# Genco Shipping & Trading Limited



## MicroCap Spring Investor Summit

*NYSE:GNK*

April 2019

# Forward Looking Statements

**"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995**

This presentation contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements use words such as “anticipate,” “budget,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on management’s current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this report are the following: (i) declines or sustained weakness in demand in the drybulk shipping industry; (ii) continuation of weakness or declines in drybulk shipping rates; (iii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iv) changes in the supply of drybulk carriers including newbuilding of vessels or lower than anticipated scrapping of older vessels; (v) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities; (vi) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube, oil, bunkers, repairs, maintenance and general, administrative, and management fee expenses; (vii) whether our insurance arrangements are adequate; (viii) changes in general domestic and international political conditions; (ix) acts of war, terrorism, or piracy; (x) changes in the condition of the Company’s vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (xi) the Company’s acquisition or disposition of vessels; (xii) the amount of offhire time needed to complete repairs on vessels and the timing and amount of any reimbursement by our insurance carriers for insurance claims, including offhire days; (xiii) the completion of definitive documentation with respect to charters; (xiv) charterers’ compliance with the terms of their charters in the current market environment; (xv) the extent to which our operating results continue to be affected by weakness in market conditions and charter rates; (xvi) our ability to maintain contracts that are critical to our operation, to obtain and maintain acceptable terms with our vendors, customers and service providers and to retain key executives, managers and employees; (xvii) the completion of documentation for vessel transactions and the performance of the terms thereof by buyers or sellers of vessels and us; (xviii) the terms of definitive documentation for the purchase and installation of scrubbers and our ability to have scrubbers installed within the price range and time frame anticipated; (xix) our ability to obtain any additional financing we may seek for scrubbers on acceptable terms; (xx) the relative cost and availability of low sulfur and high sulfur fuel or any additional scrubbers we may seek to install; (xxi) our ability to realize the economic benefits or recover the cost of the scrubbers we plan to install; (xxii) worldwide compliance with IMO 2020 regulations and other factors listed from time to time in our public filings with the Securities and Exchange Commission including, without limitation, the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and our subsequent reports on Form 10-Q and Form 8-K. Our ability to pay dividends in any period will depend upon various factors, including the limitations under any credit agreements to which we may be a party, applicable provisions of Marshall Islands law and the final determination by the Board of Directors each quarter after its review of our financial performance. The timing and amount of dividends, if any, could also be affected by factors affecting cash flows, results of operations, required capital expenditures, or reserves. As a result, the amount of dividends actually paid may vary. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



# Executive Summary

# Genco Shipping & Trading Limited: Company Overview

## Who we are…

- Largest U.S. headquartered drybulk shipowner
- NYSE listed under ticker “GNK”
- Own 58 drybulk vessels
- Transport commodities such as:



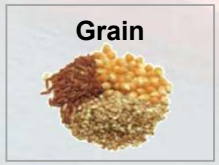
Major bulk







Minor bulk







- Global presence with offices located in:
  - New York / Singapore / Copenhagen

## What drives our business…

**Demand** and **supply** equations based on:

**Demand** for raw materials

- Emerging markets
- Global GDP
- Urbanization
- Energy demand
- Infrastructure
- Stimulus

**Supply** of capacity to transport commodities

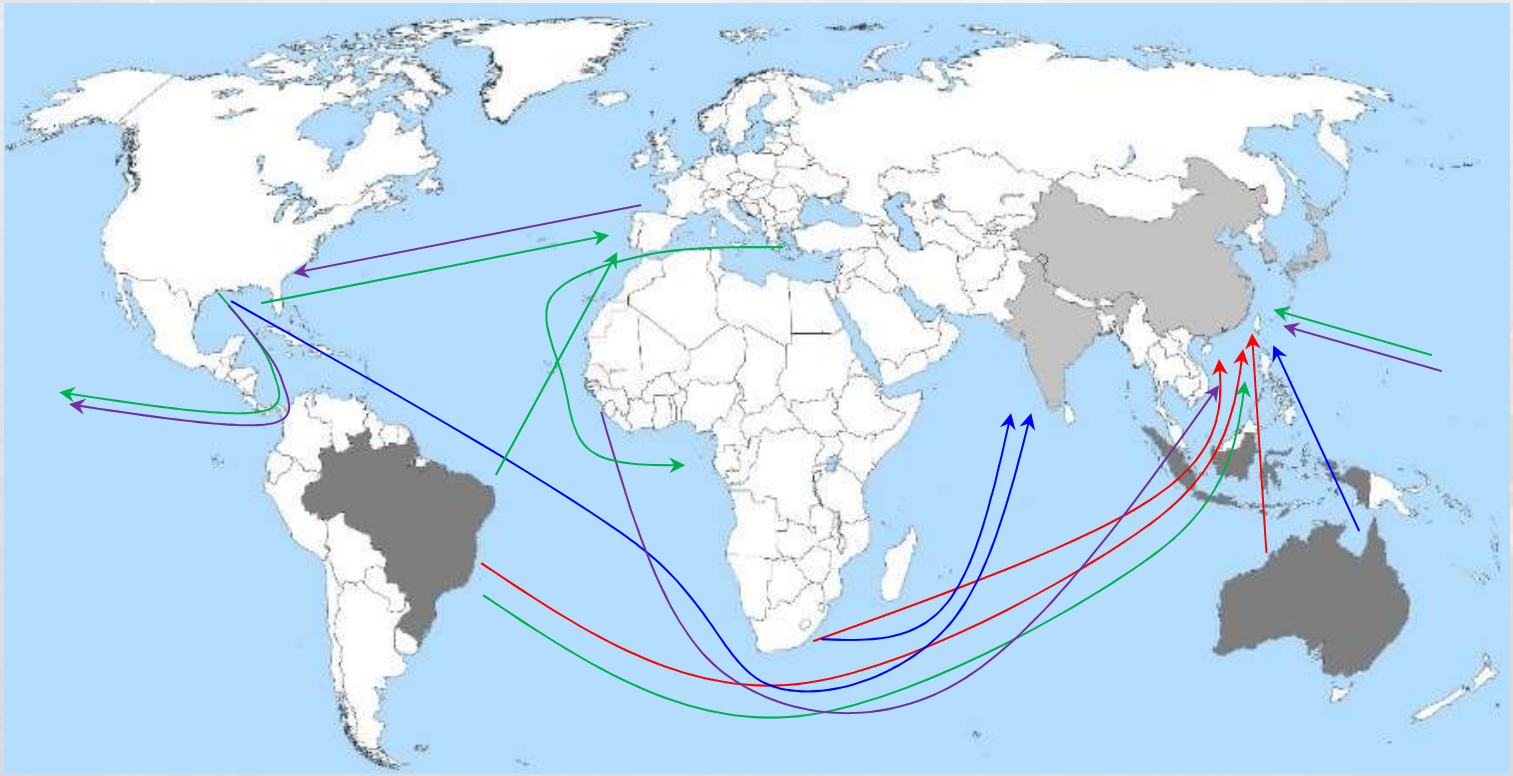
- Net fleet growth
- Slippage
- Scrapping
- Slow steaming
- Orderbook
- Port congestion

# Global Drybulk Trade and Key Routes

**Commodity and percentage of global drybulk trade**

| | Iron Ore | Coal | Grain | Minor Bulks |
|---|---|---|---|---|
| | 28% | 24% | 9% | 39% |
| **Primary use** | Steel production | Steel production<br>Power generation | Human consumption<br>Feed livestock<br>Cooking oils | Various uses –<br>linked to global GDP growth |

**Select Key Trade Routes**

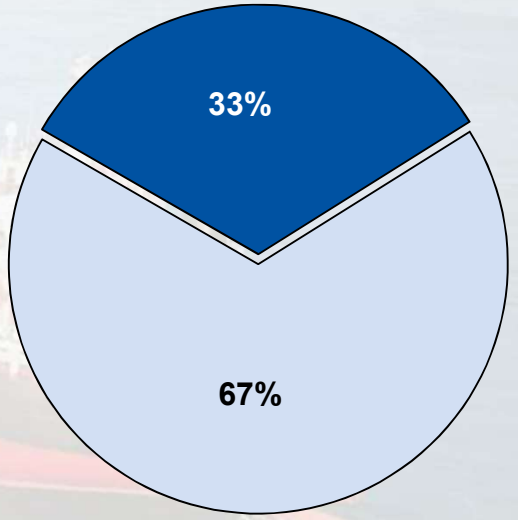


# Genco's Fleet Directly Aligns with Global Trade Dynamics

**Genco's Capesize exposure provides upside earnings potential while minor bulk fleet provides steadier income**

| Commodity | Percentage of Trade - 2018 (■ Genco Cargoes Carried ■ Global Drybulk Trade) | Primary Vessel Type (# owned by Genco) | Shipping Market Beta (*Provides significant upside potential*) |
|---|---|---|---|
| Iron Ore | 31% / 28% | **Capesize** *(17 vessels)* | 2.0 |
| Coal | 28% / 24% | **Panamax** *(2 vessels)* | 0.9 |
| Grain | 15% / 9% | **Ultramax/ Supramax** *(26 vessels)* | 0.7 |
| Minor Bulk | 26% / 39% | **Handysize** *(13 vessels)* | 0.5 |

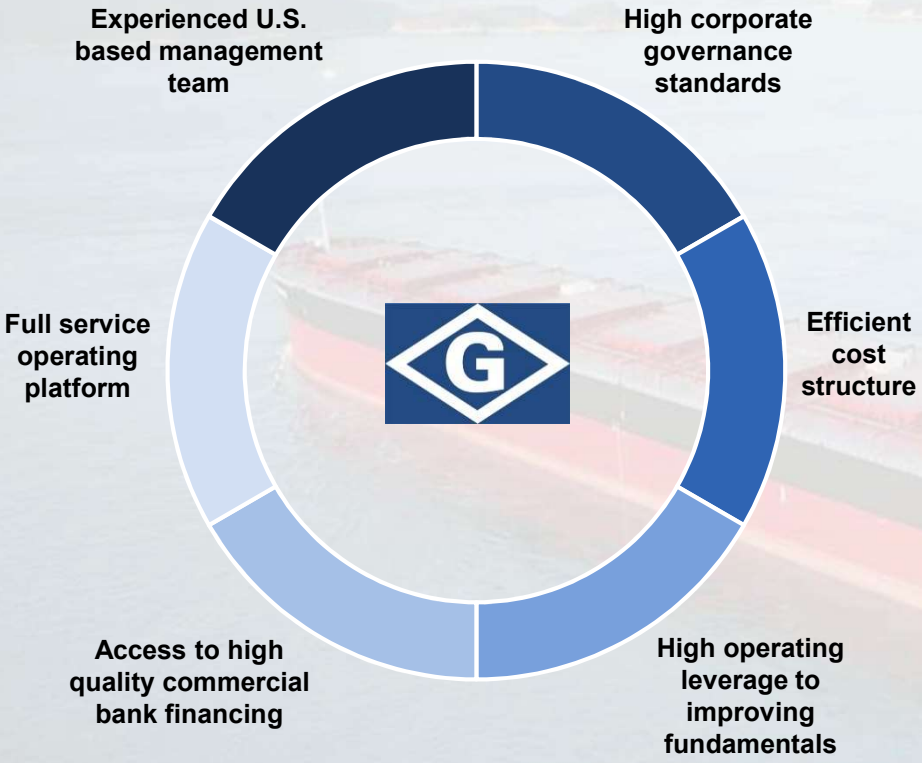
**Genco Fleet Distribution** (# of vessels basis)




Sources: Marsoft Incorporated, Clarksons Research Services Limited 2019

# Genco is Attractively Positioned to Capture Market Upside

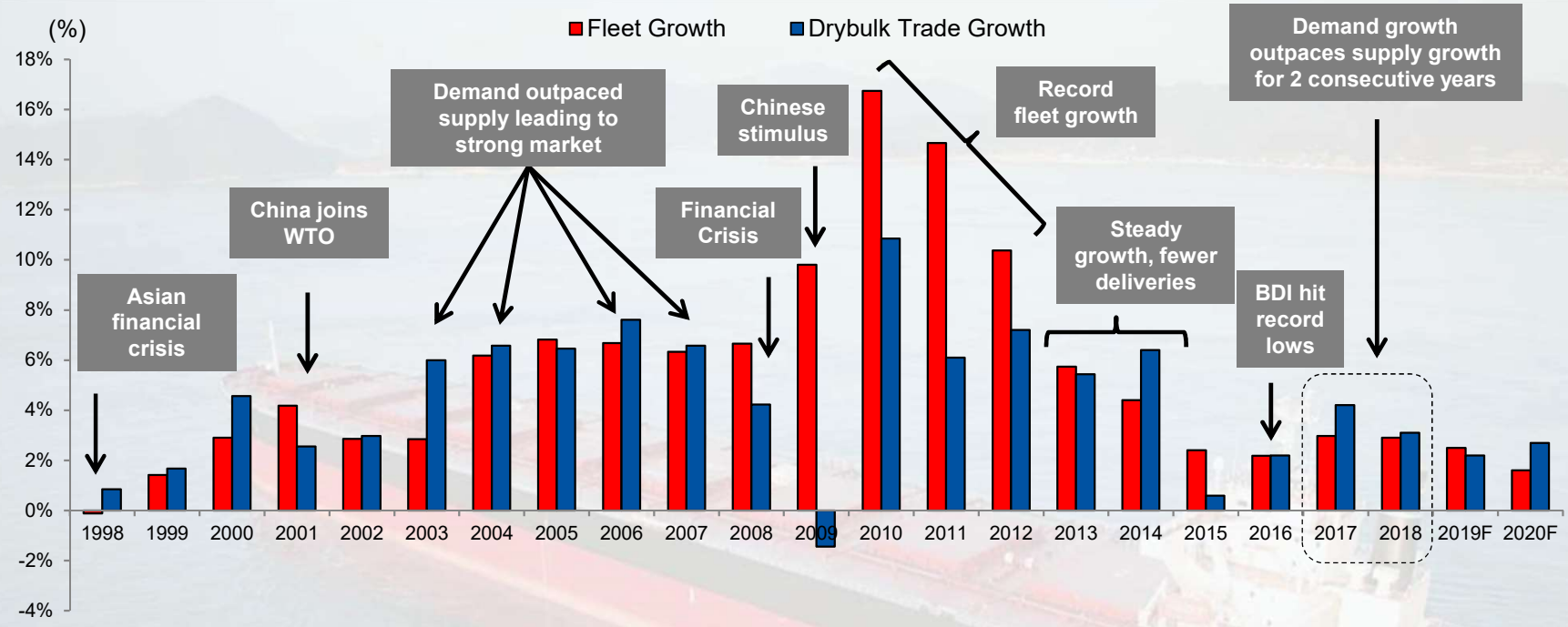
## Key Highlights of the Genco Platform




- ✓ **Commercial platform investments driving revenue growth and margin expansion**
- ✓ **Genco's fleet is directly aligned with global commodity flows through major and minor bulk strategy**
- ✓ **Credit facilities structure simplifies balance sheet and improve flexibility to grow and drive shareholder return**
- ✓ **Strong cash position and balance sheet are key differentiators to potentially create strategic opportunities**
- ✓ **Completed two separate acquisition transactions, taking delivery of a total of four Capesize and two Ultramax vessels**
- ✓ **Acquisitions and fleet renewal program aimed at modernizing fleet and increasing fuel efficiency**
- ✓ **Portfolio approach to IMO 2020 focuses on maximizing returns and maintaining optionality in evolving fuel market**

# How do Fundamentals Look Today as Compared to the Past

**Drybulk Supply & Demand Growth over Last 20 Years**




- Demand growth outpaced supply growth during various points in the 2000s
- A strong freight rate environment ensued leading to increased ordering of newbuilding vessels
- Robust ordering during boom years led to fleet growth outpacing demand growth for several years thereafter
- Recently, supply growth has eased to levels not seen since the late 1990s / early 2000s
- This led to demand growth exceeding supply growth in 2017 and 2018 resulting in a stronger drybulk market

Source: Marsoft Incorporated.

# Drybulk Market Outlook

**Following two consecutive years of demand growth outpacing supply growth, in 2019, drybulk market fundamentals appear more balanced while demand is anticipated to once again outpace supply in 2020**

## Drybulk Market Catalysts

### 1 Iron Ore Trade Growth

- Focus remains on high quality seaborne iron ore from Brazil and Australia
- Anglo American to produce +15MT more in 2019
- Clarity needed on output from Vale beyond this year

### 2 Coal Trade Linked to Developing Economies

- India likely to continue to drive seaborne coal trade
- Growth expected from smaller developing Asian nations
- China remains x-factor

### 3 Soybean Trade

- Strong Brazilian crop expected
- Upside potential if US-China trade dispute gets resolved

### 4 Low Fleet Growth

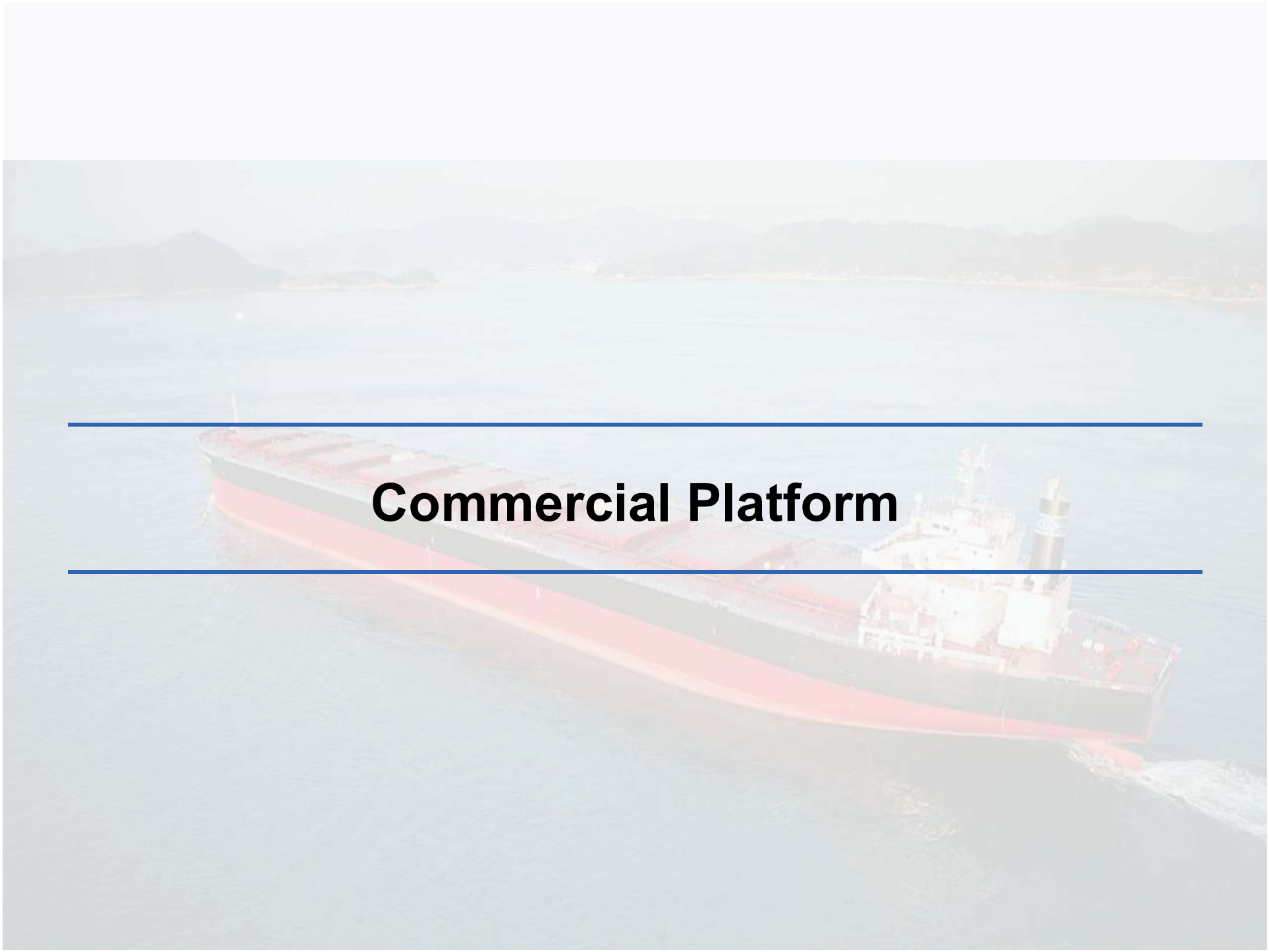
- 2% to 3% net fleet growth anticipated
- Supply side disruption ahead of IMO 2020 towards end of the year

## Supply & Demand Growth Estimates

| | Vessel* | 2019 | 2020 |
|---|---|---|---|
| Iron Ore  | Capesize | +0.6% | +3.3% |
| Coal  | Capesize<br>Panamax | +1.8% | +1.7% |
| Grain  | Panamax<br>Supramax<br>Handysize | +5.2% | +1.4% |
| Minor Bulk  | Supramax<br>Handysize | +3.1% | +3.3% |
| **Total Demand** | | +2.2% | +2.7% |
| **Fleet Growth** | | +2.5% | +1.6% |

*Indicates the primary vessel type that carries these commodities. Supply and demand forecasts are based on Marsoft's base case as of February 2019.

Sources: Marsoft, Clarksons



# Commercial Platform

# The Genco Platform: Positioned to Capture Market Upside

**Revamped Commercial Strategy**

- Enhanced commercial strategy focused on increasing margins and outperforming benchmarks
- Full in-house logistics solution to major cargo owners
- Fleet concentrated on major and minor bulks
  - Capesize: upside potential linked to iron ore trade
  - Ultra/Supra: steadier income stream, versatile cargo carrying capabilities
- Fleet deployment mix with a short-term bias providing optionality

**Active Approach to Revenue Growth**

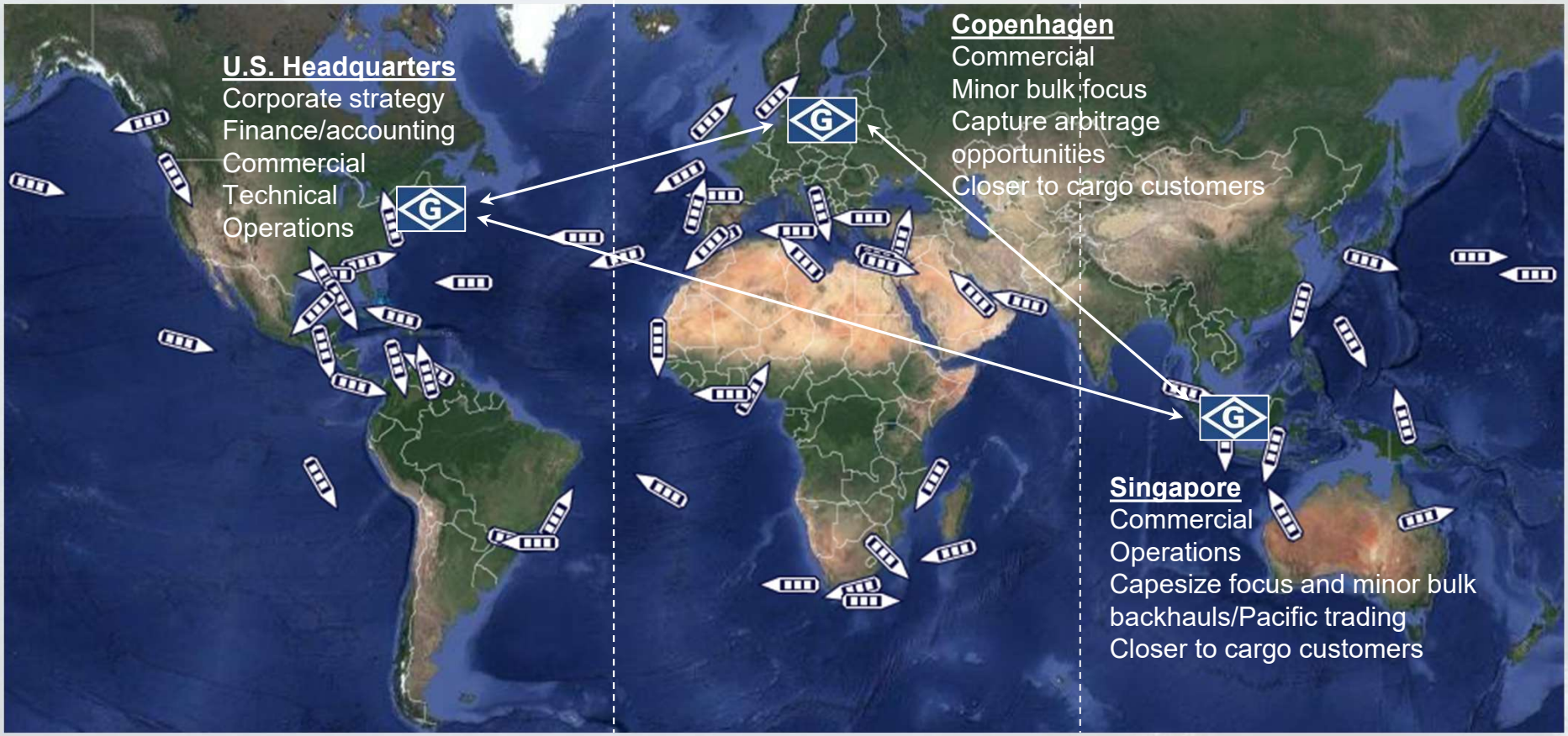
- Commercial strategy centered around maximizing individual vessel returns
- Leverage our in-house commercial expertise and relationships
- Substantially increased our customer base providing a full-service logistics solution to cargo customers

**Global Presence**

- Headquartered in New York with a commercial presence in Singapore and Copenhagen
- Implemented real-time management of the Capesize and minor bulk fleet
- Created a 24-hour operation leading to effective decision making
- Provides global footprint for Genco to get close to cargo customers and end users

# Genco's Global Footprint: Ability to Maximize Revenue with all Major Geographical Regions Covered

**Genco has vessels trading all of the world, a global presence has enabled the Company the ability to instantly capture market trends to maximize revenue generation**

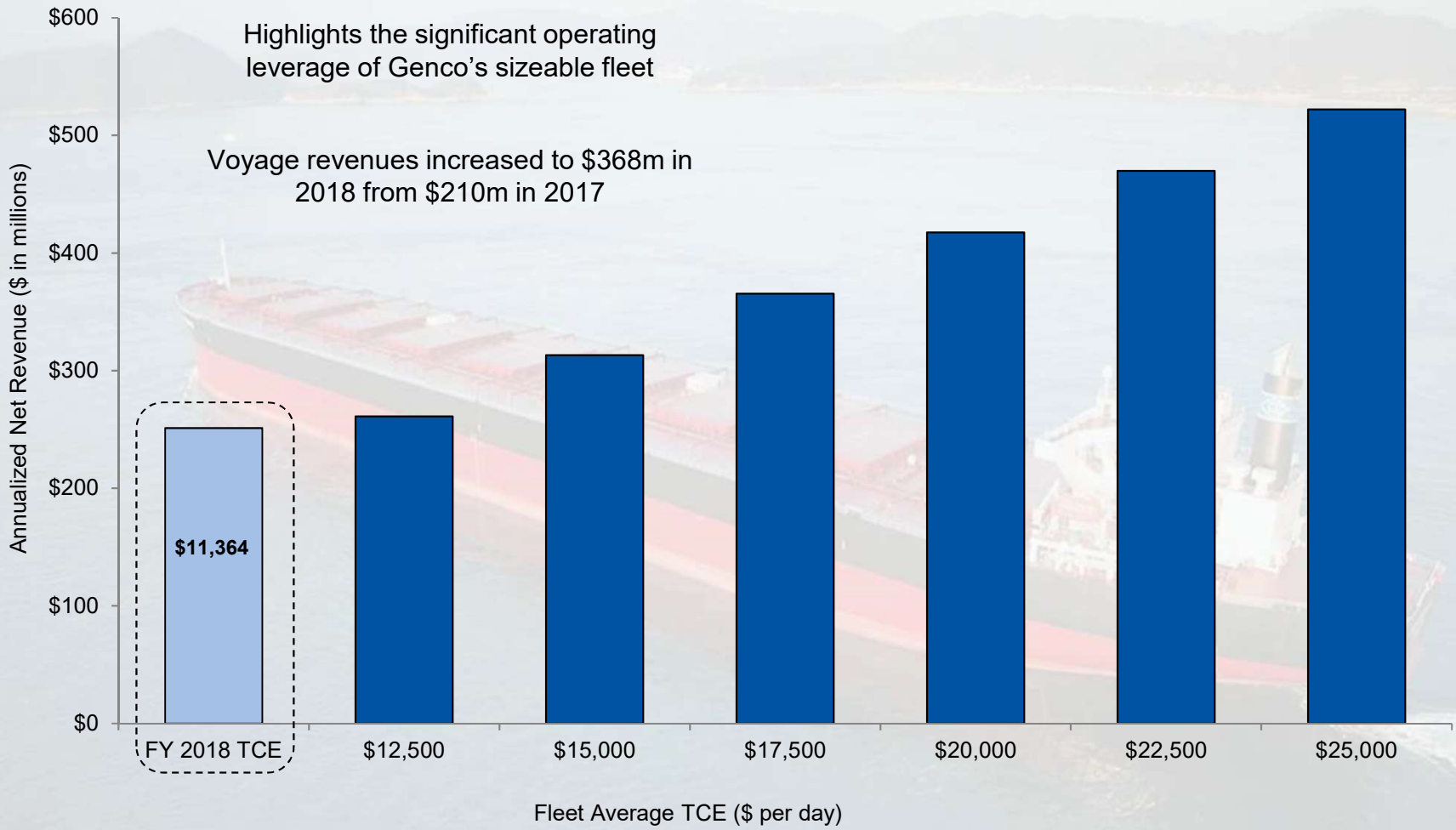



| Time difference to US: | +6 hours | +12/13 hours |
|---|---|---|

Source: VesselsValue.com

# Sensitivity to Net Revenues

**Every $1,000 increase in TCE equates to ~$21 million of incremental cash flow**



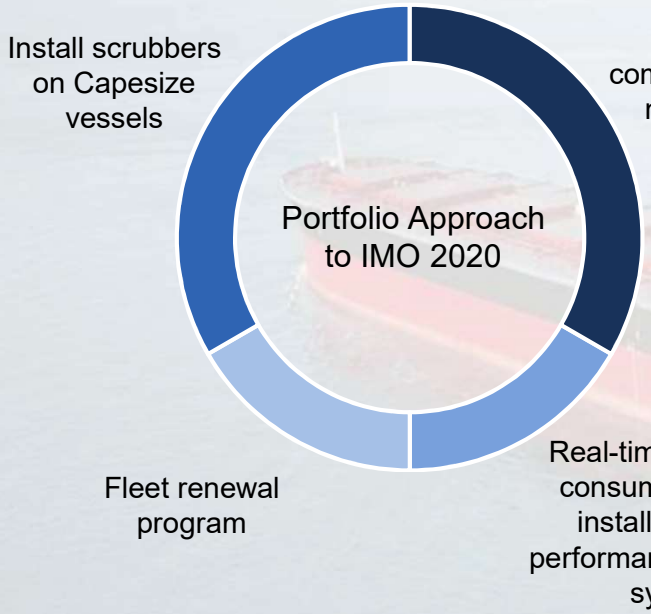

Note: Based on current Pro Forma fleet of 58 vessels.
See Appendix for a reconciliation of non-GAAP financial measures.



# IMO 2020 Strategy

# Balanced IMO 2020 Strategy – Optimal for Evolving Marine Fuel Market

**Genco's Comprehensive Plan**




**Install Scrubbers on Capesize Vessels**
**Evaluate Installation on Select Minor Bulk Vessels**

- Greatest benefit likely to occur in the early stages of compliance
- Shorter payback period on larger vessels, reducing risk profile
- Agreements to install scrubbers on 17 Capesizes
- Evaluating options to install scrubbers on certain minor bulk vessels

**Burn Compliant Fuel in Minor Bulk Fleet**

- Immediate compliance
- Does not require upfront capex

**Fleet Renewal Program**

- Completed sale of older, unencumbered vessels
- Improved fleet-wide fuel efficiency



# Financial Overview

# Favorable Debt Structure

**Simplified and efficient debt structure offers flexibility and visibility**

- Simplified capital structure
- No debt maturities until 2023
- Weighted average margin of 3.11%
- Covenant light structure

- Strong relationships with commercial banks including:

Nordea, SEB, Crédit Agricole S.A., Deutsche Bank, DVB, ABN·AMRO, CTBC Bank 中國信託銀行, Danish Ship Finance

**Simplified Debt Structure – Dec 31, 2018**

**$551m**
Total debt outstanding

| $460m Credit Facility | $108m Credit Facility | $35m Total commitment |
|---|---|---|
| **Debt Outstanding**<br>$445.0m | **Debt Outstanding**<br>$106.4m | **Debt Outstanding**<br>$0.0m |
| **Quarterly Amortization**<br>$15.0m | **Quarterly Amortization**<br>$1.6m | **Quarterly Amortization**<br>To commence Q1 2020 |
| **Pricing**<br>L + 3.25% (thru 12/31/18),<br>L + 3.00-3.50% (thereafter) | **Pricing**<br>L + 2.50% (thru 9/30/19)<br>L + 2.25-2.75% (thereafter) | **Pricing**<br>L + 2.50% (thru 9/30/19)<br>L + 2.25-2.75% (thereafter) |

# Select Balance Sheet Items

## Selected Financial Information

## December 31, 2018

(Dollars in thousands)

| Balance Sheet | |
|---|---|
| **Cash** | **$202,761** |
| **Debt** | **$551,420** |
| **Shareholders' Equity** | **$1,053,307** |

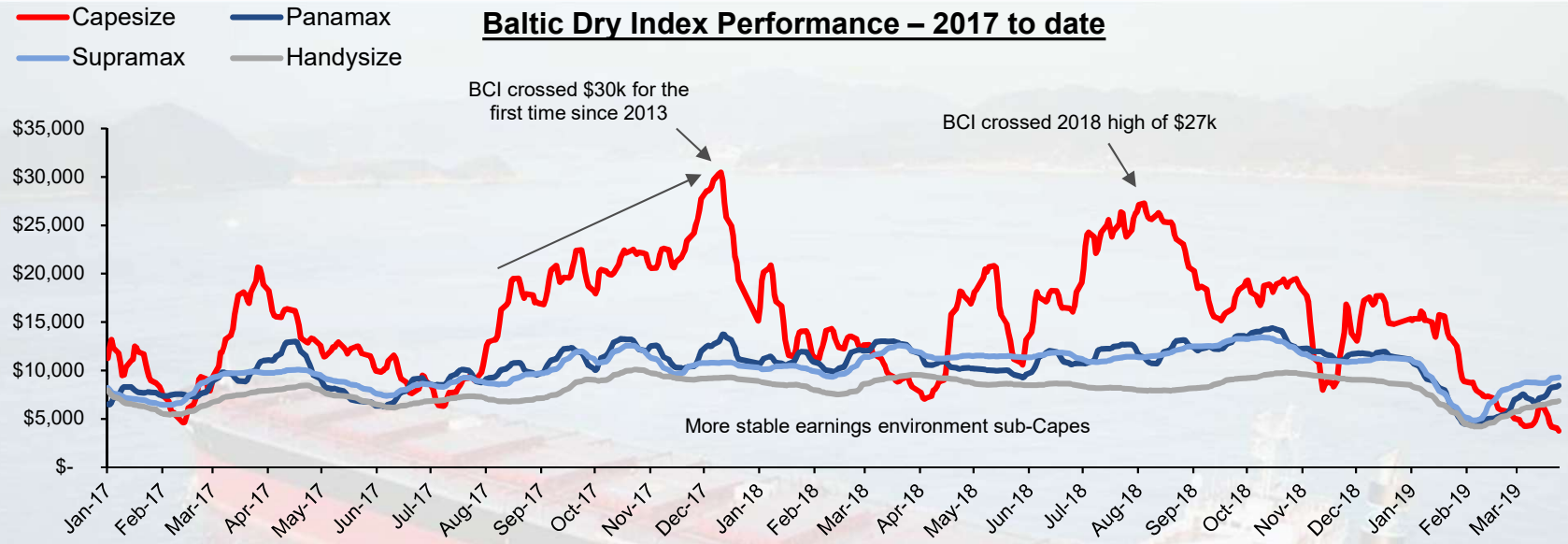
- Following $6.4 million of net proceeds from the sale of the Genco Vigour in January 2019, our pro forma cash position is $209 million
- Cash balance is a key differentiator for Genco providing us with significant optionality and flexibility

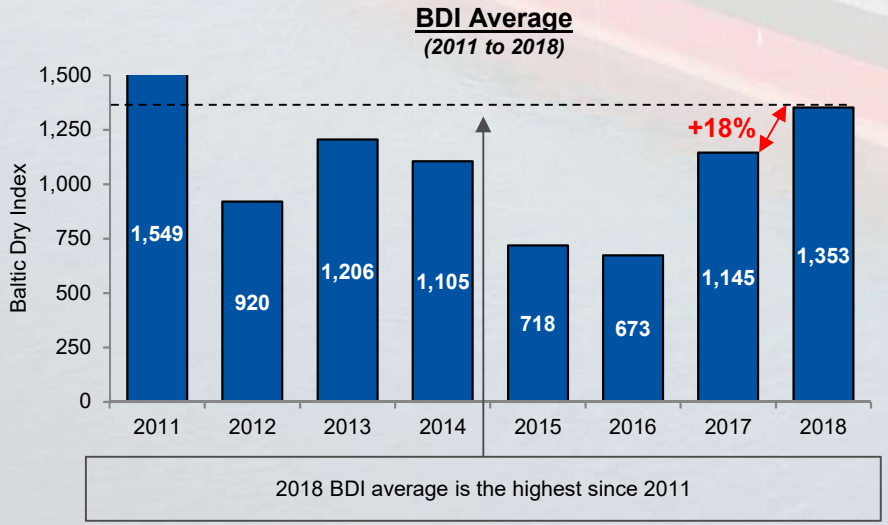


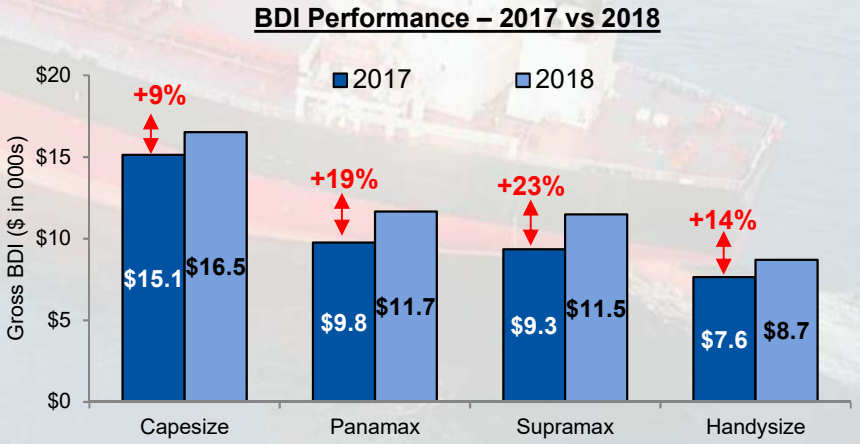
# Industry Overview

# Drybulk Freight Rate Development Since Jan 2017

**Capesize exposure provides upside earnings potential while minor bulk fleet provides a steadier income stream**



# Current Drybulk Market Drivers

**Typical first quarter seasonality has been exacerbated by recent events described below but near term drivers could support the drybulk market in the months ahead**

## Seasonal factors affecting freight rates

1) Frontloaded orderbook leading to higher N/B deliveries and net fleet growth in Q1
2) Chinese New Year holiday in February
3) Weather related disruptions impacting cargo availability – i.e. cyclones in Aust during March

**On top of these seasonal factors, unique developments include…**

1) Vale dam breach incident
2) Lingering US-China trade dispute
3) Reports of coal restrictions in China

>

## Potential near term demand drivers

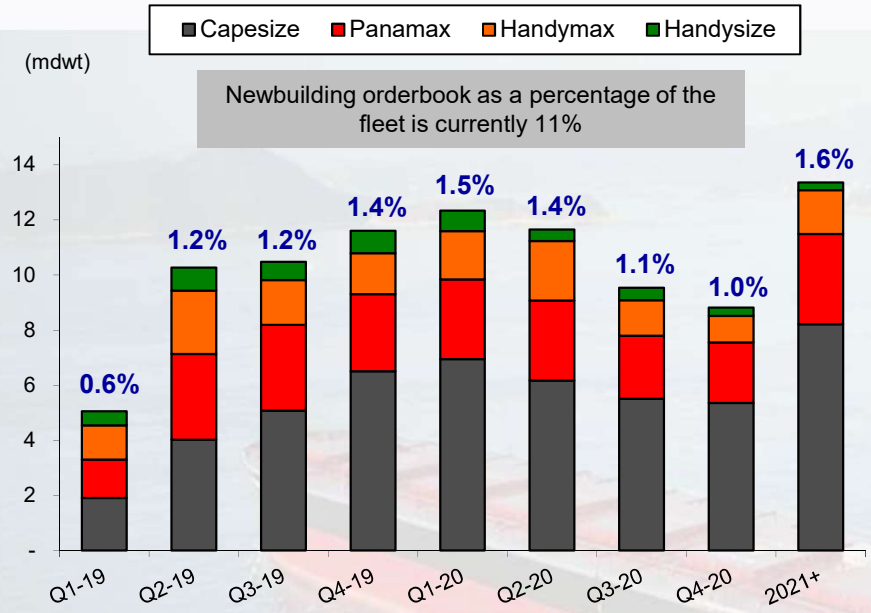
1) Peak spring construction season in China
2) Potential iron ore restocking
3) South American grain season
4) Potential US-China trade resolution
5) Increased seaborne coal demand from China if limited domestic output growth materializes

**Above met by a backdrop of low net fleet growth**

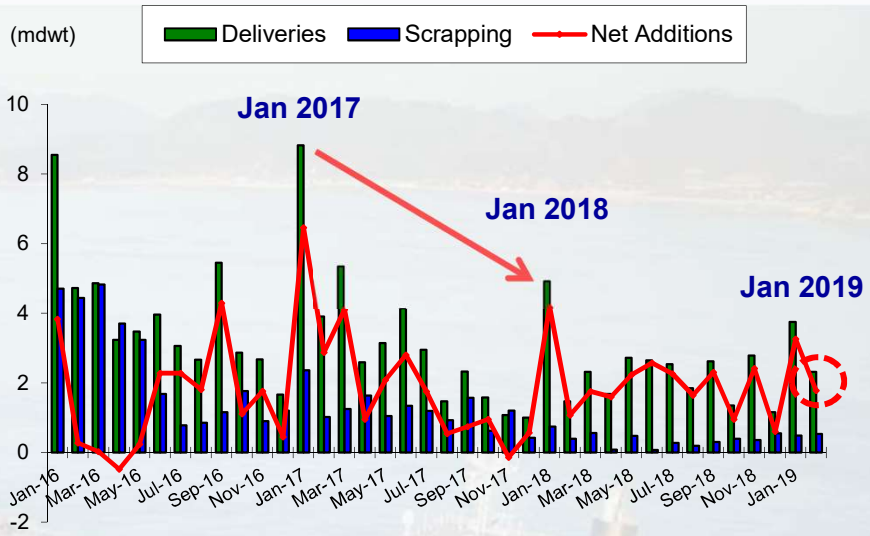
1) 2-3% net fleet growth expected for 2019 with a large portion frontloaded
2) Supply side disruption expected in 2H 2019 due to scrubber installations ahead of Jan 1, 2020
3) Potential for increased scrapping due to current market conditions and upcoming environmental regulations

# Supply Side Fundamentals

## Current Drybulk Vessel Orderbook by Type

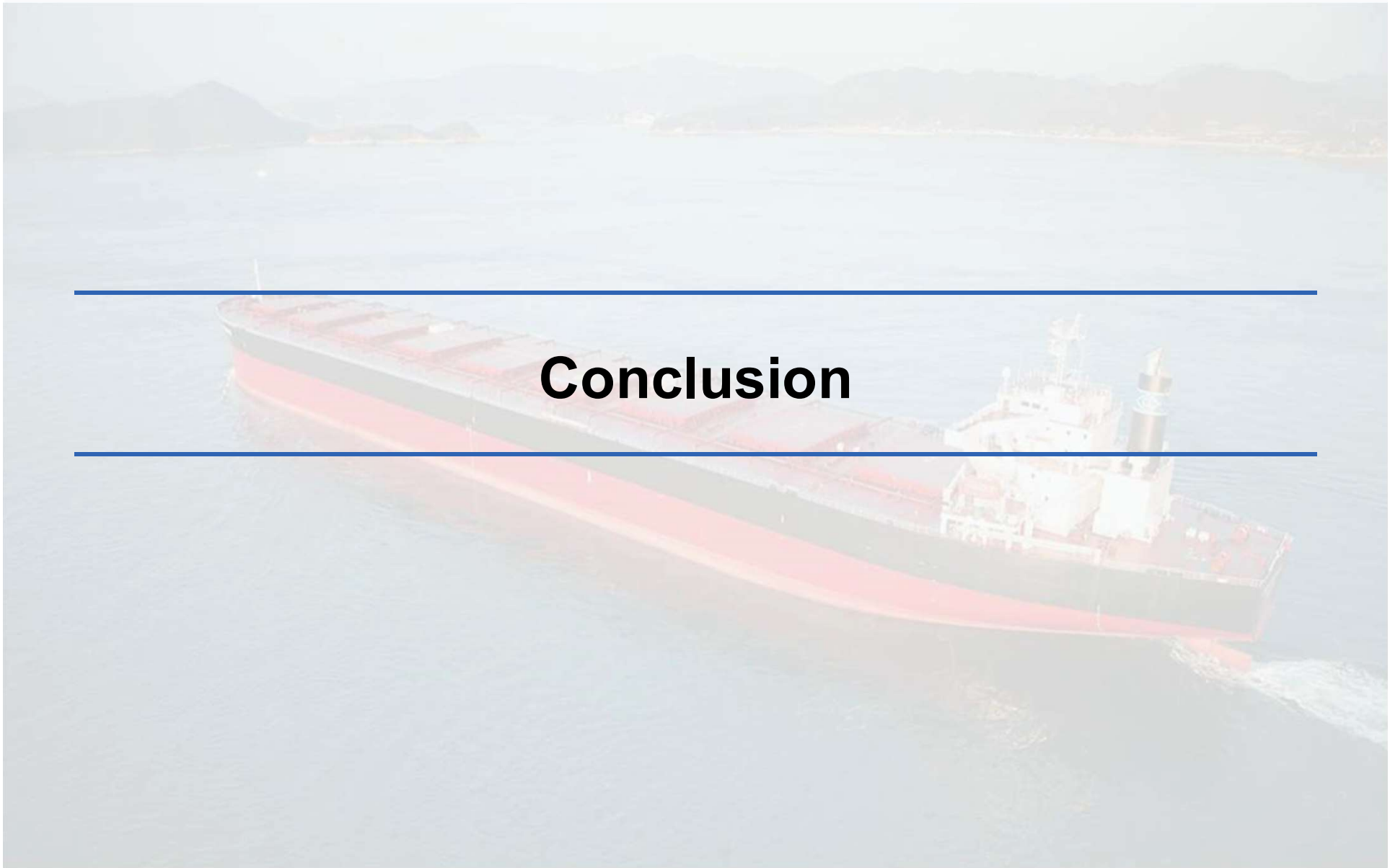



## Drybulk Vessel Deliveries vs. Scrapping




- Total newbuilding deliveries are down by approximately 5% through February YOY
- Slippage rate in 2019 to date has been approximately 30%
- The pace of scrapping has increased significantly so far in 2019, with approximately 2.5mdwt scrapped to date as compared to 4.4mdwt scrapped in all of 2018
- Orderbook as a percentage of the fleet is currently at approximately 11%
- On the water tonnage greater than or equal to 20 years old totals 7% of the fleet on a dwt basis

Source: Clarkson Research Services Limited 2019



# Conclusion

# Drybulk Market Outlook Through 2020

**Following two consecutive years of demand growth outpacing supply growth, in 2019, drybulk market fundamentals appear more balanced while demand is anticipated to once again outpace supply in 2020**

## 2019 & 2020 Demand Fundamentals

- Demand growth: 2.2% and 2.7%
- Focus remains on high quality seaborne iron ore
  - Anglo American: +15MT
  - Incremental tons out of Australian majors
- Coal trade expected to be boosted by demand in India and inventory restocking
- Steady growth in minor bulk trades led by:
  - Grain
  - Bauxite
  - Nickel ore

## 2019 & 2020 Supply Fundamentals

- Supply growth: 2.5% and 1.6%
- Orderbook as a percentage of the fleet: 11%
- OTW fleet >= 20 years: 7%
- Increased scrapping potential due to new environmental regulations
  - VLOC conversions remain in focus
- Expecting declining fleet-wide productivity due to:
  - A high drydocking year for the world fleet in both 2019 and 2020
  - Scrubber installations weighted towards 2H 2019 and early 2020

Sources: Clarksons Research Services Limited 2019, Marsoft Incorporated

# The New Path Forward To Continue to Deliver Results

**Genco is attractively positioned to capture market upside**

| | |
|---|---|
| **Leadership** | ■ Experienced US-based management team |
| **Genco's Fleet** | ■ Large fleet mirrors global trade dynamics – scale provides significant operating leverage |
| **Commercial Platform** | ■ Active management through global commercial platform and full-service logistics solution |
| **Efficient Cost Structure** | ■ Have meaningfully reduced costs without sacrificing high quality and safety standards |
| **Capital Structure** | ■ Simplified balance sheet that provides ample flexibility |
| **IMO 2020** | ■ Comprehensive plan including installing scrubbers on Capes, with minor bulk options |
| **Fleet Growth & Renewal** | ■ Continue to execute the fleet renewal plan |
| **Drybulk Market** | ■ Demand and supply dynamics forecast to improve in 2H 2019 and into 2020 |



# Appendix

# Genco Fleet List

| Major Bulk | | |
|---|---|---|
| **Vessel Name** | **Year Built** | **Dwt** |
| **Capesize** | | |
| Genco Resolute | 2015 | 181,060 |
| Genco Endeavour | 2015 | 181,060 |
| Genco Constantine | 2008 | 180,183 |
| Genco Augustus | 2007 | 180,151 |
| Genco Liberty | 2016 | 180,032 |
| Genco Defender | 2016 | 180,021 |
| Genco Tiger | 2011 | 179,185 |
| Baltic Lion | 2012 | 179,185 |
| Genco London | 2007 | 177,833 |
| Baltic Wolf | 2010 | 177,752 |
| Genco Titus | 2007 | 177,729 |
| Baltic Bear | 2010 | 177,717 |
| Genco Tiberius | 2007 | 175,874 |
| Genco Commodus | 2009 | 169,098 |
| Genco Hadrian | 2008 | 169,025 |
| Genco Maximus | 2009 | 169,025 |
| Genco Claudius | 2010 | 169,001 |
| **Panamax** | | |
| Genco Thunder | 2007 | 76,588 |
| Genco Raptor | 2007 | 76,499 |

| Minor Bulk | | |
|---|---|---|
| **Vessel Name** | **Year Built** | **Dwt** |
| **Ultramax** | | |
| Baltic Hornet | 2014 | 63,574 |
| Baltic Mantis | 2015 | 63,470 |
| Baltic Scorpion | 2015 | 63,462 |
| Baltic Wasp | 2015 | 63,389 |
| Genco Weatherly | 2014 | 61,556 |
| Genco Columbia | 2016 | 60,294 |
| **Supramax** | | |
| Genco Hunter | 2007 | 58,729 |
| Genco Auvergne | 2009 | 58,020 |
| Genco Ardennes | 2009 | 58,018 |
| Genco Bourgogne | 2010 | 58,018 |
| Genco Brittany | 2010 | 58,018 |
| Genco Languedoc | 2010 | 58,018 |
| Genco Pyrenees | 2010 | 58,018 |
| Genco Rhone | 2011 | 58,018 |
| Genco Aquitaine | 2009 | 57,981 |
| Genco Warrior | 2005 | 55,435 |
| Genco Predator | 2005 | 55,407 |
| Genco Provence | 2004 | 55,317 |
| Genco Picardy | 2005 | 55,257 |
| Genco Normandy | 2007 | 53,596 |
| Baltic Jaguar | 2009 | 53,473 |
| Baltic Leopard | 2009 | 53,446 |

| Minor Bulk | | |
|---|---|---|
| **Vessel Name** | **Year Built** | **Dwt** |
| Baltic Cougar | 2009 | 53,432 |
| Genco Loire | 2009 | 53,430 |
| Genco Lorraine | 2009 | 53,417 |
| Baltic Panther | 2009 | 53,350 |
| **Handysize** | | |
| Genco Spirit | 2011 | 34,432 |
| Genco Mare | 2011 | 34,428 |
| Genco Ocean | 2010 | 34,409 |
| Baltic Wind | 2009 | 34,408 |
| Baltic Cove | 2010 | 34,403 |
| Genco Avra | 2011 | 34,391 |
| Baltic Breeze | 2010 | 34,386 |
| Genco Bay | 2010 | 34,296 |
| Baltic Hare | 2009 | 31,887 |
| Baltic Fox | 2010 | 31,883 |
| Genco Champion | 2006 | 28,445 |
| Genco Challenger | 2003 | 28,428 |
| Genco Charger | 2005 | 28,398 |

**Modern, diversified fleet**

**17 Capesize**

**2 Panamax**

**6 Ultramax**

**20 Supramax**

**13 Handysize**

**Capesize**



17

**Panamax**




2

**Ultramax/Supramax**



26

**Handysize**



13

- Red boxes indicate sales candidates under the Company's previously announced fleet renewal plan

# Fourth Quarter Earnings

| | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Twelve Months Ended December 31, 2018 | Twelve Months Ended December 31, 2017 |
|---|---|---|---|---|
| | (Dollars in thousands, except share and per share data) (unaudited) | | (Dollars in thousands, except share and per share data) (unaudited) | |
| **INCOME STATEMENT DATA:** | | | | |
| Revenues: | | | | |
| Voyage revenues | $ 112,185 | $ 74,918 | $ 367,522 | $ 209,698 |
| Total revenues | 112,185 | 74,918 | 367,522 | 209,698 |
| Operating expenses: | | | | |
| Voyage expenses | 36,305 | 15,579 | 114,855 | 25,321 |
| Vessel operating expenses | 24,785 | 24,219 | 97,427 | 98,086 |
| Charter hire expenses | 302 | - | 1,534 | - |
| General and administrative expenses (inclusive of nonvested stock amortization expense of $0.5 million, $0.5 million, $2.2 million and $4.1 million, respectively) | 6,380 | 5,640 | 23,141 | 22,190 |
| Technical management fees | 2,075 | 1,925 | 8,000 | 7,659 |
| Depreciation and amortization | 18,370 | 17,582 | 68,976 | 71,776 |
| Impairment of vessel assets | - | - | 56,586 | 21,993 |
| Gain on sale of vessels | (2,004) | - | (3,513) | (7,712) |
| Total operating expenses | 86,213 | 64,945 | 367,006 | 239,313 |
| Operating income (loss) | 25,972 | 9,973 | 516 | (29,615) |
| Other (expense) income: | | | | |
| Other income (expense) | 95 | (12) | 367 | (164) |
| Interest income | 1,058 | 546 | 3,801 | 1,551 |
| Interest expense | (8,842) | (7,938) | (33,091) | (30,497) |
| Loss on debt extinguishment | - | - | (4,533) | - |
| Other expense | (7,689) | (7,404) | (33,456) | (29,110) |
| Income (loss) before income taxes | 18,283 | 2,569 | (32,940) | (58,725) |
| Income tax expense | - | - | - | - |
| Net income (loss) | $ 18,283 | $ 2,569 | $ (32,940) | $ (58,725) |
| Net earnings (loss) per share - basic | $ 0.44 | $ 0.07 | $ (0.86) | $ (1.71) |
| Net earnings (loss) per share - diluted | $ 0.44 | $ 0.07 | $ (0.86) | $ (1.71) |
| Weighted average common shares outstanding - basic | 41,704,296 | 34,559,830 | 38,382,599 | 34,242,631 |
| Weighted average common shares outstanding - diluted | 41,792,956 | 34,682,302 | 38,382,599 | 34,242,631 |

# December 31, 2018 Balance Sheet

| BALANCE SHEET DATA: | December 31, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Cash (including restricted cash) | $ 202,761 | $ 204,946 |
| Current assets | 270,451 | 217,239 |
| Total assets | 1,627,470 | 1,520,959 |
| Current liabilities (excluding current portion of long-term debt) | 35,547 | 27,952 |
| Current portion of long-term debt | 66,320 | 24,497 |
| Long-term debt (net of $16.3 million and $9.0 million of unamortized debt issuance costs at December 31, 2018 and December 31, 2017, respectively) | 468,828 | 490,895 |
| Shareholders' equity | 1,053,307 | 975,027 |

| OTHER FINANCIAL DATA: | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Twelve Months Ended December 31, 2018 | Twelve Months Ended December 31, 2017 |
|---|---|---|---|---|
| | (Dollars in thousands) (unaudited) | | (Dollars in thousands) (unaudited) | |
| Net cash provided by operating activities | N/A | | $ 65,907 | $ 24,071 |
| Net cash (used in) provided by investing activities | | | (195,375) | 17,405 |
| Net cash provided by (used in) financing activities | | | 127,283 | (5,598) |
| | (unaudited) | | (unaudited) | |
| **EBITDA Reconciliation:** | | | | |
| **Net income (loss)** | $ 18,283 | $ 2,569 | $ (32,940) | $ (58,725) |
| + Net interest expense | 7,784 | 7,392 | 29,290 | 28,946 |
| + Depreciation and amortization | 18,370 | 17,582 | 68,976 | 71,776 |
| **EBITDA**[(1)] | $ 44,437 | $ 27,543 | $ 65,326 | $ 41,997 |
| + Impairment of vessel assets | - | - | 56,586 | 21,993 |
| - Gain on sale of vessels | (2,004) | - | (3,513) | (7,712) |
| + Loss on debt extinguishment | - | - | 4,533 | - |
| **Adjusted EBITDA** | $ 42,433 | $ 27,543 | $ 122,932 | $ 56,278 |

(1) EBITDA represents net income (loss) plus net interest expense, taxes, and depreciation and amortization. EBITDA is included because it is used by management and certain investors as a measure of operating performance. EBITDA is used by analysts in the shipping industry as a common performance measure to compare results across peers. Our management uses EBITDA as a performance measure in consolidating internal financial statements and it is presented for review at our board meetings. We believe that EBITDA is useful to investors as the shipping industry is capital intensive which often results in significant depreciation and cost of financing. EBITDA presents investors with a measure in addition to net income to evaluate our performance prior to these costs. EBITDA is not an item recognized by U.S. GAAP (i.e. non-GAAP measure) and should not be considered as an alternative to net income, operating income or any other indicator of a company's operating performance required by U.S. GAAP. EBITDA is not a measure of liquidity or cash flows as shown in our consolidated statement of cash flows. The definition of EBITDA used here may not be comparable to that used by other companies.

# Fourth Quarter Highlights

| | Three Months Ended (unaudited) | | Twelve Months Ended (unaudited) | |
|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| **FLEET DATA:** | | | | |
| Total number of vessels at end of period | 59 | 60 | 59 | 60 |
| Average number of vessels (1) | 62.1 | 60.0 | 61.0 | 60.8 |
| Total ownership days for fleet (2) | 5,716 | 5,520 | 22,249 | 22,207 |
| Total chartered-in days (3) | 19 | - | 132 | - |
| Total available days (4) | 5,728 | 5,514 | 22,231 | 21,759 |
| Total available days for owned fleet (5) | 5,710 | 5,514 | 22,099 | 21,759 |
| Total operating days for fleet (6) | 5,661 | 5,468 | 21,975 | 21,466 |
| Fleet utilization (7) | 98.7% | 99.1% | 98.5% | 98.1% |
| **AVERAGE DAILY RESULTS:** | | | | |
| Time charter equivalent (8) | $ 13,237 | $ 10,761 | $ 11,364 | $ 8,474 |
| Daily vessel operating expenses per vessel (9) | 4,336 | 4,387 | 4,379 | 4,417 |

(1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as a measured by the sum of the number of days each vessel was part of our fleet during the period divided by the number of calendar days in that period.

(2) We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(3) We define chartered-in days as the aggregate number of days in a period during which we chartered-in third-party vessels.

(4) We define available days, which Genco has recently updated and incorporated in the table above to better demonstrate the manner in which Genco evaluates its business, as the number of our ownership days and chartered-in days less the aggregate number of days that our vessels are off-hire due to familiarization upon acquisition, repairs or repairs under guarantee, vessel upgrades or special surveys. Amounts in the table above for the period ended December 31, 2017 have been adjusted for our updated method of calculating available days. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(5) We define available days for the owned fleet as available days less chartered-in days.

(6) We define operating days as the number of our total available days in a period less the aggregate number of days that the vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(7) We calculate fleet utilization, which Genco has recently updated and incorporated in the table above to better demonstrate the manner in which Genco evaluates its business, as the number of our operating days during a period divided by the number of ownership days plus time charter-in days less days our vessels spend in drydocking.

(8) We define TCE rates as our voyage revenues less voyage expenses and charter-hire expenses, divided by the number of the available days of our owned fleet during the period, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts while charterhire rates for vessels on time charters generally are expressed in such amounts.

(9) We define daily vessel operating expenses to include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance (excluding drydocking), the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Daily vessel operating expenses are calculated by dividing vessel operating expenses by ownership days for the relevant period.

# Time Charter Equivalent Reconciliation(1)

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | (unaudited) | | (unaudited) | |
| **Total Fleet** | | | | |
| Voyage revenues (in thousands) | $ 112,185 | $ 74,918 | $ 367,522 | $ 209,698 |
| Voyage expenses (in thousands) | 36,305 | 15,579 | 114,855 | 25,321 |
| Charter hire expenses (in thousands) | 302 | - | 1,534 | - |
| | 75,578 | 59,339 | 251,133 | 184,377 |
| Total available days for owned fleet | 5,710 | 5,514 | 22,099 | 21,759 |
| Total TCE rate | $ 13,237 | $ 10,761 | $ 11,364 | $ 8,474 |

| | Three Months Ended | | |
|---|---|---|---|
| | March 31, 2018 | June 30, 2018 | September 30, 2018 |
| | (unaudited) | | |
| **Total Fleet** | | | |
| Voyage revenues (in thousands) | $ 76,916 | $ 86,157 | $ 92,263 |
| Voyage expenses (in thousands) | 21,093 | 25,983 | 31,475 |
| Charter hire expenses (in thousands) | - | 509 | 723 |
| | 55,823 | 59,665 | 60,065 |
| Total available days for owned fleet | 5,335 | 5,442 | 5,615 |
| Total TCE rate | $ 10,463 | $ 10,964 | $ 10,696 |

(1) We define TCE rates as our voyage revenues less voyage expenses and charter-hire expenses, divided by the number of the available days of our owned fleet during the period, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts, while charterhire rates for vessels on time charters generally are expressed in such amounts.