GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 5th October 2012 (Week 40, Report No: 39/12)

(Given in good faith but without guarantee)

The first week of October ends with a high secondhand buying interest in the bulk carrier segment for large sized units and in the tanker segment for smaller MR / handysize units either modern or vintage tonnage. The scrapping volume in the bulk carrier segment slowed significantly this week with only 4 units reported for disposal, which may have been influenced by the positive movement of the BDI during the last days. Newbuilding business has shown some signs of revival from a stronger activity in the tanker and offshore segments.

Overall, 49 transactions reported worldwide in the secondhand and demolition market, up by 23% week on week from a 100% and 43% increase of secondhand purchases for bulkers and tankers respectively. At similar week in 2011, the total S&P activity was standing at 16% lower levels than today, when 41 transactions had been reported with secondhand buying appetite standing at 39% lower levels than newbuilding from 19 new fresh contracts in the bulk carrier segment versus zero new orders this week.

SECONDHAND MARKET

The gains in capesize and panamax vessel segments are not yet excessive to reverse the decline in asset values for bulk carriers with secondhand purchases do not loosing their momentum for modern or vintage tonnage. An enbloc rumored resale this week to Greek buyers for two kamasarmax units of 82,000dwt and one mini capesize of 115,000dwt from Chinese shipyard New Times at a price of about $23 mil for each vessel, underlines a significant discount in asset prices as the mini capesize achieved the same resold price with kamsarmax units. In January 2012, a Chinese kamsarmax resale of 82,500dwt built Tsouneishi Zhoushan reported sold for a price in the region of $32-$33mil, while in October of 2010 similar unit had been bought by Greek buyers for a price in the region of $41 mil. In the mini capesize segment, a Chinese built vessel of 106,660dwt built 2011 reported sold for about $32mil in February of 2012.

In the bulk carrier panamax segment, M/V “BET INTRUDER” 69,235dwt built 1996 Japan reported sold for $4,5mil, when in April 2011, a vessel of 71,695dwt built 1995 Japan had been reported sold for a price in the region of $18,9mil. In the handysize segment, M/V “PEONY” of 29,756dwt built 2001 Japan reported sold for $10,1mil, when in March 2011, a 28,671dwt vessel built 1999 Japan had been reported sold for about $17mil.

Overall, 33 vessels reported to have changed hands this week at a total invested capital in the region of US$ 215,05 mil, 9 deals reported at an undisclosed sale price, with bulk carriers and tankers holding 43% and 30% respectively of the total S&P activity. In terms of the reported number of transactions, the S&P activity is up by 94% from last week’s activity with 100% and 43% higher purchases for bulkers and tankers respectively, while is 6.4% up from previous year’s weekly S&P activity, when 31 vessels induced buyers’ interest at a total invested capital of about $706,25 million, 8 bulk carriers, 7 tankers and 6 reefers reported sold. In terms of invested capital, the bulk segment attracted about 54% of the total amount invested in the secondhand market with 14 total purchases at more than $116mil and tankers 36% with total 10 S&P transactions at about $88mil.

NEWBUILDING MARKET

In the **newbuilding market,** the first days of October hold the positive momentum of previous month with MR tanker size still being in the top preference of investors with private equity funds expressing invest for vessels new construction and offshore support vessels bringing life to shipyards. Some astonished news came again this week from Chinese side in the very large crude tanker segment with three China’s biggest shippers, China Shipping, Dalian Ocean Shipping and China Merchants, being behind an order for 50 very large crude carriers at a total value of $4,5bn, according to the Associated Press, based on a report in the 21st Century Business Herald. China Shipping’s president and the general manager of Dalian Ocean Shipping were cited as the sources. At the end of September, Cosco Dalian is said to have placed an order for 15 firm units, with an option for 15 more, at three domestic yards, Cosco Dalian, Nantong Cosco KHI and Guangzhou Longxue, at a price in the region of less than $90 mil each for delivery in

2015. Such movements support government plans for a fleet of 80 VLCCs by 2020 to control China's oil supply chain ignoring the issue of oversupply in the very large crude tanker segment.

Chinese appear also to have a hungry appetite in the offshore segment as the country requires up to 100 offshore support vessels (OSVs) for deepwater deployment due to the increasing oil and gas output from Eastern South Sea and Bohai Bay in the north. "China is lacking 50-100 OSVs, given the immeasurable potential of the country's offshore market especially in the northern and southern waters. Each oil rig in the region will require four to five OSVs for support," said Kang Jun Xing, former director of equipment department at Sinopec Shanghai Offshore Petroleum Bureau. "The fear of an oversupply of OSVs remains rather remote," Kang observed. He pointed out that global offshore deepwater exploration has the potential to last for at least the next 50 years as only about 12% of the world's deepwater wells are explored."

There was no newbuilding business reported this week for bulk carriers and containers, while the offshore segment grasped again a large pie of the total amount of money invested. South Korean yard Daewoo Shipbuilding & Marine Engineering won high value offshore contracts against the slump of newbuilding demand and prices in the main conventional vessel segments.

Overall, the week closed with 21 fresh orders reported worldwide at a total deadweight of 372,000 tons, posting a 48% decline from previous week, due to a 100% and 60% decline in bulk carriers and crude tankers' ordering activity. At similar week closing in 2011, the newbuilding business was 143% higher than the current weekly levels, when 19 bulk carriers, 5 tankers, 8 liners, 5 containers and 12 special projects had been reported. In terms of invested capital, the total amount of money invested is estimated at region more than $3,9 billion with 8 orders reported at an undisclosed contract price. In terms of invested capital, the offshore segment appears the most overweight by grasping 91% of the total amount invested for newbuilt units.

In the **tanker** segment, one more private equity fund, Goldenridge Capital, is said to have placed a letter of intent with STX Shipbuilding for six plus optional four MR units at a price in the region of $33 mil each, with several subjects to be lifted. The order follows last week's rumors from US private equity Blackstone to be under a newbuilding program with Vitol trader for the construction of 10 MR units plus optional 10 more at SPP Shipbuilding of South Korea. Furthermore, Italian owner D' Amico placed an order for two 50,000dwt eco design tankers at South Korean Hyundai Mipo for delivery in early 2014, with two options attached, at a price in the region of $33mil each. Hyundai Mipo won also an order two fruit juice tankers from Atlanship of Switzerland. The 23,000dwt ships, which will be fitted with stainless steel tanks, are booked for delivery in 4Q 2013 and 1Q 2014. They are the first of this class of vessel to be built by HMD. In addition, Histria Shipmanagement of Romania placed an order for two eco friendly units of 50,000dwt at domestic yard Constantza for a price of $33mil each with delivery in 2015.

In the **gas tanker** segment, STX Offshore & Shipbuilding has won a new order for three LPG ethylene carriers of 12,000 m^3 from Unigas International of the Netherlands for delivery in 2013 at a cost of about $33mil each unit, including an option for three more. The order came to light in June, but it was recently confirmed.

In the **LNG** segment, Höegh LNG of Norway has exercised an option for a fourth FRSU at Hyundai HI. The floating storage & regasification unit will be able to operate as a floating LNG import terminal, as well as an ordinary LNG carrier. It will be delivered in 1Q15, with its specifications adapted to comply with project requirements, the company said in a statement.

In the **passenger/cruise** segment, Royal Caribbean Cruises is planning to order a third Oasis-class newbuilding at STX's Turku yard in Finland. The 225,000gt vessel is likely to be priced about €1Bn ($1.3Bn), with the Finnish government expected to be involved in part-financing the vessel.

In the **offshore** segment, Daewoo Shipbuilding & Marine Engineering has signed a deal to build four ultra-deepwater drill ships worth $3Bn. The first vessel would be delivered in mid-2015 to US-based client Transocean, while other four would be delivered at six-month intervals thereafter. To be built at DSME's Okpo shipyard, the four newbuildings would be capable of operating in depths down to 12,000ft (3.66km) and drill wells to 40,000ft. The vessels would have a variable deckload capacity of 23,000 tonnes and feature advanced well completion capabilities. Transocean confirmed on 28 September that it has been awarded 10-year contracts for the newbuildings by Royal Dutch Shell, which continues to develop its deepwater operations and modernise its contracted rig fleet.

In addition, Daewoo Shipbuilding & Marine Engineering has signed a deal to build its third ultra-deepwater drill ship for offshore drilling contractor Atwood Oceanics for a cost of about $635mil to be delivered in March 2015. The vessel will be identical to the previously ordered Atwood Advantage and Atwood Achiever, which are DP-3, dynamically positioned, dual-derrick, ultra-deepwater drill ships capable of operating down to 12,000ft and drill down to 40,000ft and an accommodation for up to 200 people. Atwood said the order is an execution of the option that was to expire on 31 September and it comes with an option for a fourth ultra-deepwater drill ship at similar cost.

DEMOLITION MARKET

In the **demolition market,** the flow of vessels for scrapping keeps with Indian ship recyclers being on the front run at improved levels from the strenght of Rupee against dollar, while Bangladesh still has capacity issues and Pakistan trying to be more aggressive. China is far behind with the levels offered in Indian subcontinent region and hopes for a better turnaround after the end of National October holidays. Prices remain in the region of $400/ldt in the Indian subcontinent region and $300/ldt in China, while the overflow of ships will continue to push levels downward. Containers and liners held this week's lion share of demolition activity, while no scrapping business reported in the tanker segment and in the bulk carrier segment, two capesize and panamax units headed to the scrap yards.

The week ended with 16 vessels reported to have been headed to the scrap yards of total deadweight 561,312 tons. In terms of the reported number of transactions, the demolition activity is down by 30% from previous week's business with a 73% decline in bulk carriers' scrapping activity. In terms of total deadweight sent for scrap, there has been a decrease of 51% with India winning 4 demolition transactions and Bangladesh no deals. In terms of scrap price levels, the highest rate was paid by India for a container vessel M/V "HORIZON" of 14,764dwt with 8,306ldt built 1991 at $428/ldt.

At a similar week in 2011, demolition activity was 37% lower than today's levels, in terms of the reported number of transactions, when 10 vessels had been reported for scrap of total deadweight 301,395 tons with bulk carriers and holding 50% of the total number of vessels sent for disposal, 2 total bulk carriers' disposals and 3 tankers. Scrap prices were floating at stronger levels with India and Bangladesh offering $495/ldt for dry and $525/ldt for wet cargo.

GREEK PRESENCE

Greek owners were absent from the newbuilding arena at the first week of October, but they showed strong presence in the secondhand market with strong purchases in the bulk carrier segment of modern tonnage, one capesize unit Chinese built 2012, one mini-capesize enbloc with kamsarmax Chinese built 2012 and three supramax units Chinese built 2011 enbloc with one handysize Japanese built 2002.

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