

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 10th May 2013 (Week 20, Report No: 20/13)

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The week ended with intense second-hand buying interest for bulk carriers and tankers. Overall, the purchases for secondhand vessels surpassed the high levels reported at the end of April. In the demolition market, the scrapping appetite keeps to be softer for bulk carrier vessels, while the ordering interest remains accelerating in all size categories of bulkers.

At the current week, 61 transactions reported worldwide in the secondhand and demolition market, up by 110% week-on-week with 146.6% increase in secondhand purchases and 71.5% higher scrapping volumes. At similar week in 2012, the total S&P activity was standing 41% lower than the current levels, when 32 transactions had been reported and secondhand ship purchasing was 43% lower than the volume of newbuilding orders. The secondhand purchasing activity surpassed the newbuilding business by 32% due to lower contracting volumes for bulkers and special projects from previous week.

SECONDHAND MARKET

Bulk carriers and tankers are showing high pace of investments as asset players do not lose opportunity to exploit the bottom low of asset prices. In the bulk carrier segment, S&P activity reported in all vessel sizes, mainly built in South Korea and Japan, 2 S&P deals in the capesize segment, 3 S&P deals in the panamax segment, 1 in the supramax, 4 in the handymax and 4 in the handysize. The average age of vessel sold in the bulk carrier segment is estimated 11yrs old.

In the tanker segment, 70% of this week's S&P activity is being centered on vessel sizes of less than 40,000dwt, only 1 S&P deal reported in the VLCC segment, 1 in the aframax and 2 in the panamax segment. The average age of vessel sold in the tanker segment is estimated 10yrs old. In the container segment, 4 S&P deals reported only in the small size vessel segments, 2 in the sub-panamax for 10yrs old vessels and 2 in the handy segment for vessels of more than 15yrs old.

Overall, 37 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 296.48 mil, while 7 deals reported on private terms. Bulk carriers and tankers are holding the lion share by grasping 73% share of this week's S&P activity against 22% share from containers and liners. Comparable with previous year, this week's S&P activity is 208% higher than last year, when 12 vessels induced buyers' interest at a total invested capital of about \$159.1mil with 6 S&P deals in the bulk carrier segment, 3 in the tanker, 1 in the gas tanker and 2 in the container. In terms of invested capital, bulk carrier segment appears as the most overweight segment by attracting about 55% of the total amount of money invested with an invested capital of about more than \$163.5mil for 14 total vessel purchases. Tankers follow with an invested capital of more than \$88mil for 13 total vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, bulk carriers' contracting business for one more week concentrates a large share of the total number of vessels ordered with Chinese yard, Shanghai Waigaoqiao Shipbuilding winning capesize vessel orders from German and Taiwanese shipowners. In the tanker segment, MR ordering interest persists with sources suggesting that Greek shipowner Evangelos Marinakis has confirmed the construction of two 52,000dwt product tankers at Chinese yard and signed a letter of intent for the construction of two more similar vessels at South Korean yard. In addition, operating subsidiary of D'Amico international Shipping S.A of Italy, D'Amico Tankers Limited exercised its option, from its original order placed in March, for the construction of two additional new product / chemical tanker vessels of 50,000dwt at Hyundai Mipo Dockyard. In the container segment, ordering appetite seems quiet, following last week's massive order from China Shipping Container Lines for the construction of five world's



largest boxships of more than 18,000TEU. Greek owner Marinakis is said to have also investment plans for the construction of two post panamax boxships of 8,600 TEU, with an option of two more, at Daewoo Mangalia Shipyard in Romania.

Overall, the week closed with 28 fresh orders reported worldwide at a total deadweight of 1,100,900 tons, posting 22% week-on-week decrease from previous week, with bulk carriers holding 27% share of the total volume of new orders and special projects the same share. This week's total newbuilding business is 20% down from similar week's closing in 2012, when 21 fresh orders had been reported, 2 for bulkers, 12 for tankers, 2 Ro-Ro and 5 for special projects. In terms of invested capital, the total amount of money invested is estimated in region of more than \$1,24 bn with 14 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money is invested in the offshore segment with 9 new orders by showing 100% weekly increase in the number of new orders reported. In the bulk carrier segment, more than \$255,5mil is invested for nine new contracts. The ordering business in the bulk carrier segment showed this week a retreat of 600% from the number of orders placed in the first days of May.

In the **bulk carrier** segment, Oldendorff Carriers of Germany exercised its option for two more 37,500 eco friendly handysize vessels for construction at Samjin Shipyard of China for about \$22,3mil each. The first original order of two vessels was placed in June 2012. In addition, Chinese shipbuilder Yangfan Shipyard has gained an order for a seventh B.Delta37 from Italian ship owner d'Amico Societa di Navigazione S.p.A. with an option conversion. The 38,500dwt vessels are an amended version of the B.Delta37 design into an open hatch configuration with delivery of this latest order expected towards the later part of 2015. Navarone SA is said to have signed an order for the construction of two 36,000dwt vessels at China's Yangfan Shipyard for delivery in 2014 at an undisclosed contract price. In last, Norwegian shipowner Axel C Eitzen is said to be in plans for the ordering of up to nine 38,000dwt log fitted bulker newbuildings at Guoyu Shipbuilding for a total value of about \$190mil. The order has been placed by Eitzen Eco Bulk IS, syndicated by Pareto Finance.

In the capesize segment, Chinese shipyard Shanghai Waigaoqiao Shipbuilding (SWS) has signed a contract for a two 180,000dwt vessels from Taiwanese shipowner Sincere Navigation for delivery in April and June 2016 for about \$46,8mil each vessel. In addition, German owner Johann MK Blumenthal has signed an order for two 180,000dwt vessels at Shanghai Waigaoqiao Shipbuilding for delivery in 2016 at a newbuilding cost of about \$47,5mil each.

In the **tanker** segment, D' Amico international Shipping S.A of Italy announced that its operating subsidiary D'Amico Tankers Limited exercised its option, from its original order placed in March, for the construction of two additional new product / chemical tanker vessels of 50,000dwt at Hyundai Mipo Dockyard with expected delivery in the second half of 2015 at a newbuilding cost of less than \$30mil. The vessels are the latest IMO II MR design with the highest fuel efficiency.

In the **gas tanker** segment, MITSUI OSK Lines has ordered a 155,000cm3 LNG carrier from Mitsubishi Heavy Industries, at an undisclosed contract price. The ship will service a long-term affreightment contract that MOL signed with Osaka Gas and Kyushu Electric Power for 12 years till 2020. The ship will transport LNG that the Japanese utilities purchase from Ichthys LNG project in Australia. The vessel will ship 800,000 tonnes/year of LNG from the project to Osaka Gas and 300,000 tonnes/year to Kyushu Electric Power.

In the **container** segment, South Korean feeder operator Heung-A Shipping confirmed it has ordered a 1,103TEU feeder boxship at Japan's Kyokuyo Shipyard, following its order for four 1,000TEU boxships at Dae Sun Shipbuilding & Engineering, for about \$20mil with delivery in November 2014.

In the post panamax segment, Capital Ship Management of Greece is said to have signed a letter of intent for the construction of two 8,600 TEU boxships, plus an option of two more, for delivery in 2015 at a cost of around \$80mil each.

In the **car carrier** segment, Wilh Wilhelmsen of Norway has ordered two post panamax pure car and truck carriers, with an option of two more, at Hyundai Heavy Industries of South Korea, at an undisclosed contract price. The vessels will have a car carrying capacity equivalent to 7,930 ceu, be 200m long and have a beam width of 36.7m, approximately 4.3m wider than today's car carriers.

In the **offshore** segment, Chinese shipbuilders, Sainty Marine, Ming De Heavy Industry (Ming De) and China Chengdu Import & Export Group (Chengdu IM/EX) have won an order for two platform supply vessels (PSV) from a Norwegian PSV company, at a total cost of \$1,44bn for delivery in 2015. In addition, Malaysia's largest OSV builder Nam Cheong said it has sold five offshore vessels to various clients for a total of \$110M. The group said it sold one 12,000bhp AHTS to an "emerging" Indonesian offshore marine services firm. The vessel will be deployed in the Southeast Asian region. Further, the group has sold four PSVs to an

existing customer, a leading oilfield services firm based in Asia. All vessels will be delivered between the second quarter of 2013 to the fourth quarter of 2014.

DEMOLITION MARKET

In the **demolition** market, India is still dominating with China being out of the game and Bangladesh winning soft business, while Pakistan is trying hard to compete with Alang shipbreakers. Pakistan paid this week \$450/ldt for a storage tanker, M/T "SOUTHERNPEC 5" 269,999dwt built 1989 with 34,534ldt asis Singapore with approximately 250tons bunkers. In India, container vessels are still grasping firm price levels. M/V "GRAND VISION" 44,013dwt built 1991 fetched \$454/ldt for disposal in India. In the bulk carrier segment, capesize vessel M/V "RUBIN LAUREL" 176,573dwt built 1995 Japan was headed for disposal in Bangladesh for \$450/ldt asis Hong Kong with approximately 2,000tons bunkers remaining on board.

Overall, the price sentiment and scrapping appetite is subdued with political turmoil and upcoming budgets or monsoon season affecting the volume of business and price levels offered in the Indian subcontinent region. Bangladesh and Pakistan are underway of elections with new budgets to be announced on June 10th and June 6th respectively and expectations for new import taxes to be applied up to 5% on new purchases.

The week ended with 24 vessels reported to have been headed to the scrap yards of total deadweight 1,137,474 tons. In terms of the reported number of transactions, the demolition activity has been marked with 71% increase from previous week, showing 75% and 33% weekly increase in the bulk carrier and liner vessel disposals respectively. In terms of deadweight sent for scrap, there has been 61% weekly increase with India winning 10 of the 24 total demolition transactions, 8 vessels' disposals reported at an undisclosed destination. In the disposal of large sized vessel categories, the week ended with one floating storage –ex very large crude carrier vessel, two capesize bulkers and two aframax tankers heading to the scrap yards.

At a similar week in 2012, demolition activity was down by 16.6%, in terms of the reported number of transactions, when 20 vessels had been reported for scrap of total deadweight 1,323,154 tons with bulk carriers winning 65% share of the total demolition transactions. India and Bangladesh had been offering \$440-\$445/ldt for dry and \$465/ldt for wet cargo.

GREEK PRESENCE

Greek owners emerge strong in the secondhand and newbuilding investments. In the **second-hand** market, their total invested capital is estimated in the region of more than \$135,6mil for the purchasing of 15 vessels.

In the bulk carrier segment, they bought one panamax vessel built 1997 South Korea for about \$7,5mil at auction, one supramax vessel built 2007 Japan for about \$20,1mil, one handymax vessel built 2002 Japan for about \$13,6mil and two handysize bulkers built 2010 China for an enbloc price of about \$18,6mil.

In the tanker segment, they bought a very large crude carrier vessel built 2000 Japan for about \$23mil, one aframax vessel built 1998 South Korea for about \$8,7mil, two panamax vessels built South Korea for an undisclosed price, one MR vessel built 2007 Japan for about \$19,3mil and three 38,000dwt vessels built 2006 South Korea and built 2007-2008 in China for an undisclosed price. In the container segment, they bought two sub-panamax boxships built 2003 for about \$10mil each and one handy built 1998 for about \$4,8mil.

In the **newbuilding** arena, Capital Ship management of Greece is said to have signed a letter of intent for the construction of two 8,600 TEU boxships, with an option for two more, at Daewoo Mangalia of Romania for delivery in 2015 at a newbuilding cost of about \$80mil each vessel. The same owner also has firming the construction of two 52,000 dwt product tankers, including an option of two more, at China's Guangzhou Shipyard International and has signed a letter of intent for the construction of other two similar vessels at South Korea's Samsung Heavy Industries subsidiary, Samsung Ningbo. In the bulk carrier segment, Navarone SA is said to have signed an order for the construction of two 36,000dwt vessels at China's Yangfan Shipyard for delivery in 2014 at an undisclosed contract price.