
Mareforum & Orecoal 4th Iron Ore & Coal World Shipping Summit 2012

Dry Bulk Shipping Prospects

(with a review of fleets and trade)

Ralph Leszczynski

1 October 2012 , Athens

prepared by: banchero costa research

www.bancosta.it ; research@bancosta.it

Legal notice: The information and data contained in this presentation is derived from a variety of sources, own and third party's, public and private, and is provided for information purposes only.

Whilst *banchero costa* has used reasonable efforts to include accurate and up-to-date information in this presentation, *banchero costa* makes no warranties or representations as to the accuracy of any information contained herein or accuracy or reasonableness of conclusions drawn there from.

Although some forward-looking statements are made in the report, *banchero costa* cannot in any way guarantee their accuracy or reasonableness.

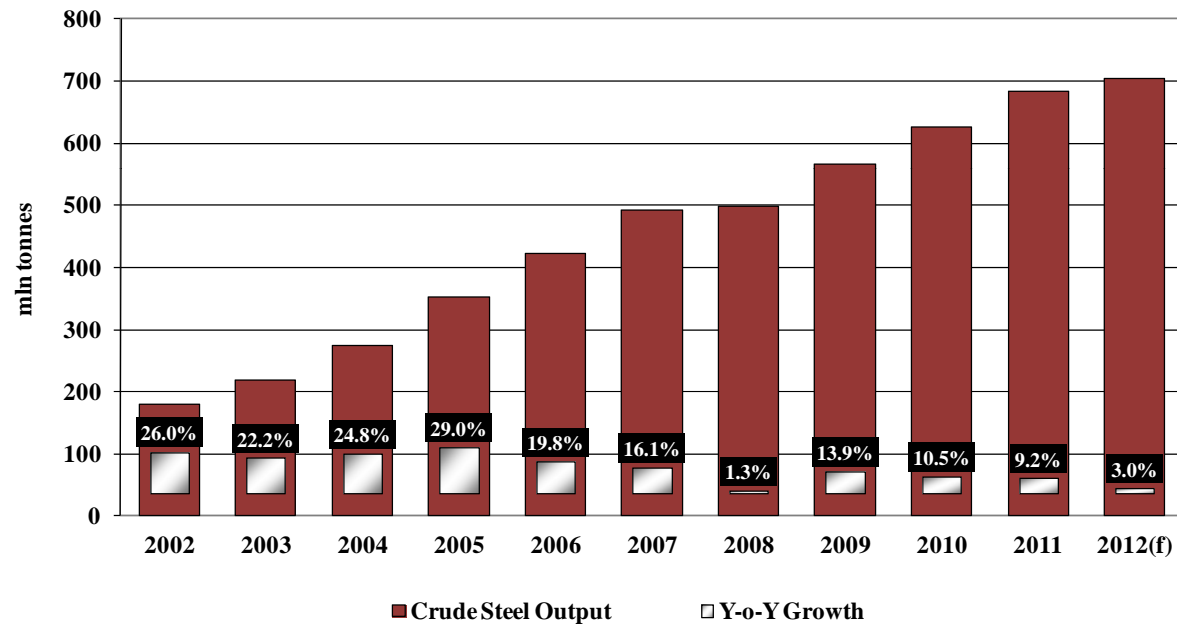
banchero costa assumes no liabilities or responsibility for any errors or omissions in the content of this report.

Dry Bulk Trade

(Iron Ore and Coal)

China - Annual Crude Steel Production

(source: worldsteel, cisa ; in million tonnes)



Growth in steel production has clearly slowed down this year in China and across the world, driven by sluggish demand and falling prices. We expect Chinese output to grow 2-3% y-o-y in 2012, with total world output growing just above 1 %.

Iron Ore China Import Price - last 36 months

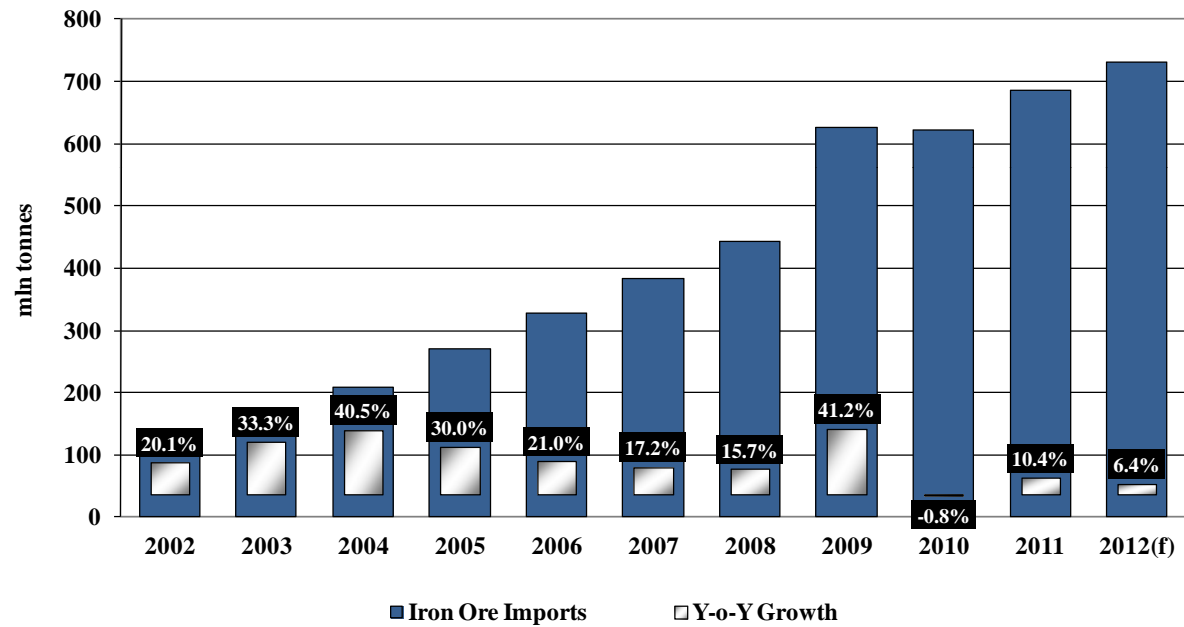
(China import Iron Ore Fines 62% FE spot (CFR Tianjin port), USD/mt)



However, given the global overcapacity, international iron ore prices have collapsed since the beginning of 2011, and are now down by 40 percent from the peak. This is encouraging buying and stockpiling activity from Chinese importers.

China - Annual Iron Ore Imports

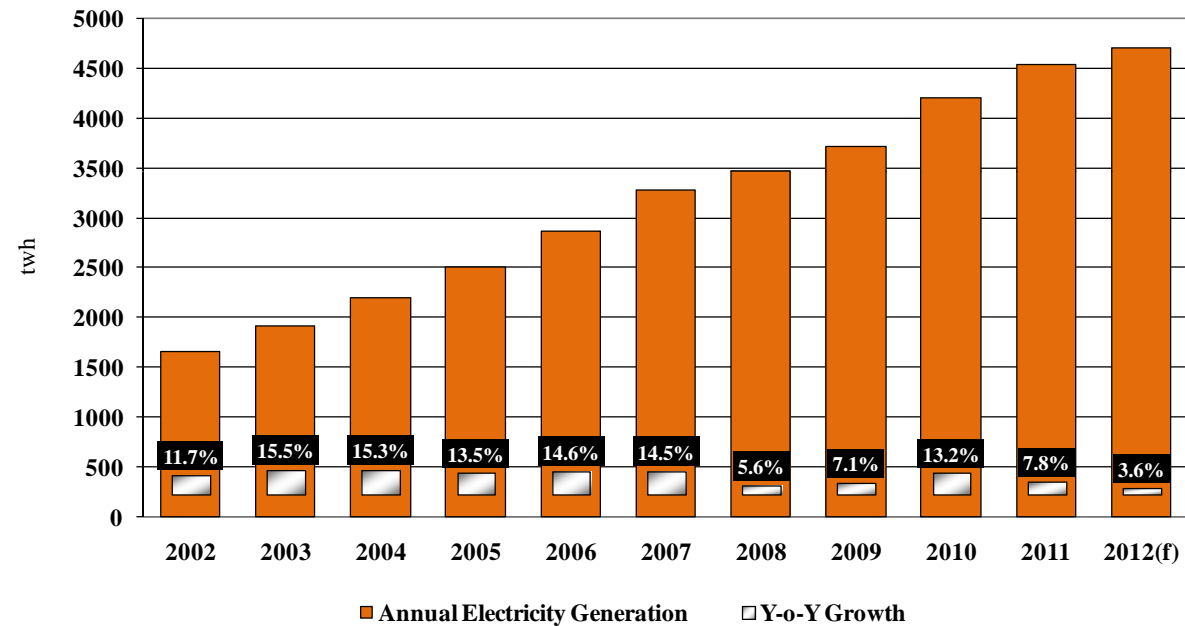
(source: customs data ; in million tonnes)



Over the first eight months of the year China imported 487 million tonnes of iron ore, up 8.8 percent on the same period last year. At this point, the total for the year as a whole should easily exceed 700 million tonnes.

China - Annual Electricity Generation

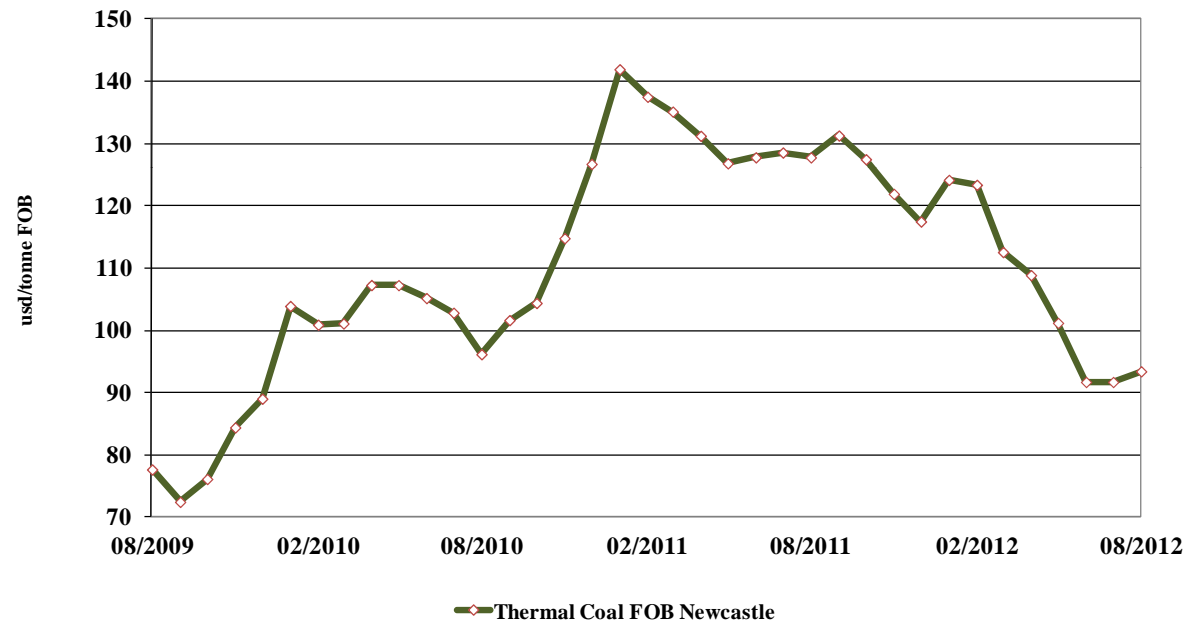
(source: national statistics bureau ; in terawatt-hours)



Electricity generation growth in China declined to a surprisingly modest 3.6 percent over the first seven month of 2012, as a result of economic slowdown, ongoing energy conservation efforts, a structural shift towards a more services-based economy as well as ongoing power generation capacity constraints caused by electricity price caps.

Thermal Coal Newcastle FOB Price - last 36 months

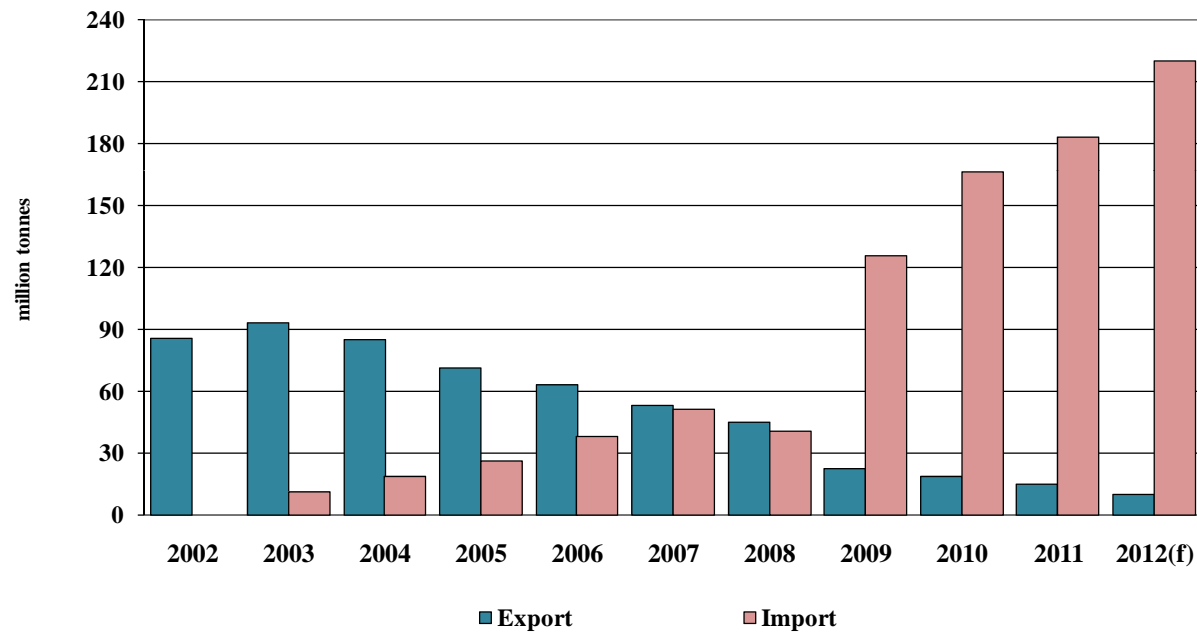
(Australian thermal coal, 12000 btu/p, 14% ash, FOB Newcastle/Port Kembla, USD/mt)



Again, international coal prices have declined by more than a third since the peak in December 2010. This is definitely encouraging more buying and stockpiling of coal from Chinese importers as importer coal is cheaper than domestic supplies.

China's Annual Coal Imports and Exports

(both steam and coking coal, in million tonnes)

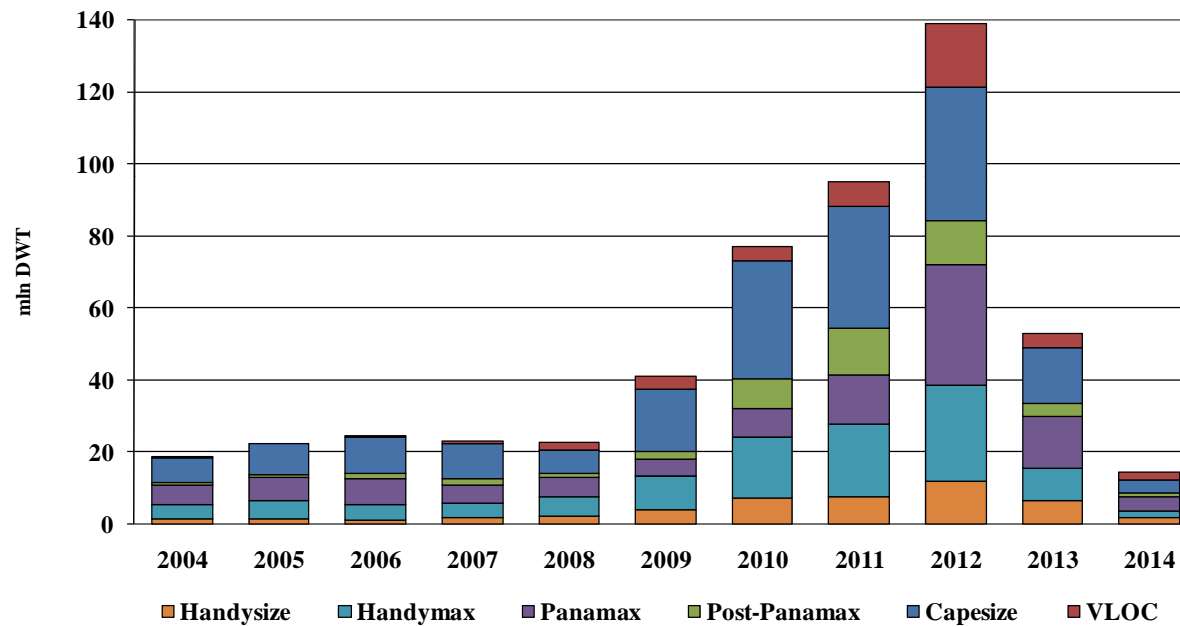


Coal imports amounted to 133.55 million tonnes (excluding lignite) in the first seven months, 51.7 percent more than in the same period of last year. The total for the year is likely to exceed 220 million tonnes.

Dry Bulk Fleet

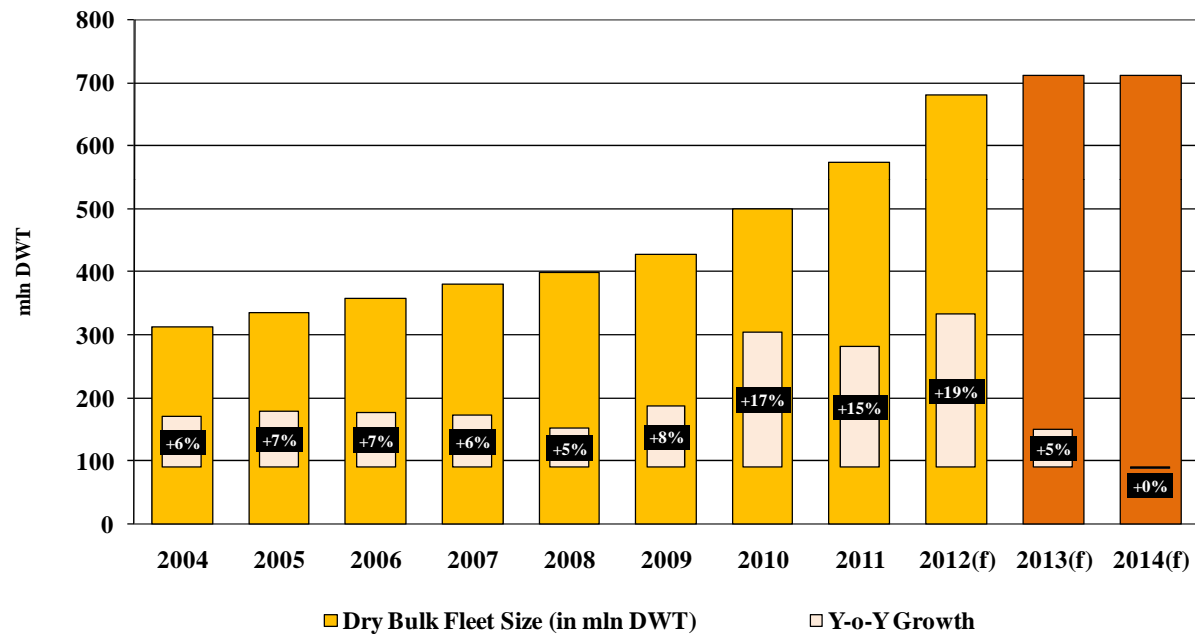
(Deliveries and Demolition)

Dry Bulk Deliveries + Orderbook by Size (only units over 20,000 dwt, in mln dwt)



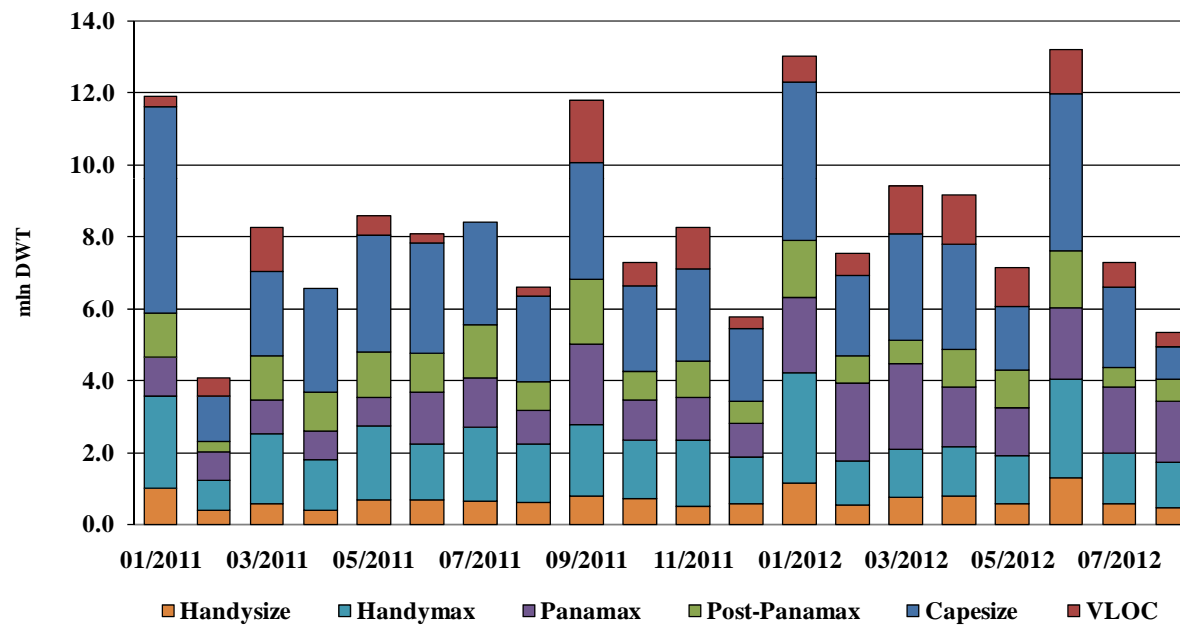
A glut of newbuildings has been delivered over the last five years. The peak, however, seems to be behind us, with actual deliveries in 2012 expected to be slightly less than the total for 2011. The graph above depicts the total orders placed in the past, but due to delays and cancellations actual deliveries are expected to be even 30 % lower than that.

Total Dry Bulk Fleet Growth (only units over 20,000 dwt, in mln dwt)



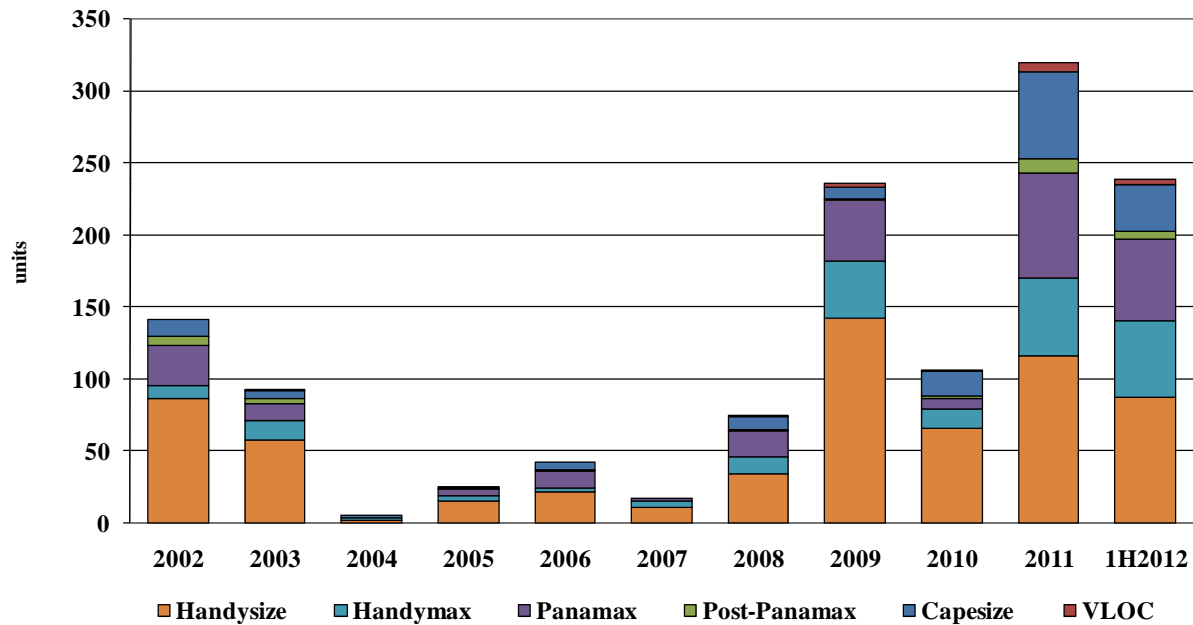
The excessive number of newbuilding deliveries resulted in strong growth in shipping capacity over the last few years. However, a combination of fewer deliveries of fewer deliveries over the next few years and strong demolition activity is expected to sharply reduce fleet growth and help rebalance the supply/demand environment.

Dry Bulk Newbuilding Deliveries in DWT - Monthly (only units over 20,000 dwt)



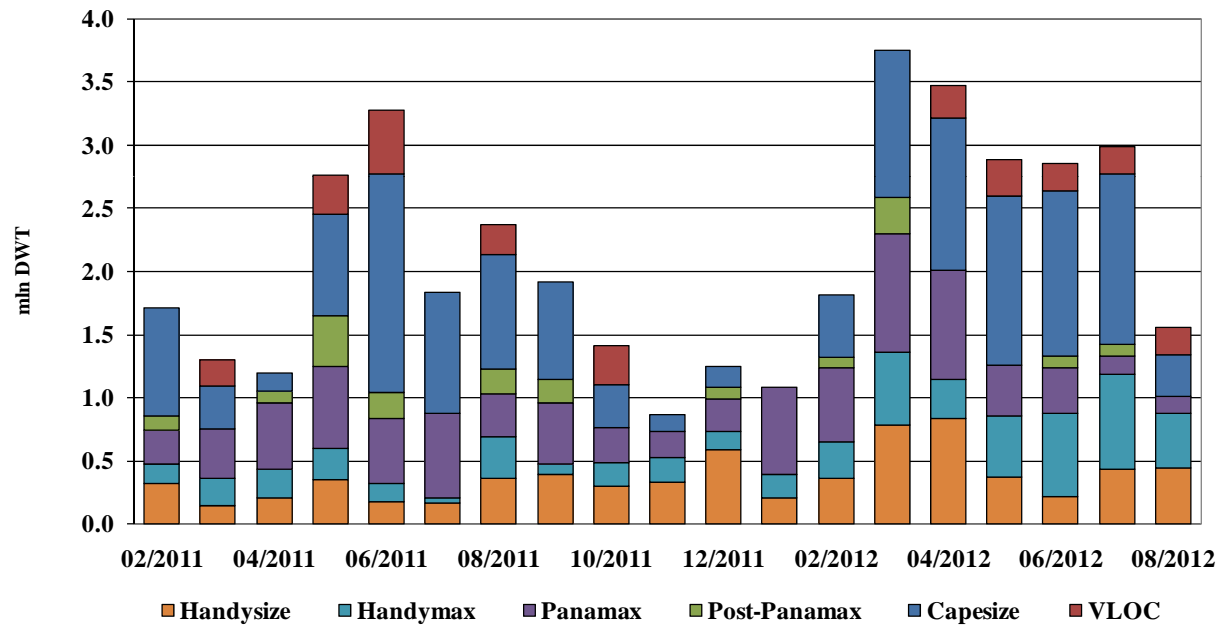
In the first 8 months of 2012 a reported 119 Capesizes have been delivered (for a total of 21.8 mln dwt), together with 78 Post Panamaxes (7.8 mln dwt), 192 Panamaxes (15.2 mln dwt), 245 Supramaxes (13.6 mln dwt) and 185 Handies (6.2 mln dwt). Total deliveries in this period were 842 units (72 mln dwt).

Dry Bulk Demolition Activity in No. of Vessels - Annual (only units over 20,000 dwt)



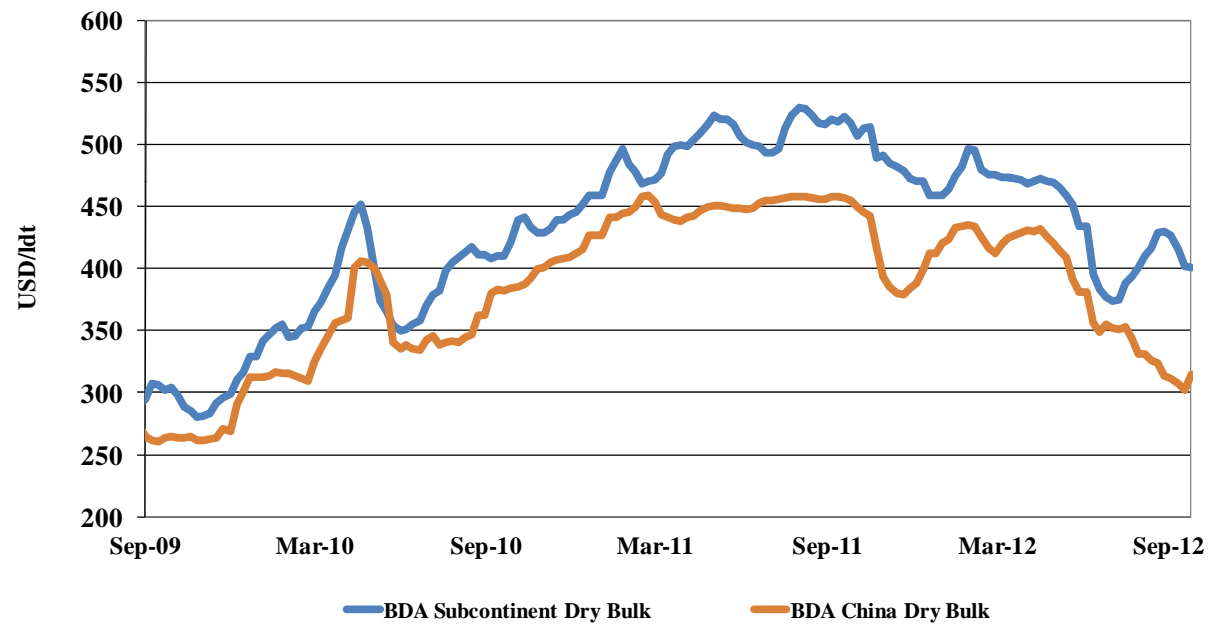
The depressing market performance since last year has encouraged owners to scrap old tonnage, with the result being a strong increase in demolition activity. In the first six months of 2012 over 240 bulkcarriers of over 20,000 dwt have been sold for scrap, more than in the whole of 2009.

Dry Bulk Demolition Activity in DWT - Monthly (only units over 20,000 dwt)



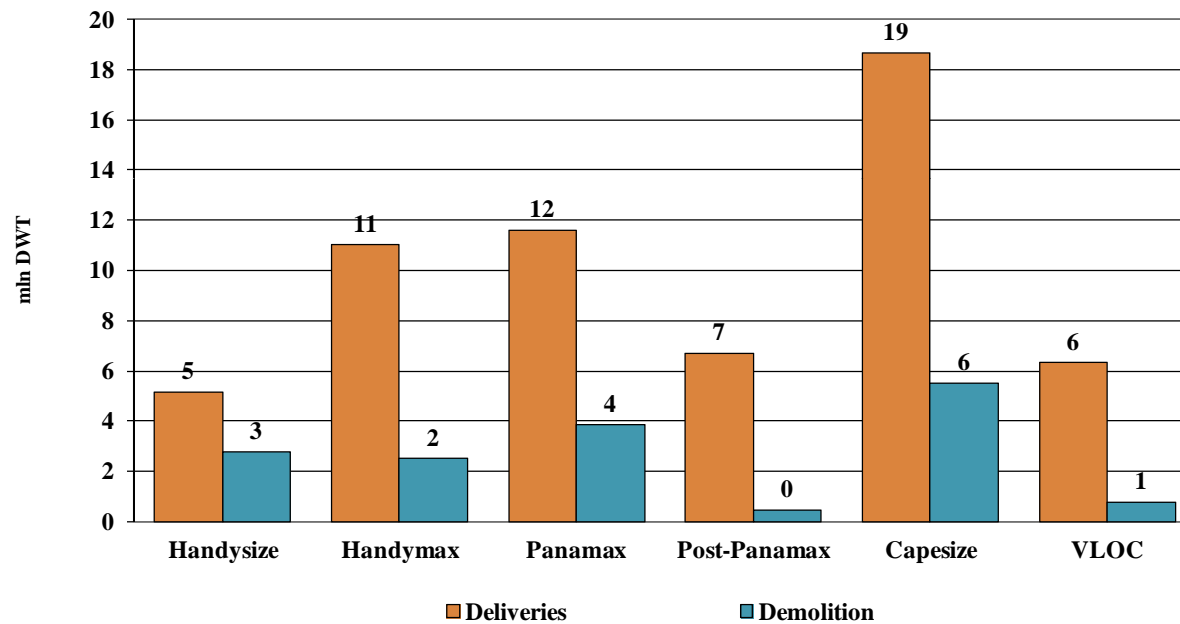
In the first 8 months of 2012 a reported 43 Capesizes have been sold for demolition (for a total of 7.2 mln dwt), together with 61 Panamaxes (4.3 mln dwt) and 24 Handymaxes (3.7 mln dwt) and 115 Handys (3.6 mln dwt). Total demolitions in this period were 307 units, which is 50% more than the 211 units reported scrapped in the same period of last year.

Baltic Exchange Demolition Assessment - Bulkcarriers (USD/tdt)



Given the weakness of the steel market and the extensive availability of tonnage available for demolition, scrap prices have been declining steadily since mid-2011.

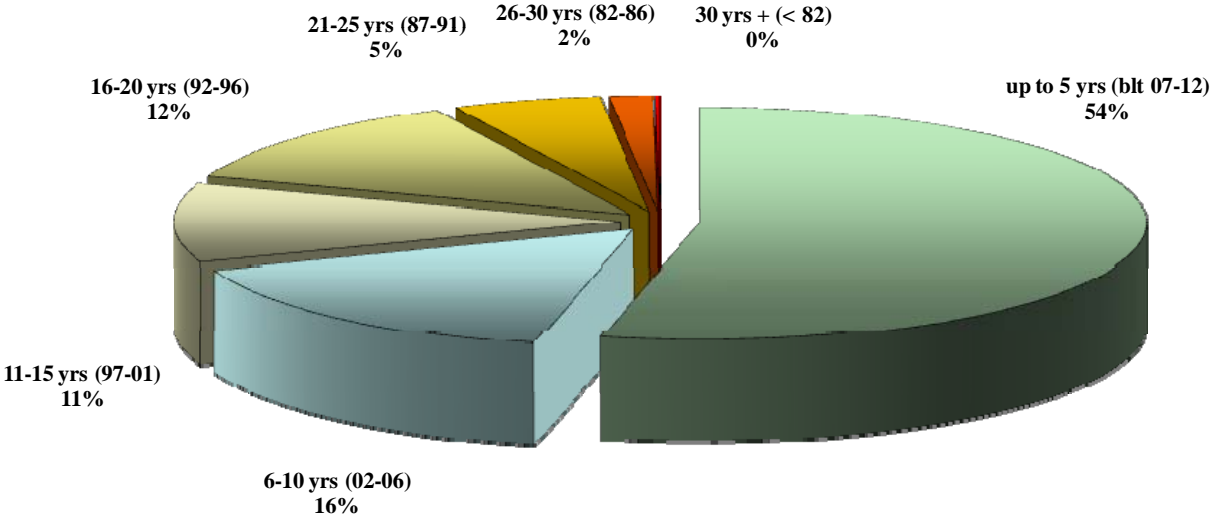
Dry Bulk Deliveries and Demolition in 1H2012 (only units over 20,000 dwt, in mln DWT)



Despite record demolition volumes this year, this is still far from enough to keep check of fleet growth, given that new deliveries outweigh by more than three to one the volume of demolition.

**Capesize Bulk (120,000-209,999 dwt)
Age Profile Pie**

**Orderbook/Trading
18.2%**

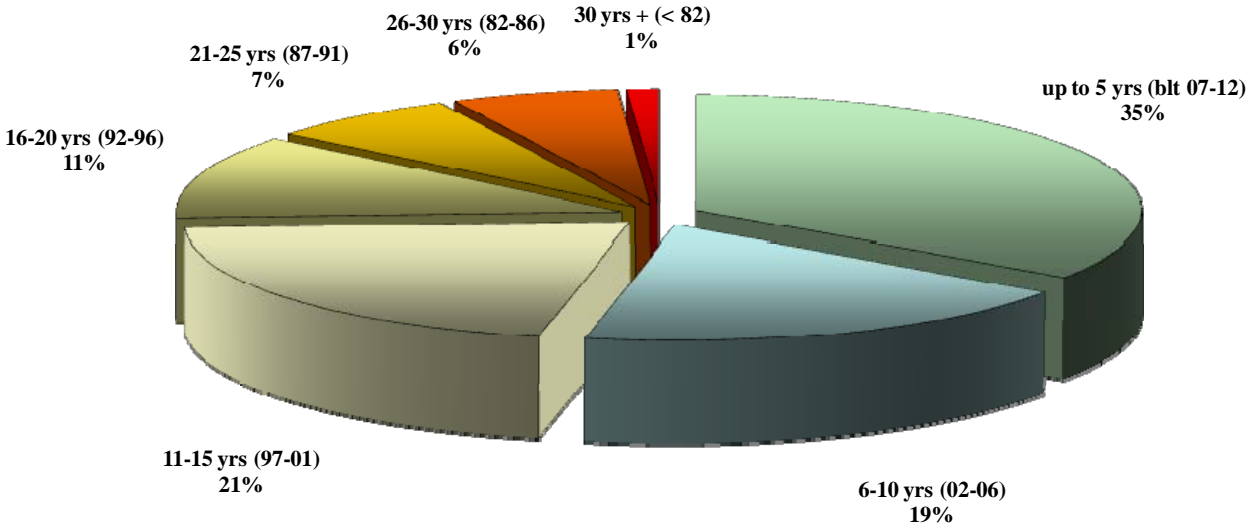


(updated Jun 2012)

Panamax Bulk (65,000-84,999 dwt*)
Age Profile Pie

Orderbook/Trading
31.1%

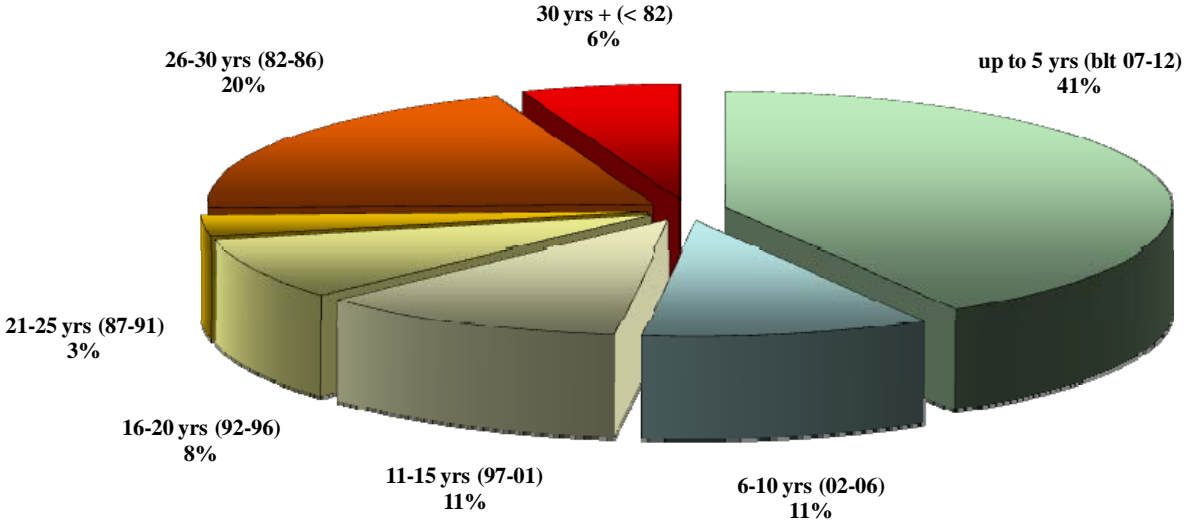
*please note that before year 2000, the range was 60,000-84,999 dwt



(updated Jun 2012)

**Handysize Bulk (20,000-37,999 dwt)
Age Profile Pie**

Orderbook/Trading
24.1%

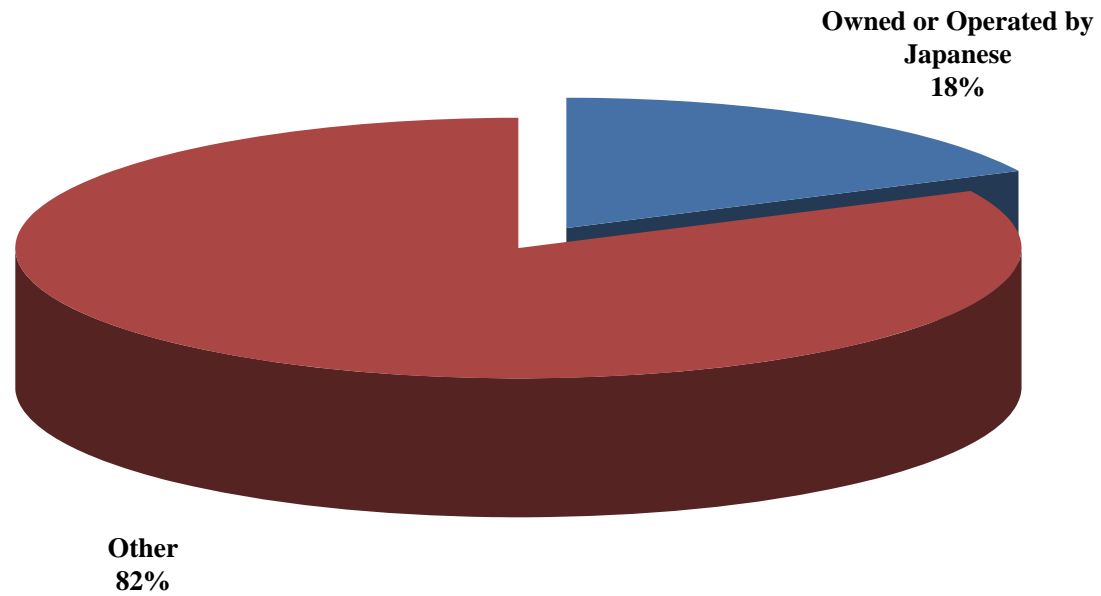


(updated Jun 2012)

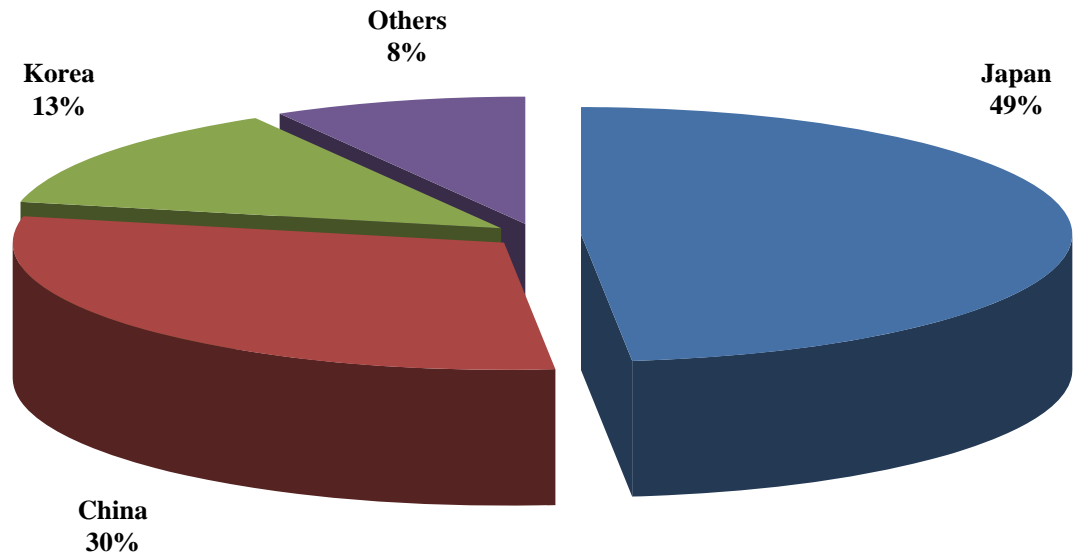
The Unexpected

(The China-Japan Tensions)

Total Trading Dry Bulk Fleet By Owner/Operator
(September 2012, only units over 20,000 dwt, in number of units)



Total Trading Dry Bulk Fleet By Country of Built
(September 2012, only units over 20,000 dwt, in number of units)



Final Words

(Summary and Conclusions)

- Economic activity and therefore demand for shipping has clearly slowed down this year, but things are not necessarily as bad as they seem (e.g Chinese coal imports growing by 51% in 1H2012).
- Historically, demand growth has always been strong and medium-term prospects are good (eg. DNB recently estimated 98 % growth in ore and coal export capacity by 2017).

- The key problem is massively excessive fleet growth, with the fleet still expanding by 13% in 2012.

- Fortunately, demolition activity has been running at record highs, with about 240 bulkcarriers (20,000+ dwt) sold for scrap in 1H2012.
- Unfortunately this has been only a fraction of new deliveries.
- We need demolition activity to continue at these levels for another 2-3 years, also when finally the flood of newbuildings will stop. Only then we will have hope for a more balanced supply-demand environment.

banchero costa & c. s.p.a.



address: via pammatone, 2 16121 genoa (italy)

phone: + 39.010.5631.1

dry c. - cape/pmx	5631-200 capespmx@bancosta.it	derivatives	5631-251 derivatives@bancosta.it
dry c. - handy	5631-200 handy@bancosta.it	research	5631-558 research@bancosta.it
dry c. - operating	5631-200 dryoper@bancosta.it	agency	5631-600 bcagy@bcagy.it
tankers	5631-300 tanker@bancosta.it	insurance	5631-700 insurance@bancostains.it
containers	5631-515 containers@bancosta.it	p&i	5631-775 main.ge@bseag.it
s&p	5631-500 salepurchase@bancosta.it	yachting	5631-764 yachts@bancosta.it
ship finance	5631-556 financial@bancosta.it	accounting	5631-400 account@bcaccount.it

bancosta monaco
monte carlo

phone: +377.97.707.497
info@bancosta-monaco.com

bancosta sa
geneva

phone: +41.22.737.2626
info@bancosta.ch

bancosta uk
london

phone: +44.207.398.1870
info@bancosta.co.uk

bancosta moscow
moscow

phone: +7.495.988.6207
tanker@bancosta.it

mediorientale
dubai

phone: +971.50.957.2578
adelhfahmy@hotmail.com

bancosta oriente
beijing

phone: +86.10.84.53.49.93
capespmx@bancosta.it

bancosta oriente
hong kong

phone: +852.28.651.535
bancosta.oriente@bancosta.com.hk

bancosta oriente
singapore

phone: +65.63.27.28.62
bancosta.oriente@bancosta.com.hk

japan rep.office
tokyo

phone: +81.362.688.958
bancosta@tokyo.nifty.jp

web site : <http://www.bancosta.it/>

this report has been prepared by *banchero costa research*
for any enquiries please contact Mr. Ralph Leszczynski on +861084417325 or email research@bancosta.it