

The Outlook for Ocean Freight in the Dry Cargo Markets

International Manganese Institute

1 Sep 2008

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GROUP plc



Company Introduction



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About Us



- One of the largest shipbroking companies in the world
- Provider of broking and consultancy services
- Over 850 employees worldwide with the Group
- Headquartered in London
- Shipbroking offices in Aberdeen, Genoa, Beijing, Shanghai, Melbourne, Perth, Mumbai, New Delhi and Singapore



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Business Areas

- Dry Cargo
- Tankers, Chemical, Gas & Veg Oil
- Sale & Purchase, Newbuilding, Demolition
- Containers
- Offshore
- Technical Consultancy & Services
- Surveys
- Port Agency
- Research & Consultancy
- Loss Adjusting



Research Tools

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Trade Demand

- Derived from Braemar Seascopes own unique Commodity Trade Model
- Data available for all major & significant minor commodities
- Maintained for over 15 years
- Forecasts to 2015



Vessel Supply

- Existing fleet based on commercially available databases
- However, significant changes in data interpretation based on BS' market knowledge eg vessel type
- Newbuilding database based on BS' own confidential world shipping orderbook
- High degree of accuracy as a consequence of company's strong presence and activity in the Newbuilding S&P market



Trade Demand Model

- Forecasting model based on a quantitative and pragmatic approach
- Based on 3 major elements to an analysis of the market for dry bulk shipping:
 - ❖ Fleet analysis (the supply of ships)
 - ❖ Commodity trade analysis (the cargoes carried)
 - ❖ Ship employment analysis (how ships are utilized on individual trades)



Commodities Analysed (1)

Major Bulks:

Iron Ore

Coal:

Steam/Thermal Coal

Metallurgical/Coking Coal

Agribulks:

Grain:

Wheat

Coarse Grains (Rye, Barley, Oats, Corn,
Sorghum, Other)

Oilseeds (Soya, Peanut, Copra, Flax, Rape,
Sunflower, Other)

Oilcake and Oilseed Meals

Other:

Rice

Sugar

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Commodities Analysed (2)

Fertilizer Materials:

Phosphate Rock
Fertilizers (Nitrogenous, Phosphatic, Potassic,
Complex)

Aluminium Raw Materials:

Bauxite
Alumina (aluminium oxide and aluminium
hydroxide)

Minor Ores:

Copper Ore
Lead Ore
Manganese Ore
Nickel Ore
Zinc Ore



Commodities Analysed (3)

Steel Industry Minor Bulks:

- Coke (from coal)
- Directly Reduced Iron
- Pig Iron
- Scrap
- Steel

Forest Products:

- Woodchip
- Rough Wood
- Sawn Wood
- Newsprint
- (Wood Panels may also be added)

Other Minor Bulks:

- Cement
- Petroleum Coke (calcined and non-calcined)
- Salt
- Sulphur (Pyrites, Natural, Precipitated)

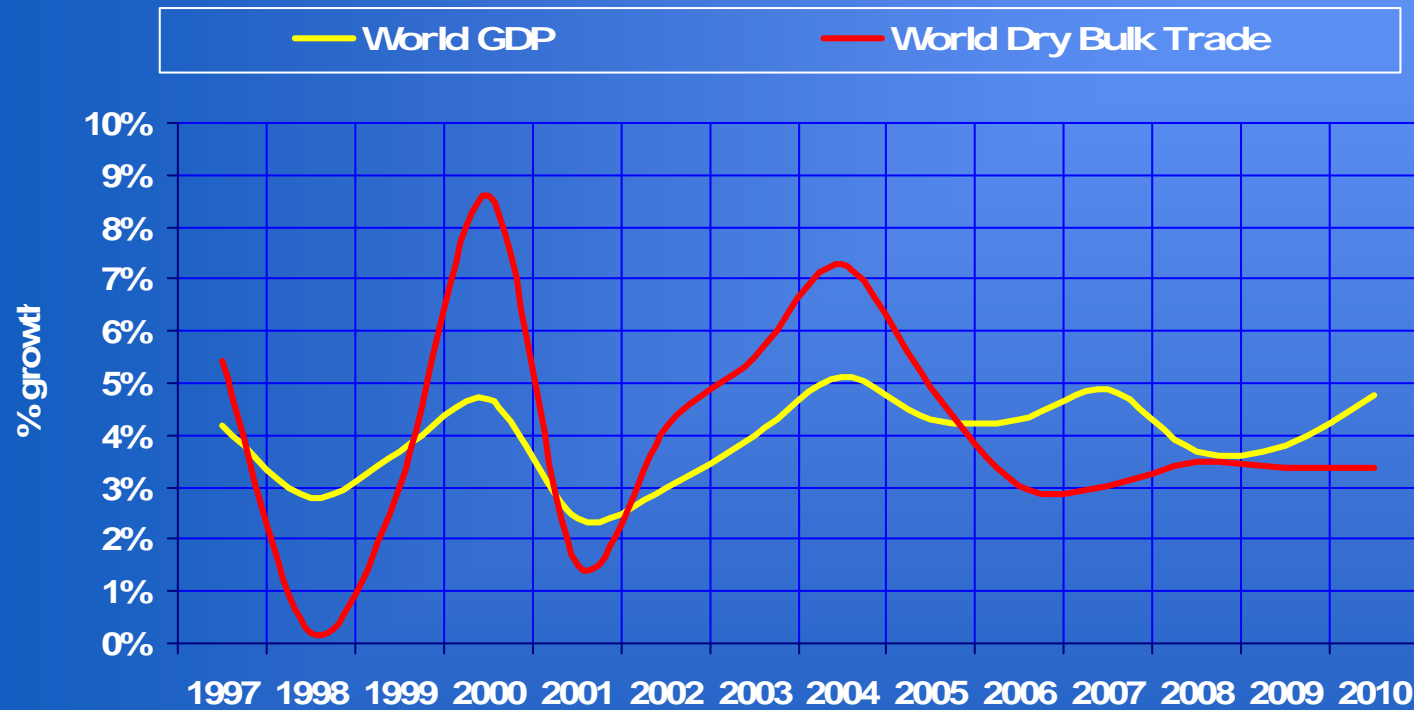


Economic Fundamentals

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Dry Bulk Trade & GDP

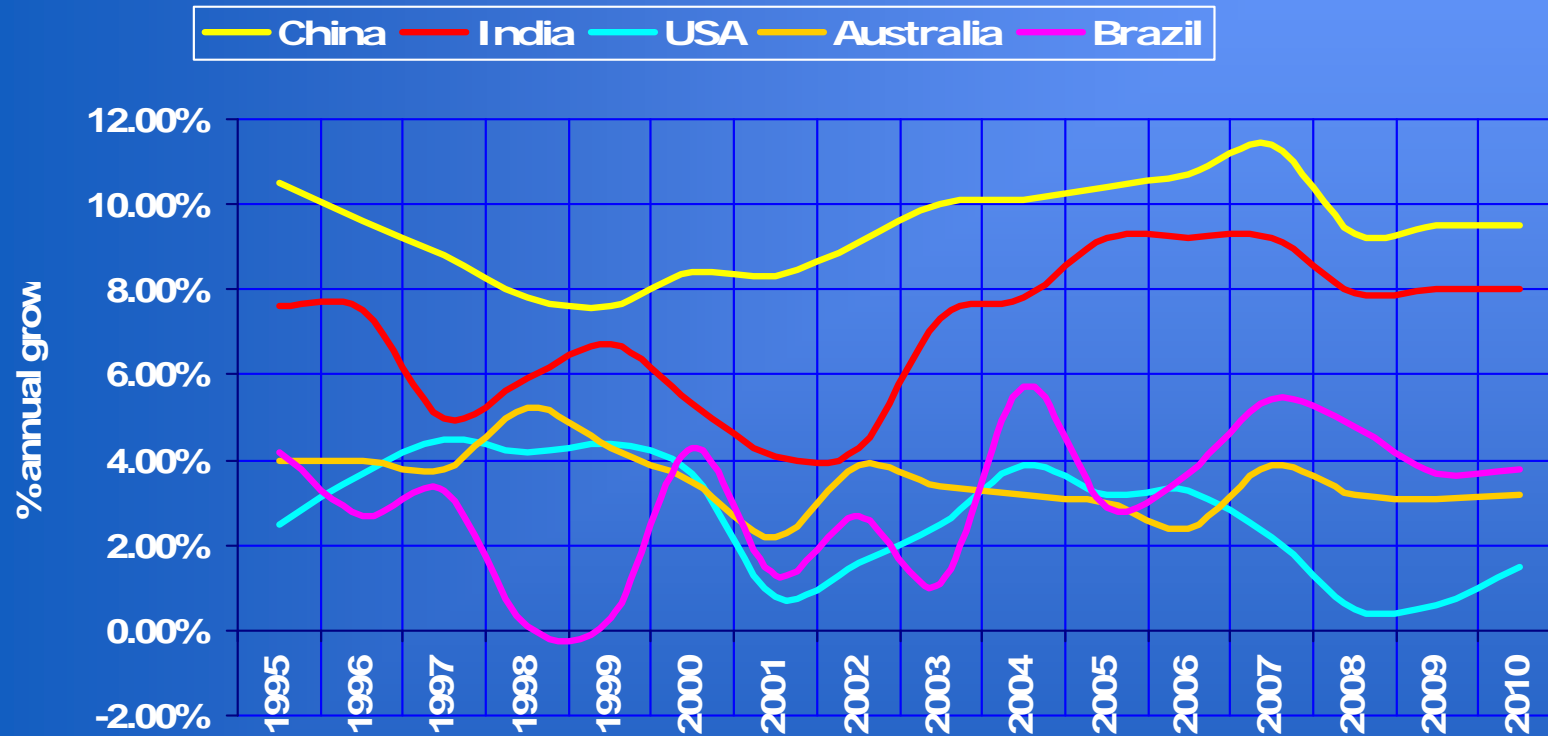


Source: IMF

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GDP Long Term View



Source: Official - BS

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Steel Intensity & Steel Forecasts

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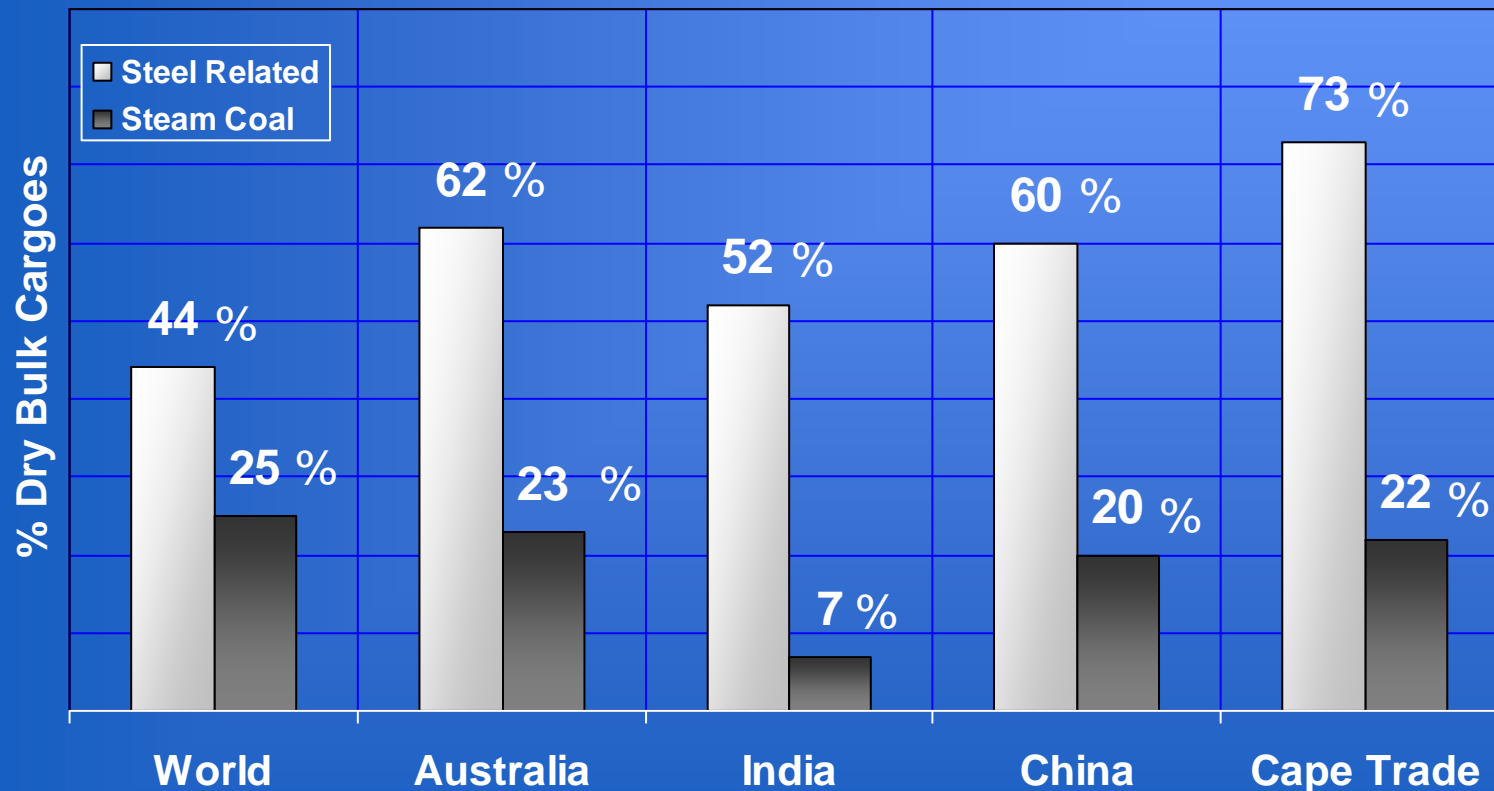


Steel Intensity

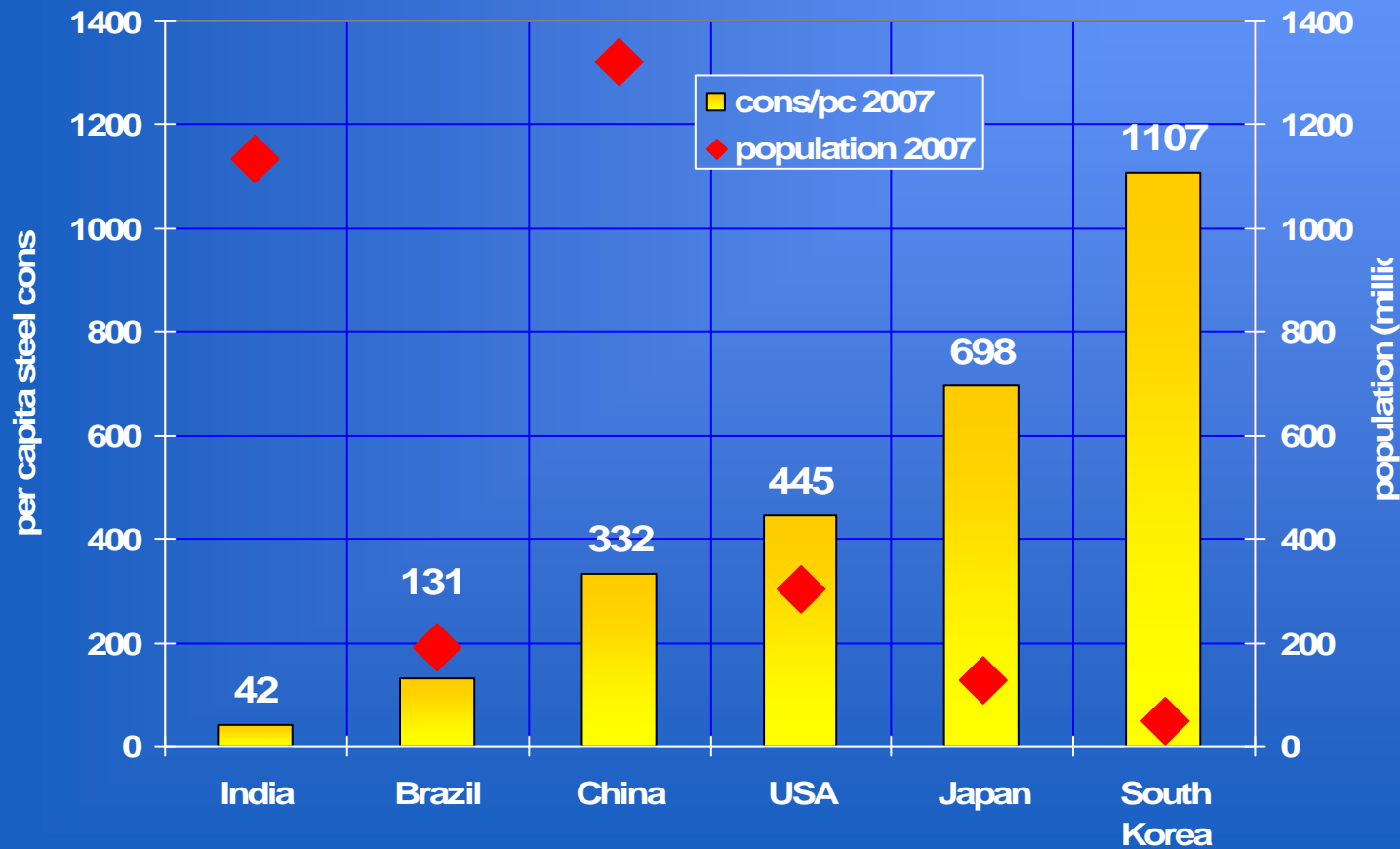
- The relationship between economic growth and steel consumption.
- Based on the logic that increases in GDP have less impact in steel consumption in developed economies than emerging ones.
- Moderated by market intelligence.



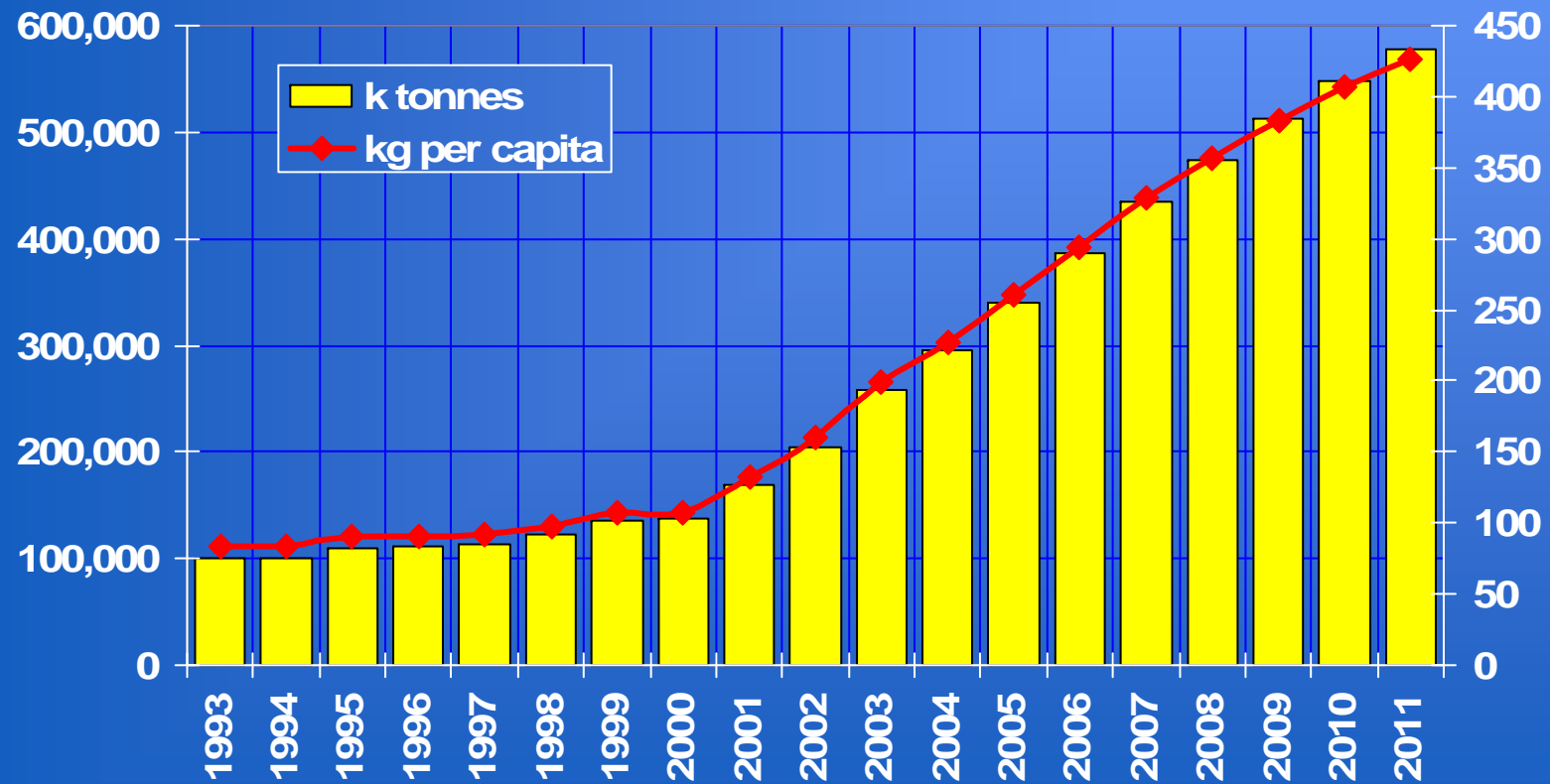
Steel Drives the Market!



Steel Consumption Potential



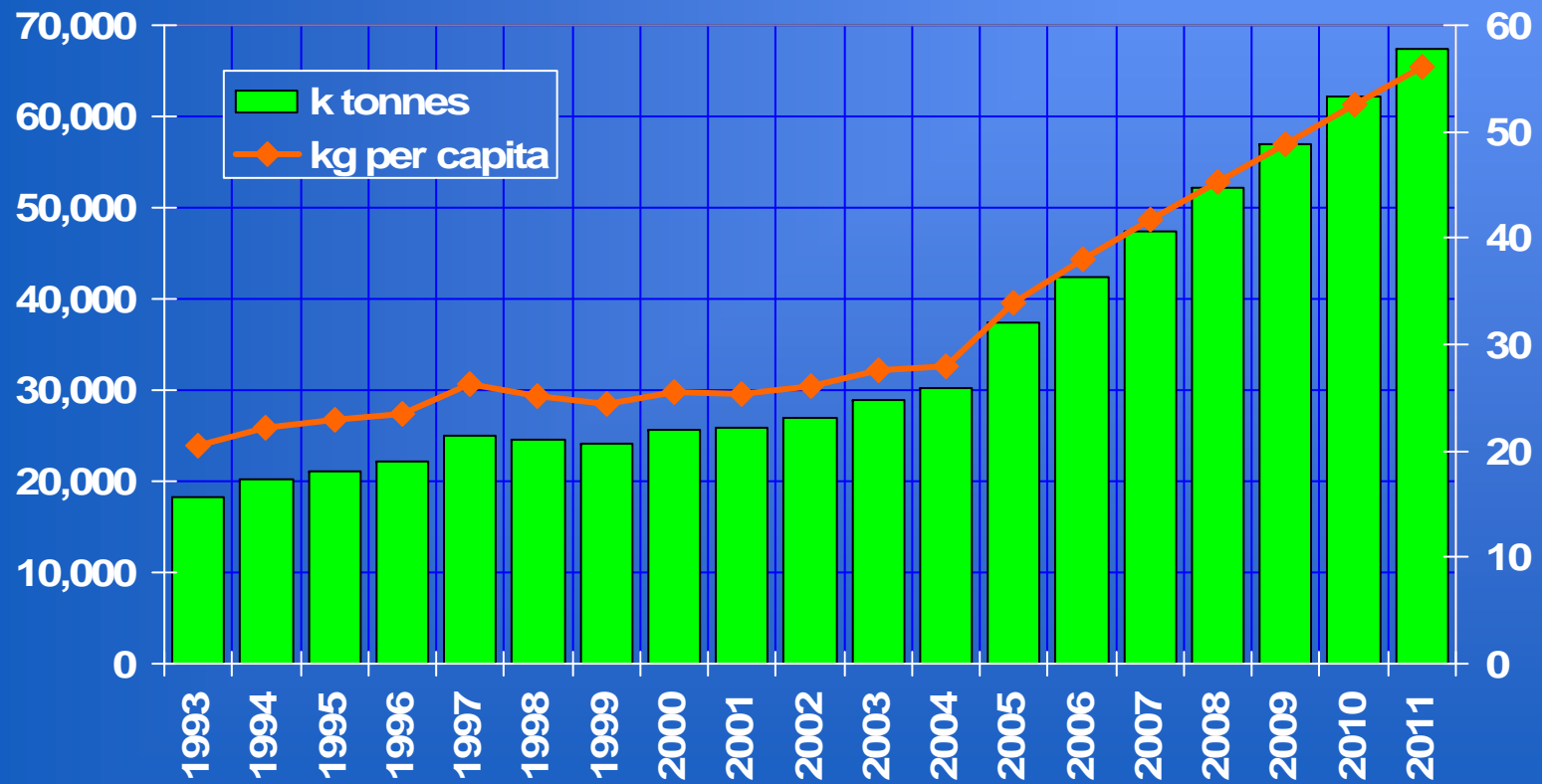
China Steel Consumption



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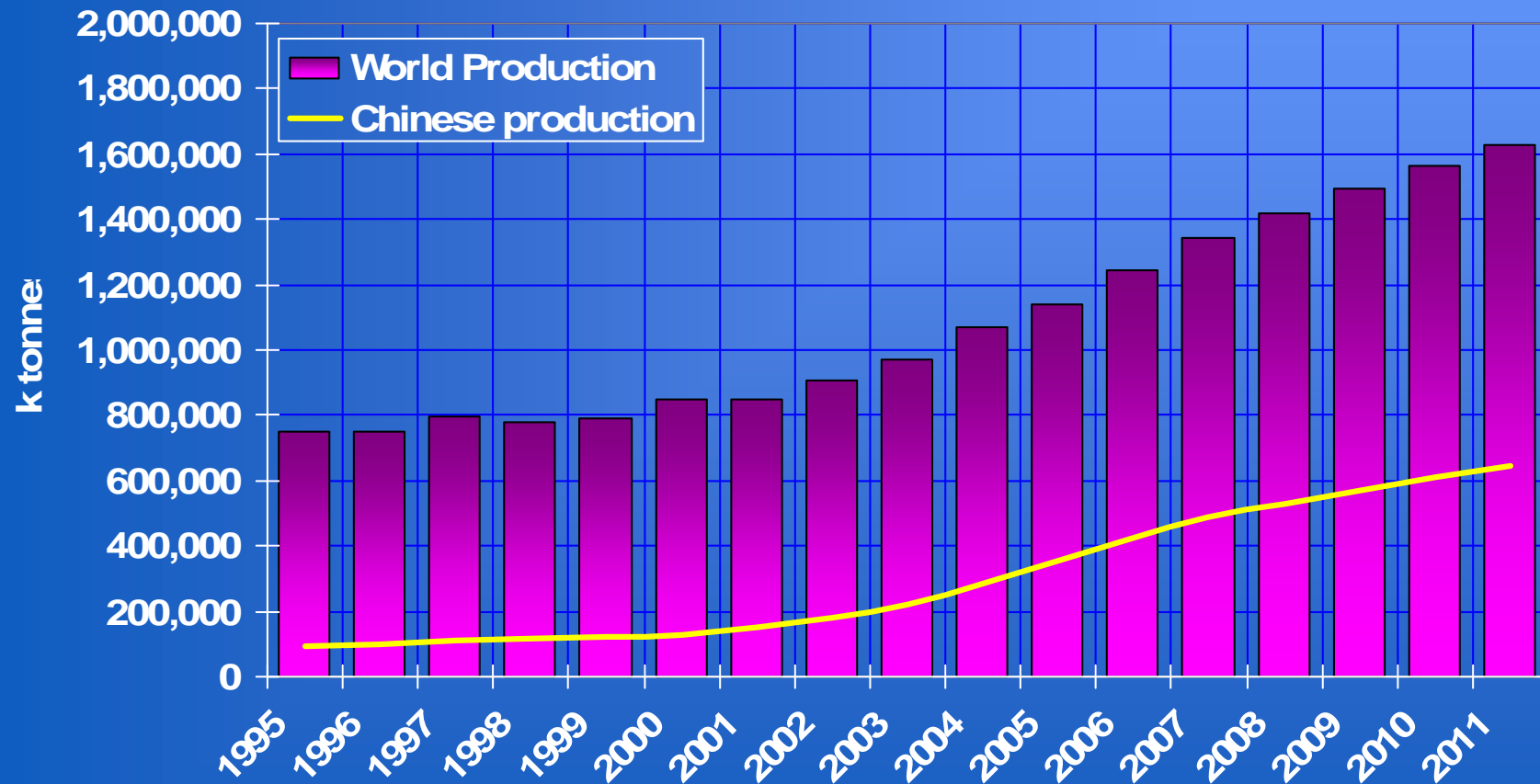
India Steel Consumption



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Rise in Steel Production

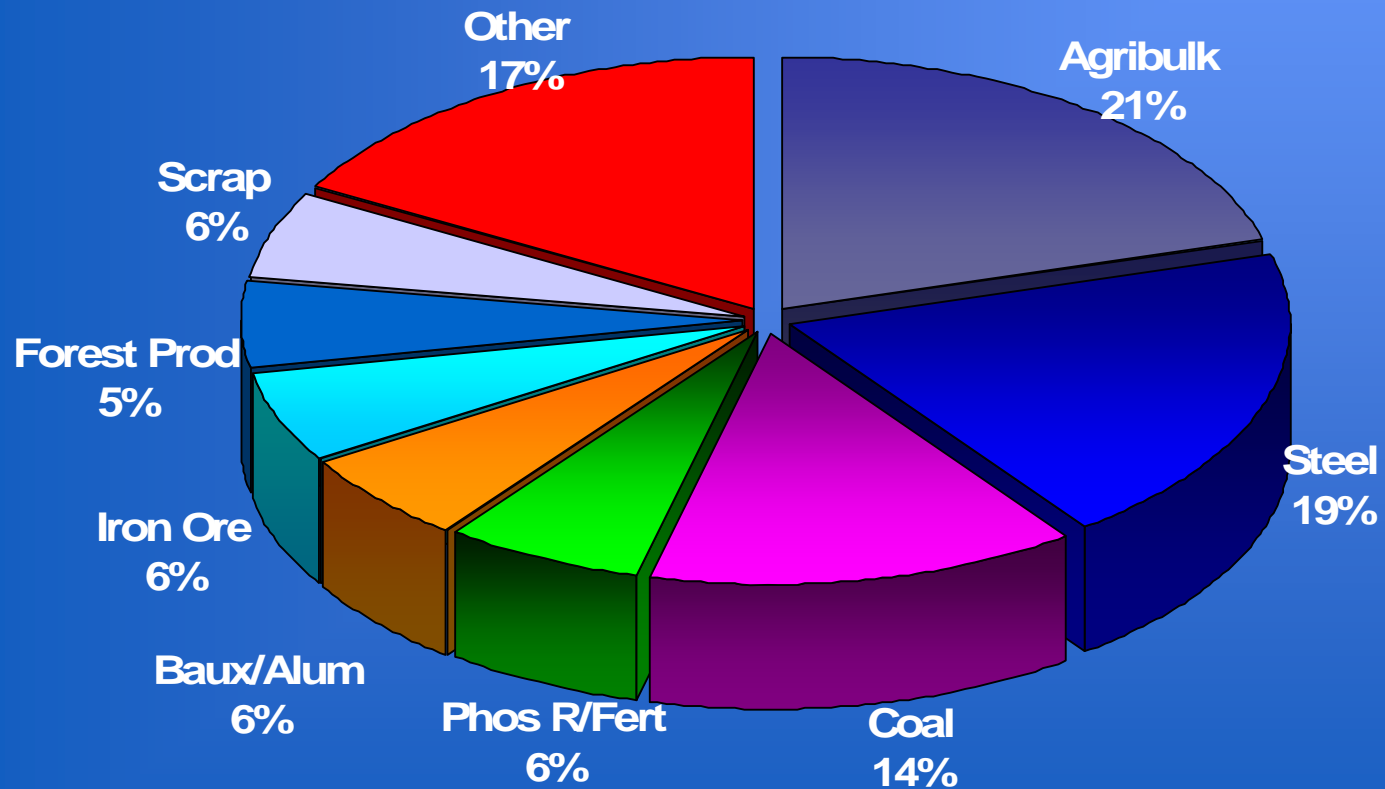


Key Dry Bulk Drivers

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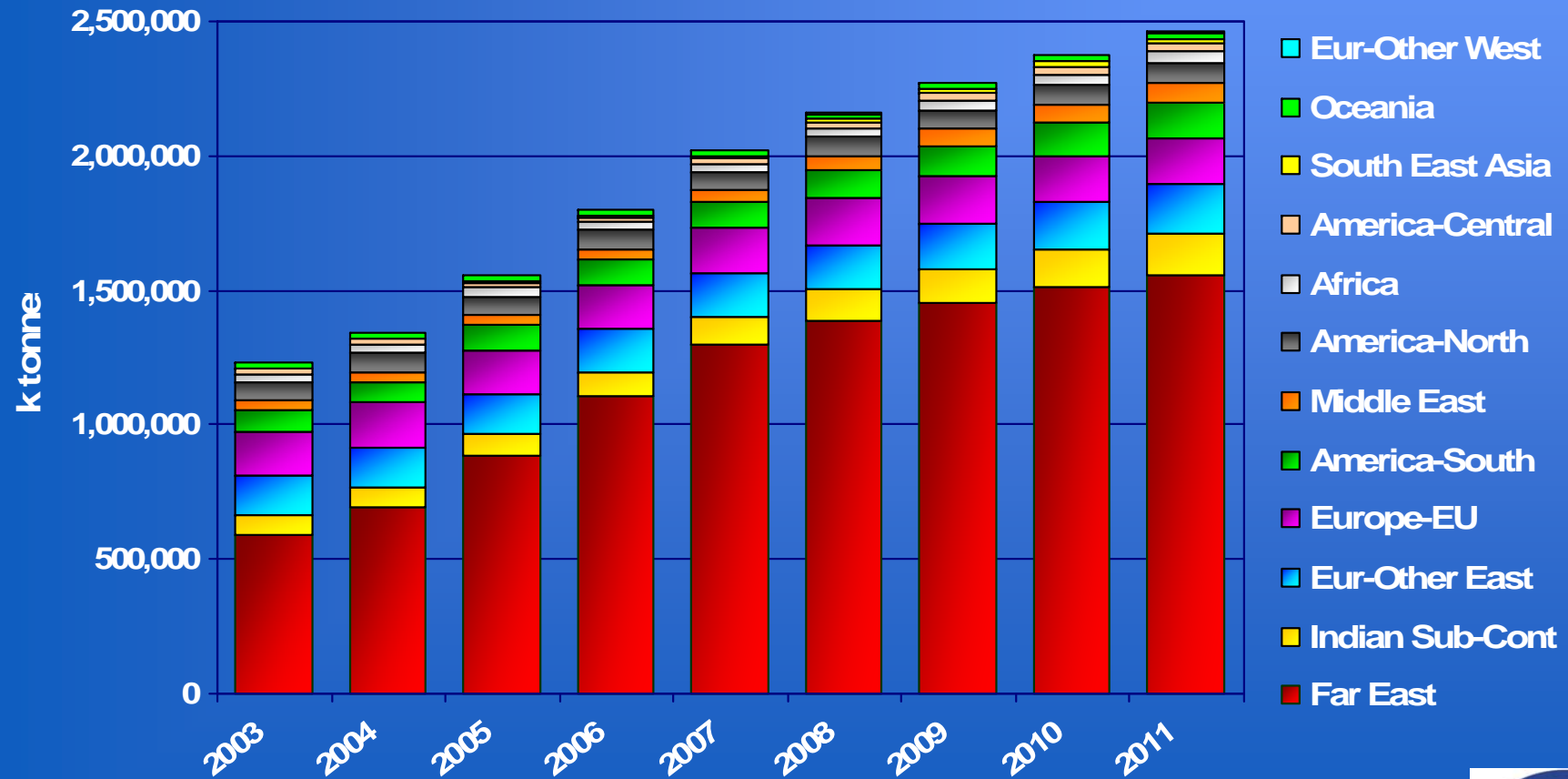
Handymax Cargo Breakdown



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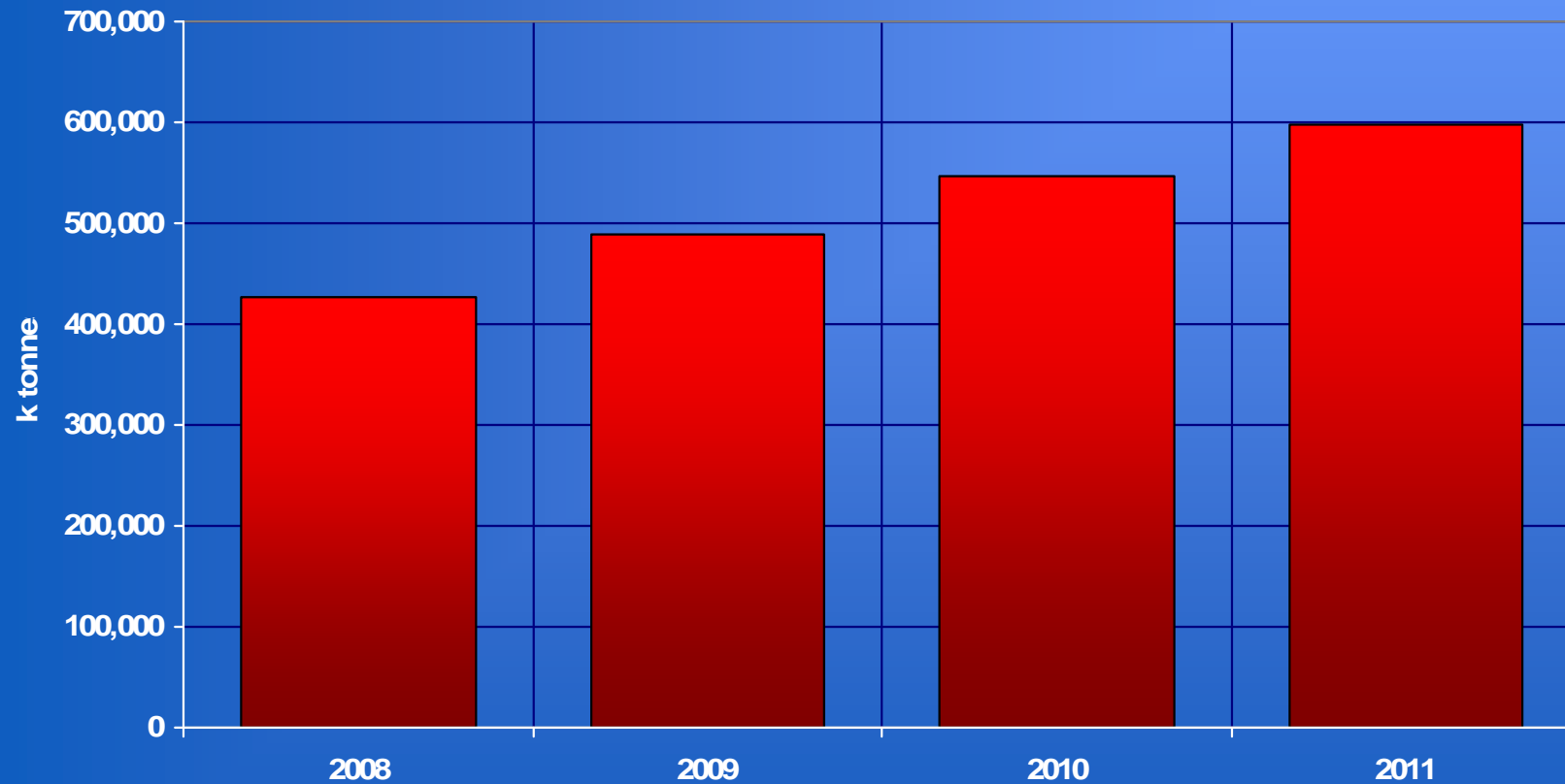
World Iron Ore Consumption



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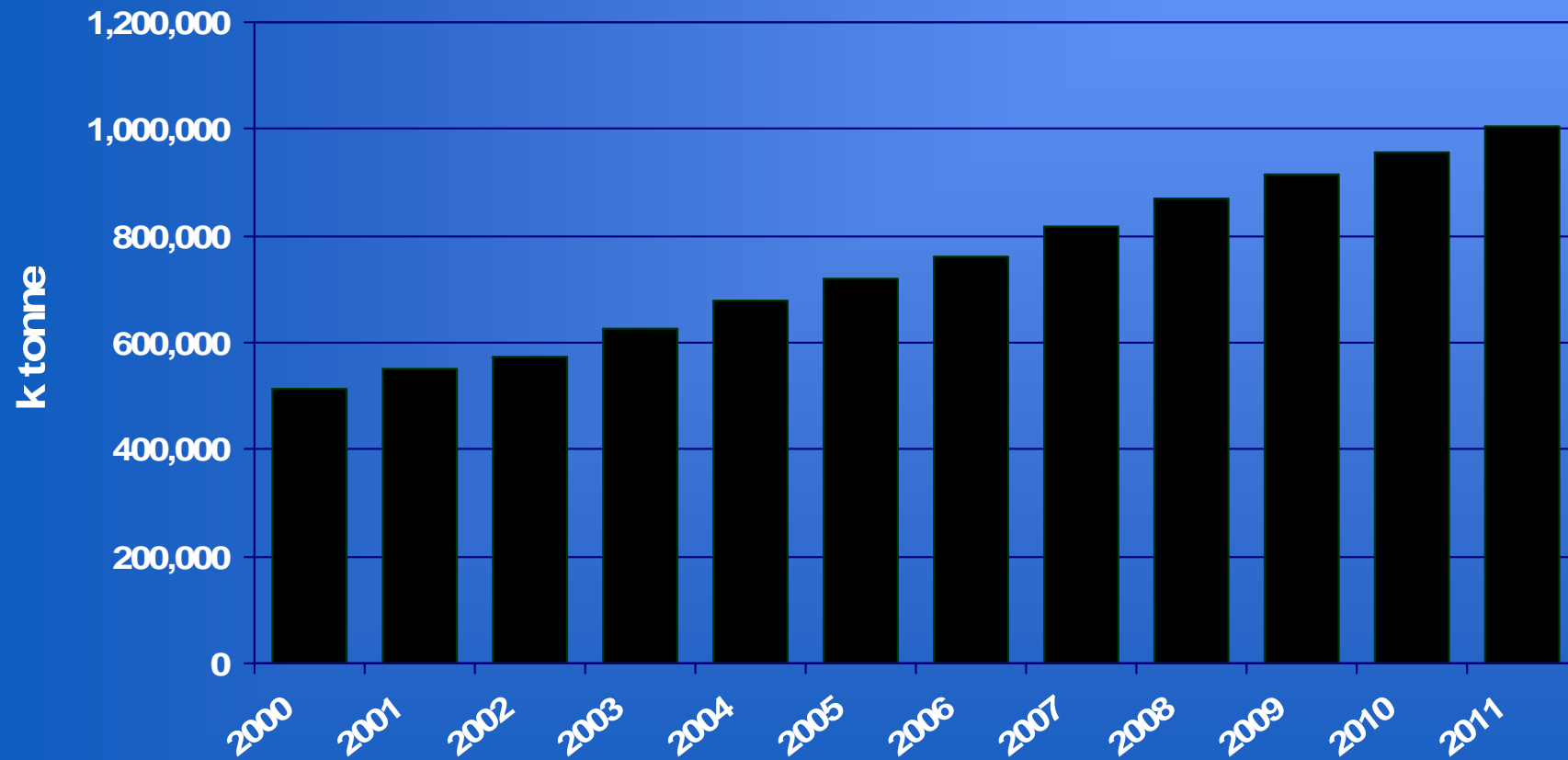
China Iron Ore Imports Forecast



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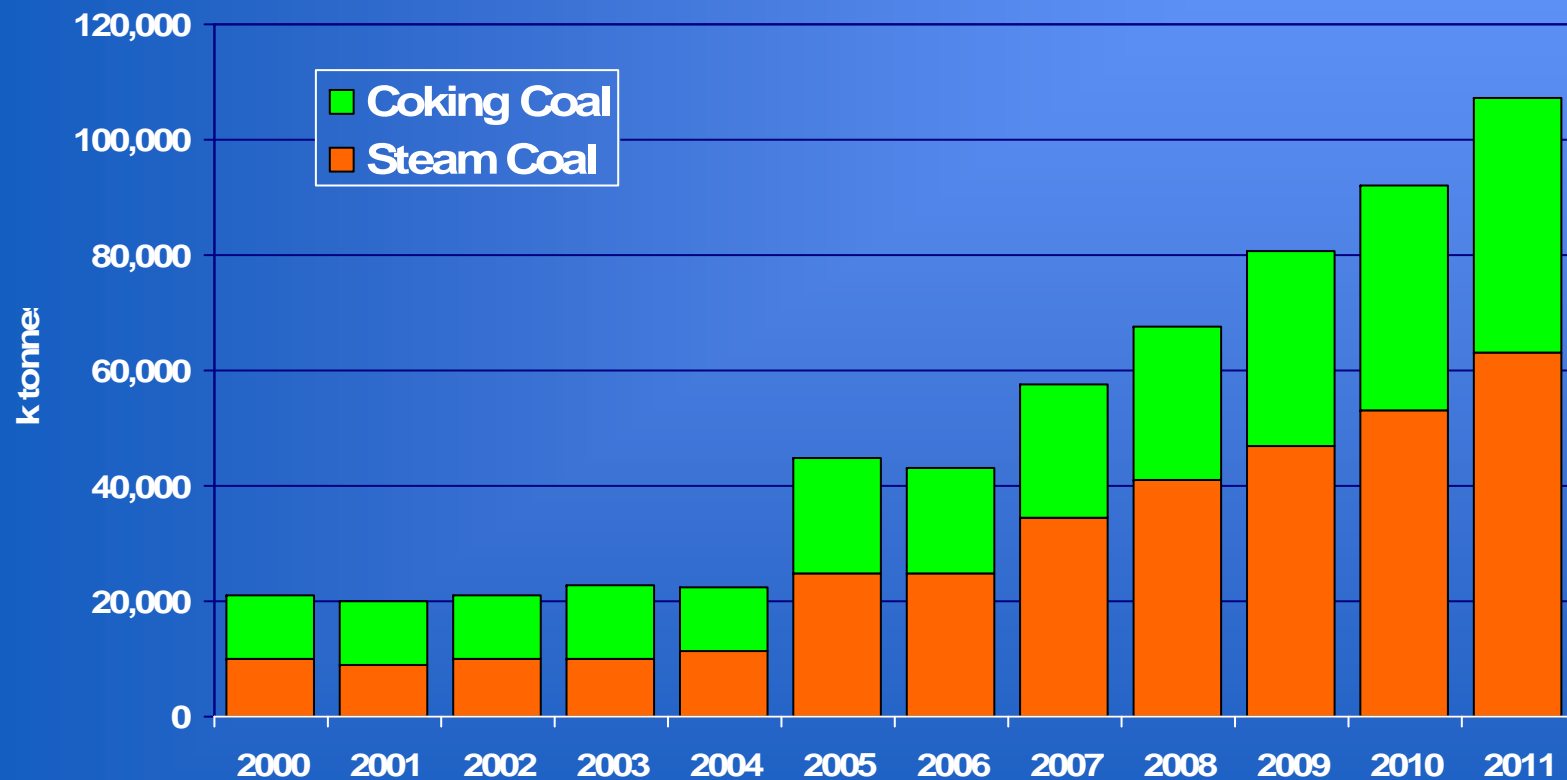
Seaborne Coal Imports



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India Coal Imports

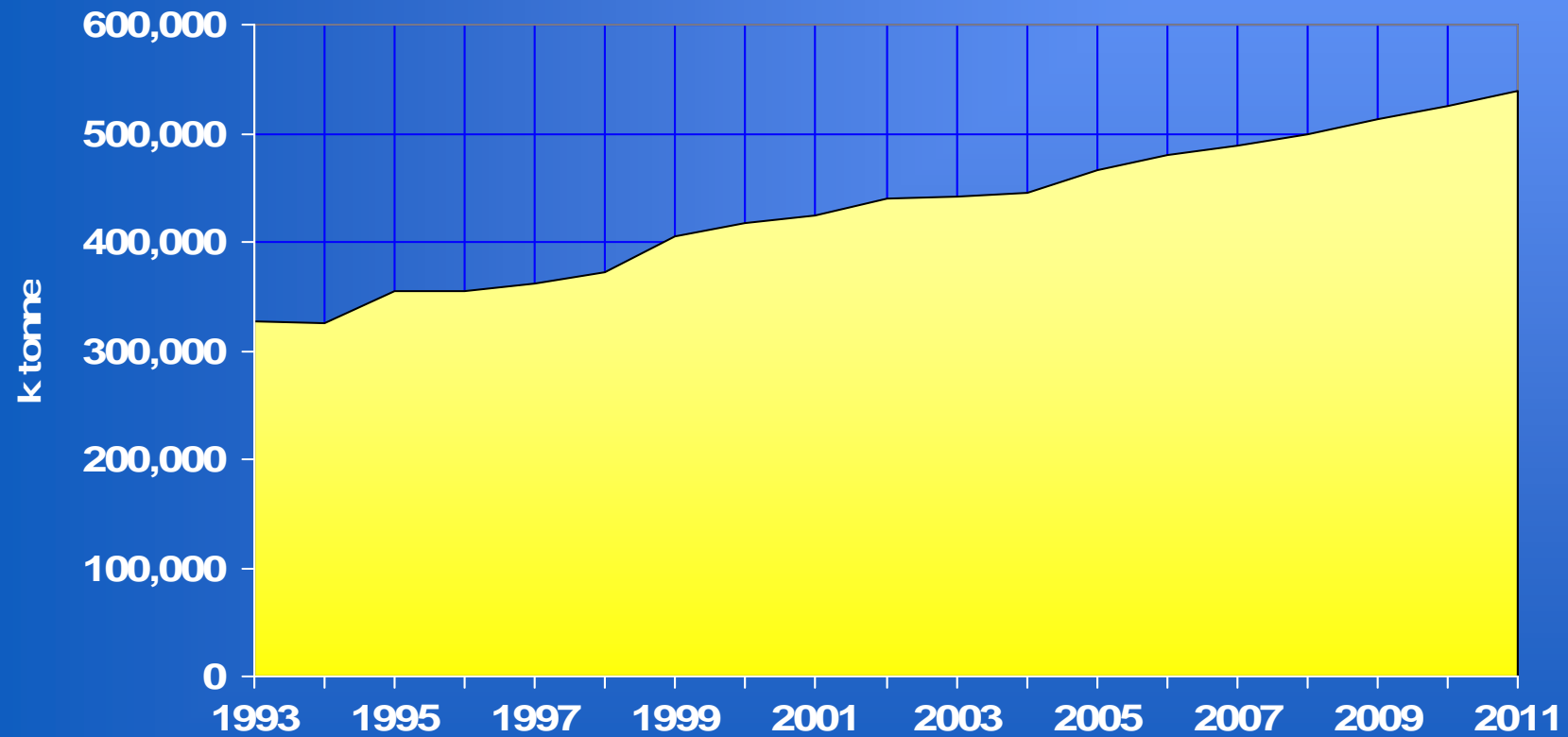


Agribulk

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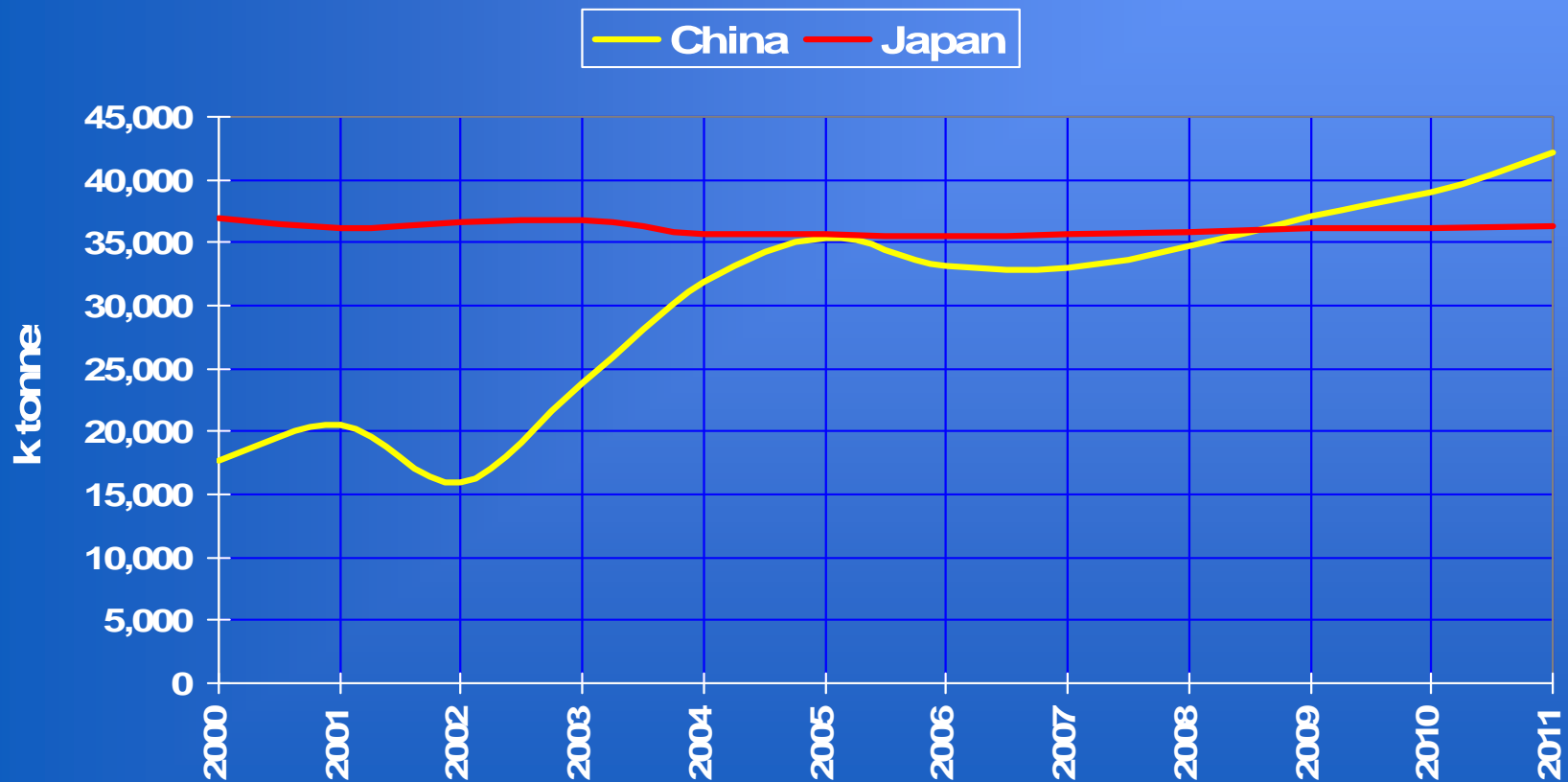
World Agribulk Trades



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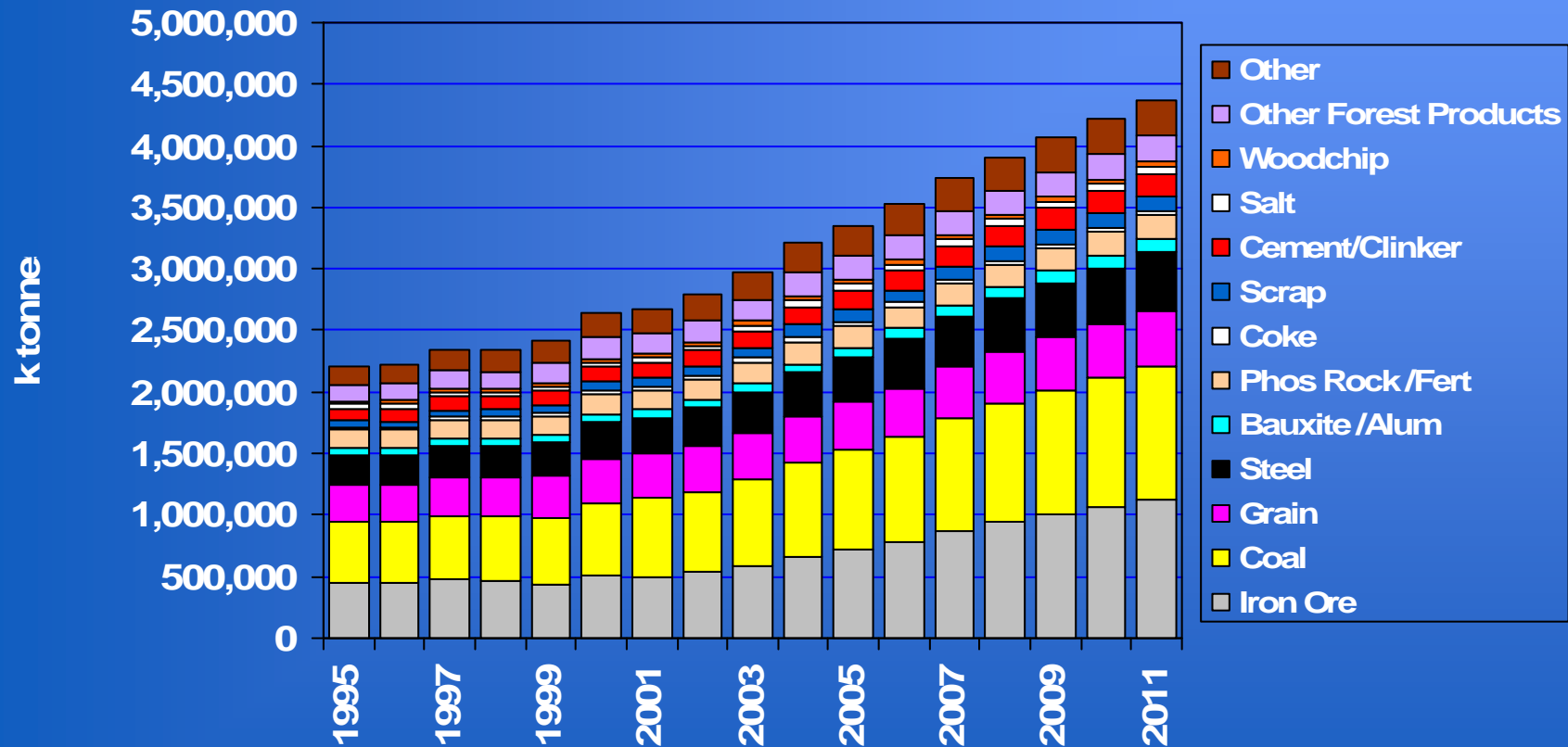
Agribulks into Major Consumers



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Dry Bulk Trade Growth



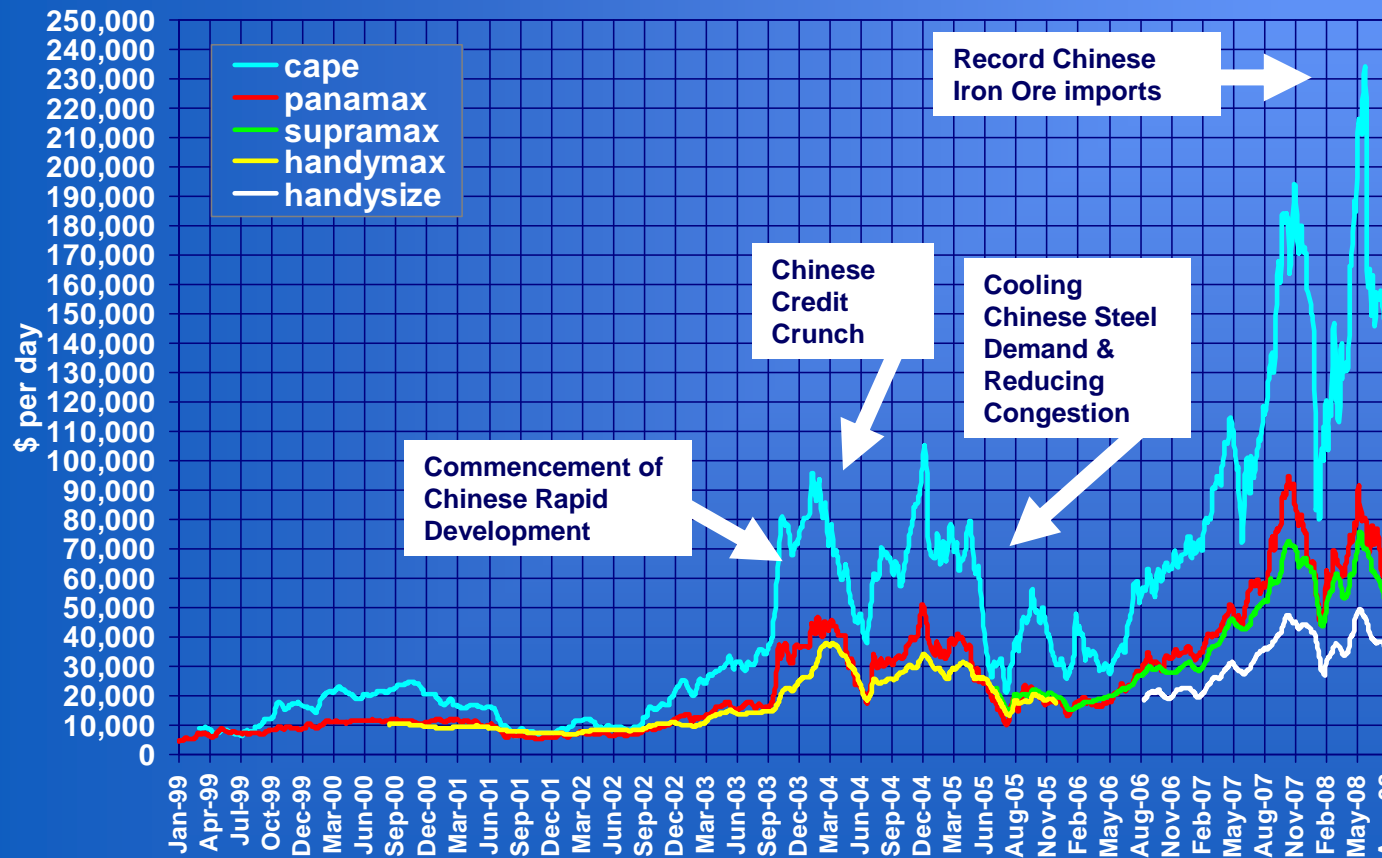
Freight & Markets

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Record Spot Rates

An historical perspective



CAPE

June 08
233,988

avg Jun 02
9,330

+ 2,500% !!!

PANAMAX

Oct 07
94,977

Avg Jun02
6,431

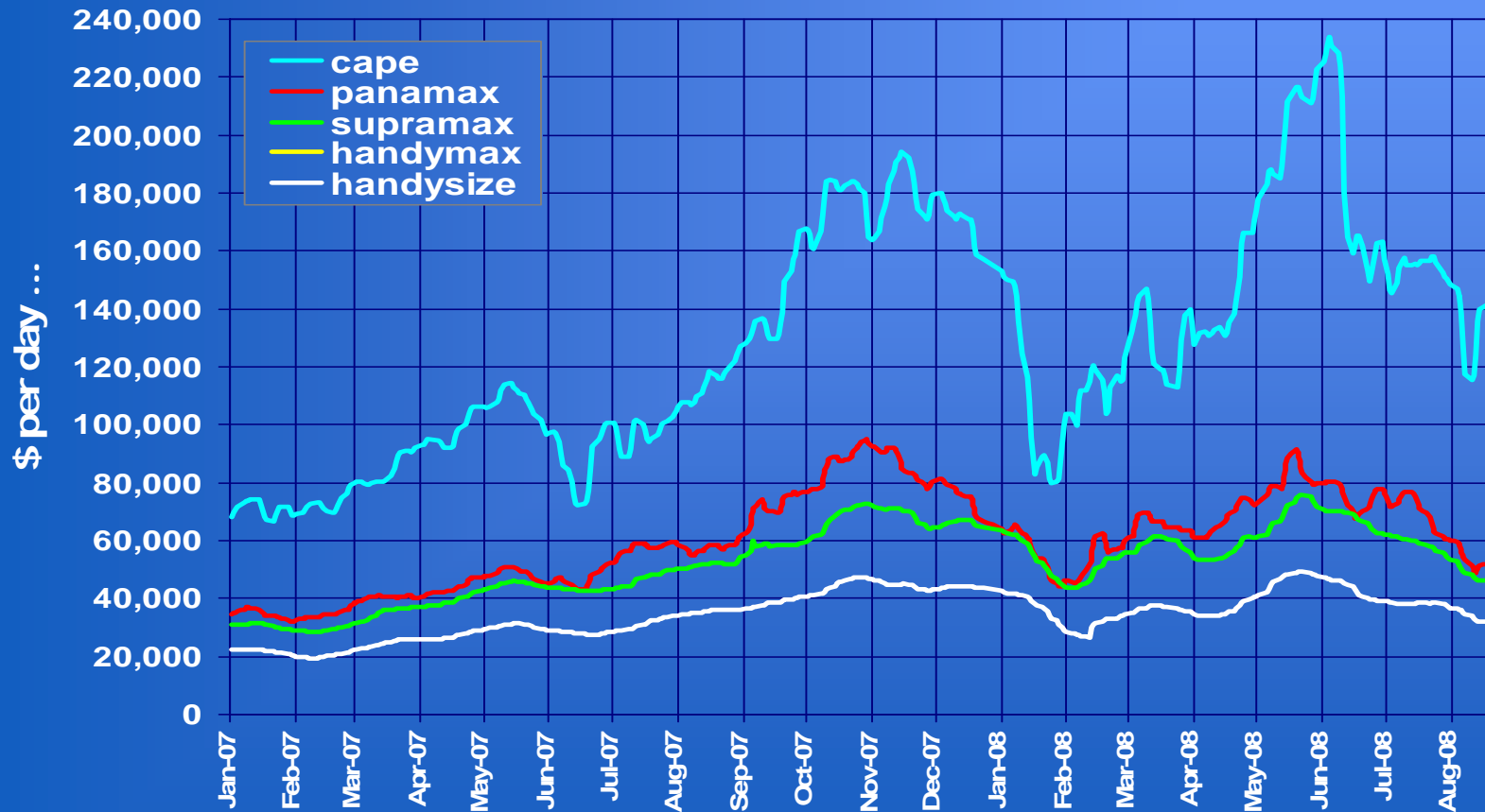
+ 1,500% !!!

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Record Spot Rates

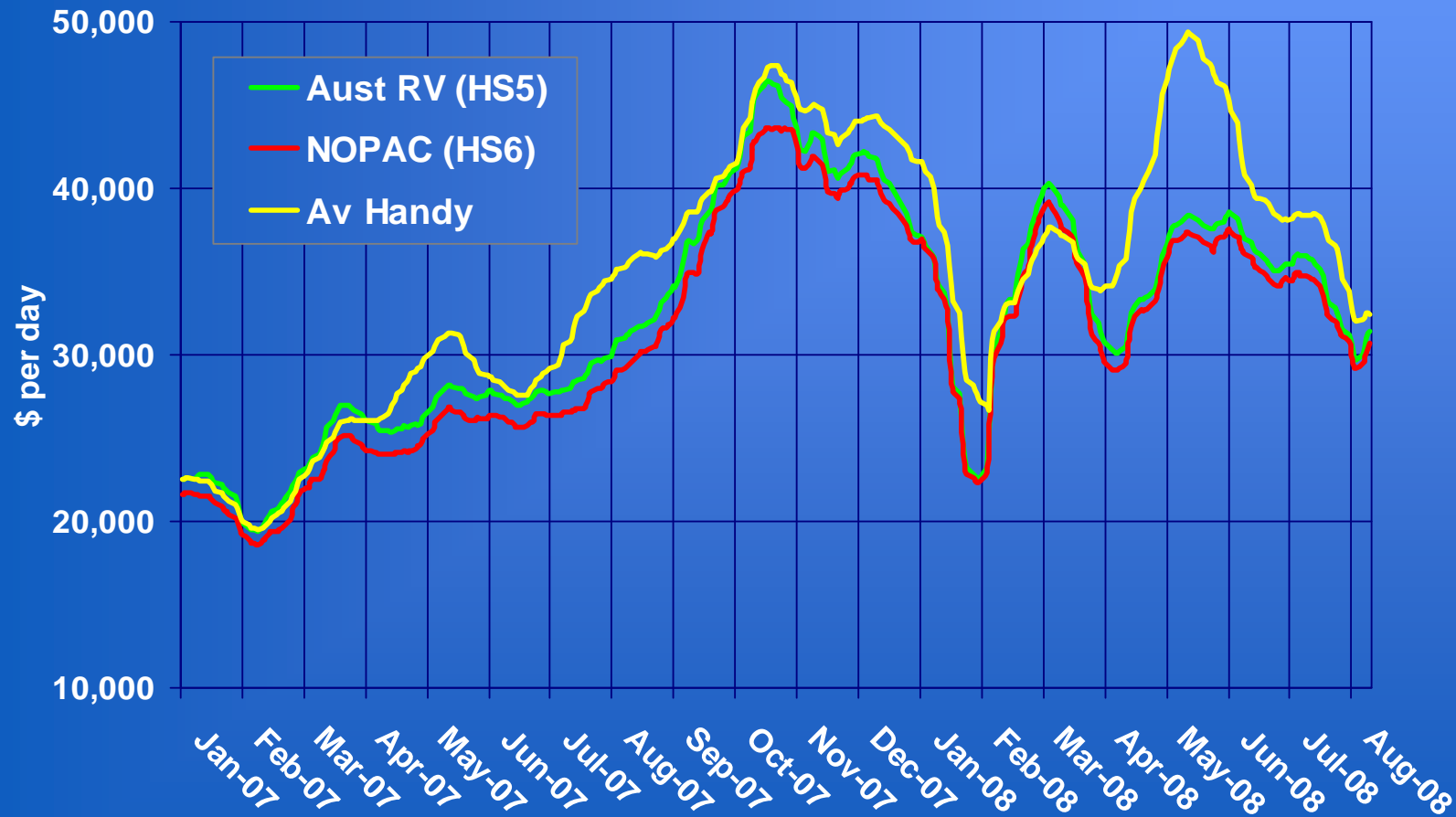
2007 Volatility continues into 2008



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Handysize Rates 2007-08



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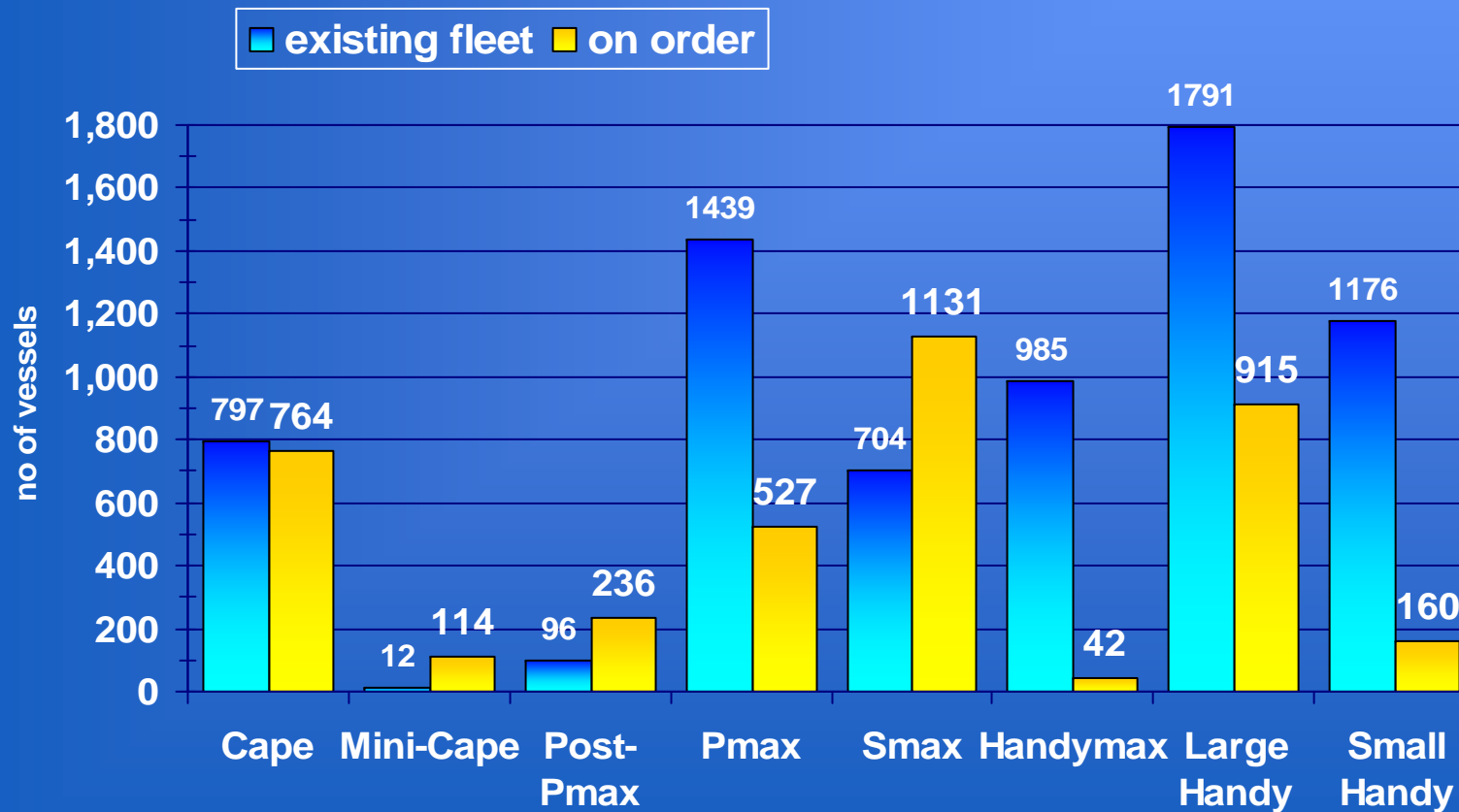


Vessel Supply (Aug 2008)

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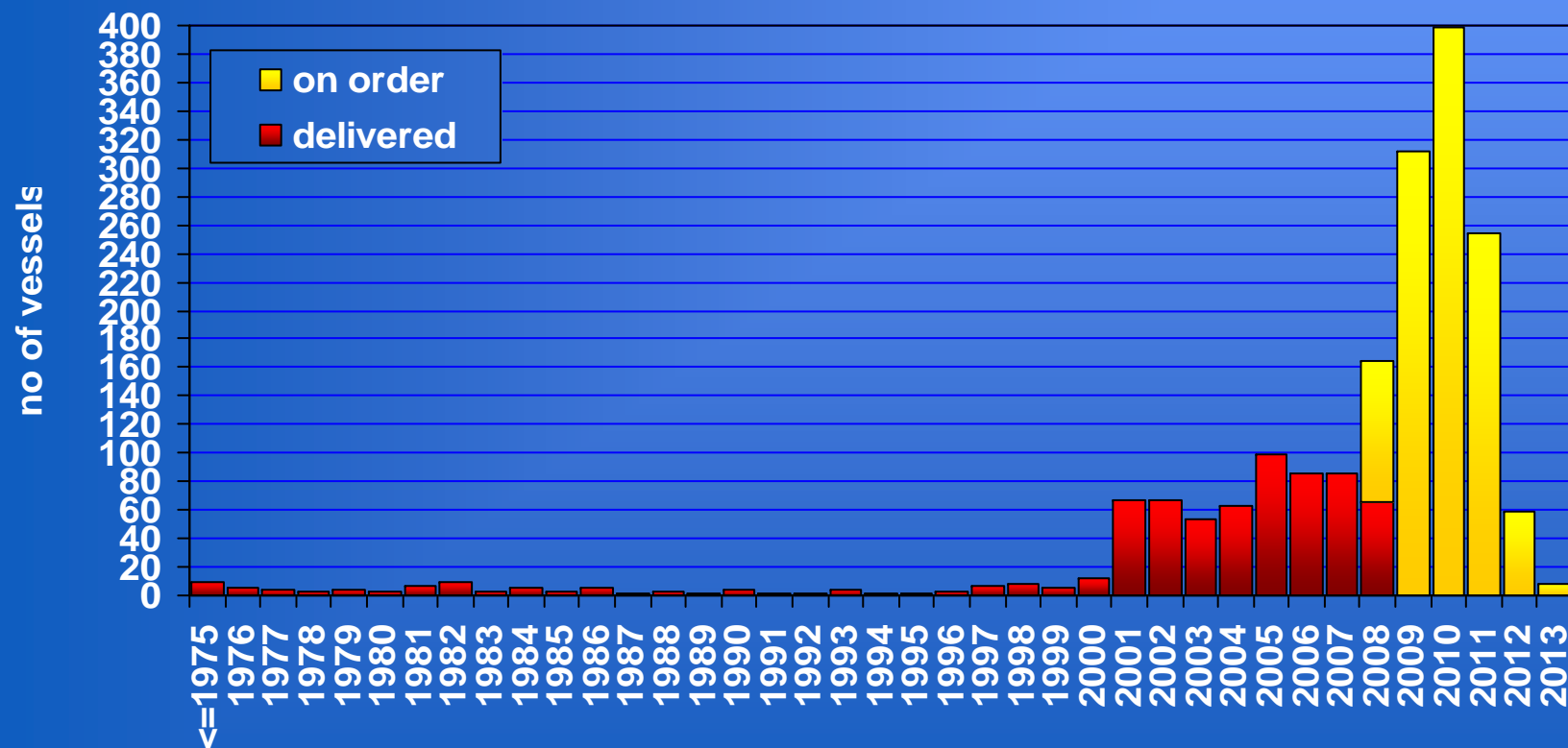
Bulker Fleet Existing & On Order



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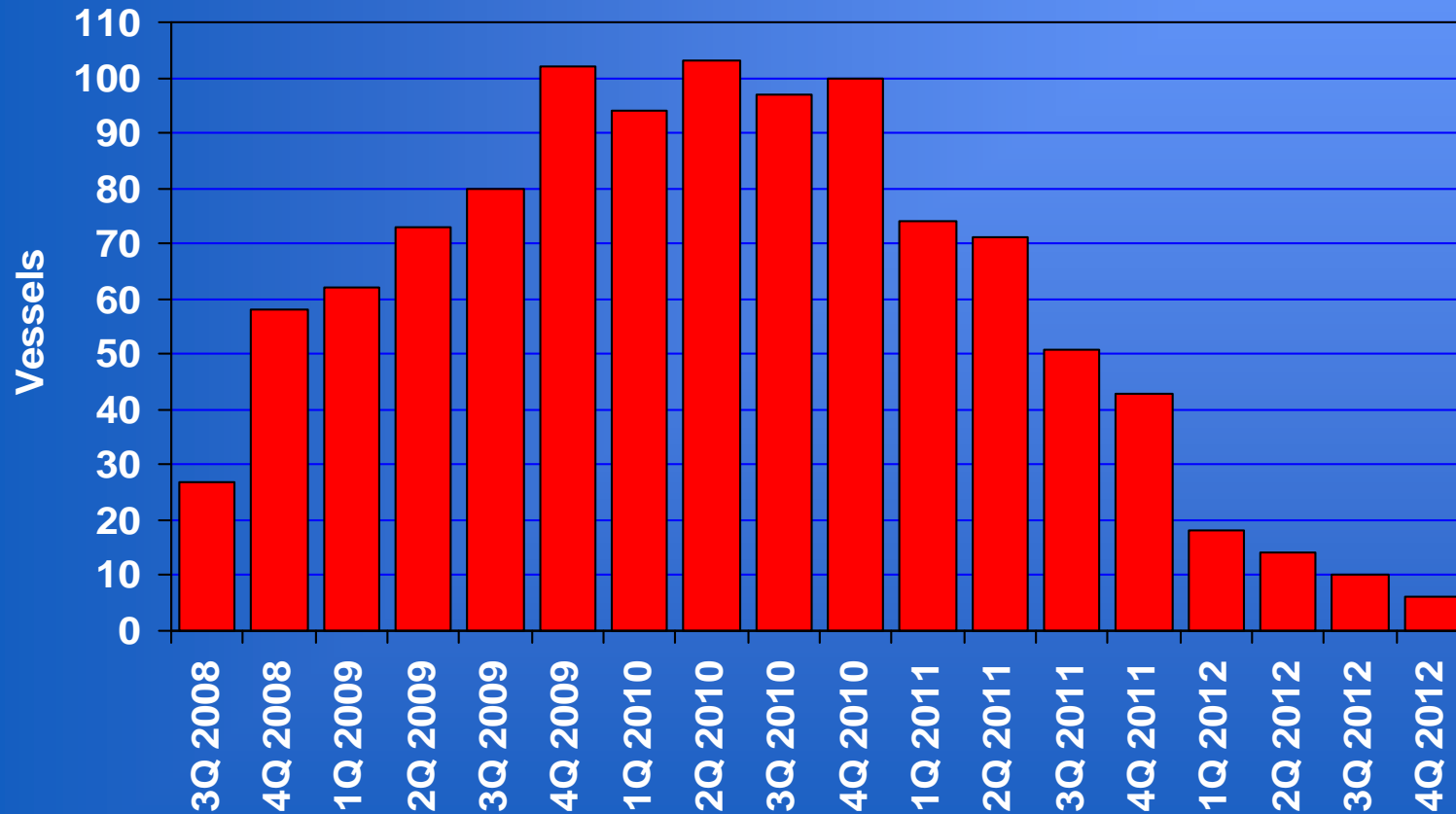
Supramax (50-62,999 dwt)



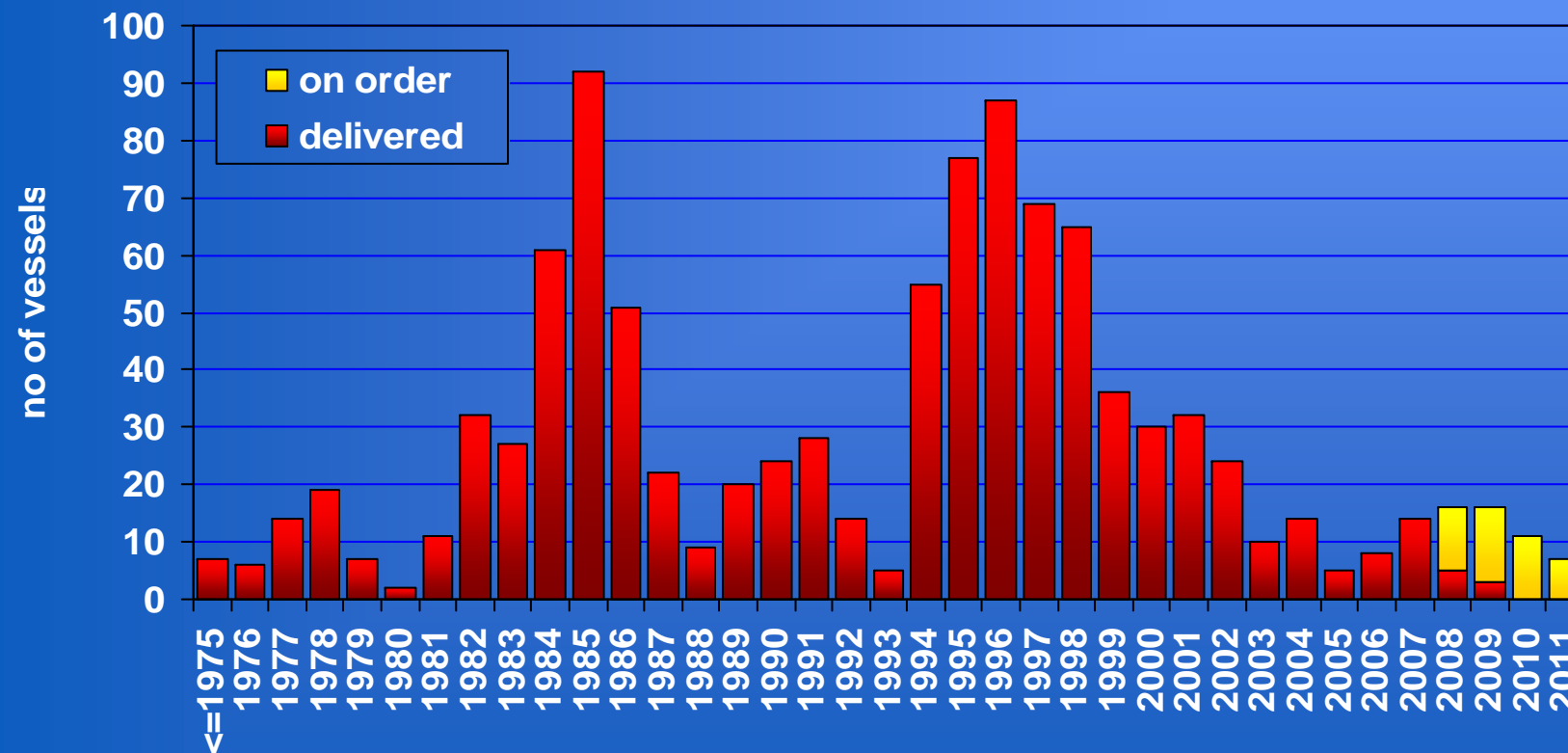
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Supramax deliveries (50,000 dwt – 59,999 dwt) by quarter



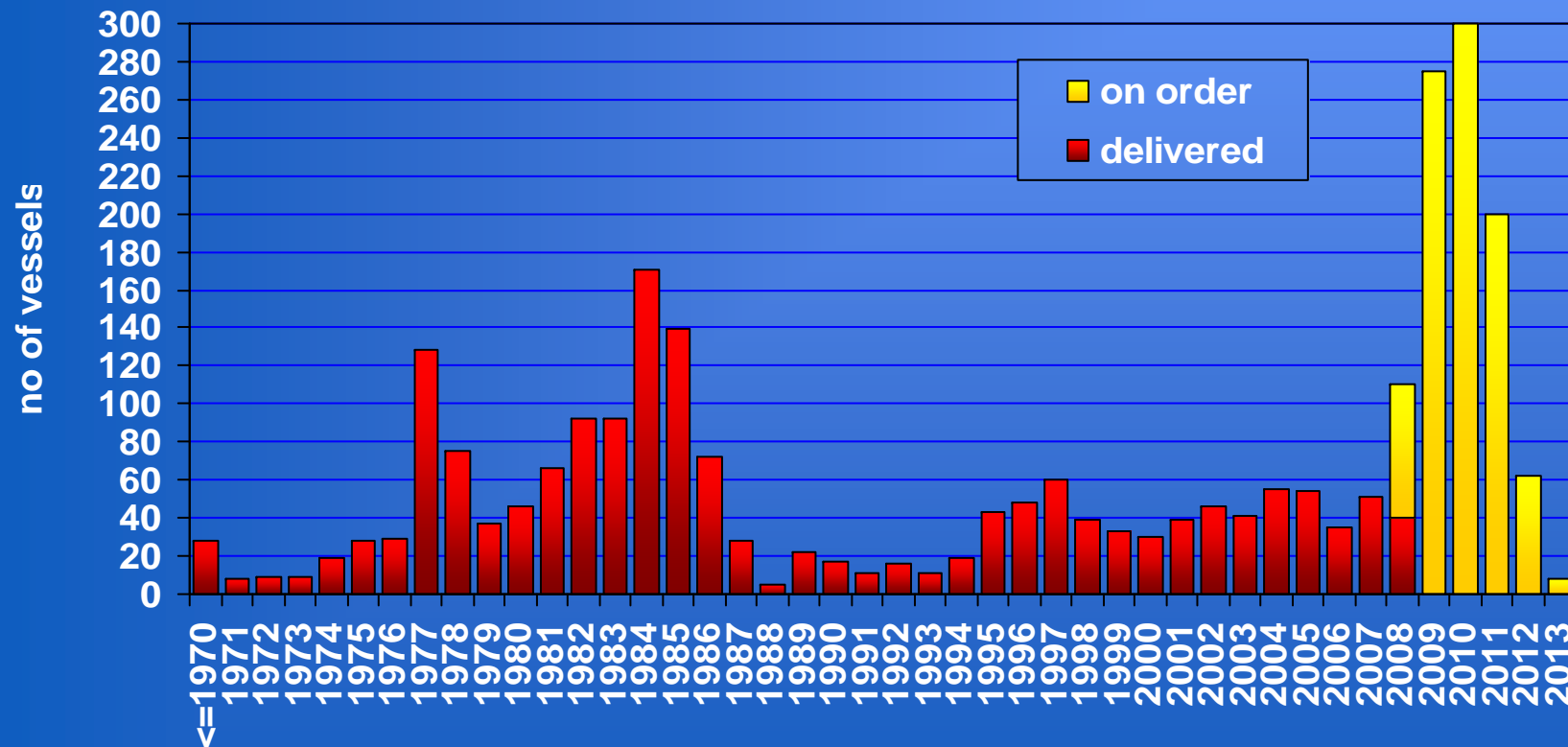
Handymax (40-49,999 dwt)



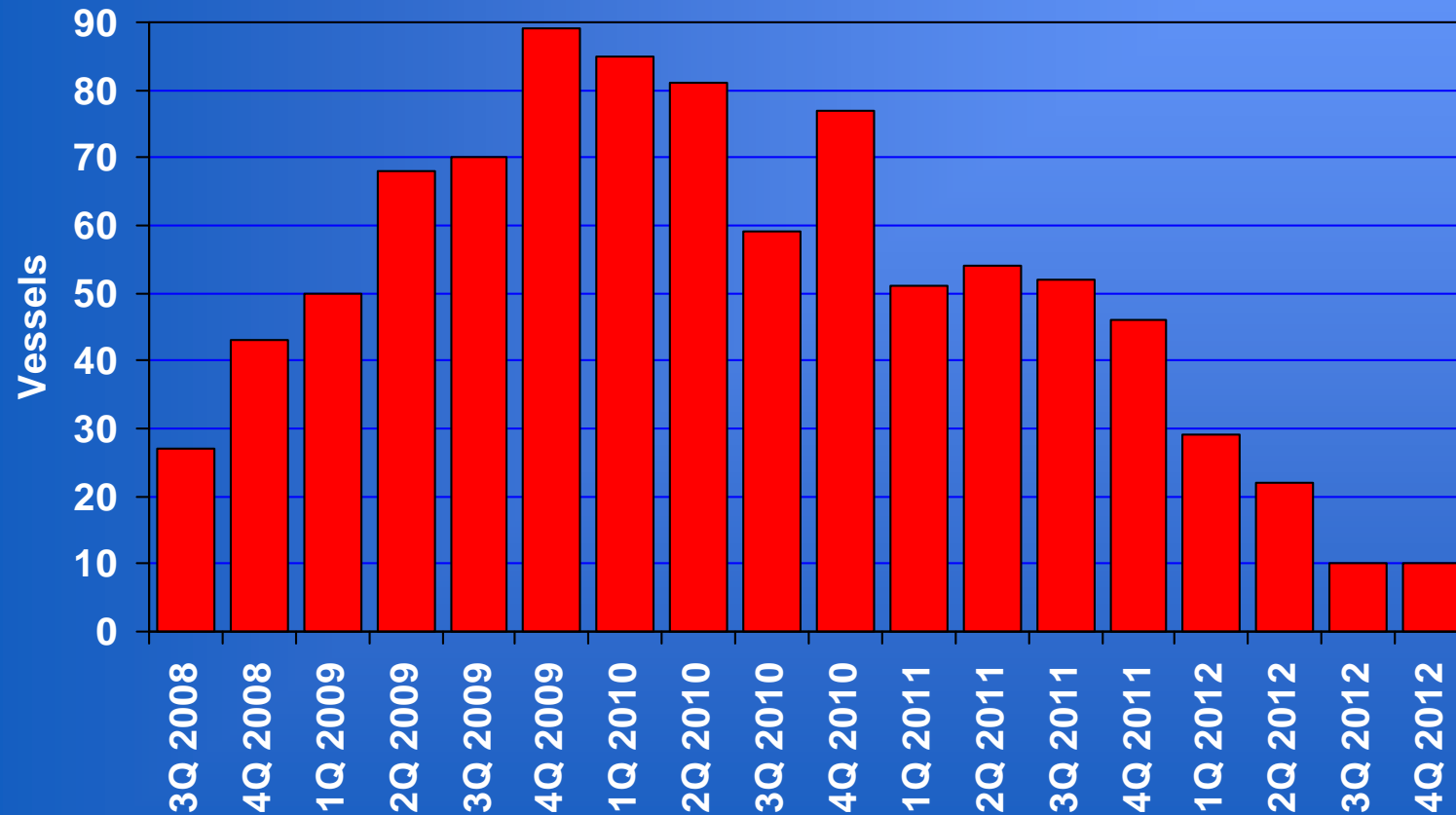
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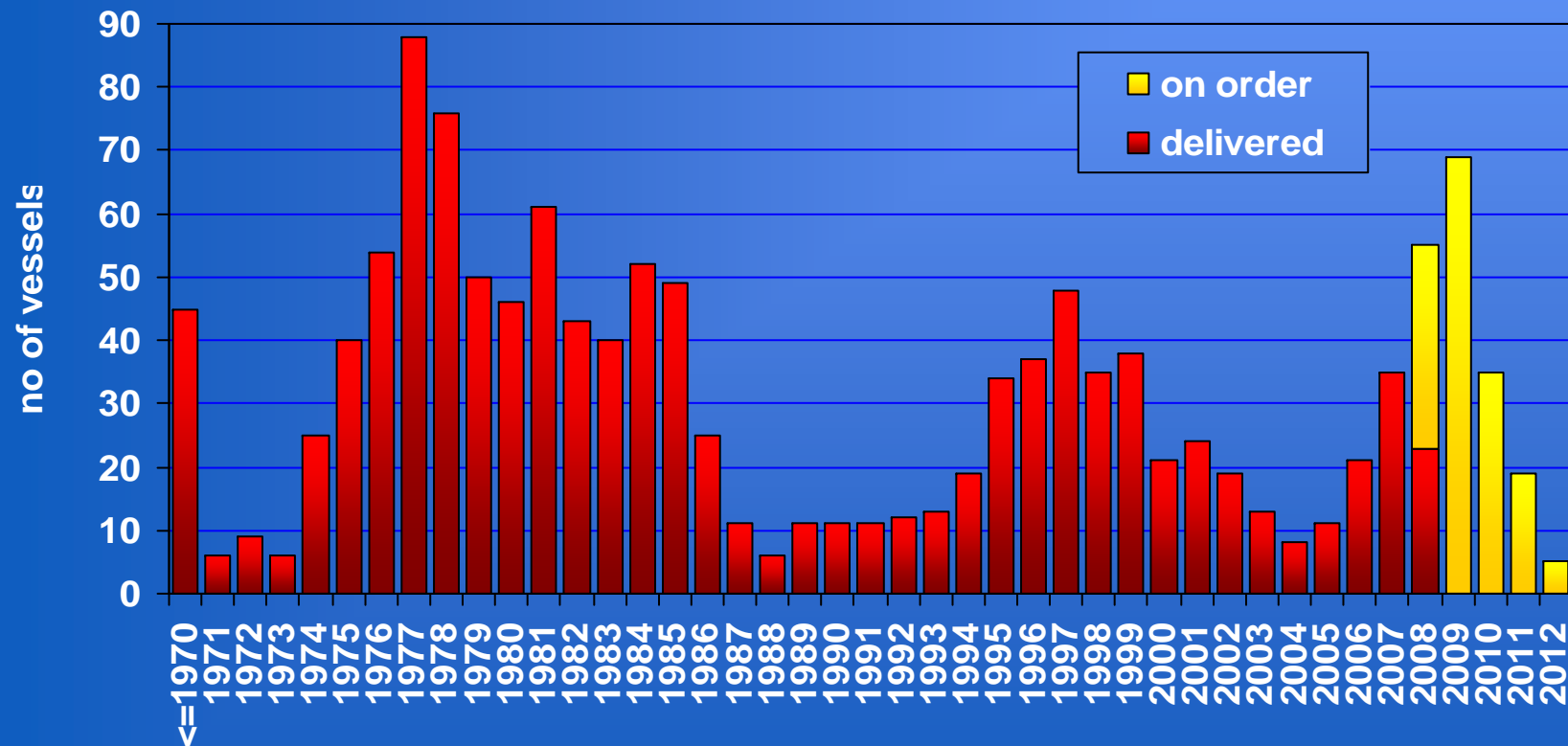
Large Handysize (25-39,999 dwt)



Large handysize deliveries (25,000 – 39,999 dwt) by quarter



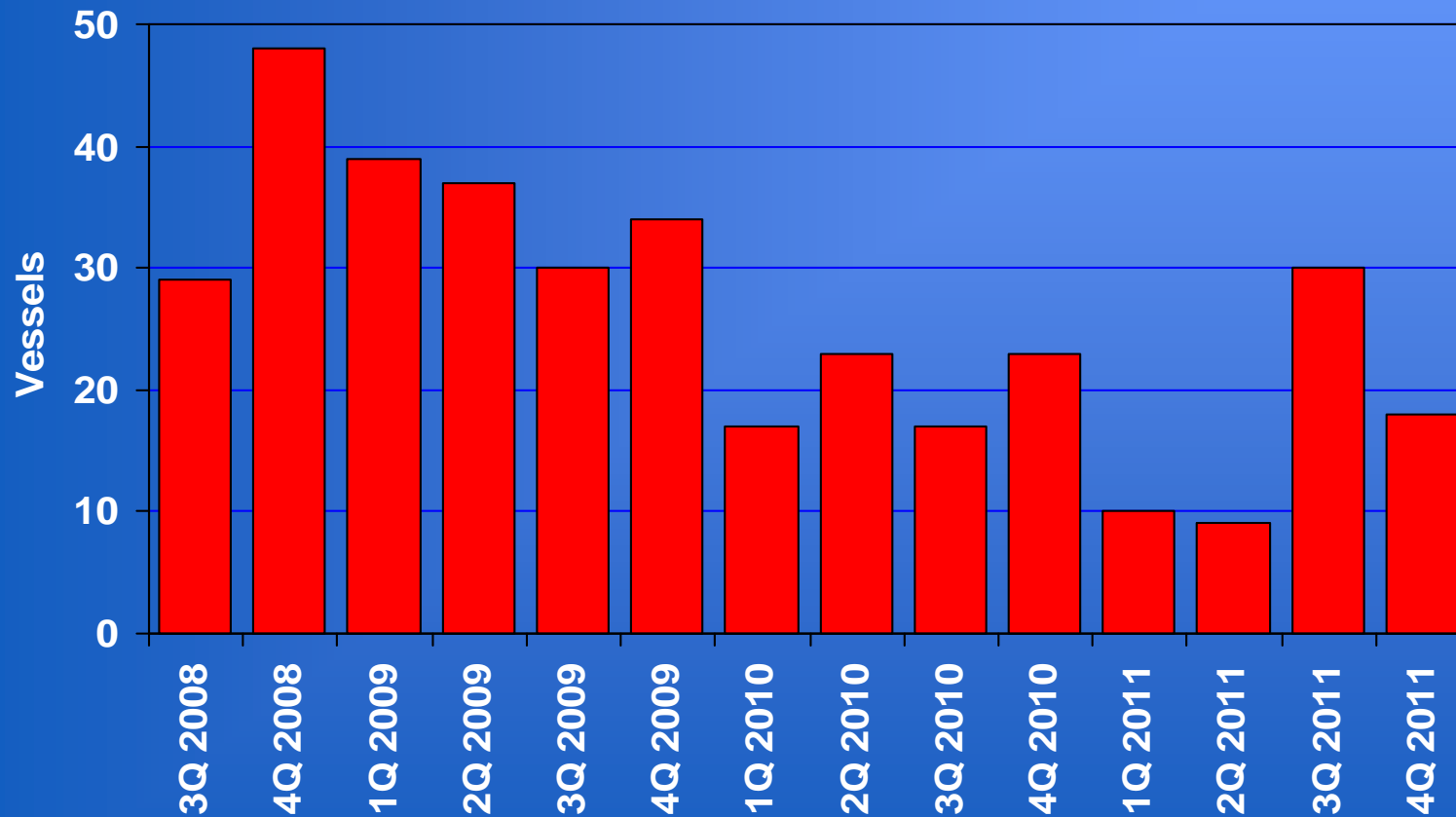
Small Handysize (10-24,999 dwt)



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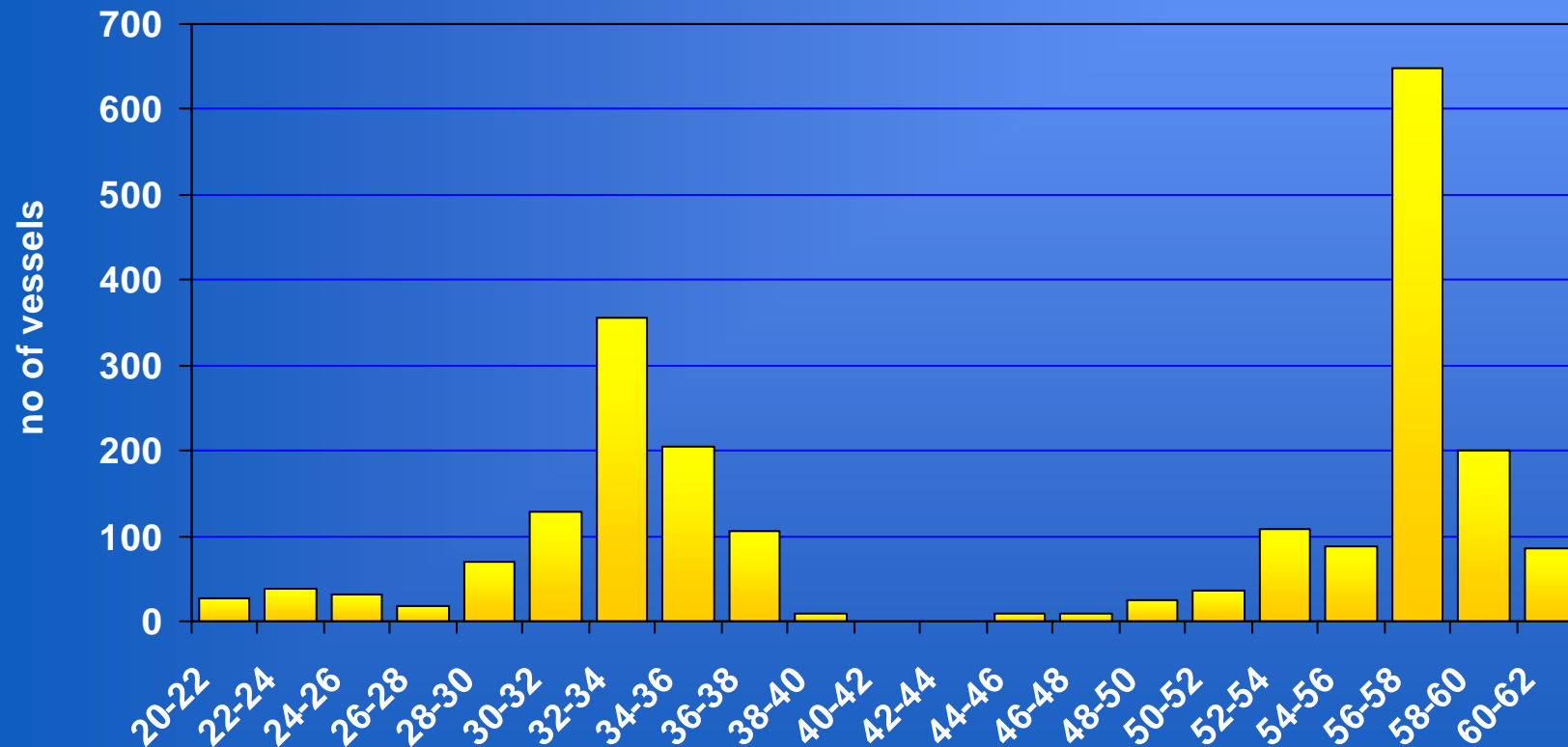
Small handysize deliveries (10,000 – 24,999 DWT) by quarter



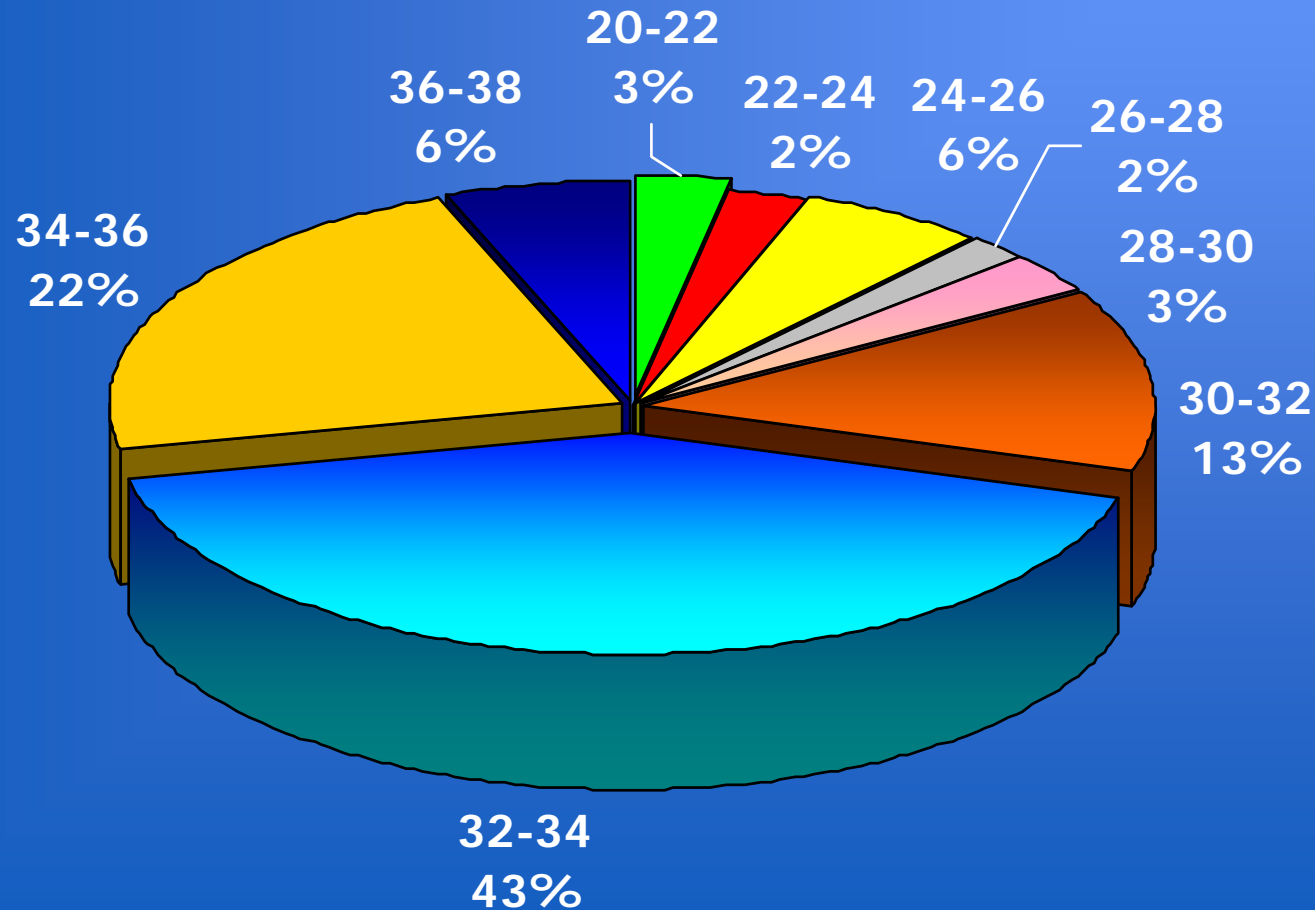
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Newbuilding Size Distribution Supramax, Handymax & Handysize



Handysize Newbuilding Size Distribution – 2010 Deliveries



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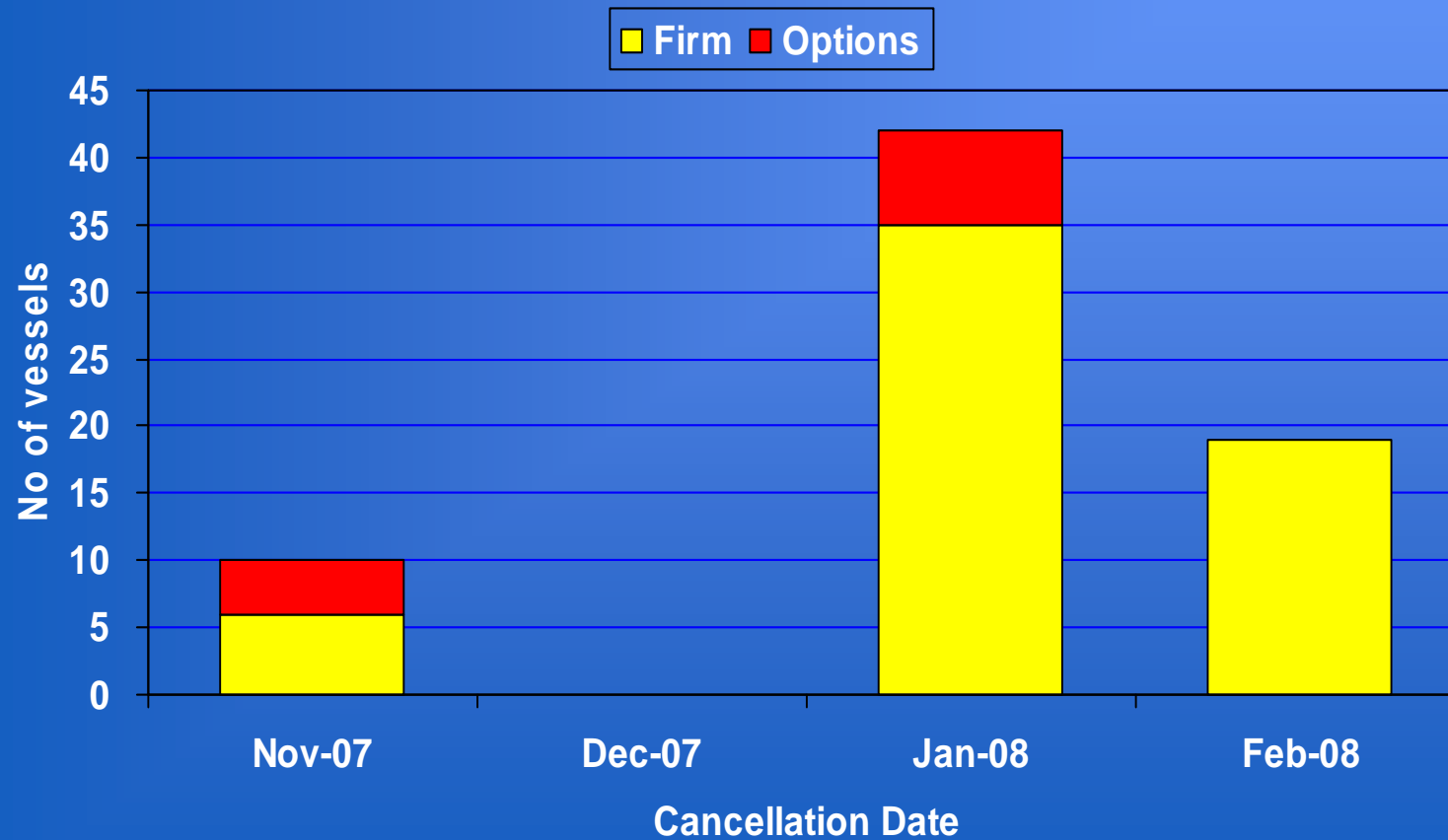


Shipbuilding Vulnerability

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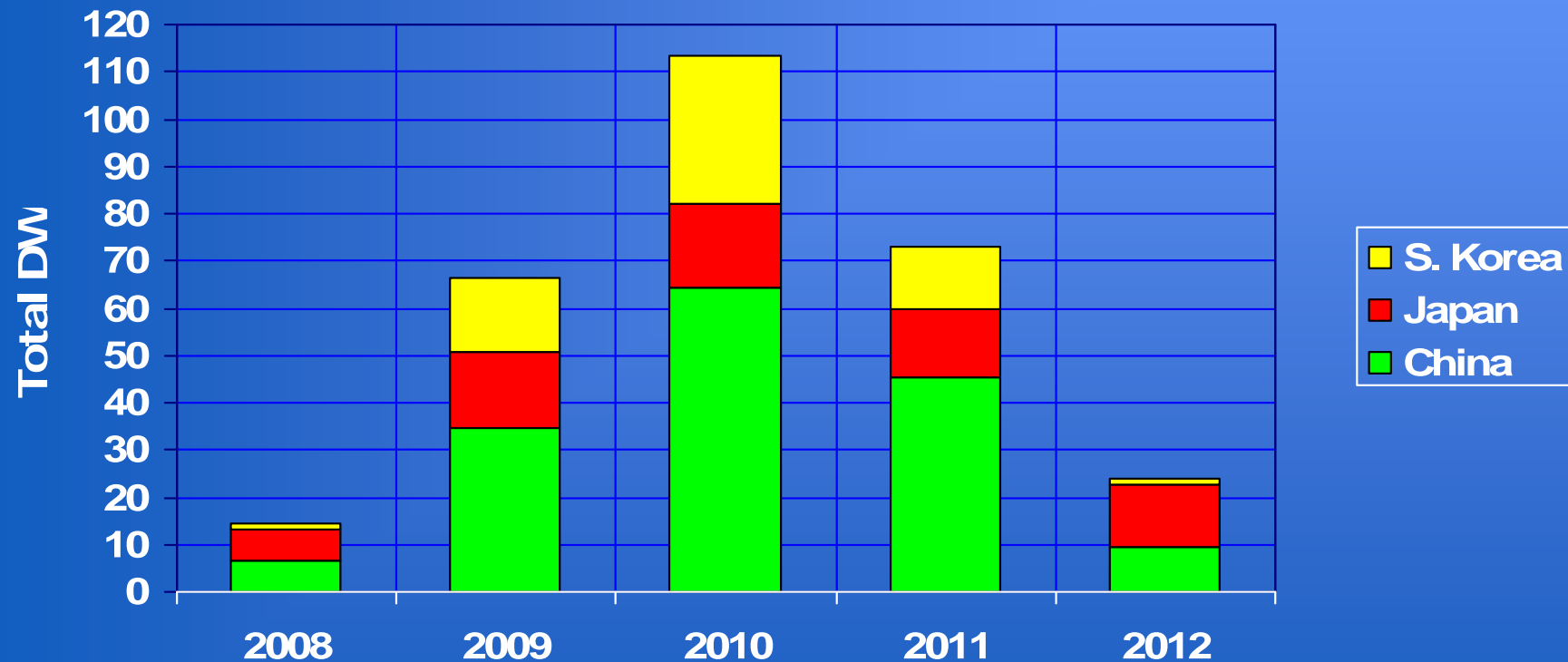
Large Handysize Cancellations



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Bulk Carriers on order by country of build (dwt millions)



Synopsis to ratings

A1: Established shipyard with reputation for contracted on-time delivery *or a new shipyard backed by first-class shipbuilder.*

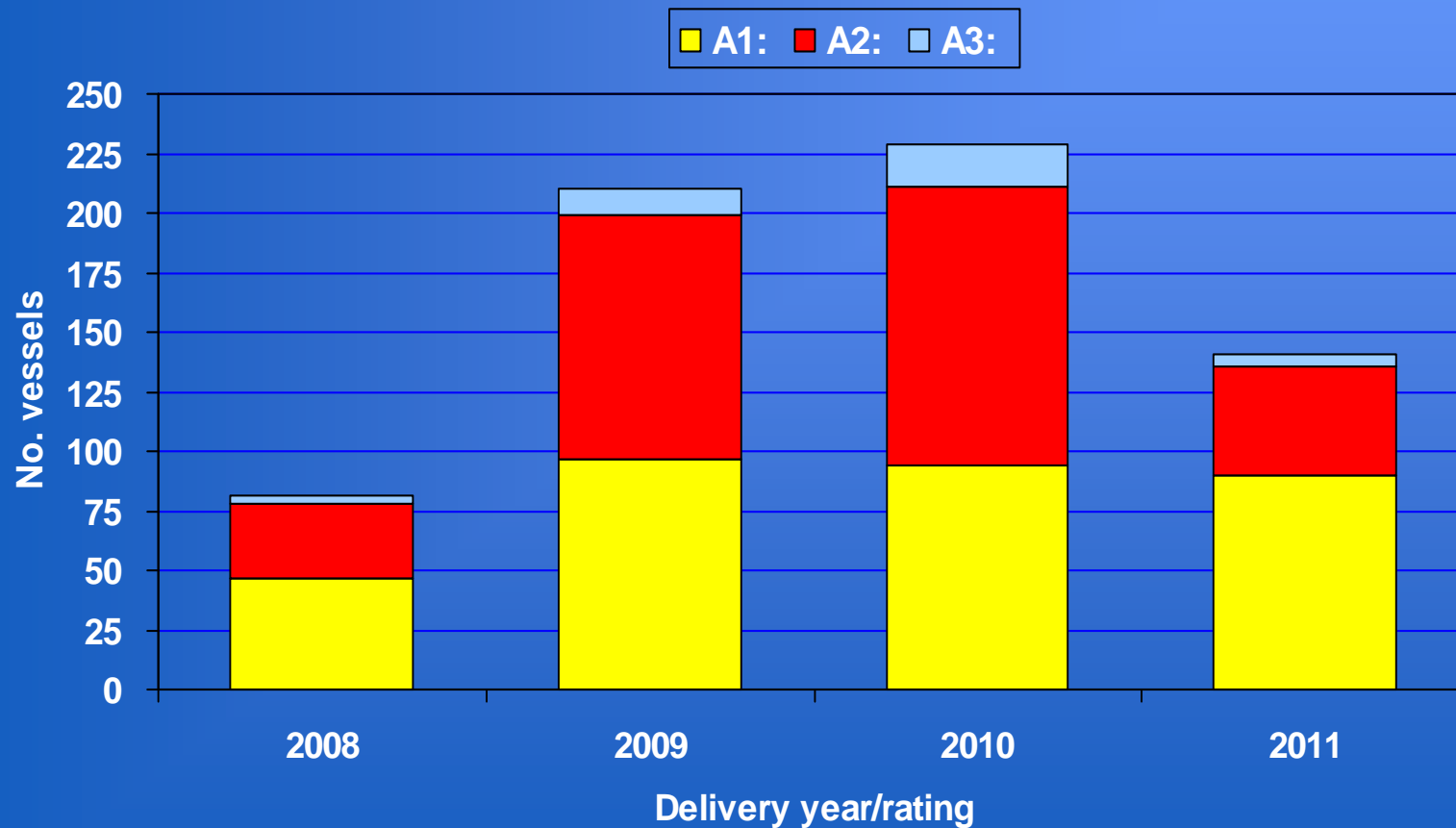
A2: Newly established shipyard with little or no history of building large vessels. Small or medium probability of delivery delays.

A3: Established shipyard with history of delivery or quality problems likely to lead to extended lead time or cancellation of contract.



Shipyard quality

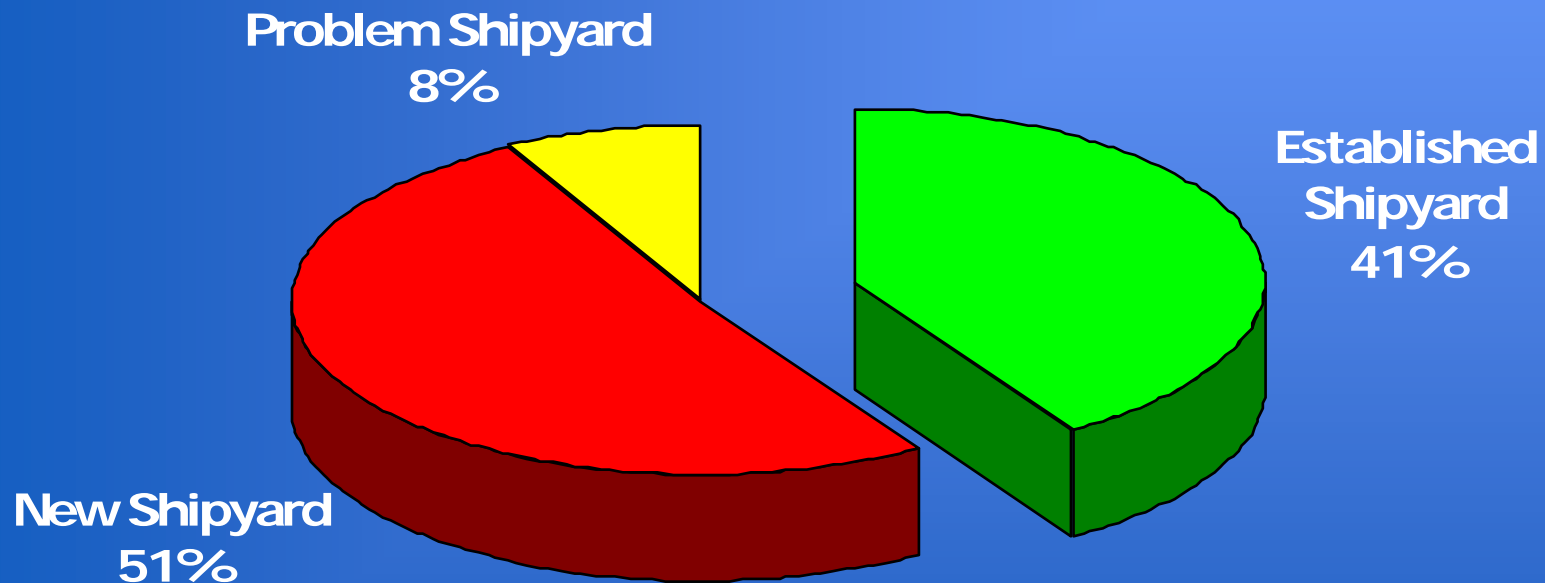
(Bulk carriers 25,000 – 34,999 DWT)



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Large Handysize Newbuilding Vulnerability – 2010 Deliveries



Outlook

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Market Outlook

The dry-bulk market has enjoyed over 5 years of generally firm and strong freight rates. This has primarily been due to the absence of sufficient shipbuilding availability during a time of rising demand for commodities and resources, especially from China. Shipyards were fully employed building other vessels.

The emergence of new shipbuilding facilities in China together with the re-emergence of Korean yards into the bulker sector will dramatically change the outlook as new tonnage deliveries exceeds growth in bulker demand.

The oversupply however will not emerge until mid 2009. The extent of the oversupply will be progressive during the second half of 2009 and will be mainly focused at the handymax and handysize sectors when rates will soften.

Significant oversupply will be apparent in the smaller ship sectors in early 2010 when rates will fall significantly.



Market Outlook (2)

Major oversupply in the cape market will not emerge however until later in 2010 and therefore the cape market will offer some degree of support until that time, after which point a major fall in rates will be evident in all sectors.

It should be noted that during this period of oversupply and falling rates we will continue to experience growing and sustained growth in commodity and dry bulk demand.

This would be a unique situation for the dry bulk market when previously low rates have been during periods of depressed demand.

Therefore operators will be encouraged by new and larger cargoes coming onto the market and the resultant physiology amongst owners and operators may prevent a significant downturn of the dry bulk markets.





Braemar Shipping Services plc

