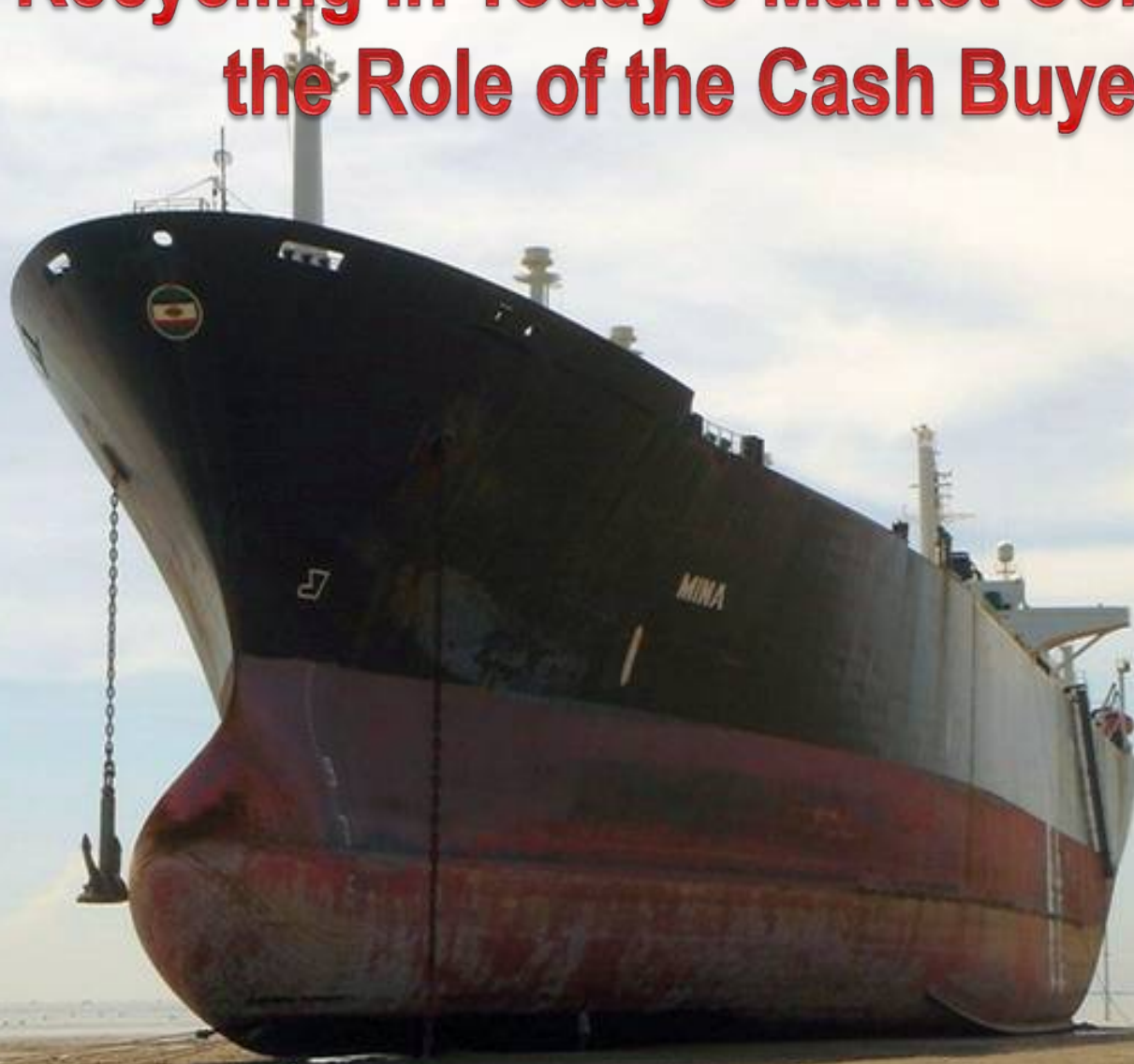
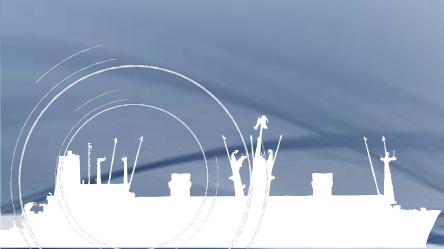


Ship Recycling in Today's Market Conditions and the Role of the Cash Buyer



1. Industry Facts (Scrapping volumes)
2. Where it is done (Capacity)
3. Environmental Importance
4. Prices
5. Cash buyers and their role in Ship Recycling
6. Ship recycling industry (Source of Recovery/ Possible financing)



1.1 Industry Facts

Cash Buying has evolved into a huge industry with large economic, environmental and social impacts. In 2012 alone, roughly **\$5.1 billion** worth of scrap ships were purchased for recycling.

Throughout 2012 about **56.5 million** DWT was recycled vs. total of **40.6 million** in 2011

- Dry Bulk: 35.7 mill DWT vs. 25.3 mill in 2011
- Wet: 13.7 mill DWT vs. 10.4 mill in 2011

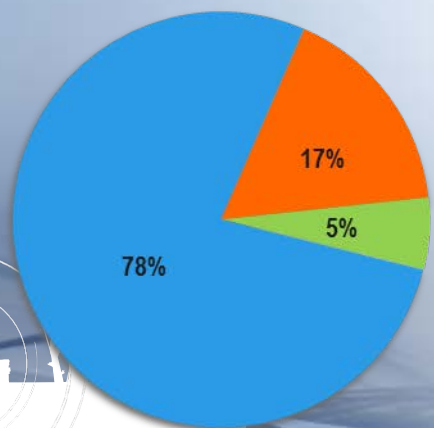
Average age:

- 2011 - 32 years old
- 2012 - 28 years old
- 2013 - 27 years old

Note: all figures are approximates

Estimated 2012 Totals (\$)

■ INDIAN SUB CONTINENT ■ CHINA ■ TURKEY



INDUSTRY BREAKDOWN (2012)			
	INDIAN SUB CONTINENT	CHINA	TURKEY
No. of Vessels	760	232	282
Lightweight (lt)	8,790,220	2,027,000	912,401
Amount (US\$)	3.9 bill	850 mill	283 mill

1.2 Bulk Carriers

Sold for Recycling		2011 (No./DWT)		2012 Total (No./DWT)
Capesize	74	11,533,655	89	14,226,602
Panamax	66	4,481,196	117	7,880,471
Handymax	48	2,239,479	102	4,630,781
Handysize	291	6,536,167	324	8,511,954
Minibulk	86	511,316	69	456,105
Total	565	25,301,813	701	35,705,913

Source: Allied Shipbroking Inc.
January 2013

1.3 Tankers

Sold For Recycling	2011 (No./DWT)		2012 YTD (No./ DWT)	
ULCC	2	618,576	3	918,638
VLCC	12	3,239,246	12	3,209,269
Suezmax	7	1,002,063	22	3,239,167
Aframax	28	2,656,659	39	3,714,797
Panamax	6	411,956	7	473,380
Product	68	2,207,837	62	2,033,749
Minitank	44	225,574	26	152,370
Total	167	10,361,911	171	13,741,370

Source: Allied Shipbroking Inc
January 2013



1.4 Historical Highs – Ship Recycling BOOM!

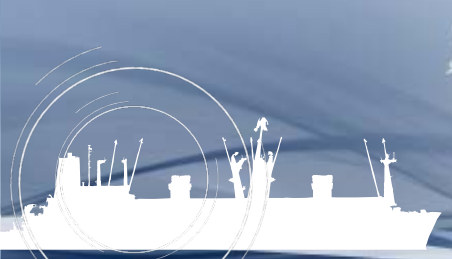
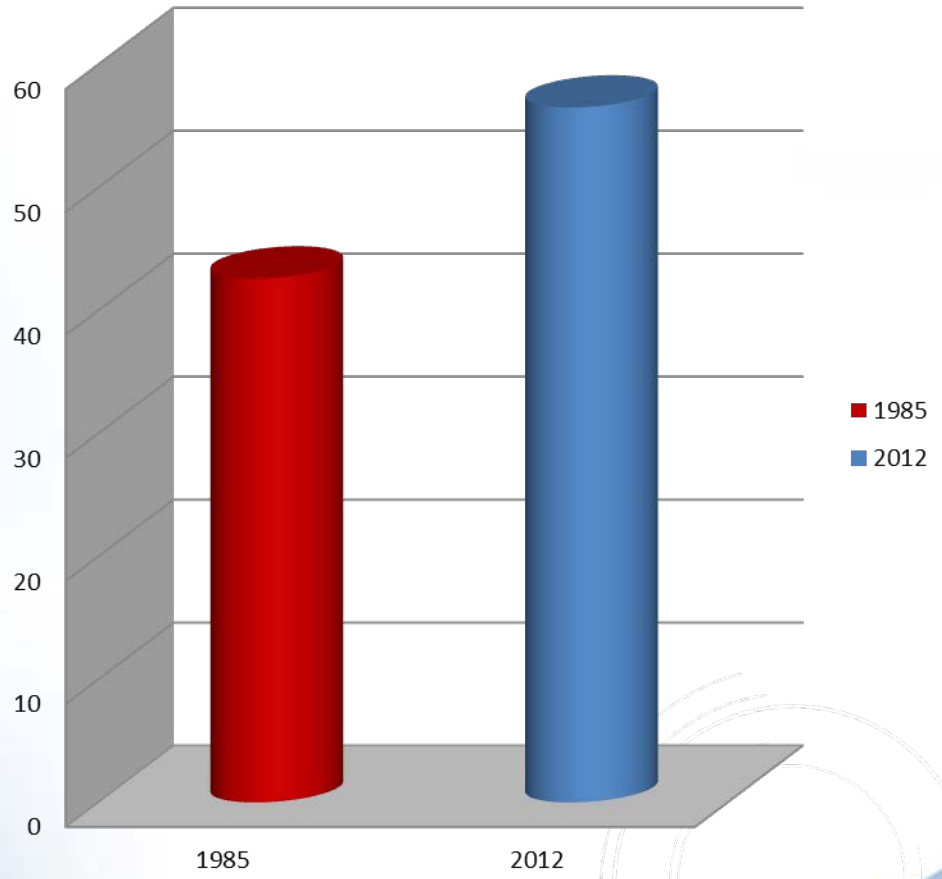
1985

- 42.6 Million Dwt
- 9 Million LDT

2012

- 56.5 Million Dwt
- 11.7 Million LDT

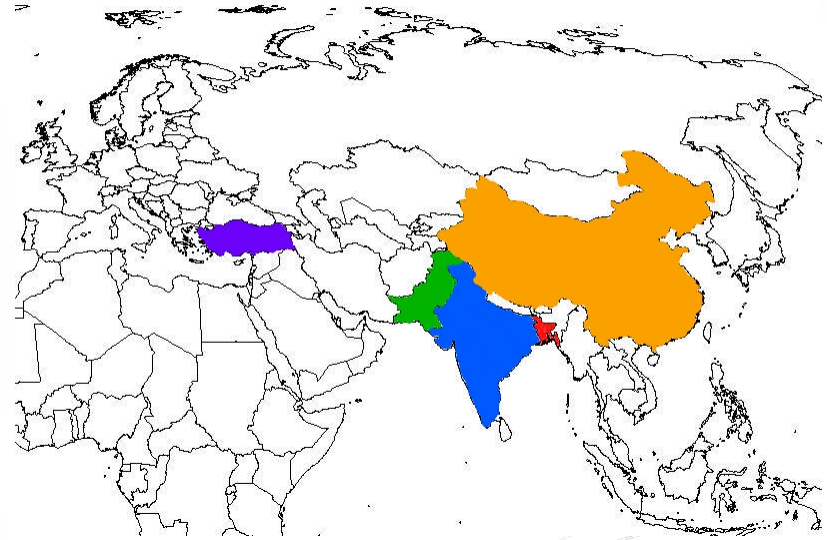
1985 - 2012 Comparison



2.1 Where it is done (Capacity)

Number of active yards in each Country:

- Indian subcontinent
 - India (160-162 of 170-172)
 - Bangladesh (70-80 of 100-110)
 - Pakistan (110 of 129)
- China (16 of 20)
- Turkey (20)



Note: all figures are approximates

- These 5 countries (with 80% Asian) recycle more than 95% of the world's fleet.



3.1 Economically Efficient and Environmentally Friendly



Electrical Cables



Chilling Compressors



Engine



Furniture



Steel Scrap



Kitchen Ware



Spare Parts



Re-Rollable Steel

Waste
<2-4%
(only!)



Pipes



Motors

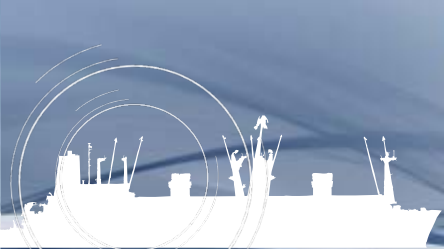
When properly handled, ship recycling is, without question, a Green industry!



3.2 Importance of Ship Recycling – Socio-Economic Benefits of Ship Recycling

As per Institute of Scrap Recycling Industries:

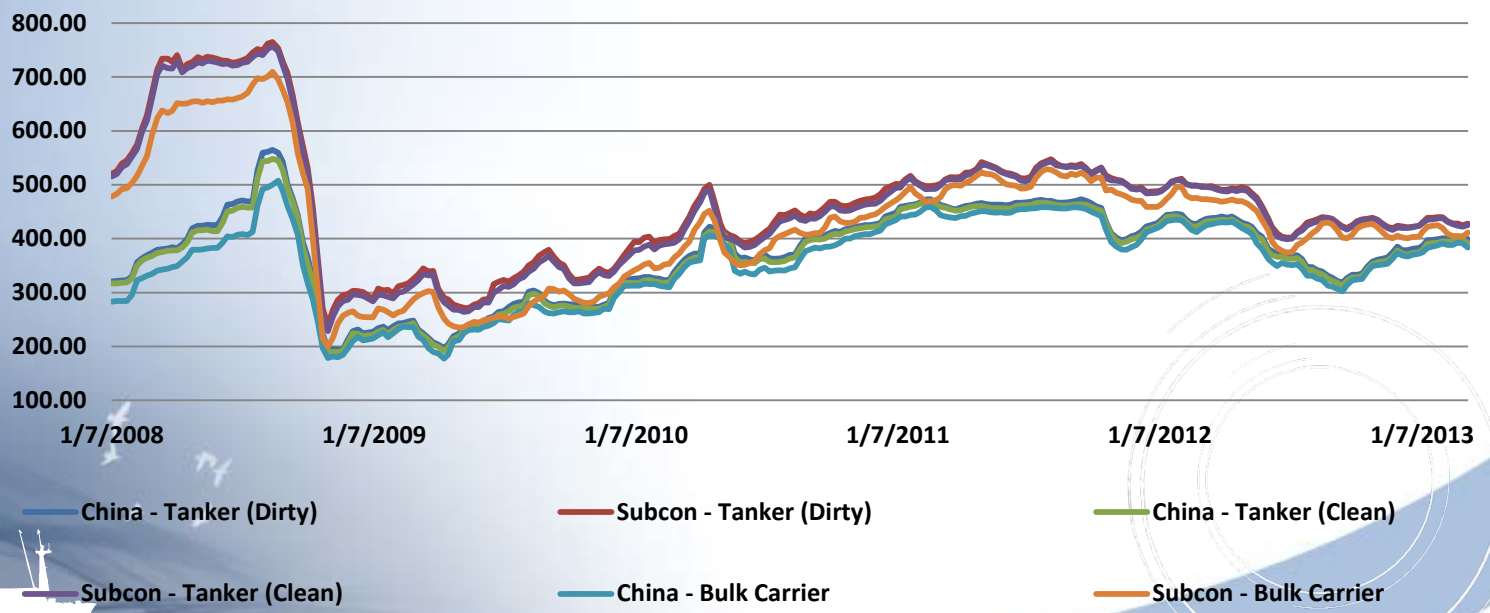
- It takes four times as much energy to make steel from ore.
- Benefits of using recycled steel instead of ore to make new steel:
 - Savings in energy: 74%
 - Savings in virgin materials: 90%
 - Reduction in water use: 40%
 - Reduction in water pollution: 76%
 - Reduction in air pollution: 86%
 - Reduction in mining wastes: 97%
 - Reduction in consumer waste generated: 105%



4.1 Factors that Affect Pricing

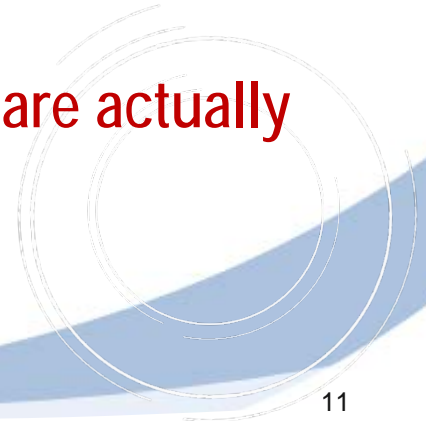
1. Supply
2. Demand
3. Capacity
4. Domestic Fundamentals
 - Steel Prices
 - Currency
 - Government Regulations

Baltic Demolition Assessment (BDA)



5.1 Cash Buyers and their Role in Ship Recycling

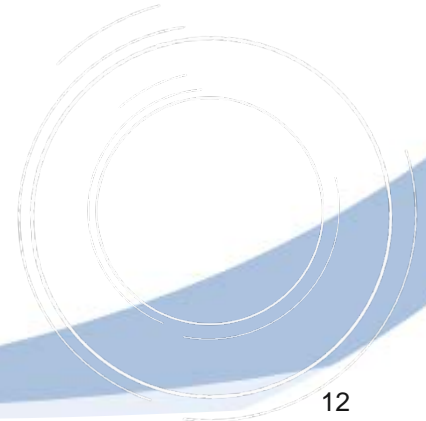
- Cash Buyers are not brokers
- Cash Buyers are Principals/Traders: They buy vessels on a cash basis from ship owners and resell to ship recycling yards on Letters of Credit
- Cash Buyers take delivery of vessels on both “delivered” and “as is where is” terms
- IMO’ s Hong Kong Convention on Ship Recycling will consider Cash Buyers as OWNERS of vessels
- Owners must be careful as not all “CASH BUYERS” are actually “CASH” buyers....



5.2 Cash Buyers and their Role in Ship Recycling

Why do Ship Owners (shipping markets) use Cash Buyers?

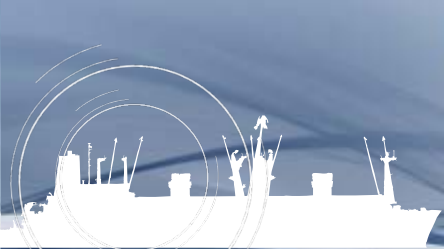
1. **Distribution:** Negotiations have to be conducted with limited number of buyers (cash) rather than a multitude of ship recycling yards in several different countries (1 vs 300)
2. **Industry knowledge**
 - Country specific (India, Bangladesh, Pakistan, China, Turkey)
 - Government Regulations
3. **Risk Minimization** (Price changes, currency fluctuations, sudden legislative and regulatory changes)
4. **Ease of Delivery** (standard contracts)
5. **Logistics and Delivery** (As Is vs. Delivered)
6. **Repeat relationship**
7. **Fair margins** (value for money)
8. **Meeting CSR requirements**
9. **Maximization of Asset Value**



5.3 Cash Buyers and their Role in Ship Recycling

Why do Ship Recyclers use Cash Buyers?

1. **Wide Inventory to chose from**
2. **Financing** (sight vs. issuance of LC / acceptance of LC)
3. **Ease of delivery** (local regulations)
4. **Detailed understanding of Buyer needs** (type of ships, LDT, Banking, etc.)
5. **Local representation**
6. **Market forecasting**



6.1 Ship Recycling Industry - Greatest Hope for Recovery, Stability and Financing

Important Pillar of Shipping (facilitates market correction)

- Newbuilding – record years (pre-2008)
- Recycling – record years (2012-?)

Impact of Ship Recycling on:

- New Building Orders
- Charter rates (new/old ships, availability, etc)
- Sale and Purchase (2nd values at par with scrap values)
- Ship Finance (residual values and future acquisitions)
- Developments in Ship Design and Fuel Efficiency

Cash Buyers as a source of vessel financing

- Liquidity on hand
- Comfortable with risk and dealing in adverse conditions



6.2 Beaching vs. Newbuilding

TANKERS

	BEACHED 2011	NEWBUILDING ORDERBOOK JAN 2012	%	BEACHED 2012	NEWBUILDING ORDERBOOK JAN 2013	%
ULCC/VLCC	14	67	20.9	15	57	26.3
SUEZMAX	7	67	10.4	22	64	34.4
AFRAMAX	28	60	46.7	39	30	130
PANAMAX	6	22	27.3	7	23	30.4
MR TANKER	68	94	72.3	62	116	53.4
MINI TANK	44	95	46.3	26	61	42.6

BULKERS

	BEACHED 2011	NEWBUILDING ORDERBOOK JAN 2012	%	BEACHED 2012	NEWBUILDING ORDERBOOK JAN 2013	%
CAPE SIZE	74	291	25.4	89	179	49.7
PANAMAX	66	165	40	117	223	52.5
SUPRAMAX	48	389	12.3	102	324	31.5
HANDYSIZE	291	337	86.4	324	275	118
MINI BULK	86	330	26.1	69	267	25.8



6.3 Fleet Investment

- Many owners see an opportunity to capitalize on the current market and attempt to modernize their fleets.
- In addition to the various financing options (Cash reserves, Equity and Debt Financing), Cash surplus generated by ship recycling sales (including 30% cash deposits on sales) have become relatively common.
- GOOD Cash Buyers are in a unique position being in the middle of their own “market boom” with excess cash on hand.



6.4 Fleet Investment

- Ship recycling tends to be counter cyclical to the greater shipping markets (finance and chartering bust = recycling boom!)
- Cash buyers are the most capable of quantifying residual values on older ships for sale lease back purposes
- 30% deposits go to OPEX or down payments for cash strapped owners

Total No. of Vessels Recycled



Baltic Dry Index (BDI)



Closing Thoughts

- Ship recycling affects almost every aspect of shipping, chartering, sale & purchase, new buildings, repairs, finance, etc.
- A vibrant ship recycling industry is essential to bring stability to the shipping industry.
- New procedures have transformed ship breaking from an environmental liability to an eco-friendly process
- Cash Buyers are a potential source of shipping finance



- ❑ Established in USA in 1992....LARGEST CASH BUYER IN THE WORLD!
 - ❑ In last two years, principals of GMS have delivered more than a quarter of the world's fleet sold for recycling.

- ❑ World's FIRST ISO 9001:2000 certified Cash Buyer.

- ❑ EXCLUSIVE sales offices in all FIVE of the major ship recycling markets in the world (Bangladesh, China, India, Pakistan and Turkey).

- ❑ Offices in USA, UAE and CHINA to provide 24/7/ service to clients worldwide.

- ❑ Financial and Management capability to:
 - ❑ Buy fleets on simple CASH "as is where is" terms.
 - ❑ Take forward positions
 - ❑ Structure deals

- ❑ Leader in Green Recycling:
 - ❑ IMO's Hong Kong Convention
 - ❑ GMS-GL Program
 - ❑ Development of Green Yards

