GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 23rd March 2012 (Week 12, Report No: 12/12)

(Given in good faith but without guarantee)

Demolition and newbuilding business attracted this week a lot of investors' interest with bulk carriers disposals being on rise and LNG with offshore units being on the spotlight for the placement of new orders.

The highest activity has been reported in the newbuilding market with 37 deals reported in total, but the sentiment in the bulk carrier segment for the construction of newbuilt units remains negative as investors prefer secondhand units at appealing low prices.

Overall, 30 transactions reported worldwide in the secondhand and demolition market, down by 21% week on week due to 47% lower secondhand purchases from soft buying momentum in the crude tanker segment. At similar week in 2011, the total S&P activity was 56% higher, when 47 transactions had been reported and secondhand ship purchasing activity was 108% higher than the ordering business.

SECONDHAND MARKET

The interest is hot for dry vintage and modern units with asset prices being squeezed downwards as the BDI still tries to surpass the 1,000 points mark. In the supramax segment, M/V "LIBRE" of 52,510dwt built 2001 Japan reported sold last week for $14,75 mil to Bangladesh buyers is said to have been failed and committed now to Greek buyers for $14mil. The soft price is said to reflect that the vessel has been recently grounded.

Overall, 11 vessels reported to have changed hands this week at a total invested capital in the region of US$ 150,15 mil, with bulk carriers and tankers grasping 82% share respectively of the S&P activity. In terms of the reported number of transactions, the S&P activity is down by 48% from previous week's activity, with a 55% fall in bulk carrier purchases, and down by 56% comparable with previous year's weekly S&P activity when 25 vessels induced buyers' interest at a total invested capital of about $806,5 million, with bulk carriers and tankers holding 72% of the total volume of S&P activity. In terms of invested capital, the tanker segment appears the most overweight by attracting about 47% each of the total invested capital with the MR enbloc sale of two units with about 47,000dwt built 2004 and 2009 for region $42 mil.

NEWBUILDING MARKET

In the newbuilding market, business picked up again due to a remarkable rise in the tanker segment and strong LNG and LPG placement of orders. Overall, the week closed with 37 fresh orders reported worldwide at a total deadweight of 1,406,400 tons, posting a 147 % week-on-week increase. This week's total newbuilding business is up by 208% from similar week's closing in 2011, when 12 fresh orders had been reported with containers grasping 83% share respectively of the total ordering activity. In terms of invested capital, the total amount of money invested is estimated at region $2,4 billion with 22% of the total number of orders being reported at an undisclosed contract price. Notable ordering business has been in the tanker segment with Brazilian OSX winning contract to build eleven 45,000 dwt product carriers to serve cabotage trade for delivery between 2014 and 2017. Tankers and gas tankers have grasped 54% of the total volume of newbuilding activity and offshore 30%, while in the bulk carrier segment a double kamsaramax order revealed by a Chinese player.

In the **bulk carrier** segment, Cara Shipping of China doubled its kamsarmax newbuilding contract at Shanghai Waigaoqiao from two to four units of 82,000dwt for delivery in 2013 at a price region $30,5 mil each. Cara Shipping is linked with China's Rizhao Steel. In the supramax segment, Taizhou Kouan Shipbuilding of China is said to have won a contract for 10 units with 51,000 dwt by a domestic owner for delivery between June and December next year at an undisclosed contract price. In the handysize segment, Turkish player GSD Marine is said to be in the process for the construction of two units of 37,000 dwt at Hyundai Mipo Dockyard of South Korea. The order is at the letter of intent stage and not further details have been revealed by the owner.

In the **tanker** segment, European Navigation of Greece (Elka Shipping) exercised an option at STX Shipping for a third suezmax shuttle tanker with delivery in June 2013 at a price region $93 mil. The previous two were contracted in April 2011 at a price of $100 mil each. An option for one more unit is still on hold, while all the three units ordered have a 15year commitment to Petrobras, Brazil. In the MR segment, Petrobras has now awarded Brazilian OSX a contract to build eleven 45,000 dwt product carriers to serve cabotage trade for delivery between 2014 and 2017. The Petrobras contract is valued at $732 mil and vessels will be leased in London based Kingfish Trading with purchase options.

In the **gas tanker** segment, Russian owner Sovcomflot has placed two 20,600 cu.m LPG units in Hyundai Mipo for delivery in 2013 at an undisclosed contract price. In addition, Dutch owner Anthony Veder is said to have added two more LPG ethylene carriers of 4,500 cbm at Avic Dingheng Shipbuilding of China for delivery in 2014 at a price excess of $20 mil each.

In the LNG segment, Oman Shipping Company announced that it signed an order for a LNG construction at South Korean Shipbuilder, Hyundai Heavy Industries, with a 162,000 cbm for delivery in 2014. The company said that the vessel will feature dual fuel technology. In addition, Maran Gas Maritime, the gas carrier subsidiary of Greek based Angelicoussis Shipping, has exercised its option for the construction of two more LNG units of 159,800 cum, in South Korea's Daewoo yard with delivery in 2015 at a price about $200mil each. Maran Gas has now seven 159,800 cum LNG units under construction in Daewoo and four 162,000 cu.m units in Hyundai Heavy Industries. Furthermore, partners in Russia's YMAL LNG project are in discussions for the design of up to 16 vessels of around 177,550 cbm with ice breaking capabilities to work in harsh Arctic conditions

In the **multipurpose liner** segment, China Navigation Co. has ordered four units, with option for six more, of 39,000dwt in Chengxi Shipyard, China at a price region $23mil each for delivery in 2013-2014. The vessels are eco friendly design and will burn only 18 tonnes per day on a speed of 14 knots.

In the **offshore** segment, Pacific Drilling of US has confirmed that it has exercised an option for a seventh ultra deepwater drill ship at South Korean Shipbuilder Samsung HI, 60,000 gt vessel for delivery in May 2014 at a total cost, excluding capitalized interest, region of $600 mil. Pacific Drilling CEO Chris Beckett said: "The current strength we see in the market for ultra-deepwater rigs well into 2014 led us to act on this opportunity to order a rig with very favourable delivery timing." Financing will be provided by a mixture of Pacific Drilling's recent bond offering, cash flows from ongoing operations and long-term debt. Furthermore, Norwegian offshore specialist STX OSV has won a contract for the construction of one advanced subsea support vessel for Island offshore with delivery in 1q 2014. The contract is worth more than 500M krone ($87M). The vessel will be of Rolls Royce's UT 737 CD design. It will be 96m long and have a 21m beam and will be equipped with a 125-tonne offshore crane and ROV systems capable of operating at depths of up to 3000m. STX OSV has also secured a contract for one more offshore subsea construction vessel from DOF Subsea of Norway at a price valued 650m kroner ($113,69m).

DEMOLITION MARKET

In the demolition market, the budget in India has been finally announced with fears that tax increases may push further downwards the price levels offered. Overall, scrap prices remain soft with Bangladesh market being still weak to lift rates at higher levels. The high demand for disposals continues with buyers and their breakers to look for the best available demolition candidates. Price levels offered in Bangladesh are only $25-$30/ldt more than in China and a long waiting time for delivery. China and India seem to be the busiest markets in terms of volume of demolition transactions with Bangladesh and Pakistan being behind. In China, the opening of a new ship recycling facility in Dalian, North China, a joint venture with Singaporean owners, PIL, by the end of the year, opens a new window for further future disposals. India and Pakistan are now paying excess $450/ldt for dry/general cargo and less than $500/ldt for wet cargo. In Bangladesh, the issue of financing remains crucial with cash buyers having difficulties to find end users that can obtain letters of credit. In China, prices are holding below $450/ldt, at region of $410-$430/ldt.

The week ended with 19 vessels reported to have been headed to the scrap yards of total deadweight 1,208,985 tons. In terms of the reported number of transactions, the demolition activity is up by 12% from previous week, with a 140% higher scrapping removals in the bulk carrier segment. Large sized units scrapped this week brought an increase of 73% from previous week, in terms of the total deadweight reported for scrap. In the wet market, the 224,000dwt floating storage tanker M/T "TAURUS" built 1981 reported to have been sent for scrap in Pakistan at $443/ldt. Furthermore, the famous M/T "EXXON VALDEZ" renamed to "ORIENTAL NICETY" reported sold in an Indian scrap yard for $465/ldt. In the dry market, the capesize unit M/V "ANDROS WARRIOR" of about 172,000 dwt built 1986 has been sent in India for $485/ldt.

In terms of scrap price, the highest scrap rate has been achieved this week in the bulk carrier segment by India for a handy unit of 32,772 dwt with 6,559 ldt built 1998 M/V "SIAM OPAL" at $482ldt. Bulk carriers have grasped the lion share of this week's total demotion activity, 63%, with India winning 8 out of the 19 total demolition transactions. At a similar week in 2011, demolition activity was 16% up, in terms of the reported number of transactions, 22 vessels had been reported for scrap of total deadweight 669,300 tons with bulk carriers grasping 18% of the total number of vessels sent for disposal. Scrap prices were floating at levels with a higher momentum than today. Bangladesh and India had been offering $485/ldt for dry and $495-$510/ldt for wet cargo.

GREEK PRESENCE

In the newbuilding market, Maran Gas Maritime, the gas carrier subsidiary of Greek based Angelicoussis Shipping, has exercised its option for the construction of two more LNG units of 159,800 cum, in South Korea's Daewoo yard with delivery in 2015 at a price about $200mil each. Maran Gas has now seven 159,800 cum LNG units under construction in Daewoo and four 162,000 cu.m units in Hyundai Heavy Industries. In the tanker segment, European Navigation of Greece (Elka Shipping) exercised an option at STX Shipping for a third suezmax shuttle tanker with delivery in June 2013 at a price region $93 mil. The previous two were contracted in April 2011 at a price of $100 mil each.

The total amount of money invested by Greek owners for the construction of newbuilding units is estimated to be at region $493mil, while in the secondhand market is at region of $56 mil for the purchase of one supramax dry bulk carrier built 2001 and two MR tankers of about 47,000 dwt built 2009 and 2004.