

# DRY CARGO TONNAGE PROCUREMENT

Capital Markets Day

Henrik Lykkegaard Madsen  
Vice President  
Copenhagen, Denmark  
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# AGENDA

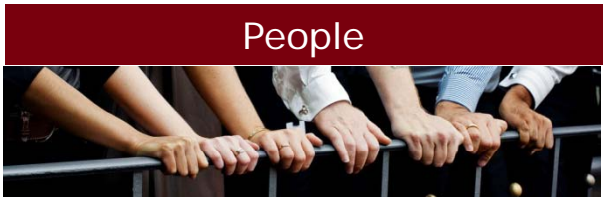
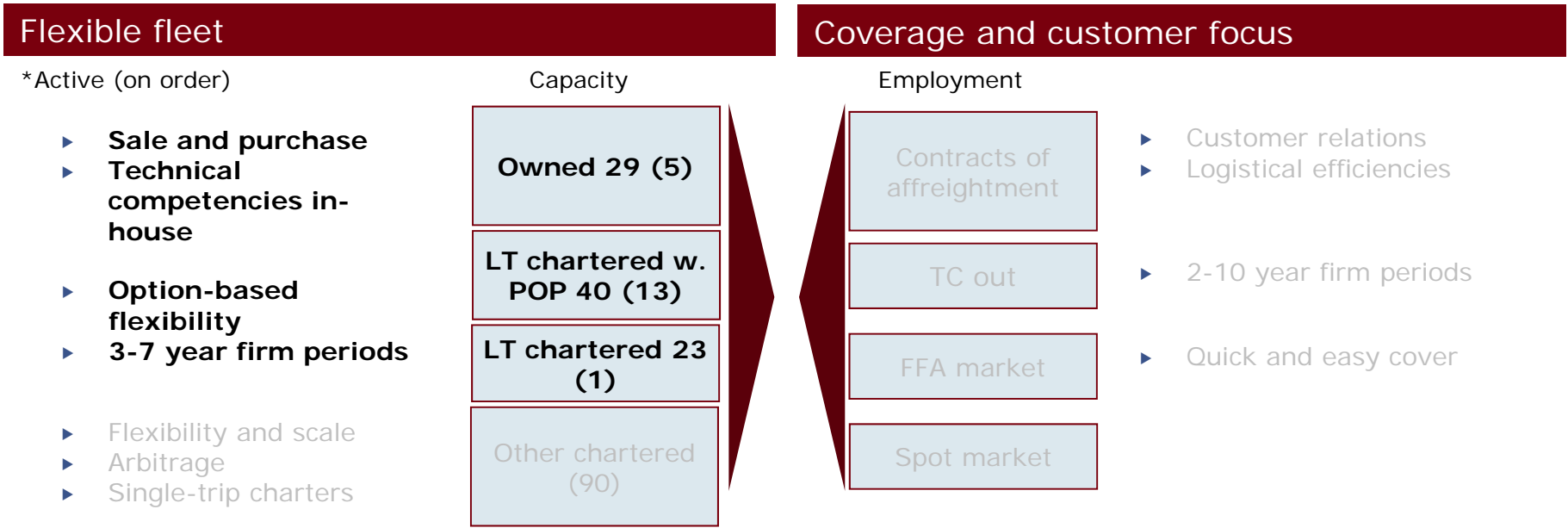
- ▶ Business model
- ▶ Fleet overview
- ▶ Tonnage strategy aspects
- ▶ Regional trends in shipbuilding



# ASSET LIGHT BUSINESS MODEL



- ▶ NORDEN is the no. 1 foreign charterer of Japanese tonnage
- ▶ Long term charter contracts with options have been an important element in the expansion of NORDEN since the late 90's








*Active fleet per 31 March 2012*



# DRY CARGO CORE FLEET OVERVIEW



Vessel type	Owned (on order)	LT TC (on order)		Size (DWT)	Typical length	Main cargoes
		w/POP	w/o POP			
 Capesize	3 (-)	1 (-)	0 (-)	>150,000	289 metres	Iron ore and coal
 Post-Panamax	4 (-)	3 (1)	0 (-)	85-120,000	245 metres	Iron ore and coal
 Panamax	5 (-)	11 (7)	0 (1)	65-82,500	225 metres	Iron ore, coal, bauxite, grain
 Handymax	4 <sup>A</sup> (1 <sup>A</sup> )	18 (2)	11 (-)	40-60,000	190 metres	Iron ore, coal, bauxite, cement, cement clinker, grain, fertiliser, petcoke
 Handysize	13 (4)	7 (3)	12 (-)	25-40,000	170 metres	Cement, clincker, grain, petcoke, steel, logs, alumina, wood pellets, fertilizer, alumina

<sup>A</sup> Of which 1 units in 50%-owned joint venture

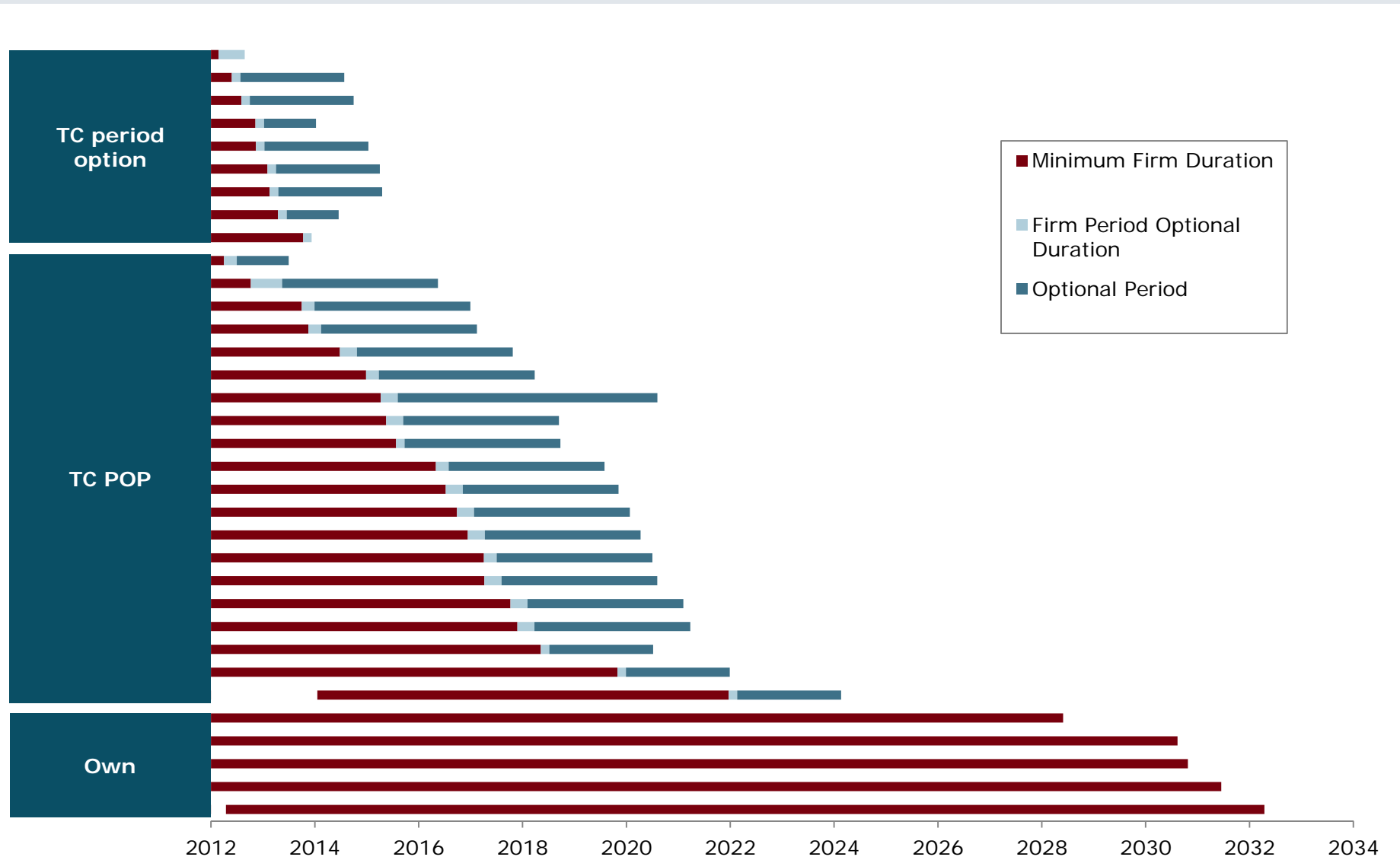
\* Per 31 March 2012

# TONNAGE STRATEGY ASPECTS

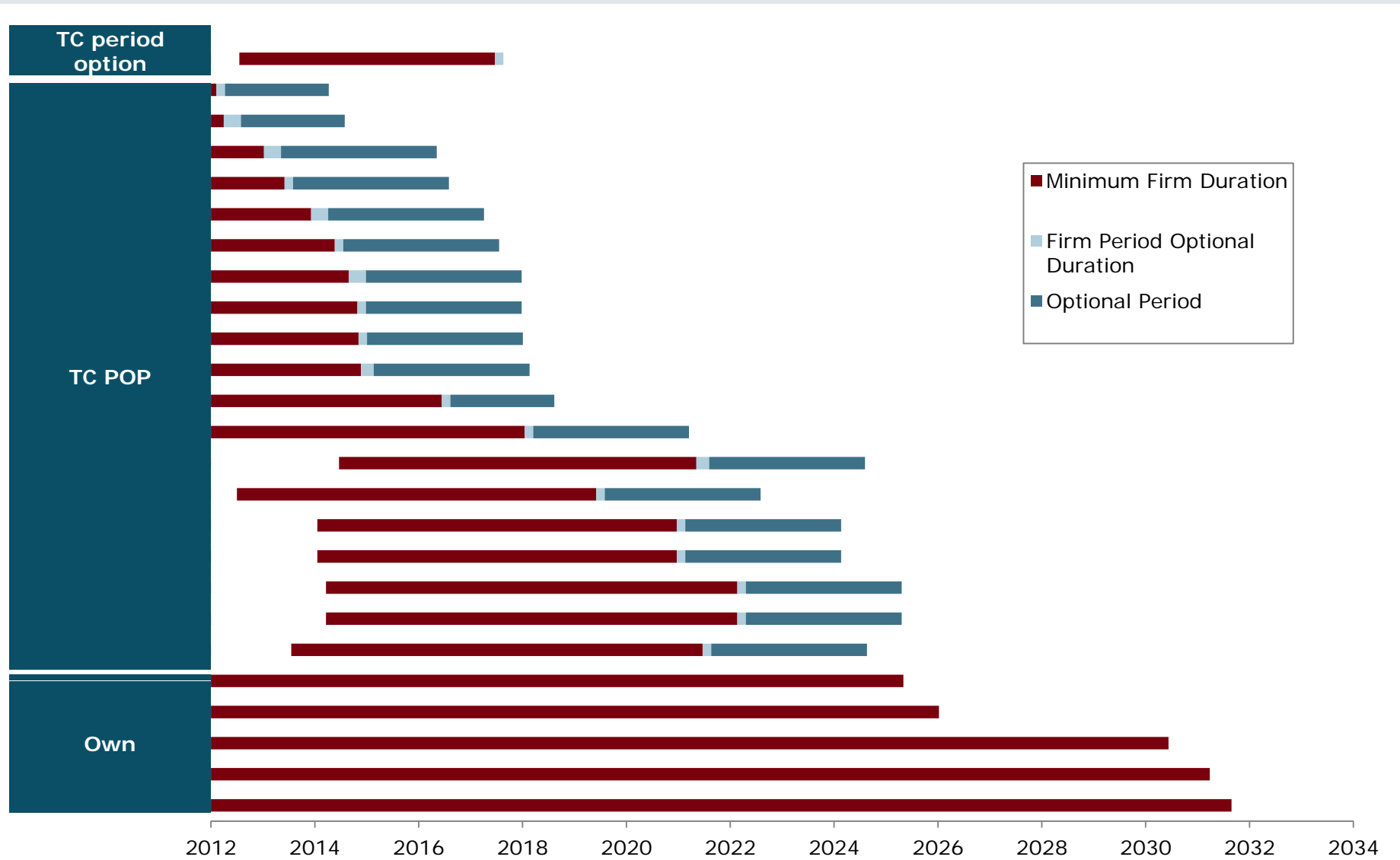
- ▶ Portfolio management
- ▶ Buy or lease
- ▶ Design
- ▶ Timing
- ▶ Financing



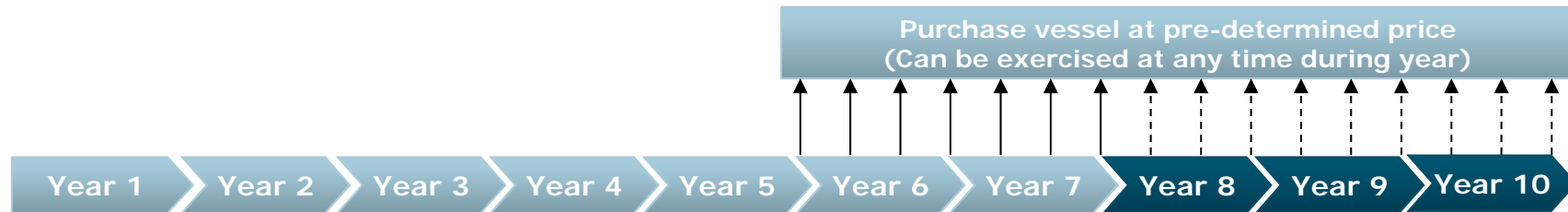
# PORTFOLIO MANAGEMENT – HANDYMAX



# PORTFOLIO MANAGEMENT – PANAMAX



# TYPICAL TC WITH PURCHASE OPTION



Typical arrangement – Handymax

- ▶ 7 year minimum period
- ▶ Option to purchase after year 5
- ▶ Options to extend for further 3 years one year at a time
- ▶ Flat pre-agreed rates first 7 years
- ▶ Slightly increasing rates years 8-10

Optional period

- ▶ Upside is retained if vessel prices go up
- ▶ Downside is limited
  - ▶ Cost and earnings can be matched first 7 years
  - ▶ Extensions only if profitable



# OWNERSHIP vs TC w/POP



## Ownership

- ▶ Full asset upside
- ▶ Full operational flexibility
- ▶ Flexibility to exit any time
- ▶ Influence on design and quality
- ▶ Upgrades/flexibility with yards

## Long term TC w/POP

- ▶ Asset upside for a premium
- ▶ No "Owners liabilities"
  - ▶ Hedge against OPEX escalation
  - ▶ New regulations
- ▶ No upfront cash commitment
- ▶ No residual value risk
- ▶ Optionality

# VESSEL SPECIFICATIONS

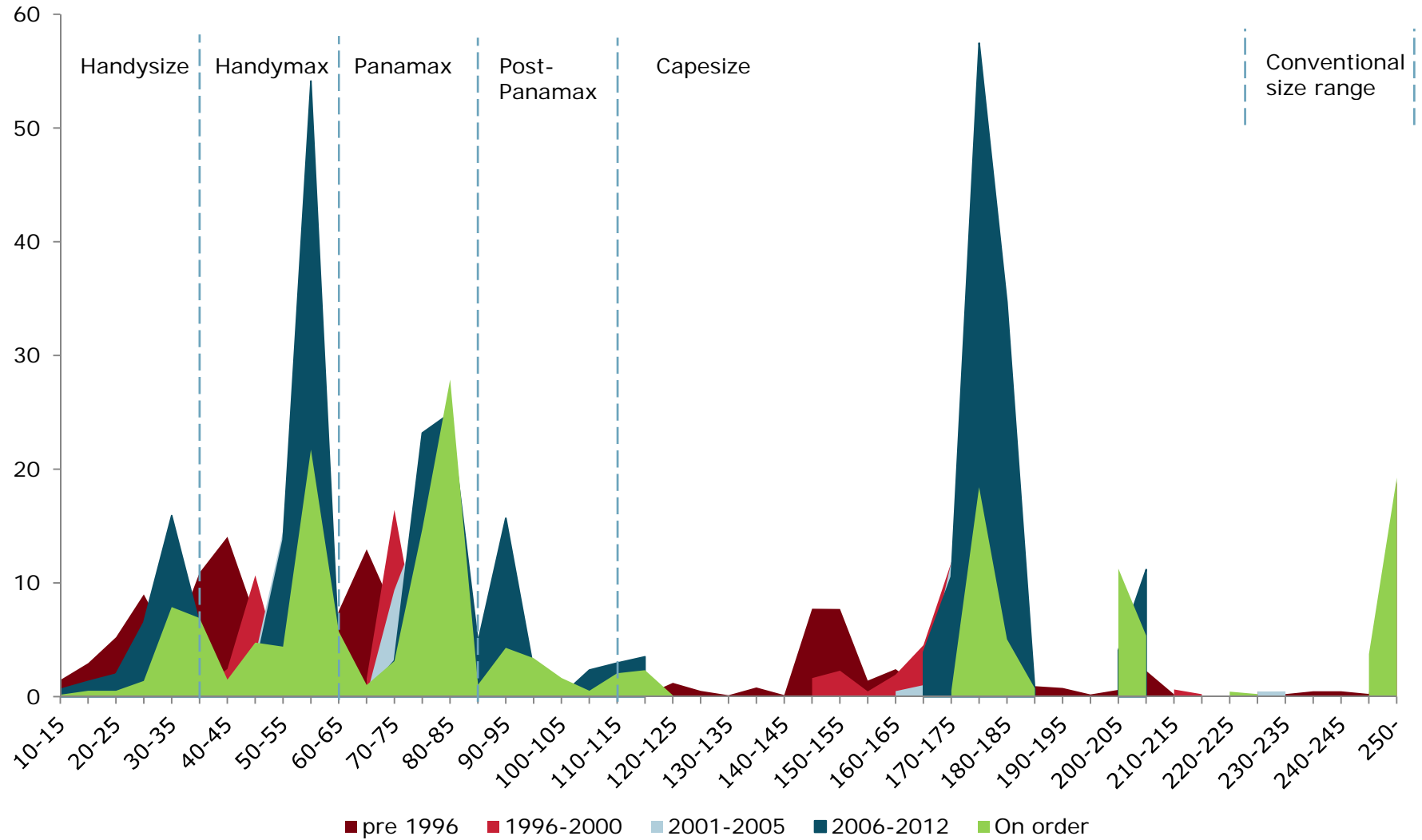
- ▶ Size within segment
- ▶ Fuel efficiency
- ▶ Other specifications
  - ▶ CO<sub>2</sub> fittings
  - ▶ Log fittings
  - ▶ Ice class



# SIZE OF VESSELS IS INCREASING



Mill. dwt

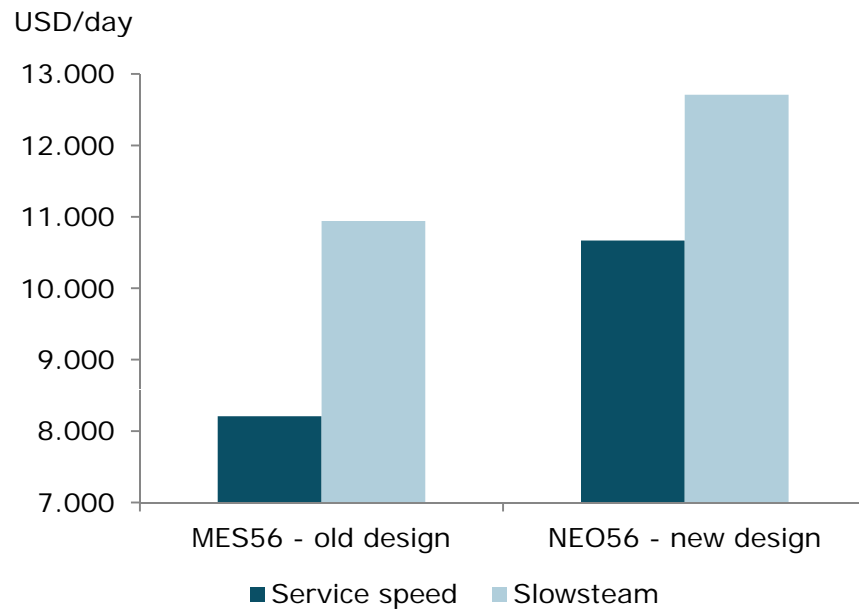


Source: Clarksons

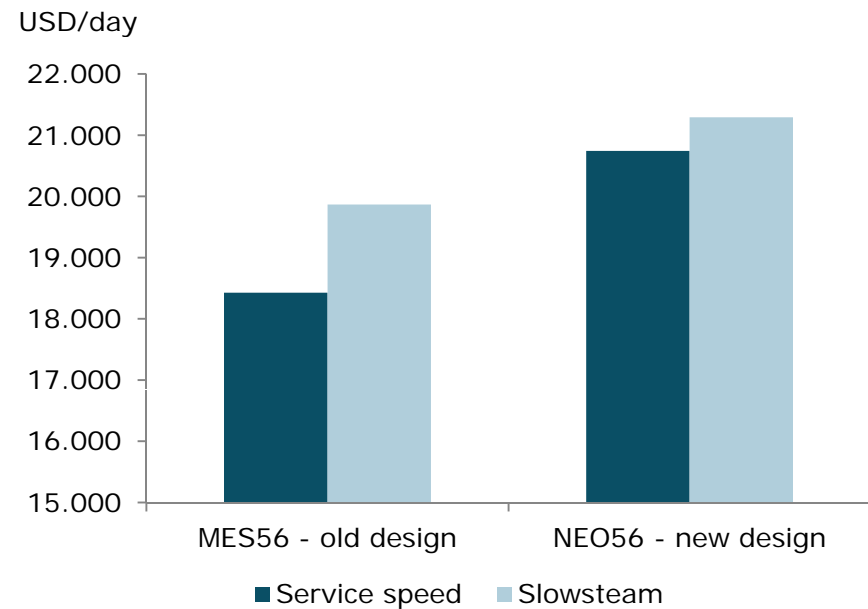
# NEW FUEL EFFICIENT DESIGNS

- ▶ Impact of slowsteaming and different markets
- ▶ Comparison of different designs against the standard "Tess 52" type vessel - used in calculating the Baltic Supramax Index (BSI) – clearly shows the advantage of newer designs and slowsteaming

Tess52 doing 14 knots earning USD 10,000 p/d



Tess52 doing 14 knots earning USD 20,000 p/d

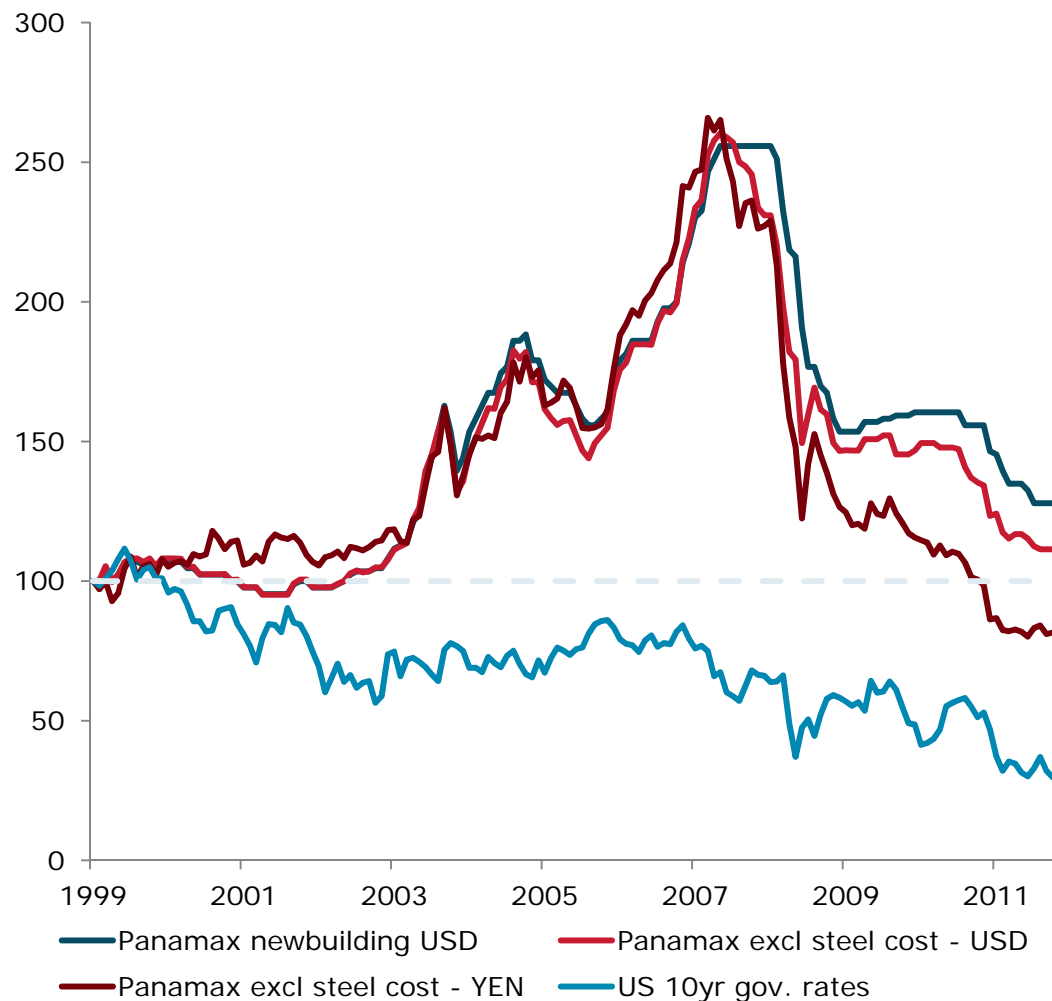


# NEWBUILDING PRICES AT HISTORICAL LOWS



- ▶ Yards are close to marginal cost – limited downside in newbuilding prices
  - ▶ Gross margin in YEN declined by 18%
  - ▶ Newbuilding price in USD increased by 28%
- ▶ Yard sector consolidation expected

Panamax newbuilding price (Index = 100)

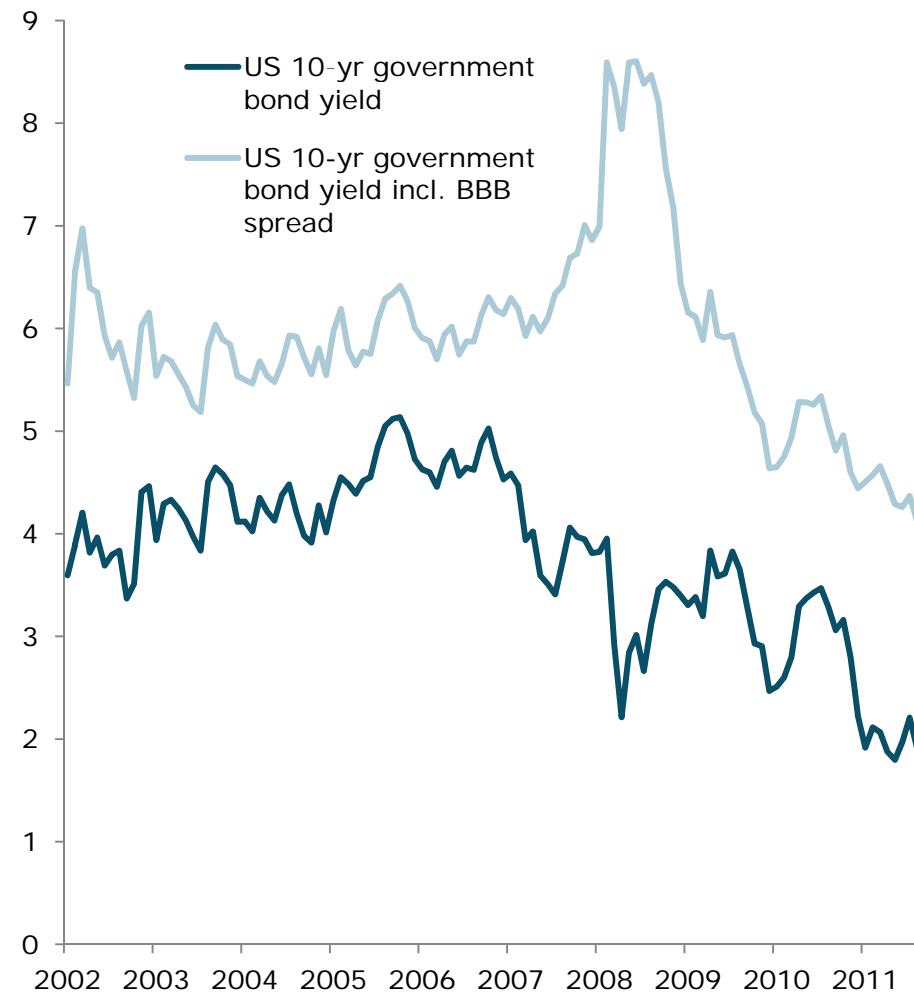


Sources: Clarksons, Bloomberg

# FINANCING

- ▶ Significant financing missing over the next two years
- ▶ Bank terms – if available – are more strict
- ▶ Government backed financing available in main shipbuilding nations for a few high quality names
- ▶ Japanese financing is particularly interesting

US government bond yield and BBB spread (%)

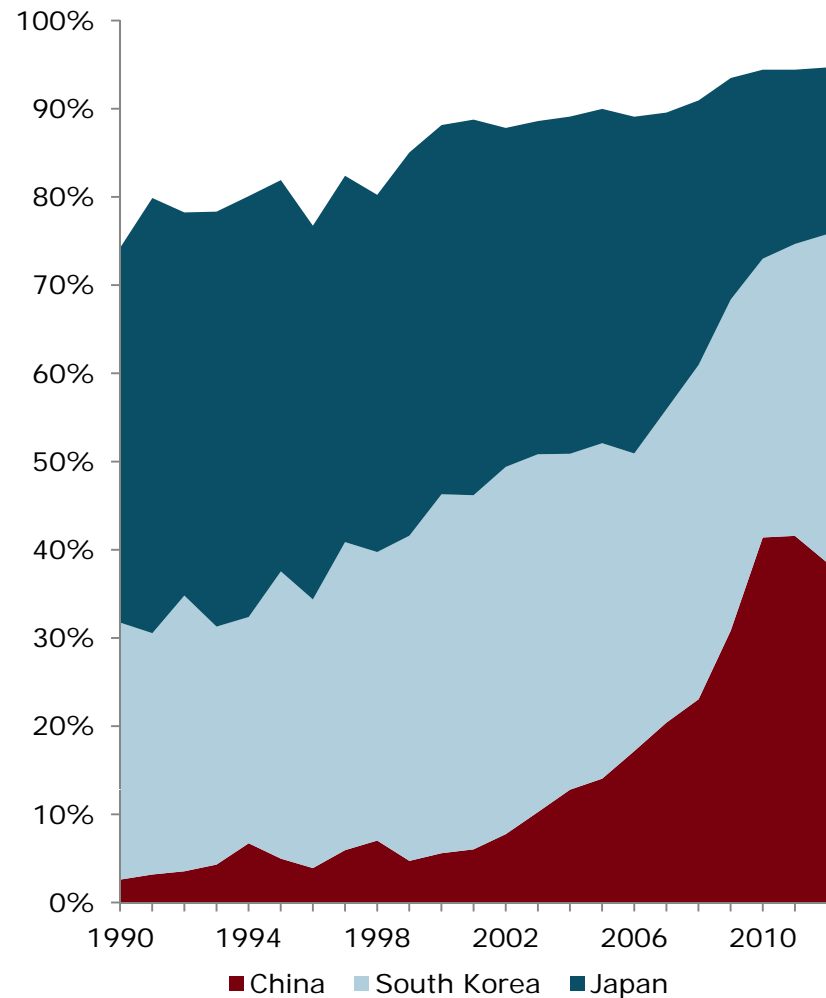


Source: Bloomberg

# REGIONAL TRENDS IN SHIPBUILDING

- ▶ Far East dominance
- ▶ Japanese shipbuilding under pressure
  - ▶ Aging workers
  - ▶ High yen value
  - ▶ High costs
  - ▶ Consolidation expected
  - ▶ Setting up overseas facilities (China, Philippines and Vietnam)
- ▶ Japan is focusing on simple designs and high productivity
- ▶ Quality in China is improving

Deliveries by country as a % of world total



Source: Clarksons



Thank you for your attention  
**ANY QUESTIONS?**

**24\*7 seas**