GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 22nd June 2012 (Week 25, Report No: 24/12)

(Given in good faith but without guarantee)

Newbuilding business surpassed this week the secondhand and demolition momentum as offshore support vessels segment seems the most promising for investing in the construction of new units. There has been a relative quiet week in the purchase of secondhand dry units with the BDI sending signals for a further correction downwards in asset prices, while the crude tanker segment remains unattractive. Scrapping momentum has been relative stable in June with no more than 10 vessels being headed to the scrap yards on an average per week.

Overall, 44 transactions reported worldwide in the secondhand and demolition market, up by 69.23% week on week due to a 55.5% increase of activity in the secondhand market and 100% rise on the scrapping business At similar week in 2011, the total S&P activity was 15% lower, when 33 transactions had been reported and secondhand ship purchasing activity was 27% lower than the ordering business.

SECONDHAND MARKET

Potential buyers seem to wait further cuts in asset prices before buying due to dire conditions in the dry and wet freight markets and the dark near term outlook. In the tanker segment, MR sizes continue to be in the frontline with limited crude carriers' purchasing activity from sharp falls in vessels' earnings. In the bulk carrier segment, capesize vessels are not in the top preference list of investors as the spot freight market remains below covering vessels' operating expenses with owners scrapping their overaged vessers rather than buying new ones. Surpamax and handies are more popular purchase candidates with stronger performance and stability in the freight markets.

Notable sale in the tanker segment the sale of M/T "SHAMROCK VENUS" of 19,908dwt built 2006 Japan for excess $20mil, when in October last year sister vessel was reported to have changed hands for a price in the region of $24 mil. In the bulk carrier segment, the sale of M/V "CAPSTONE" of about 76,000dwt built 2000 Japan for about $13,6 mil underlines the sharp fall of asset prices for dry units, as in July last year a similar sized and aged vessel built in Japan was reported sold for a price in the region of $22,4mil.

Overall, 28 vessels reported to have changed hands this week at a total invested capital in the region of US$ 434,5 mil with all vessel types, bulk carriers, tankers, containers and liners being on the centre of investors' focus, while the offshore segment held the lion's share of S&P activity due to the enbloc sale of 10 platform supply vessels for a total sale price of about $250mil. In terms of the reported number of transactions, the S&P activity is up by 55.5% from last week's activity, and up by 75% comparable with previous year's weekly S&P activity, when 16 vessels induced buyers' interest at a total invested capital of about $180,15 million, with bulk carriers holding 50% of the total volume of S&P activity and tankers 44%. In terms of invested capital, the offshore segment appears the most overweight by attracting about 63% from the relevant enbloc sale to US buyers, while containers to follow by holding 17% share.

NEWBUILDING MARKET

Overall, the week closed with a remarkable record activity from a continued increased volume of newbuilding contracts for specialized units. There has been also a noticeable fresh business for bulk carriers, tankers and containers. There has been a 160% and 67% rise in bulk carriers' and tankers' newbuilding activity from last week, while in the tanker segment 6 new units have been ordered. In the offshore segment, there has been a 67% rise with 30 new contracts reported worldwide from 18 last week, with Norwegian owners placing strong volume of order for platform supply vessels.

The week ended with 55 fresh orders reported worldwide at a total deadweight of 1,789,700 tons, posting a 57% week-on-week increase. Amid the economic turmoil, the slump of the freight market and the distressed ship financing, the low newbuilding prices attract owners for their expansion of their fleet through the construction of new units with large sized vessel units in the main conventional vessel segments, bulk carriers and tankers, being out of their spotlight. This week's total newbuilding business is up by 150% from similar week's closing in 2011, when 22 fresh orders had been reported with bulk carriers grasping again the lion share, 32% of the total newbuilding business, and special projects were holding 23% of the business compared with 55% share today's levels. In terms of invested capital, the total amount of money invested is estimated at region $1,74 billion with 35% of the total number of orders being reported at an undisclosed contract price. The offshore segment appears again the most overweight by holding 54% of this week's total amount of money invested and containers follow with a 50% share. Notable order of this week has been the placement for a ten units' order of 5,000 TEU boxships by Zodiac Maritime Agencies at a total contract value in the region of $450 mil.

In the **bulk carrier** segment, Nanjing Hengrui Shipping has ordered a 51,000dwt bulker at domestic yard Nanjing Wujiazui Shipbuilding for delivery in 2014, with option for one more unit, to be used for domestic trading. In addition, Chinese owner Jiangsu Steamship has placed an order for four ultramax bulkers of 64,000dwt in a Singapore listed Yangzijiang Shipbuilding for delivery in May, July, September and December 2014. The contract price is not revealed, but sources suggest that the owner is paying around $26-$27mil each vessel. The order is said to be Yangzijiang's first contract for ultramax bulkers.

In the **tanker** segment, two aframax tankers of 110,000dwt reported to have been ordered by Dalian Shipbuilding Industry of China by Seatankers Management of Cyprus at a price of region $44mil with delivery in 2014. CHEVRON Shipping of the US has added one suezmax shuttle tanker unit of 160,000 dwt at Samsung Heavy Industries from its previous order placed in summer last year for delivery in June 2014 at a cost in the region of $100 mil. In the MR size, Greek owner Pleiades Shipping has added two more units of 51,000dwt in STX Shipbuilding of South Korea for delivery in 2013-2014 from its initial order for four similar sized units last year.

In the **gas tanker** segment, Georgas Maritime SAS has ordered one more LPG carrier of 35,000 cu.m in Hyundai Mipo of South Korea for delivery in the beginning of 2014 at a contract price of $50mil, two units are now ordered. Furthermore, LPG player Unigas is said to be sealing an order for up to six 12,000 cbm ethylene carriers in STX Offshore & Shipbuilding of South Korea at a price believed to be below $32mil. The three partners in Unigas, Othello Shipping, Schulte and Sloman Neptune are expected to initially sign up for one vessel each with an option for a second.

In the **container** segment, Taiwanese carrier Yang Ming Marine Transport plans to order five ultra large boxships by the end of this year. A Yang Ming spokesman stated in Lloyds List that they are planning to make purchases of five 14,000 TEU-16,000 TEU boxships by the end of this year and are now assessing details, but the time is not exactly set in stone. The order will be placed when they are sure that the market favors. Yang Ming has yet to decide how will finance the order and it plans to raise $T8bn ($267.9m) from sales of convertible bonds to build working capital that could limit its requirement to borrow. On the other hand, Evergreen's order for 10 13,800 TEU boxship units is in doubt as owner is said to have been unable to raise financing. The order has been placed by Korea Infrastructure Investments Asset Management Co. to be chartered to Evergreen for 10 years at around $50,000/day with a purchase option on the vessels at the end of the charter. In the large panamax segment, London based Zodiac Maritime Agencies is said to have finalized a 10 boxships order of 5,000 TEU at STX Offshore & Shipbuilding Chinese facility in Dalian at the price of $40mil each for delivery in early 2014. However, market sources suggest that the contract price may be even lower in the region of $40mil each and Zodiac has penned a letter of intent for five plus five 5,000 TEU boxships. In the handy segment, Avin International of Greece has placed an order for two 1,700 units in Zhejiang Ouhua of China for delivery in 2013-2014 at a price of $25mil each, the contract includes the option for two more units.

DEMOLITION MARKET

In the demolition market, Japanese giant Mitsui OSK Lines has scrapped its 180,972dwt capesize unit built 1988 in a Chinese green recycling facility with 400tons of bunkers on board at $370/ldt, while at the end of April similar sized vessels were fetching levels of more than $450/ldt. The downward scrap price momentum seems that has not impaired owners' decision for scrapping their overaged capesize units as the current freight market does not support their operating expenses and the near term outlook remains negative. Scrap price levels are still below $400/ldt for dry/general cargo units with India offering almost the similar levels of China's. Bangladesh has stepped in more dynamic during the second quarter of the year with India facing the biggest currency's problem over the last months.

The week ended with 16 vessels reported to have been headed to the scrap yards of total deadweight 816,188 tons. In terms of the reported number of transactions, the demolition activity has doubled from previous week's business with dry bulk carrier disposals attracting 50% of scrapping business, while In terms of total deadweight sent for scrap there has been an increase of 162.5%. India is on the frontline by winning 6 of the 16 total demolition transactions, with Bangladesh and China to follow.

At a similar week in 2011, demolition activity was at similar levels in terms of the reported number of transactions, 17 vessels had been reported for scrap of total deadweight 709,194 tons with bulk carriers and tankers grasping 30% and 17% respectively of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with Bangladesh and India offering $480-$495/ldt for dry and $510-$520/ldt for wet cargo.

GREEK PRESENCE

Greek investors showed some fresh signs of business after two weeks of zero reported activity. In the newbuilding market, Pleiades Shipping has added two more units of 51,000dwt in STX Shipbuilding of South Korea for delivery in 2013-2014 from its initial order for four similar sized units last year. Furthermore, Avin International ordered its first containership units of 1,700 TEU for two units plus two more in Zhejiang Ouhua of China with delivery in 2013-2014 at a price of $25mil each. In the secondhand market, Greek owners reported to have bought a panamax dry bulk carrier vessels built 2000 for about $13,6 mil and two large panamax containerships of 5,334TEU built 1995-1996 for $31,15mil each including three years time charter back at $26,800/day.