GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 31st August 2012 (Week 35, Report No: 34/12)

(Given in good faith but without guarantee)

August ends with high secondhand purchasing momentum, strong appetite for disposal at improved scrap price levels and weak newbuilding demand with shipyards suffering from the drought of the freight market environment and the lower newbuilding prices imposed to attract new contracts for their orderbook. Comforting factor is the increased bulk carriers' scrapping activity given vessels' oversupply and lower commodities' demand, while in the tanker segment scrapping appetite for crude carrier vessels is still soft against the worried low levels of vessel earnings for more than one year.

Overall, 44 transactions reported worldwide in the secondhand and demolition market, up by 33% week on week with 275% increase in demolition business and 44% lower vessel purchases. At similar week in 2011, the total S&P activity was standing at 34% lower levels, when 29 transactions had been reported and secondhand ship purchasing activity was 59% lower than the ordering business.

SECONDHAND MARKET

The depressed freight market status in the dry bulk and tanker segments continues to lead in a constant decline of asset prices with Baltic Sale & Purchase Assessment recording tremendous downward revisions from last year's levels. In the tanker segment, a 5yrs old VLCC is now estimated at a price in the region of $56 mil from about $75mil at the end of August 2011, a 5yrs old aframax unit is estimated at about $28,5mil from $37,8mil and a 5yrs old MR unit is estimated at about $22,2mil from $28,6mil. In the bulk carrier segment, a 5yrs old capesize unit is now estimated at a price in the region of $31,5mil from $39mil, a 5yrs old panamax unit is estimated at region $21,8mil from about $30mil and a 5yrs old supramax unit is estimated at about $20,5mil from about $26mil. Large sized vessels in the dry and tanker segments have experienced a sharper downward corrections compared to MR tanker and dry bulk supramax vessels with crude carrier vessel types not being in the frontline of investors' preference.

In the dry bulk segment, some capesize units of more than 15yrs old seem to be potential sale candidates at excessive discounted sold prices that are nearing to scrap price levels. This week, a unit of 151,439dwt built 1994 China reported sold for a price in the region of $8mil, when in April of 2007 the same vessel had been bought for $63,5mil. In November of 2011, a capesize unit of 151,102dwt built 1994 Japan was reported sold for about $15,5mil.

Overall, 14 vessels reported to have changed hands this week at a total invested capital in the region of US$ 105,85 mil, 2 deals reported at an undisclosed sale price, with bulk carriers and tankers holding 64% of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 44% from last week's activity with 50% lower dry bulk carrier purchases, while is up by 55% comparable with previous year's weekly S&P activity, when 9 vessels induced buyers' interest at a total invested capital of about $162 million, with 88% buyers' interest in bulk carrier and tanker purchases. In terms of invested capital, the bulk segment appears the most overweight by attracting about 52% of the total amount invested through the purchase of 5 vessels, 1 capesize, 1 panamax, 1 supramax and 2 handysizes.

NEWBUILDING MARKET

In the **newbuilding market,** the ordering activity keeps very soft from last week's ordering volumes with again less than 20 number of units ordered and a weak sentiment for the newbuilding demand for the rest of the third quarter and the forthcoming fourth quarter of the year. The orders reported in the dry bulk carrier and tanker segments this week is mainly for small sized vessels, handysize dry bulk carriers and MR tankers compared with last week's orders for bigger sized vessels, capesize unit in the bulk carrier segment and very large crude carriers in the tanker segment. Offshore vessel types are still of utmost importance in the newbuilding market as a vital business for the profitability of shipyards. Notable order of this week has been the confirmed order of Fredriksen's Seatankers for 16 large platform supply vessels of about $600mil in total to be managed by Deep Sea Supply.

Overall, the week closed with 13 fresh orders reported worldwide at a total deadweight of 603,600 tons, posting no weekly change with bulk carriers' newbuilding business keeping the lion share 62% of this week's total volume of newbuilding contracts. At similar week closing in 2011, the newbuilding business was up by 70%, when 22 fresh orders had been reported with 10 contracts in the bulk carrier segment, 4 in the tanker and 8 in the offshore. In terms of invested capital, the total amount of money invested is estimated at region $322 mil with 15% of the total number of orders being reported at an undisclosed contract price. The container segment attracted a firm amount of invested capital of about $160mil for sub-panamax units, while the offshore keeps a steady pace of investments with contracts of a high value per week.

In the **bulk carrier** segment, Wilmar Holdings of Singapore ordered two handysize units of 35,800dwt for construction in Qingshan Shipyard of China at a price of $22,5mil each for delivery in 2013-2014. In addition, Taiwanese dry bulk player, Wisdom Marine, has placed an order for four 34,000dwt handysize vessels in Namura Shipbuilding for a price in the region of $21mil each with delivery for the first two units in the second half of 2014 and the other pair in the first half of 2015. Wisdom stated that is aware that the same units for construction in a Chinese yard are costing less than $20mil, but they prefer the Japanese yard due to their long-established relationship. In the kamsarmax segment, Chinese shipbuilder Jinhai HI in Zhejiang has won a contract from Japan's Nisshin Shipping for two 82,000dwt units, with an option for two more, under a new energy efficient eco-friendly design.

In the **tanker** segment, Pyxis Shipmanagement of Greece has ordered a MR 52,000dwt unit in SPP Shipbuilding of South Korea for a price $33mil with delivery in 2014.

In the **container** segment, Pacific International Lines of Singapore ordered four boxship units in the small panamax segment of 3,800 TEU in Dalian Shipbuilding for a price in the region of $40mil each with delivery in 2014-2015.

In the **offshore** segment, Malaysian shipbuilder Nam Cheong has secured three contracts of $43,8mil for one platform supply vessel and two anchor handling towing supply vessels. The two AHTS are from established customers in Norway and Middle East, while the PSV contract is a breakthrough deal for Nam Cheong from a new customer, who is an emerging offshore marine services and construction company based in West Africa. In addition, Floatel has contracted for a fourth accommodation semisubmersible at Keppel FELS for $315m, confirming a letter of intent signed in March. The new generation harsh environment semi-submersible will be built to the Floatel Superior design, a DSS 20NS design developed by GustoMSC and Keppel FELS' Deepwater Technology Group. The platform is set to be delivered in early 2015 and will be able to accommodate 440 in single bed cabins.

Daewoo Shipbuilding & Marine Engineering (DSME) has won a $1.96bn order to build five fixed platforms for a customer in Africa. The units are scheduled for delivery by April 2016. This is the first offshore order since DSME's first contract for a floating LNG plant in June. The shipbuilder has previously said that it expects to boost orders for offshore equipment by 34% this year to $8.5bn.

DEMOLITION MARKET

In the demolition market, demand for disposal remains high with India offering strong competitive levels with steel prices being on rise and Indian Rupee stronger against the dollar. Prices for dry units have reached levels even $430/ldt with Turkey entering the game with firm levels, while China is still out of the scene with prices even below $300/ldt. Some container units have fetched levels of $440-$450/ldt this week for disposal in India. Bangladesh competes with India, while Pakistan is still behind with limited success of getting firm volume of ships in its scrap yards. Gadani buyers are looking to secure some tonnage after the Eid holidays.

The week ended with 30 vessels reported to have been headed to the scrap yards of total deadweight 822,593 tons, 7 demolition transactions have been reported as old sales. In terms of the reported number of transactions, the demolition activity is up by 275% from previous week's business with 250% rise in bulk carrier scrapping activity. In terms of total deadweight sent for scrap, there has been an increase of 12%, with Bangladesh winning 5 and India 11 of the total 30 demolition transactions, while Pakistan didn't gain not even a deal and China only two. Notable demolition transaction has been the disposal of panamax bulk carrier M/V "SUBIC STAR" of 11,889 ldt built 1984 for $450/ldt in India, full spares.

At a similar week in 2011, demolition activity was 50% lower than today's levels, in terms of the reported number of transactions, when 20 vessels had been reported for scrap of total deadweight 825,859 tons with bulk carriers holding 45% of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with India and Bangladesh offering $500-$505/ldt for dry and 525/ldt for wet cargo.

GREEK PRESENCE

In the newbuilding market, Greek owners have made their presence with an MR tanker contract of 52,000dwt by Pyxis Shipmanagement S.A in SPP Shipbuilding of South Korea for a price in the region of $33mil with delivery in July 2014. In the secondhand market, they have bought only one panamax dry bulk carrier of 65,434dwt built 1994 for about $5,3mil.

PIRAEUS OFFICE: 57 AKTI MIAOULI 18536, GREECE TEL: +30 210 4295000
ISTANBUL OFFICE: BARBAROS MH.ATATURK CD. IHLAMUR SOK. AGAOGLU MY PRESTIGE PLAZA, F: 5 / R: 40 – TEL: +90 216 688 39 33
EMAIL: snv@goldendestiny.com WEBSITE: www.goldendestiny.com