

OCN F

---

*Ocean Freight Inc.*

---



4th Quarter 2009 – Earnings Conference Call  
Tuesday, February 23rd, 2010  
8:30 AM EDT

# Disclaimer

Matters discussed in this call may constitute forward looking statements. Forward looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The forward looking statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although OceanFreight Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, OceanFreight Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charter rates and vessel values, failure of a seller to deliver one or more vessels to us or delay in taking delivery of one or more vessels, default by one or more charterers of our vessels, changes in demand that may affect attitudes of time charterers, scheduled and unscheduled drydocking, changes in OceanFreight Inc.'s operating expenses, length and number of off-hire periods and dependence on third-party managers, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents, international hostilities and political events or acts by terrorists. Risks and uncertainties are further discussed in documents filed by OceanFreight Inc. with the U.S. Securities and Exchange Commission.

# 4th Quarter 2009 Highlights

**Reported Loss: \$ 135.9 million or \$0.98 per share**

## Events Affecting Q4 Results:

<b>Minus</b>	<b>Gain from the change in fair value of interest rate swaps</b>	<b>\$ 1.3 m</b>
<b>Plus</b>	<b>Book loss on the sale of the M/V Pierre &amp; Juneau</b>	<b>\$ 18.2 m</b>
<b>Plus</b>	<b>Non Cash Impairment loss on Tanker fleet</b>	<b>\$ 116.4 m</b>

**Adjusted Loss : \$ 2.6 m or ¢2 per share**

# Year end 2009 Highlights

**Reported Loss: \$ 179.4 million or \$2.28 per share**

## Events Affecting Total 2009 Results:

<b>Minus</b>	<b>Loss from the change in fair value of interest rate swaps</b>	<b>\$ 5.1 m</b>
<b>Plus</b>	<b>Book loss on the sale of the M/V Pierre, Juneau, Richmond and Lansing</b>	<b>\$ 69.3 m</b>
<b>Plus</b>	<b>Non Cash Impairment loss on Tanker fleet</b>	<b>\$ 116.4 m</b>

**Adjusted Income : \$ 1.2 m or ¢2 per share**

# Impairment Loss Q &A

## Reported Impairment Loss on the Tanker Fleet: \$116.43 m

### **Is this a real cash loss affecting the operations of the Company?**

*This is not a real cash loss and it does not affect the operations of the Company.*

### **How does the Impairment Loss affect the Company's cash position?**

*This loss does not affect our cash position and does not affect our liquidity going forward.*

### **Can this impairment loss negatively affect the Company in any way going forward?**

*The simple answer to this question is No. The impairment test and loss is an accounting treatment and it is the way that Accountants try to follow the volatility of the market and the asset values. If we sold the assets prior to taking this impairment loss we would have been doing the same adjustment by taking a book loss.*

### **Can this impairment loss positively affect the Company going forward?**

*Yes, after this impairment loss our depreciation going forward will be less.*

### **Is the drybulk segment of our fleet affected by this impairment loss ?**

*The answer is NO. Under the current market conditions there are no impairment indications for our drybulk fleet.*

# 2009 : A Milestone Year for OCNF



## **Aggressive Fleet Renewal Program**

- Sold 4 vessels with an average age of 16 years old and carrying capacity of about 368,116 tons.
- Purchased 4 vessels with an average age of 5 years old and carrying capacity of about 702,292 tons.

## **Proactive Management of our Debt**

- Amended debt covenants on Senior Debt Facility
- Paid down the \$25 million Seller's Credit

## **Accessed both the Equity and Debt Markets**

- Entered in a \$30 million debt facility with DVB
- Raised approximately \$192 million of primary equity
- Increased Stock Liquidity (average 3 month daily volume 4.9 million)

## **Built up Secured Cashflows**

- Secured Gross Revenues of approximately \$177million for 2010 - 2012

# Summary - Fleet Developments

## Vessels Sold:

- 1990 Built Capesize - M/V Juneau (delivered on October 23<sup>rd</sup>)
- 1995 Built Panamax - M/V Richmond (delivered on September 30<sup>th</sup>)
- 1996 Built Panamax - M/V Lansing (delivered on June 1<sup>st</sup>)
- 1996 Built Panamax - M/V Pierre (to be delivered in March-April 2010)

### Bottom Line:

We will receive \$85m or on average \$21.26 mill per vessel for a 16 year old vessel

## Vessels Bought:

- 2004 Built Capesize - M/V Partagas (3 year TC @ \$27,500 pd)
- 2006 Built Capesize - M/V Robusto (min 5 years @ 26,000 pd)
- 2006 Built Capesize - M/V Cohiba (min 5 years @ 26,250 pd)
- 2005 Built Capesize - M/V Montecristo (min 4 years @ 23,500 pd)

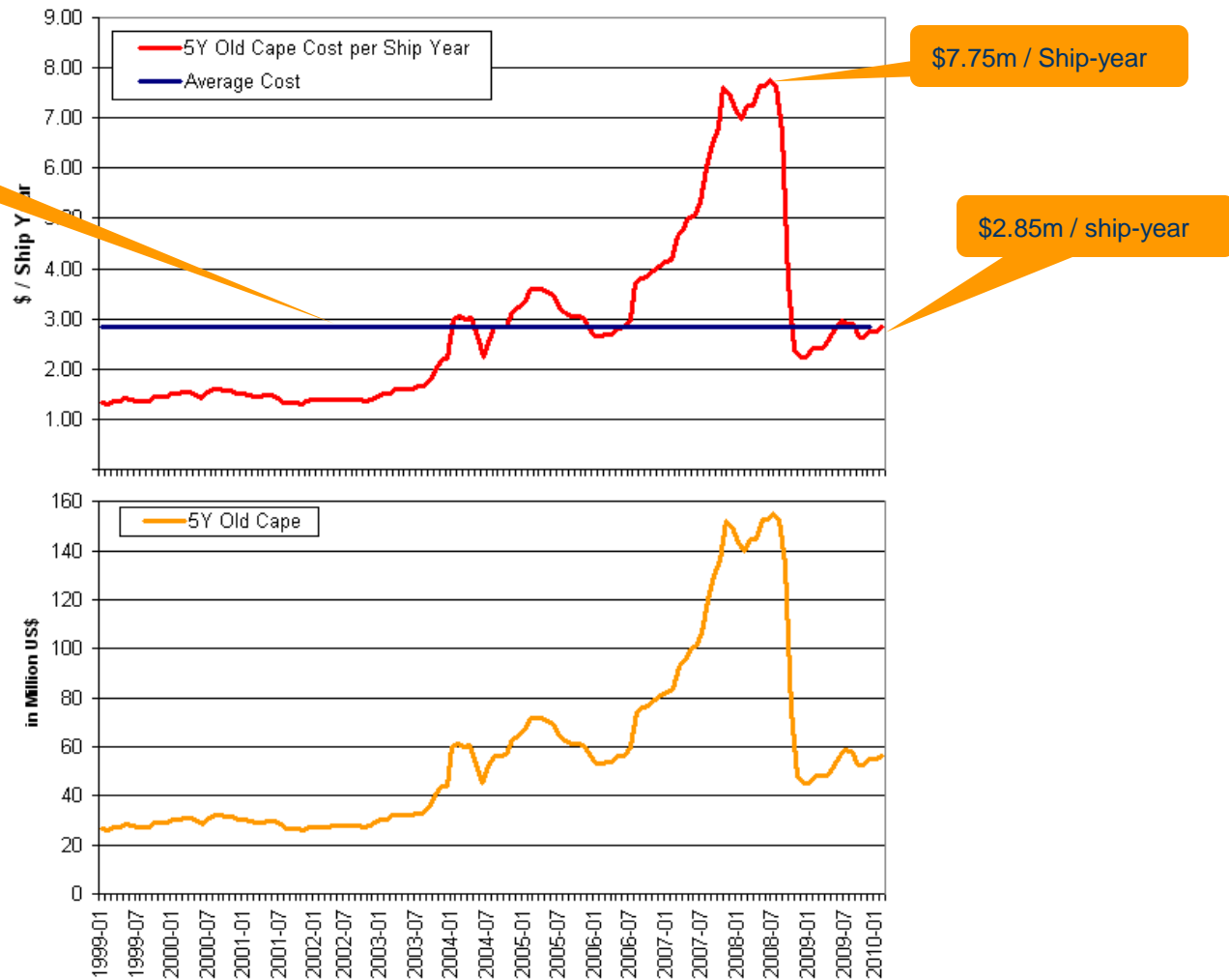
### Bottom Line:

We will pay \$228m or on average \$57m per vessel for a 5 year old vessel

The average 5 year old cape we have bought comes at a cost of about \$2.85 mill / ship-year

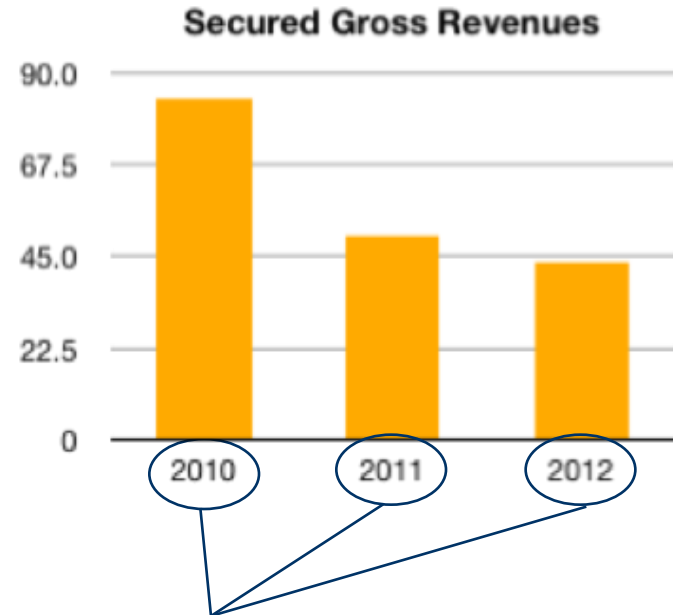
This compares to the low cycle price (1999 – 2009) of about \$56.9 mill or \$2.84 mill / ship-year

# Asset Play means timing the cycle correctly!



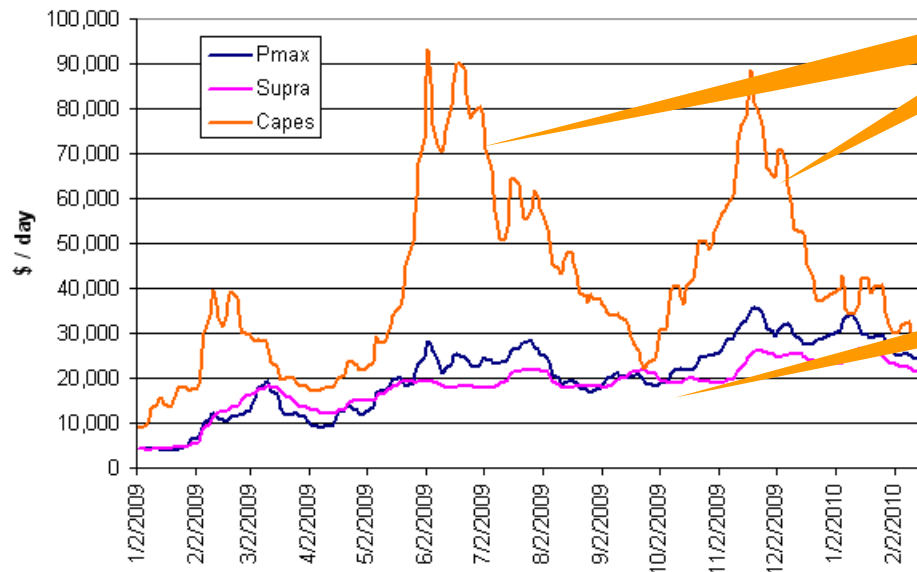
# Consistent Strategy of Secured Cashflows

	Name	Dwt	Built	Type	Earlier T/C Redelivery	Gross T/C Rate
Dry Bulk Vessels	Robusto	174,000	2006	Capesize	August 2014	26,000
	Cohiba	174,000	2006	Capesize	October 2014	26,250
	Partagas	173,880	2004	Capesize	July 2012	27,500
	Topeka	74,710	2000	Panamax	January 2011	18,000
	Helena	73,744	1999	Panamax	May 2012	32,000
	Augusta	69,053	1996	Panamax	November 2011	16,000
	Pierre	70,316	1996	Panamax	March 2010	23,000
	Austin	75,229	1995	Panamax	March 2010	26,000
	Trenton	75,229	1995	Panamax	April 2010	26,000
Tankers	Olinda	149,085	1996	Suezmax	Blue Fin Tankers	N/A
	Pink Sands	93,723	1993	Aframax	October 2010	27,450
	Tigani	95,951	1991	Aframax	Sigma Tankers	N/A
	Tamara	95,793	1990	Aframax	November 2010	27,000



**2010 Secured Coverage: 75% @ \$23,801 / day**  
**2011 Secured Coverage: 45% @ \$23,824 / day**  
**2012 Secured Coverage: 36% @ \$25,539 / day**

# Demand for Capes: Never Ending Story...



Periods of strong push of iron ore into China.

Periods of Steel Mills and Traders working down inventories

China Domestic Spot Market Steel Prices (excl VAT)



Cape Freight Rates seem to follow the trend of steel prices in China

# Supply lagging behind but demand is NOT!

## Supply of new Vessels:

- Handysize slippage running at about 55%
- Panamax slippage running at about 38%
- Cape slippage running at about 27%
- Drybulk fleet growth in 2009 was about 6.8% and for 2010 it is estimated to grow about 12.6%. Assuming congestion will run close to the average of the last 3 years then supply for 2010 can effectively grow at 6.9%.

## Demand for Raw Materials:

Demand Element	2008 Figure	2009 Figure (Est)	YoY Change
Annualized Iron Ore Imports in China	442.5 mt	612.7 mt	38.5%
September Iron Ore Imports in China	37.53 mt	64.55 mt	72%
Annualized Iron Ore Production from BR / WA / IND	692.3 mt	737.7 mt	6.5%
Met-Coal Imports in China	40.8 mt	110.9 mt	172%
Steel Production in China	500.5 mt	565 mt	13%

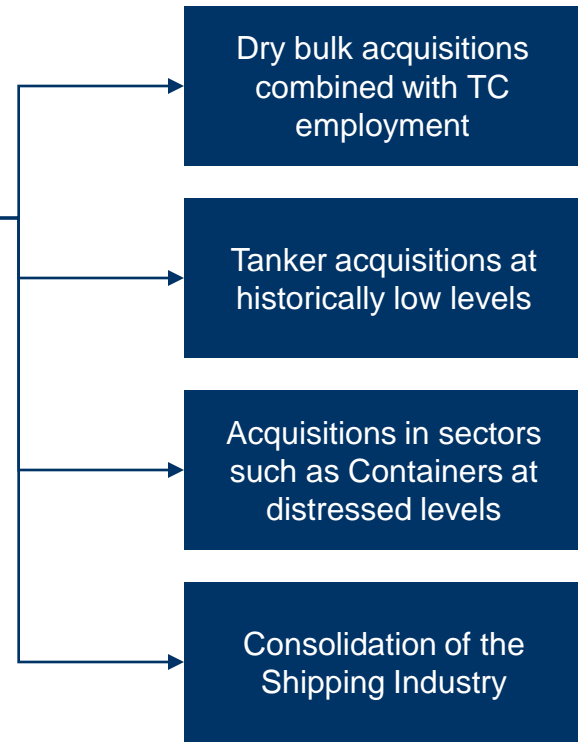
# Strategy Forward: Put your Money to Work!



## OCNF's Arsenal

Equity Line : \$350 mill  
Debt of Older Vessels\* : \$80 mill  
TOTAL : \$430 mill





**We have a significant arsenal that can empower us with the ability to tap single vessel acquisitions, sizable fleets or even the ability to look at M&A type of transactions.**



\* As Older Vessels we define the vessels that are built prior to 1996 and the debt is calculated as per the Nordea loan agreements

# Why Invest in OceanFreight?

## Small Company with BIG Potential

<i>Multiple shipping sectors</i>		<i>Diversified revenue base</i>
<i>Visible &amp; stable cashflows</i>		<i>Strengthens our Balance Sheet</i>
<i>Large industry footprint</i>		<i>Distressed opportunities</i>
<i>Access to Capital Markets</i>		<i>Equity to buy cheap assets</i>
<i>Discounted Equity Valuation</i>		<i>Low entry point in the shipping cycle</i>

# Appendix

# Income Statement



## Financial Statements

The following are OceanFreight Inc.'s Consolidated Statements of Operations for the three -month periods and the years ended December 31, 2008 and 2009:

	<u>Three Months Ended December</u>		<u>Year Ended</u>	
	<u>31,</u>		<u>December 31,</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	(unaudited)	(unaudited)	(audited)	(unaudited)
<i>(Dollars in thousands, except for share and per share data)</i>				
<b><u>STATEMENT OF OPERATIONS</u></b>				
<b><u>DATA</u></b>				
Voyage revenues	\$ 36,269	\$ 28,228	\$ 147,116	\$ 118,462
Gain/(loss) on forward freight agreements	-	(263)	-	570
Imputed revenue	2,594	1,184	10,318	14,473
<b>Gross revenue</b>	<b>38,863</b>	<b>29,149</b>	<b>157,434</b>	<b>133,505</b>
Voyage expenses	(1,618)	(1,094)	(14,275)	(5,549)
Vessels operating expenses	(8,442)	(9,771)	(26,387)	(39,063)
Depreciation	(12,629)	(10,715)	(43,658)	(49,182)
Management fees	(831)	(1,361)	(2,593)	(4,852)
General and administrative expenses	(3,495)	(4,322)	(9,127)	(8,540)
Dry docking costs	(736)	-	(736)	(5,570)
Loss from sale of vessels	-	(18,150)	-	(69,250)
Impairment on vessels	-	(116,431)	-	(116,431)
<b>Operating income / (loss)</b>	<b>11,112</b>	<b>(132,695)</b>	<b>60,658</b>	<b>(164,932)</b>
Interest income	91	17	776	271
Interest expense and finance costs	(5,437)	(4,485)	(17,565)	(19,834)
Gain/(loss) on derivative instruments	(17,333)	1,272	(16,147)	5,098
<b>Net income/(loss)</b>	<b>\$ (11,567)</b>	<b>\$ (135,891)</b>	<b>\$ 27,722</b>	<b>\$ (179,397)</b>
<b>Basic and fully diluted loss per share</b>	<b>\$ (0.65)</b>	<b>\$ (0.98)</b>	<b>\$ 1.94</b>	<b>\$ (2.28)</b>
<b>Weighted average common and subordinated shares</b>	<b>17,754,797</b>	<b>138,395,248</b>	<b>14,321,471</b>	<b>78,556,327</b>

# Balance Sheet



The following are OceanFreight Inc.'s Consolidated Balance Sheets as at December 31, 2008 and 2009

(Dollars in thousands, except per share data)

	2008 (audited)	2009 (unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalent	\$ 23,069	\$ 37,272
Restricted cash	-	2,500
Receivables	2,073	2,254
Inventories	1,338	1,158
Prepayments and other	2,197	4,753
Vessel held for sale	-	22,580
<b>Total current assets</b>	<b>28,677</b>	<b>70,517</b>
<b>FIXED ASSETS, NET:</b>		
Advances for vessel acquisition	-	9,900
Vessels, net of accumulated depreciation of \$56,837 and \$223,577, respectively	587,189	450,742
Other, net of accumulated depreciation of \$31 and \$123, respectively	159	856
<b>Total fixed assets, net</b>	<b>587,348</b>	<b>461,498</b>
<b>OTHER NON-CURRENT LIABILITIES</b>		
Deferred financing fees, net of accumulated amortization of \$1,634 and \$2,378, respectively	2,081	1,362
Restricted cash	6,511	6,511
Other	953	9,735
<b>Total assets</b>	<b>625,570</b>	<b>549,613</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Account payable	1,767	2,394
Due to related parties	111	500
Accrued liabilities	9,731	11,219
Unearned revenue	1,822	1,323
Derivative liability	6,771	7,443
Sellers' credit	25,000	-
Current portion of imputed deferred revenue	10,290	1,558
Current portion of long-term debt	60,889	47,030
<b>Total current liabilities</b>	<b>116,381</b>	<b>71,467</b>
<b>NON-CURRENT LIABILITIES:</b>		
Derivative liability, net of current portion	9,376	3,606
Imputed deferred revenue, net of current portion	5,741	-
Long-term debt, net of current portion	247,111	218,644
<b>Total non-current liabilities</b>	<b>262,228</b>	<b>222,250</b>
<b>COMMITMENTS AND CONTINGENCIES:</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred shares, par value \$0.01; 5,000,000 shares authorized, none issued	-	-
Common Shares, par value \$0.01; 1,000,000,000 shares authorized, 18,544,493 and 158,450,001 shares issued and outstanding as of December 31, 2008 and 2009, respectively	185	1,584
Subordinated Shares, par value \$0.01; 10,000,000 shares authorized, none issued	-	-
Additional paid-in capital	271,824	458,757
Accumulated deficit	(25,048)	(204,445)
<b>Total stockholders' equity</b>	<b>246,961</b>	<b>255,896</b>
<b>Total liabilities and stockholders' equity</b>	<b>625,570</b>	<b>549,613</b>

## Investor Relations Contact:

Nicolas Bornozis

Capital Link, Inc., New York

Tel. 212-661-7566

E-mail: [oceanfreight@capitallink.com](mailto:oceanfreight@capitallink.com)