

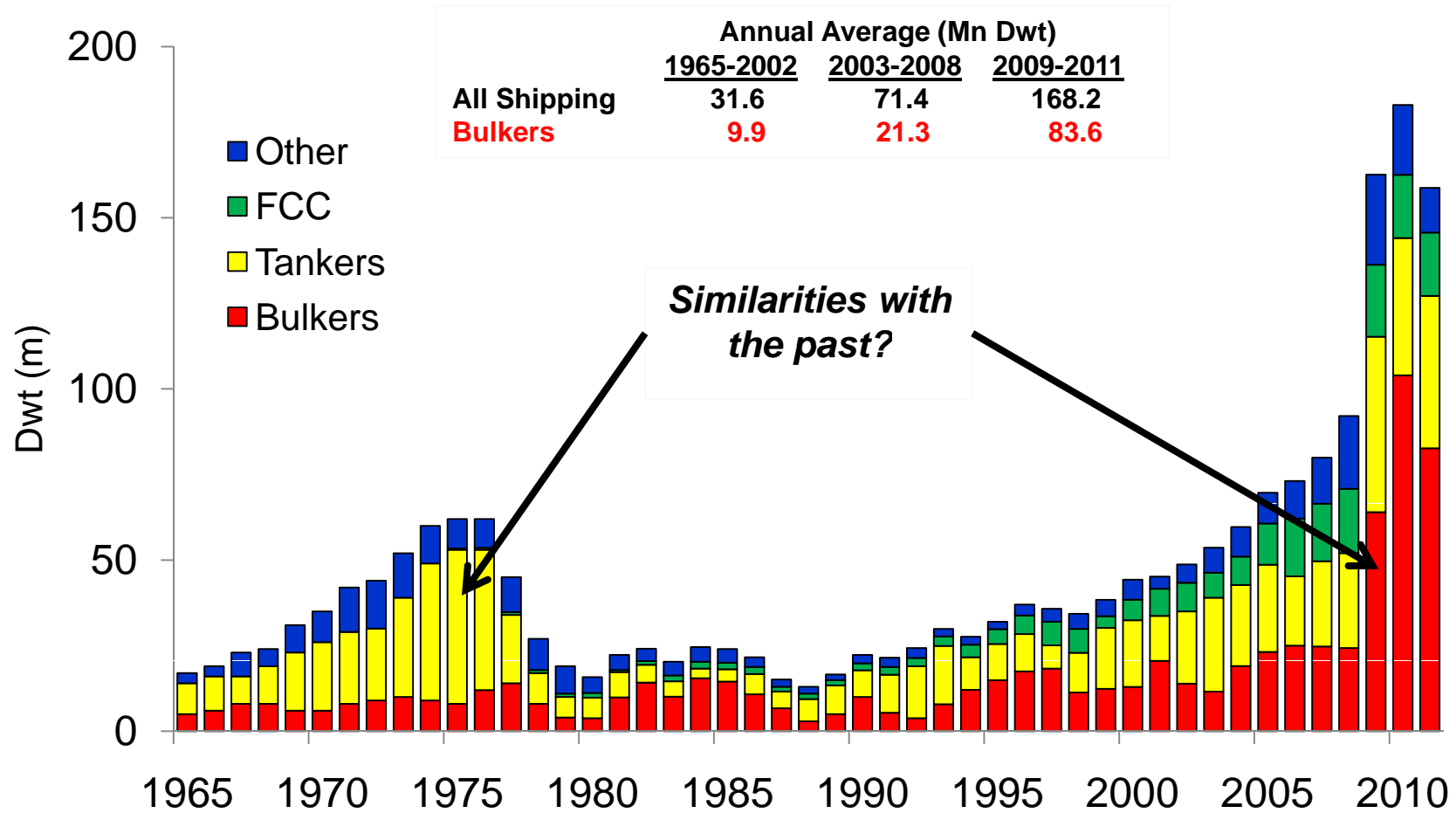
Get Real

Dry Cargo Market Presentation

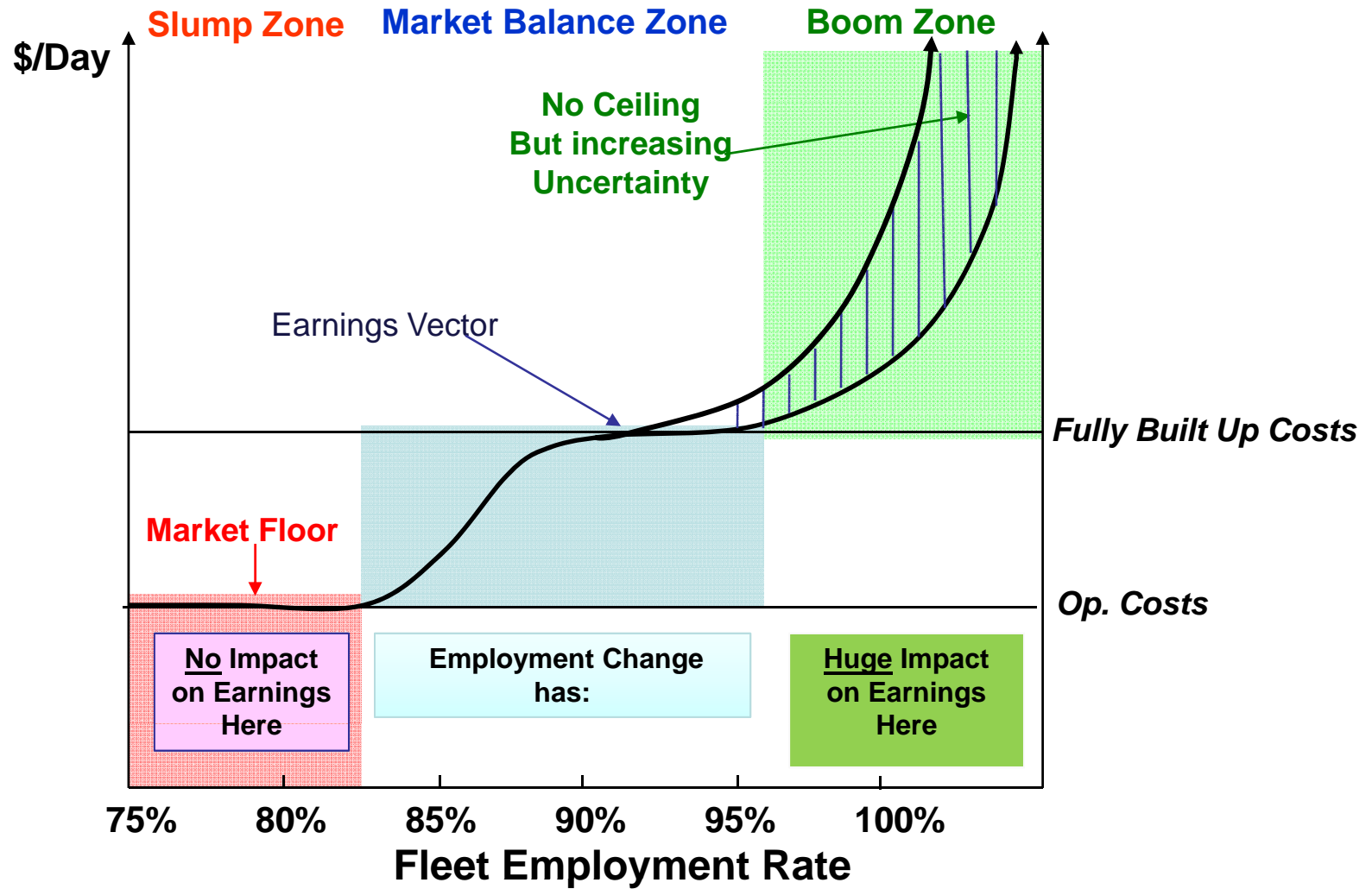
Prepared by Howe Robinson Research

The Problem – The Shipping Orderbook

Delivered 1965-2009, Orderbook 2009-2011



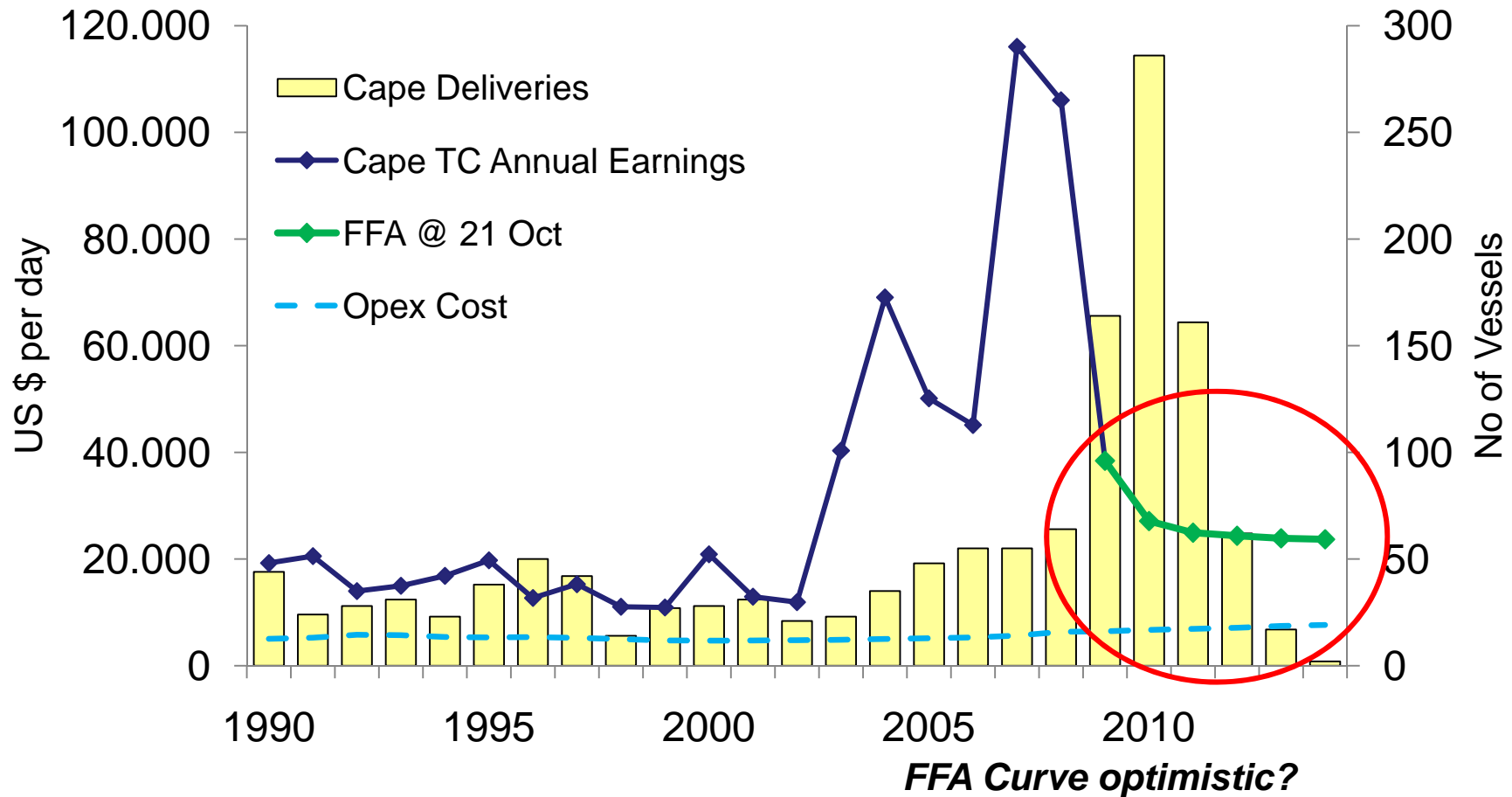
A Model of Freight Market Behaviour



Source: MSI/Howe Robinson Research

A realistic view of future supply?

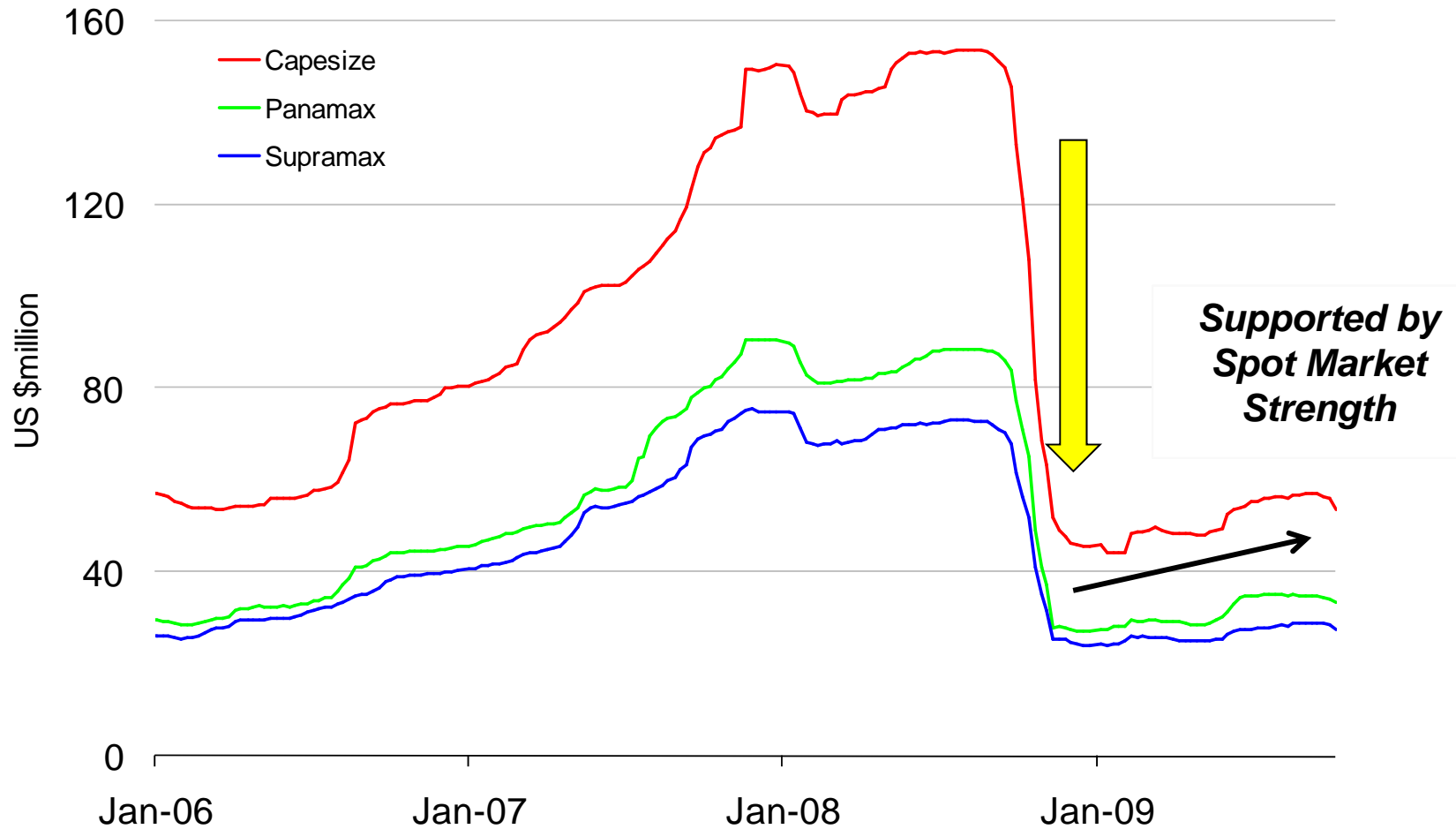
Cape Earnings vs Vessel Deliveries



Has the oversupply problem been resolved?

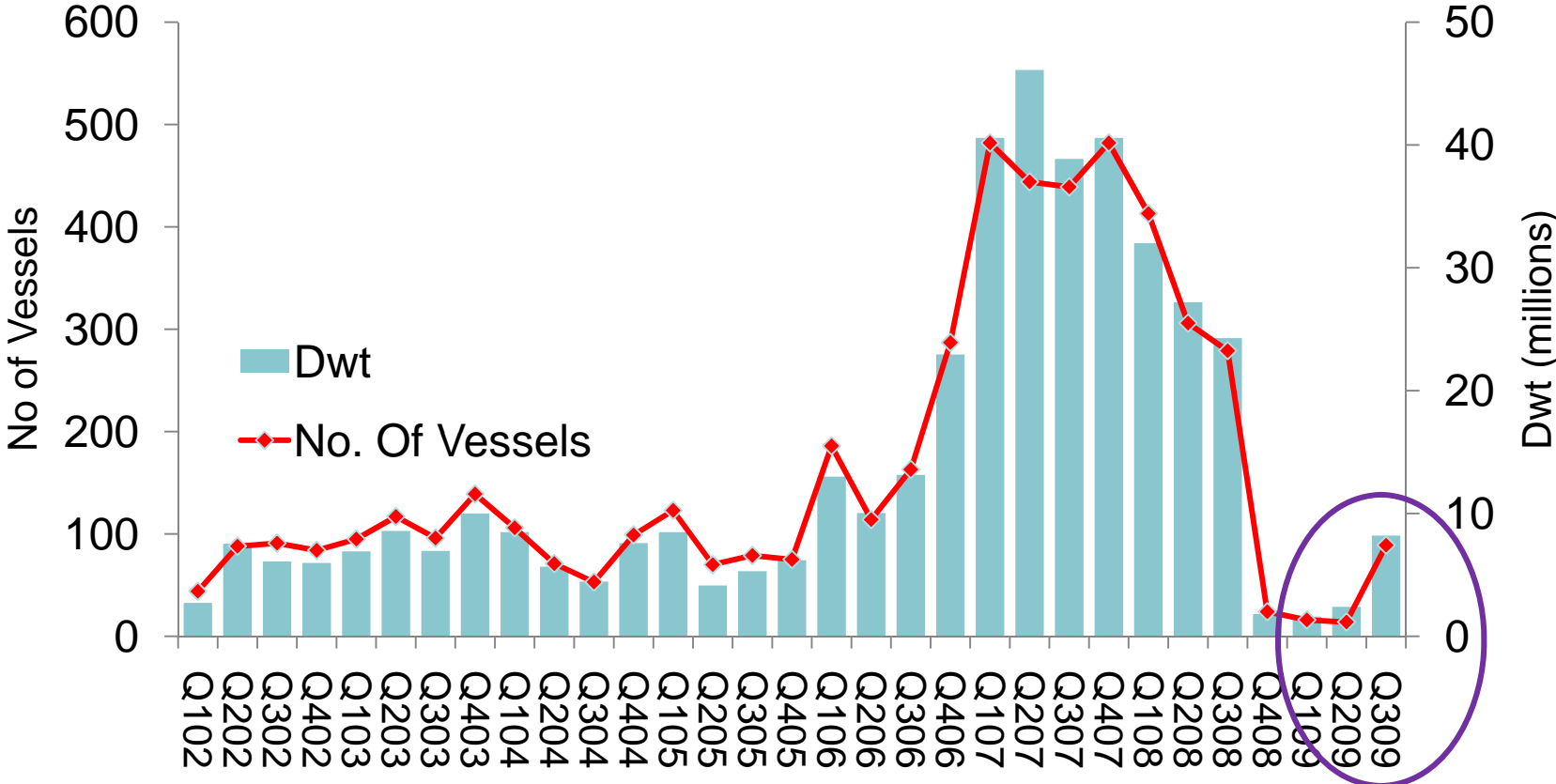
Plunging Asset Prices

Secondhand Prices, 5yr Old prompt delivery



Source: Baltic Exchange

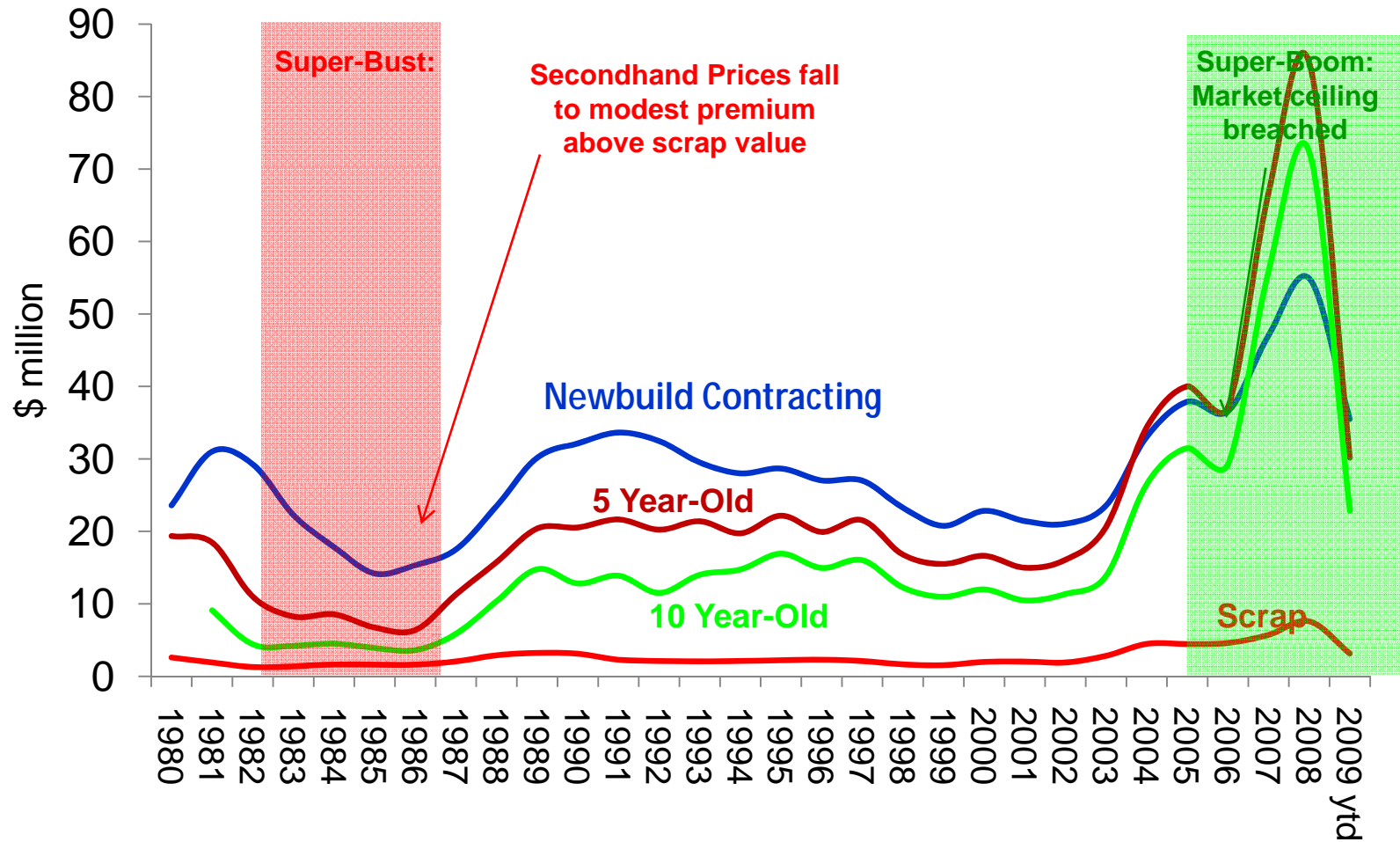
Dry Bulk Newbuilding Contracting



Source: LR Fairplay/Howe Robinson Research/MSI/Zosen News

S&P Market Price Structure

Panamax Bulk Carrier (1980-2009)

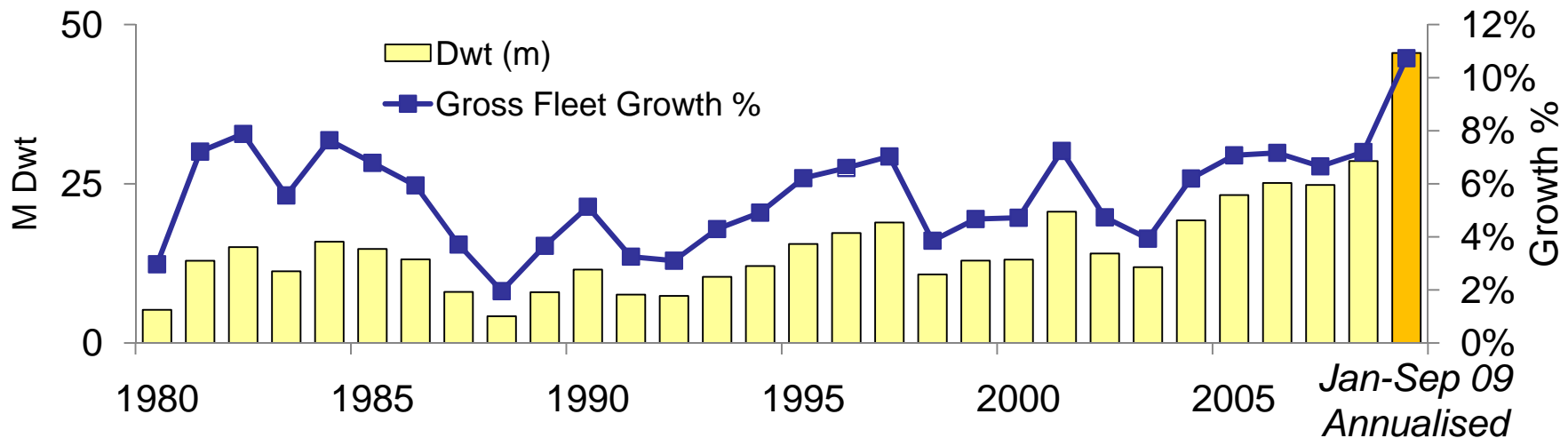


Source: MSI/Howe Robinson Research

Jan-Sep 09 Deliveries - *Glass half full/empty?*

Vessels Sector	Newbuild		Conversion to Bulk		Total Jan-Aug-09	
	No. of VsIs	Dwt (m)	No. of VsIs	Dwt (m)	No. of VsIs	Dwt (m)
Cape (+120)	73	14.009	13	3.054	86	17.062
Post-Panamax	22	2.013	6	0.551	28	2.564
Panamax	46	3.626	2	0.138	48	3.764
Handymax (40-60)	144	7.744	5	0.244	149	7.988
Handysize	97	2.747	1	0.030	98	2.777
Grand Total	382	30.139	27	4.017	409	34.156

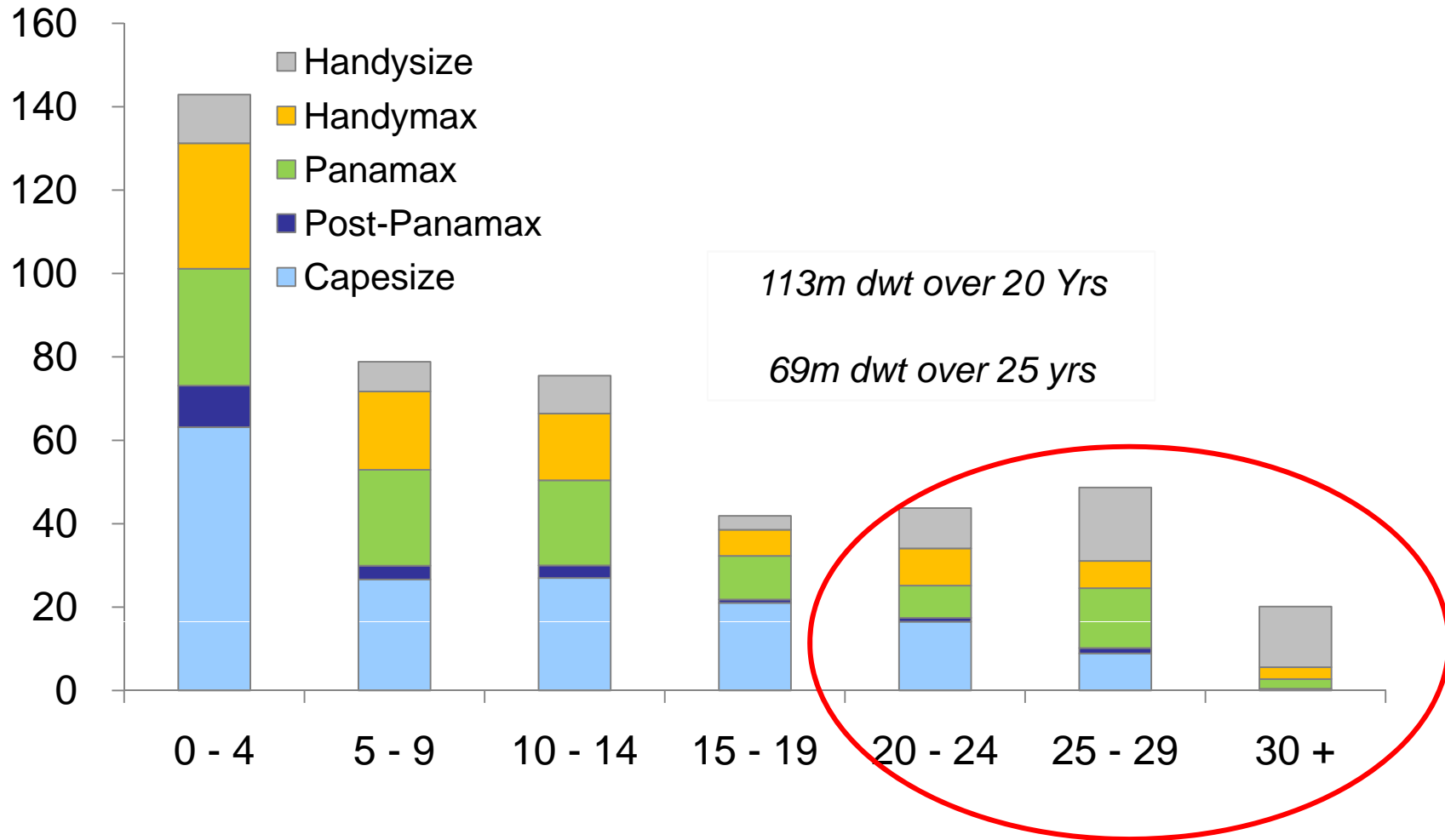
Regardless of how much slippage or misreporting is being experienced, deliveries are running at a record pace.



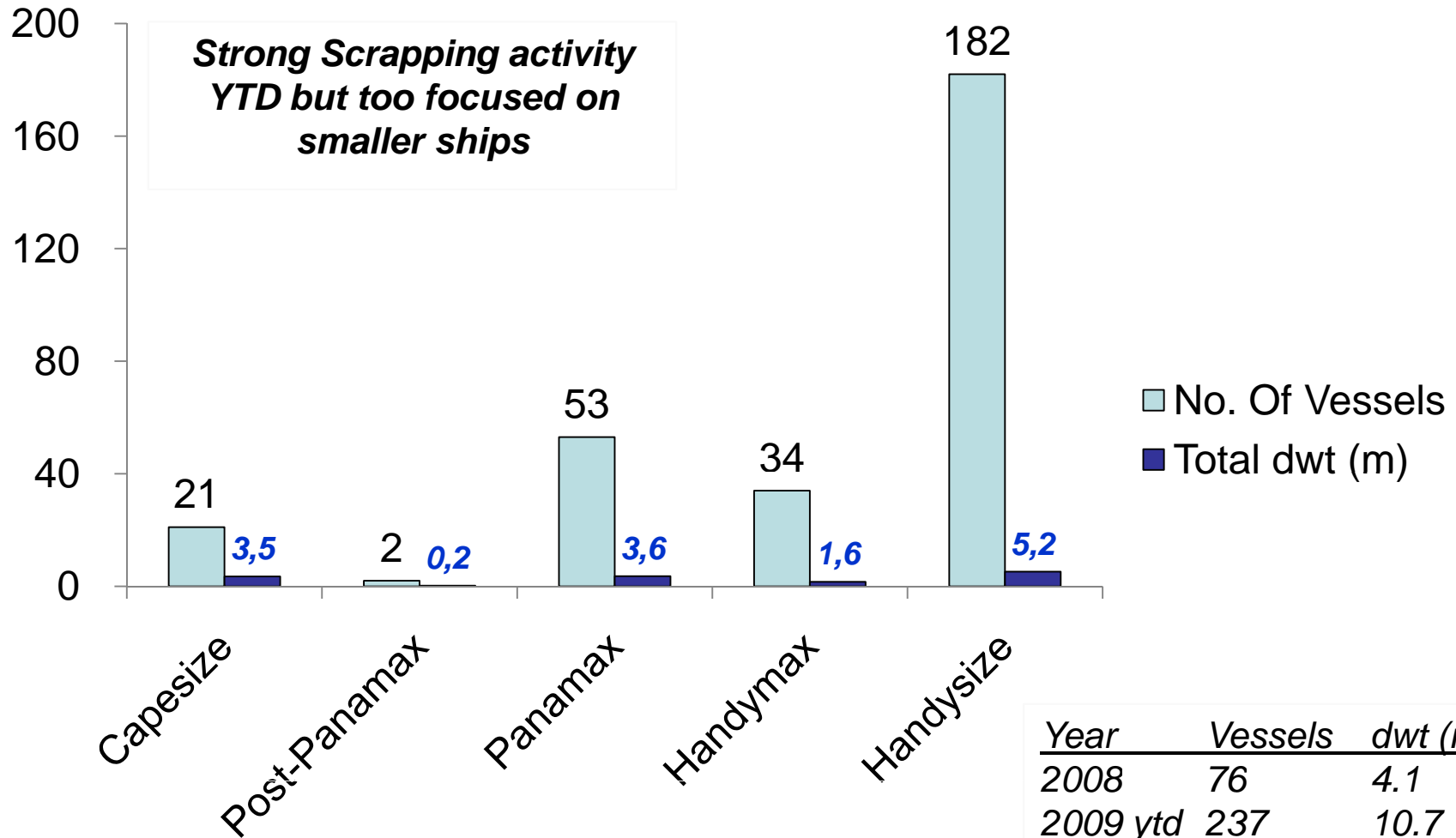
Cancellations, Finance problems etc to the rescue?



Dry Bulk Fleet – Age Profile by dwt

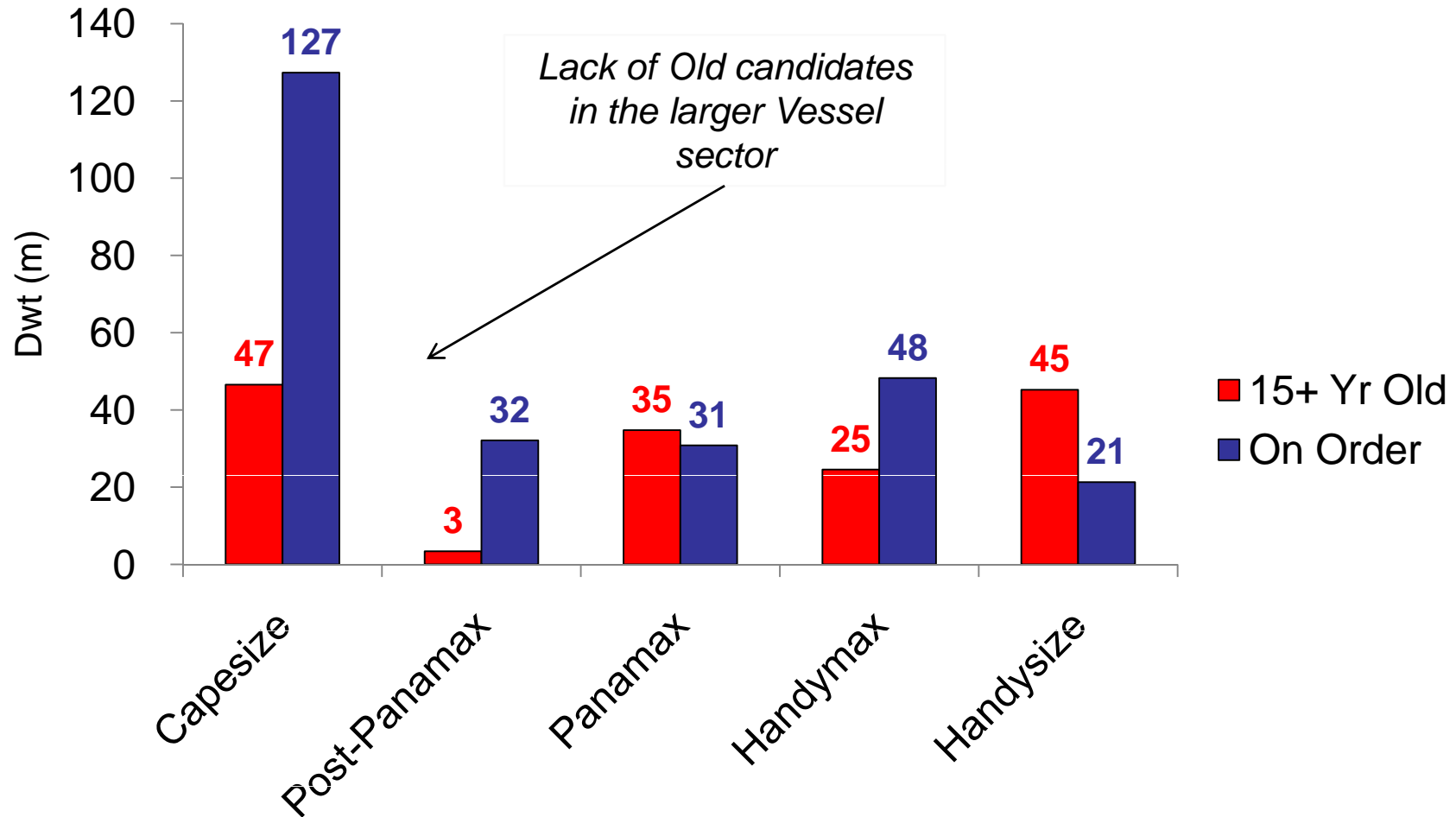


Scrapping activity since 2008



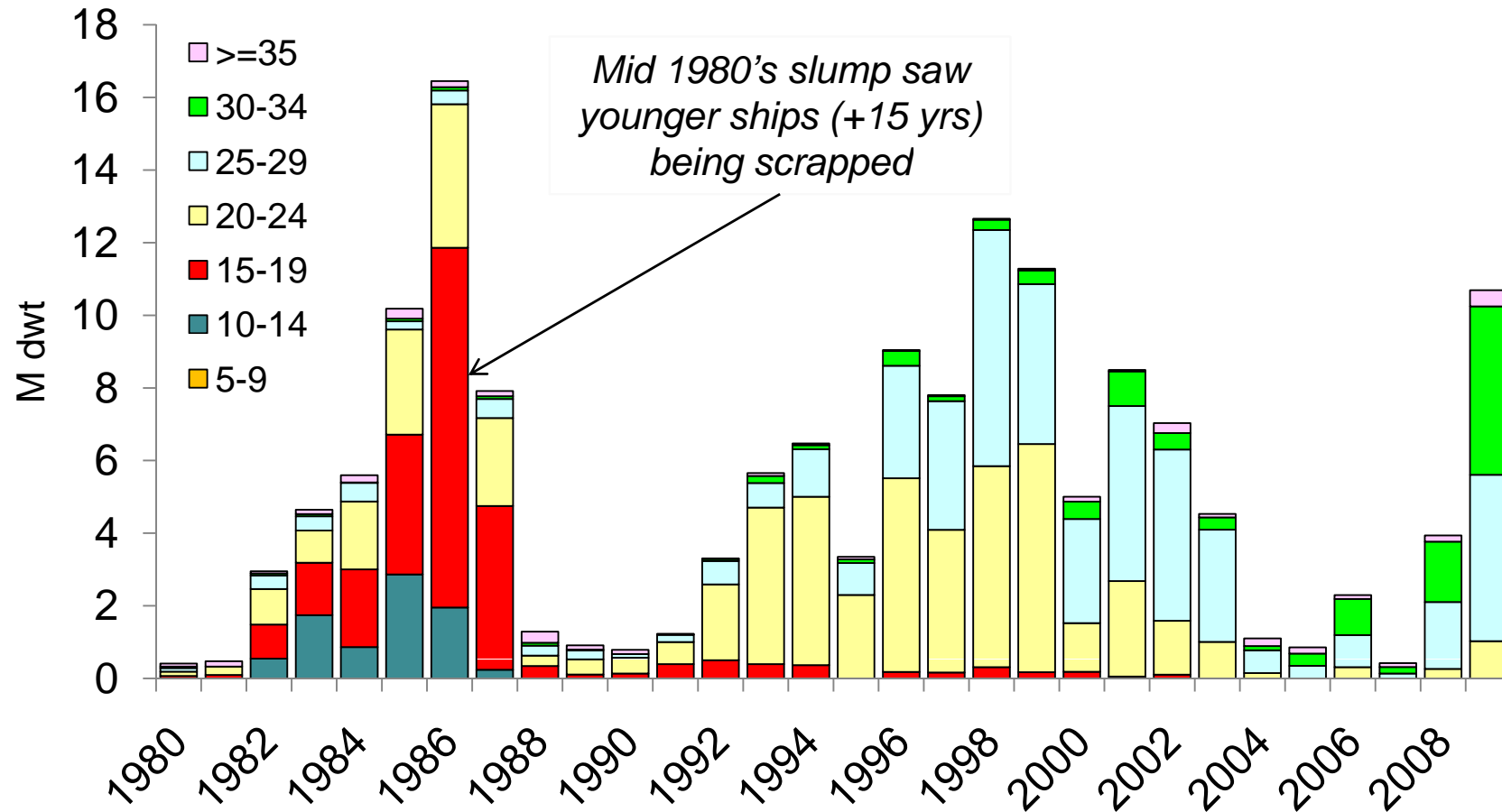
Year	Vessels	dwt (m)
2008	76	4.1
2009 ytd	237	10.7

Demolition Candidates vs Orders



Dry Cargo Scrapping

By age group of vessel



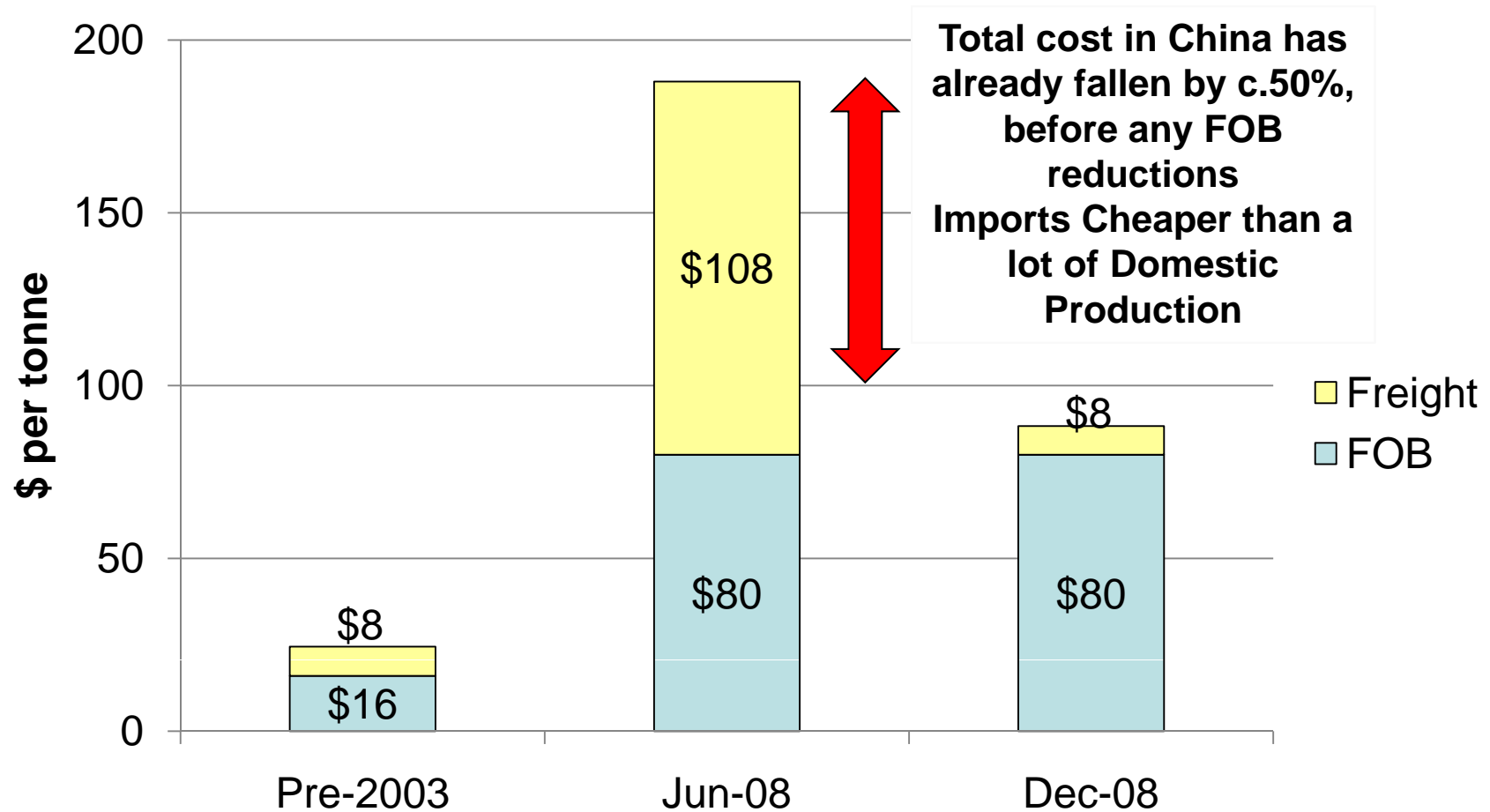
**Is there the demand to fill these
ships?**

1. Can Shipping Grow Its Way Out Of Trouble?

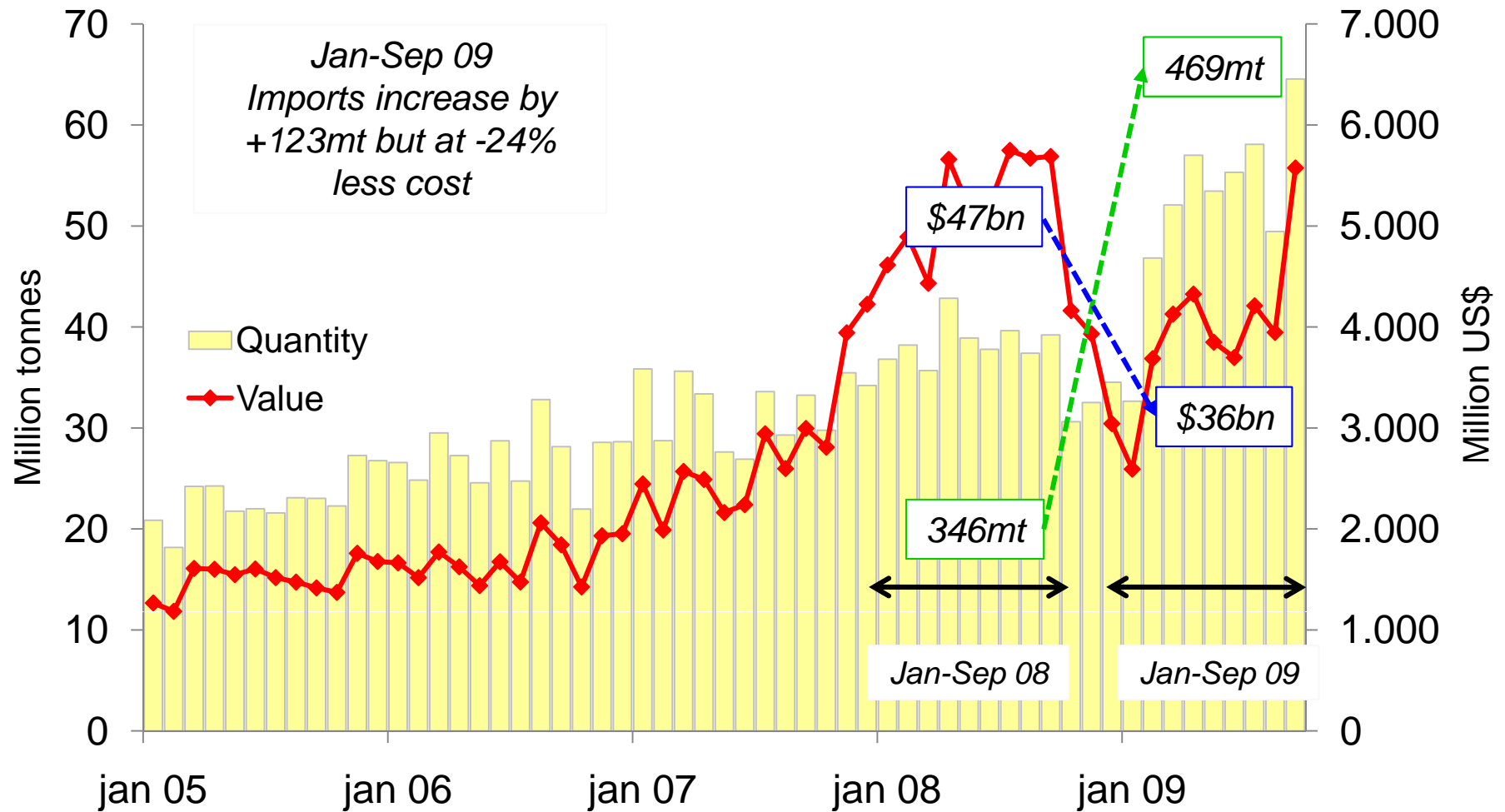
Fleet Capacity Versus Cargo Demand (Average Annual % Growth)

	SUPER BUST 1981-1987	Trend 1988-2002	Super-Boom 2003-2008	Scheduled 2009-2011
<u>Total Shipping</u>				
Fleet Capacity	-0.8%	2.2%	6.4%	+13.5%
Cargo Tonnage	+0.1%	+4.0%	4.4%	?
<u>Bulkers</u>				
Fleet Capacity	+5.0%	2.7%	6.2%	+15.6%
Cargo Tonnage	+1.7%	3.0%	6.2%	?

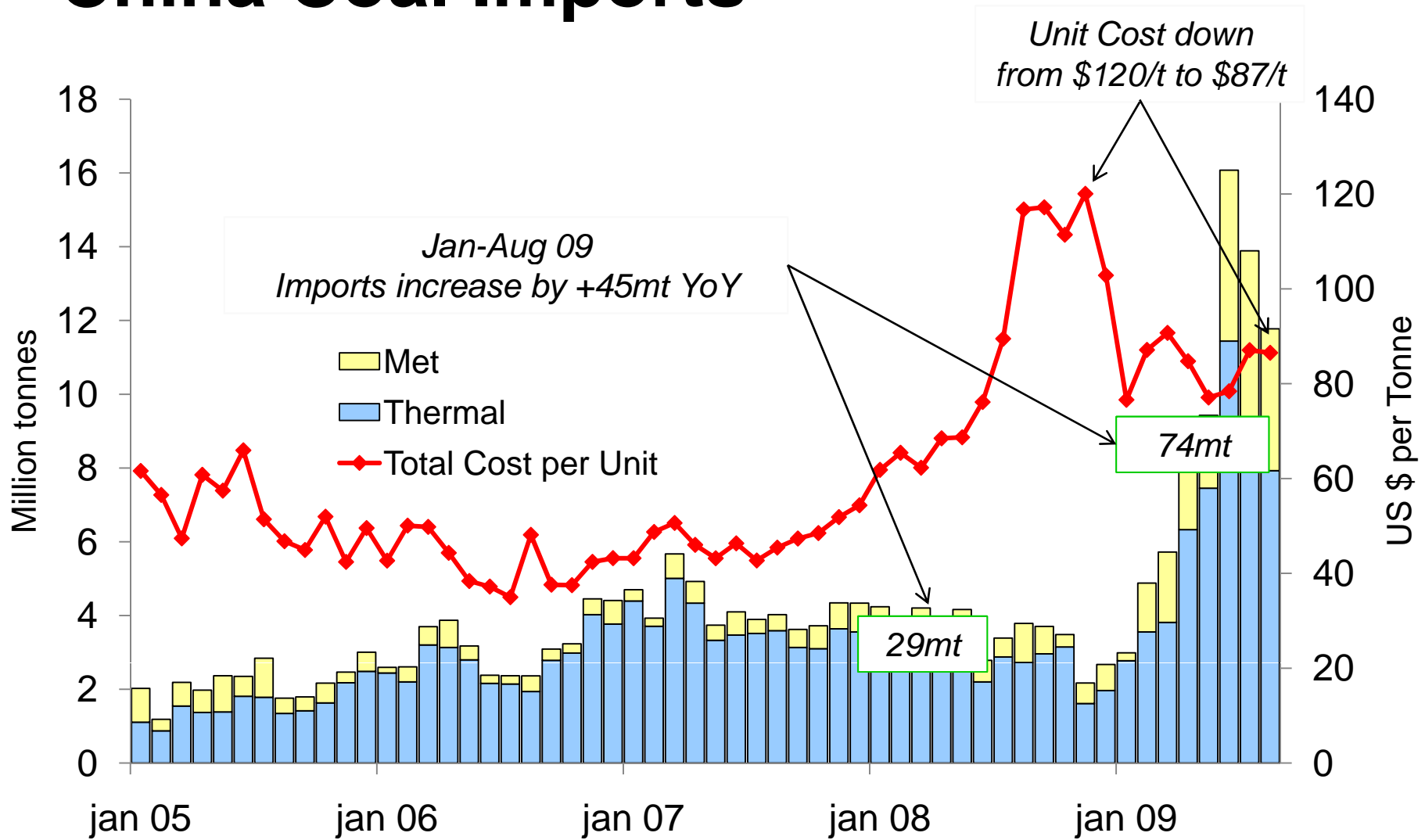
CIF Brazilian Ore in China



China Iron Ore Imports

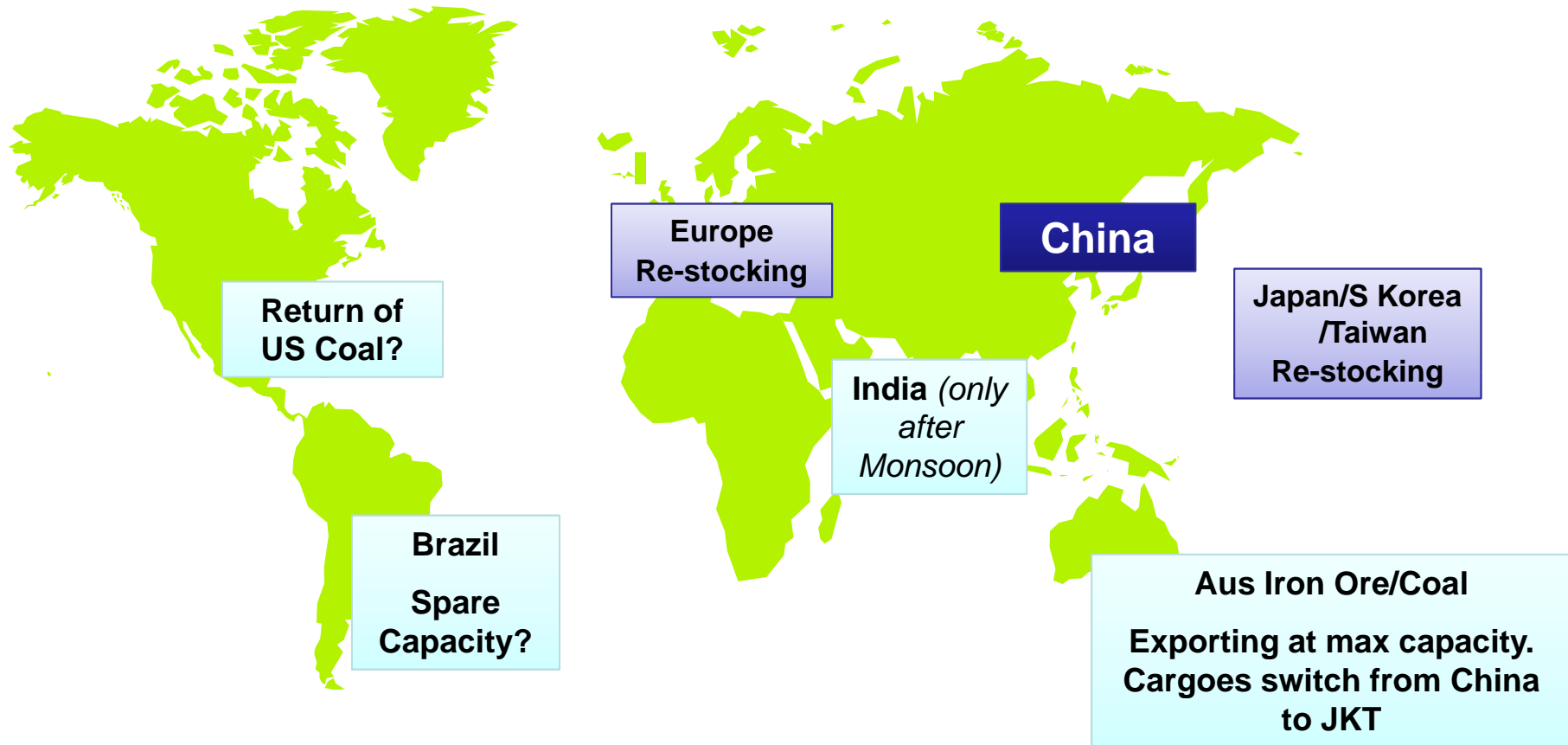


China Coal Imports



Have the cuts/delays to Future raw material supply (post credit crisis) created a new supply shortage?

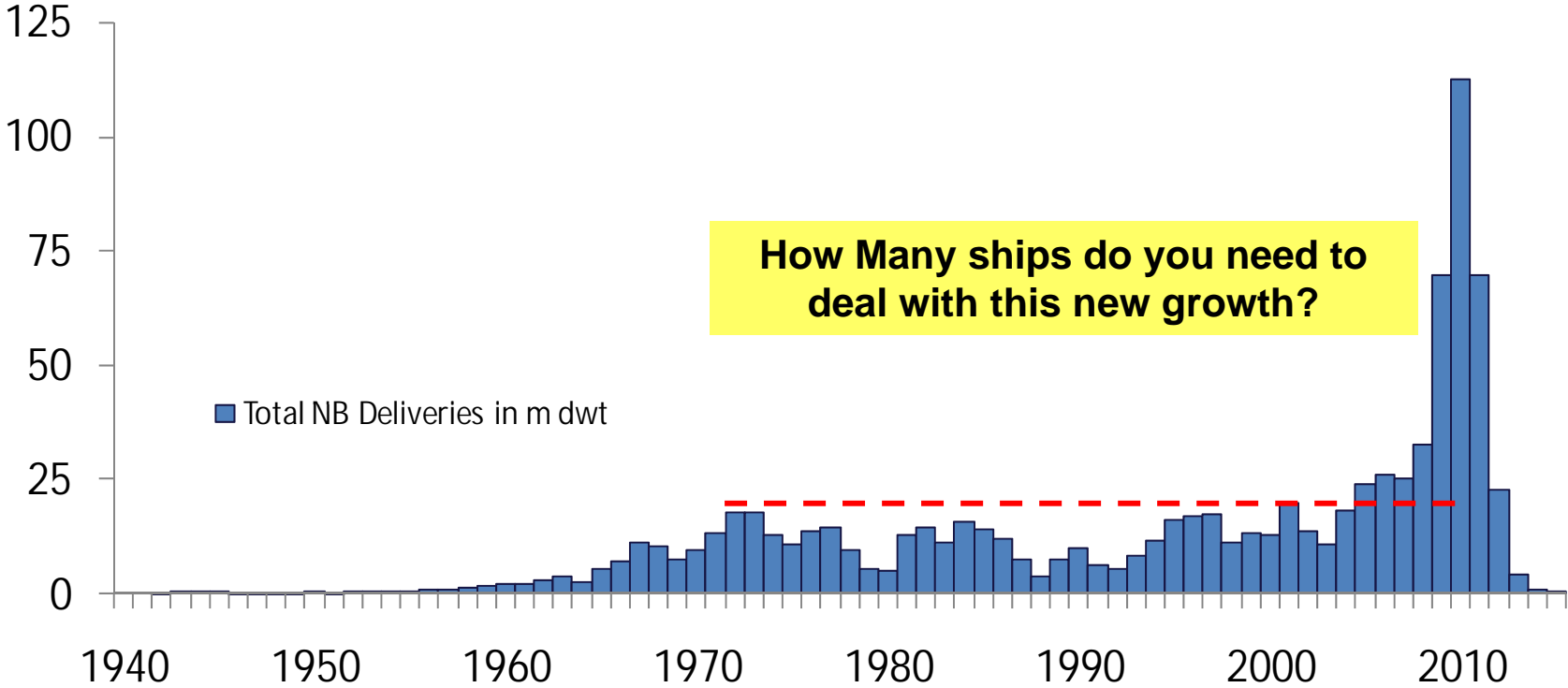
Sources for prompt Raw Materials running out?



Raw Materials moving into short supply

Is there enough to satisfy China's appetite and a recovering OECD?

What will future demand be?



How Many ships do you need to deal with this new growth?

Europe

Japan

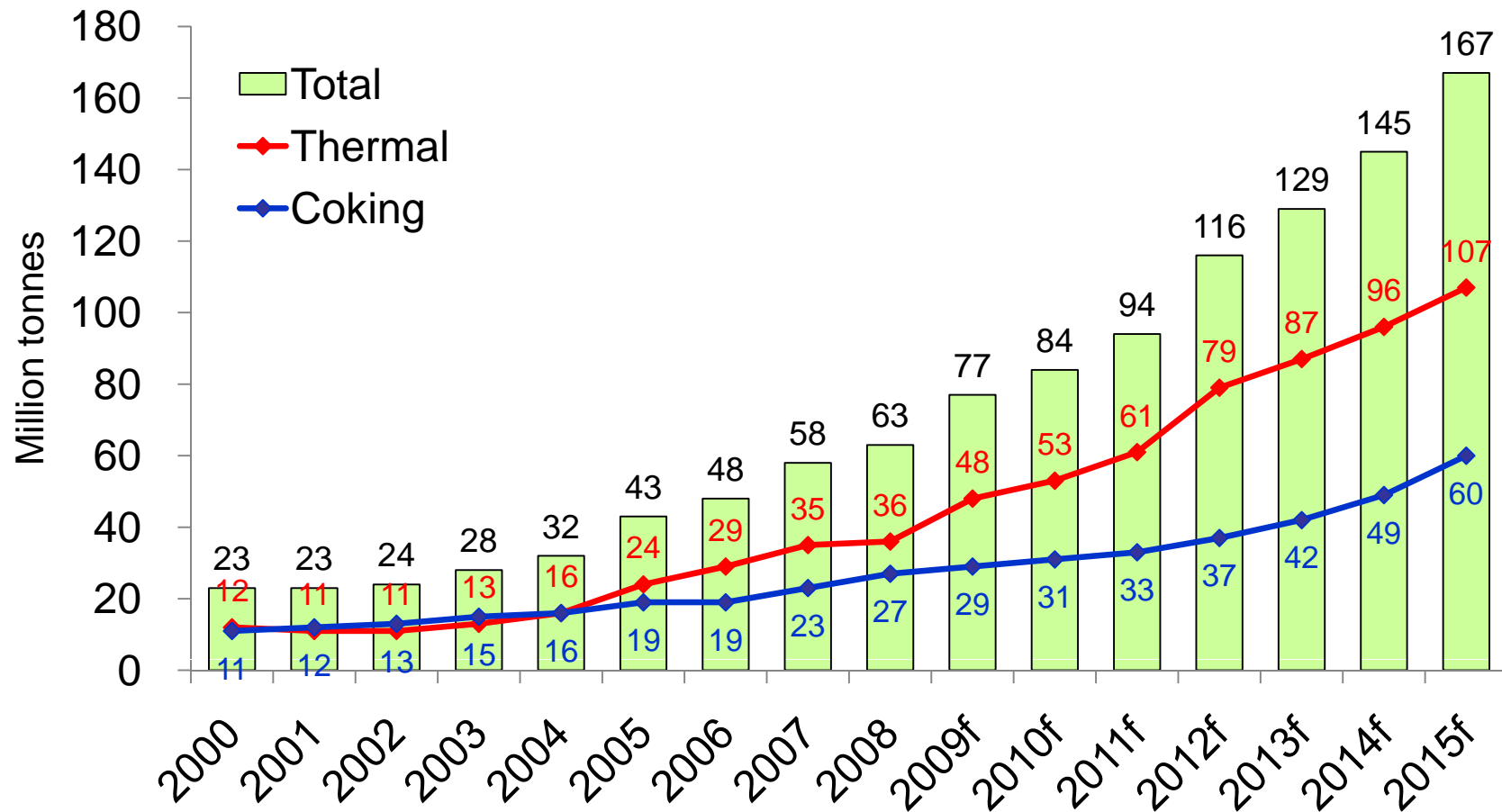
China

No Major Expansion
(S Korea & Taiwan)

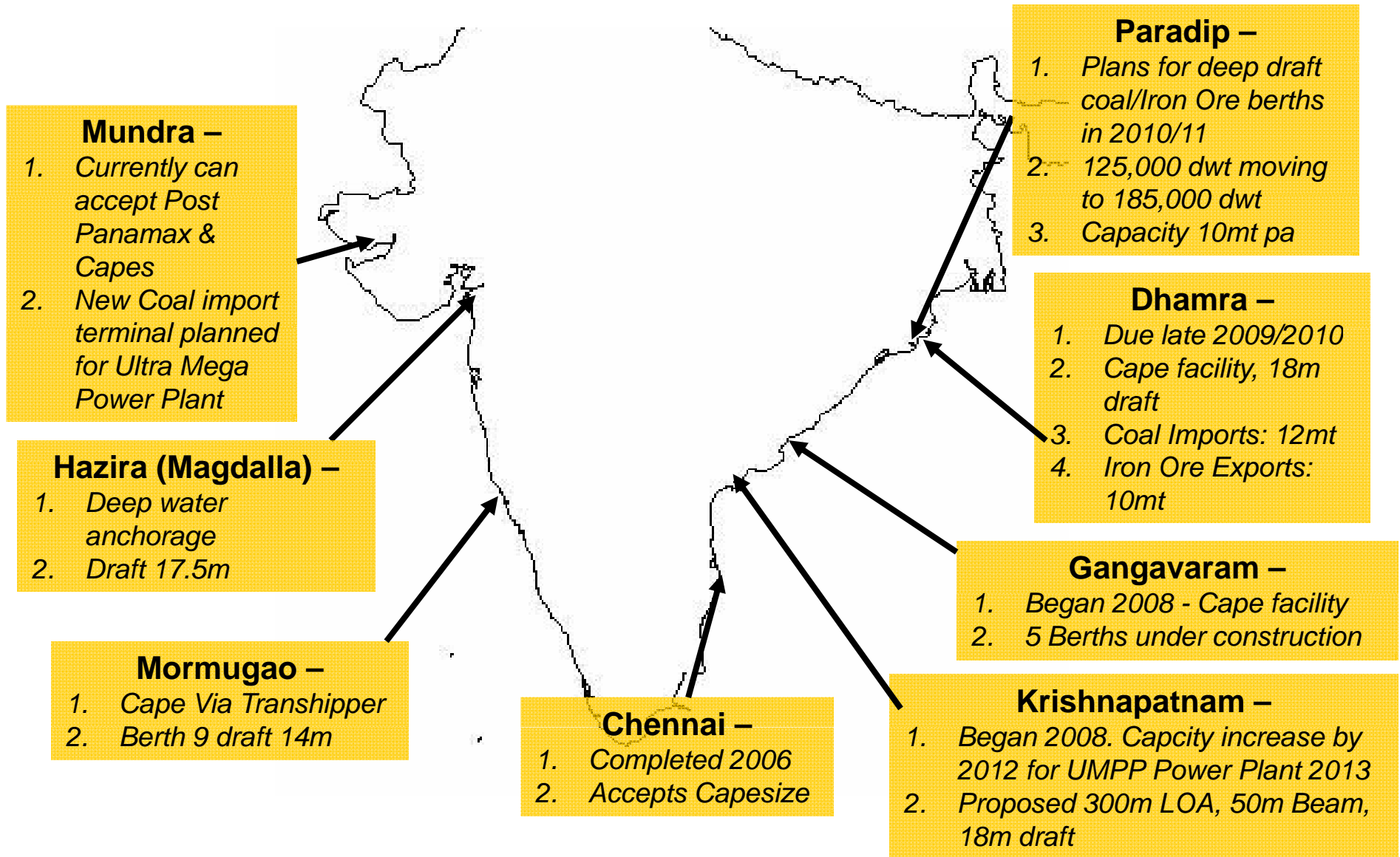
India

Others?

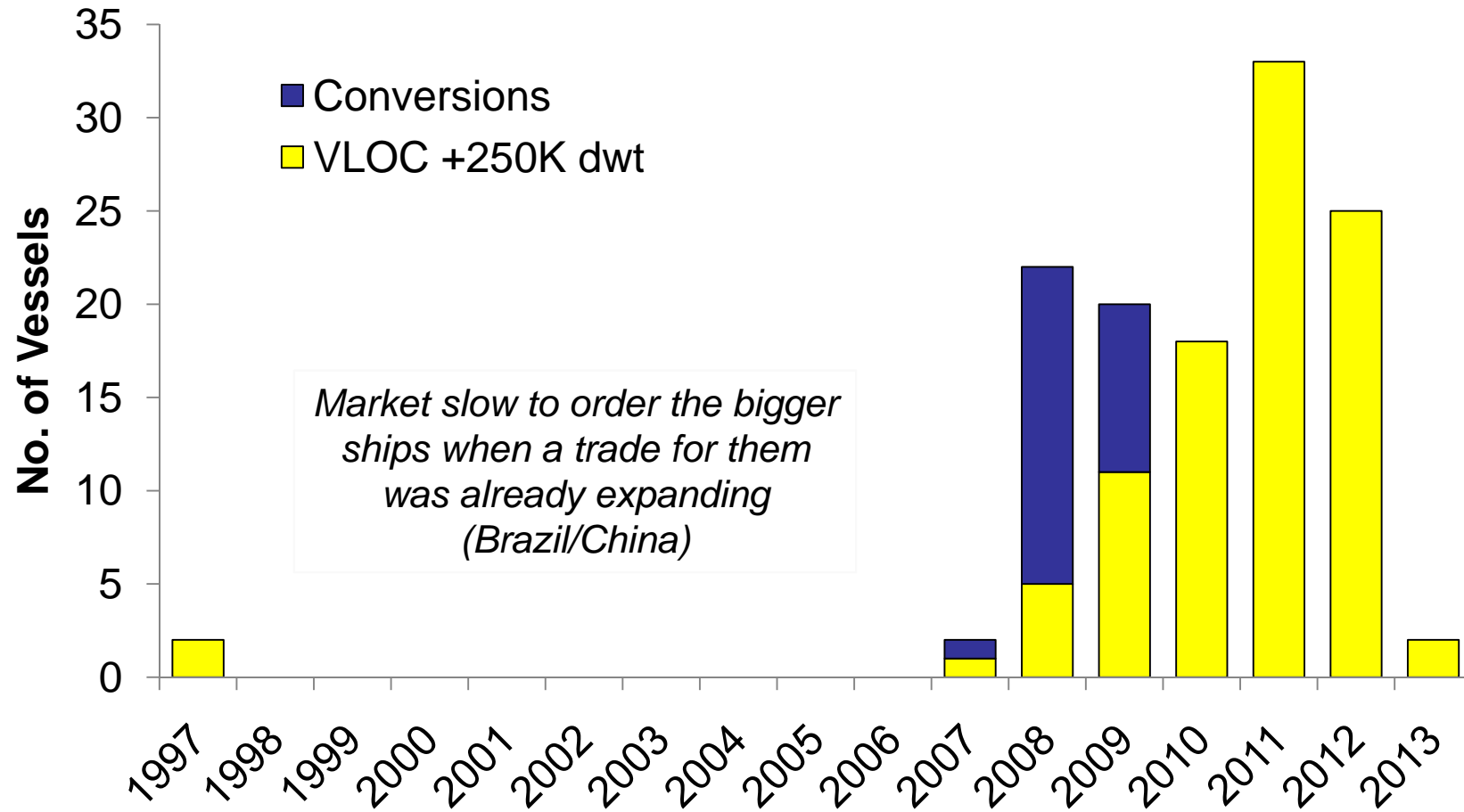
Indian Coal Import Demand



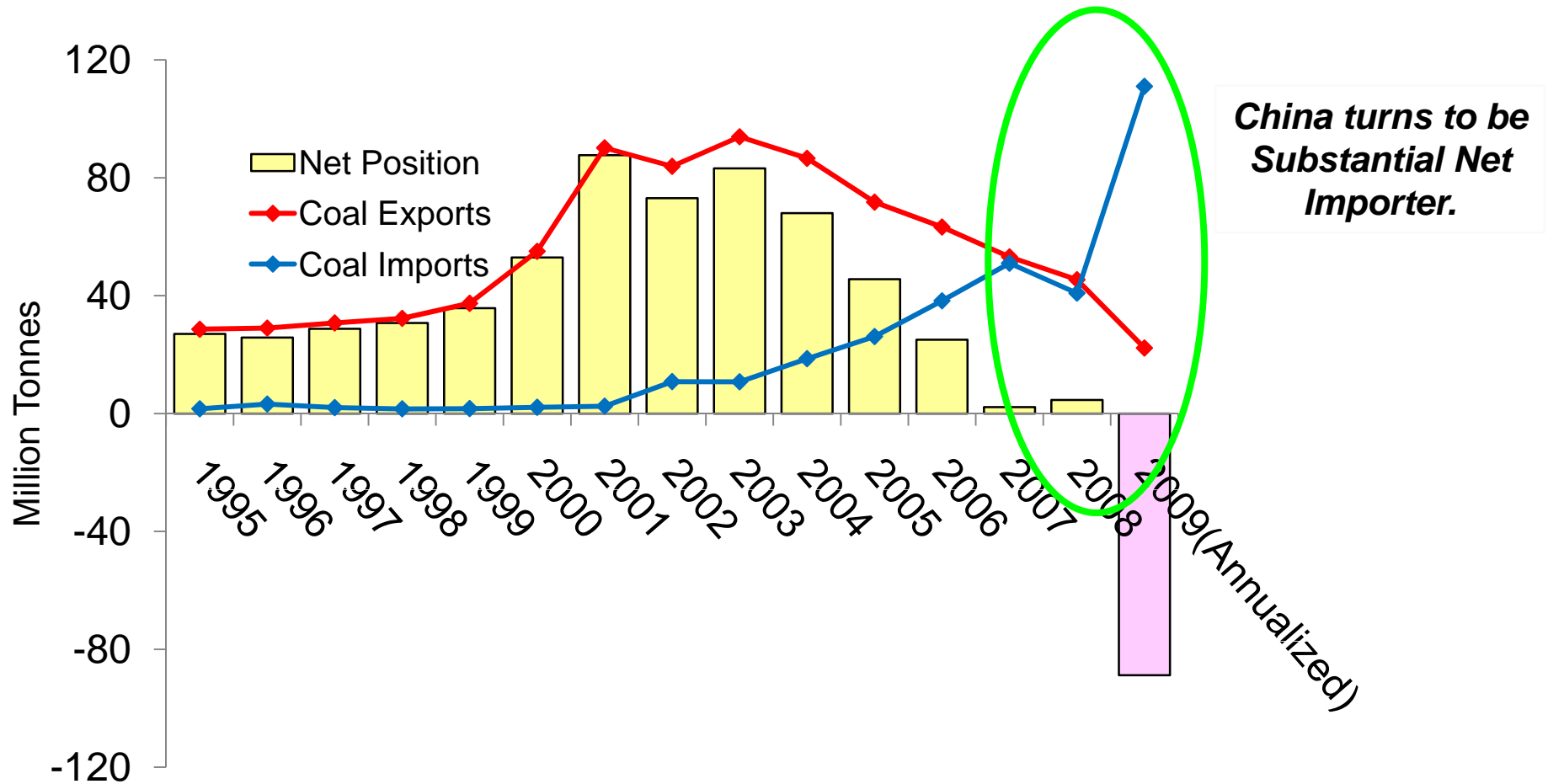
Major Port Expansion – Cape/Post Panamax



Economies of Scale – Build/Buy Bigger Ships

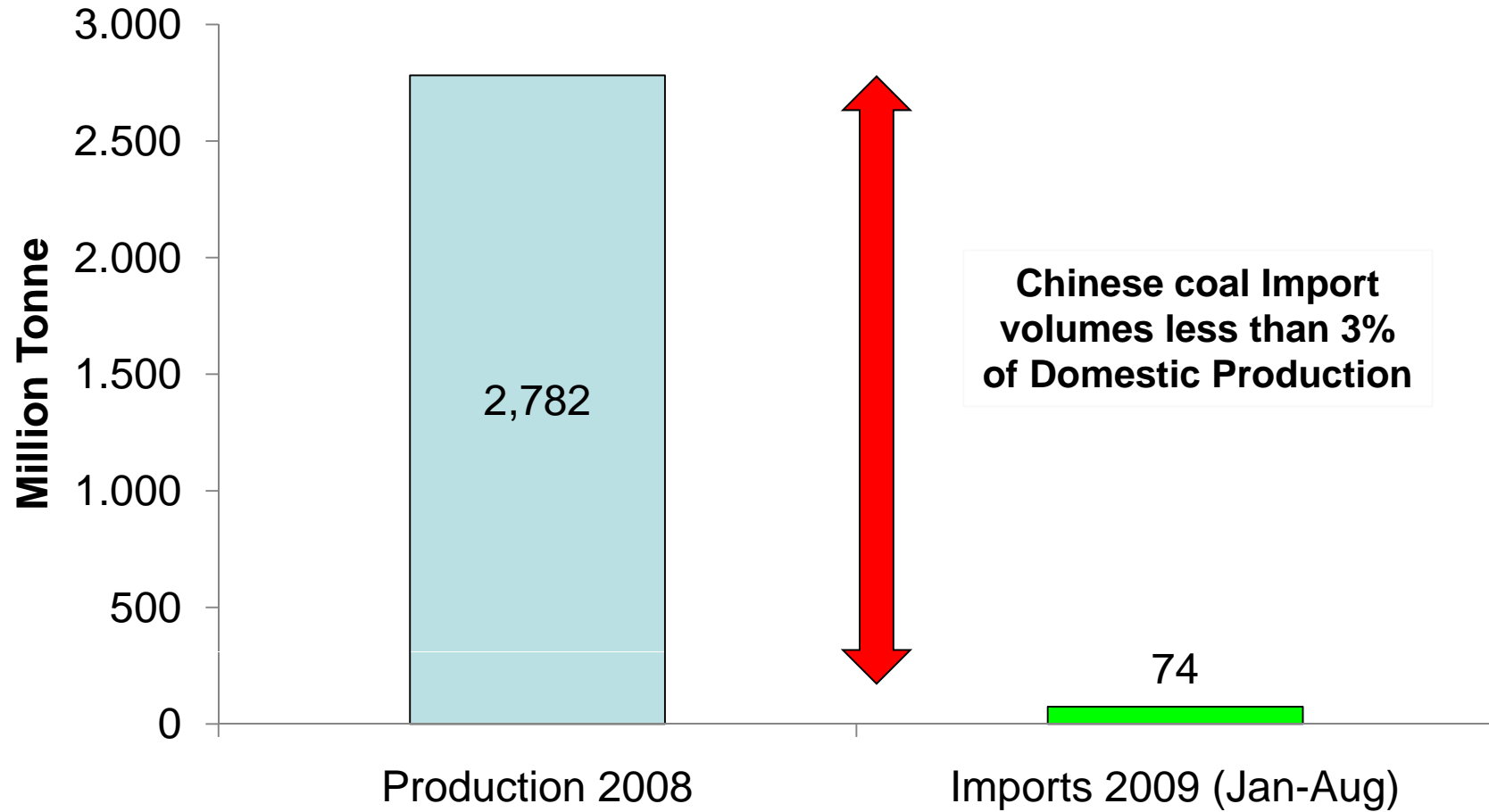


China Coal Trade

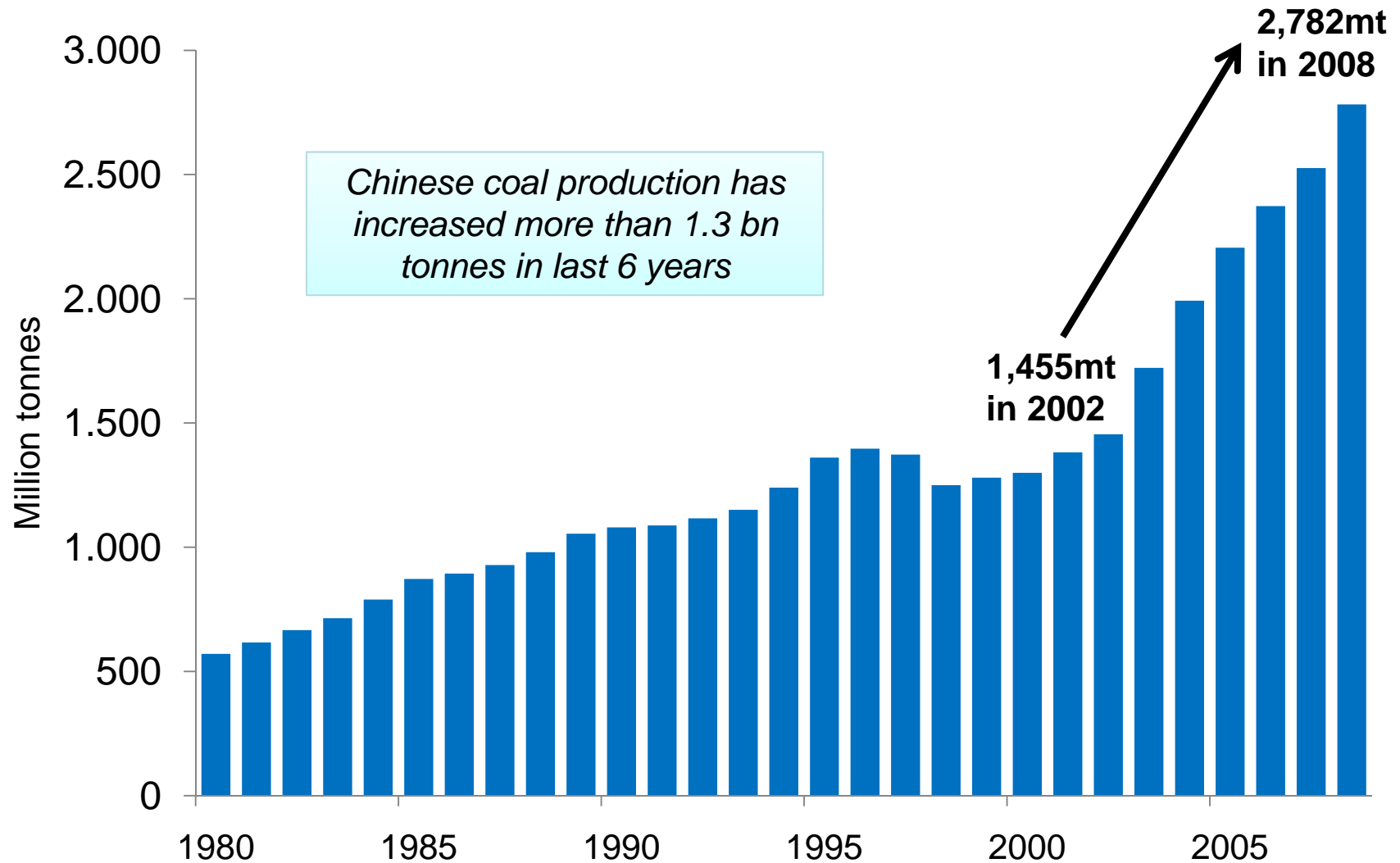


Source: GTIS/Howe Robinson Research

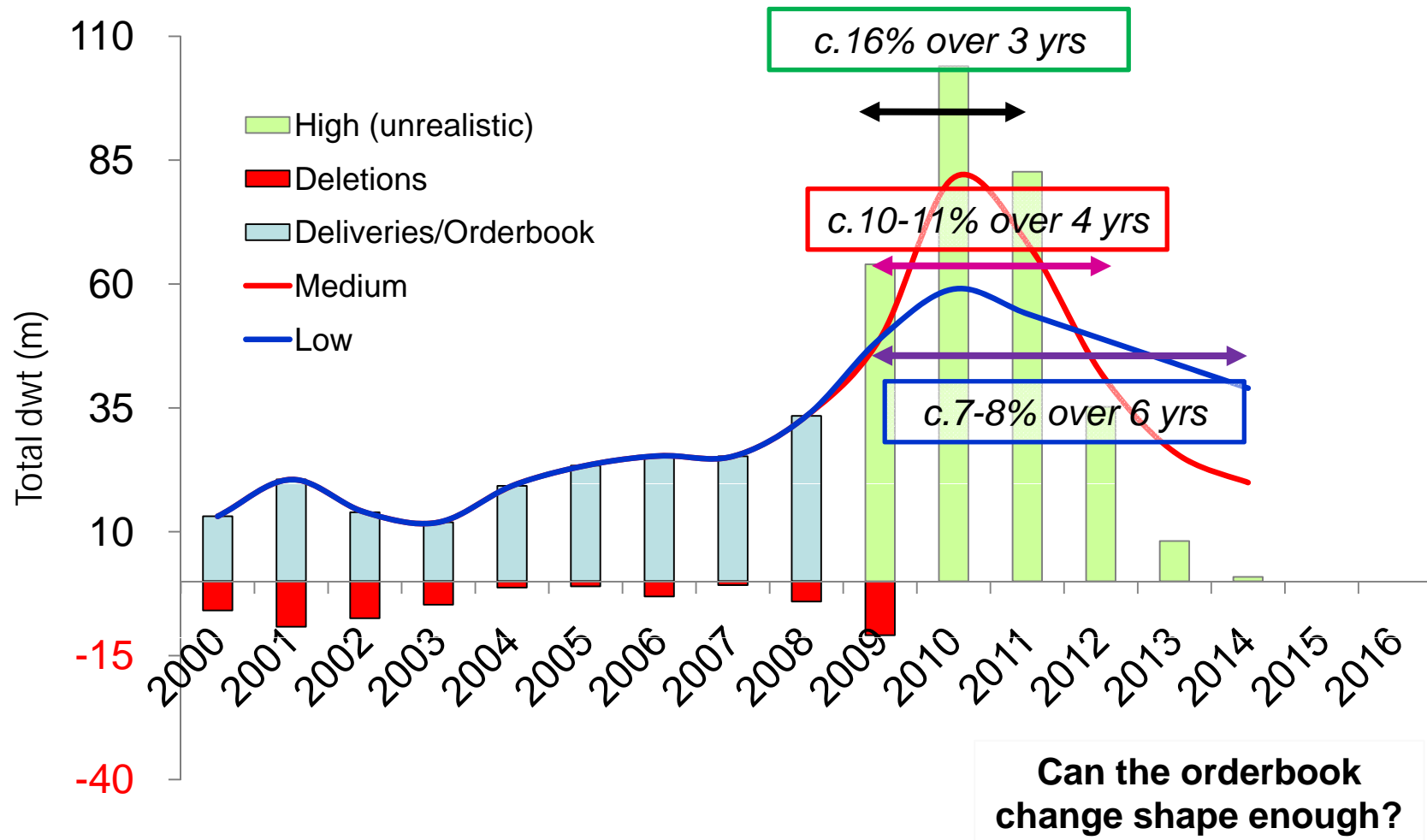
Coal Production vs Imports in China



China Annual Coal Production



Changing the Shape of Future Deliveries



Some final thoughts...

- Orderbook Profile will and needs to 'change shape'
- A co-ordinated response of further cancellations, delays, scrapping will help cushion the length/severity of a downturn but not prevent it from happening.
- However, expect a substantial amount of newbuilding deliveries over the next several years, either at the delivered price or at a discount.
- Future Dry Bulk Demand could be extremely good, but will depend largely on the extent of future cargo supply.
 - Potential shortage of cargo in the near term, due to Mining investment cut-backs, stemming from SH08 Credit crisis

THANK YOU