



Capital Link Forum
2nd Annual
Invest in International Shipping



The World of FFAs

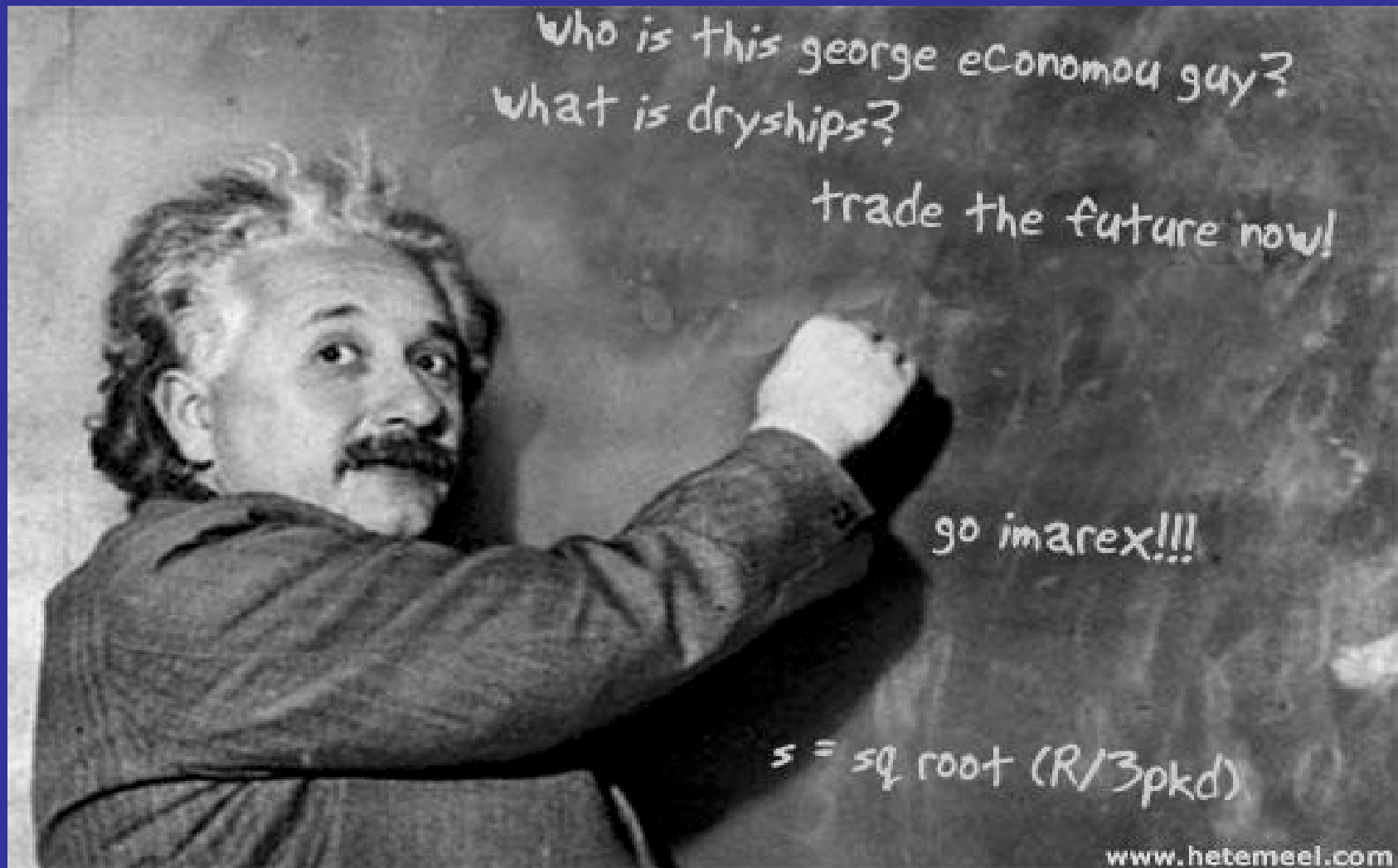
20 March 2008

Metropolitan Club, New York



IMAREX

Thoughts from the smartest man who ever lived...



Who is IMAREX?

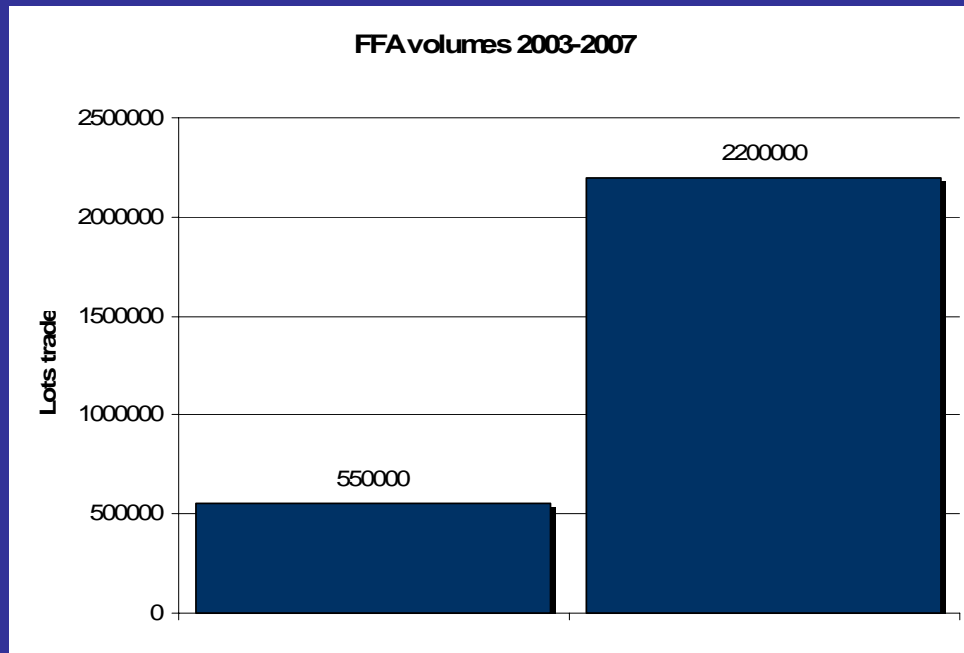
- World`s only regulated market for freight swaps, futures and options
- Hybrid exchange model with Brokers, E-Trading (Exchange) and Clearing
- Founded 2000 – IPO 2005 (OSE: IMAREX) market cap appr NOK 2 Billion
- 15% owned by NYMEX Holdings (acquired Oct 2007) ,280 employees worldwide
- US\$15 billion of freight traded via IMAREX in 2007, up 130% on 2006
- Over US\$10 billion traded electronically on IMAREX screen in 2007
- Global dry bulk and tanker freight futures and options (15% / 50% market share)
- Nordic and European Power, emissions, gas swaps and options (25% market share)
- Nordic salmon futures (FishPool – 100% market share)
- Oslo, Singapore, Houston, London, Genova, Frankfurt, New York Vancouver and Bergen

Global Client Base

All the main commodity traders are present – 200 members as of Q1 2008



Freight derivatives are taking off



Total Dry bulk FFA market now at close to par with underlying market size

Banks, Commodity traders and Funds are now entering the market

Growth is driven by market's need to hedge against rising/falling freight rates and investor appetite for new volatility

Volatility causes liquidity

Liquidity breeds liquidity

Liquidity attracts new players

FFAs offer investors access to the underlying freight market without owning any physical assets

Fast, flexible and efficient

What is an FFA?

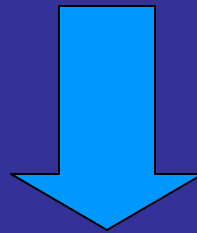
- Financial instrument used to buy/sell price of freight on forward basis.
 - Cash settled (no delivery)
 - Settlement prices based on Baltic Indices
 - Final price is an average, rather than the price on a specific day
 - Mark-to-market
- Used by ship owners, charterers and financial institutions
 - Hedge
 - Speculate
- About \$120 billion market

Market Participants

- Ship Owners
- Charterers
 - producers, receivers, traders
- Financial
 - hedge funds, banks

Ship Owners

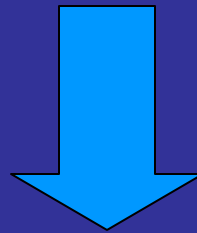
- Hedge their inherent long position
- Offset a future known short position



- Manage risk
- Stabilize earnings
- More efficient than time-charter market

Charterers

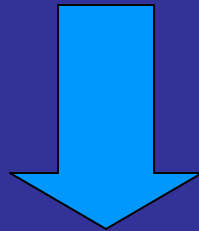
- Hedge their inherent **short** position
- Offset a future known **long** position



- Manage risk
- Stabilize costs
- More efficient than time-charter market*

Financial

- Hedge equities
- Hedge commodities exposure
- Speculate*

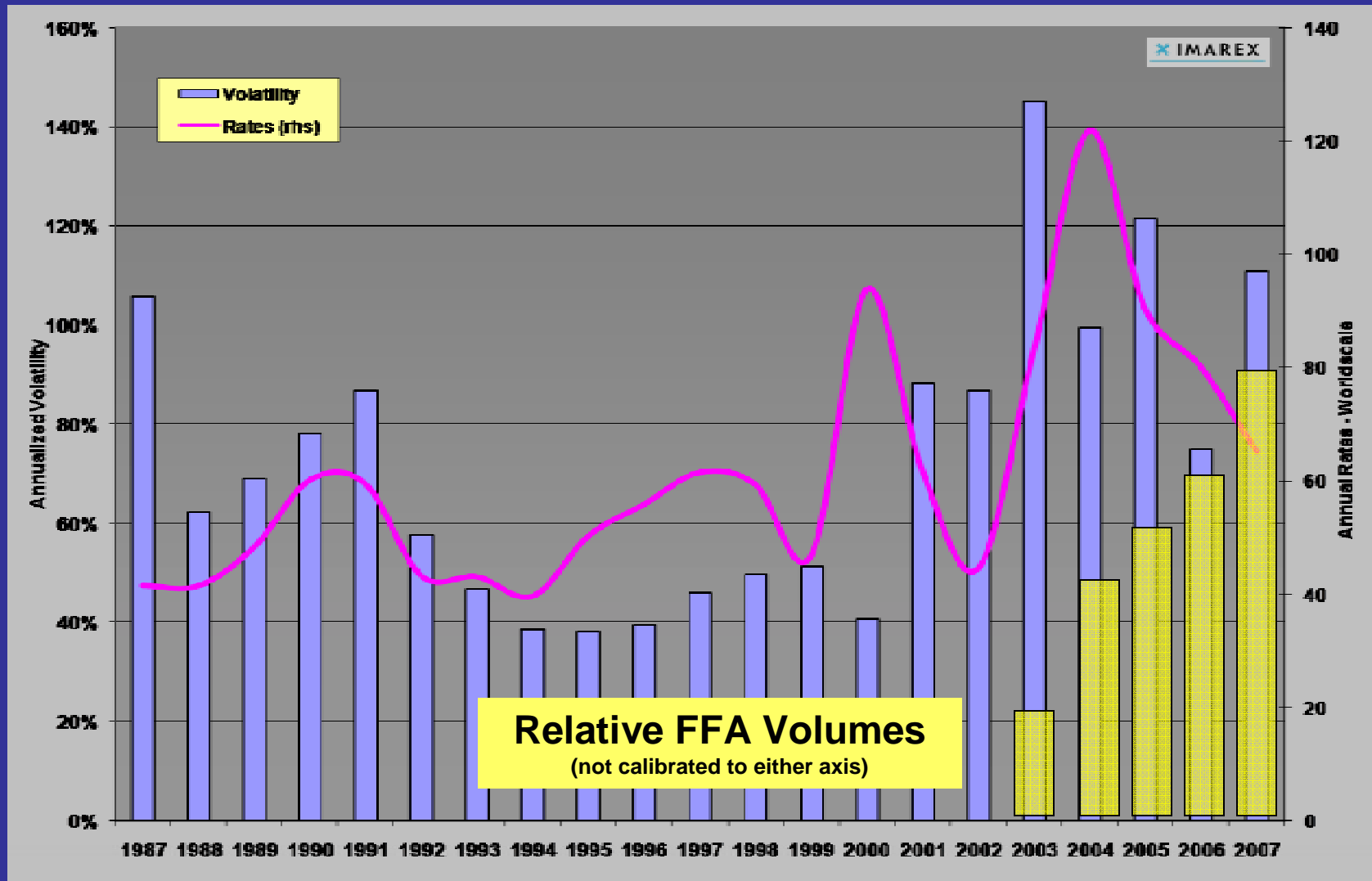


- Manage risk
- FFAs improve discovery process

How Each Market Trades

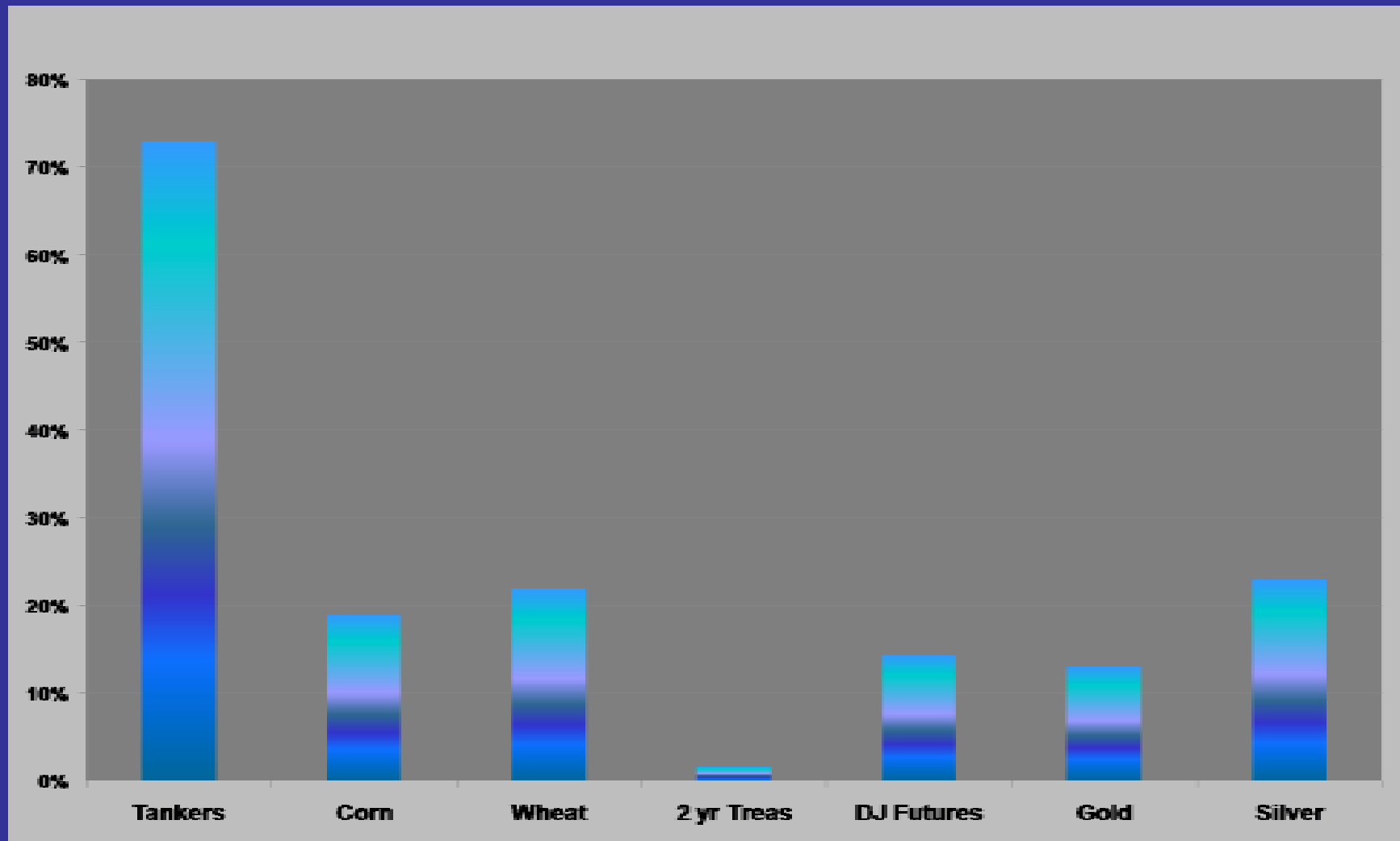
- Tankers
 - Smaller lots
 - More trades
 - Continual price discovery
- Dry Bulk
 - Larger lots, ie full years / full ships
 - Price discovery can be choppy
 - Larger notional values

Tanker Rate Volatility



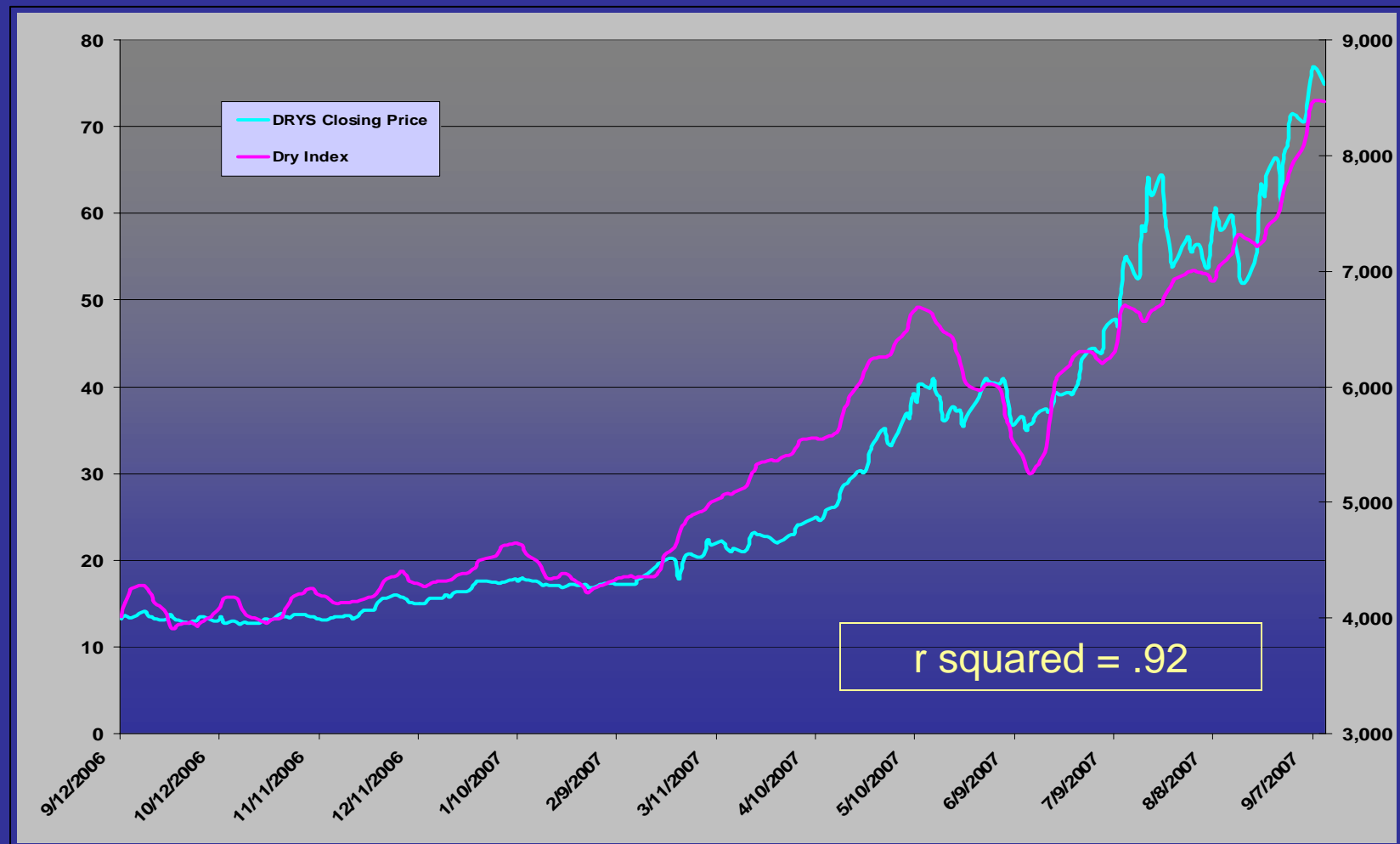
Source: Clarksons Research Services

Volatility Comparison

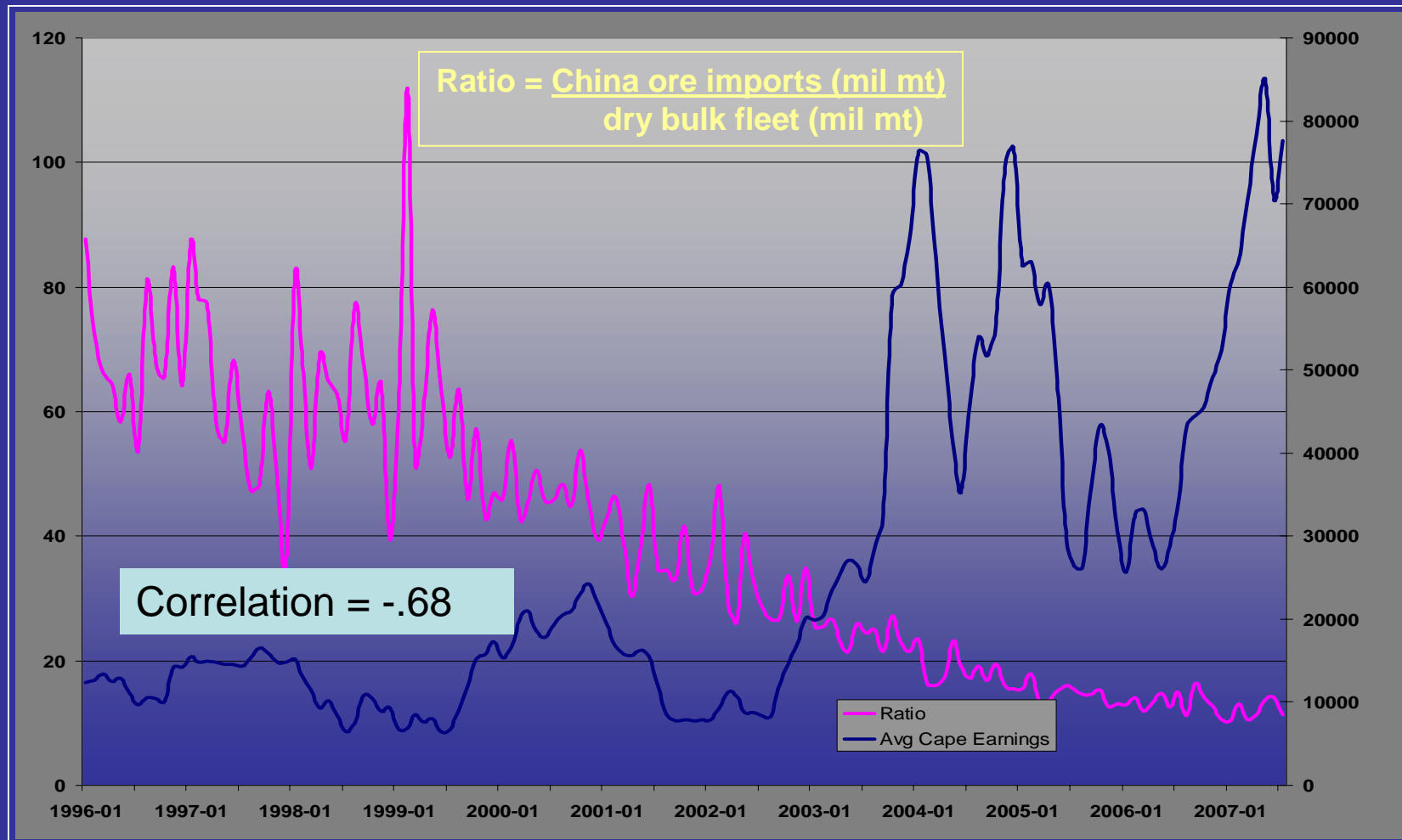


Source: Imarex, Clarksons Research Services, CBOT

DRYS v Dry Rates (Daily Baltic Index)



Dry Earnings v Ore/Fleet Ratio



Source: Imarex, Clarksons

FFAs Create a More Efficient Market

- Transparency...
- Continual Price Discovery...
- Lower bid/ask spreads...
- Essential risk management tool!

Disclaimer

The information contained herein is intended solely for the recipient and may not be further distributed by the recipient. This information is believed to be correct but the accuracy thereof is not guaranteed and Imarex and its employees cannot accept liability for loss suffered in consequence of reliance on the information provided. Provision of this data does not obviate the need to make further appropriate enquiries and inspections. The information is for the use of the recipient only and is not to be without the written permission of Imarex Inc.



Capital Link Forum
2nd Annual
Invest in International Shipping



The World of FFAs

20 March 2008

Metropolitan Club, New York



IMAREX