

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 4th January 2013 (Week 1, Report No: 1/13)
(Given in good faith but without guarantee)

During the last week of 2011 and the first week of 2012, shipping investments have shown firmness in the purchase of secondhand units and the construction of newbuilt vessels at alluring low asset prices. In the demolition market, the volume of vessels heading to the scrap yards cooled during the Christmas holidays and New Year with scrap prices in the Indian subcontinent region floating at a narrow gap with the levels offered by Chinese ship recyclers. Freight markets ended in a downward momentum for dry bulk carriers and the container market from a downside of spot rates in the troubled Asia-Europe and Asia-Mediterranean routes. In the tanker market, the status of crude freight rates remains distressed with a glimmer hope from China's oil demand hitting a record high in November.

The first week of "New Year", including S&P transactions from the last days of December, ended with a fair amount of business. Overall, 31 transactions reported worldwide in the secondhand and demolition market, down by 49% since our last report that was issued on Friday the 21st of December 2012. At the first week of 2012, the secondhand purchasing activity was subdued with 8 S&P transactions, while bulk carriers' ordering activity was standing "hot" with 13 new orders and in the demolition market, the volume of business was fair with 12 vessel disposals.

SECONDHAND MARKET

Overall, 11 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 75.35 mil, while for three deals the price hasn't been reported. Bulkcarriers, tankers and ro-ro vessels, were the vessel type's that attracted buying interest and in terms of the reported number of transactions, the S&P activity is down by 71% from our last report that was issued on Friday the 21st of December and up by 37.5% from the similar week of last year when 8 vessels induced buyers' interest at a total invested capital of about \$ 40,5 mil with 3 S&P transactions in the bulk carrier segment, 2 in the tanker, 2 in the liner and 1 Ro-Ro.

NEWBUILDING MARKET

Newbuilding business is running on the high edge from the last days of December. The last week of December and the first week of January provided a vitalizing work for the troubled shipyards that are offering low prices to attract more rejuvenating business and secure their existence in the current worldwide shipbuilding recession. In this turmoil orders continue to be cancelled or investment interests to be withdrawn. It was announced that Global Energy of Taiwan decided to put off its plan estimated at \$ 1billion to acquire six VLCCs, while Samsung has an FPSO cancellation that was signed in 2007. The project was worth \$471.7m (505bn won).

Overall, the week closed with 50 orders reported worldwide at a total deadweight of 3,751,000 tons, posting a 61 % increase since our last report of 21st of December 2012. This 2 week's total newbuilding business is 212 % up compared with the similar period of last year, when 16 orders had been reported with bulk carriers grasping 81% of the total ordering activity. In terms of invested capital, the total amount of money invested is estimated at region \$3.8 billion with 28% of the total number of orders being reported at an undisclosed contract price. Notable ordering business has been in the tanker segment with STX Offshore & Shipbuilding winning a contract for the construction of 13 crude oil tankers at a value of \$695 million. The deal includes an option for the construction of eight more tankers that would increase the total contract value at about \$1,13 billion. In addition, South Korean shipbuilders, Hyundai Heavy Industries and its affiliated Hyundai Samho Heavy Industries won orders for the construction of one 155,000 cbm LNG carrier from Brunei Gas and four 174,000 cbm LNG carriers from Maran Gas of Greece respectively.



In the **bulk carrier** segment, China's Shanghai Waigaoqiao Shipbuilding has won contracts from two undisclosed European owners for the construction of up to six capesize newbuildings of 180,000dwt with an option to add four more vessels. The vessels will adopt Waigaoqiao's newly developed sixth generation design for 180,000dwt capesizes that will reduce oil consumption by 20% and improve transport capacity by 30% compared to its previous design.

In the **tanker** segment, 24 orders were reported grasping 48% of the total number of ordering activity. BP proceeded with an investment of 10 Aframax and 3 Suezmaxes, all of them ordered at STX Shipbuilding, while Great Eastern Shipping of India ordered one MR 50,000dwt vessel at STX Dalian of China with delivery at the end of 2015, including an option for one or more vessels. Lastly, Sinokor of Korea exercised its options for 10 x 52,000 tankers from the initial order at end November.

On a final note Sinotrans of Hong Kong appears to be investing around \$ 250 million on ultramax vessels at two Chinese yards. Chengxi will receive 4 firm orders plus 2 options, while Guangzhou Huangpu will receive 2 firm plus 2 options, with no further details regarding the delivery dates and contract prices relieved so far.

In the **gas tanker** segment, Brunei Gas, owned by Brunei LNG, ordered one 155,000cbm LNG carrier at Hyundai HI for about \$210 mil, while its affiliated shipyard, Hyundai Samho HI won an order for four 174,000cbm LNG carriers from Maran Gas of Greece at a value in the region of \$840mil, including an option of two more vessels. According to Hyundai Heavy Industries, these membrane-type LNG carriers are scheduled for delivery in 2015-2016 and will feature the Dual Fuel Diesel Engine System (DFDE), which allows the ship to run on diesel fuel or natural gas.

In the **passenger/cruise** segment, Royal Caribbean has ordered its third oasis class cruiseship for construction at STX France for delivery in 2016. The contract includes an option for one more vessel with delivery in 2018.

In the **offshore** segment, China Oilfield Services ordered two VS4612 anchor handling vessels and four VS485 MKIII platform supply vessels for construction in Chinese builders, while it also ordered four 832 series of platform supply vessels for delivery in 2014 at Havyard Leirvik of Norway. In addition, Germany's Nordic yard has been awarded the construction of two icebreaking rescue and salvage vessels from Russia's transport ministry at a value of EUR150mil. Norwegian shipbuilder Kleven has won the construction of an underwater maintenance vessel at an undisclosed contract price, while China's Fujian Mawei shipbuilding has signed a contract with compatriot offshore exploration company, China's Fujian Mawei Shipbuilding to build a 7,000hp multipurpose offshore support vessel.

DEMOLITION MARKET

Scrap prices have been in a downward incline in the Indian subcontinent region at the end of the last quarter of 2012 with China offering competitive price levels and grasping significant business. The number of vessels heading to the scrap yards is keeping high pace that seems that will be followed during the first quarter of 2013 as freight markets still float in troubled waters for ship operators for the "New Year".

In the demolition market the week ended with 20 vessels reported to have been headed to the scrap yards of total deadweight 849,671 tons. In terms of the reported number of transactions, the demolition activity has decreased by 13% since our last issue report of 21st December 2012. The activity was spread in major demolition countries, while for 25% of the deals the final destination hasn't been revealed. At a similar period last year 2012, 12 vessels were reported sold for demolition of a total deadweight of 383,030 tons with 3 vessel disposals in the bulk carrier segment, 3 in the tanker, 4 in the liner and 2 in the Ro-Ro.

GREEK PRESENCE

Greek owners made their presence in the newbuilding arena at the end of the year with a newbuilding contract in the LNG segment. Maran Gas of Greece ordered four 174,000cbm LNG carriers at Hyundai Samho HI for about \$840 mil with delivery in 2014-2015, including an option for two more vessels. In the secondhand market in total two bulkcarrier vessels have been reported to Greek investors of total \$ 15 mil and both in the panamax sector.