GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 6th July 2012 (Week 27, Report No: 26/12)

(Given in good faith but without guarantee)

The first week of July ended with strong secondhand buying momentum in the main conventional vessel segments, bulk carriers, tankers and containers, significant slow down of newbuilding business from weak volume of offshore ordering activity and quite firm demolition business, following last week's high record of disposals.

Overall, 36 transactions reported worldwide in the secondhand and demolition market, down by 22% week on week with a 67% downfall of newbuilding activity and 52% decline in the scrapping volume from 50% lower dry bulk carrier demolition transactions. At similar week in 2011, the total S&P activity was 33% lower, when 24 transactions had been reported and secondhand ship purchasing activity was 61% lower than the ordering business.

SECONDHAND MARKET

Dry bulk carriers of all vessel sizes are on the spotlight from the severe plunge of secondhand prices with capesize vessels being not so attractive as supramax and handyzises to handymaxes. Notable dry bulk carrier sales has been in the supramax segment with Chinese resales from STX Dalian of 57,000dwt at a price of $26mil each, while a Japanese resale from Kawasaki of 58,000dwt has been reported at $27 mil. On March 2011, a Chinese supramax resale of 57,700dwt had been reported for a price in the region of excess $30mil. In the wet market, strong buying momentum has been viewed this week in the purchase of small tankers, below 10,000dwt, while one more sale has been reported in the crude tanker freight market for an aframax vessel of 104,403dwt built 2002 Japan at an undisclosed sale price. In the container segment, there has been a strong buying momentum this week in the feeder-handy segment with a total of 6 sale and purchase transactions.

Overall, 22 vessels reported to have changed hands this week at a total invested capital in the region of US$ 216,85 mil with bulk carriers holding the lion's share, 41% of S&P activity, and tankers 23%. In terms of the reported number of transactions, the S&P activity is up by 29% from last week's activity due to stronger purchasing momentum in the container and tanker segments, while is up by 69% comparable with previous year's weekly S&P activity, when 13 vessels induced buyers' interest at a total invested capital of about $144,35 million, with bulk carriers holding 46% of the total volume of S&P activity and tankers to follow with a 30% share. In terms of invested capital, the bulk carrier appears the most overweight by attracting about 80% of the total amount invested from firm buying appetite in all vessel sizes and ages, from handysizes to capesizes.

NEWBUILDING MARKET

In the **newbuilding market,** there has been a 67% decline in the volume of new contracts from last week's activity from 53% slower business in the offshore segment and 71% less contracting activity in the bulk carrier segment. The week ended with 12 fresh orders reported worldwide at a total deadweight of 350,400 tons, with negative volume of business in all main vessel types. This week's total newbuilding business is down by 64% from similar week's closing in 2011, when 33 fresh orders had been reported with bulk carriers grasping again the lion share, 47% of the total newbuilding business compared with 17% today's levels. In terms of invested capital, the total amount of money invested is estimated at region $172,2 mil with 66% of the total number of orders being reported at an undisclosed contract price. The offshore segment is the most overweight by holding 68% of this week's total amount of money invested, while there has been no fresh contracting activity revealed in the tanker segment for a second consecutive week and only one fresh contract of two kamsarmax units in the dry bulk carrier segment at Chinese yard by Taiwanese owner, Sincere Navigation, at a price in the region of $27,5mil each. At the end of June 2008, a kamsarmax newbuilding order at Chinese yard was costing around $57mil.

In the **container** segment, Greek shipowner Enesel, part of the NS Lemos group of companies, is confirmed to have contracted 10 ultra-large container ships for long-term charter to Evergreen Line of Taiwan. The deal was confirmed to Fairplay by Evergreen: "Based on the tonnage demand needed to launch joint services with vessels of similar sizes, Evergreen Line decided to charter the gigantic vessels. "With the delivery of these new ships, Evergreen Line will concurrently return chartered vessels upon their expiration dates," an Evergreen statement said. The 13,800teu ships are due for delivery from 3Q 2013 to 4Q 2014, with the order having been placed with South Korean builder Hyundai HI. Evergreen would not comment on the financing arrangements or the charter rates. Rumours regarding this order were initially reported in Daily Newbuilding News on 16 April, with finance between Evergreen and Korea Infrastructure Investments Asset Management. However, this deal was not finalised as Korea Infrastructure Investments Asset Management was unable secure the necessary fund and parties could not reach consensus on some technical issues within a mutually agreed time limit.

In the **gas tanker** segment, Mitsui O.S.K. Lines, Ltd. announced the signing of a long-term contract for two new liquefied natural gas (LNG) carriers with Kansai Electric Power Inc. At the same time, MOL concluded contracts to build the ships in Kawasaki Heavy Industries, Ltd. and Mitsubishi Heavy Industries, Ltd. The ships are slated for launching in 2016 and 2017. MOL will manage and operate the vessels, with which transport LNG for Kansai Electric Power. The first vessel is a Moss-type carrier with a 164,700m3 cargo tank capacity, based on a new design from Kawasaki Heavy Industries. It will be the largest ship in its class that can pass through the expanded Panama Canal which is scheduled for completion in 2014, while maintaining a hull size allowing it to call at major LNG terminals around the world. The second vessel has a 155,300m3-class cargo tank capacity, and is one of the Sayaendo series carriers developed by Mitsubishi Heavy Industries, featuring a continuous cover over its four Moss-type spherical tanks. The peapod-shaped continuous cover is integrated with the ship's hull, achieving weight reduction while maintaining overall hull rigidity. This will increase fuel efficiency. Both vessels adopt a new steam turbine engine that reuses steam for heating. This will also reduce fuel consumption. They also feature an advanced heat insulation system that offers the lowest LNG vaporization rate – 0.08% – of any LNG carrier in the world. Its environment-friendly, economically-advanced design also effectively controls surplus boil-off gas.

Furthermore, China Shipping LNG is planning the construction of eight LNG carriers in Chinese yard, to be delivered over 2015-17, as a company source stated in Fairplay. The LNG shipping arm of the China Shipping Group said the ships would each have capacity of 175,000m³ and would be timechartered out to China's SINOPEC oil company, which has a 25% stake in the Australia-Pacific LNG project in Queensland.

In the **LPG segment**, Frontline confirmed to have contracted the largest LPG carriers ever to be ordered in China. The John Fredriksen-controlled shipowner has initially ordered two 82,000m³ vessels at the CSSC-controlled Jiangnan Changxing HI, with delivery due in June and September 2014. However, the order could ultimately total six ships should all options be taken up. The Lloyd's Register-classed ships will feature a length overall of 226m, a beam of 36.60m and a hull depth of 22.20m.

In the **offshore** segment, Japan's' Universal Shipbuilding confirmed that it secured orders for six platform support vessels from Singapore offshore player Swire Pacific Offshore. The high-specification 3,700dwt PSVs, which come with options for four more vessels, will be built in USC's Keihin Shipyard and will be delivered "progressively" from the third quarter of 2014.

DEMOLITION MARKET

In the demolition market, there has been a declining trend in scrap price levels offered in the Indian subcontinent region from May with signs for this trend to persist in the third quarter of the year. Owners are still offering a high supply of vessels for disposal under the dire freight market conditions with bulk carriers attracting the lion share of the total demolition activity during the first half of the year, 41% share, and liners with tankers to follow by holding 17.4% and 16% share respectively.

Overall, the first half of the year ended with a total of 534 vessels reported to have been headed in the scrap yards at a total deadweight of about 27mil tons, up by 33% from the first half of 2011, when 402 vessels scrapped for a total deadweight of about 18mil tons. In the bulk carrier segment, there has been a 48% increase from the first half of 2011, in the number of vessels reported for disposal, with 217 bulk carriers reported on scrap at a total deadweight of about 15mil tons, from 147 units at a total deadweight of about 11mil tons in January-June 2011. As we have entered the second half of the year, bulk carriers' demolition activity will continue to be at record high with scrap price levels showing a decline of more than $100/ldt from the end of June 2011, with levels for dry/general cargo units ranging $350-$370/ldt in the Indian subcontinent region, from $480-$495/ldt at the end of June 2011, while Bangladesh is offering the most competitive prices and India's levels standing similar with the prices offered by Chinese shiprecycling industry. Scrap prices offered for wet cargo are also below $400/ldt, $380-$390/ld in the Indian subcontinent region with China offering $360/ldt for wet and $340/ldt for dry/general cargo.

The week ended with 14 vessels reported to have been headed to the scrap yards of total deadweight 605,434 tons. In terms of the reported number of transactions, the demolition activity is down by 52% from previous week's business with dry bulk carrier disposals attracting 36% of scrapping business, while In terms of total deadweight sent for scrap, there has been a decline of 99% due to 50% lower dry bulk carrier disposals . China and Bangladesh are on the frontline by winning each 4 of the 14 total demolition transactions. In terms of scrap price levels, notable demo deal in the wet market, the disposal of M/T “BONITO” of 83,987dwt built 1988 ldt 14,898 for $403ldt Bangladesh.

At a similar week in 2011, demolition activity was 21% lower than today’s levels, in terms of the reported number of transactions, when 11 vessels had been reported for scrap of total deadweight 850,332 tons with bulk carriers and tankers grasping 54.5% of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with Bangladesh and India offering $480-$490/ldt for dry and $510-$515/ldt for wet cargo.

GREEK PRESENCE

No fresh contracting activity has been reported this week by Greek owners, while in the secondhand market they have invested about $84,5mil for the purchase of a capesize unit of 179,430dwt built 2011, a supramax unit of 58,000dwt built 2012, a handysize of 32,178dwt built 2002, a handysize of 24,999dwt built 1999, while in the container segment they have bought two feeder boxships of about EUR 1mil each.