GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 16th March 2012 (Week 11, Report No: 11/12)

(Given in good faith but without guarantee)

Demolition business remains hot with bulk carriers' scrapping removals being on rise, secondhand purchasing interest is robust for dry units of all sizes and ages at alluring prices with a moderate interest for wet and container units. Newbuilding activity keeps soft, apart from the hike experienced last week, as the uncertainty of the freight markets discourages the strong placement of newbuilding contracts in the main conventional vessel segments.

The highest activity has been reported in the secondhand and demolition market with 21 and 17 deals respectively with a downward trend for newbuilding momentum for the first and the upcoming second quarter of the year.

Overall, 38 transactions reported worldwide in the secondhand and demolition market, up by 2.7% week on week with strong purchases for dry and wet secondhand units. At similar week in 2011, the total S&P activity was 5.2% higher, when 40 transactions had been reported and secondhand ship purchasing activity was 19% higher than the ordering business.

SECONDHAND MARKET

Overall, 21 vessels reported to have changed hands this week at a total invested capital in the region of US$ 257,85 mil, with bulk carriers and tankers grasping 52% and 24% share respectively of the S&P activity. In terms of the reported number of transactions, the S&P activity is up by 5% from previous week's activity, with a 57% rise in bulk carrier purchases, and down by 16% comparable with previous year's weekly S&P activity when 25 vessels induced buyers' interest at a total invested capital of about $306,46 million, with bulk carriers and tankers holding 56% of the total volume of S&P activity. In terms of invested capital, the bulk carrier and gas tanker segments appear the most overweight by attracting about 41% each of the total invested capital. Notable sale has been in the gas tanker segment, the enbloc sale of two LPG units with about 22,000 cbm gas capacity built 2009 China for region $52,5 mil each.

NEWBUILDING MARKET

In the newbuilding market, trends have been turned to previous weekly levels with an average of newbuilding business less than 20 newbuilding contracts. After the strong activity in the bulk carrier segment of last week, offshore support vessels regained their strength monopolizing this week's business. The offshore market's newbuilding appetite will persist high with Maersk Drilling planning to double its existing fleet of 16 semi-submersibles and jack up rigs by 2016, since the offshore oil and gas segment is anticipated to remain high on the back of tough crude oil prices and strong demand. Maersk's Drilling Managing Director, Jan Holm, said that the present global demand for oil is about six to seven times of what Saudi Arabia produce today and over the next 20 years. He added that the era of "easy oil" is gone and there is an increasing need to find oil in harsher environments and deeper waters. The only potential risk is a dip in E&P expenditures by the oil majors if oil prices retreat, but the current fundamentals do not support a downfall.

Overall, the week closed with 15 fresh orders reported worldwide at a total deadweight of 49,301 tons, posting a 65 % week-on-week decline. This week's total newbuilding business is down by 29% from similar week's closing in 2011, when 21 fresh orders had been reported with bulk carriers and containers grasping 52% share respectively of the total ordering activity. In terms of invested capital, the total amount of money invested is estimated at region $2,05 billion with 73% of the total number of orders being reported at an undisclosed contract price. Notable ordering business has been in the offshore segment for a FPSO construction in South Korean Shipbuilder Daewoo Shipbuilding & Marine Engineering for INPEX Corp of Japan with delivery in the second quarter of 2016 at a price of about $2billion.

DEMOLITION MARKET

In the demolition market, Bangladesh market remains under pressure with disappointing price levels offered, while India still grabs the highest activity at levels around $460/ldt for dry and less than $500/ldt for wet units. In terms of volume of demolition transactions, there has been a rise during the year to date from previous yearly levels with 229 vessels reported to have been headed to the scrap yards before the end of March, up by 52% from a similar period last year. In the bulk carrier segment, around 90 vessels are estimated to have been scrapped compared with 52 last year, and more are expected to come on line for disposal as the BDI still hovers below 1,000 points with capesize and panamax earnings being far bellow from $10,000/day.

The week ended with 17 vessels reported to have been headed to the scrap yards of total deadweight 697,988 tons. In terms of the reported number of transactions, the demolition activity is standing at the same levels of previous week, whereas there has seen a 5.6% rise regarding the total deadweight sent for scrap, with a 100% higher scrapping removals in the tanker segment. In terms of scrap price, the highest scrap rate has been achieved this week in the container segment by India for a handy unit of 1,388 TEU with 6,851 ldt built 1992 at $513/ldt. Bulk carriers and tankers have grasped the lion share of this week's total demotion activity, 53%, with India winning 9 out of the 17 total demolition transactions. At a similar week in 2011, demolition activity was 12% down, in terms of the reported number of transactions, 15 vessels had been reported for scrap of total deadweight 349,507 tons with bulk carriers grasping 47% of the total number of vessels sent for disposal. Scrap prices were floating at current levels. Bangladesh and India had been offering $470-$490/ldt for dry and $495-$515/ldt for wet cargo.

GREEK PRESENCE

In the newbuilding market, Greek owners have shown no signs of activity this week following last week's strong placement of contracts in the bulk carrier segment, while in the **secondhand market** have invested about $48,5 mil for a dry bulk handymax units built 1998, an MR product tanker built 2009 and sub-panamax container unit of 2,135 TEU built 1999.

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