



# Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.

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## Shipbuilding News

### DSME Sale Restarts

The Korea Development Bank is weighing government-issued stock, as one of the ways of selling controlling stake in Daewoo Shipbuilding & Marine Engineering.

KDB President Min Yoo-sung said during a government audit on Tuesday, "We will examine every options flexibly to sell DSME."

"Government-issued stock could be included in the options," he said.

About the timing of sale announcement, Mr Min said, "We will put up a notice after reviewing market M&A situations and shipbuilding market conditions."

The state-run KDB and the Korea Asset Management Corp. (KAMCO) hold a combined 50.4% stake in DSME after swapping debt for equity in December 2000, rescuing the company from near collapse.

KAMCO also said on October 18th (Monday) that DSME sale will be re-promoted strategically considering market situations.

KDB will manage the offloading of DSME going forward.

KDB's first attempt to sell DSME had failed early last year as preferred bidder Hanwha Group sought to revise the terms of its offer amid the US-sparked global financial crisis.

### STX to ink 20 open-hatch bulkers

STX Pan Ocean's massive \$5bn consecutive voyage contract with Fibria Celulose looks set to shake up the open-hatch bulker arena.

The deal will lead the South Korean shipowner to order 20 custom newbuildings worth a combined \$1bn, reportedly at STX Offshore & Shipbuilding.

This would immediately promote STX Pan Ocean into the big league in the open-hatch sector alongside heavyweights Gearbulk, NYK, Grieg Shipping, etc.

According to Clarksons STX Pan Ocean presently owns just four open-hatch bulkers.

The order will swell its tally to 24 open-hatch vessels, making it the fourth largest owner of such ships in the world.

Gearbulk presently leads the pack with 60 open-hatch bulkers, double the number owned by second placed NYK.

Grieg is presently third in the list with 26 vessels, Clarksons says.

### Sungdong names Navios Capesize Trio

Sungdong Shipbuilding & Marine Engineering held a naming ceremony for three 180,000-dwt bulk carriers for Greece's Navios Maritime Holdings today.

The christening ceremony was attended by Sungdong chairman Jung Hong-jun, Navios chairman and CEO Angeliki Frangou among others.

The ships Navios Luz, Navios Etoile and Navios Bonheur measure 292m in length, 45m in breadth and 24.8m in height.

On August 23rd, Sungdong also christened three 180,000-dwt bulkers for the same shipowner.

The South Korean shipbuilder said it received some reward from Navios for successful construction of the vessels.

Angeliki Frangou said at the christening ceremony eve dinner, "The 'Bomb Shot' or 'Poktanju' we drank last August was very impressive," showing high interest in Korean culture of alcohol.

### 21C yard celebrates facility expansion

21st Century Shipbuilding held a completion ceremony today for the expansion work of its No. 2 slipway.

The work took about five months from June by October this year.

Through the expansion, the slipway's capacity increased from 20,000 dwt to 50,000 dwt.

The South Korean midsize shipbuilder has an annual newbuilding capacity of 320,000 dwt at two slipways.

Kim Sang-sun, representative of 21st Century Shipbuilding said at the completion ceremony, attended by officials from shipowners and classification societies, that the yard will build best quality 34,000-dwt bulk carriers at the expanded slipway, based on its accumulated building know-how on 13,000-dwt chemical carriers and world best building efficiency and technology.

## **S.Korean shipyard boosts Q3 net profit on cheaper materials**

Daewoo Shipbuilding and Marine Engineering, South Korea's second largest shipyard, said Wednesday its third-quarter net profit rose 56 per cent from a year earlier due to cheaper raw materials.

Net profit for July to September was 298.1 billion won (261.5 million US dollars), up 56 per cent from 191.3 billion won a year earlier.

Operating profit soared by 119 percent to 347.4 billion won from 158.7 billion won in the third quarter of 2009.

Sales amounted to 2.961 trillion won, down 4.4 per cent from 3.097 trillion won.

Daewoo said the price of raw materials such as steel had stabilised, boosting its margins.

"We expect that the upward (earnings) trend will be maintained as raw material prices are expected to show little volatility for a while," it said in a statement.

CEO Nam Sang-Tae said the company would "aggressively invest" in new businesses including renewable energy sources, according to the statement.

The shipbuilder won orders worth 7.3 billion US dollars during the first seven months of this year, including a deal in July to build 10 container ships for an unnamed global ship operator.

it also signed a 1.8 billion US dollar deal in August to build a floating oil production and storage platform for French energy giant Total. - AFP/fa

## **Shipping & Business News**

### **Zodiac in talks for fixture of mega-ships**

It seems lines are eager to grab the 'must-have' 13,000-teu giant newbuildings Zodiac has ordered at STX.

Zodiac Maritime Agencies is negotiating employment for up to 10 mega-boxships.

Talks with charterers are ongoing after the Ofer group company inked a \$1.4bn order for 13,000-teu vessels at STX Offshore & Shipbuilding of South Korea.

Lines are said to be keen to snare the monster ships as they are increasingly being seen as a "must-have" to remain competitive on the Far East-to-Europe trades.

"There is plenty of demand at the moment. Zodiac is talking to five or six [parties] and expects one of them will [bite]," said one informed source.

The charter talks follow confirmation by STX of an order by a European owner for four firm vessels and six options.

Deliveries will start from the second quarter of 2013 through to 2014 — at which time Zodiac expects the market to have returned to a position of strength.

"What Zodiac has and others don't is the ability to order what it wants, when it wants. [The company] thinks [now] is the right time," said one insider.

### **Container shipping faces cooler season**

Container shipping enters traditional off-season and the freight rate faces slumping, especially European routes. The freight rate dived at \$1,500 level, namely 20% down since September. Experts were worried the freight would slump more in the fourth quarter.

In this year, the trend of container market seemed a bit special. It was commonly recognized the third quarter was traditionally hot season. The cargo volume was raised in the second quarter in advance. On the other hand, lots of

transport capacity was put into market since July. As a result, the loading rate became fatigued and weak from the end of August.

Taiwanese shipping lines such as Evergreen and Yang Ming all thought what happened in off-season was not beyond their expectations and no need for over-pessimism.

Analyst said the freight slumping as much as 20% in one month was larger than expectation. If it went on, the profits of shipping lines would be influenced unit the first quarter of next year.

As is concluded, the cooler season is on the way.

### **NOL posts turnaround in Q3**

Singapore's NOL Group has posted net profit of \$282m for the third quarter, turning around a \$138m loss last year.

Revenue to 30 September grew 55% to \$2.4bn.

Its cumulative nine-month profit is now \$283m. It lost \$530m during the same period last year.

Boss Ronald Widdows said: "Strong demand and an improved rate environment have helped us turn around our performance.

"Our emphasis at this point is on operating efficiency and cost containment to ensure that we maintain our momentum."

Revenue for liner shipping improved 60% to \$2.2bn in the third quarter.

Containership unit APL's core pre-tax and interest earnings were \$301m, compared to a loss of \$130m in 2009.

"Volume and rates improved across most of our major trade lanes, and our ships were full," said APL president Eng Aik Meng.

Average revenue per feu was \$2,799, up 21%, while volumes grew 29% to 2m feu.

Looking ahead, NOL is saying only that it expects to remain profitable for the full year.

### **STX Pan Ocean to issue bonds**

STX Pan Ocean plans to raise KRW200bn (\$177m) from a domestic bond issue, the company said Tuesday.

The three year non-convertible bond, which will carry a fixed coupon of 4.9%, is due to be issued on 27 October.

The South Korean and Singapore-listed shipowner said the funds would go towards general management and facility investment.

This will be the sixth bond issue in little over 18 months by the owner.

This latest offering will take the amount raised since early 2009 from the bond market to just over \$1bn, including \$175m in convertible bonds placed in March.

STX Pan Ocean has just confirmed a 25-year consecutive voyage contract (CVC) from Brazil's Fibria Celulose, the world's largest supplier of wood pulp.

The deal, worth \$5bn, will involve the loading of around five million tons of wood pulp annually in Brazil.

As part of the deal, STX Pan-Ocean will order 20 specially designed 57,000-dwt open hatch bulkers.

Each vessel, which will be fitted with conventional cranes, are priced at around \$50m each in a shipbuilding contract worth some \$1bn in total.

### **Shipping company Costamare plans \$213 million IPO**

Costamare, an international shipping company with a fleet of 41 containerships aggregating 211,882 TEUs, filed and announced terms for its IPO on Wednesday. The Athens-based company plans to raise \$213 million by offering 13.3 million shares at a price range of \$15-\$17. At the mid-point of the proposed range, Costamare will command a market value of \$965 million. Costamare, which was founded in 2008 and booked \$371 million in sales for the 12 months ended June 30, plans to list on the NYSE under the symbol CMRE. Morgan Stanley and BofA Merrill Lynch are the lead underwriters on the deal, which is expected to price during the week of November 1.

### **Diana Shipping enters into time charter contract with Cargill International**

Diana Shipping Inc., a Greece-based provider of shipping transportation services, has entered into a time charter contract with Cargill International SA, for its post-panamax dry bulk carrier, the m/v Alcmene, at a gross charter rate of

\$20,250 per day for a period of about 23 to about 25 months.

As previously announced, the vessel is the former m/v East Sunrise 88, to be renamed Alcmene, a 2010 built post-panamax dry bulk carrier of 93,193dwt, which is expected to be delivered to the company by the seller during the end of November 2010.

This employment is anticipated to generate approximately \$14 million of gross revenue for the minimum scheduled period of the charter.

Separately, Diana Shipping has also completed the transfer of beneficial ownership of two entities that together own the real property and office building in Athens, Greece, in which the company's principal executive offices are located. The company purchased 100% of the outstanding stock of the two property owning companies from an entity affiliated with the company's largest shareholder for an aggregate purchase price of \$21.5 million.