MARKET UPDATE
- BALTIC SHIPPING COMPANY A/S

The developments in the freight market so far this year broadly confirm the assessment we presented in our January outlook. At the time, we expected the market to move into a period supported by steady cargo demand and a balanced supply side, with freight levels stabilising around a firmer baseline compared to last year.

Since 1 January and through the end of February, we have on average fixed approximately 50% of the fleet forward, including prompt positions and the following two weeks. From the end of February until today, utilisation has increased by roughly 20%, and our forward coverage now stands around 75%. This reflects stronger demand for tonnage and a greater willingness among charterers to secure vessels earlier. Freight levels have gradually consolidated during this period, supporting the view that the market rests on a solid foundation.

At the same time the market has become more volatile. Rising oil prices linked to the tensions in the Middle East are affecting operating costs across the industry and adding complexity to freight negotiations. While the situation impacts the entire logistics chain and remains outside the control of market participants, it inevitably increases uncertainty. Our thoughts remain with those directly affected by the conflict.

In this environment our focus remains on maintaining balanced commercial structures that work for both owners and charterers. Fuel related cost developments require contractual frameworks that allow for fair adjustments while preserving stable commercial relationships. At the same time we continue to prioritise fuel supply security and sound payment structures across our trading activities.

Operationally, unusually severe weather across several regions has slowed parts of the logistics chain and contributed to a growing backlog of cargoes. Together with already scheduled volumes this may place additional pressure on lead times in the near term.

On the fleet side the overall picture remains largely unchanged. However, with fuel costs playing a greater role in voyage economics, vessels with lower consumption are increasingly gaining a clear competitive advantage.

Overall, developments during the first part of the year reinforce our initial view that the freight market remains supported by solid fundamentals. While short term volatility has increased, the underlying demand for vessels continues to point toward a firm and commercially active market.

Best wishes,

Baltic Shipping Company A/S

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