Black Sea Container Ports

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Agenda

- Global Container market
- Black Sea Container market
- Black Sea Port market
Global container port handling

Global port throughput (million teu)

<table>
<thead>
<tr>
<th>Year</th>
<th>Throughput (million teu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>549</td>
</tr>
<tr>
<td>2011</td>
<td>594</td>
</tr>
<tr>
<td>2012</td>
<td>617</td>
</tr>
<tr>
<td>2013f</td>
<td>646</td>
</tr>
</tbody>
</table>

Throughput annual growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>14%</td>
</tr>
<tr>
<td>2011</td>
<td>8%</td>
</tr>
<tr>
<td>2012</td>
<td>4%</td>
</tr>
<tr>
<td>2013f</td>
<td>5%</td>
</tr>
</tbody>
</table>

Downside risks for Europe, headhaul E-W trade growth now slower, how will the emerging trades perform?

Source: Drewry Maritime Research
In 2012 growth of 8.6% – still world’s fastest growing markets, but clearly slowing
## Regional container traffic growth

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>N America</td>
<td>2.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>W Europe</td>
<td>-0.3%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>E Europe</td>
<td>8.6%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Mid-East</td>
<td>4.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Far East</td>
<td>5.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>L America</td>
<td>4.4%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

### Drewry market outlook

<table>
<thead>
<tr>
<th>Metric</th>
<th>Dec-12</th>
<th>Mar-13</th>
<th>Market direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global container traffic growth 2013</td>
<td>4.6%</td>
<td>3.4%</td>
<td>Downgraded</td>
</tr>
<tr>
<td>Global effective supply growth 2013</td>
<td>6.4%</td>
<td>4.8%</td>
<td>Upgraded</td>
</tr>
<tr>
<td>Global supply/demand Index 2013</td>
<td>95.4</td>
<td>97.4</td>
<td>Upgraded</td>
</tr>
<tr>
<td>Asia-N Europe w/b demand growth 2013</td>
<td>0.7%</td>
<td>0.7%</td>
<td>Flat</td>
</tr>
</tbody>
</table>

Source: Drewry Maritime Research
Orderbook

Influx of new and very large tonnage while demand is flat

Within 3 years, all Asia-North Europe strings will be deploying 12,000 teu+ ships

Orderbook stands at 3.4 million teu

48% is for vessels of over 10,000 teu capacity

83% is for delivery by end 2014

59% for account of ocean carriers

Orderbook is 21% of existing fleet capacity

Largest vessels now deployed across all global trade lanes – there will eventually be a tipping point and scale economies will diminish
## Cascading pressure on ports

### Ave nominal teu of ships in Asia-N Europe trade will reach 11,200 teu by end 2013. Approx 40 x 8,000 teu ships will be cascaded this year.

### Where will they go?

<table>
<thead>
<tr>
<th>Region</th>
<th>Jan-10</th>
<th>Jan-11</th>
<th>Jan-12</th>
<th>Jan-13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.wkly svces</td>
<td>Avg nominal</td>
<td>No.wkly svces</td>
<td>Avg nominal</td>
</tr>
<tr>
<td>Asia-N Europe</td>
<td>24</td>
<td>8,705</td>
<td>28</td>
<td>8,818</td>
</tr>
<tr>
<td>Asia-Med</td>
<td>16</td>
<td>6,102</td>
<td>21</td>
<td>6,199</td>
</tr>
<tr>
<td>Asia-USWC</td>
<td>37</td>
<td>5,948</td>
<td>46</td>
<td>6,021</td>
</tr>
<tr>
<td>Asia-ECSA</td>
<td>6</td>
<td>4,198</td>
<td>8</td>
<td>4,385</td>
</tr>
<tr>
<td>Europe-ECSA</td>
<td>9</td>
<td>4,466</td>
<td>9</td>
<td>4,465</td>
</tr>
<tr>
<td>Asia-WCSA</td>
<td>6</td>
<td>3,153</td>
<td>9</td>
<td>3,754</td>
</tr>
<tr>
<td>Asia-Mid-East</td>
<td>17</td>
<td>4,997</td>
<td>18</td>
<td>4,532</td>
</tr>
</tbody>
</table>
Regional variations in outlook

Capacity expansion

<table>
<thead>
<tr>
<th>Demand growth less than capacity expansion</th>
<th>South Europe, South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand growth = capacity expansion</td>
<td>North Europe, Middle East, Africa</td>
</tr>
<tr>
<td>Demand growth more than capacity expansion</td>
<td>North America, Far East, South East Asia, Latin America, Australasia, <strong>Eastern Europe</strong></td>
</tr>
</tbody>
</table>
Agenda

- Global Container market
- Black Sea Container market
- Black Sea Port market
Black Sea Container market

The crisis hit hard
.... very hard

- Recession and austerity
- Low demand for exports
- No cash for imports
- Container market just recovering

BUT

The region will recover
Black sea container market, 2012 (including t/s)

- Ukraine: 29%
- Romania: 26%
- Russia: 25%
- Georgia: 14%
- Bulgaria: 6%

Total container throughput: 2.6 million teu

Key issues:
- Economic dynamics
- Liner network development

Turkey container ports: 7.3 million teu

Fewer direct services but visible growth in the average vessel size

Source: Drewry Maritime Research
Economic recovery (real GDP in national currency)

Source: IMF (GEO October 2012)
Black sea region – post 2008 not all recovered

Ukraine – the largest market suffered most and is far from pre-crisis levels
Ownership of major container terminals

Operational
Confirmed future investment
Unconfirmed future investment

Source: Drewry Maritime Research
Container terminal operators, 2012

- DPW
- HPC-Ukraine
- APMT Poti
- CTI
- NUTEP
- Brooklyn-Kyiv
- Varna
- ICTSI Batumi
- Burgas
- TIS

Total throughput (thousand teu)

- DPW: +12%
- HPC-Ukraine: +59%
- APMT Poti: +61%
Forecast container demand growth 2012-2017
(average growth p.a.)
Agenda

- Global Container market
- Black Sea Container market
- Black Sea Port market
Total port handling, 2012

- **Russia**: 42%
- **Ukraine**: 34%
- **Romania**: 12%
- **Bulgaria**: 6%
- **Georgia** and **Moldova**: 0%

**Total cargo traffic**: 422 million tonnes in 2012

**Key issues:**
- Global demand for raw materials
- Agricultural output
- Inland transport competitiveness

**Turkey ports total traffic**: 380 million tonnes

*Source: Port Authorities, Association of Russian Seaports, Drewry Research*
Bulk cargo: key regional themes
Selected Black Sea traffics, growth in 2012 over 2011

Crude Oil

- **Russia**
  - 105 mt, +56%
- **Romania**
  - 5 mt, -1%

Ores, steel and metals

- **Ukraine**
  - 49 mt, -2%
- **Russia**
  - 12 mt, +7%
- **Romania**
  - 11 mt, +19%

Grain

- **Ukraine**
  - 31 mt, +19%
- **Russia**
  - 22 mt, +11%
- **Romania**
  - 13 mt, +32%

Coal and coke traffic

- **Ukraine**
  - 14 mt, -14%
- **Russia**
  - 8 mt, +5%
- **Romania**
  - 3.5 mt, +11%

Increasingly regional market

Source: Port Authorities, PG-online, Drewry Research
Investing in ports

- Port business fundamentals remain strong and attractive
- Trading at more realistic price
- Looking for quality
Providing maritime intelligence for over 40 years
Unique expertise of shipping industry senior executives and knowledge base

Our services include:

- Maritime research and publications
- Bespoke consultancy
- Investment advisory
- Maritime Equity research
- World Container Index

Thank you!
Why Drewry Shipping Consultants?

Drewry was established in 1970 and has built an unrivalled knowledge base of the shipping industry.

We are a **leading global maritime research, publications and consultancy firm** with a **strong reputation** among shipowners, financial organisations and other maritime industry stakeholders.

We **monitor** and **research** continuously global shipping markets, publishing **authoritative analysis** on a wide range of industry issues including **demand and capacity development** and dynamics of **freight rates**.

Our consultancy team contains **senior executives** who have **wealth of hands-on** personal **experience** of all aspects of shipping its operations and finance.

We have performed a **variety of assignments** for medium and large **financial institutions advising buy or sale side**, performing **market due diligence and business plan validation tasks**.
Our company

Drewry is an internationally based research and consultancy firm providing specialist services for the maritime industry

- Since being established in 1970 Drewry has built an expertise and knowledge that is unique within the maritime industry. With offices in London, Singapore, India and Shanghai we offer a global perspective for clients.
- We have worked with over 4,000 clients in more than 100 countries.
- Our organisational structure means our expertise is always at the forefront of the maritime industry. Each of our core businesses is constantly monitoring and analysing market dynamics, providing key information for our ‘Drewry Knowledge Hub’. With cross sharing of analysis throughout the business, our teams have the platform to launch a project that is underpinned by extensive research.
**Sector based experience**

Our team combines the necessary experience, knowledge and practical understanding of maritime industry, its operations and financing.

- Over the years, Drewry has become a trusted adviser to CEOs and other senior management of fleets, service and logistics companies and port authorities across the world.

<table>
<thead>
<tr>
<th>Market</th>
<th>Commercial</th>
<th>Supply Chain</th>
<th>Benchmarking</th>
<th>Shipbuilding and repair</th>
<th>Due diligence</th>
<th>Market analysis</th>
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<tbody>
<tr>
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Drewry advisory services

We have built a solid contact network, working with various participants in the shipping market and financial institutions

Overview of our client base:

- Investment banks
  - Commercial banks
  - Private equity
  - Venture capitalists
  - Hedge funds
  - Private investors

- Logistics providers
  - Port operators
  - Manufacturers
  - Lawyers
  - National governments
  - Industry and trade institutions

- Mining companies
  - Power and energy companies
  - Commodity traders
  - Steel companies
  - Shipping companies
  - Shipyards