

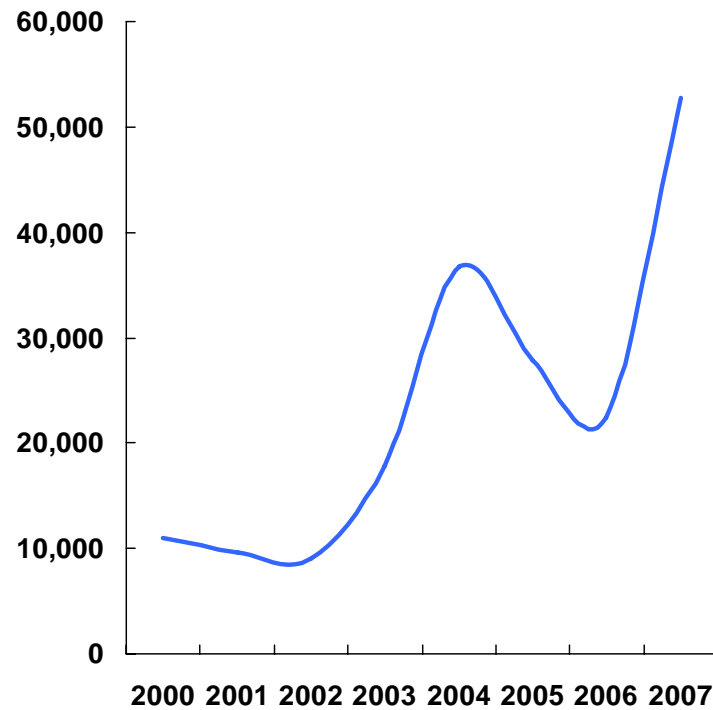


Dry bulk shipping
Nigel Gardiner | Managing Director

Capital Link Forum
4th December 2007

Dry bulk market

One year Timecharter rates

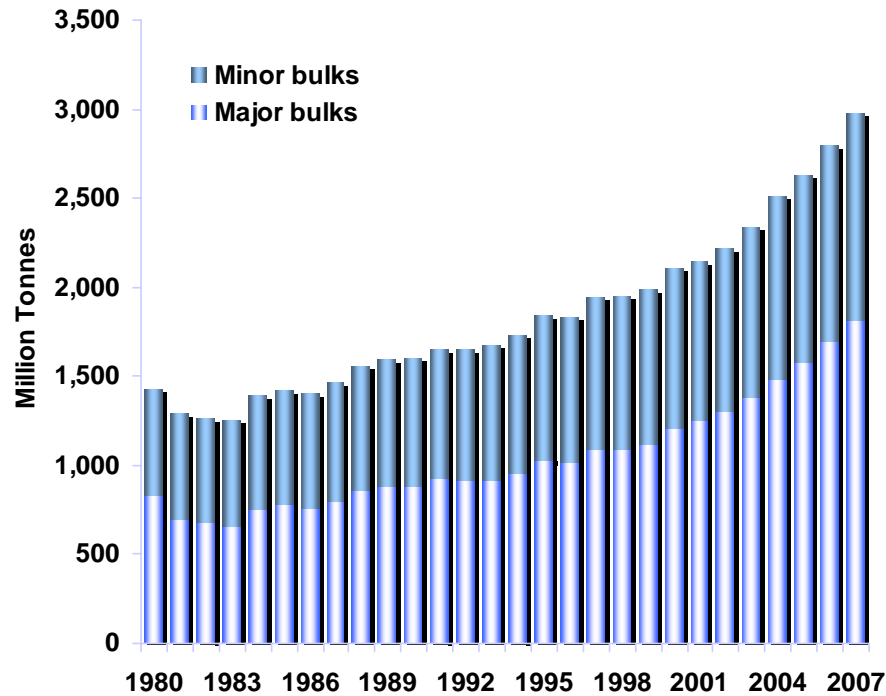


— Panamax 70-75,000 dwt

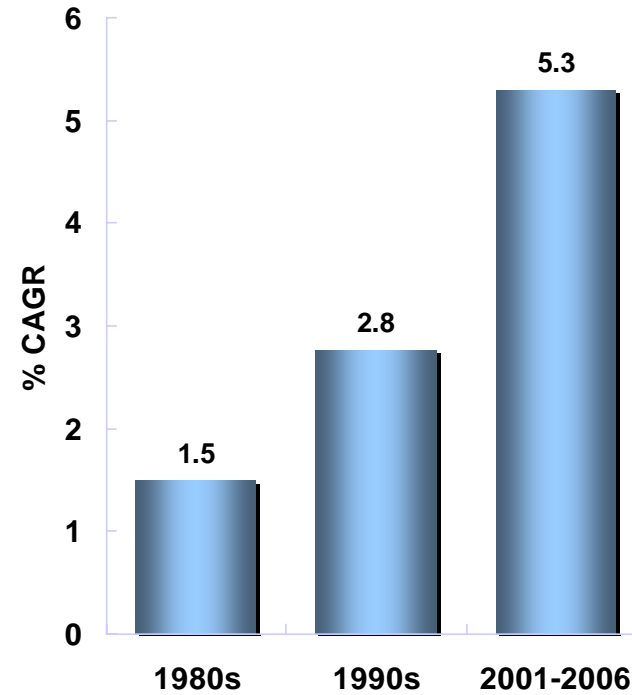
- The past is history
- Concentrate on the future
- Drewry forecasts in public domain
- Which way is the market heading?

Dry bulk trade and growth rates

Seaborne dry bulk trade

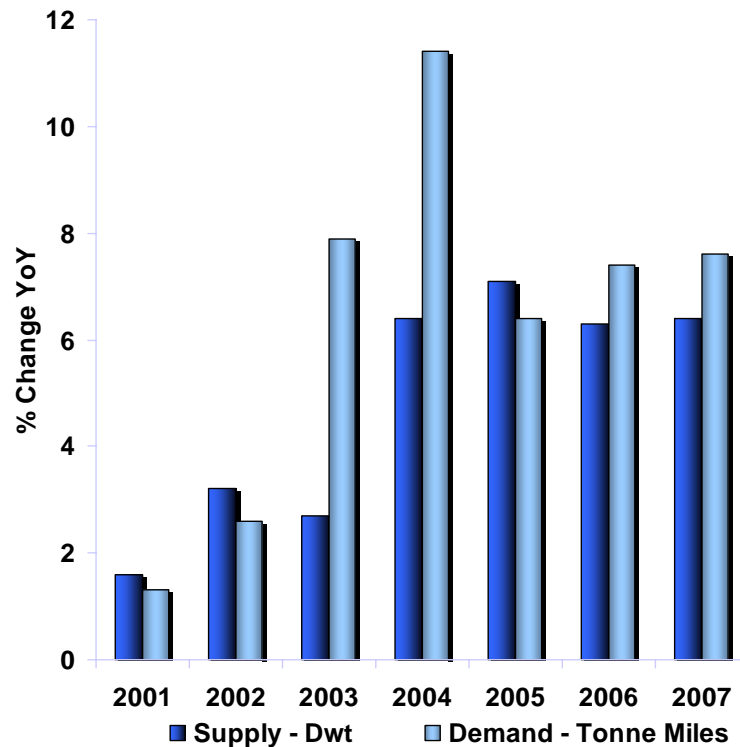


Trade Growth



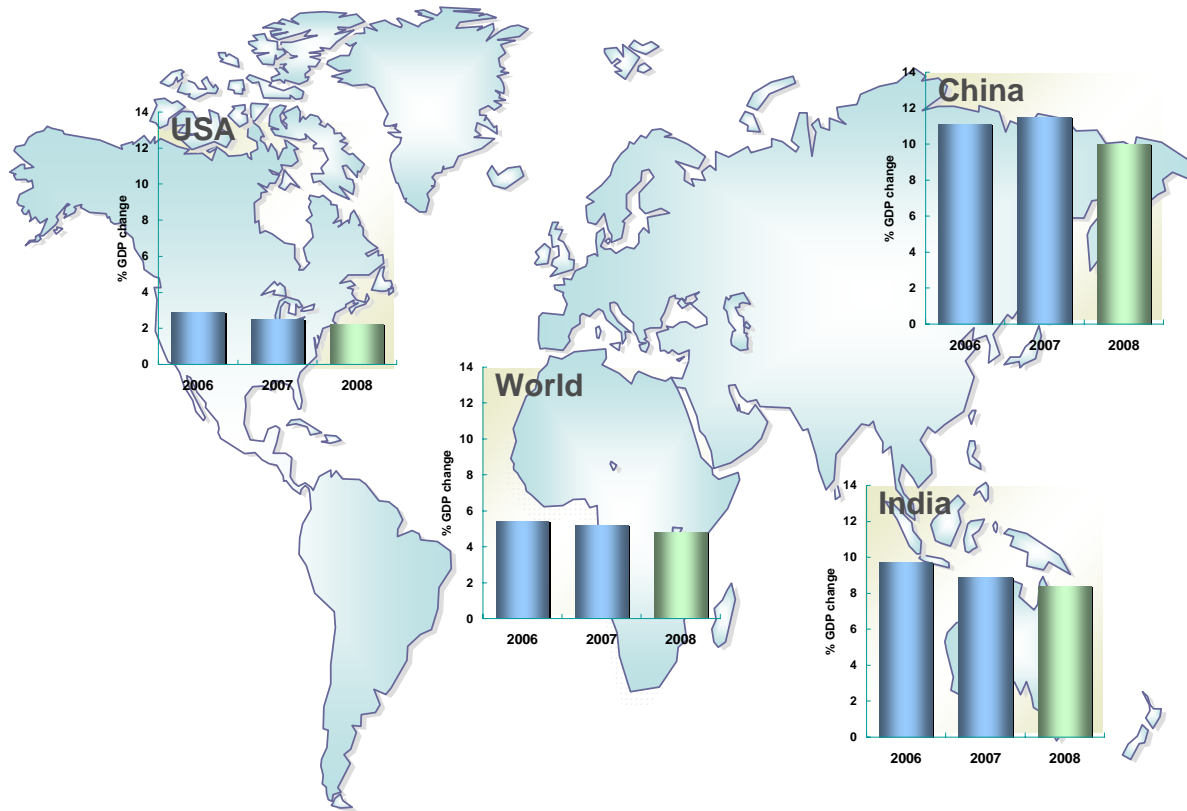
Tonne mile demand and supply changes

Supply/demand changes



- Increase in ship demand greater than trade
- Due to changing trade patterns – longer voyages
- Tonne mile demand 2001-2006 = 6.8% CAGR
- Ship supply 2001-2006 = 4.1% CAGR
- Increase in ship productivity – but port congestion
- Supply/demand balance very tight – result record freight rates

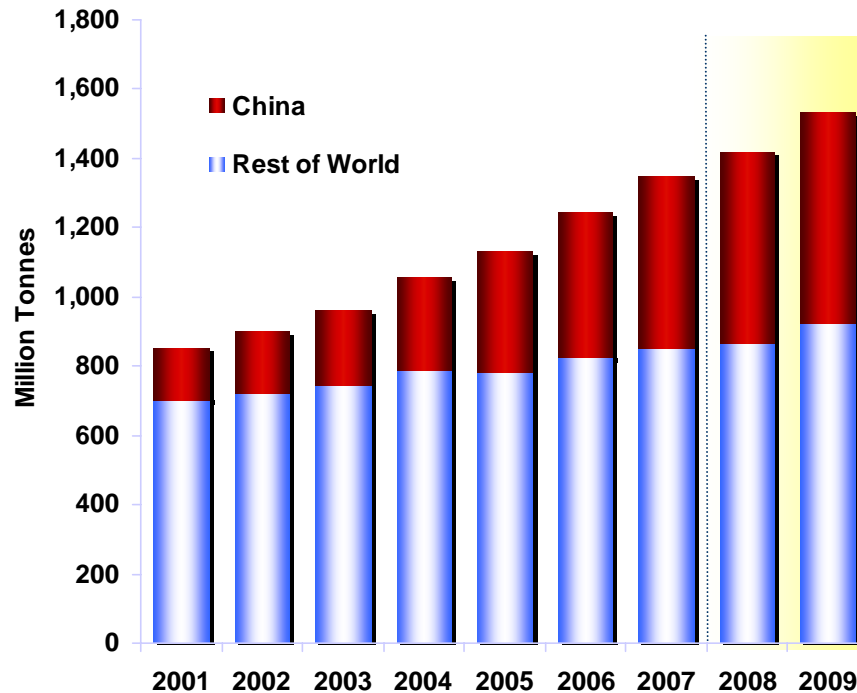
Economic outlook



- Economic activity drives trade – China major impact last five years
- China/India 50% world GDP growth 2007
- Chinese contribution exceeds US and Europe
- Self sustaining
- US downturn - ripple rather than tremor?

Demand fundamentals: steel

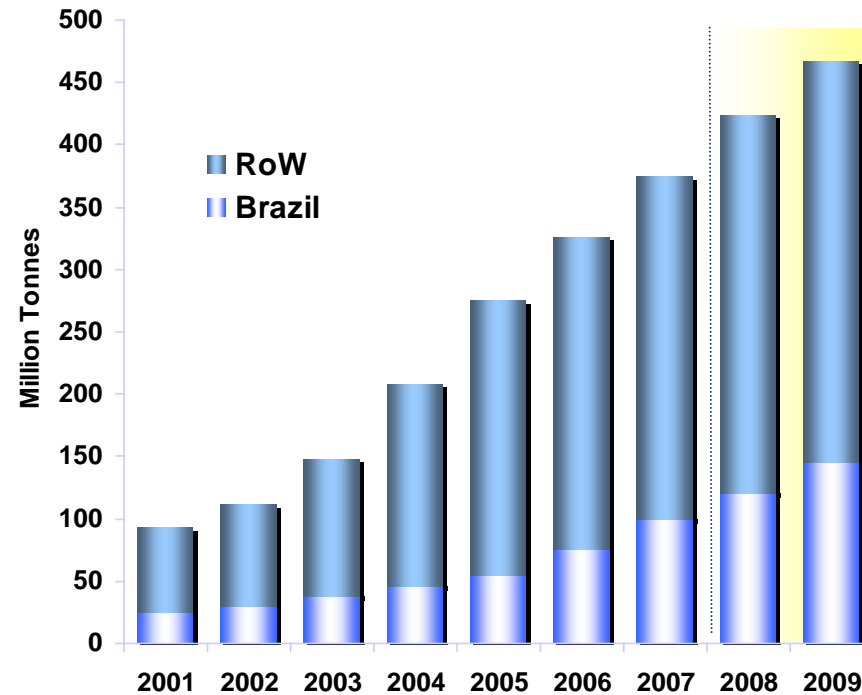
World steel production



- Steel – heart of dry bulk trade
- Forecast for 2007 achieved
- 8% increase in world production in 2007
- China +17% 2007
- China/India urbanisation
- World steel production +8% 2008/09
- China +11% 2008/09 -maybe conservative
- Positive impact on iron ore/coking coal

Iron ore

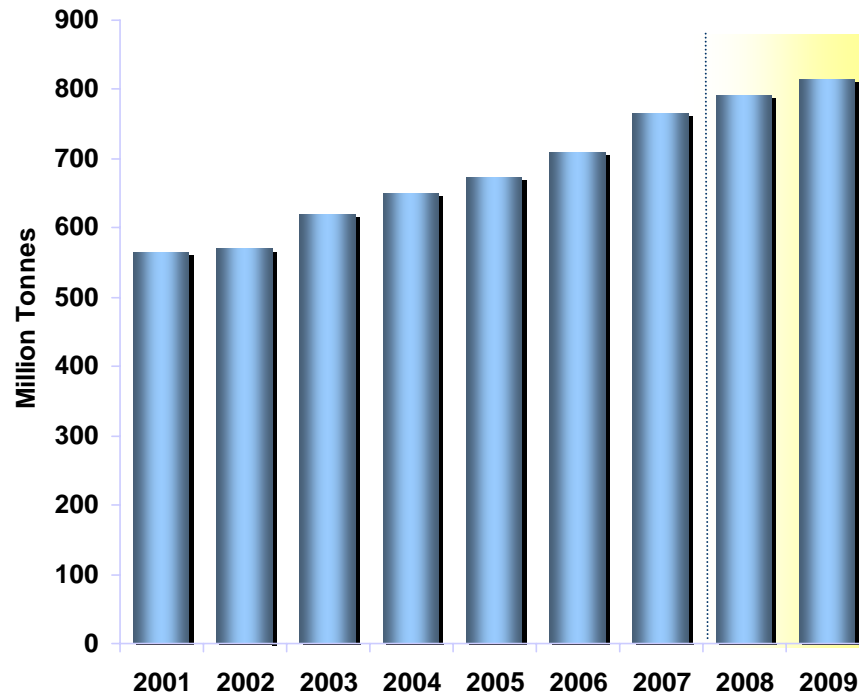
Chinese iron ore imports



- Chinese imports close to 50% of world trade
- 2007 world seaborne trade +8%
- Chinese imports 2007 +15%
- Imports from Brazil increasing
- Impact on tonne mile demand
- New sources of supply

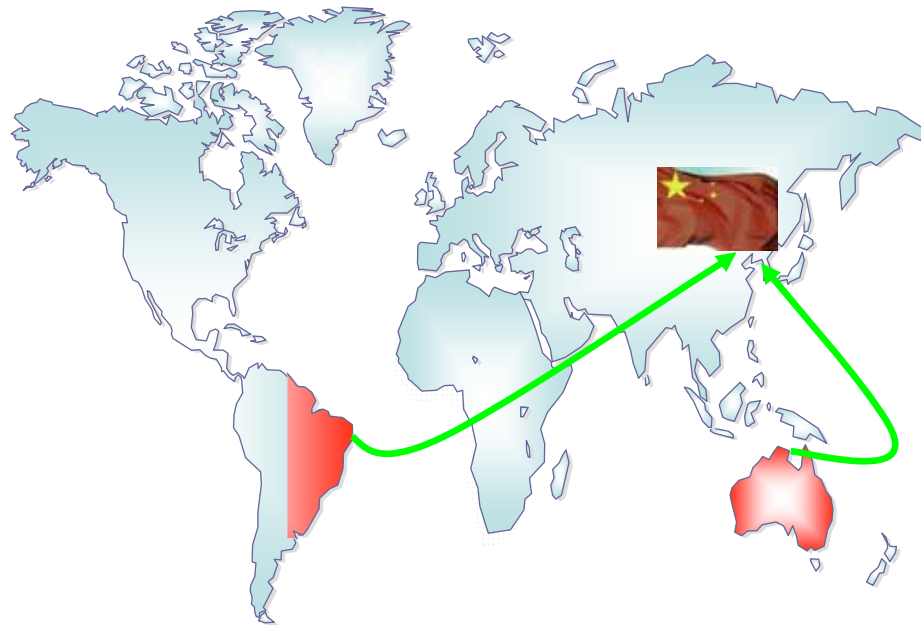
Energy demand

Coal imports



- 2001-2006 China/India = 50% of increase in global energy demand
- China to overtake US as World's largest energy consumer in 2010
- Coal increased demand as a primary energy source
- China/India increased demand is outstripping local supply of thermal coal
- Increasing reliance on imports

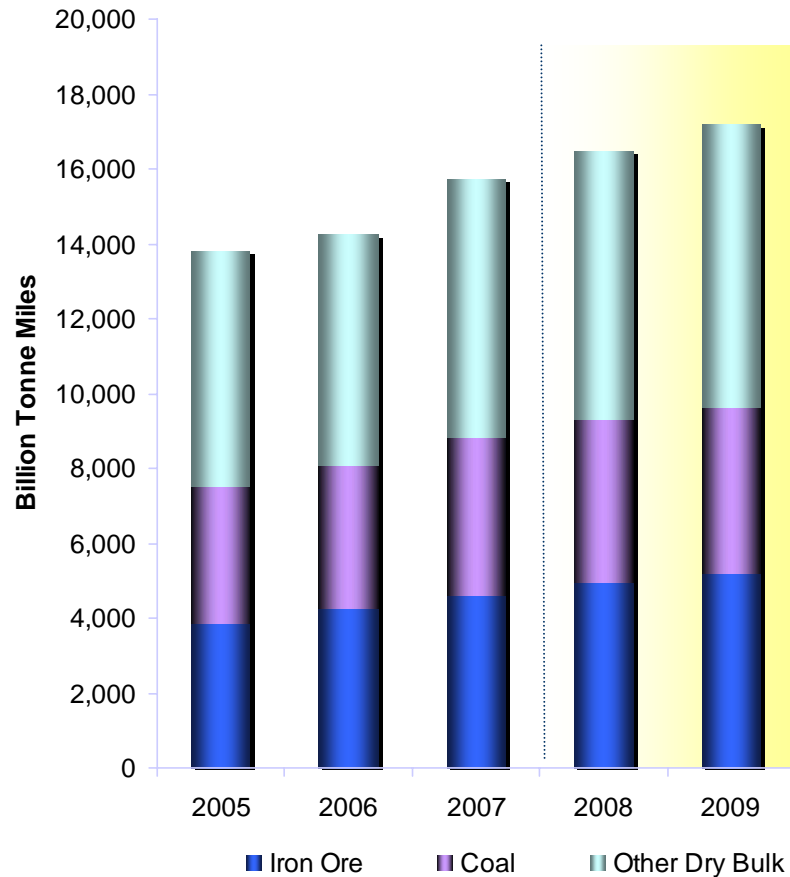
Structural changes in trade patterns



- Increase in long haul trades
- Disproportionate impact on demand
- One million tonnes Australia/China = 0.4 Capesize bulk carriers
- One million tonnes Brazil/China = 1.2 Capesize bulk carriers
- Brazilian iron ore exports to China require three times the amount of tonnage

Tonne mile demand: outlook

Dry bulk demand outlook



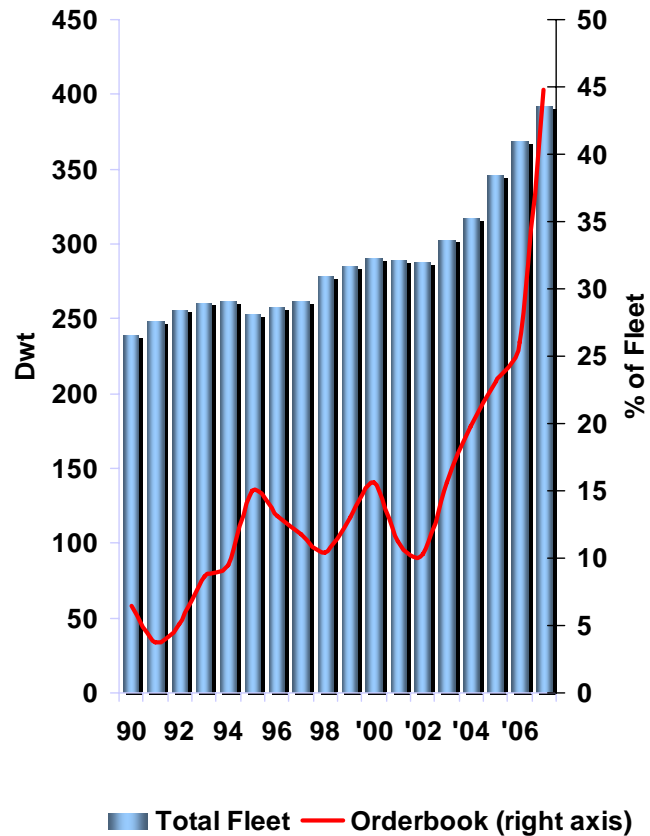
- Economic fundamentals remain strong in China/India
- No downgrading of raw material forecasts
- Asian demand continues to drive market
- Robust increases in trade and tonne mile demand 2008/09
- Demand fundamentals remain positive

Supply side issues

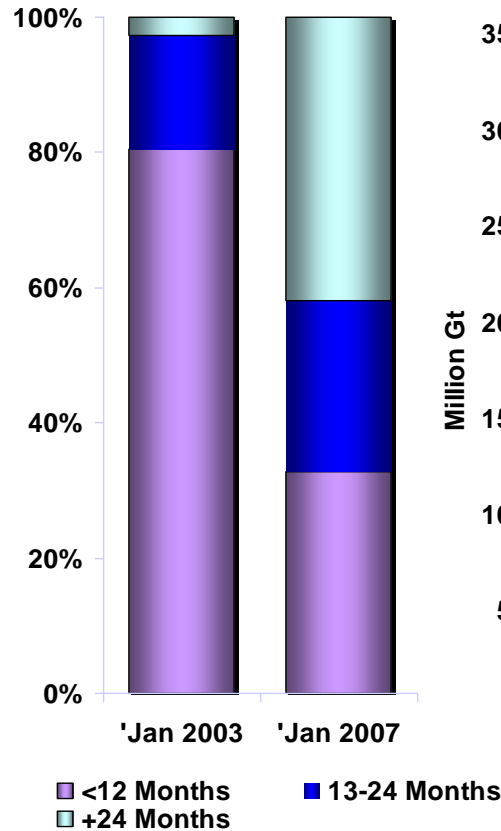
- Large orderbook and delivery schedule
- Age profile of existing fleet
- Quality of 1980s built ships
- Vlcc to Vloc
- Port congestion

Orderbook and delivery schedules

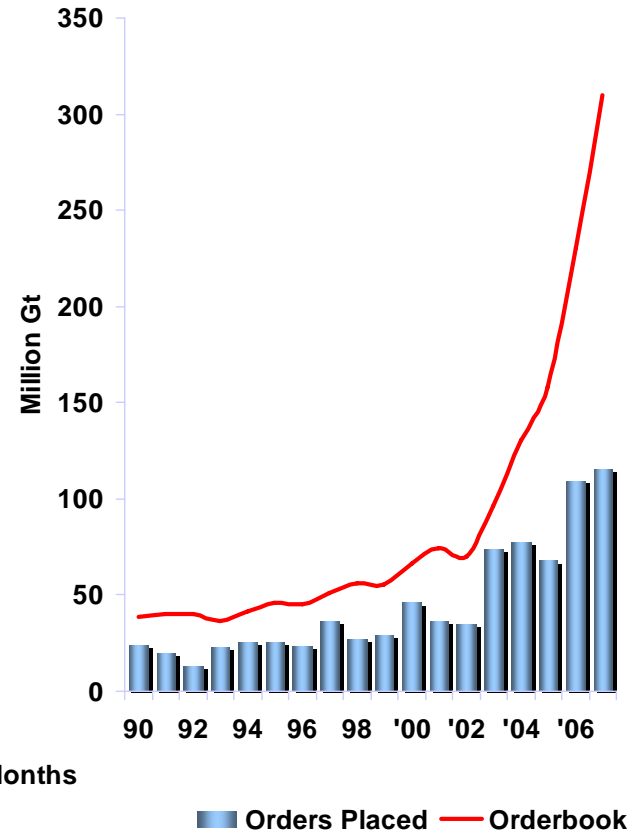
Dry bulk fleet and orderbook



Delivery lead times

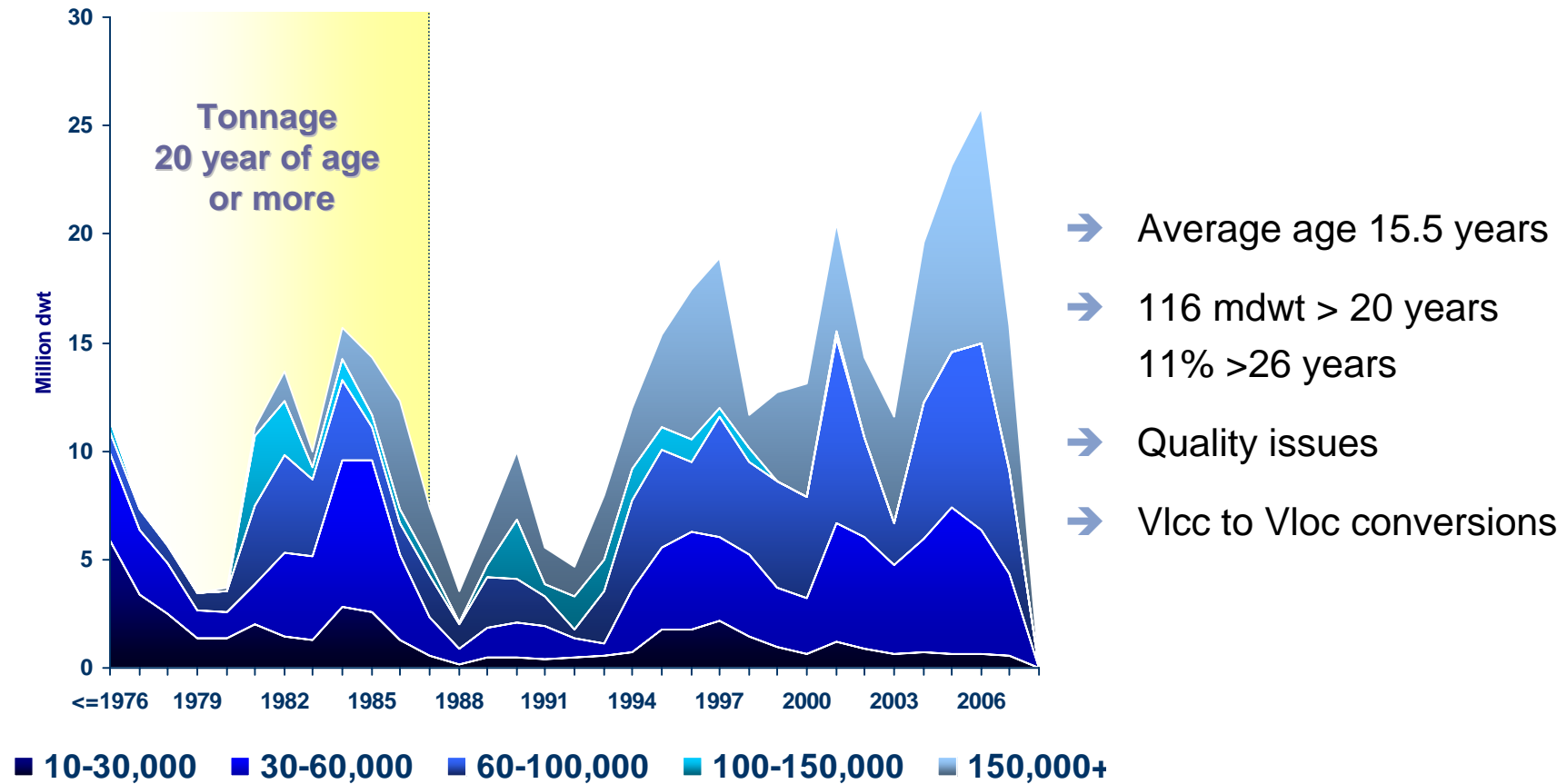


All ships orders/orderbook



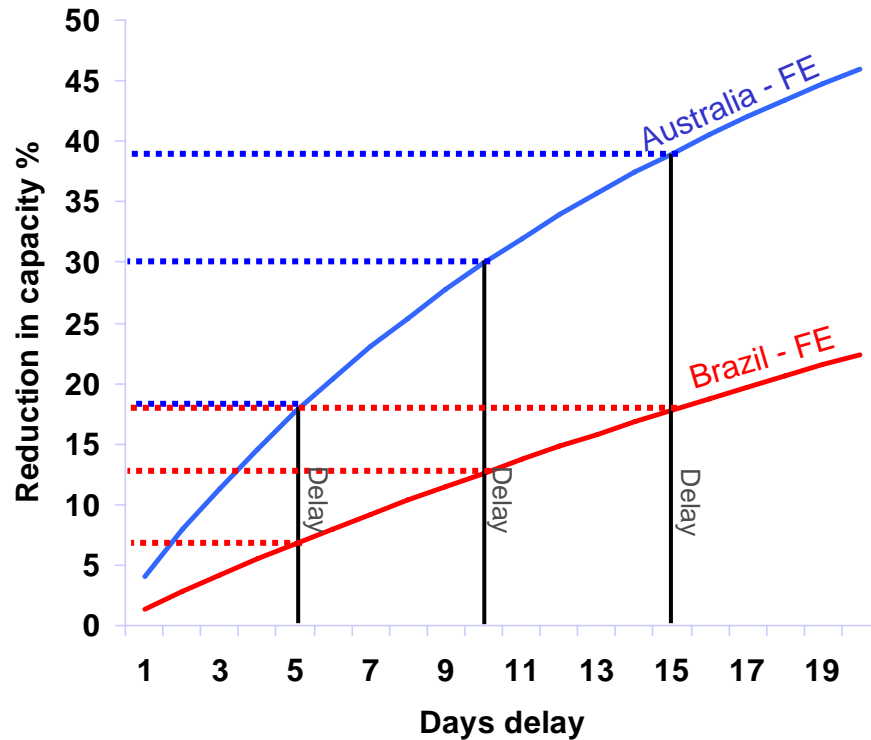
Age profile

Dry bulk fleet age profile



Port congestion

Impact of delays on capacity



- Major issue for the market
- Delays at many dry bulk loading ports
- Results in reduction of supply
- Coal loading - has been 40+ days at some Australian ports
- Impact on ship supply more pronounced on shorter voyages

Supply side issues

- Large orderbook and delivery schedule
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Net Effect

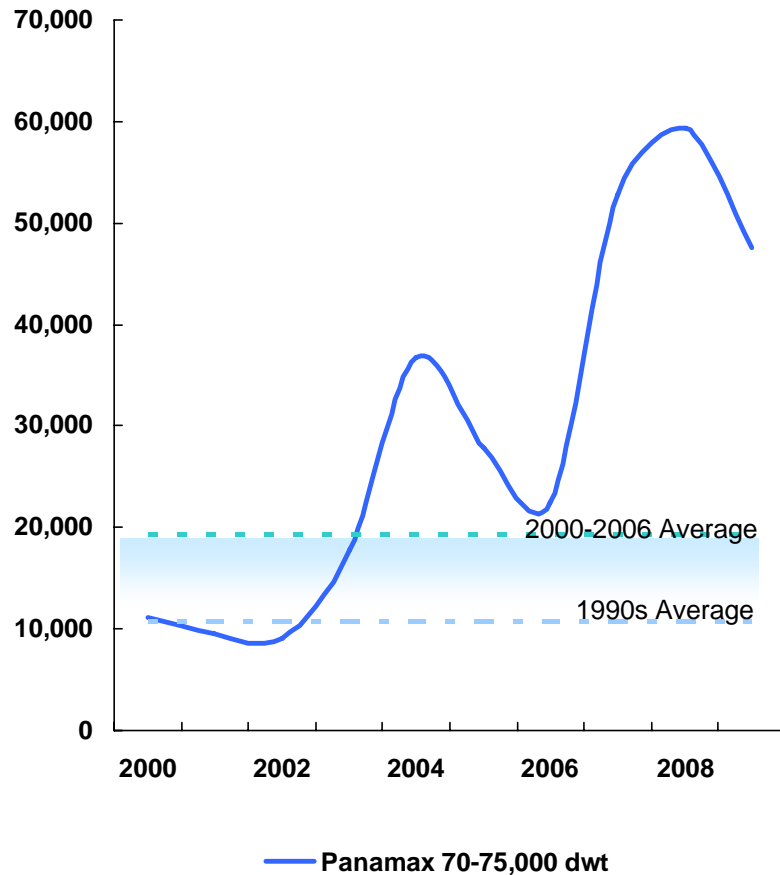
Supply increases

But

Not at rate implied by current orderbook

Rate outlook

One year Timecharter rates



- No immediate crash in sight
- Rates remain firm but volatile in 2008
- Average earnings on a par with 2007
- Market expected to soften late 2008/09 as supply increases kick in
- Market trough 2010
- Even in trough, rates well above last market low of 2002



Thank you for your attention

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