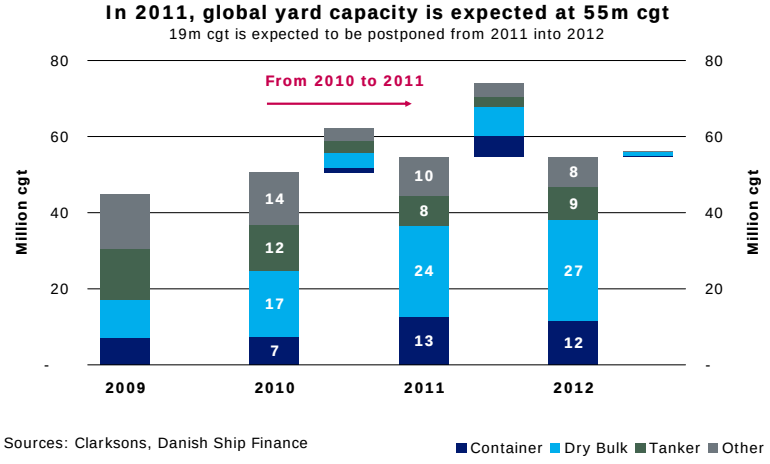

Sources: Clarksons, Danish Ship Finance

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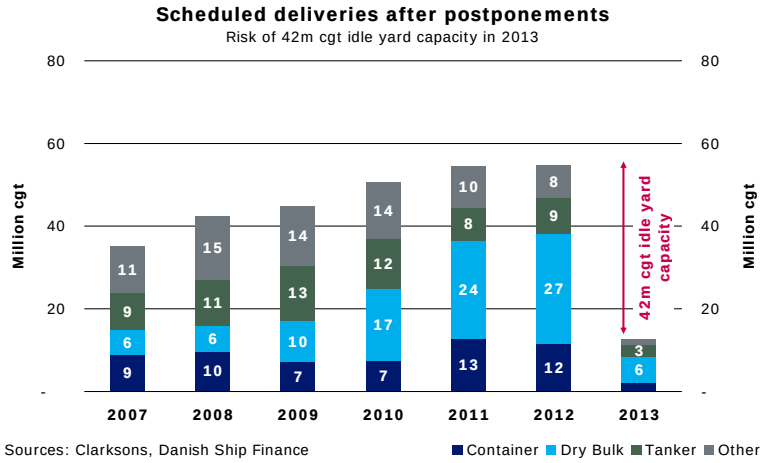
OUTLOOK

- **Risk of overcapacity from 2013**
  Based on the current orderbook and the postponement scenario previously described, the first signs of a potential overcapacity will show in 2013.
- **13m cgt scheduled for delivery**
  Without any additional contracting activity from 2010 to 2013, annual deliveries in 2013 are expected to reach 13m cgt. This equates to a yard utilization of 24%.



Sources: Clarksons, Danish Ship Finance

- **42m cgt required for 2013**
  Additional capacity corresponding to a total of 42m cgt has to be contracted for delivery in 2013 in order to fully utilize global yard capacity in 2013. Translated into VLCCs, 42m cgt equals approximately 950 vessels, while the current fleet contains 547 vessels.
- **Newbuilding prices under pressure**
  Newbuilding prices may continue to decline if contracting activity fails to fill the vacant yard capacity in 2013 and beyond. However, increasing component costs (steel prices, etc.) might potentially support newbuilding prices beyond yard utilization.

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CRUDE TANKERS

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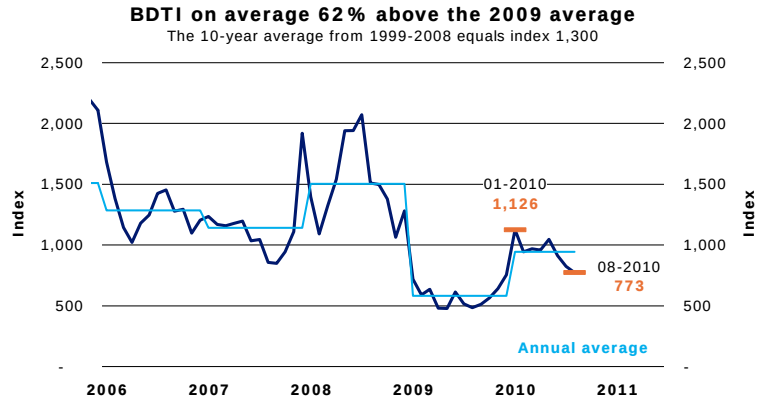
FREIGHT AND TIMECHARTER RATES

- **Baltic Dirty Tanker Index down 31%**
  BDTI has, on average, declined 31% during the first eight months of 2010. Nonetheless, the 2010 average is 62% above the 2009 average.
- **27% below the 10-year average**
  Current rates are low and approaches operating costs. The 2010 average is 27% below the 10-year average from 1999 to 2008, and 37% below the 2008 average.
- **3-year timecharter rate up 30%**
  The 3-year VLCC timecharter rate has, on average, risen 30% in the first eight months of 2010. The current timecharter rate is now back at USD 41,500 per day.
- **Back at 2004 levels**
  Improved oil demand has, so far, bolstered timecharter rates during 2010. The average annual VLCC timecharter rate is now back to the levels of 2004.



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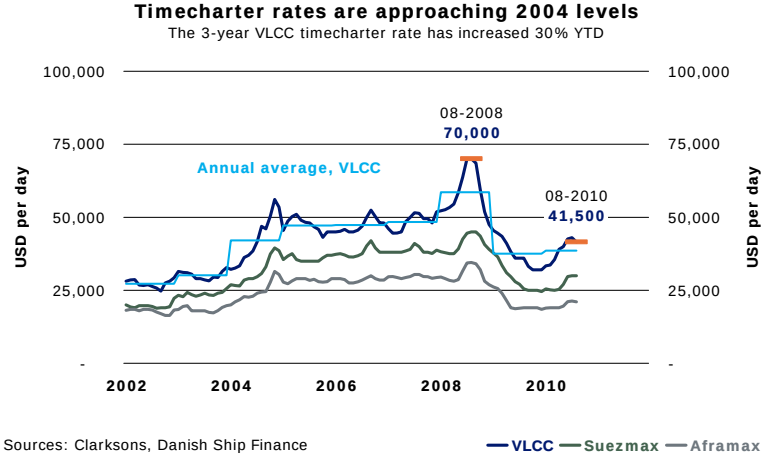

Sources: Clarksons, Danish Ship Finance

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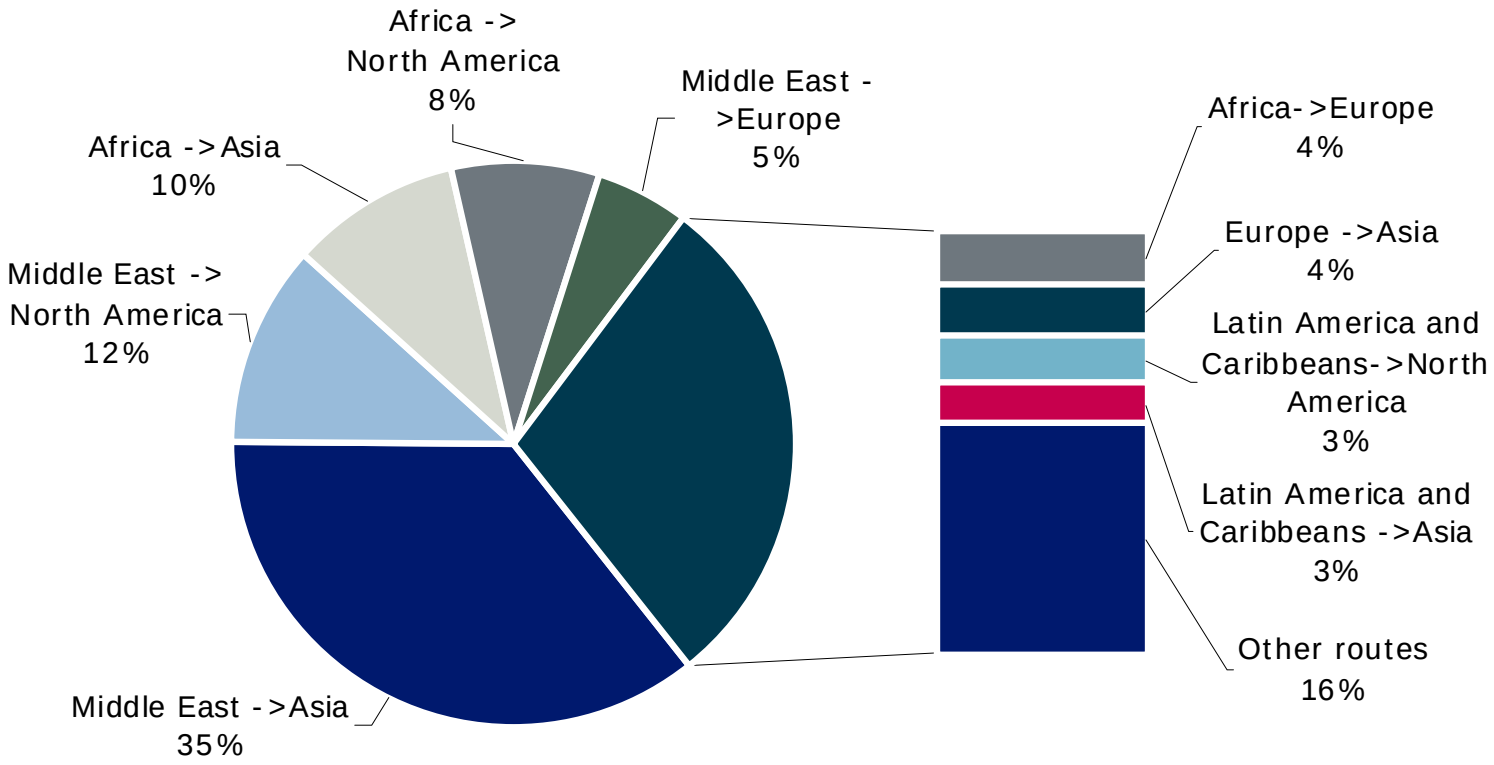
MAJOR FRONT-HAUL CRUDE TANKER ROUTES

(MEASURED IN BILLION TON-NAUTICAL MILES, 2010)



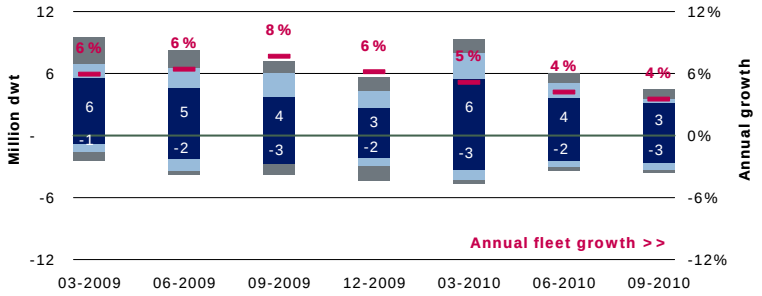
Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **4% fleet growth in 1H10**
  28.2m dwt was scheduled for delivery during the first eight months of 2010. 19.8m dwt was actually delivered. The Crude Tanker fleet grew 4% year-on-year.
- **30% of deliveries postponed**
  8.4m dwt (30%) of scheduled deliveries was postponed during the first seven months of 2010.
- **VLCC deliveries perform the best**
  Of the 16.9m dwt VLCC capacity expansion scheduled for delivery between January and August 2010, 73% (12.3m dwt) was delivered. The performance of the smaller segments was at a slightly lower level.
- **11.7m dwt leaves the fleet**
  11.7m dwt (4%) (mostly single-hull tankers) left the fleet during the first eight months of 2010. 4.4m dwt was scrapped, while the remaining 7.3m dwt was converted into other ship types.

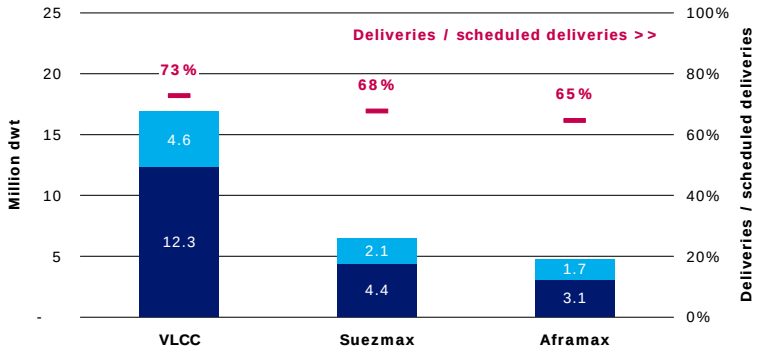
19.8m dwt enters the fleet during the first eight months of 2010



Sources: Clarksons, Danish Ship Finance

VLCC Suezmax Aframax

70% of scheduled deliveries is delivered during the first eight months of 2010



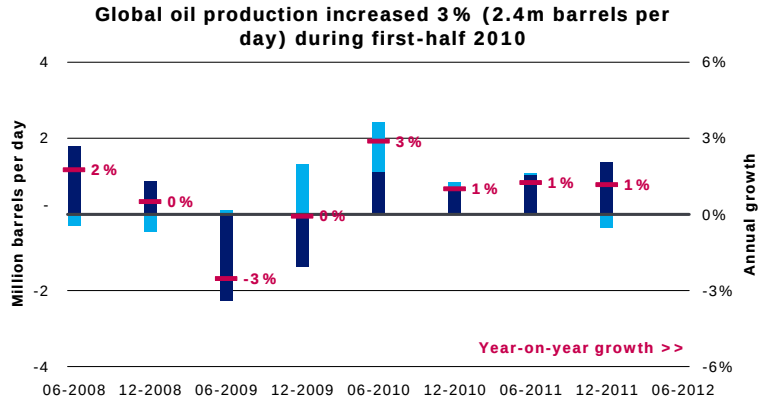
Sources: Clarksons, Danish Ship Finance

Actual deliveries Non-materialised deliveries

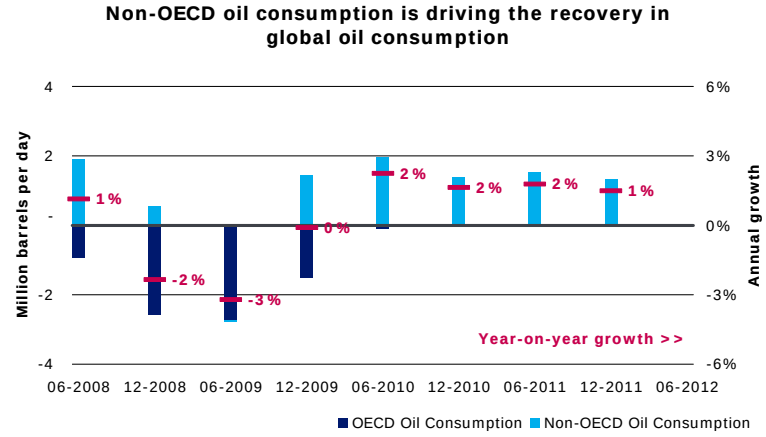
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Global oil production up 3%**
  On average, global oil production increased 3% (2.4m barrels per day) during first-half 2010. OPEC sustains its 40% share of the global oil production.
- **Global oil consumption up 2%**
  Global oil consumption improved approximately 2% (1.8m barrels per day) during first-half 2010.
- **Non-OECD leads global oil demand**
  Non-OECD oil consumption lead the recovery in global oil consumption. Non-OECD oil consumption expanded, on average, 5% (2m barrels per day) during first-half 2010, compared to the same period last year.
- **Asian demand contributes the most**
  Asian oil consumption constitutes 46% of the non-OECD oil demand and grew 6% (1.1m barrels per day) during first-half 2010.



Sources: Reuters EcoWin, Danish Ship Finance

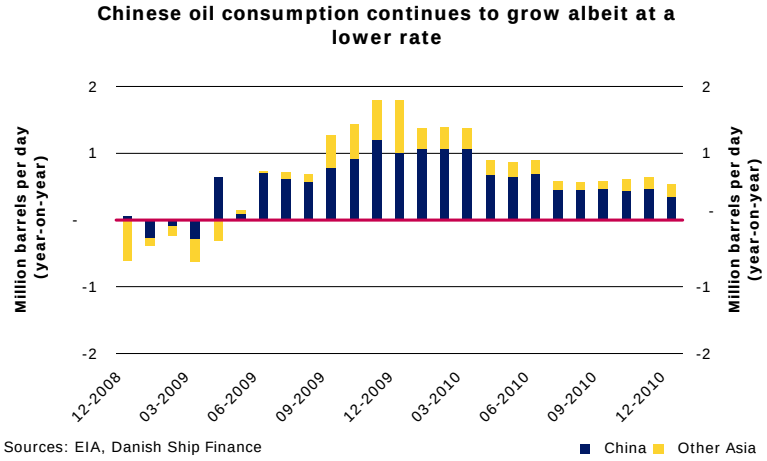


Sources: Reuters EcoWin, Danish Ship Finance

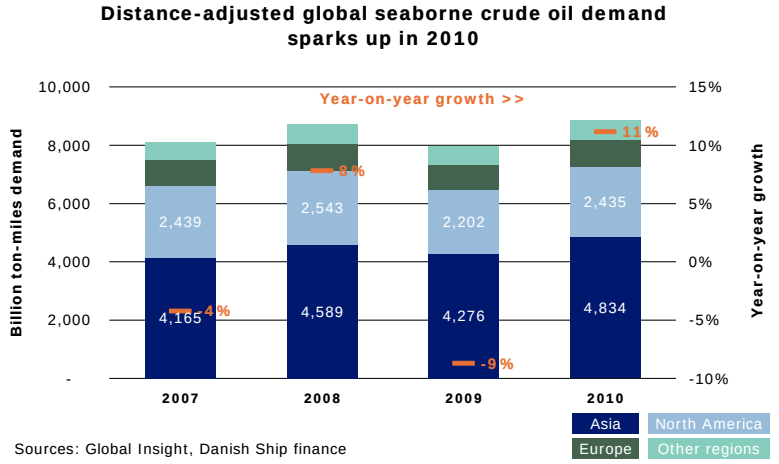
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **China drives global oil consumption**
  Contributing with half of the increase in global oil consumption (+0.9m barrels per day), China is the single-largest contributor to the growth in global oil consumption during first-half 2010.
- **Restocking of OECD oil inventories**
  OECD crude oil inventories have been restocked during the first two quarters of 2010. In total, 93m barrels have been added from March to July 2010.
- **Ton-miles demand up 11% in 2010**
  The combination of the recovered global oil consumption and longer travel distances has effectively lifted 2010 distance-adjusted demand above the levels of 2008. Distance-adjusted demand is expected to increase 11% in 2010.
- **Strong 1H10 demand growth**
  Distance-adjusted demand growth most likely outpaced supply growth during first-half 2010. Nevertheless, the balance between supply and demand tipped in third-quarter 2010.



Sources: EIA, Danish Ship Finance

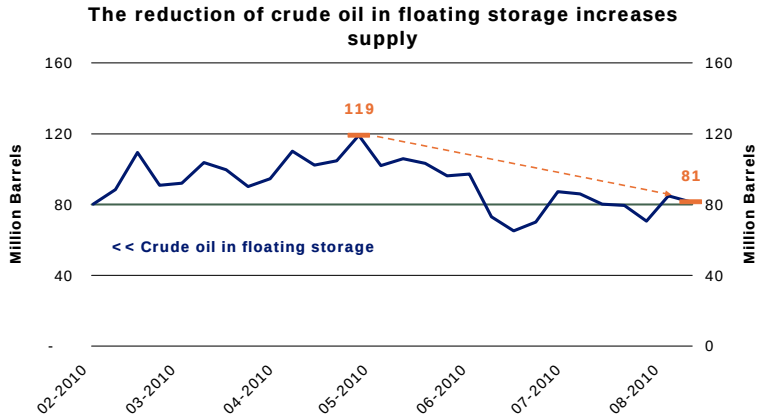


Sources: Global Insight, Danish Ship finance

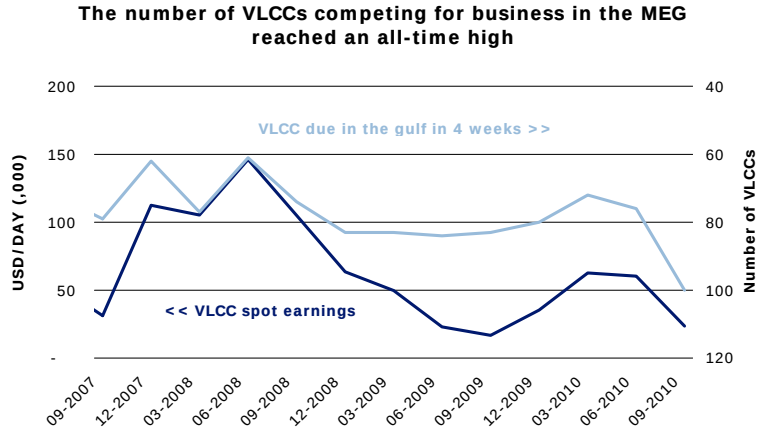
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Rising fleet availability in 1H10**
  The number of vessels deployed in floating storage fell significantly in the second and third quarters of 2010, hence rising fleet availability. Approximately 20 VLCCs (40m barrels) resumed trading during the period.
- **VLCC availability increased in July**
  Overall, the start of the low season reduced monthly crude oil imports. Chinese crude oil imports fell in particular (-17% or 1m barrels per day) from June to July. The combined impact on third-quarter VLCC availability was great: By the end of August 2010, as many as 100 VLCCs were due in the Arabian Gulf in four weeks.
- **Exacerbating supply woes**
  The large inflow of new capacity, fewer vessels deployed in floating storage and the start of the low season increased fleet availability considerably, and sent spot rates tumbling down during the third quarter of 2010.



Sources: Bloomberg, Danish Ship Finance



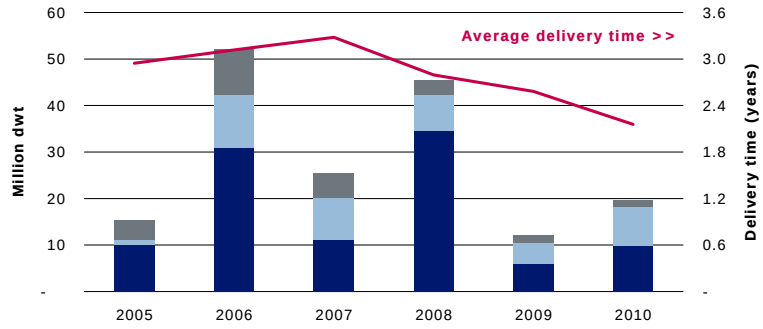
Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

CONTRACTING AND SHIP VALUES

- **Contracting activity swells up**
  Newbuilding activity surged in August 2010. In all, 3.9m dwt was ordered during the month – the highest since 2008. A better long-term outlook has apparently inspired confidence in owners.
- **Delivery times decrease**
  The average delivery time decrease despite new orders are being placed. The latest VLCC orders are expected to be delivered within 2.7 years.

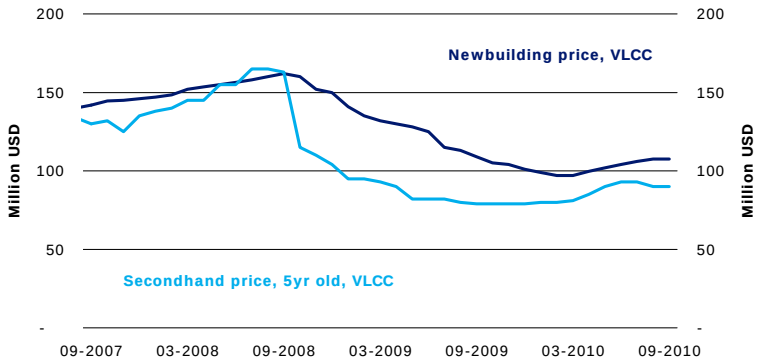
Contracting activity increases during the first eight months of 2010



Sources: Clarksons, Danish Ship Finance

- **Newbuilding prices up 9% in 2010**
  The average newbuilding price rose 9% during the first eight months of 2010. However, steel prices grew almost doubled that figure in the same period.
- **Secondhand prices up 13% in 2010**
  Secondhand prices for 5-year-old vessels increased 13% during the first eight months of 2010. Still, depressed earnings forced secondhand prices slightly down in third quarter.

Asset prices recover throughout 2010

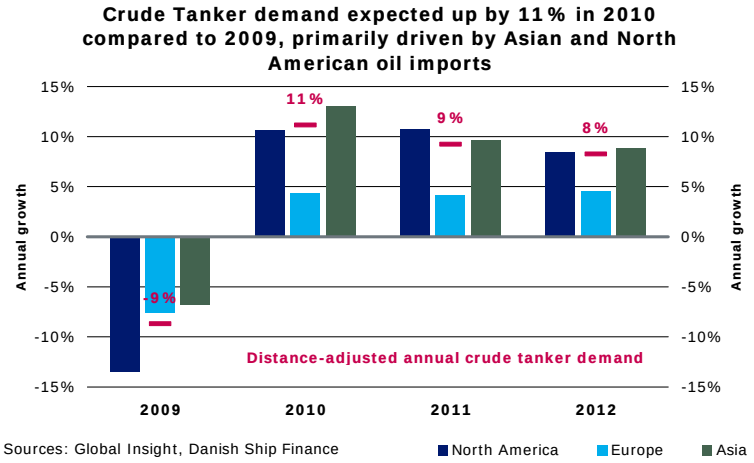


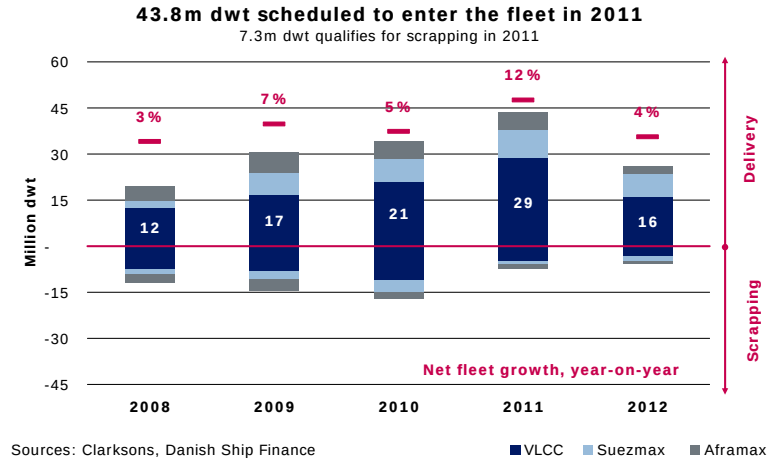
Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

OUTLOOK

- **Ton-miles demand up 9% in 2011**
  Distance-adjusted demand is expected to increase by 11% in 2010 and 9% in 2011. Especially longer travel distances for Asian crude oil imports are expected to support distance-adjusted demand.
- **Fleet growth at 12% in 2011**
  The Crude Tanker fleet is expected to grow by 6% (yoy) during the last quarter of 2010. In 2011, the fleet is expected to grow 12%.
- **43.8m dwt scheduled for 2011**
  14.4m dwt is scheduled to enter the fleet during the last four months of 2010 (i.e. 34m dwt in 2010). In 2011, a capacity expansion of 43.8m dwt (12%) is scheduled.
- **VLCC accounts for 65% of deliveries**
  VLCC deliveries account for approximately 65% of all capacity delivered in 2010 and 2011. In 2011, the annual VLCC fleet growth will turn double-digit, from 6% in 2010 to 14% in 2011.





DANMARKS SKIBSKREDIT

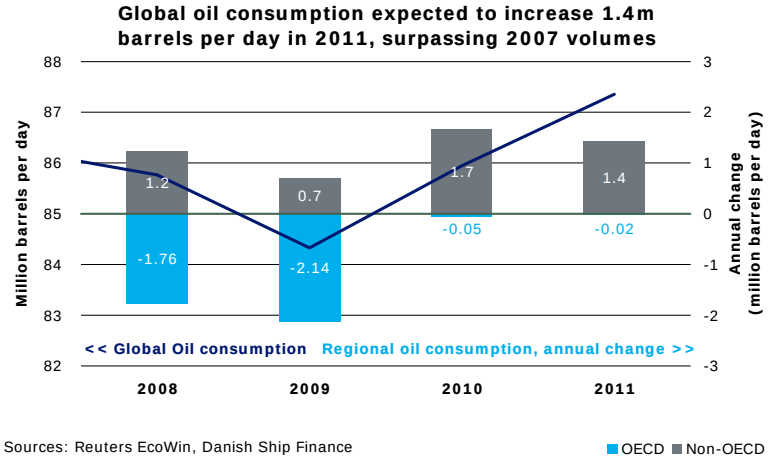
OUTLOOK

- **Huge phase-out potential**
  22.9m dwt (7%) of the Crude Tanker fleet is single-hull tankers. These vessels are to be phased out before 2015 or before the age of 25.

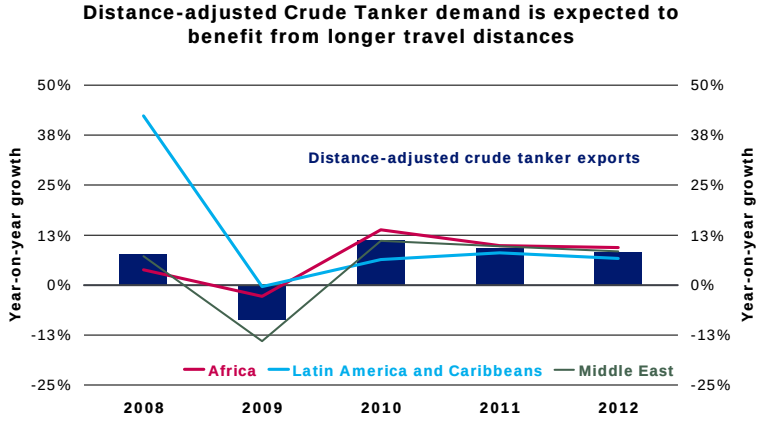
- **10.2m dwt phased out by 2011**
  10.2m dwt is expected to leave the fleet by year-end 2011, assuming that all single-hull tankers are phased out at the age of 25.

- **Global oil consumption up 2%**
  By 2011, global oil consumption is expected to surpass the former record levels of 2007. On average, global oil consumption is expected to increase 1.4m barrels per day (2%) in 2011.

- **Longer travel distances**
  Crude Tanker demand is expected to increase beyond the growth in global oil consumption, since the oil is expected to travel longer distances.



Sources: Reuters EcoWin, Danish Ship Finance



Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

OUTLOOK

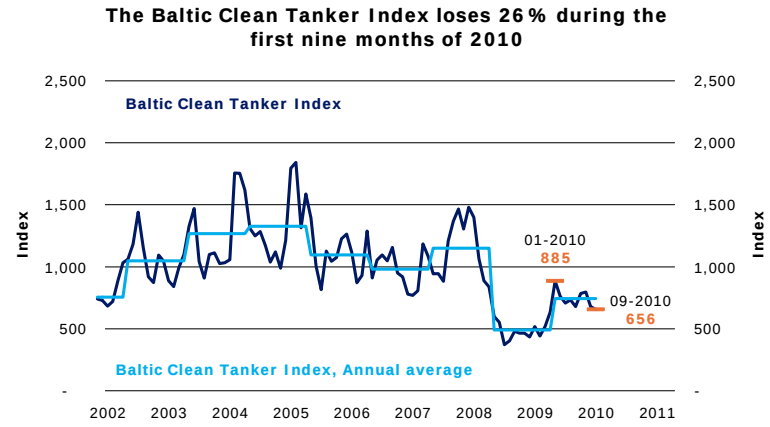
SUMMARY

- **Gloomy 4Q10 outlook**
  The outlook for fourth-quarter rates and values is gloomy: Global oil consumption is expected to grow a modest 0.3m barrels per day (0.4%) during fourth-quarter 2010, whereas quarterly fleet growth is expected to surpass 3% (+8.2m dwt).
- **Inventories threaten demand**
  OECD crude oil inventories are large and could potentially limit the effect of seasonal demand in the OECD. China may, however, surprise once again.
- **Bleak 2011 outlook for Tankers**
  The combination of a rapidly growing fleet and a demand outlook inadequate to absorb the entering capacity creates a bleak outlook for Crude Tanker rates and values in 2011.
- **Import patterns set to change**
  Distance-adjusted demand might increase beyond expectations if China or the US have to import crude oil from longer travel distances in 2011.
- **Inventories - another dark horse**
  A reduction of commercial inventories will most likely reduce demand for Crude Tankers and hence put further pressure on rates and values.
- **2011 freight rates to decline**
  For 2011, we expect freight rates and asset values to trend downwards from their 2010 average as demand fails to absorb the entering tonnage.

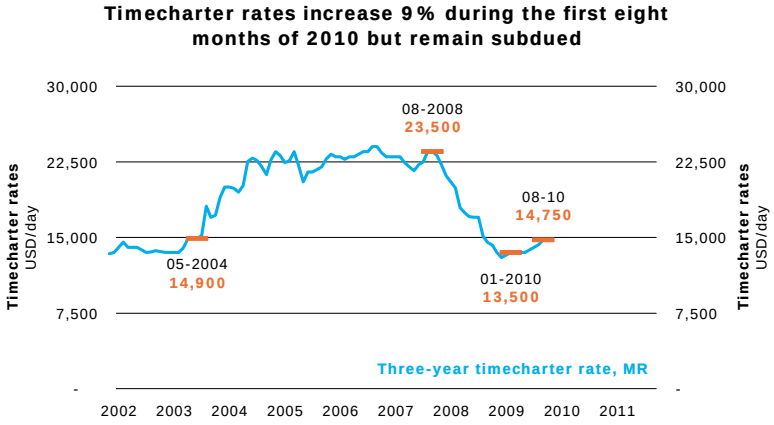

PRODUCT TANKERS
DANMARKS
SKIBSKREDIT

FREIGHT AND TIMECHARTER RATES

- **BCTI down 26% in nine months**
  The Baltic Clean Tanker Index has declined 26% during the first nine months of 2010. Nonetheless, the 2010 average is 51% above the 2009 average.
- **30% below the 10-year average**
  Current rates are low and are approaching operating costs. The 2010 average is 30% below the 10-year average from 1999 to 2008, and 44% below the peak in 2005.
- **3-year timecharter rate up 9%**
  The three-year timecharter rate has gained 9% during the first eight months of 2010, albeit still being 12% below the 2009 average. In a historical context, current rates are back at the 2003 average.
- **Improved market sentiments**
  Activity on the period market increased in July. Improved market sentiments seem to push charter rates up across the board - although it might be short-lived.



Sources: Clarksons, Danish Ship Finance

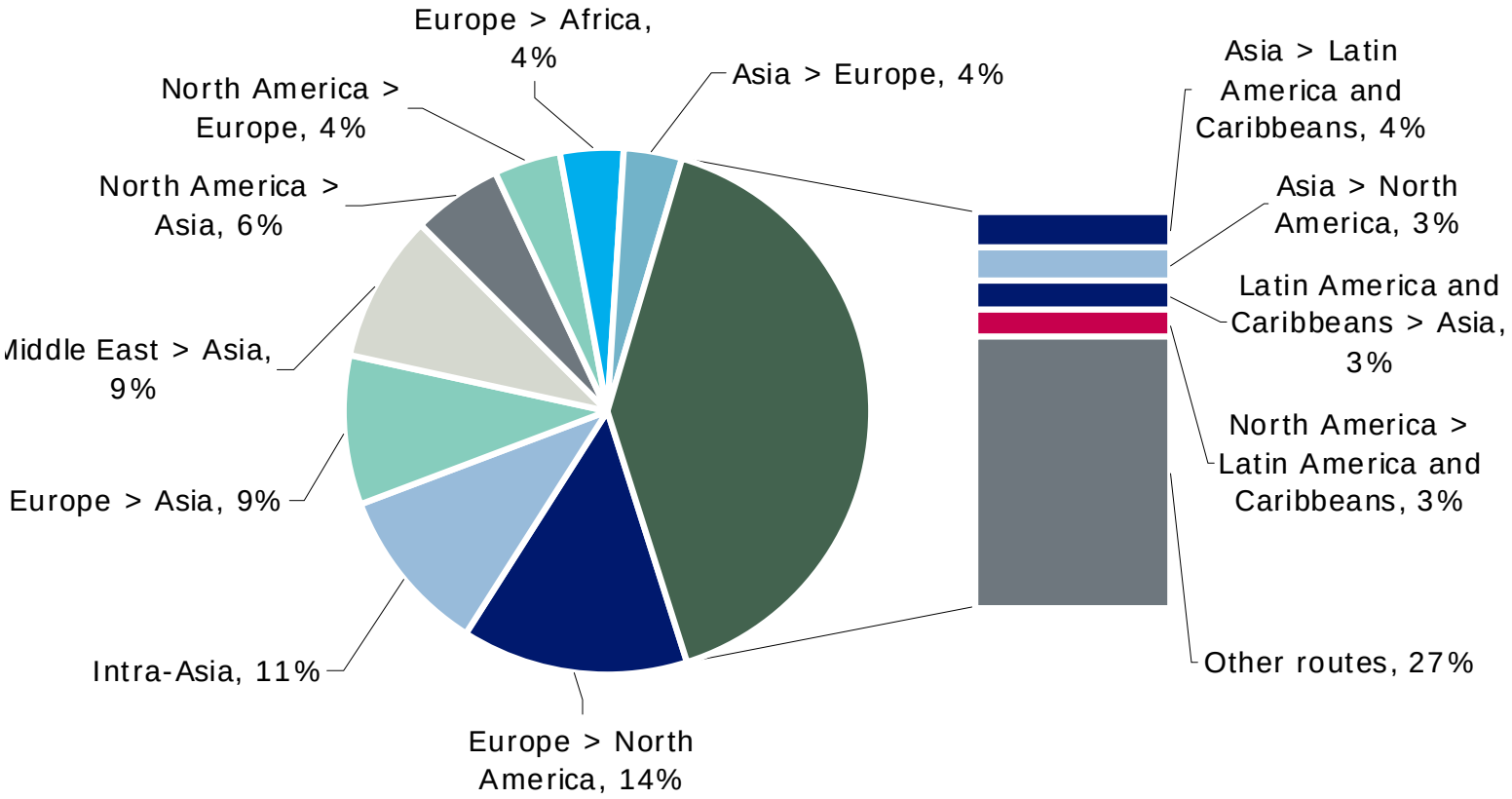


Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

MAJOR PRODUCT TANKER TRADES IN 2010

(MEASURED IN BILLION TON-NAUTICAL MILES)

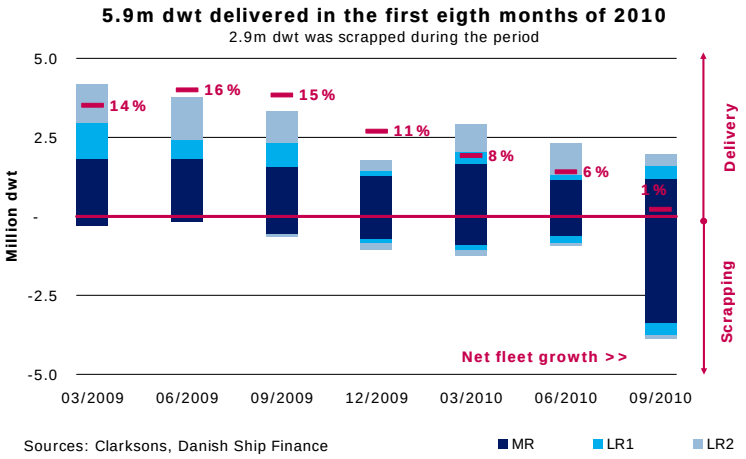


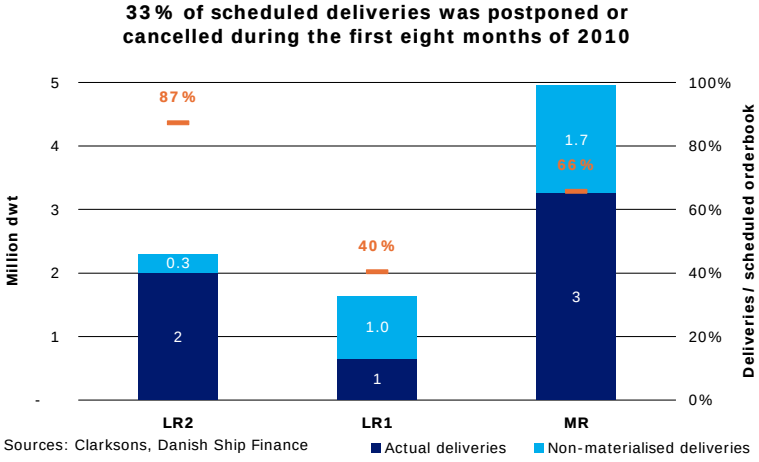
Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Product Tanker fleet up 6%**
  8.9m dwt was scheduled for delivery during the first eight months of 2010. 5.9m dwt (+6% fleet growth) was actually delivered. MR tankers accounted for 55% (3.2m dwt) of deliveries.
- **3m dwt postponed**
  From January to August 2010, 33% (3m dwt) of all scheduled deliveries was postponed.
- **LR1 tankers perform the worst**
  The delivery performance was lowest within the LR1 segment: 60% of scheduled deliveries was postponed. LR2 tankers performed the best with 13% postponed.
- **2.9m dwt scrapped**
  Scrapping activity in 2010 has already surpassed the levels of 2009 (2.9m dwt). In the MR tanker segment alone, 2.2m dwt (4% of the MR tanker fleet) has left the fleet during the first eight months of 2010.

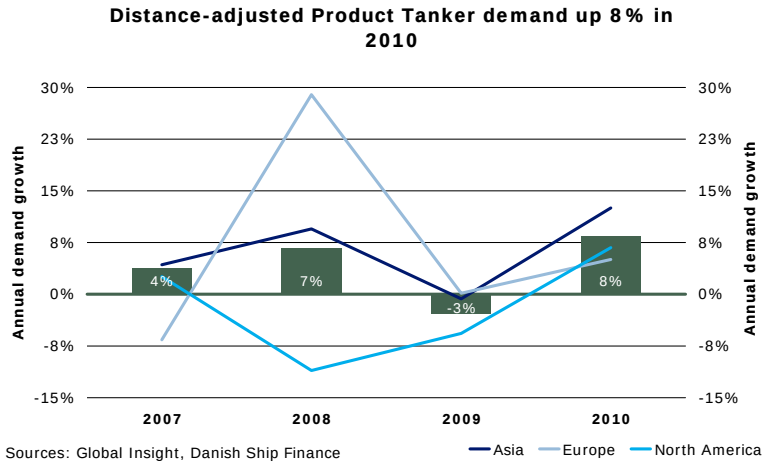




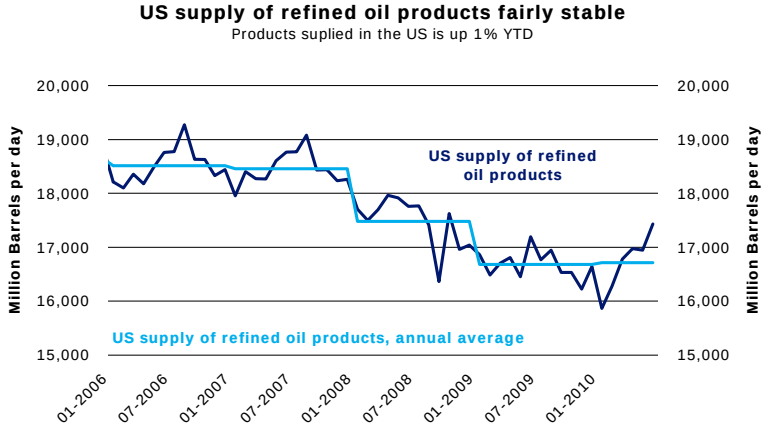
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Ton-miles demand up 8% in 2010**
  Distance-adjusted Product Tanker demand is up 8% in 2010. Ton-miles demand is largely driven by Asia (+12%), while Europe and North America are seeing low demand.
- **Oversupply dominates the picture**
  Even with improving ton-miles demand across the board, demand fails to absorb the oversupply of 2009 and the capacity entering in 2010.
- **US petroleum consumption up 1%**
  By using US supply of refined oil products as a proxy for US petroleum consumption, it appears that US petroleum consumption has improved during 2010. US petroleum supply is up 1%.
- **Higher US petroleum consumption**
  Even as US consumption appears to be improving, it is still below pre-crisis levels. Currently, US consumption is 4% below 2008 levels.



Sources: Global Insight, Danish Ship Finance



Sources: EIA, Danish Ship Finance

DANMARKS SKIBSKREDIT

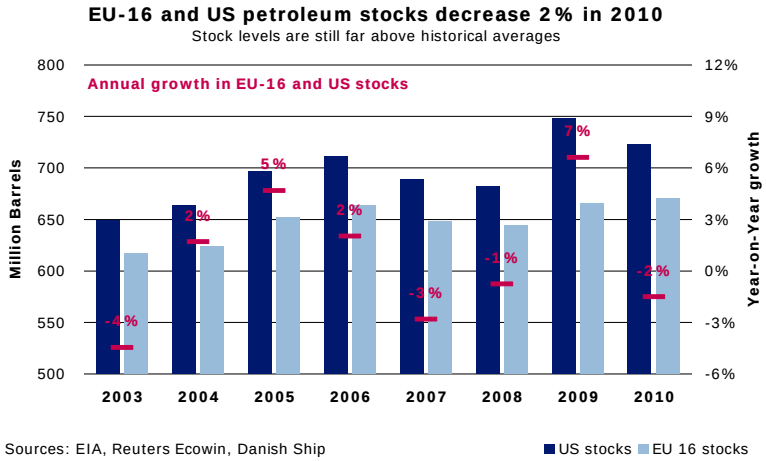
SUPPLY AND DEMAND

- **Petroleum stocks still at high levels**
  Petroleum stock levels have declined 2% in 2010, although the petroleum stock levels in the US and Europe are still at historical highs.

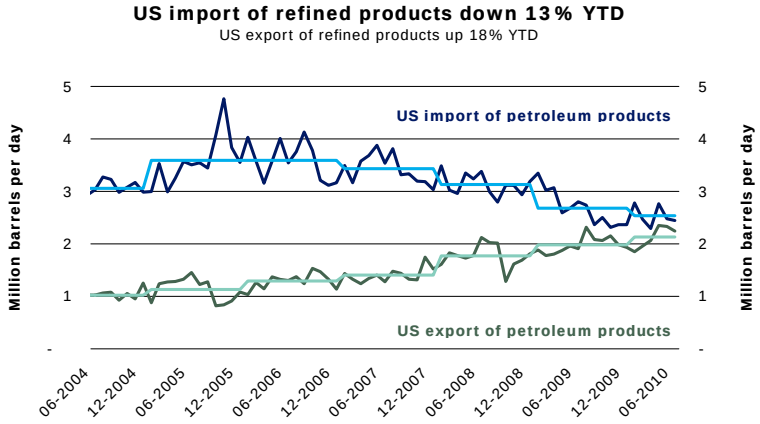
- **US petroleum stock levels down 3%**
  US petroleum stock levels have declined 3% (26m barrels) in 2010, while EU petroleum stock levels increased 1% (4.6m barrels).

- **US product imports down 13%**
  US imports of refined products continue to drop. US product imports are currently 5% below 2009 volumes. However, imports travel longer distances than previously.

- **US product exports up 18%**
  Exports of refined products out of the US are rising for the seventh year in a row. US product exports are up 18% (yoy) - primarily driven by larger export volumes to South America.



Sources: EIA, Reuters Ecowin, Danish Ship

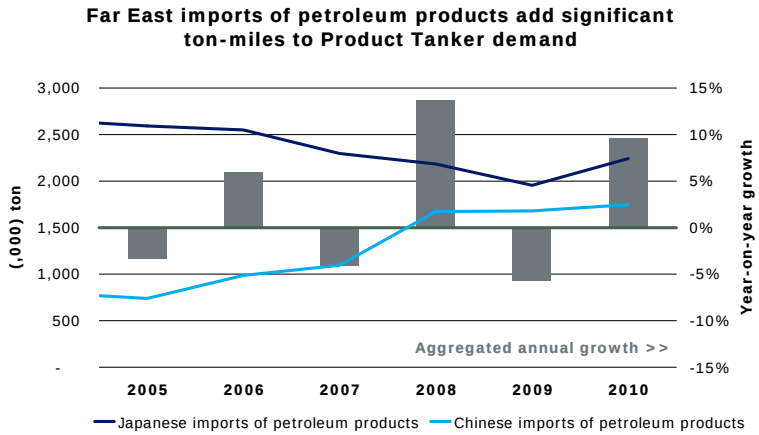


Sources: EIA, Danish Ship Finance

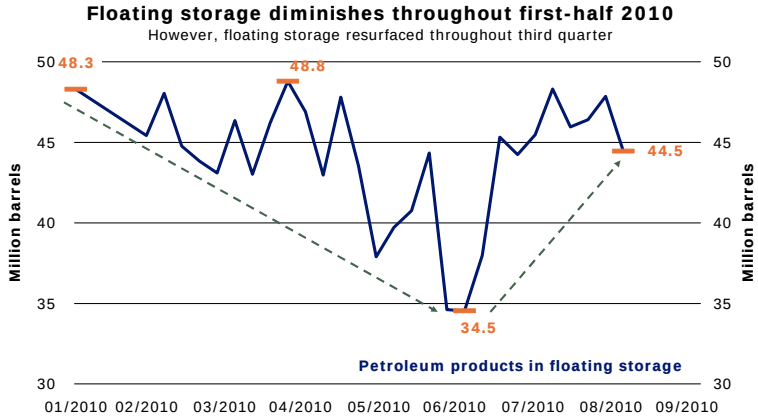
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Japanese product imports up 23%**
  Product imports into Japan were up 23% during first-half 2010, compared to the same period last year. Import volumes are now back at 2007 levels.
- **Chinese imports keep momentum**
  Chinese imports of products are currently 5% down YTD. However, on average, 2010 volumes are still 4% higher than 2009 volumes.
- **Oil contango narrows**
  Oil contango narrowed during the first half of 2010, thereby increasing fleet availability and further worsening market conditions in the Product Tanker market.
- **Floating storage resurfaces**
  While first-half 2010 saw a reduction in vessels used as floating storage (-13m barrels), floating storage gained popularity during third quarter (+10m barrels).



Sources: Bloomberg, Danish Ship Finance

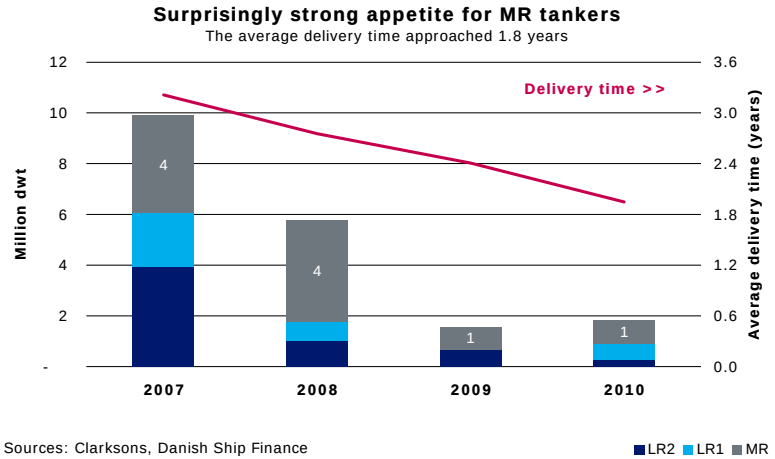


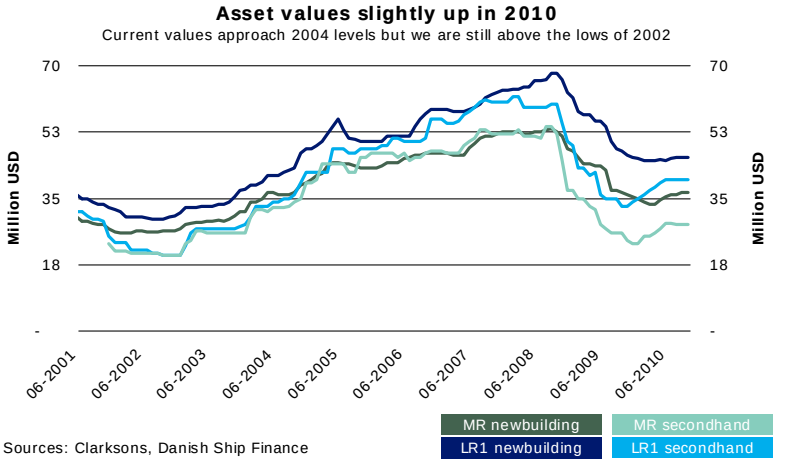
Sources: Bloomberg, Danish Ship Finance

DANMARKS SKIBSKREDIT

CONTRACTING AND SHIP VALUES

- **Contracting activity picks up**
  1.8m dwt has been contracted so far this year. 2010 contracting activity is 16% higher than that of 2009. However, 2010 still has a long way to go before reaching the levels of 2008.
- **MR tankers still the darling**
  MR tankers remain the favourite when it comes to contracting. In 2010, 0.9m dwt has, so far, been contracted, already surpassing the levels of 2009.
- **Newbuilding prices up 5%**
  On average, the newbuilding price has increased 5% during the first nine months of 2010. MR tankers have increased the most (7%), from 34m to 36.5m USD.
- **Secondhand prices up 12% in 2010**
  Secondhand prices have, on average, increased 12% during the first eight months of 2010, as market sentiments have improved over the summer.

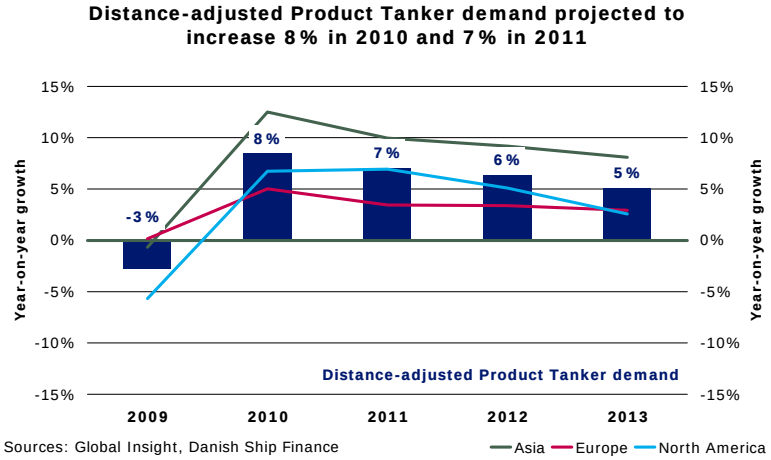




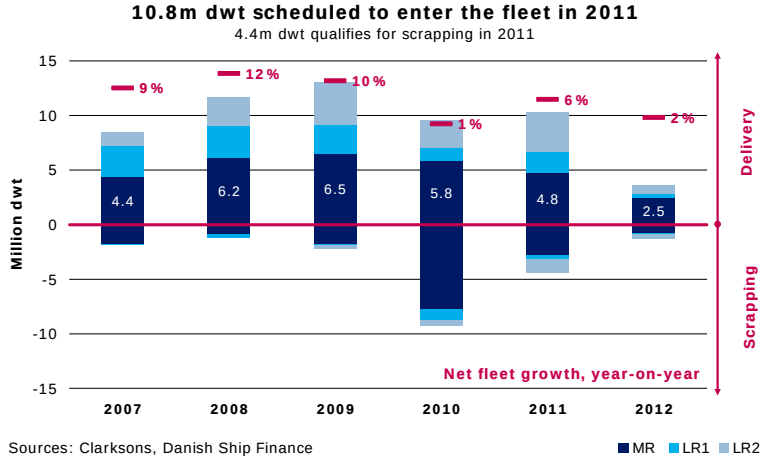
DANMARKS SKIBSKREDIT

OUTLOOK

- **Seaborne demand up 7% in 2011**
  In 2011, distance-adjusted Product Tanker demand is expected to increase 7%. Asian demand for refined products is estimated to increase by 10% in 2011 (12% in 2010).
- **Fleet growth at 6% in 2011**
  The Product Tanker fleet is expected to expand by 6% (10.3m dwt) in 2011. A capacity expansion of that proportion has before only been seen in 2008-2009.
- **10.3m dwt scheduled for 2011**
  3.7m dwt is scheduled for delivery during the last four months of 2010 (i.e. 9.6m dwt in 2010). In 2011, 10.3m dwt is scheduled for delivery.
- **MR tankers account for 50%**
  The MR tanker segment accounts for 50% (4.8m dwt) of the scheduled capacity entry in 2011. Before adjusting for phase-out and scrapping, the MR fleet is expected to grow 8% in 2011.



Sources: Global Insight, Danish Ship Finance

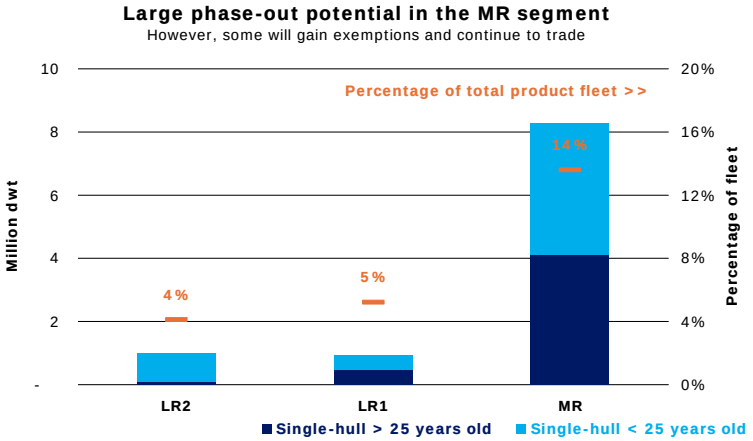


Sources: Clarksons, Danish Ship Finance

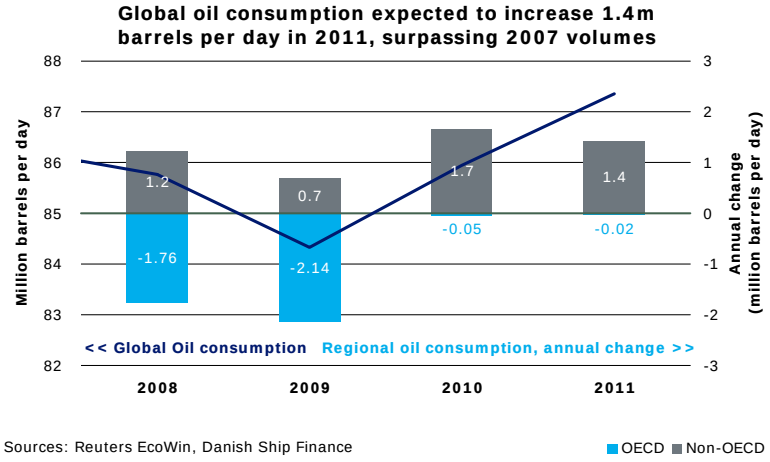
DANMARKS SKIBSKREDIT

OUTLOOK

- **Large phase-out potential from 2010**
  10% (10.2m dwt) of the fleet is single-hull tankers. According to the IMO regulation, these vessels are expected to exit the market before 2015 or at the age of 25 years.
- **Largest potential among MR tankers**
  14% (8.2m dwt) of the MR tankers is single-hull, and 4.2m dwt of these vessels are older than 25 years in 2010. These vessels may, therefore, potentially leave the market in 2010.
- **Non-OECD leads global oil recovery**
  Increased global oil consumption (+2% in 2011) is lead by non-OECD countries which increase oil consumption by 1.4m barrels per day (4%) in 2011, while the OECD countries are seeing sluggish oil consumption.
- **Asia drives demand**
  In 2010, large Asian exports contributed with 30% of the growth in distance-adjusted demand. This trend might expand further as new Asian refinery capacity is being launched.



Sources: Clarksons, Danish Ship Finance



Sources: Reuters EcoWin, Danish Ship Finance

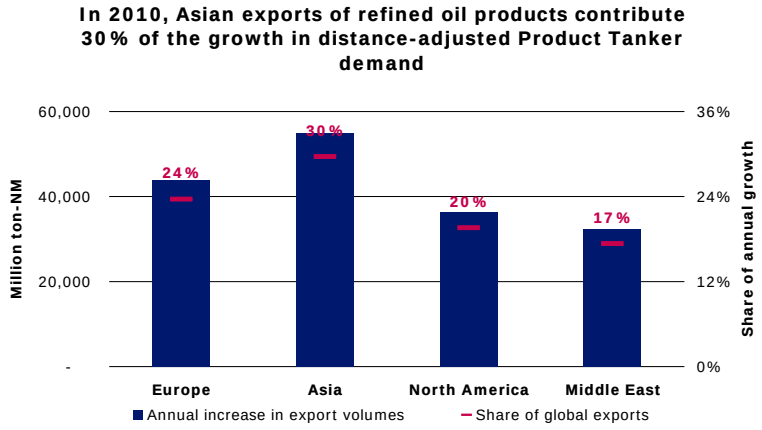
DANMARKS SKIBSKREDIT

OUTLOOK

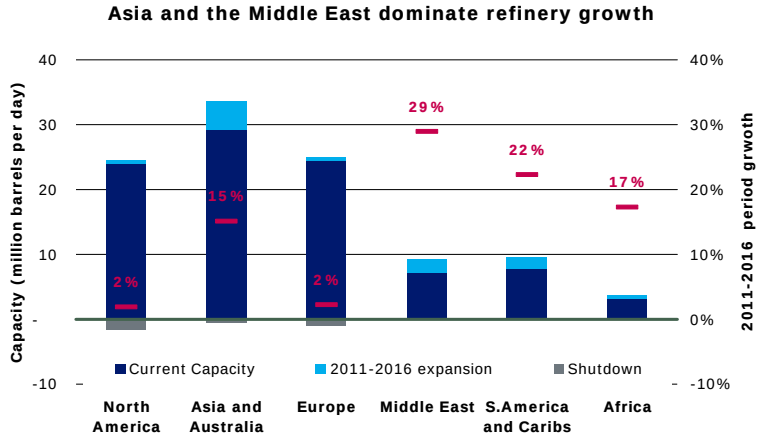
- **Declining western capacity**
  So far, North America and Europe have permanently shut down 5% (2.7m barrels per day) of their older and less efficient refineries. In Asia and the Middle East, new refinery capacity is being built.

- **Refinery capacity up 10%**
  Between 2011 and 2016, global refinery capacity is expected to increase by 10% (9.8m barrels per day). The Middle East and India contribute with 67% of the capacity expansion.

- **New trading patterns**
  In the years to come, the new refinery capacity coming on stream is expected to change the trading patterns of the Product Tanker fleet, and thereby to increase the aggregated ton-miles demand.



Sources: Global Insight, Danish Ship Finance



Sources: EIA, IEA, Bloomberg, Danish Ship Finance

DANMARKS SKIBSKREDIT

OUTLOOK

SUMMARY

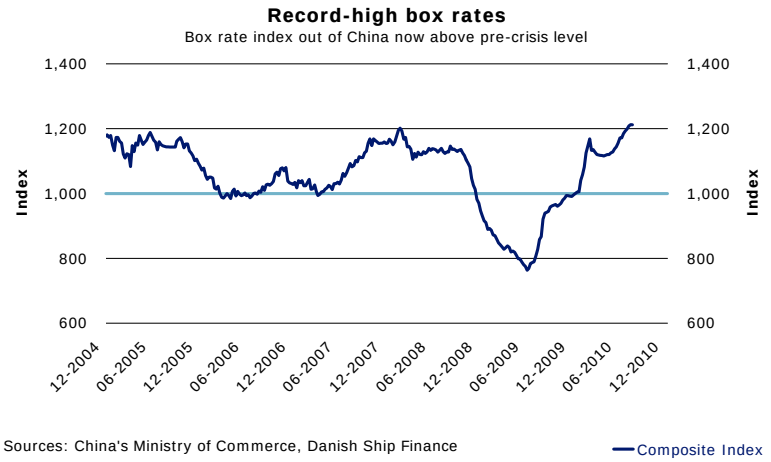
- **Risk of weaker demand**
  It is possible that the longer travel distances may not rescue Product Tanker demand. Inventories are record-high and oil consumption may disappoint in the fourth quarter of 2010 and in 2011.

- **Rates and values**
  The Product Tanker market may remain oversupplied well into 2011. Obviously, longer travel distances and extensive phase-out could absorb more tonnage than we currently expect. However, the current overhang of tonnage and the large orderbook (20% of the current fleet) pose in itself a significant risk for future rates and values.


CONTAINER
DANMARKS
SKIBSKREDIT

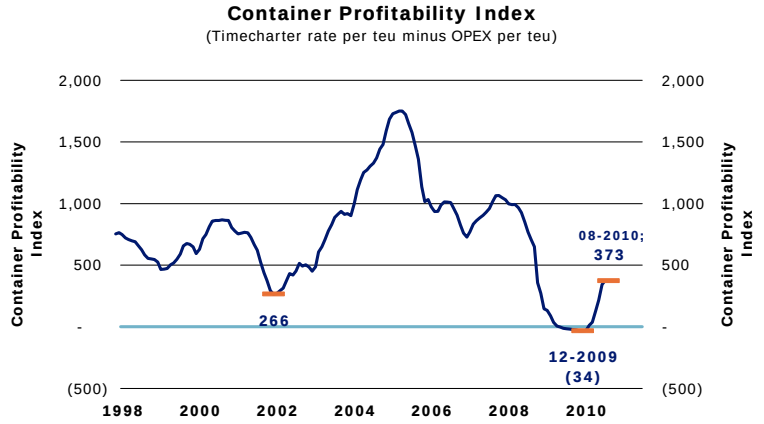
FREIGHT AND TIMECHARTER RATES

- **Record-high box rates**
  The average box rate index out of China has surpassed index 1200, recovering more than 400 index points in 14 months and is now above pre-crisis levels.
- **Low equipment availability**
  Box rates have been supported by temporary factors such as extensive inventory build-up and inadequate re-positioning of empty containers.



Sources: China's Ministry of Commerce, Danish Ship Finance

- **Recovering timecharter rates**
  The Container Profitability Index increased 400 index points in 8 months and is now back at October 2008 levels.
- **Reactivation of loops**
  The reactivation of loops and introduction of new services have given the depressed charter market a boost.

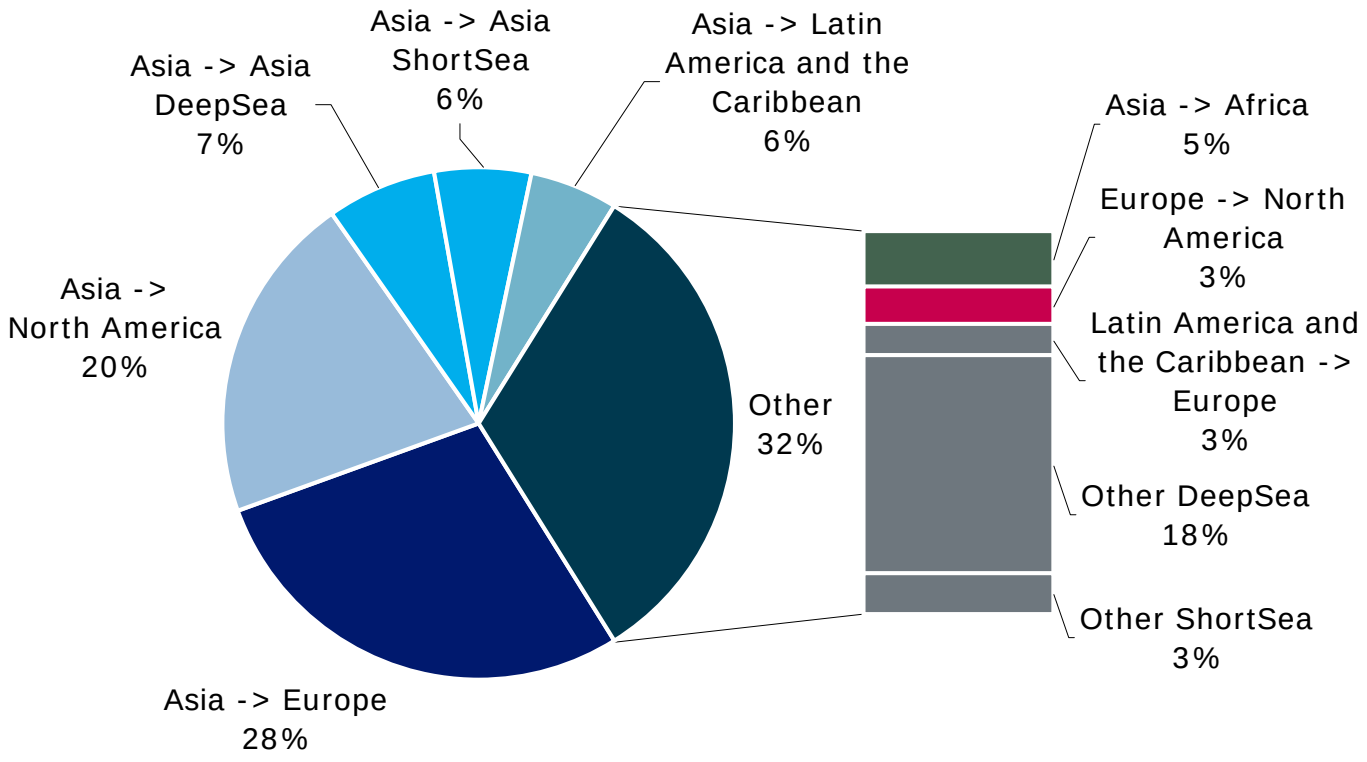


Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

TOP 10 HEAD-HAUL CONTAINER ROUTES 2010

(MEASURED IN TEU-NAUTICAL MILES)



Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

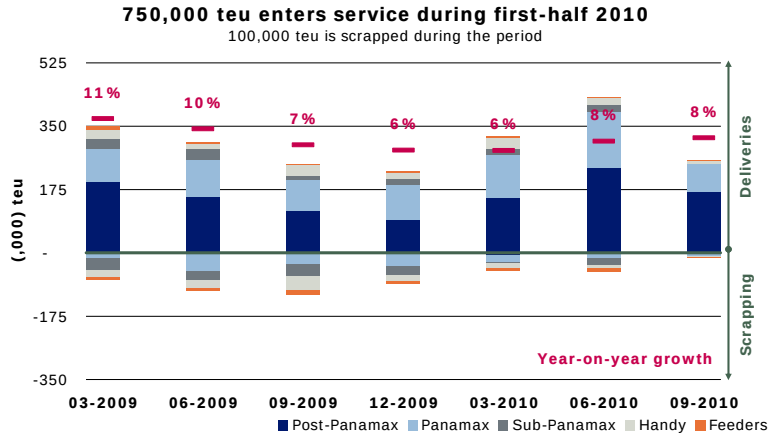
SUPPLY AND DEMAND

- **1m teu enters service**
  Almost 1.2m teu was scheduled to be delivered during the first eight months of 2010. 1m teu actually commenced trading. Of the 1m teu, Post-Panamax accounted for 557,000 teu.

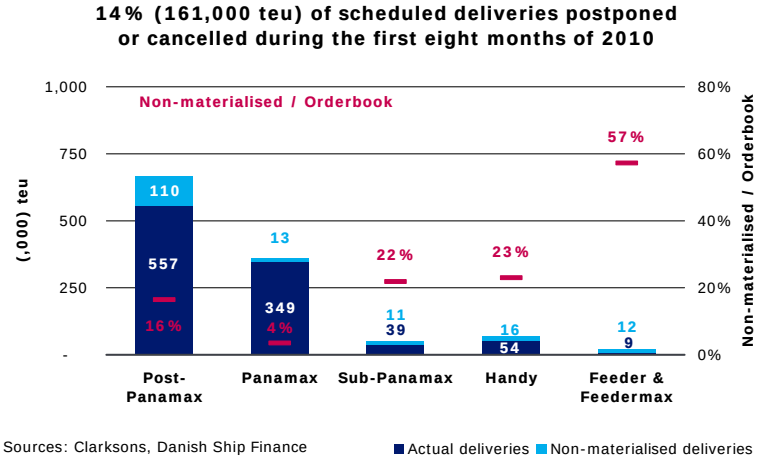
- **160,000 teu postponed**
  14% (160,000 teu) of the orderbook scheduled for delivery during the first eight months of 2010 was postponed to later delivery dates.

- **Post-Panamax postponed**
  Despite the risk of overcapacity, Post-Panamax deliveries were not postponed above average. In total, 110,000 teu (16%) of the scheduled deliveries was postponed during the first eight months of 2010.

- **100,000 teu scrapped**
  Scrapping activity almost halved as box and timecharter rates improved. Panamax and Sub-Panamax are still the favourite applicants for scrapping.



Sources: Clarksons, Danish Ship Finance



Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

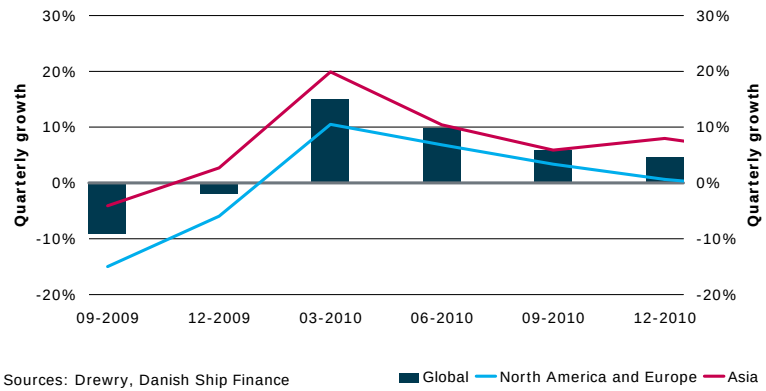
- **Container demand up 12%**
  The global stimuli programs showed to be more effective than previously anticipated. Demand increased 12% during first-half 2010.

- **Strong inventory build-up**
  Restocking in Europe and North America has especially supported head-haul import volumes.

- **Lower Intra-Asian trade volumes**
  Global interdependence: Intra-Asian trade volumes have been revised 8% downwards since Global Insight's January 2010 forecast. Restocking is clearly unable to drive Asian growth.

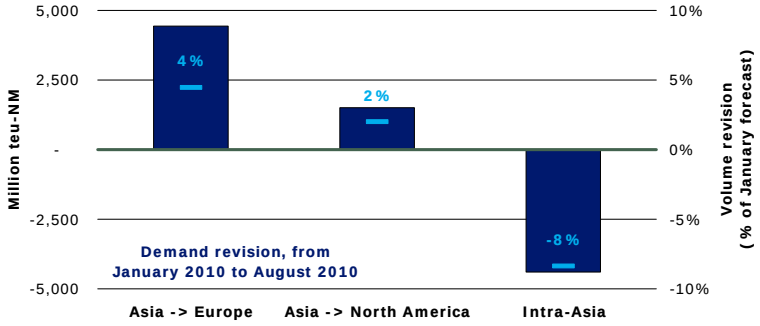
- **A continuing rolling backlog**
  The continued space shortage has created a continuing rolling backlog of old demand waiting to be shipped. The rolling backlog conceals the underlying weakness of peak-season demand.

Container port handling above trend during first-half 2010
Global distance-adjusted head-haul demand is expected to grow 9% in 2010



Sources: Drewry, Danish Ship Finance

European and North American import volumes have been revised upwards 4% and 2% respectively.
(distance-adjusted head-haul demand, first-half 2010)

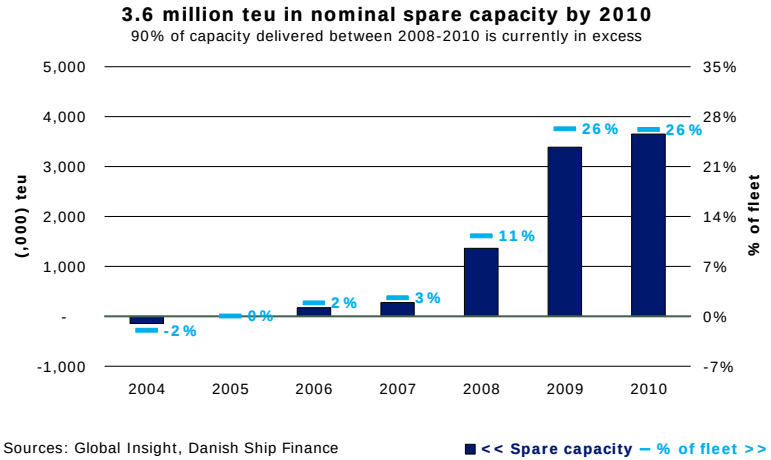


Sources: Global Insight, Danish Ship Finance

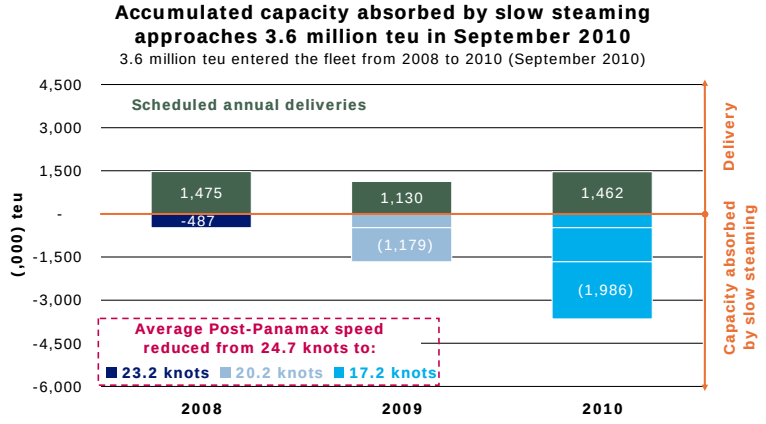
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Demand volume below 2008 levels**
  Annual demand growth outpaced nominal supply growth by +4% points. Nevertheless, it is essential to bear in mind that demand volumes are still below 2008 levels.
- **3.6m teu in spare capacity**
  By 2010, supply outpaces demand by as much as 3.6m teu (26% of the current fleet), before adjusting for slow steaming.
- **The illusion of demand**
  The extensive use of slow steaming strengthens the illusion that demand is effectively absorbing supply. In truth, it is supply that is adjusting to lower demand volumes.
- **1.9m teu absorbed in 2010**
  By reducing the average Post-Panamax speed from 20.2 knots to 17.2 knots, effective supply could potentially be reduced by further 1.9m teu (14% of the current fleet) in 2010.



Sources: Global Insight, Danish Ship Finance

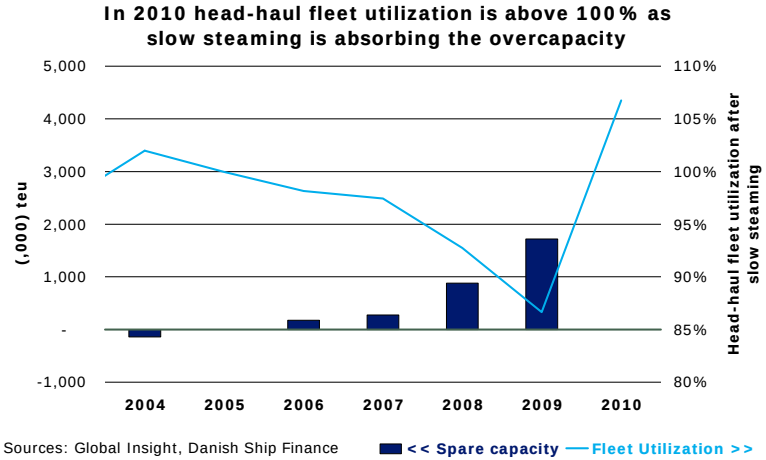


Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

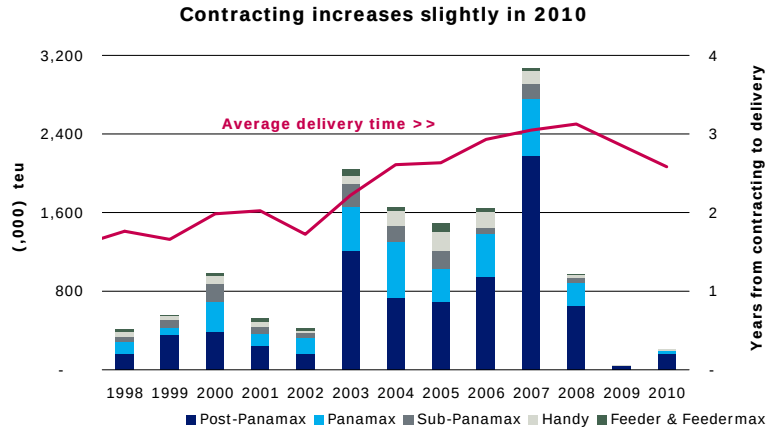
SUPPLY AND DEMAND

- **Artificial high-fleet utilization**
  The extensive use of slow steaming has lowered the cargo-carrying capacity of the fleet by as much as 28%, enabling an artificial fleet utilization of around 100%.
- **Slow steaming here to stay**
  Slow steaming has enabled considerable cost savings and has so far allowed considerable box rate increases. The question is whether slow steaming is here to stay. We expect so.

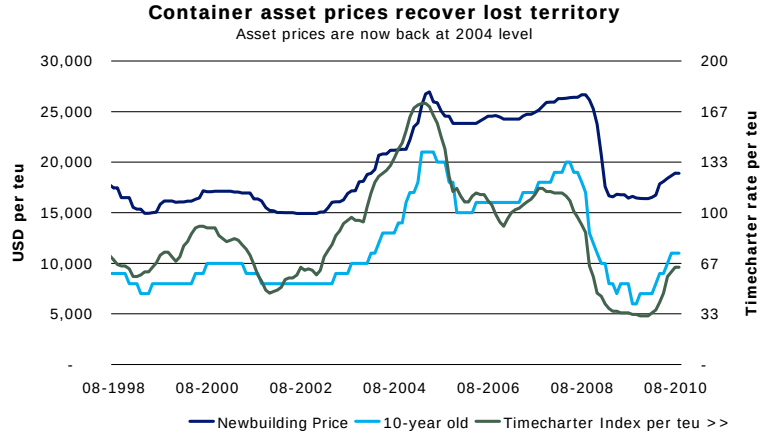


CONTRACTING AND SHIP VALUES

- **Few new contracts placed in 2010**
  Despite the massive spare capacity, a few Asian Liner companies contracted 20 new Post-Panamax vessels at South Korean yards during the first 8 months of 2010.
- **Delivery time about 2.5 years**
  Great uncertainty is attached to the orderbook. However, the latest-placed contracts are expected to be delivered within 2.5 years.
- **Newbuilding prices up 15%**
  The average newbuilding price has increased 15% during the first 8 months of 2010. Steel prices increased 17% in the same period.
- **Secondhand price up 57%**
  The average secondhand price for a 10-year-old container vessel has increased 57% during the first 8 months of 2010.



Sources: Clarksons, Danish Ship Finance

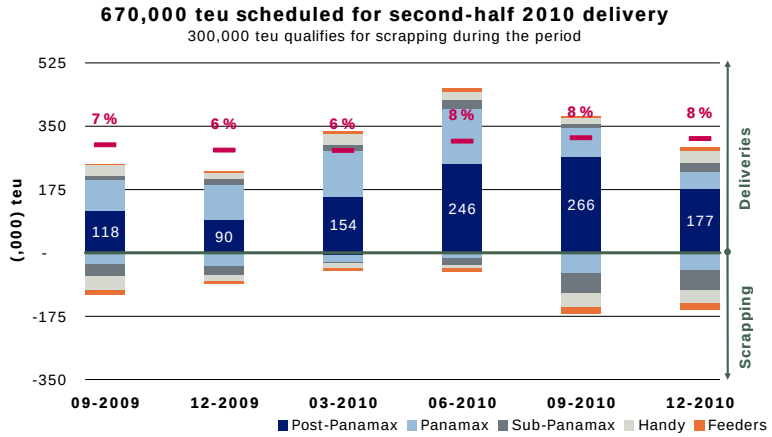


Sources: Clarksons, Danish Ship Finance

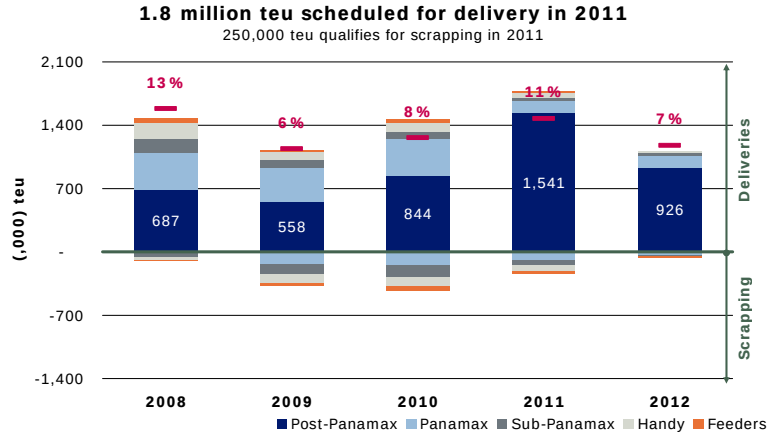
DANMARKS SKIBSKREDIT

OUTLOOK

- **670,000 teu scheduled for delivery**
  Capacity scheduled to enter the fleet during second-half 2010 is expected 11% below first-half 2010. In total, 670,000 teu is scheduled for delivery during second-half 2010.
- **Post-Panamax accounts for 66%**
  Post-Panamax tonnage is expected to account for 66% (440,000 teu) of the capacity scheduled for delivery during second-half 2010.
- **1.8m teu scheduled for 2011**
  Entry of Post-Panamax is scheduled to explode in 2011. 1.5m teu of the 1.8m teu is capacity additions to the Post-Panamax fleet.
- **Scrapping is expected to be modest**
  By 2011, 250,000 teu qualifies for scrapping, assuming that all vessels older than 24 years will be scrapped.



Sources: Clarksons, Danish Ship Finance



Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

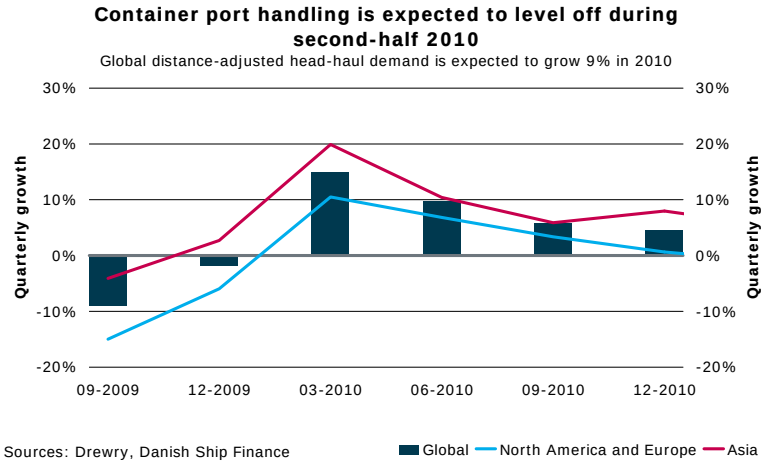
OUTLOOK

- **Annual demand up 9% in 2010**
  Distance-adjusted head-haul container demand is expected to grow 9% in 2010. Demand grew 12% during first-half 2010.

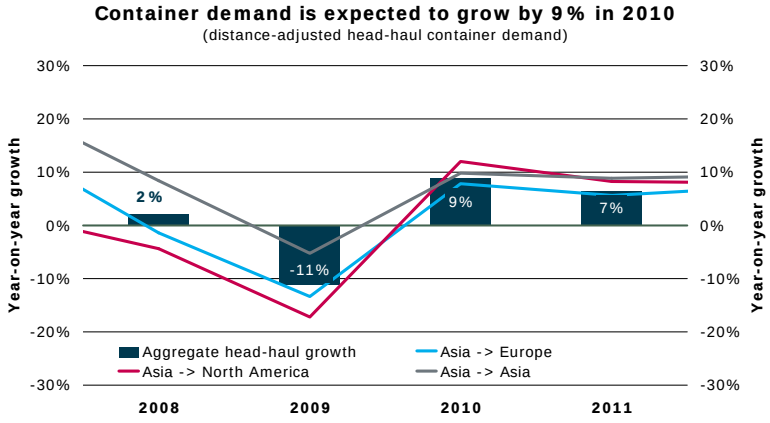
- **Second-half demand up 5%**
  Container demand is expected to level off during second-half 2010. Global port handling is expected to grow 5% during the period.

- **Annual demand up 7% in 2011**
  Disregarding the risk of a double dip, Global Insight expects global demand to grow 7% in 2011. This might show to be on the high side.

- **1H11 demand below trend**
  In the aftermath of the low demand growth from second-half 2010, first-half 2011 demand is expected to grow a modest 5%.



Sources: Drewry, Danish Ship Finance

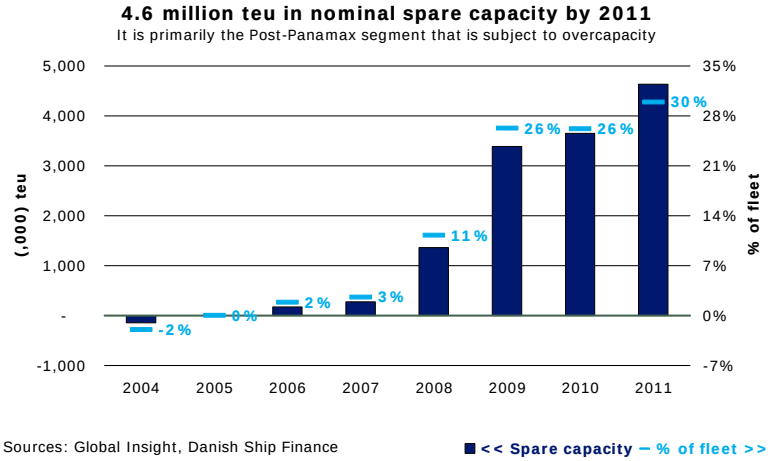


Sources: Global Insight, Danish Ship Finance

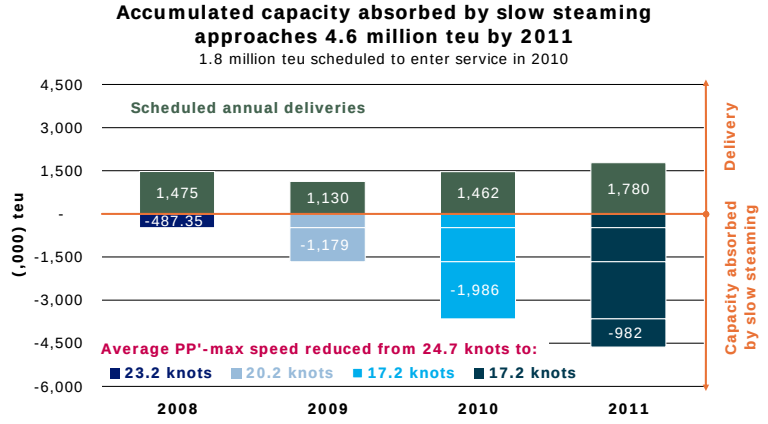
DANMARKS SKIBSKREDIT

OUTLOOK

- **Spare capacity escalates in 2011**
  Head-haul demand volumes are expected to surpass 2008 levels during the last part of 2011. Nominal spare capacity of the container fleet is, nonetheless, expected to escalate to 4.6m teu by 2011.
- **Slow steaming to absorb 1m teu**
  Assuming that the average Post-Panamax speed remains as low as 17.2 knots in 2011, slow steaming is expected to absorb an additional 1m teu in 2011.
- **High-fleet utilization in 2011**
  Slow steaming may potentially sustain an effective head-haul fleet utilization of around 100% in 2011.
- **Risk of low box and timecharter rates**
  Despite the expected high-fleet utilization, the mismatch between tonnage delivery and tonnage demand might challenge the rate development.



Sources: Global Insight, Danish Ship Finance



Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

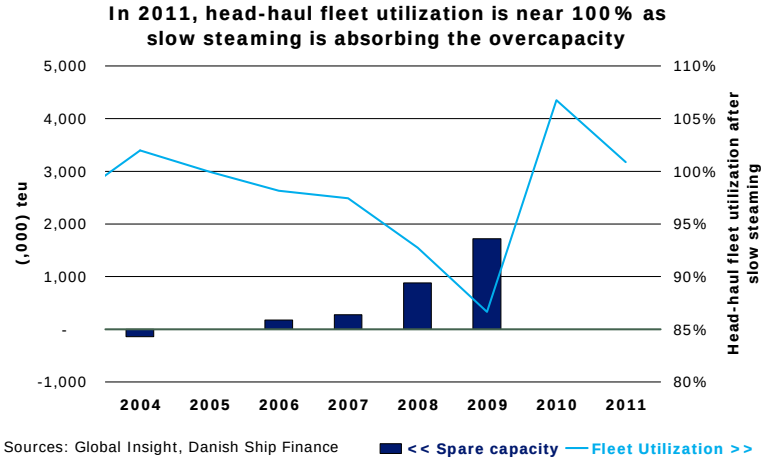
OUTLOOK

- **Balancing supply and demand**
  We see a potential, but highly fragile, balance between supply and demand in 2010 and 2011.

- **Expectation for 2H10**
  We expect the positive box and timecharter rate development from first-half 2010 to level off during second-half 2010.

- **Modest 3Q and 4Q demand growth**
  Demand growth is expected to almost halve from second to third quarter in 2010. Especially North American and European demand are expected to weaken.

- **3Q10 deliveries boom**
  Third-quarter deliveries are expected to boom with more than 500,000 teu scheduled to enter service.



Sources: Global Insight, Danish Ship Finance

- **Expectations for 2011**
  Four quarters (3Q2010 - 2Q2011) of below-trend demand growth combined with a large inflow of new tonnage may test the sustainability of current box rates, even with an extensive use of slow steaming.

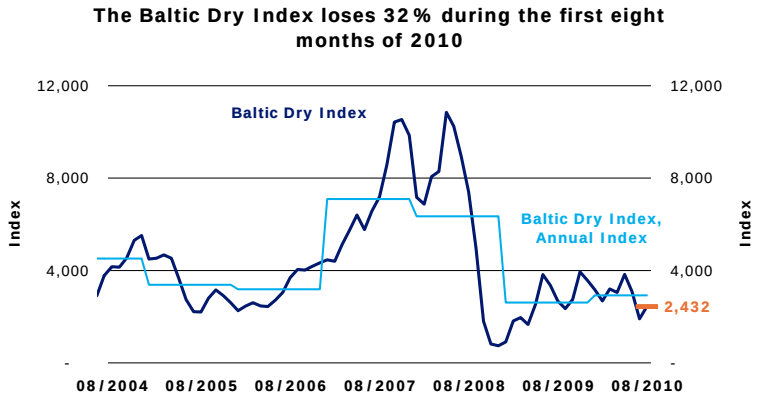
- **2011 timecharter rates**
  Timecharter rates are expected to decline when quarterly fleet utilization suffers, because demand fails to absorb the entering capacity.

DANMARKS SKIBSKREDIT


DRY BULK
DANMARKS
SKIBSKREDIT

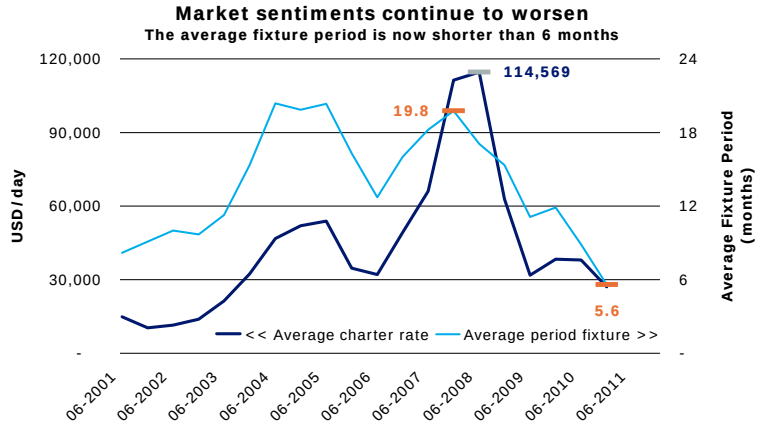
FREIGHT AND TIMECHARTER RATES

- **BDI down 32% in 8 months**
  Baltic Dry Index has declined 32% during the first eight months of 2010. However, the annual average for 2010 is 12% above the 2009 average.
- **Back at 2000-2006 average**
  At the end of August 2010, the BDI closed at index 2,400. This is approximately the same level as the average index from 2000 to 2006.



Sources: Reuters EcoWin, Danish Ship Finance

- **3-year timecharter rate down 6%**
  A stable 3-year timecharter rate (down 6% YDT) might convince some that the Dry Bulk market is in some sort of balance. To us, though, this appears to be an illusion.
- **Market sentiments worsen**
  As illustrated by the average fixture period, the market sentiments are evidently continuously worsening. Fixture periods are shortened in tandem with lower average charter rates.

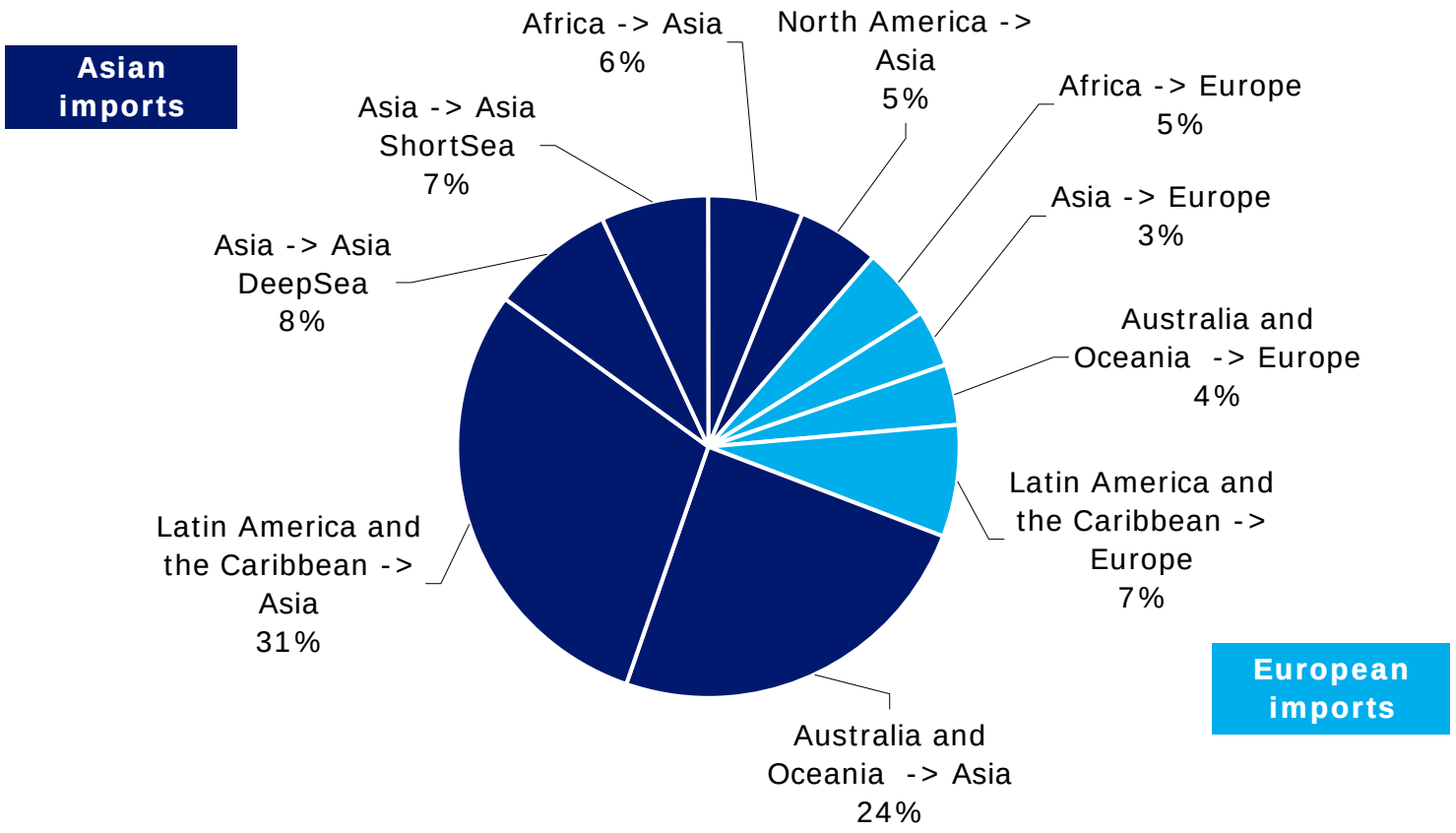


Sources: Clarksons, Danish Ship Finance

DANMARKS SKIBSKREDIT

CAPESIZE DEMAND IS DICTATED BY ASIAN DEMAND

TOP 10 FRONT-HAUL CAPESIZE ROUTES

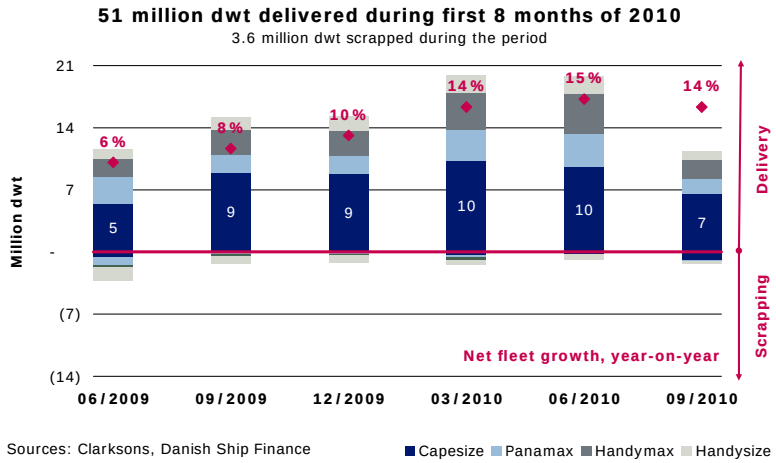


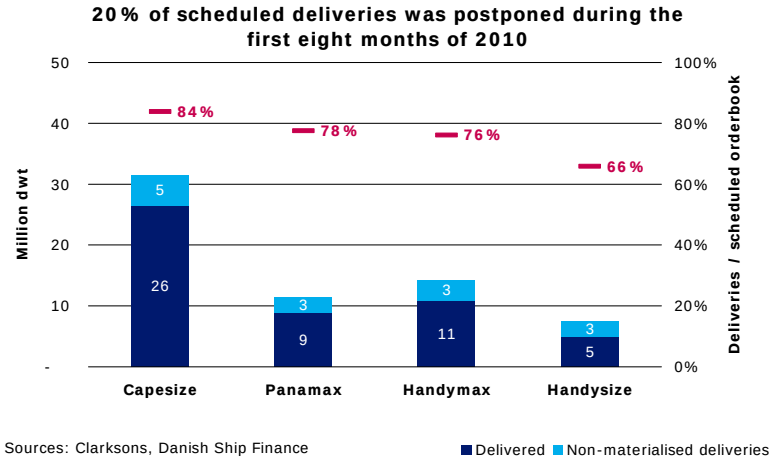
Sources: Global Insight, Danish Ship Finance

DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **51m dwt enters service in 1H10**
  64m dwt was scheduled for delivery during the first three quarters of 2010. 51m dwt (80%) was actually delivered in the first eight months of 2010. The annualised fleet growth reached 14% by 3Q10.
- **13m dwt postponed during 1H10**
  13m dwt (20%) of all scheduled deliveries was postponed during the first eight months of 2010.
- **Capesize performs the best**
  The delivery performance was highest within the Capesize segment: Here 84% of scheduled deliveries was delivered during the first eight months of 2010.
- **A modest 3.6m dwt scrapped**
  Scrapping activity was reduced to 3.6m dwt during the first eight months of 2010 (10.6m dwt in 2009). Handysize scrapping, in particular, dwindled away.

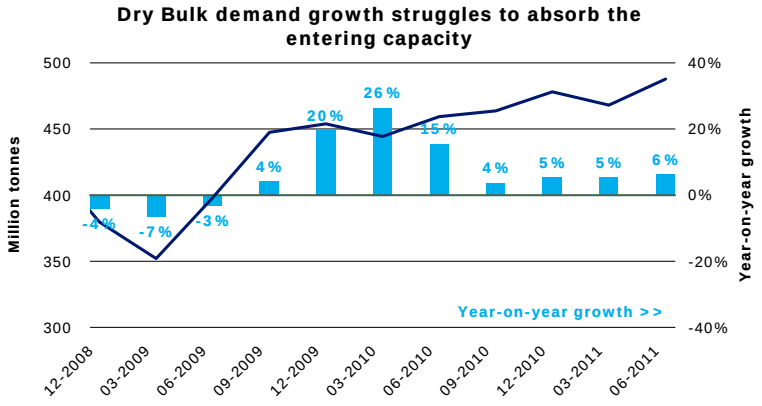


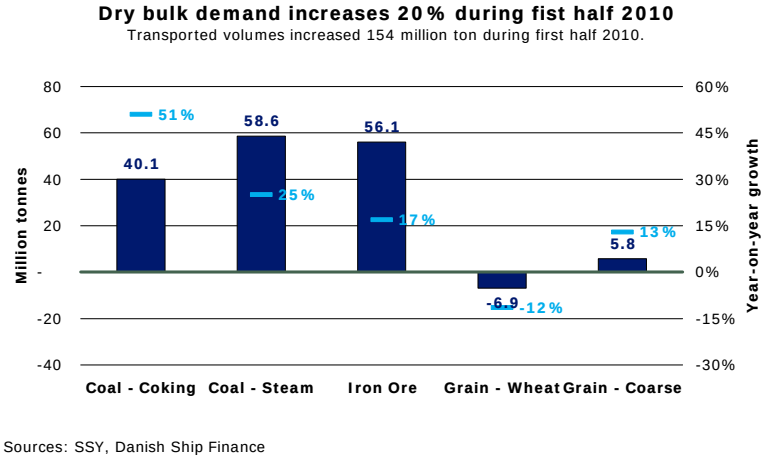


DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

- **Dry Bulk demand up 20%**
  Aggregated seaborne-import volumes surprised positively during first-half 2010. Seaborne volumes increased 20% (i.e. 154m tonnes), compared to same period last year.
- **Chinese imports drive demand**
  Chinese import volumes increased 15% (54.3m tonnes) during first-half 2010. Consequently, Chinese demand generated 35% of the overall increase in demand volumes. Japanese and European imports of iron ore and coal increased 19% (35.3m tonnes), hence generating 23% of the increase in demand volumes during first-half 2010.
- **Chinese coal demand up 65%**
  While Chinese iron ore demand grew a modest 4% (12m tonnes), Chinese steam-coal demand increased 68% (32.8m tonnes), and coking-coal demand increased 73% (9.5m tonnes) during first-half 2010.





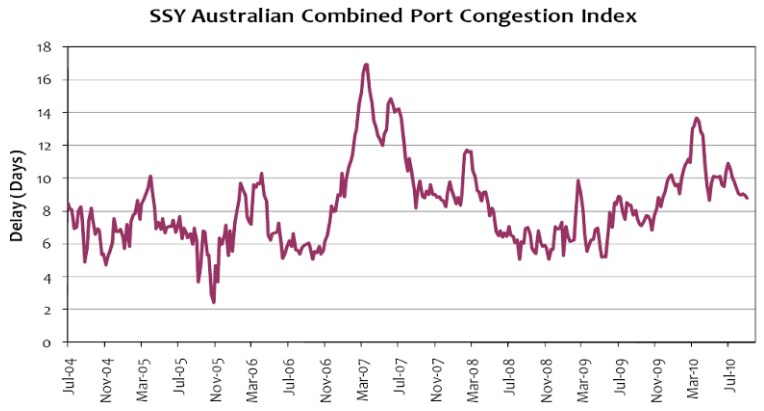
DANMARKS SKIBSKREDIT

SUPPLY AND DEMAND

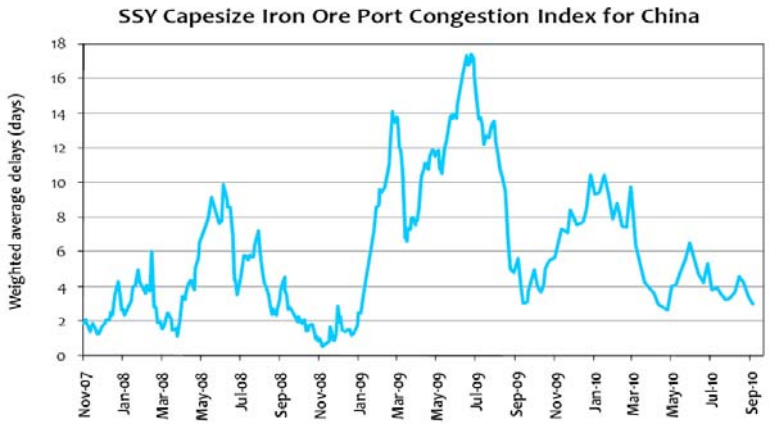
- **Japanese iron ore imports up 53%**
  Japanese and European import volumes return to pre-crisis levels. Japanese and European imports of iron ore and coal increased 19% (35.3m tonnes) during first-half 2010.

- **Loading port congestion declines**
  The average number of vessels waiting to be loaded at Brazilian or Australian ports declined during first-half 2010.

- **Discharging port congestion wanes**
  The average number of vessels waiting to discharge in China has decreased - not least because of expanding port facilities.



Sources: SSY

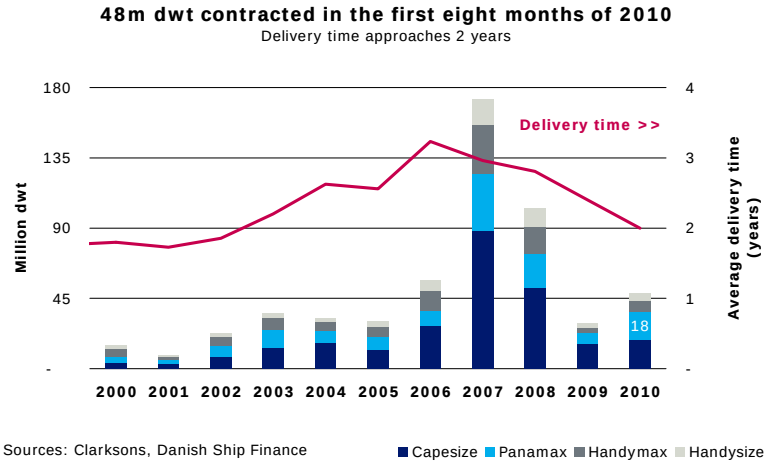


Sources: SSY

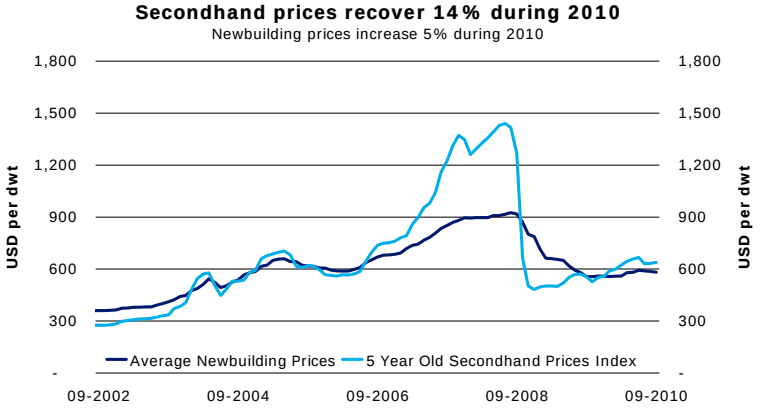
DANMARKS SKIBSKREDIT

CONTRACTING AND SHIP VALUES

- **48m dwt contracted in 2010**
  During the first eight months of 2010, 48m dwt was contracted. A growing soybean trade has generated an extraordinary appetite of 18.4m dwt (cf. 226 vessels) for new Panamax tonnage.
- **Risk of overcapacity**
  The cargo-carrying capacity of the current orderbook may potentially overshoot future demand, and we are therefore concerned about the continuing appetite for new tonnage.
- **Newbuilding prices up 5%**
  The average newbuilding price has increased 5% during the first 9 months of 2010. Steel prices increased 17% in the same period.
- **Secondhand prices up 14%**
  The average secondhand price for a 5-year-old Dry Bulk vessel has increased 14% during the first 9 months of 2010.



Sources: Clarksons, Danish Ship Finance

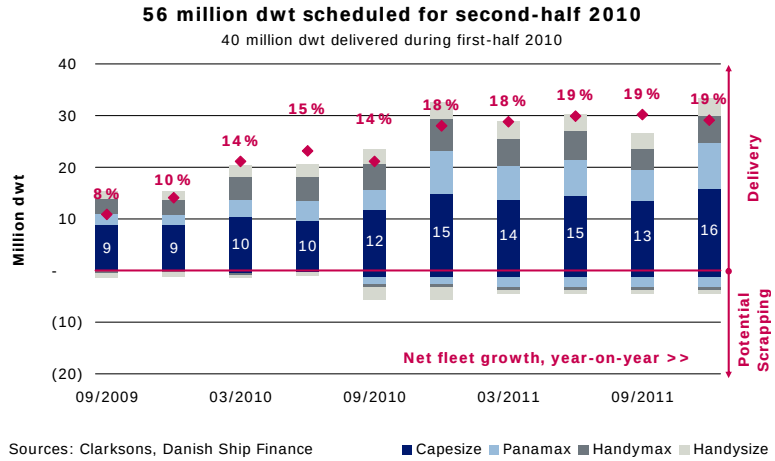


Sources: Clarksons, Danish Ship Finance

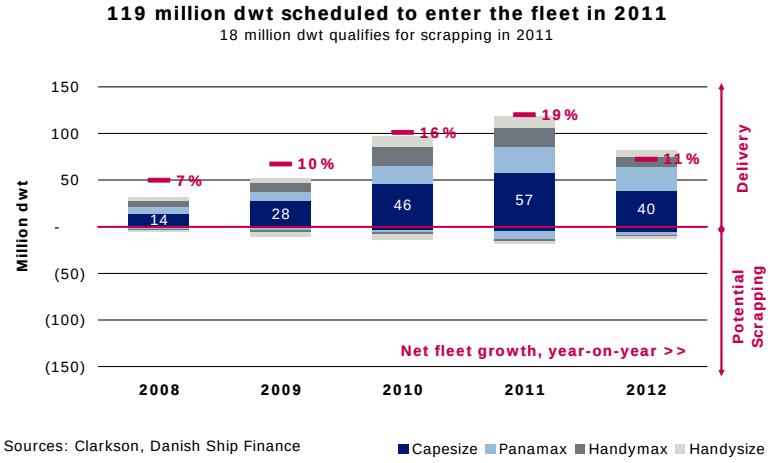
DANMARKS SKIBSKREDIT

OUTLOOK

- **45m dwt scheduled for delivery**
  45m dwt is scheduled to be delivered in the last four months of 2010. Assuming that 80% will be delivered, 36m dwt is expected to commence trading (i.e. 87m dwt delivered full-year 2010).
- **Capesize accounts for 45%**
  Capesize tonnage accounts for 45% (20.5m dwt) of the orderbook scheduled to be delivered in the last four months of 2010. 28m dwt entered the Capesize fleet in 2009.
- **119m dwt scheduled for 2011**
  A considerable capacity expansion of 119m dwt (+19%) is scheduled for 2011. Such a capacity has formerly been delivered over a time period of 10 years (for instance from 1990 to 1999).
- **Additional 57m dwt Capesize tonnage**
  The Capesize fleet alone is scheduled to expand by 57m dwt. This is a capacity expansion equal to the aggregated entry from 1990 to 2001.



Sources: Clarksons, Danish Ship Finance

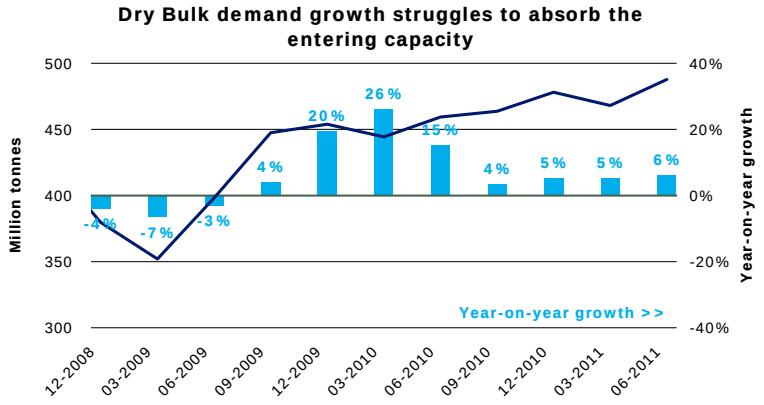


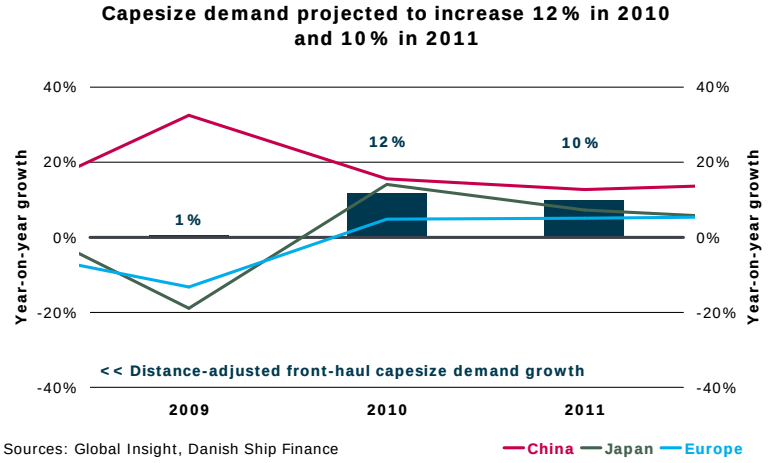
Sources: Clarkson, Danish Ship Finance

DANMARKS SKIBSKREDIT

OUTLOOK

- **2010 trade volumes up 194m tonnes**
  Seaborne demand for iron ore, coal and grain is expected to increase by 194m tonnes (+12%) in 2010. Volumes expanded 154m tonnes during the first two quarters.
- **Second-half demand up 4%**
  Dry Bulk demand volumes are expected to grow 4% (a modest 40m tonnes) during second-half 2010.
- **Seaborne demand up 10% in 2011**
  Distance-adjusted demand is expected to grow 10%. Chinese Dry Bulk demand is expected to increase 13% in 2011 (16% in 2010).
- **Asia behind 71% of global demand**
  Asian demand for key Dry Bulk commodities creates 71% of the aggregated distance-adjusted Dry Bulk demand, while Europe contributes with 18% of the total demand in 2011.

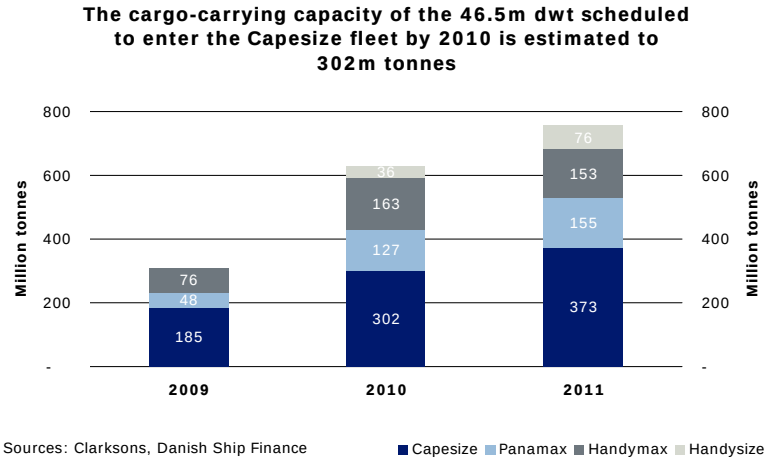




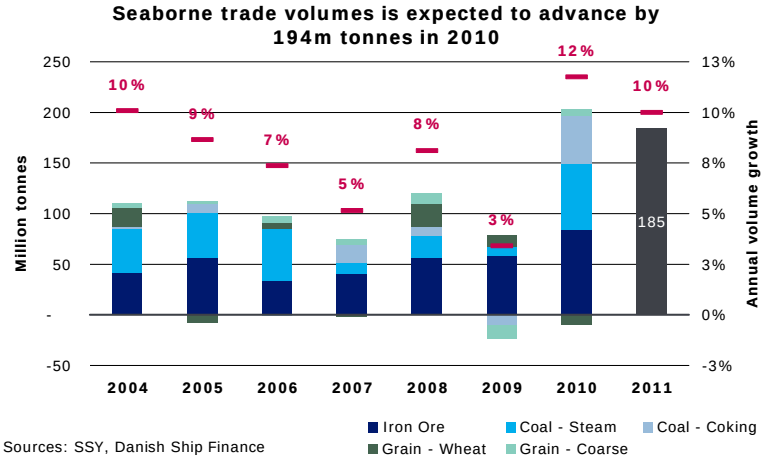
DANMARKS SKIBSKREDIT

OUTLOOK

- ## Risk of overcapacity in 2H10
  The cargo-carrying capacity of the entering Capesize capacity scheduled for delivery in the last four months of 2010 (20.5m dwt) is estimated to be 130m tonnes annually. Capesize demand is forecasted to increase 40m tonnes during second-half 2010. For the last four months of 2010, we therefore expect a demand deficit of 90m tonnes, the equivalent of a Capesize capacity surplus of 14m dwt (7%).
- ## Overcapacity in 2011
  The cargo-carrying capacity of the 57.5m dwt scheduled to enter the Capesize fleet in 2011 is estimated to be 373m tonnes. Capesize demand volumes are expected to expand by 185m tonnes (+10%) in 2011. Consequently, if this turns out to be fairly accurate, we risk a demand deficit of an additional 188m tonnes – the equivalent of an expanding Capesize capacity surplus of 29m dwt (i.e. 12% of the expected year-end 2011 Capesize fleet).



Sources: Clarksons, Danish Ship Finance

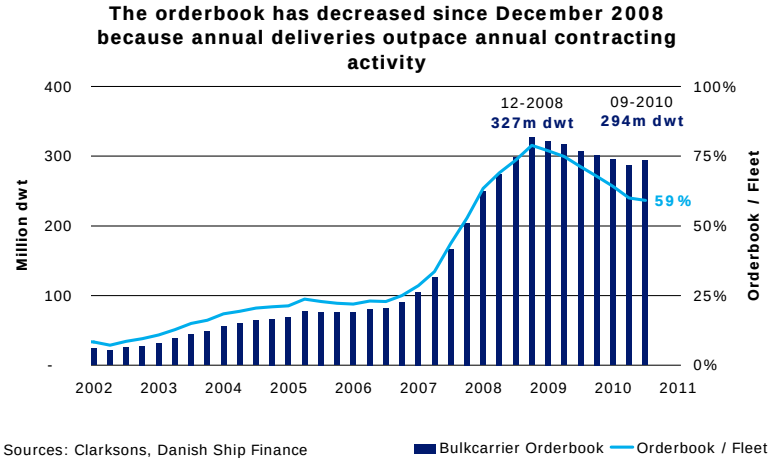


Sources: SSY, Danish Ship Finance

DANMARKS SKIBSKREDIT

OUTLOOK

- **Port congestion less influential**
  Severe congestion problems at the world's biggest coal and iron ore loading ports may reduce the cargo-carrying capacity of the fleet and increase distance-adjusted demand if commodities are shipped from longer distances. For 2010 and beyond, we expect port congestion to play a significant role, however, less influential than previously. Increased port congestion will most likely not absorb the massive scheduled inflow of tonnage in 2011.
- **Risk of weaker Chinese imports**
  For the last few years, we have been pessimistic with regard to the sustainability of Chinese Dry Bulk demand. We maintain our fundamental view that Chinese iron ore demand growth is about to level off; preliminary import data from August 2010 suggests that Chinese iron ore imports are losing momentum.



Sources: Clarksons, Danish Ship Finance

- **Rates and values**
  In the short term, the combination of a massive inflow of new tonnage during 4Q 2010 and in 2011, a lower growth in Chinese imports of iron ore and limited port congestion may represent the greatest threat to current rates and values. In the longer run, the large orderbook, in itself, represents a threat for future rates and values.

DANMARKS SKIBSKREDIT

GLOSSARY

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GLOSSARY

Aframax:	Crude oil tanker or product tanker too large to pass through the Panama Canal and below 120,000 dwt.
AHTS:	Anchor Handling Tug Supply. Offshore vessel used for jobs such as the relocation of oil rigs and anchors of the oil rigs.
ARM:	Adjustable Rate Mortgage. Mortgage loan with a variable interest rate that is being adjusted on a regular basis.
Back-haul:	The leg of the trade route that has the lowest container volumes is often called 'back-haul, whereas the return leg is often referred to as 'head-haul'.
Barrel:	A volumetric unit measure for crude oil and petroleum products equivalent to 42 U.S. gallons, or approximately 159 litres.
BHP:	Break Horse Power. The amount of engine horsepower.
Brent:	Term used for crude oil from the North Sea. Brent oil is traded at the International Petroleum Exchange in London, and the price of Brent is used as a benchmark for several other types of European oil.
Bulk vessel:	Description of vessels transporting large cargo quantities, including coal, iron ore, steel, corn, gravel, oil, gas, etc.
Bunker:	Fuel for vessels.
Call on OPEC:	Defined as total global petroleum demand minus non-OPEC supply minus OPEC natural gas liquid supply.
Capesize:	Dry bulk carrier of more than approximately 80,000 dwt; too large to pass through the Panama Canal.
Cbm:	Cubic Meter.
Ceu:	Car equivalent unit. Unit of measure indicating the car carrying capacity of a vessel.
Cgt:	Compensated Gross Tonnage. International unit of measure that facilitates a comparison of different shipyards' production regardless of the types of vessel produced.
Clarksons:	British ship brokering and research company. www.clarksons.net
Clean products:	Refers to light, refined oil products such as jet fuel, gasoline and naphtha.
CoA:	Contract of Affreightment. Contract between shipping company and shipper concerning the freight of a predetermined volume of goods within a given period of time and/or at given intervals.
CSR:	Common Structural Rules. A common set of construction rules agreed by the leading international classification societies to be applied to all new construction contracts from April 1, 2006 between shipyards and shipowners for tankers of 150 m or more in length and bulk carriers of 90 m or more in length. The CSR require the ships to be built at a higher set of standards thus enabling the ships to trade for longer.
Dirty products:	Refers to heavy oils such as crude oil or refined oil products such as fuel oil, diesel oil or bunker oil.
Drewry:	Drewry Shipping Consultants Ltd. British shipping and transport research company. www.drewry.co.uk
Dwt:	Dead Weight Tons. Indication of a vessel's cargo carrying capacity (including bunkers, ballast, water and food supplies, crew and passengers).
Dynamic Positioning:	Special instruments on board that in conjunction with bow thrusters and main propellers enable the ship to position itself in a fixed position in relation to the seabed.

GLOSSARY

EIA:	Energy Information Administration. A subsidiary of the US Department of Energy. www.eia.doe.gov
E&P:	Exploration and Production.
Fearnleys:	Norwegian ship brokering and research company. www.fearnleys.no
Feeder:	Small container carrier.
FPSO:	Floating Production Storage Offloading unit. Vessel used in the offshore industry to process and store oil from an underwater (sub-sea) installation.
Geared:	Indicates that a vessel is equipped with a crane or other lifting device.
Gearless:	Indicates that a vessel is not equipped with a crane or other lifting device.
Global Insight:	American economic consulting company. www.globalinsight.com
Gt:	Gross Tons. Unit of 100 cubic feet or 2.831 cubic meters, used in arriving at the calculation of gross tonnage.
Handy, tank:	Crude oil tanker, product tanker or chemical tanker of between 10,000 and 25,000 dwt.
Handymax, dry cargo:	Dry bulk carrier of between approximately 40,000 and 60,000 dwt.
Handysize, dry cargo:	Dry bulk carrier of between approximately 10,000 and 40,000 dwt.
Head-haul:	The leg of the trade route that has the highest container volumes is often called 'head-haul, whereas the return leg is often referred to as 'back-haul'. On routes where there is a great trading volume mismatch between head-haul and back-haul, the head-haul demand will most often determine the freight rate level.
IEA:	International Energy Agency. A subsidiary of the OECD. www.iea.org
Imarex:	International Maritime Exchange. www.imarex.com
IMO:	International Maritime Organization. An organisation under the UN.
IMO I-III:	Quality grades for tankers for the permission to transport different chemical and oil products. IMO I are the most hazardous products, IMO III the least hazardous.
Chemical tanker:	Tanker with coated or stainless steel tanks (IMO I-III).
LOOP:	Louisiana Offshore Oil Port. A deepwater port in the Gulf of Mexico off the coast of Louisiana. LOOP provides tanker offloading and temporary storage services for crude oil transported on some of the largest tankers in the world of which some are too large for U.S. inland ports.
LPG vessels:	Liquefied Petroleum Gas. Vessels used to transport ammonia and liquid gases (ethane, ethylene, propane, propylene, butane, butylenes, isobutene and isobutylene). The gases are transported under pressure and/or refrigerated.
LR1, product tanker:	Long Range 1. Product tanker with the maximum dimensions for passing through the Panama Canal (width of 32.21 metres and length of 289.5 metres) of approximately 50,000—80,000 dwt.
LR2, product tanker:	Long Range 2. Product tanker too large to pass through the Panama Canal and larger than approximately 80,000 dwt.
Medium, tanker (MR):	Medium Range. Product tanker of between 25,000 and 50,000 dwt.
MEW:	Mortgage Equity Withdraw. Defined as equity extracted from existing homes via cash-out refinancing, home equity borrowing, and/or housing turnover.

GLOSSARY

Multi-Purpose:	Dry bulk carrier with multiple applications, mainly as a feeder vessel or for special cargo.
Nautical Mile:	Distance unit measure of 1,582 meters, or 6,076.12 ft.
Offshore vessel:	Vessel serving the offshore oil industry.
OPEC:	Organisation of Petroleum Exporting Countries.
Panamax, container:	Container carrier with the maximum dimensions for passing through the Panama Canal (width of 32.21 metres, length of 291 metres) of approximately 3,000—5,000 teu.
Panamax, tanker:	Crude oil tanker or product tanker with the maximum dimensions for passing through the Panama Canal (width of 32.21 metres and length of 289.5 metres) of approximately 50,000—80,000 dwt.
Panamax, dry cargo:	Dry bulk vessel with the maximum dimensions for passing through the Panama Canal (width of 32.21 metres and length of 289.5 metres) of approximately 60,000—80,000 dwt.
PCC:	Pure Car Carrier. Car carrier built exclusively to transport passenger cars.
Post-Panamax:	Container vessel of approximately 4,000+ teu that is too large to pass through the Panama Canal.
Product tanker:	Tanker vessel with coated tanks used to transport refined oil products.
PSV:	Platform Supply Vessel. Offshore vessel serving the offshore oil installations.
Ro-Ro:	Roll On – Roll Off. Common description of vessels on which the cargo is rolled on board and ashore.
SSY:	Simpson Spence & Young, British ship brokering and research company. www.ssy.co.uk
Suezmax:	Crude oil tanker with the maximum dimensions for passing through the Suez Canal (approximately 120,000—200,000 dwt.).
TCE:	Time Charter Equivalent.
Teu:	Twenty Feet Equivalent Unit. Container with a length of 20 feet (about 6 metres) which forms the basis of describing the capacity of a container vessel.
Teu-knots:	Unit of measure that takes account of the speed of the ships when estimating the actual supply of ships within a segment.
Teu-nautical mile:	Unit of measure indicating the volume of cargo, measured in teu, and how far it has been transported, measured in nautical miles.
Ton-nautical mile:	Unit of measure indicating the volume of cargo, measured in ton, and how far it has been transported, measured in nautical miles.
Tonnage:	Synonymous with “vessel”.
ULCC:	Ultra Large Crude Carrier. Crude oil tanker above 320,000 dwt.
VLCC:	Very Large Crude Carrier. Crude oil tanker of between approximately 200,000 and 320,000 dwt.
VLGC:	Very Large Gas Carrier. LPG ship with capacity above 60,000 cbm.

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