GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 17th February 2012 (Week 7, Report No: 7/12)

(Given in good faith but without guarantee)

The sentiment for secondhand purchasing activity picked up this week in the dry and wet markets. Investors are waiting further slide in secondhand asset prices, driven by the dreadful freight conditions, which will lead to more intense purchases in the coming days.

The week has been marked by a flurry of demolition activity with scrap rates showing some softness, while the newbuilding momentum is still subdued with LNG and offshore investments continue to be at the focus of potential investors. The slump of the freight markets results in low newbuilding demand in the main conventional vessel segments that may squeeze newbuilding prices at lower levels in the forthcoming months.

Overall, 35 transactions reported worldwide in the secondhand and demolition market, up by 25% week on week due to a 200% in secondhand buying momentum. At similar week in 2011, the total S&P activity was standing 11% higher than the current levels, when 20 transactions had been reported and secondhand ship purchasing activity was 33% lower than the ordering business.

SECONDHAND MARKET

The BDI tries to keep its upward pace, but this does not prevent owners from buying dry units at very attractive prices with MR tanker units still being the preferable choice for secondhand investments in the tanker segment.

Overall, 18 vessels reported to have changed hands this week at a total invested capital in the region of US$ 177,05 mil, 2 transactions reported at an undisclosed sale price, with bulk carriers grasping 44% and tankers 33% share of the S&P activity. Notable sale in the bulk carrier segment, the sale of mini cape vessel of 106,660dwt built China 2011 for $32mil and in the tanker segment the enbloc sale of three handymax units of 40,158dwt built 2005/2003 for total $54 mil. In terms of the reported number of transactions, the S&P activity is up by 200% from previous week activity, and up by 80% comparable with previous year's weekly S&P activity when 10 vessels induced buyers' interest at a total invested capital of about $386,3 million with tankers holding 40% of the total volume of S&P activity. In terms of invested capital, the bulk carrier and tanker sector attracted 44% and 41% respectively of the total amount of money invested with the secondhand purchasing momentum being 100% and 500% higher in the bulk carrier and tanker segment respectively from previous weekly levels.

NEWBUILDING MARKET

The newbuilding business keeps its downward pace with shipyards feeling the pain from the slump of the freight markets. South Korean Shipyards, Sekwang Heavy Industries and Samho Shipbuilding, are set to finally close after failing to find a buyer, while 21st Century Shipbuilding is running out of work with not receiving new orders for several months now. Ship-owners are not in hurry to sign new deals either for dry or wet units waiting to see the performance of the freight market and the new trends in newbuilding prices.

Overall, the week closed with 18 fresh orders reported worldwide at a total deadweight of 1,402,240 tons, posting a 5% week-on-week decline with 4 transactions reported for bulk carriers, 6 for tankers and for gas tankers. This week's total newbuilding business is up by 20% from similar week's closing in 2011, when 15 fresh orders had been reported with bulk carriers and containers grasping 53% share respectively of the total ordering activity. In terms of invested capital, the total amount of money invested is estimated at region $1,32 billion with 1 transaction reported at an undisclosed contract price. The most overweight segment appears to be the LNG segment by attracting 61% of the total invested capital.

In the **bulk carrier** segment, U-Ming Marine Transport Corp, a member of the Far Eastern Group, placed an order with Shanghai Waigaoqiao Shipbuilding Co to build up to 10 capesize vessels at a price of region $49,8mil each with delivery in 2014.

Oceanfreight of Greece is said to have received a $120 million loan from China Development Bank ($108mil) and Bank of China ($12mil) for covering the construction of three bulk carriers from Jiangnan Shipyard Group Ltd. for delivery in 2013. The size has not been yet specified, but sources suggest that the units will be kamsarmaxes or mini capesizes.

In the **tanker** segment, Norwegian shipwoner John Fredriksen has placed an order for four 51,000dwt product tankers, with an option for two more units, for delivery in 2013 at STX Offshore & Shibuilding at a total cost of $209 mil. Furthermore, the owner in an interview in Financial Times unveiled its plans for ordering VLCC units for his newly founded Frontline 2012 defying vessels' market glut.

In the **gas tanker** segment, the LNG newbuilding interest is very strong as the demand outlook from the two world's largest consumers, Japan and South Korea, seems strong and owners are scheduling their investment plans. Sovcomflot of Russia has boosted its LNG orderbook at South Korean shipbuilder STX by declaring an option for two more units from its original contract placed at the end of May last year. Sovcomflot originally contracted two of the 170,200 cu.m LNG units at a price of region $205mil per vessel and now exercised its option for two more similar units with delivery in 4q 2014 and 1q 2015.

Furthermore, Golar LNG has entered into two newbuilding contracts for 162,000 cu.m new buildings with fixed priced options for a further two with the Korean shipbuilder Hyundai Samho Heavy Industries Co., Ltd. ("Hyundai") for delivery during the third quarter of 2014 and the other will deliver during the fourth quarter of 2014. The total cost of the two vessels is slightly above $400 million. Also, Greek player Dynagas is rumoured to be behind the order for an additional LNG pair, of 162,000 cbm, in South Korean Shipbuilder Hyundai Heavy Industries that are scheduled for delivery in the following year, after confirming four LNG carrier newbuildings of 155,000 cbm last year. In last, Chinese shipbuilders is said to have been asked an indication for their availability to construct two 170,000 cbm LNG carriers that are expected to be owned jointly by UK-listed BG, CNOOC Energy Technology & Services and the Cosco China Mechants joint venture China LNG Shipping (Holdings) Co (CLNG).

DEMOLITION MARKET

In the demolition market, the high interest for the disposal of over-aged tonnage remains with the freight market status urging every week owner's decision. The oversupply of tonnage for scrapping has brought softness in the competitive scrap prices offered by Alang buyers, but this seems to not prevent owners' decision from scrapping with Bangladesh attracting some fresh activity and China with Pakistan being behind. Dry bulk carriers of all sizes are in the frontline with handysizes / handymaxes showing very firm disposals and panamaxes to follow. Three capesizes reported to have been sent for scrapping this week and now the tally of capesize disposals has reached 6 vessels for this year compared with 16 panamaxes. In the tanker segment, a VLCC disposal came to light this week of 247,471dwt built 1989 with hopes that others to follow. What is noteworthy is the limited activity in the container segment since the percentage of overaged vessels to the existing fleet, even in the small segments, is small and the scrapping opportunities are limited. Scrap prices for dry units are hovering at $460-$470/ldt in the Indian subcontinent region with China offering $420-$430/ldt, while for wet units are at near to $500/ldt.

The week ended with 18 vessels reported to have been headed to the scrap yards of total deadweight 1,402,240 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 23% week-on-decline, whereas there has been a 52% increase regarding the total deadweight sent for scrap due to VLCC and capesize removals. In terms of scrap rates, the highest scrap rate has been achieved this week in the bulk carrier segment by Bangladesh for a capesize unit built 1989 with lightweight of 17,278tons at $505/ldt. Bulk carriers have grasped the lion share of this week's total demotion activity, 71%, with India winning 35% and Bangladesh 30% of the activity. At a similar week in 2011, demolition activity was down by 80% from the current levels, in terms of the reported number of transactions, 10 vessels had been reported for scrap of total deadweight 460,379 tons with liners grasping 50% of the total number of vessels sent for disposal. China and Pakistan had been offering $445-$450/ldt for dry and $485/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

In the newbuilding market, Greek player Dynagas is rumoured to be behind the order for an additional LNG pair, of 162,000 cbm, in South Korean Shipbuilder Hyundai Heavy Industries that are scheduled for delivery in the following year, after confirming four LNG carrier newbuildings of 155,000 cbm last year. Furthermore, Oceanfreight of Greece is said to have received a $120 million loan from China Development Bank ($108mil) and Bank of China ($12mil) for covering the construction of three bulk carriers from Jiangnan Shipyard Group Ltd. for delivery in 2013. The size has not been yet specified, but sources suggest that the units will be kamsarmaxes or mini capesizes. In the secondhand market, Greek owners bought one panamax dry bulk unit of 69,458 dwt built 1990, one handysize of 34,000 dwt built 2011 South Korea for $22mil and one MR tanker units of 45,974dwt built 1997 China for $8,5mil.