

ASIA PERSPECTIVES

Capital Markets Day

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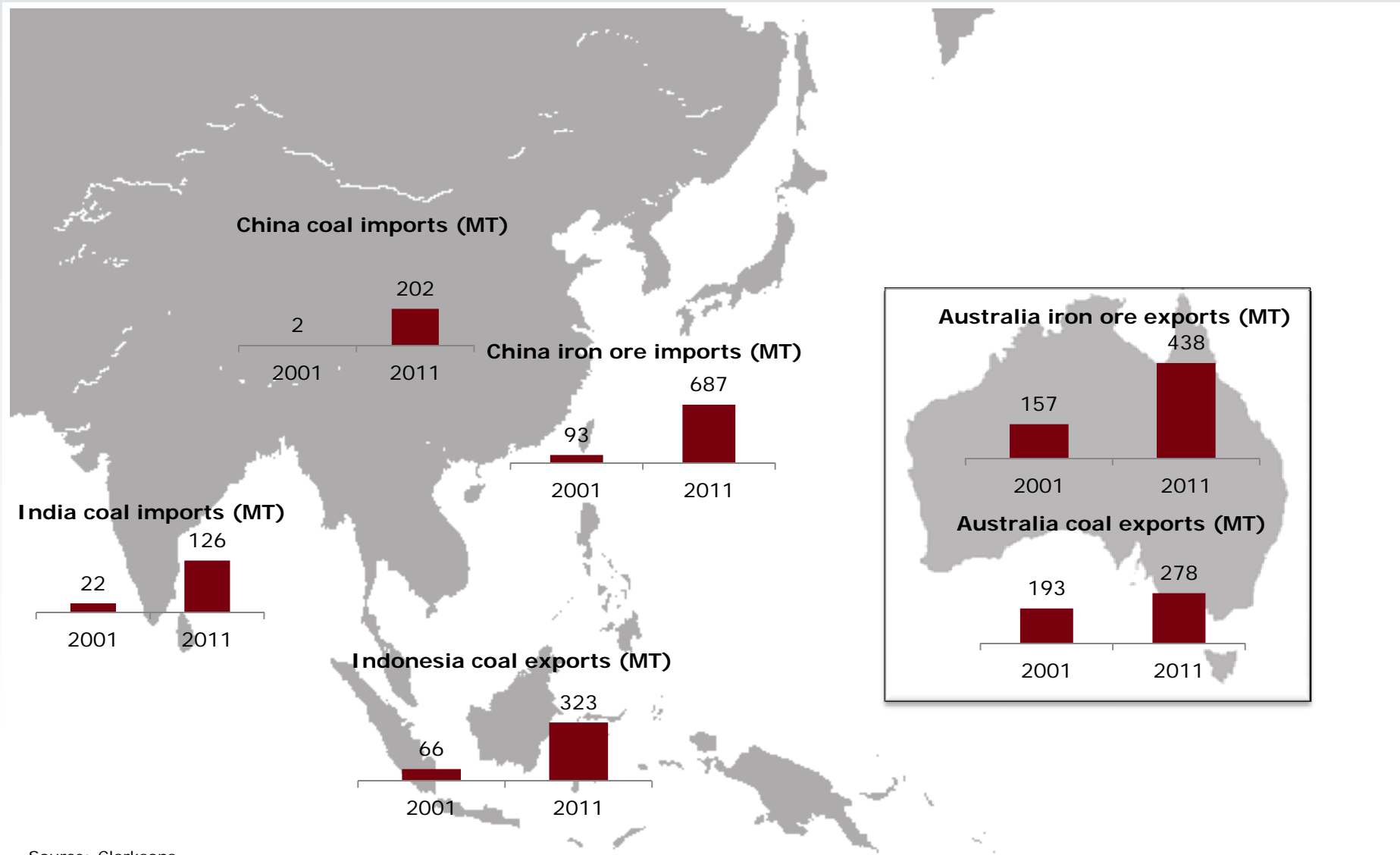


AGENDA

- ▶ Asia overview
- ▶ China outlook
- ▶ India outlook
- ▶ Indonesia coal
- ▶ Australia iron ore and coal capacity
- ▶ Beyond China and India
- ▶ Outlook



2001-11 ASIA RAW MATERIAL BOOM



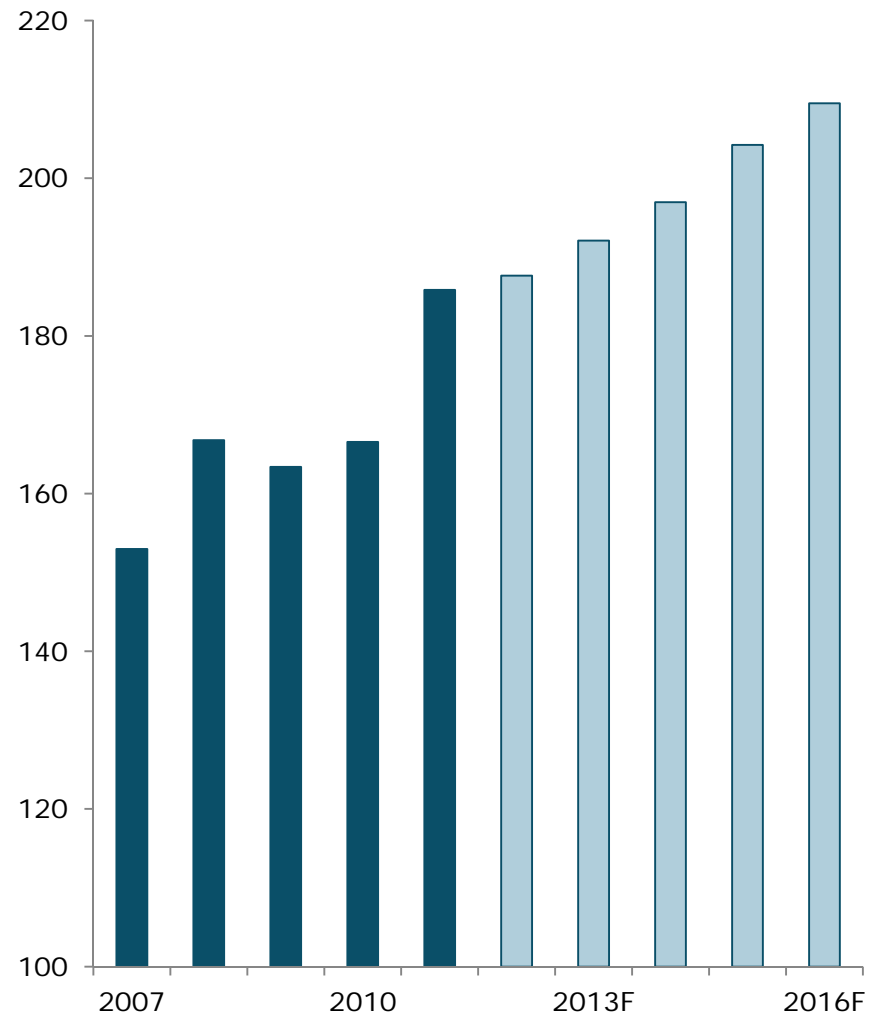
Source: Clarksons

INCREASING INTRA ASIA PRODUCTS TRADE



- ▶ 11.5% (20MT) increase in 2011
- ▶ Forecasted annual growth rate of 2.5%
- ▶ Export from India, South Korea, and Taiwan to other Asian countries contribute 40% of total volume and is increasing
- ▶ Average distance: 2,000 nautical miles

Intra Asia seaborne products trade (MT)



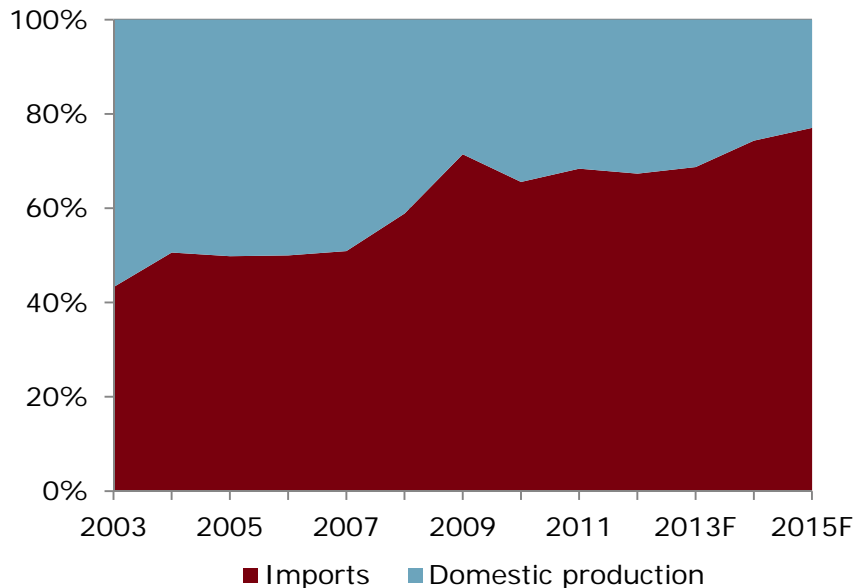
Source: MSI

CHINA IRON ORE – LONG TERM DRIVERS STILL IN PLACE



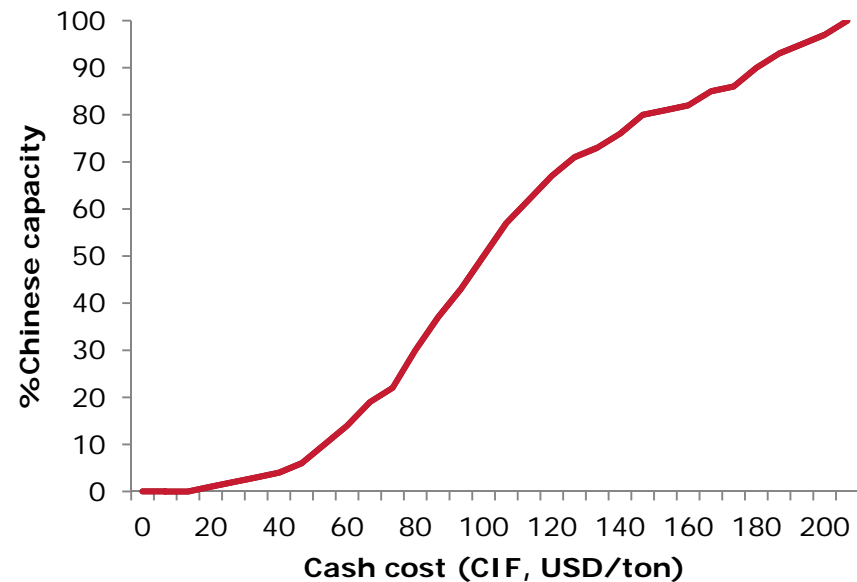
- ▶ Continued urbanisation will remain the key driver of iron ore demand
- ▶ More than 30% of Chinese domestic iron ore producers are estimated to produce at costs above USD 120 per ton
- ▶ Potential constraints to seaborne iron ore trade
 - ▶ International supply
 - ▶ Chinese steel industry moving towards electric arc furnace

China iron ore imports as % of consumption



Source: Barclays Research

Chinese iron ore cost curve (USD/ton)

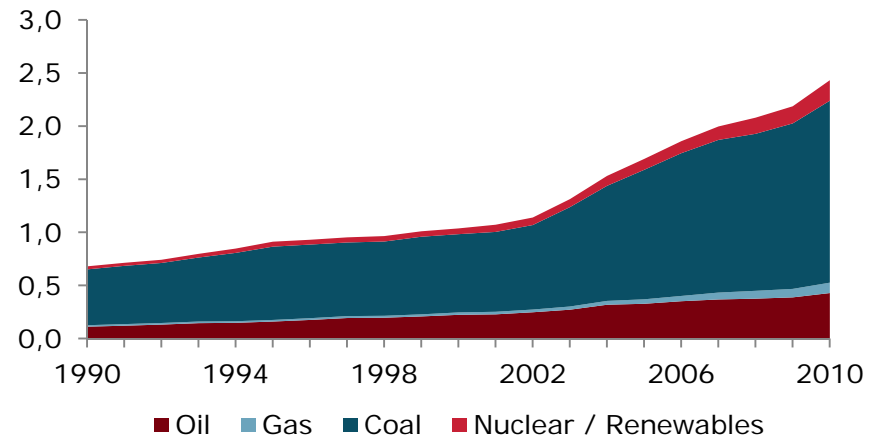


Source: Barclays Research

CHINA – COAL

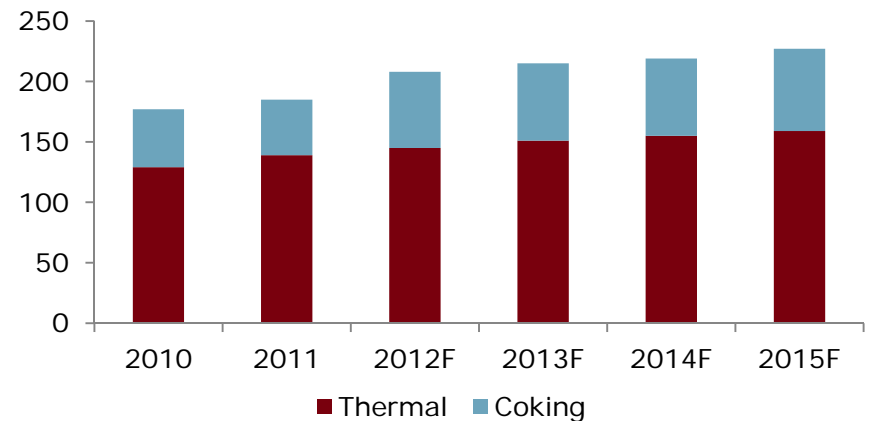
- ▶ Domestic production of 3.5 bn. tons in 2011
- ▶ No viable substitute for coal in the medium term in the total energy mix
 - ▶ Coal: 70%
 - ▶ Oil: 18%
 - ▶ Gas: 4%
 - ▶ Other: 8%
- ▶ Extraction costs increasing
- ▶ Logistics becoming increasingly complicated
- ▶ Significant impact on dry cargo demand when substituting with imports

China's energy mix (Btoe)



Source: BP

China coal imports (MT)

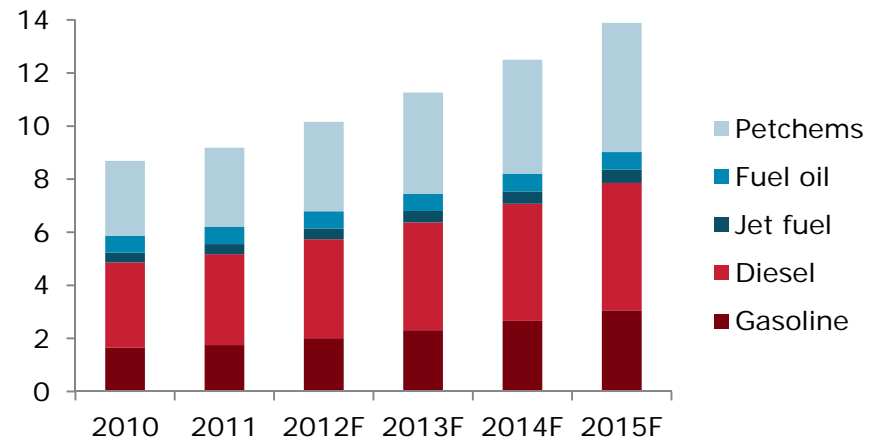


Source: Australia Bureau of Resources and Energy Economics

OIL PRODUCTS: GROWING CHINESE DEMAND

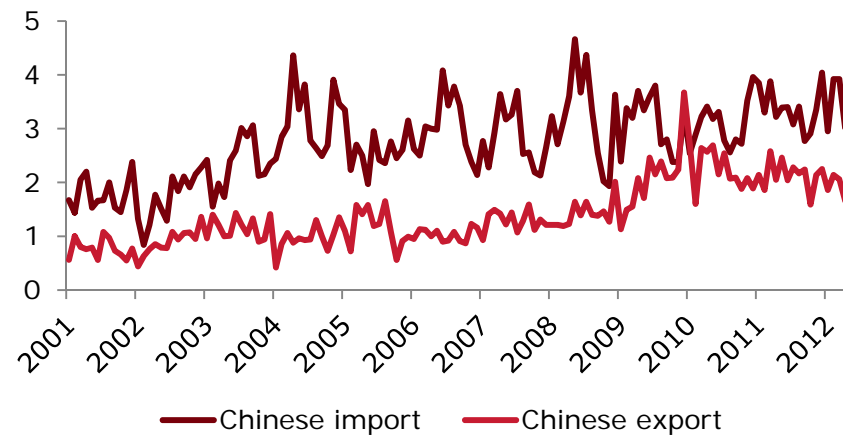
- ▶ Self-sufficient strategy
- ▶ Still import/export
 - ▶ It can never fit 100%
- ▶ Sudden demand increases have to be supported by imports
- ▶ Only 34 passenger cars per 1,000 people (2009) whereas US is 800 cars per 1,000 people
- ▶ Consumes 2.4 barrels of oil
- ▶ 31 gallons of gasoline per capita per year – US 16x higher

Chinese oil demand (mb/d)



Source: Barclays Research

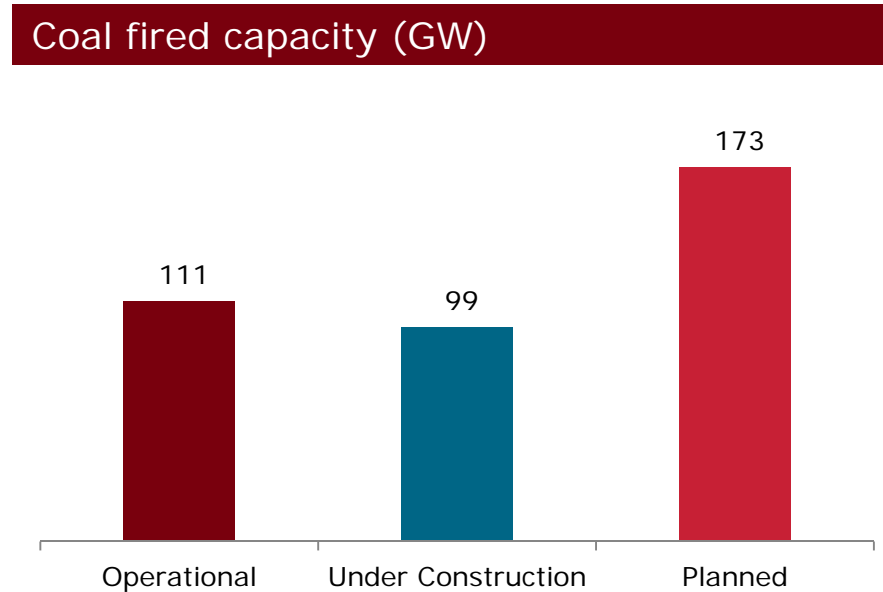
China oil product import/export (MT/m)



Source: China Customs

INDIA – RISING COAL IMPORTS

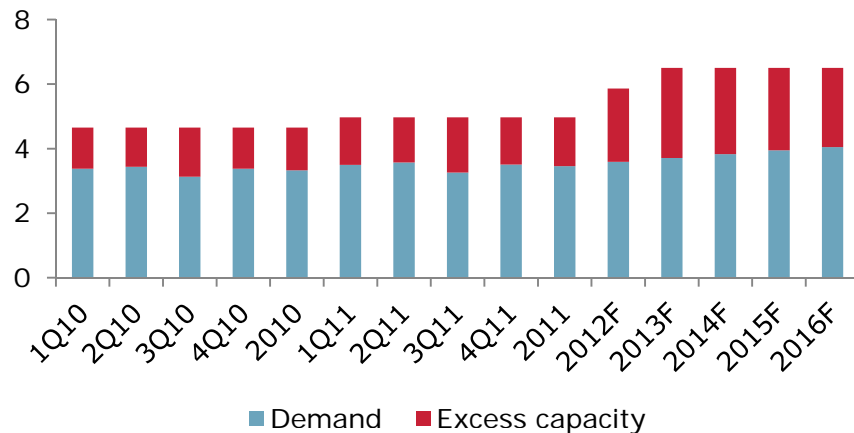
- ▶ The growth in coal fired capacity is expected to grow rapidly in the coming years
- ▶ Sourcing of domestic coal is constrained by:
 - ▶ Government regulations
 - ▶ Infrastructure
 - ▶ Lack of incentive for private investment in mining
- ▶ Indian companies have been investing heavily in foreign coal mining capacity primarily in Indonesia and Australia
- ▶ Indian port capacity has been expanding with the help from private players
 - ▶ Most new ports can handle Post-Panamax and Capesize vessels



Sources: India Ministry of Power, Bloomberg, Company websites

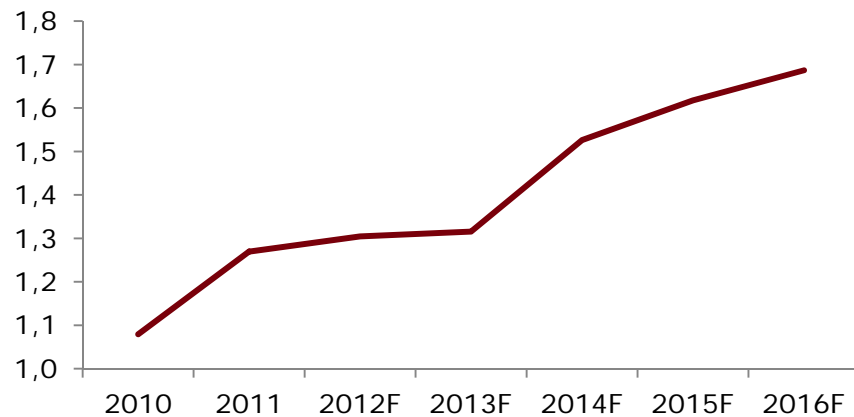
INDIA OIL PRODUCTS GROWTH

Capacity vs. Demand (mb/d)



Sources: Barclays Research, IEA

India products export (mb/d)



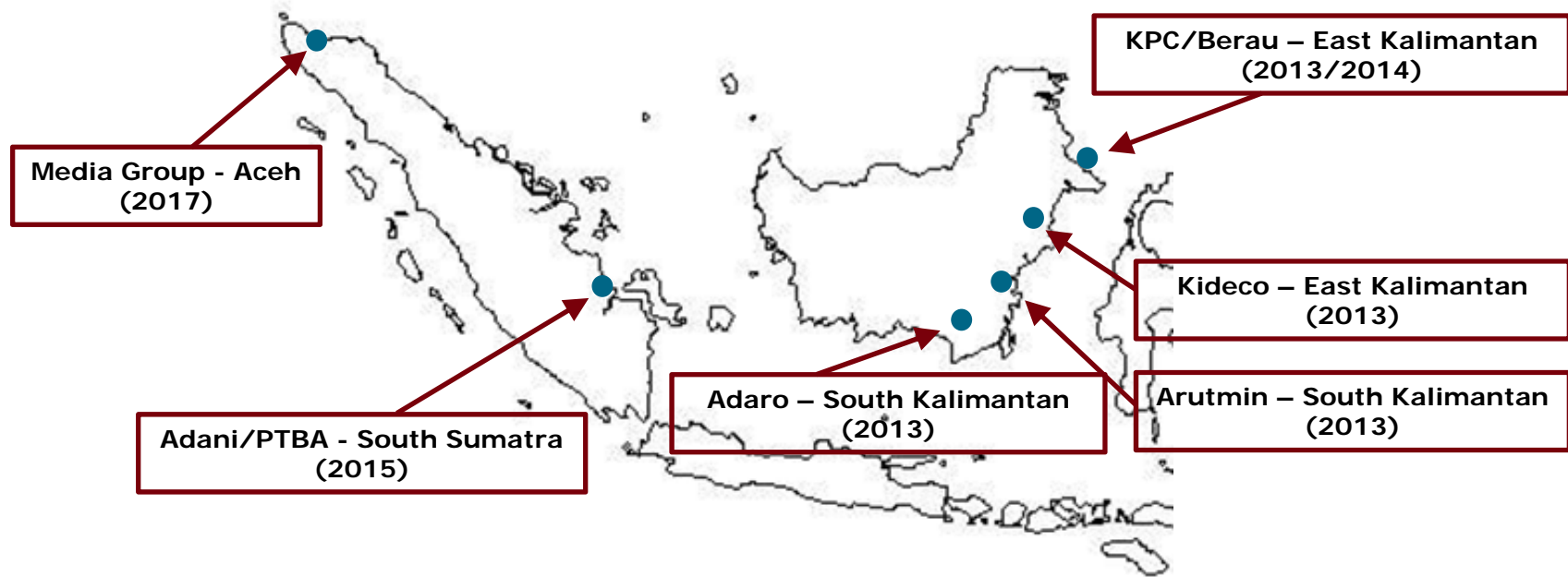
Source: MSI

- ▶ 1.5-2mb/d in excess production
- ▶ In 2010 Europe imported 7.6m tons from India
- ▶ Regulations on low sulphur fuel for shipping may create surge in demand for gasoil shipped into Europe on product tankers
 - ▶ Longer haul voyages from India

INDONESIA – GROWING COAL CAPACITY

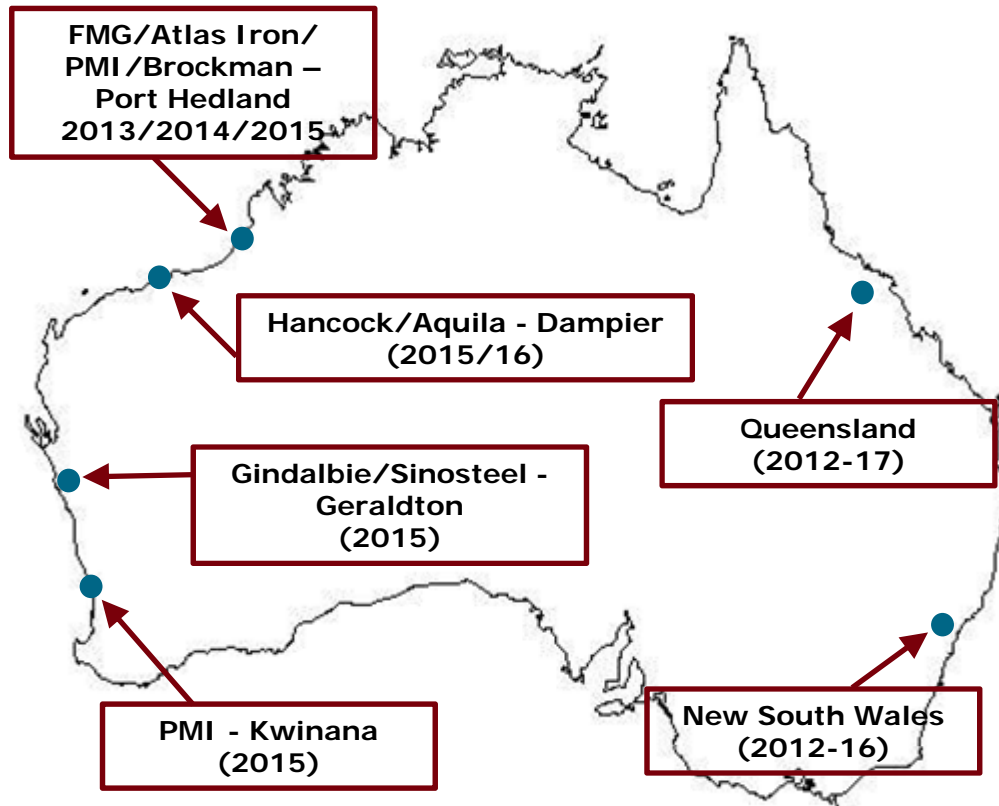
- ▶ Indonesia exported 323 million tonnes in 2011 – primarily to India, China, Taiwan, Korea and Japan
- ▶ Sumatra developments still rely on building up rail infrastructure through difficult terrain

Name of Project	Annual Volume (million tons)	Location	Estimated Commencement date
KPC	35	East Kalimantan	2013
Adaro	10	South Kalimantan	2013
Arutmin	10	South Kalimantan	2013
Kideco	10	East Kalimantan	2013
Berau	10	East Kalimantan	2014
Adani/PTBA	35	South Sumatera	2015
Media Group	15	Aceh	2017
Total	125		



Sources: Various company sources

AUSTRALIA IRON ORE AND COAL CAPACITY



Major projects	Capacity increase (Mt)	Location	Expected start-up
Iron Ore			
FMG	100	Port Hedland	2013
Atlas Iron	40	Port Hedland	2013
PMI	4	Port Hedland	2014
Brockman	17	Port Hedland	2016
Hancock	30	Dampier	2015
Aquila	30	Dampier	2016
Gindalbie	10	Geraldton	2015
Sinosteel	15	Geraldton	2015
PMI	2.5	Kwiana	2015
Rio Tinto	88	Dampier	2016
BHP	85	Port Hedland	2015
Total	421.5		
Coal			
	105	New South Wales	2012-16
	220	Queensland	2012-17
Total	325		

► 2011 exports

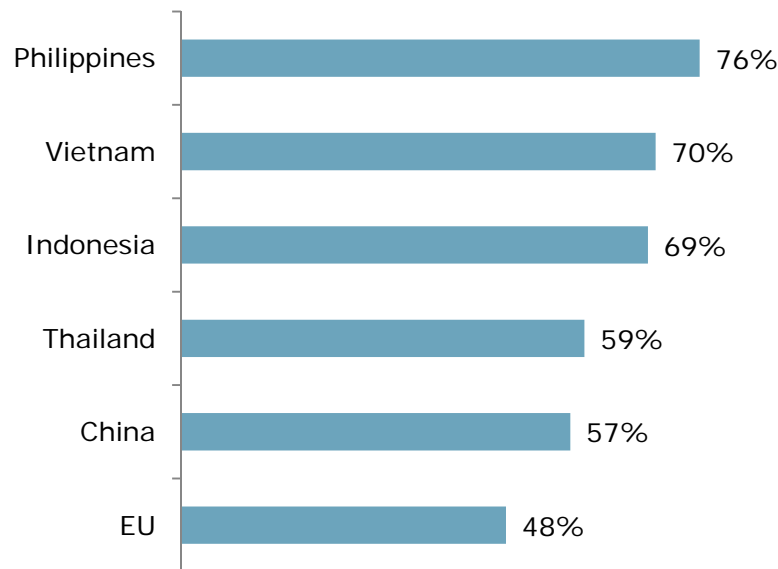
- Iron ore: 438m tonnes
- Coal: 281m tonnes

Sources: Australia Bureau of Resources and Energy Economics Economics, Company websites

BEYOND INDIA AND CHINA

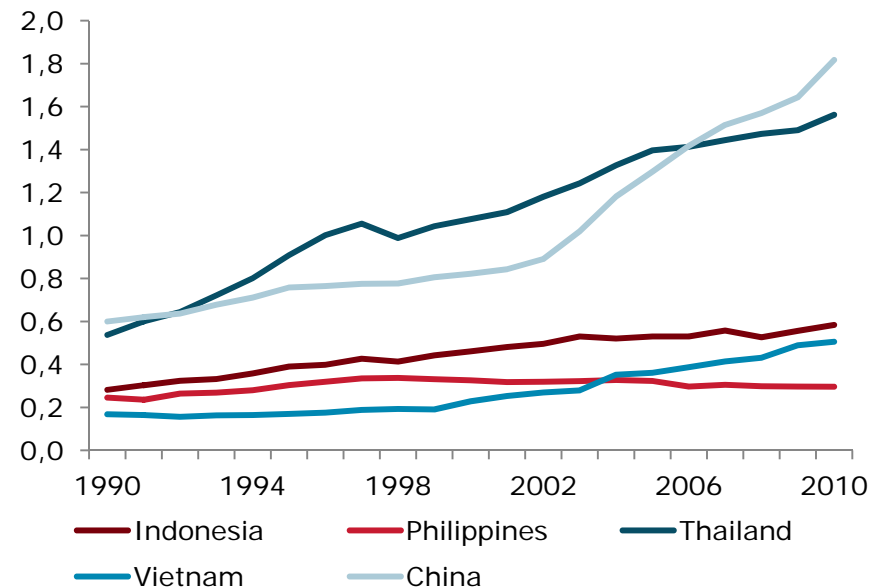
- ▶ Indonesia, Vietnam, Philippines and Thailand have a combined population of over 500 million people
- ▶ Despite global financial turmoil these countries have been resilient, and are expected to grow their GDP by 5-7.5% from 2012-2015
- ▶ Large growth expected in coal-fired capacity, especially in Vietnam and Philippines

% of population below the age of 40 years



Source: U.S. Census Bureau

Primary energy use per capita (toe)



Source: BP, World Bank

OUTLOOK

- ▶ Opportunities:
 - ▶ Lower raw material prices increases incentives to import
 - ▶ No realistic substitute for coal in power production
 - ▶ Also large potential for growth beyond China and India

- ▶ What to look out for?
 - ▶ China's ability to transport coal to the coast
 - ▶ Protectionism
 - ▶ Scrap metal beginning to replace iron ore as input factor in steel making – i.e. increasing investments in electric arc furnaces





Thank you for your attention
ANY QUESTIONS?

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