GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 6th April 2012 (Week 14, Report No: 14/12)

(Given in good faith but without guarantee)

The week ended with lower newbuilding business in the main conventional vessel segments, bulk carriers and tankers, and a high momentum of activity in the secondhand and demolition market. Secondhand appetite for tanker units emerged stronger than bulk carriers, with MR/product and smaller handysize units are on the spotlight of investors. In the demolition market, a worrying sign is the lower bulk carrier disposals, only 2 units reported to have been sent to the scrap yards, but the volatility of the freight market will support further disposals with market estimations for 2012 to be an exceptional year in the number of demolition transactions.

The highest activity has been reported in the newbuilding market with 23 deals reported in total, with special project vessels attracting a high percentage of invested capital, while in the bulk carrier segment there is a newbuilidng appetite for supramax units and in the tanker for MR/ products.

Overall, 34 transactions reported worldwide in the secondhand and demolition market, down by 13% week on week due to a 24% decline in the number of vessels reported to have been sent to the scrap yards. At similar week in 2011, the total S&P activity was 15 higher, when 38 transactions had been reported and secondhand ship purchasing activity was 14% higher than the ordering business.

SECONDHAND MARKET

Amid the distressed freight market conditions and the tight ship financing conditions, investors haven't lost their momentum from the beginning of the year in the purchase of dry bulk carriers and tankers, with smaller vessel sizes being always more attractive than large sized units. The purchase of boxship units remains scarce despite the sharp downward revision in asset prices. It seems that investors feel higher uncertainty in the investment of boxship units, as the charter freight market is highly dependent on the consumer demand from the struggling US and European economies.

Overall, 18 vessels reported to have changed hands this week at a total invested capital in the region of US$ 149,75 mil with bulk carriers and tankers grasping 33% and 44% share respectively of the S&P activity. In terms of the reported number of transactions, the S&P activity is similar with previous week's activity, with a 33% rise in tanker purchases, and down by 25% comparable with previous year's weekly S&P activity, when 24 vessels induced buyers' interest at a total invested capital of about $410,57 million, with bulk carriers and tankers holding 88% of the total volume of S&P activity. In terms of invested capital, the bulk and tanker segment attracted about 84% of the total invested capital with liners to follow by holding 9% share.

NEWBUILDING MARKET

In the newbuilding market, a downfall has been posted from two previous weeks' high levels of activity, when close to 40 new transactions were reported, while now the sentiment fell from a 64% lower business in the bulk carrier segment. The offshore remains on the spotlight with drilling rigs and deepwater vessels holding a high amount of money invested for the construction of new units.

Overall, the week closed with 23 fresh orders reported worldwide at a total deadweight of 792,000 tons, posting a 43% week-on-week decline. This week's total newbuilding business is up by 264% from similar week's closing in 2011, when 21 fresh orders had been reported with only two newbuilding contracts in the bulk carrier segment and eleven in the tanker. In terms of invested capital, the total amount of money invested is estimated at region $1,84 billion with 31% of the total number of orders being reported at an undisclosed contract price. In terms of invested capital, the offshore segment appears the most overweight by holding 83% of this week's total amount of money invested. Notable ordering business has been in the offshore segment, the construction of a semi-submersible drilling rig by North Atlantic in Jurong Shipyard of Singapore at a cost of about $650mil.

In the **bulk carrier** segment, a fresh order came to light in the capesize segment for an 180,000 dwt unit by China Steel Express Corp. Taiwan for construction in Universal of Japan at a price of $55,5mil. In the handymax segment, Guangdong Lanyue Energy Development is said to have contracted ten 51,000 dwt units from Taizhou Kouan at a price of $25 mil each with deliveries end 2013. In the supramax segment, Israeli shipowner, Ray Shipping, is said to be in close discussions with Hyundai Mipo of South Korea for four 56,000 dwt units at a price of $25mil each with delivery from the end of 2013.

In the **tanker** segment, oil major BP shipping is rumored to be in the plans for the construction ten aframax and four suezmax units at the current low newbuilding price levels, at a time when the newbuilding orderbook pressures the freight market perfomace. In the product/MR segment, Tankers Inc of Denmark has placed an order for three 50,000dwt units at Hong Listed Guangzhou Shipyard International for delivery in the first half of 2014, with an option for three more, at a price region $33-$34 mil each. In addition, UK based owner Elandra, which is being linked to energy trader Vitol, is said to have placed an order for 10 medium range product tankers, 52,000dwt, at South Korea's SPP Shipbuilding for delivery between March 2013 and early 2014. Market sources reveal that Elandra has placed the order in middle of last year, but the deal just came to the light.

In the **gas tanker** segment, Navigator Gas is said to have ordered up to six 22,000 cbm ethylene carriers at Jiangnan Shipyard of China at a total cost of up to $300mil. The initial order is for up to two firm units, with an option for four more, for delivery in the first quarter of 2014.

In the **Ro-Ro / passenger** segment, DSD (Det Stavangerske Dampskibsselskab) of Norway has placed an order for two LNG powered ferries in Poland's Remontowa shipyard for delivery in the second half of 2013 at a price of $25mil each with delivery in 2013. The LNG powered ferries will have a carrying capacity of 550 passengers and 165 cars.

In the **offshore** segment, Keppel Fels of Singapore has announced that it has entered into a letter of intent for a harsh environment accommodation semi-submersible unit at a value of $315 mil with delivery in July 2014. The order will be based on the Floatel Superior design to be constructed for Sweden's Floatel International. In addition, Keppel has won an order for a jack up rig from Perforadora of Mexico for delivery in 1q 2014 at a price of $205mil.

Furthermore, Seadrill of Bermuda said its subsidiary North Atlantic Drilling has contracted a new harsh environment semi submersible drilling rig from Jurong Shipyard of Singapore for delivery in 1q 2015 and will be built to the Moss CS60-design. Seadrill estimates total project costs for the rig to be about $650mil, with 20% of the yard price being payable at contract signing with the rest on delivery. Finally, Norway's Farstad Shipping said it has contracted two anchor-handling tug supply vessels from compatriot shipbuilder STX OSV. They will be built to Rolls-Royce's UT 731 CD-class standard design and will be similar to six vessels previously ordered by the same owner in 2006 and 2011. Delivery is booked for 1Q 2014.

DEMOLITION MARKET

In the demolition market, the influx of tonnage for disposal keeps its high pace with Bangladesh scrap rates showing some sings of firmness, while India continues to hold the lion share of activity with China and Pakistan stepping behind. The distrust full status of the dry freight market in the capesize segment and in the tanker market for crude carrier vessels, welcomes the opportunity for intense scrapping removals in the large sized vessel segment. Scrap price levels are about $460/ldt for dry/general cargo and near to $500/ldt for wet units, with China still not being able to narrow the gab with the Indian subcontinent region by offering price levels below $450/ldt.

The week ended with 16 vessels reported to have been headed to the scrap yards of total deadweight 1,065,600 tons. In terms of the reported number of transactions, the demolition activity is down by 24% from previous week; due to 78% lower bulk carrier disposals, while In terms of total deadweight sent for scrap there has been a fall of 3.4%. In terms of scrap price, the highest scrap rate has been achieved this week in the container segment by India for a sub-panamax unit of 40,027 dwt with 15,000 ldt built 1989 M/V "MSC HANNE" at $493/ldt. India is on the frontline by winning 11 of the 16 total demolition transactions. At a similar week in 2011, demolition activity was 13% down, in terms of the reported number of transactions, 14 vessels had been reported for scrap of total deadweight 541,503 tons with bulk carriers and tankers grasping 72% of the total number of vessels sent for disposal. Scrap prices were floating at similar levels with a higher momentum than today. Bangladesh and India had been offering $485-$490/ldt for dry and $510-$515/ldt for wet cargo.

GREEK PRESENCE

No activity has been reported this week by Greek owners in the secondhand market, while Tsakos as has already mentioned in previous week, proceeded with the order of two 160,000 cum LNG units in Hyundai Heavy Industries for delivery at the end of the year.