GOLDEN DESTINY

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 7th December 2012 (Week 49, Report No: 48/12)

(Given in good faith but without guarantee)

The first week of December has been marked with a record newbuliding business from a boost in MR tanker and container ordering appetite, lower vessels's disposals and a fair amount of secondhand purchases for bulkers and tankers.

Overall, 531 transactions reported worldwide in the secondhand and demolition market, down by 40% week on week due to a 48% decline in demolition activity. At similar week in 2011, the total S&P activity was standing at 29% lower levels than today, when 22 transactions had been reported with secondhand buying appetite standing at 78% lower levels than newbuilding. At the current week the secondhand buying appetite is 55% less than the levels of newbuilding due to firm volume of contracts in the MR tanker segment for a second consecutive week from the end-November.

SECONDHAND MARKET

The S&P activity showed a slower movement during the first days of December with bulk carriers still holding the lion share of investments. The buying interest is still there as asset prices follow the downward incline of freight markets with bulk carriers of all sizes and ages being on the frontline, while in the tanker segment, a notable sale reported in the MR segment for a vessel of 45,671dwt built 2004 Japan at a price in the region of excess $16mil. In the container segment, the secondhand buying appetite is still subdued with investors' focus on small sized categories, from handies to sub-panamax vessels at alluring asset prices.

Overall, 18 vessels reported to have changed hands this week at a total invested capital in the region of US$ 148,93 mil with bulk carriers and tankers grasping 55% share of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 33% from last week's activity with steady pace of investments in bulk carriers and tankers' purchases, while is 20% up from previous year's weekly S&P activity, when 15 vessels induced buyers' interest at a total invested capital of about $258,55 mil, 46 bulk carriers, 6 tankers, 1 gas tankers, 2 liners and 2 containers. In terms of invested capital, the bulk carrier segment attracted about 55% of the total amount invested in the secondhand market with 7 total purchases at about $82,25mil and tankers 14% with 3 total purchases at about $20,9mil.

NEWBUILDING MARKET

In the **newbuilding market,** the first week of December opens with a robust amount of business and an ordering interest from US private equities funds in a joint venture with shipowning companies for newbuilding plans and expansion in the shipping market. In the tanker segment, JP Morgan with Ceres Hellenic Shipping of Greece exercised their option for four additional MR product vessels, while US private equity investor Oaktree Capital Management formed a strategic parteneships with the Hamburg Group, Rickmers, for its entrance into the containership market. They said that they are planning to order eight eco-type boxship vessels, including an option for eight more, to be built at a quality shipyard in Asia with delivery from mid-2014 to mid-2015. They didn't reveal the ship specifications, but it is understood that their focus will be on the post panamax size of 5,000TEU-7,000TEU. In the tanker segment, Chinese owners made again their presence with China Ocean Shipping Group Co placing an order for two very large crude carriers, with an option for two more at China Shipbuilding Industry Corp. Cosco described the ships as new type vessels with designs for energy conservation and environmental protection and they will burn less fuel than the traditional very large crude carriers.

In the offshore segment, the business keeps going with Chinese yards opening the door in the construction of more specialized vessels to diversify their losses from the low volume of new orders received in the main conventional vessel segments. There are expectations for more aggressive pricing policy between South Korean and Chinese yards as demand for offshore newbuilding projections is estimated to remain strong. In the meantime, China's Rongsheng Heavy Industries expressed exclusively its ambitions in Lloyds List for securing offshore orders worth $1bn next year. Demonstrating its capability, the company said: "While some Chinese shipyards only finish the hull and send semi-finished vessels to Singapore for building topside, China Rongsheng's FPSO team has experience in four FPSO hulls and one FPSO topside."

An exceptional newbuilding order of this week appears to be in the container segment for the construction of a LNG powered containership. US based owner Tote is said to have signed a deal with shipbuilder and designer General Dynamics Nassco in San Diego for a pair of 3,100 TEU Jones Act vessels with delivery in 2015 for operation between Florida and Puerto Rico. The two vessels are being designed under an agreement with Daewoo Ship Engineering Company, a subsidiary of South Korean shipbuilder Daewoo.

Overall, the week closed with 40 fresh orders reported worldwide at a total deadweight of 1,572,600 tons, posting a 33% increase from previous week with a 600% week-on-week increase in tankers and containers ordering activity. At similar week closing in 2011, the newbuilding business was standing at 65% higher levels than today with 66 newbuilding orders, 15 for bulkers, 15 for tankers, 3 gas tankers, 5 containers, 1 liner and 23 special projects. In terms of invested capital, the total amount of money invested is estimated at region more than $1,56 bn with 9 orders reported at an undisclosed contract price. The offshore and tanker segment appear the most overweight by grasping 38% each of the total amount invested in newbuilding business.

In the **bulk carrier** segment, Ariston Navigation of Greece is said to have gove to CSC Jinling Shipyard of China for ordering a seventh Seahorse 35,000 dwt design, including an option for three more. Thailand's Precious Shipping has placed an order for two cement carriers of 20,000dwt at Shanhaiguan New Shipbuilding for delivery in 2014 at a cost of $24,18mil each. The contract includes an option for one more vessel that would need to be declared by the end of March 2013.

In the **tanker** segment, D' AMICO of Italy is on the plans of exercising its option for two MR product tanker vessels in the forthcoming week following its previous orders of four units earlier this year. The company is going to raise equity to fund the newbuildings with expectations to raise about $83mil through the first part of the process. Ceres Hellenic of Greece teamed up with JP Morgan decided to exercise its option for four more 51,000dwt MR product vessels in SPP Shipbuilding of South Korea, from its initial order placed in May. Ceres and JP Morgan have a close relationship through utilization of the Bank's Global Maritime Investment Fund for private equity requirements. Deliveries are scheduled throughout 2014, but no employment is confirmed.

In addition, SPP Shipbuilding of South Korea has won an order from an undisclosed European owner for up to 14 new MR tankers of 50,300dwt at about $33,5mil each with delivery in the third quarter of 2014 to the end of 2015. SPP said: "Additional contracts are expected by the end of this year, since options from previous contracts still left and now we are in talks with shipowners."

Energy groups are also on the run up of newbuilding plans. BP is expecting to confirm where it would order up to 15 new tankers, up to five suezmaxes and up to ten aframaxes. South Korean yards, Samsung and STX Shipbuilding appear to be the strongest competitors with high specifications demanded by BP. Total France is also in discussions with shipyards for aframax newbuildings that it wishes to secure charter agreements.

In the **gas tanker** segment, China National Offshore Oil Corporation (CNOOC), one of the largest companies in China is planning to order 14 medium and small sized LNG vessels. Their plans are for four 30,000 cu m LNG vessels and ten 10,000 cum LNG vessels for construction in several medium sized shipyards in China, including Sinopacific Shipbuilding and AVIC Dingheng Shipbuilding.

In the **container tanker** segment, further to Jones Act LNG powered containerships being ordered by US based owner Tote, Matson Navigation of US has revealed a project to build a pair of medium size containerships in US at a price of $200mil each. The vessels' size is understood to be in the region of 2,600 TEU with delivery schedule in the next three to five years, 2015-2017.

In the post panamax segment, Seaspan is planning to order four 10,000 TEU boxships at privately owned Yangzijiang Shipbuilding of China with Seaspan boss Gerry Wang saying that the newbuilding cost is likely to be around $90mil each, reflecting very high vessel specifications.

In the **offshore** segment, Chinese shipbuilder Yangzijiang confirmed that its yard in Jiangyin, Jiangsu, has won an order to construct a self-elevating jack-up rig for the Mena Offshore Investments unit Explorer Ltd. The rig would be based on a Letourneau Super 116E Class design at a value of $170M, including an option of one additional, identical rig. Jiangsu Yangzijiang Offshore

Engineering will execute the order, which will be delivered by 2Q15. Executive chairman Ren Yuanlin noted that with this order, Yangzijiang will officially join the offshore oil and gas sector: "We identified offshore as a growing market and have worked hard on adding that exposure to our portfolio for years. "Our perseverance, dedication and commitment have finally paid off with the successful entering of the first rig-building agreement. We will certainly employ our cost and project management expertise into building a track record for offshore products." Yangzijiang shipbuilding is said also to have been signed a letter of intent with SSP Offshore, a Texas based offshore owner, for the design and construction engineering of a prototype FPSO called SSP. SSP can function as a floating platform storage and offloading ship and can also drill for oil and gas.

In addition, China's Jinhai HI secured its first newbuilding contract in the offshore segment for a self elevating offshore work platform from an undisclosed contractor. The work platform will have 90m legs and an overall length of 78.8m.

DEMOLITION MARKET

In the **demolition market,** November ended with 104 vessels reported to have been headed to the scrap yards, 6.5% down month-on-month, due to 30% lower vessel disposals in the bulk carrier segment. The upturn of the freight markets from the end of September has started to be reflected in the appetite of owners for scrapping, while scrap yards in India are digesting the high tonnage for disposal during the last three months. In the bulk carrier segment, 40 vessels reported for scrap during November from 57 in October, with an average age of scrapping of 28yrs old, 5 vessels' disposals reported in the age of 17-22yrs old. The downward pressure on scrap prices viewed during November along with the upward momentum of dry bulk freight markets seem that will impose lower vessel removals during the fourth quarter of the year.

Benchmark scrap prices in the Indian subcontinent region are now below $400/ldt for dry / general cargo and about $410-$420/ldt for wet cargo, with China offering $360/ldt for dry and $380/ldt for wet cargo. However, there are still reported deals concluded at levels excess $400/ldt in Bangladesh for dry cargo. M/V "LIMNOS" with 13,370 lightweight built 1992 reported for disposal in Bangladesh at $415/ldt, including 330tons bunkers, while China paid $390/ldt for M/V "LIBERTY STAR" 64,059dwt built 1986 with 11,028ldt.

The week ended with 13 vessels reported to have been headed to the scrap yards of total deadweight 343,986 tons. In terms of the reported number of transactions, the demolition activity is down by 48% from previous week's business due to 38% and 100% lower scrapping activity in bulk carriers and tanker segment respectively. Bulk carriers and liners held the lion share of this week's total demolition activity with 5 total disposals and zero vessel disposals reported in the tanker segment. In terms of total deadweight sent for scrap, there has been a decrease of 56%, with India winning 3 of 13 vessel disposals, Bangladesh 3, Pakistan 1 and China 1.

At a similar week in 2011, demolition activity was 31% lower than today's levels, in terms of the reported number of transactions, when 9 vessels had been reported for scrap of total deadweight 215,192 tons with 3 bulk carriers, 2 container and 1 liners' disposals. Scrap prices were floating at stronger levels with India and Pakistan offering $460/ldt for dry and $485-$495/ldt for wet cargo.

GREEK PRESENCE

In the secondhand market, Greek owners have purchased a capesize vessel built 2001 for $19,8mil, while in the newbuilding market Ariston Navigation of Greece has added one handysize vessel at Jinling of China and in the tanker segment, Ceres Hellenic Shipping with JP Morgan exercised their option for four 51,000dwt vessels at SPP Shipbuilding of South Korea for about $33,5mil each.

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