GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 15th June 2012 (Week 24, Report No: 23/12)

(Given in good faith but without guarantee)

After Posidonia exhibitions and the subdued purchasing activity of last week's, there was some intense activity in last days with alluring asset prices continue to drag investors' interest despite the weak freight market and the tight ship financing status that troubles potential shipping investors. Demolition business keeps its record business in the bulk carriers' scrapping activity, while the newbuilding momentum resembles memories of 2009, when bulk carrier and tanker newbuilding transactions reached record lows from the 2008 over ordering levels.

Overall, 26 transactions reported worldwide in the secondhand and demolition market, up by 30% week on week due to a 50% increase of activity in the secondhand market and 157% strong offshore newbuilding business. At similar week in 2011, the total S&P activity was 50% higher, when 39 transactions had been reported and secondhand ship purchasing activity was 11% higher than the ordering business.

SECONDHAND MARKET

Overall, 18 vessels reported to have changed hands this week at a total invested capital in the region of US$ 223,35 mil with bulk carriers and tankers being on the centre of investors' focus. Bulk carriers held the33% share of the total S&P activity and tankers 22%. In terms of the reported number of transactions, the S&P activity is up by 50% from last week's activity, with a 100% increase in dry bulk and tanker purchases, and down by 14% comparable with previous year's weekly S&P activity, when 21 vessels induced buyers' interest at a total invested capital of about $444,3 million, with bulk carriers holding 43% of the total volume of S&P activity. In terms of invested capital, the bulk and tanker segment attracted about 88% of the total invested capital with containers and liners to follow by holding 22% share.

NEWBUILDING MARKET

One more week with intense offshore newbuilding business and light fresh activity for the main conventional vessel segments, bulk carriers and containers, while in the tanker segment no deal was reported. Platform supply vessels, subsea construction vessels and drilling rigs are some of the specialized vessel types that offer new business in the struggling European yards, while Chinese shipbuilders are seeking ways to compete with its rivals and expand in offshore business with South Korean yards having the winning share in the newbuilding market from strong LNG contracting activity.

Overall, the week closed with 35 fresh orders reported worldwide at a total deadweight of 694,900 tons, posting a 150% week-on-week increase due to a 150% increase in the offshore newbuilding activity. This week's total newbuilding business is down by 84% from similar week's closing in 2011, when 19 fresh orders had been reported with special project vessels grasping again the lion share, 47% of the total newbuilding business, which implies that 2011 newbuilding trends are being repeated this year. Investors are still moving towards the construction of more specialized units due to the oversupply challenges in the dry and wet markets. In terms of invested capital, the total amount of money invested is estimated at region $1,19 billion with 48% of the total number of orders being reported at an undisclosed contract price. The offshore segment appears the most overweight by holding 68% of this week's total amount of money invested with a high valued notable jack up drilling contract by Maersk Drilling in Keppel Fels yard of Singapore with delivery in January of 2015.

In the **bulk carrier segment**, China's Yangfan Shipbuilding won an order for two handysize units of 36,100dwt for a Canadian shipowner, Canada Steamship Lines, at a total value of $55 mil for delivery in December 2013. In addition, Jiangsu Hantong Ship HI of China confirmed that it will build a LNG dual fuel supramax bulker of 50,000dwt, which is the first such ship to be built in China, for an undisclosed contractor. The vessel will be delivered in the first quarter of 2014 and will transport finished products between Europe and China on long term contracts.

In the **gas tanker segment**, Japanese giants NYK and Mitsui OSK Lines is said to be in the process of ordering 160,000cbm LNG carriers on behalf of two utility companies. MOL is expected to contract two ships for Kansai Electric Co., one of which will be built at Kawasaki Heavy Industries and the other at Mitsubishi Heavy Industries. The company is expected to order also one ship at Mitsubishi Heavy Industries for chartering to Chubu Electric Co. NYK is also believed to be in a working partnership with Mitsubishi Heavy Industries for the construction of one ship for Chubu. The contracts are believed to be fully finalized, but they are waiting on board approvals which are not expected until September-October.

In the **container segment**, German owner Bernhard Schulte and private equity group JP Morgan have jointly ordered a series of five mid-sized containerships of 5,100 TEU, with an option of five more, in Hanjin's Subic Bay yard, the Philippines unit of South Korean Hanjin Heavy Industries & Construction with delivery from 2014. The boxship units are said to be cost around $45 mil each and are eco friendly designed with a length of 225m, breadth of 37m and 22m in height with a sailing speed of 21.5 knots.

In the **RO-PAX segment**, Caledonian Maritime Assets of UK have ordered a ro-pax ferry in Germany's Flensburger Schiffbau with delivery in June 2014 at price of $63,7mil. The vessel will have a capacity for up to 700 passengers and 143 cars or 20 commercial vehicles. Furthermore, Western Ferries of UK have ordered two shortsea passenger vehicle ferries in Cammell Laird of UK as replacements for two ageing ships with delivery in summer 2013.

In the **offshore segment**, Rieber Shipping of Norway ordered one ULSTEIN SX 121 subsea construction vessel, with an option for one more, from domestic shipyard Ulstein at a value of NOK 800 million with delivery for the first quarter of 2015. The contractor commented that Norway is a world leader when it comes to design and quality of specialized offshore vessels, which is a determining factor in Ulstein's success. Furthermore, Maersk Drilling confirmed a third jack up drilling rig from Keppel Fels, Singapore, which is a repeat of a similar order in February 2011, but now costing $50 million more at $650 million, with an option for one more unit.

Norwegian Investment Company Blue Ship Invest, a subsidiary of Ulstein group, has placed an order for four platform supply vessels at Ulstein Verft yard of the ULSTEIN PX 121 design, which are well suited for North Sea and North Atlantic conditions, with delivery in 2013. STX OSV of Norway has signed a letter of intent with Troms Offshore for the design and construction of a new platform supply vessel of 5,700dwt that will be one of the largest PSV's in the market and will be chartered in a long term contract to Statoil. The vessel is scheduled to be delivered at fourth quarter of 2013 and will be an innovative ship design environmentally friendly with focus on low fuel consumption and low emission of greenhouse gases. STX OSV of Norway has also sealed one of the biggest contracts since its listing in Singapore in November 2010 for an offshore subsea construction vessel from a joint venture between Ocean Installer and Solstad Offshore, one of Norway's biggest shipping companies. The vessel is scheduled for delivery in the second quarter of 2014 and the contract is subject to board approval by the Norwegian Guarantee Institute for Export Credits, which is expected to be received around June 20th.

Furthermore, Germany's Flensburger Schiffbau yard has won its first contract in the offshore sector as an important milestone for the necessary diversification of the yard, for two seismic survey vessels by a geophysical services company WesternGeco for delivery in 2014.

DEMOLITION MARKET

In the demolition market, a downward movement in scrap price levels persists with rates falling below $400/ldt for dry/general cargo and the upcoming monsoon season pushing further the price momentum. In June last year, price levels in the Indian subcontinent region were standing near to $500/ldt for dry/general cargo and excess $500/ldt for wet cargo, while the price momentum was positive towards to stronger levels than today's.

The week ended with 8 vessels reported to have been headed to the scrap yards of total deadweight 310,911 tons. In terms of the reported number of transactions, the demolition activity is at the same levels of previous week's business with dry bulk carrier disposals attracting 75% of scrapping business, while In terms of total deadweight sent for scrap there has been a fall of 48% due to zero activity reported for large sized vessels, capesizes. Bangladesh is on the frontline by winning 4 of the 8 total demolition transactions, while notable demolition deal came to light this week for an aframax tanker of 95,649dwt built 1994 Japan with a lightweight of 15,912 tons heading in Bangladesh for $490/deal, which is an old deal as these scrap price levels are no longer feasible.

At a similar week in 2011, demolition activity was up by 125%, in terms of the reported number of transactions, 18 vessels had been reported for scrap of total deadweight 849,780 tons with bulk carriers grasping 50% of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with Bangladesh and India offering $485-$495/ldt for dry and $515-$520/ldt for wet cargo.

GREEK PRESENCE

The dull activity of Greek investors in the newbuilding business continues as it seems that the persistent imbalance in the freight market discourages their plans for the construction of new units, while also no new second hand ship transactions were reported since last week.