GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 2nd March 2012 (Week 9, Report No: 9/12)

(Given in good faith but without guarantee)

SECONDHAND MARKET

Demolition business turned again this week to very robust levels, following its small slowdown of previous week, with secondhand buying interest for dry bulk carriers and tankers being hot and newbuilding volume of transactions falling to levels to no more than 20 new contracts reported per week on an average. The highest activity has been recorded in the demolition market with 21 vessels reported heading the scrapyards.

Overall, 31 transactions reported worldwide in the secondhand and demolition market, down by 20% week on week with a 91% higher activity in the demolition market. At similar week in 2011, the total S&P activity was standing as same levels, when 31 transactions had been reported and secondhand ship purchasing activity was 36% lower than the ordering business.

SECONDHAND MARKET

Overall, 10 vessels reported to have changed hands this week at a total invested capital in the region of US$ 134.6 mil, 4 transactions reported at an undisclosed sale price, with bulk carriers grasping 50% and tankers and general cargo vessels 20% share of the S&P activity.

In terms of the reported number of transactions, the S&P activity is down by 64% from previous week activity mainly due to almost zero activity in the container sector, and down by 37.5% comparable with previous year's weekly S&P activity when 16 vessels induced buyers' interest at a total invested capital of about $258,3 million with bulk carriers and tankers holding 69% of the total volume of S&P activity. In terms of invested capital, the bulkcarrier segment appears the most overweight by attracting 87.74% of the total invested capital with tankers and general cargo vessels to follow with 4.8% and 7.4% respectively.

NEWBUILDING MARKET

The downward activity of newbuilding continues with dry bulk and tanker segments experiencing a dearth of business bringing memories of the year 2009, when shipping players had showed a strong conservativeness amid economic turmoil and lower newbuilding prices had emerged. At similar week in 2009, only three new building contracts had been reported, one in the bulk carrier and two in the tanker segment. Cosco Corperation of Singapore is expecting the plunge of newbuilding business to persist with a new direction in newbuilding prices as players are unwilling to pen new orders under the current freight and economic market uncertainty. Wu Zi Heng, vice chairman and president of Cosco, said that there may be a greater pressure on the prices of new vessels as their customers may be reluctant to commit to new orders for vessels in the short terms. The gloomy business outlook has hit Singapore listed Cosco Corp, which reported a 44% plunge in net profit for its financial year 2011.

Overall, the week closed 16 fresh orders reported worldwide at a total deadweight of 560,600 tons, posting a 69 % week-on-week decline from last week's record business of 52 new orders. This week's total newbuilding business is down by 36% from similar week's closing in 2011, when 25 fresh orders had been reported with bulk carriers and containers grasping 28% and 48% share respectively of the total ordering activity, whereas now bulk carriers are now holding only 12.5% of the newbuilding business with offshore units grasping the lion share, 44% share of the total newbuilding transactions. In terms of invested capital, the total amount of money invested is estimated at region $400 mil with 88% of the total number of orders being reported at an undisclosed contract price. In terms of invested capital, the most overweight segment appears to be the offshore and LNG segment with hefty investments for two drilling rigs in Samsung of Korea at about $600 mil each and two LNG units at a total cost of $400 mil.

In the **bulk carrier** segment, notable order is being reported for two post panamax units of 95,000dwt by Chinese player, Fujian Shipping for construction at Fujian Provincial Communication Transportation group at an undisclosed contract price with delivery in 2014, which are considered to be the largest vessels built by this owner.

In the **tanker** segment, MR units continue to be more popular newbuilding candidates than crude carrier vessel types with the Kuwait Oil Tanker placing four 46,400dwt units at Hyundai Mipo of South Korea for delivery in August of 2014.

In the **gas tanker** segment, Norwegian owner, Golar LNG, increased its total orderbook to 13 LNG carriers / FRSU, plus an option of four more units, by adding an order at Samsung Heavy Industries for two 160,000 cu/m LNG units at an aggregate cost of slightly more than $400 mil for delivery in the second half of 2014 and first half of 2015. Furthermore, Japanese utility Chubu Electric Power Co is rumored to be in the process of securing its first two LNG newbuilding units of 155,000 cu.m with delivery in 2015.

In the **offshore** segment, JOHN Fredriksen's drilling rig and drillship owner Seadrill has ordered two drill ships from Samsung in South Korea. “As a first step, Seadrill has entered into contracts to build two new ultra-deepwater drill ships at Samsung in South Korea. The construction of the drill ships is scheduled for completion in 2Q14 and 3Q14,” the company said in a statement. Total price per ship is estimated to be under $600MIL each, with Seadrill receiving an additional option for a 2014 delivery drillship. Furthermore, Seadrill noted that it could place more newbuilding orders over the near term, in a sign of firm expectations for the market going forward.

DEMOLITION MARKET

In the demolition market, scrap prices are still soft with vessels being on stream of disposal and India leading the game as Bangladesh still tries to find its strength. The Central Bank of Bangladesh has increased lending rates as the depreciation of its currency against the dollar has resulted in lower dollar reserves. The monetary tightening has made it more difficult for scrap yards to obtain letters of credit; putting pressure on Bangladesh’s scrapping business. Scrap levels for dry units are floating at levels $460-$470/ldt and for wet units near to $500/ldt with China offering below $450/ldt.

The week ended with 21 vessels reported to have been headed to the scrap yards of total deadweight 1,281,029 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 91% week-on-week increase, whereas there has seen a 92.35% increase regarding the total deadweight sent for scrap. In terms of demolition levels, the highest scrap rate has been achieved this week in the tanker segment by Pakistan for a VLCC unit of 269,065 dwt with 34,294 ldt built 1992 at $502/ldt. Bulk carriers have grasped the lion share of this week’s total demotion activity, 38%, with India winning 52.38% and China 24% of the activity. At a similar week in 2011, demolition activity was down by 36% from the current levels, in terms of the reported number of transactions, 15 vessels had been reported for scrap of total deadweight 597,238 tons with bulk carriers grasping 33% and liners 40% of the total number of vessels sent for disposal. India and Pakistan had been offering $455-$465/ldt for dry and $485-$495/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

This week Greek players were absent from the newbuilding market keeping their conservative approach towards investments for newbuilt units under the recent slide of dry and wet freight markets with limited hopes for a prompt revival. Furthermore, no investments were reported also in the secondhand market by Greek owners.