GOLDEN DESTINY

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 15th February 2013 (Week 7, Report No: 7/13)

(Given in good faith but without guarantee)

The third week of February ends with a continued downward pressure in all main freight markets, bulkers, tankers and containers, but secondhand investments are on the frontline with newbuildings showing a retreat from last week's hot business, mainly in the medium range tanker size. Demolition activity is more than welcomed with shipping players expecting the see the direction of scrap prices again after the end of Chinese festivities. February shows that will end with a stable pace of secondhand purchasing activity with newbuilding appetite being on the game from the lows asset prices, while demolition will continue strong but maybe at softer levels for bulkers.

Going back in January, there was a month with stronger levels of secondhand investments showing a 13% increase from December's levels, in terms of the number of vessels reported to have changed hands. Overall, 106 vessels are estimated to have been purchased at a total value of more than $1,28bn, 9 S&P deals reported at an undisclosed price, 35 bulkers, 33 tankers, 18 liners and 13 containers. All main vessel segments showed significant monthly increases, 6% in bulk carriers' purchases, 27% in tanker purchases, 64% in liners and 30% in containers.

Overall, 31 transactions reported worldwide in the secondhand and demolition market, down by 38% week on week with 34% decrease of secondhand purchasing activity and 44% lower scrapping vessel removals. At similar week in 2012, the total S&P activity was standing 13% higher than the current levels, when 35 transactions had been reported and secondhand ship purchasing was at similar levels with the volume of newbuilding orders. The highest activity has been recorded in the secondhand market with firm purchases in the bulk carrier segment.

SECONDHAND MARKET

Bulk carriers monopolized this week investors' interest with 8 S&P deals reported, 2 modern kamsarmax bulkers, one modern supramax and vintage tonnage sold in the panamax and handymax/handysize segment. In the tanker segment, two handysize tankers of more than 10yrs old reported sold at discounted sale prices. M/T "BALTIC ADONIA I" 37,197dwt built 2003 South Korea reported sold for about $12,2mil, while in November 2011, a 37,400dwt tanker vessel built 2005 South Korea had been reported sold for about $21mil.

Overall, 21 vessels reported to have changed hands this week at a total invested capital in the region of US$ 283,5 mil , 3 S&P deals reported at an undisclosed sale price. Bulk carriers held the lion share of this week's S&P activity, 38% with a total of 8 vessel purchases, while liners follow with 24% share for 3 vessel purchases. In terms of the reported number of transactions, the S&P activity is down by 34% from last week's activity, due to a 57% weekly decline in tankers' purchases and no S&P activity in the container segment. Comparable with previous year, this week's S&P activity is standing 16% higher, when 18 vessels induced buyers' interest at a total invested capital of about $177,05mil with 8 S&P deals in the bulk carrier segment, 6 in the tanker, 1 in the gas tanker, 1 in the liner and 2 in the container. In terms of invested capital, the offshore segment appears as the most overweight segment by attracting about 61% of the total amount of money invested due to the purchase of a survey vessel built 2011 for about $165mil.

NEWBUILDING MARKET

In the **newbuilding market,** the second week of February ends with no reported newbuilding business in the bulk carrier segment, while in the tanker segment, one more order for medium range product tankers was placed by a South Korean shipping player. In the container segment, a notable order emerged in the post panamax segment from Chilean player, Compania Sud Americana de Vapores. In the offshore segment, major South Korean shipbuilder, Daewoo Shipbuilding and Marine Engineering won a high vale offshore newbuilding business of about $1.6Bn for the construction of an offshore platform, which adds additional strength in the operating profits of the yard under the current worldwide shipbuilding recession.

Overall, the week closed with 18 fresh orders reported worldwide at a total deadweight of 990,400 tons, posting a 59% week-on-week decline from previous week with significant volume of business in the offshore segment, up 200% week-on-week with minimal business in the tanker segment and firm volume of new orders for post panamax containerships. This week's total newbuilding business is the levels of similar week's closing in 2012, when 18 fresh orders had been reported, 4 for bulkers, 6 for tankers, 4 for gas tankers, 1 for Ro-Ro vessel and 3 for special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than $2,8bn, 6 newbuidling deals reported at an undisclosed contract price, with a hefty amount invested in the offshore due to strong placement of capital in the construction of an offshore platform in South Korean shipyard.

In the **tanker** segment, South Korean player, DONG-A Tanker has placed an order for the construction of two MR 50,000dwt vessels, with an option of two more, at South Korean Hyundai Mipo Dockyard. A manager at Dong-A Tanker told Fairplay that the company, which has focused on drybulk shipping, is changing its strategy due to the better prospects for the MR sector. Despite the company's name, Dong-A Tanker actually has more drybulkers than tankers, said the manager. The manager at Dong-A said the company is aware of the recent surge in investments in MR tankers but it is more optimistic about this segment than drybulk. "Of course, there have been many orders of MR tankers recently, and this could become an issue if more orders come. But we think this sector is likely to do better than dry bulk as the supply-demand fundamentals are more balanced," said the manager.

In the **gas tanker** segment, GasLog announced orders for two tri-fuel diesel electric LNG carriers of 174,000cbm capacity for construction at Samsung Heavy Industries of South Korea. The newbuilding cost is estimated in the region of $205-$210mil for each vessel for delivery in first and second quarter of 2016 and will be chartered up upon delivery for 10 years to BG. The owner has an option for the construction of additional newbuilding units at similar terms through July 2013.

In the LPG segment, Belgium's Exmar placed an order for four 38,000 cbm carriers for construction in Hanjin Heavy Industries and Construction's Subic Bay Shipyard in Philippines for a total cost of about $200mil, $50mil per vessel for delivery in 2015. The contract includes an option for the construction of four additional vessels.

In the **container** segment, Chilean Compania Sud Americana has inked a letter of intent for the construction of seven firm 9,000 TEU boxship vessels with delivery in 2015, at Samsung Heavy Industries. The contract includes an option for seven more worth $1,12bn, $80mil each vessel.

In the **offshore** segment, Daewoo Shipbuilding & Marine Engineering has won an order from an undisclosed European owner for the construction of a fixed offshore platform worth of about $1.6Bn with delivery in 2017. In addition, REM Offshore of Norway has placed an order for an offshore subsea construction vessel at domestic yard, Kleven Verft for delivery in the second quarter of 2014. The vessel is a Marin Teknikk MT 6022 L design with main dimensions are LOA 117m and a breadth of 22m. The contract price for this vessel is estimated in the region of 580M kroner ($104.7M).

DEMOLITION MARKET

In the **demolition** market, steel prices in India have shown a downward direction triggering a significant drop in benchmark scrap prices that show a fall of about $20-25/ton to levels of less than $400/ldt. Bangladesh appears still strong in its prices offered, but with no big success in securing new tonnage. Benchmark prices are now in the region of $385-$400/ldt in the Indian subcontinent region and $375/ldt in China for dry vessels, while they are $420/ldt for wet cargo in Indian Subcontinent region and $400/ldt in China.

In terms of number of vessels reported to have been headed to the scrap yards there has been a decrease of about 20% during January from December' 2012 levels. During January, 86 vessels are estimated to have been scrapped with a total deadweight of about 4mil tons, from 107 vessel demolitions in December. In the bulk carrier segment, the volume of vessel disposals is still very

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large by showing only a 5% retreat from vessel demolitions in December. Bulk carriers attracted 44% of January's total vessel demolitions with 38 vessels reported for scrap against 4 demolitions in the tanker segment, 12 in the liner and 19 in the container.

The week ended with 10 vessels reported to have been headed to the scrap yards of total deadweight 281,766 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 33% week-on-week decrease, due to 60% lower volume of demolition transactions for bulk carriers and a 50% increase in the tanker segment. In terms of deadweight sent for scrap, there has been 61% decrease due to reduced vessel scrapings in large vessels categories, 1 aframax tanker and 1 panamax bulkers. India won 2 of the 12 total demolition transactions, Bangladesh 3, China 1 and 6 demo deals reported to have been headed to undisclosed shipbreaking yards. In terms of scrap prices, Bangladesh paid $435/ldt for an aframax tanker built 1991.

At a similar week in 2012, demolition activity was up by 70% from the current levels, in terms of the reported number of transactions, 17 vessels had been reported for scrap of total deadweight 1,260,172 tons with bulk carriers grasping 71% of the total number of vessels sent for disposal. India and Bangladesh had been offering $465/ldt for dry and $495/ldt for wet cargo.

GREEK PRESENCE

Greek owners are holding their strategy of previous year with stronger preference towards secondhand vessel purchases than newbuildings. January ended with Greek shipping players purchasing 23 vessels at a total invested capital of about $358mil, 2 S&P deals reported at an undisclosed price. Bulk carriers held the lion share of Greek owners' vessel purchases with a total of 9 vessel purchases worth of about $131,35, showing a 12.5% increase from the number of bulker purchases during December 2012.

This week, Greek owners have purchased one kamsarmax bulker built 2006 for about $19,4mil, one kamsarmax bulker built 2009 at auction and one handysize tanker built 2003 for about $12,2mil.

In the newbuilding arena, they made their presence in the LNG segment. GasLog announced orders for two tri-fuel diesel electric LNG carriers of 174,000cbm capacity for construction at Samsung Heavy Industries of South Korea. The newbuilding cost is estimated in the region of $205-$210mil for each vessel for delivery in first and second quarter of 2016 and will be chartered up upon delivery for 10 years to BG. The owner has an option for the construction of additional newbuilding units at similar terms through July 2013.