Shipbuilding Market

- Containership -

Korean Shipbuilders,

Sailing Blue Ocean with Creative Innovation

The 22nd JECKU Top Executive Meeting

Okinawa, Japan 13-15 November 2013

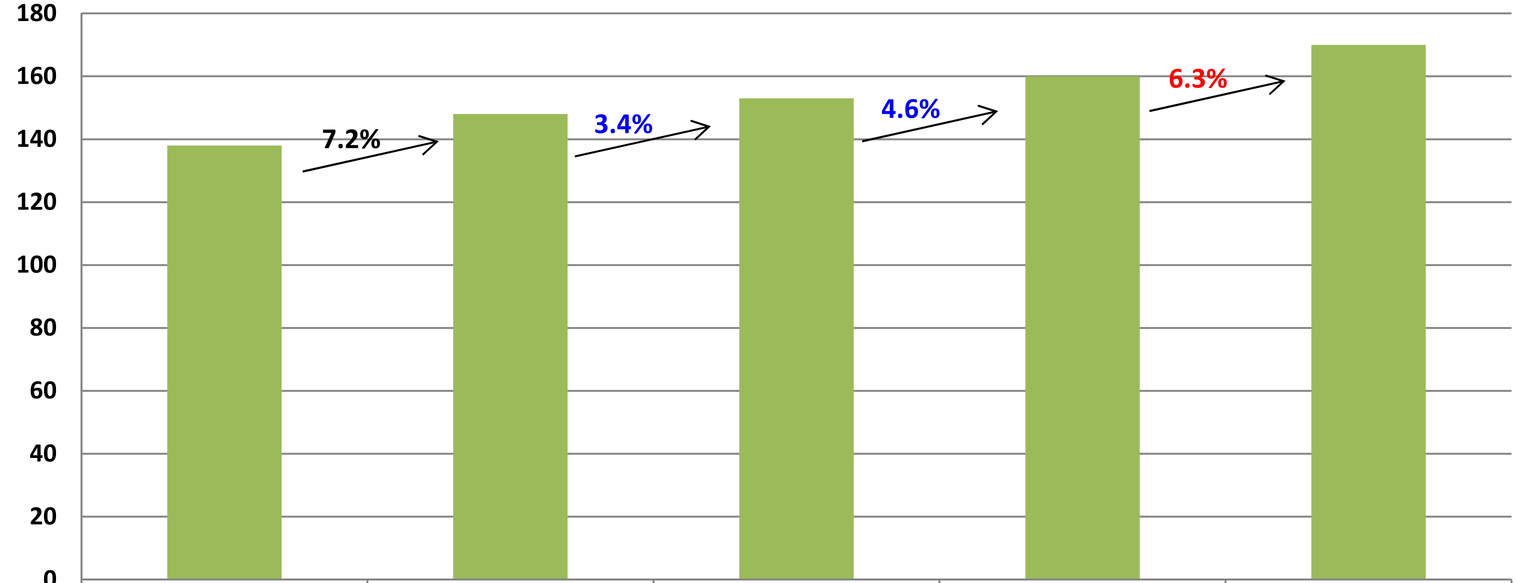
KOSHIPA

Korea Offshore & Shipbuilding Association

Contents

1 Demand

CONTAINER TRADE VOLUME GROWTH



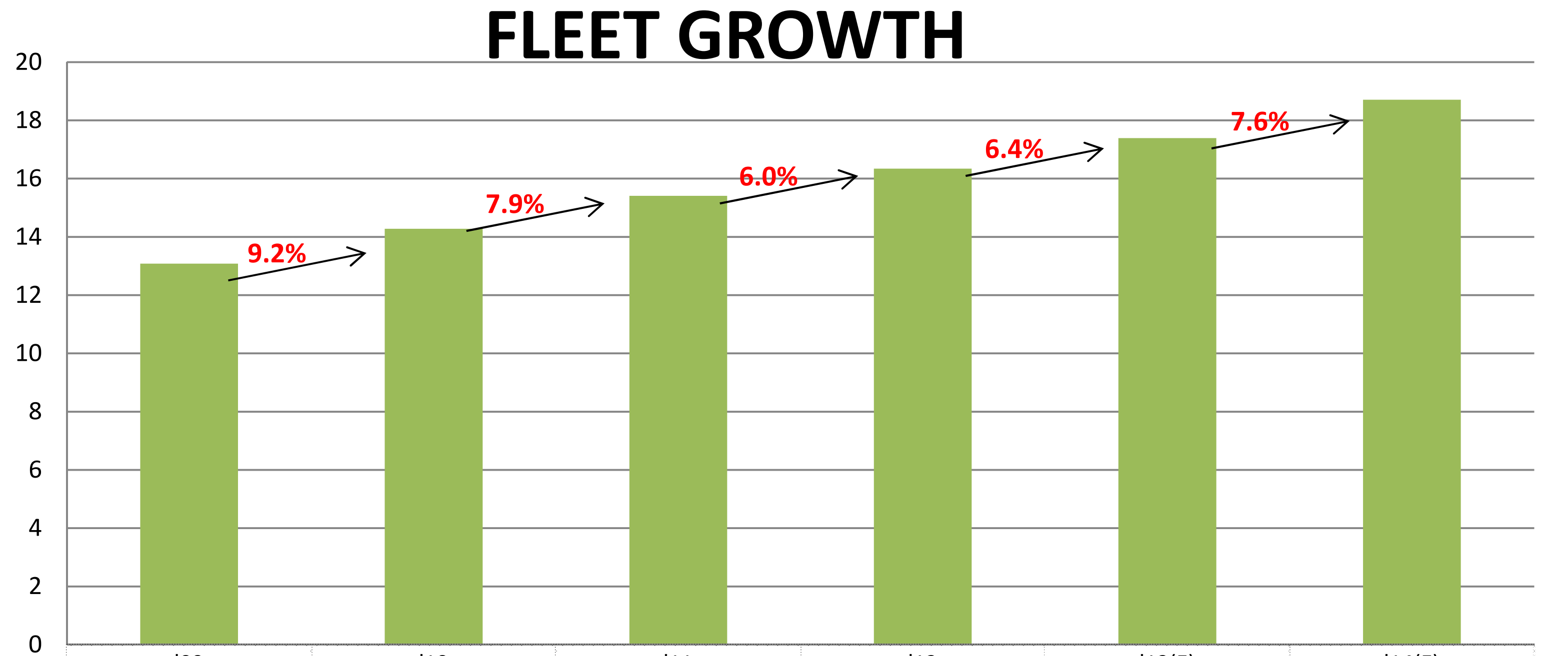
	'10	'11	'12	'13(E)	'14(E)
VOLUME (MIL TEU)	138	148	153	160	170

[Source : Clarksons, Sep. 2013]

- The demand growth for this year is less than 5% for the second year in a row because of the continued troubles of the global economy.

- However, growth for next year is projected at 6.3% due to the recovery of the global economy in developed countries and moderate growth in developing countries.

2 Supply



	'09	'10	'11	'12	'13(E)	'14(E)
VOLUME (MIL TEU)	13,08	14,28	15,41	16,34	17,39	18,71

[Source : Alphaliner, Oct. 2013]

- **The fleet is expected to grow by 6.4% this year and 7.6% next year.**
  → These surpass container trade volume growth rates for the corresponding years.
  (Year 2013: 4.6% vs. 6.4%, Year 2014: 6.3% vs. 7.6%)

- **New vessel deliveries are expected to reach 1.6 million TEU in 2014, representing robust growth rate of 7.6%.**

2 Supply

FLEET & ORDERBOOK

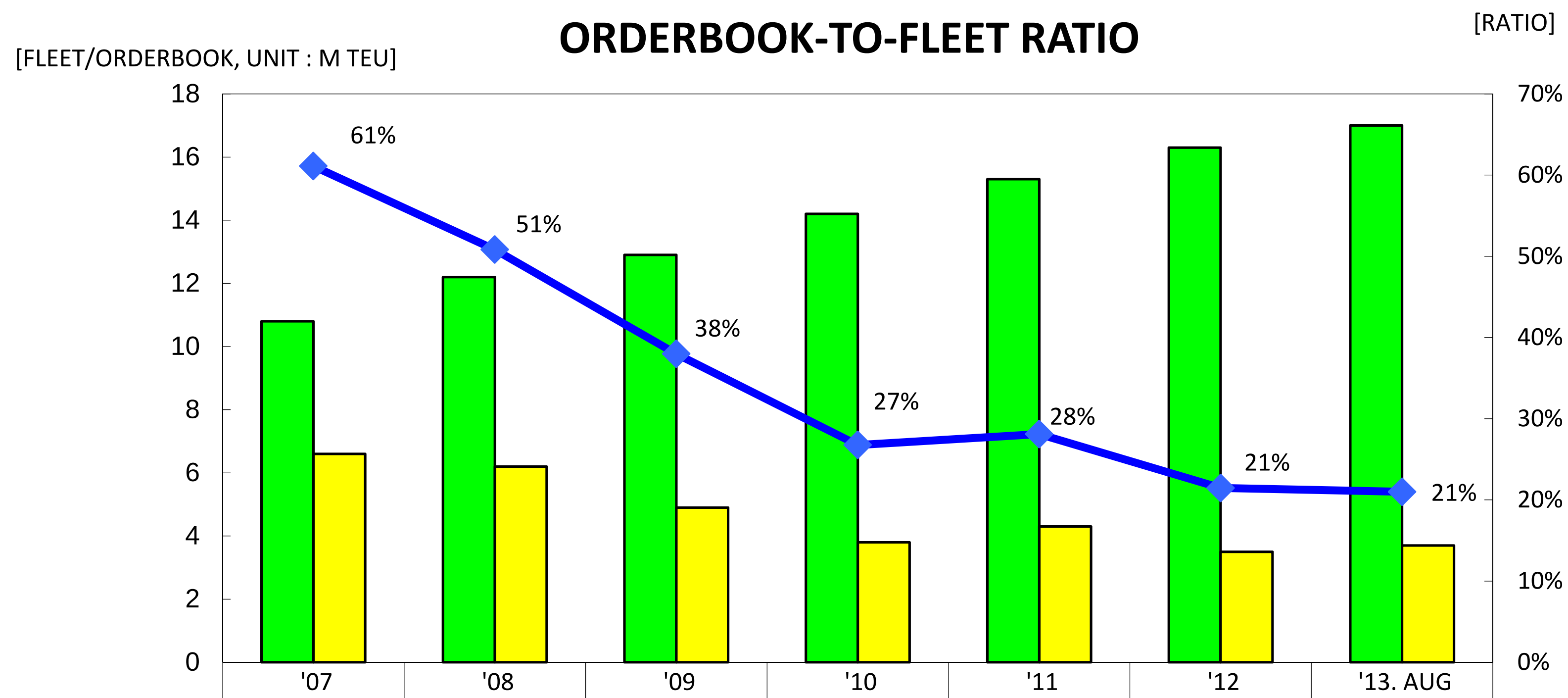
(AS OF Oct. 1, 2013)

Size (TEU)	FLEET		ORDERBOOK		ORDERBOOK-TO-FLEET RATIO
	NO.	TEU	NO.	TEU	
10,000~18,000	192	2,488,851	121	1,670,787	**67.1%**
7,500~9,999	368	3,202,442	119	1,072,712	33.5%
5,100~7,499	487	2,997,427	32	197,028	6.6%
3,000~5,099	1,031	4,374,250	82	347,911	8.0%
1,500~2,999	1,242	2,683,178	87	179,063	6.7%
100~1,499	1,670	1,441,126	39	186,293	12.9%
Total	**4,990**	**17,187,274**	**480**	**3,653,794**	**21.3%**

[Source : Alphaliner, Oct. 2013]

- **The fleet as of October 2013 totals 4,990 ships and about 17.19 million TEU. The fleet has expanded by 1.02 million TEU since August last year.**
- **In particular, the over 10,000TEU class accounts for a significant portion (46%) of the current total orderbook. The orderbook-to-fleet ratio for that size of vessel is very high (67%).**

2 Supply



	'07	'08	'09	'10	'11	'12	'13. AUG
FLEET	10,8	12,2	12,9	14,2	15,3	16,3	17,0
ORDERBOOK	6,6	6,2	4,9	3,8	4,3	3,5	3,7
RATIO	61%	51%	38%	27%	28%	21%	21%

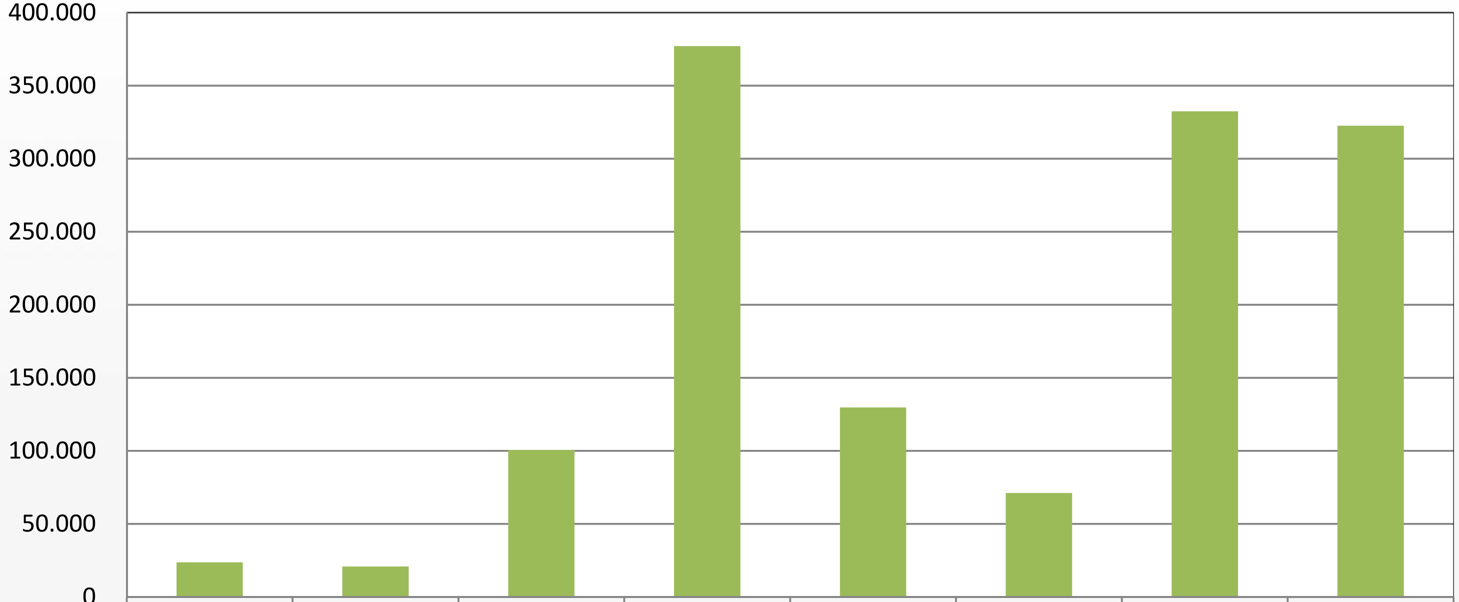
[Source : Alphaliner, Oct. 2013]

➢ **Despite the huge influx of newbuilding vessels into the shipping market, the current orderbook ratio is similar to the end of 2012 due to many large-sized newbuilding contracts this year.**

2 Supply

SCRAPPING

(UNIT: TEU)



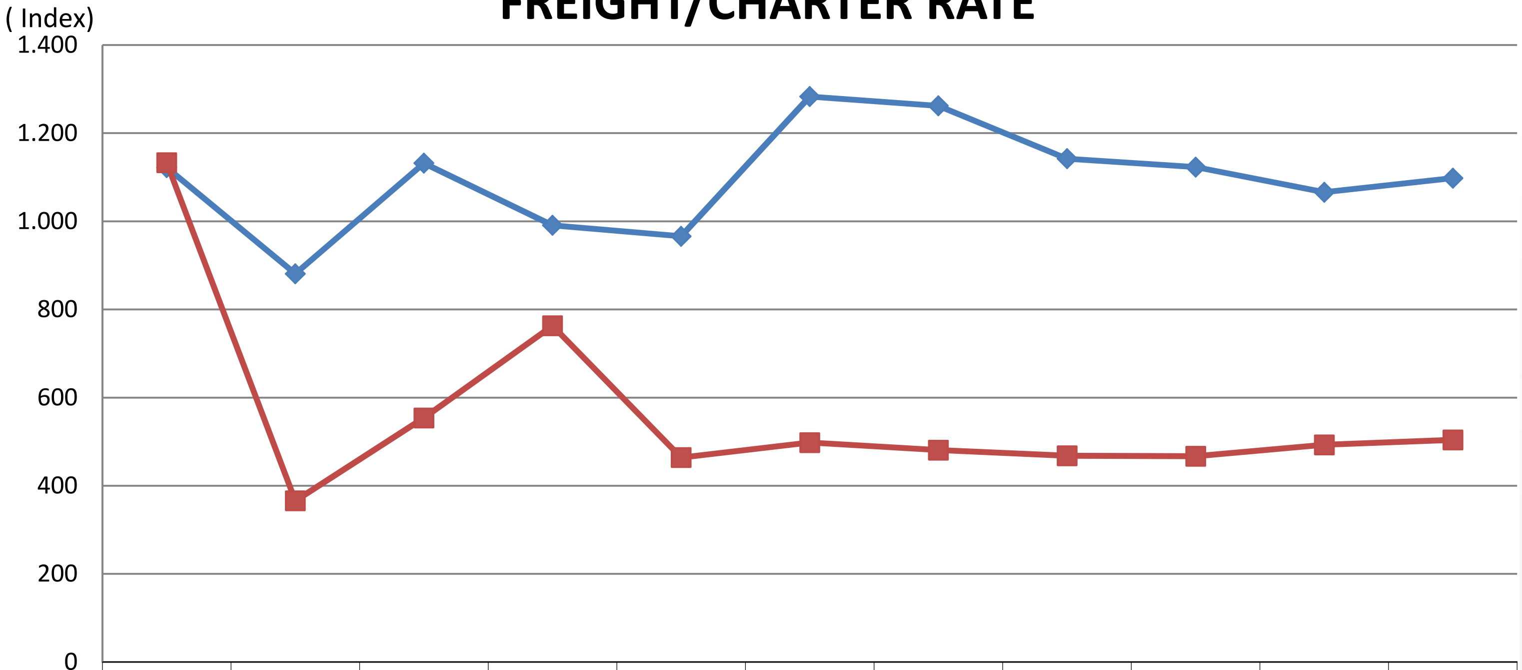
	'06	'07	'08	'09	'10	'11	'12.	'13. Sep.
TEU	23.790	20.930	100.730	377.130	129.750	71.250	332.540	322.580

[Source : Clarksons, Sep. 2013]

- **Because of the depressed freight market, the container carriers already scrapped 322,580 TEU . Total scrap volume for 2013 is projected to be the highest since 2009.**

3 Freight Market

FREIGHT/CHARTER RATE

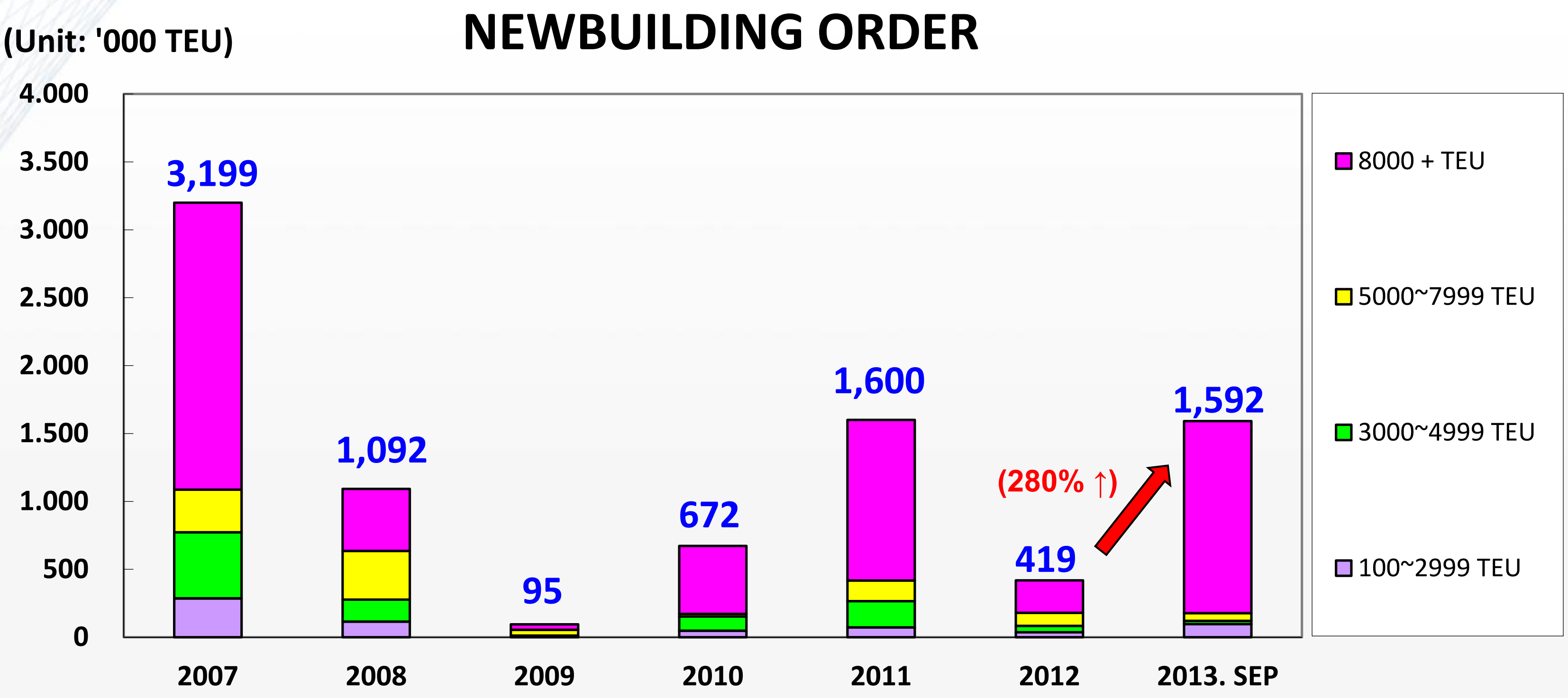


	'08	'09	'10	'11	'12.1Q	'12.2Q	'12.3Q	'12.4Q	'13.1Q	'13.2Q	'13.3Q
CCFI	1.122	881	1.132	991	966	1.283	1.262	1.142	1.123	1.066	1.098
HRCI	1.133	366	554	763	464	498	481	468	467	493	504

- **Freight/charter rates have been weakened because of the global economic downturn and large number of newbuilding deliveries of the large-sized containerships.**

- **However, the world economy is expected to grow more next year than this year and it could help the freight market recover.**

4 Newbuilding Market

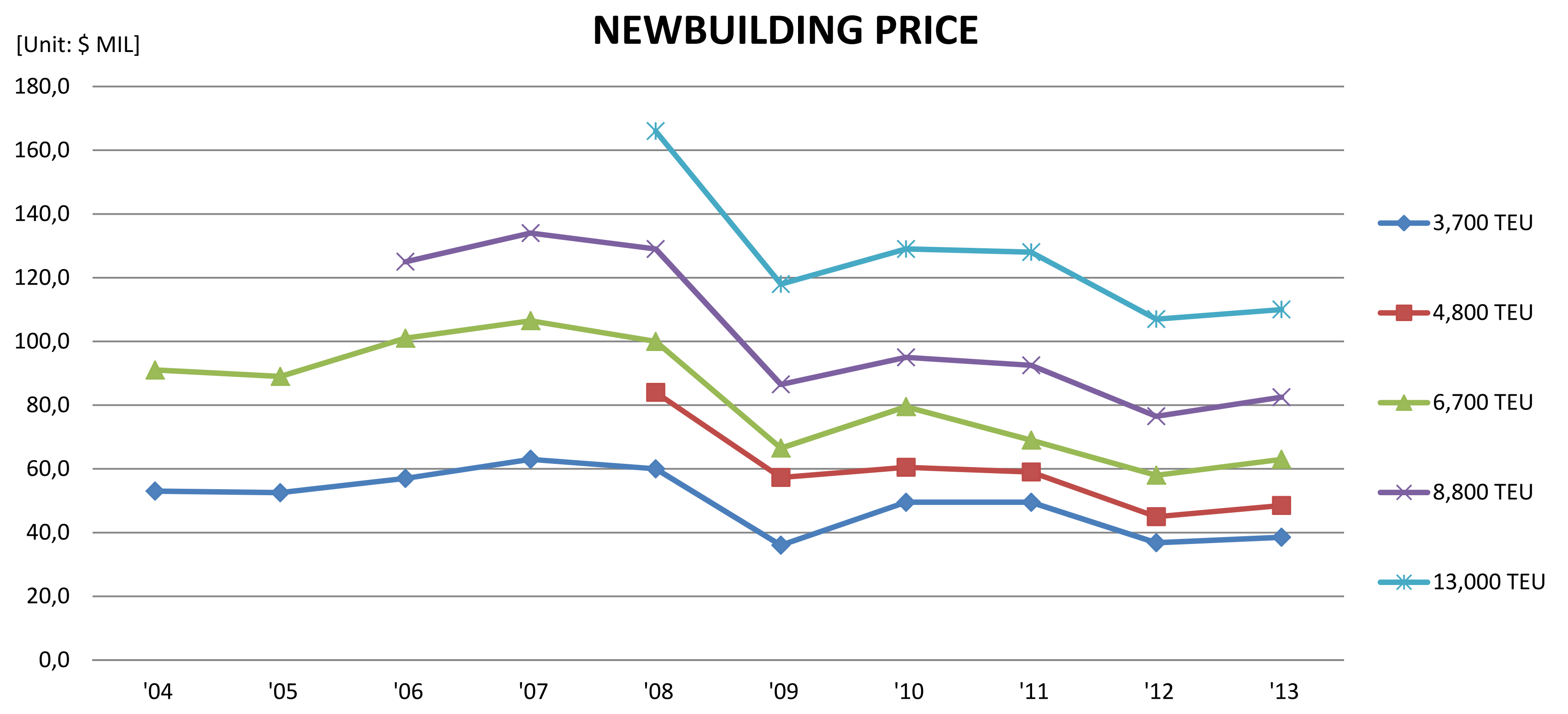


[Source : Clarksons, Sep. 2013]

- The volume of newbuilding orders placed so far this year is 1.6 m TEU. This is almost 4 times higher than 2012 due to the increasing newbuilding activity of large-size class.

- Shipowners are to cope with the depressed market by way of economic scale rather than the bright outlook of container market.

4 Newbuilding Market



[Source : Clarksons, Sep. 2013]

- **Due to increasing newbuilding activity, newbuilding prices have risen by 5% to 9% compare with the end of last year.**
- **However, the current newbuilding price is still substantially low.**

5

Summary

- Global economic uncertainties has been put much pressure on the growth of container trade volume in this year but the growth of trade volume would be moderate in next year due to recovery of global economic condition.

- Demolition of old tonnage has been increased in order to stabilize the supply/demand imbalance. However, influx of substantial newbuilding tonnage into the market threatens the recovery of the market.

- Newbuilding demand of this year was relatively strong compare to last year. But, it is doubtful how long this trend will last.

- The upward trend of the newbuilding price would be continued due to the current low newbuilding price.

- Under the very tough market situations, we, shipbuilders, need to make our best efforts to find out solution which can break through the difficulties.

Thank you