GOLDEN DESTINY

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 22nd March 2013 (Week 12, Report No: 12/13)

(Given in good faith but without guarantee)

The third week of March ended with interesting newbuilding deals for mega sized vessels in the container and bulk carrier segments against freight market recession and oversupply issues. India has returned more aggressive in the demolition scene with bulk carriers' and containers' disposals being in the frontline, while secondhand purchasing appetite continues firm in the main conventional vessel segments, bulk carriers, tankers and containers.

Overall, 40 transactions reported worldwide in the secondhand and demolition market, down by 16% week-on-week with 28% decrease in secondhand purchases and no change in scrapping volumes. At similar week in 2012, the total S&P activity was standing 25% lower than the current levels, when 30 transactions had been reported and secondhand ship purchasing was 70% lower than the volume of newbuilding orders. This week the highest activity has been recorded in the newbuilding market, while secondhand purchasing appetite is standing 57% lower than ordering volumes from a rebound in the offshore newbuilding business.

SECONDHAND MARKET

Bulk carriers and tankers emerged the frontrunners of this week's S&P activity. In the bulk carrier segment, small vessel sized categories, from handysizes to supramaxes of modern and vintage tonnage monopolized investors interest, while in the tanker segment, fresh S&P deals reported in the very large crude carrier segment for vessels of more than 10yrs old and one newbuilt suezmax tanker. In the suezmax segment, M/T "ALMI SUN" 157,430dwt built 2013 South Korea reported sold for about $55mil, while in December 2010, a 159,000dwt vessel built 2012 South Korea had been sold for about $65mil.

Overall, 21 vessels reported to have changed hands this week at a total invested capital in the region of US$ 236.45 mil , 3 S&P deals reported at an undisclosed sale price. Bulk carriers and tankers held the lion share of this week's S&P activity, by holding 72% of the total number of vessels reported sold. Comparable with previous year, this week's S&P activity is similar with last year's levels, when 21 vessels induced buyers' interest at a total invested capital of about $257,85mil with 11 S&P deals in the bulk carrier segment, 5 in the tanker, and 3 in the container. In terms of invested capital, the tanker segment appear as the most overweight segments by attracting about 64% of the total amount of money invested with an invested capital of about $151mil.

NEWBUILDING MARKET

In the **newbuilding market,** the third week of March ended with one more newbuilding contract in the container post panamax segment by Japanese owner K Line for construction in domestic shipbuilder Imabari Shipbuilding. During the year to date, Canadian owner Seaspan has also ordered five 14,000 TEU boxships in Hyundai HI of South Korean and four 10,000 TEU boxships in Jiangsu New Yangzi Shibuilding and Jiangsu Xinfu, while Chilean CSAV has ordered seven 9,000 TEU boxships in Samsung of South Korea. In the meantime, Zim of Israel is said to have given up its plans for the construction of five 12,600 TEU boxships in Samsung of South Korea due to financing issues from its original order placed in 2007, while the delivery of three other identical ships has been rescheduled from 2012 to 2016.

In the bulk carrier segment, the persistent appetite for large sized vessels continues with activity reported not only in the capesize segment, but also orders emerged for Newcastle max size carriers. In the tanker segment, sources suggest that Japan's Sumitomo Heavy Industries is said to have won a deal for the construction of a new eco aframax tanker from with no disclosed details for the contractor and newbuilding price.

Overall, the week closed with 49 fresh orders reported worldwide at a total deadweight of 3,405,324 tons, posting 75% week-on-week increase from previous week with significant higher volume of contracts in all main conventional vessel segments. In the offshore segment, the newbuilding business has finally resumed stronger than previous weeks by grasping the lion share of the total newbuilding business, 31%, while bulk carriers and containers follow with 18% share each. This week's total newbuilding business is 32% up from similar week's closing in 2012, when 37 fresh orders had been reported, 2 for bulkers, 12 for tankers, 8 for gas tankers, 4 for liners and 11 for special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than $1,66 bn, 29 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money was invested in the offshore segment with an invested capital of more than $908,8mil with 8 contracts reported at an undisclosed contract price.

In the **bulk carrier** segment, Oldendorff is reported to have placed an order for the construction of two 205,000 dwt newcastlemax capesize vessels at Hyundai HI of South Korea for delivery in 2015 at a newbuilding cost of about $53mil each. In the capesize segment, Alcyon Shipping of Greece has placed an order for three 180,000dwt vessels, including an option one more, at Sungdong of South Korea for delivery from early 2015.

In addition, Knightsbridge Tankers Limited announced that it has concluded two newbuilding contracts for 182,000dwt vessels with Japan Marine United for delivery in 2015. The design provided by JMU represents the next generation of bulk carriers with the latest technology available in order to secure fuel efficiency. The Board is of the opinion that it has obtained favorable terms, attractive pricing and considers risk/ reward as attractive from a historical perspective. The Board also believes that after a period of oversupply but with still solid demand, utilization of the dry bulk fleet is expected to improve at the time of delivery of the newbuildings.

In the supramax/ultramax segment, Denmark' s Ultrabulk is said to have ordered two 61,000dwt vessels on long term charter upon delivery from an undisclosed Japanese builder at an undisclosed delivery dates. Ultrabulk's EVP and head of shipholdings Henrik Sleimann Petersen commented: ""The new generation eco-type Supramax bulkers of 61,000dwt fits very well into the needs and requirements of our long term cargo partners. The Japanese quality and commitment in shipbuilding and the historically proven reliability on delivering on their commitments are essential parts of our long-term ability to service our cargo partners. These vessels are front runners within the Supramax segment in being amongst the most eco-friendly designs available."

In the **tanker** segment, Sumitomo Heavy Industries of Japan is reported to have won a newbuilding deal for the construction of an eco aframax vessel from an undisclosed contractor with delivery in the second half of 2014. In the MR segment, Norden of Denmark is reported to have placed an order for two 52,000dwt vessels, with an option for two more, for construction in South Korea's STX Offshore & Shipbuilding for delivery in 2014.

In the **gas tanker** segment, Samsung HI said it has finalised the deal to build four LNG carriers for a Nigerian shipowner. The South Korean yard did not disclose either the value of the deal or the name of the client at its filing over the Korean exchange. Some market sources believe that the client is Nigeria LNG, which had secured $1.6Bn in bank loans to fund orders for six LNG carriers at Samsung HI and Hyundai HI. The vessels are estimated to be 170,000m³ and would be delivered over 2015-16. The carriers are expected to be operated by NLNG's wholly owned subsidiary Bonny Gas Transport.

In the **liner** segment, China Navigation, the deepsea arm of Swire Group, ordered four chief class 22,000dwt multipurpose vessels at Zhejiang Ouhua Shipbuilding for delivery in 2015, including two plus two options. The Chief Class has been designed to meet the unique demands of the trade between Australia and Papua New Guinea. The vessels will feature hydraulic tweendecks and hatch covers as well as electric cranes of 60M tonnes, which will provide a combined heavy-lift capacity of up to 120M t. In addition to general cargo requirements, the ships have been designed to carry breakbulk, overdimensional and heavy-lift project cargoes.

In the **container** segment, Kawasaki Kisen Kaisha has ordered five 14,000 TEU ships from domestic Imabari Shipbuilding for delivery in spring to summer of 2015 at an undisclosed contract price. K line told Fairplay that it would not own all the ships, meaning that a few of them would be chartered in from a tonnage provider. "We have not finally decided [on ownership arrangements]. There are several options, but our basic idea is to create off-balance-sheet scheme for these vessels, so it is unrealistic to have all five vessels as our owned fleet," a 'K' Line spokesman said. K' Line said the ships would replace its existing fleet in order to strengthen efficiency and cost competitiveness of its container ship business. "We anticipate this will result in remarkable improvement of both efficiency and cost competitiveness". The five vessels are positioned as 'replacements' in our existing fleet, so we will not expand the capacity of our container business," the group explained.

Furthermore, Oceanbulk Carriers, the joint venture between US based private equity giant Oaktree Capital and the Greek Oceanbulk Group, is said to have signed a letter of intent for the construction of up to six 9,000 TEU boxships with the first two to be delivered in the first half of 2015.

In the small handy segment, Mitsubishi HI and compatriot Hakata Shipbuilding said they will collaborate in a scheme to construct box ships of 1,000teu. The first order of this design has been contracted. An undisclosed owner has ordered two vessels for timecharter to Korea Marine Transport, which will take delivery in October 2014. Both yards were not able to divulge the owner's identity and the vessel price due to confidentiality clauses.

In the **offshore** segment, South Korea's Hyundai HI has signed a contract with Norwegian Edda Accommodation for the construction of one accommodation vessel, including an option for one more, with delivery in 2015. The vessel, designed by Norwegian Naval Architects Salt Ship design, would be 155m in length and be equipped with a heave-compensated, telescoped gangway of 55.5m length. Its cargo deck area would be 2000m². Its 120-tonne rig support crane and two supply cranes will make the vessel suitable for cargo handling and construction support. The vessel would provide construction support and living quarters for 800 support workers during commissioning, maintenance and decommissioning of offshore installations. The ship would also be capable of Arctic operations. In addition, Chinese yard Jiangsu Eastern shipyard has signed letter of intent to build up to four offshore accommodation vessels for a Singapore based owner for about $147mil each. The contract is for one firm vessel, with an option for three more, and the yard expects to sign the formal agreement with the buyer before May, pending finalization of the terms.

In addition, Sembcorp Marine of Sigapore sealed an order for the construction of two new jack-up rigs from Mexico's Oro Negro at a newbuilding cost of about $208,5mil per rig for delivery in the fourth quarter of 2014. The rigs will be built based on PPL Shipyard's proprietary Pacific Class 400 design. They will be capable of operating down to 400ft (122m), with high-pressure/high-temperature wells down to 30,000ft, while the rigs can each accommodate up to 150 people.

DEMOLITION MARKET

In the **demolition** market, India has regained its strength with Bangladesh trying to compete as it still faces political issues and problems with letters of credit. In India, the upward price momentum, from last week, persists with benchmark scrap rates gaining another $15/ldt for dry/general and wet cargo and rising to $415/ldt for dry and $445/ldt for wet cargo, while in Bangladesh, benchmark prices are still floating below $400/ldt for dry cargo. In China, ship-recyclers remain quiet with no aggressive pricing as many yards have fulfilled their capacity and Pakistan remains out of the game with no success in securing new tonnage.

The week has been marked with firm vessel disposals in the container segment heading in India at strong prices $450-$460/ldt. An interesting demo deal reported for a small panamax container vessel of 4,024 TEU blt 1993 with about 18,600ldt that achieved $470/ldt for India, including 280tons bunkers remaining on board.

The week ended with 19 vessels reported to have been headed to the scrap yards of total deadweight 1,022,988 tons. In terms of the reported number of transactions, the demolition activity has been marked with no change from previous week, showing 100% weekly increase in the bulk carrier segment, but 80% and 40% weekly decrease in liner and container vessel disposals. In terms of deadweight sent for scrap, there has been 49% decrease with two capesizes and one panamax bulker reported for scrap and India winning 8 of the 19 total demolition transactions.

At a similar week in 2012, demolition activity was at the same current levels, in terms of the reported number of transactions, 19 vessels had been reported for scrap of total deadweight 1,208,985 tons with bulk carriers grasping 63% of the total number of vessels sent for disposal. India and Bangladesh had been offering $450-$460/ldt for dry and $480-$490/ldt for wet cargo.

GREEK PRESENCE

In the **secondhand market,** Greek owners bought two handymax bulkers built 1989 Japan for about $5,5mil and one handysize bulker built 2003 Japan for about $12,5mil, while in the tanker segment, they bought one VLCC built 2001 South Korea for about $26,5mil. In the **newbuilding market,** Alkyon Shipping placed an order for three 180,000dwt capesize bulkers, with an option one more, at Sungdong of South Korea. Greek owners also emerged with container newbuilding business in the post panamax segment. Oceanbulk Carriers, the joint venture between US based private equity giant Oaktree Capital and the Greek Oceanbulk Group, is said to have signed a letter of intent for the construction of up to six 9,000 TEU boxships with the first two to be delivered in the first half of 2015.