

Gram Car AS – 3Q 2019 Report

Owner of
M/V “Mediterranean Sea”
M/V “Arabian Sea”



Market Update

Global sales of light vehicles in September was down by 2,7% and YoY by 5,6%. Most of the decrease in sale both in September and YoY were in China, a market that has very little effect on the PCTC market as more than 95% of their sale is from domestic production and most of the import is from Europe and N. America, which are return trades for the PCTC operators and therefore minor effect on ton mile.

Global export of light vehicles in the first 8 months in 2019 are down by about 0,5% YoY. But export from Far East Countries are up by nearly 3%, whereas the reduction is mainly from Europe and N. America, mainly to China. But as export from Europe and N. America are mainly return business for vessels returning to Far East, the reduction in export from these countries has hardly any effect on ton mile whereas the increased export from Far East have resulted in more ton mile in 2019 vs the previous year. Consequently, the number of idle vessels has been reduced from 2018 and at the time of writing, there are hardly any vessels waiting for employment.

The reduction in number of idling vessels has so far NOT resulted in any improvement in rates for big sized vessels, main reason is most likely that in this segment, only Glovis has shown interest, and they are fully aware of this fact. In the mid-sized segment, the number of operators looking for tonnage are higher, and when the number of available vessels is getting less, the rates starts to move in an upward direction. This is however mainly the situation for the market's ex Far East, as the trend for vessels open in European water are basically flat.

Spot levels for shorter durations remain at USD 16-17,000/d for larger vessels (6,500rt). For medium sized vessels (5.000rt) hire levels are at USD 10.-12,000/d in Europe, and around USD 11-13.000/d in Asia (4.200 rt).

Tonnage development

On the newbuilding side, “Grande Mirafioria”, 7800ceu, was delivered to Grimaldi in end of September. In 4th quarter, we expect one vessel to be delivered to WWO, bringing the year total to 5 newbuilding deliveries.

K-Line operated “Diamond Highway” was struck by fire the end of June between Singapore and Manila, and “Golden Ray” capsized outside Brunswick in September. Both vessels are declared CTL. In addition, we expect one more vessel will be sold for recycling before year end, bringing total count of vessel that will leave international trade to 12.

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Chartering negotiations

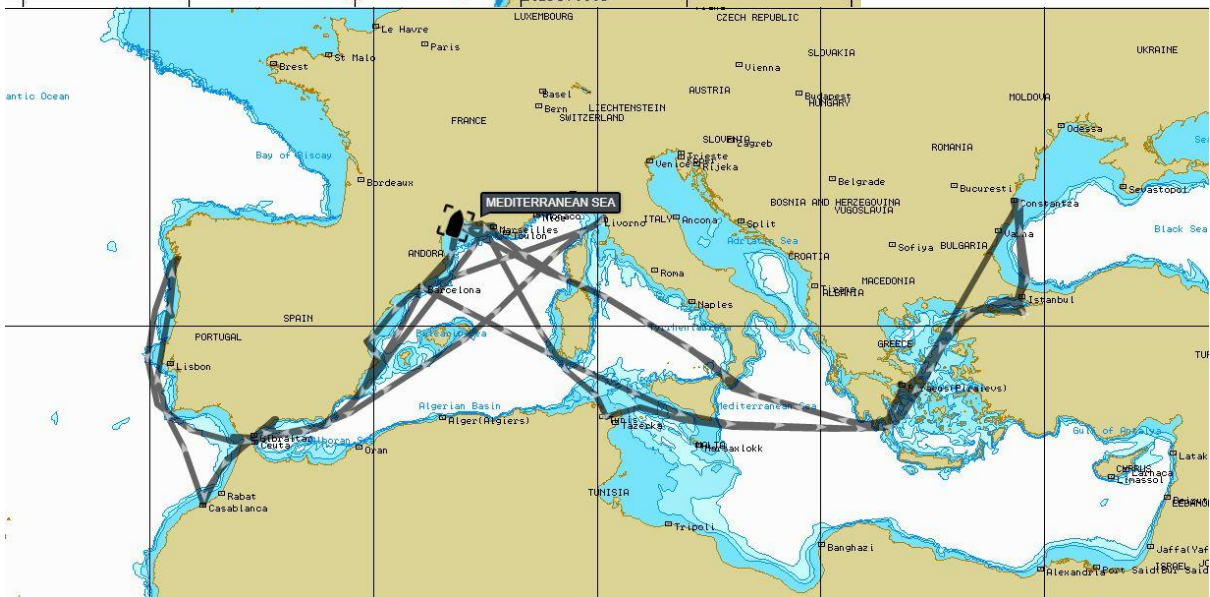
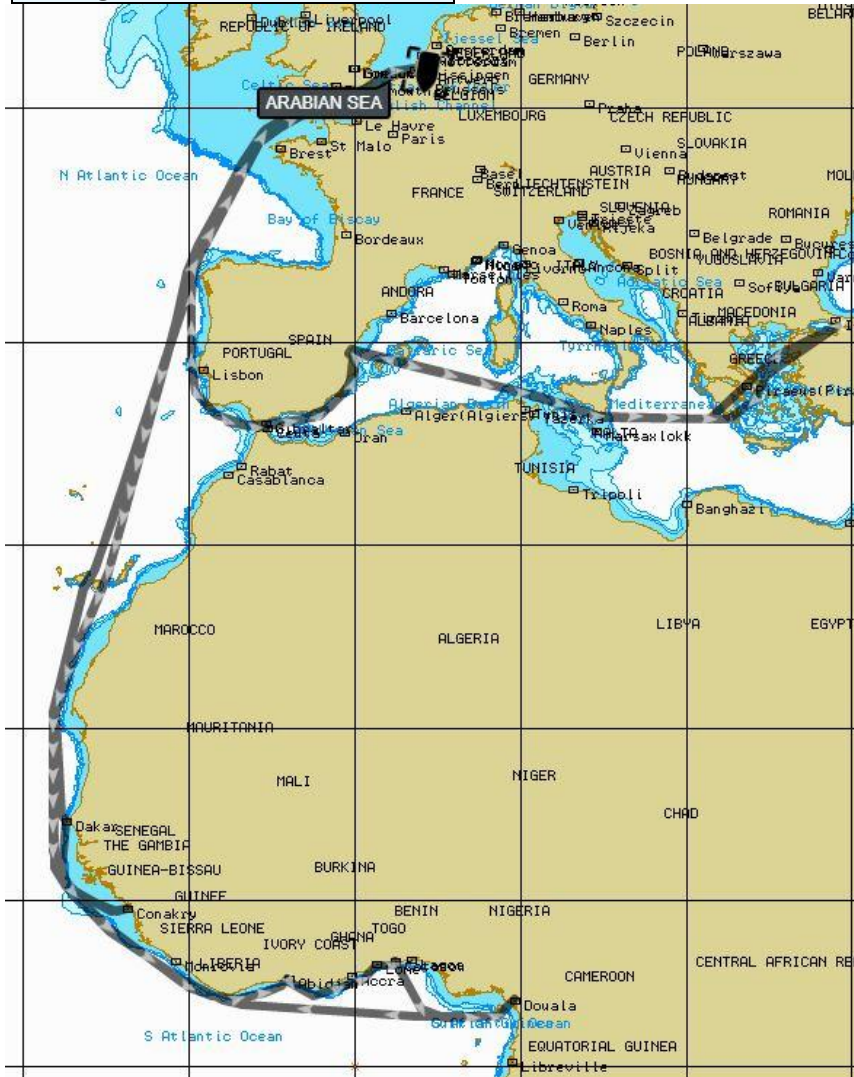
1. MV Mediterranean Sea is on time charter to Neptune Lines at a gross rate of USD 11,000 from 29.04.2019 until arrival to the yard for docking – currently planned for 10.12.2019. After the docking she will be extended to Neptune for 8 more months at total hire of USD 14,200/day including a scrubber premium of USD 2,700/day once the scrubber is fully commissioned.
2. MV Arabian Sea is on time charter to Sallaum at gross rate of USD 11,000 until she reaches Gibraltar for redelivery 29th October and continue deviation to Drydock in Turkey. We are in discussion with Sallaum, and expect to agree shortly on a 12 months TC starting from Gibraltar with a flexible scrubber profit sharing scheme.

One of our competitors EPS will have 7 scrubber fitted vessels by year end. At the time of writing they have not secured any long-term employment for these vessels.

Employment	Charterer	From	To	Rate	
Arabian Sea	SIEM		31-Dec-17	26-Jan-18	\$8.000
Arabian Sea	Samjoo		28-Jan-18	4-Mar-18	\$16.600
Arabian Sea	Samjoo	Ballast Bonus			\$70.000
Arabian Sea	Neptune		5-Mar-18	8-Aug-18	\$10.000
Arabian Sea	Grimaldi		8-Aug-18	21-Jul-19	\$13.500
Arabian Sea	Sallaum		23-Jul-19	27-Sep-19	\$11.000
Arabian Sea	Sallaum		27-Sep-19	29-Oct-19	\$11.000
Arabian Sea	<i>Deviation to dock</i>		29-Oct-19	3-Nov-19	
Arabian Sea	<i>Docking period</i>		3-Nov-19	24-Nov-19	
Mediterranean Sea	Grimaldi		21-Dec-17	31-Jul-18	\$10.000
Mediterranean Sea	Grimaldi		31-Jul-18	14-Apr-19	\$11.000
Mediterranean Sea	Neptune		29-Apr-19	6-Dec-19	\$11.000
Mediterranean Sea	<i>Deviation to dock</i>		6-Dec-19	10-Dec-19	
Mediterranean Sea	<i>Docking period</i>		10-Dec-19	31-Dec-19	

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Trading area:



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OPEX Performance

	Arabian Sea			Mediterranean Sea			GRAM CAR AS		
	CURRENT	BUDGET	Deviation	CURRENT	BUDGET	Deviation	CURRENT	BUDGET	Deviation
	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD	YTD 2019 USD
Exchange rate USD/EUR									
Operating Days	273	273	0	273	273	0	546	546	-
Technical Off-hire days							-	-	-
Technical Management fee	97.499	100.500	-3.001	97.500	100.500	-3.000	194.999	201.000	-6.001
TOTAL CREW COSTS	689.776	735.000	-45.224	698.013	735.000	-36.987	1.387.789	1.470.000	-82.211
TOTAL INCURANCE COSTS	627	-	627	2.282	-	2.282	2.909	-	2.909
TOTAL LUBRICANTS	105.645	110.625	-4.980	76.619	110.625	-34.006	182.264	221.250	-38.986
TOTAL REPAIRS & MAINTENANCE	44.598	63.750	-19.152	49.908	54.750	-4.843	94.506	118.500	-23.994
TOTAL Spares	86.594	75.750	10.844	66.054	75.750	-9.696	152.648	151.500	1.148
TOTAL Consumables	106.871	69.750	37.121	93.037	69.750	23.287	199.908	139.500	60.408
TOTAL OTHER COSTS	59.618	81.000	-21.382	86.886	81.000	5.886	146.503	162.000	-15.497
Total Operating Expenses incl. Ma	1.191.228	1.236.375	-45.147	1.170.299	1.227.375	-57.076	2.361.526	2.463.750	-102.224
Total Operating Expenses per day	4.363	4.529	-165	4.287	4.496	-209	4.325	4.512	-187

Comments to OPEX:

Crew cost: positive due to budget including extra lashing personnel, which so far not have been fully utilized.

Lubricants: somewhat below due to lower running hrs than budget.

Repairs/maintenance/spares/consumables:

Med Sea: Negative deviation due to VDR survey and conning display maintenance, repair of gyro compass incl. batteries and upgrade to LED lamps.

Other cost: Negative variation due to transport cost for ME parts.

Arab Sea: Negative deviation due to spares supply for fire and life rafts equipment, mooring winch repair incl. purchase of seven ropes in Baltimore.

Other cost: Positive variation due to delay in class fee invoicing.

Comments to Scrubber / BWT / Docking:

Arab Sea DD schedule for 3rd to 24th November.

-CR Ocean scrubber equipment on board the vessel except scrubber tower, which arrived Shipyard 15th October

-Riding squad finalized pre docking works according to plan.

Med Sea DD scheduled for 1st to 21th December.

-Technical Manager has inspected finalized Scrubber Tower @ Delta Impianti Industriali, Italy.

- Shipment of spare parts to vessel and riding crew arranged in for end October.

Cost/Budget;

- 10% installment (both vessels) done to Erma First, supplier of the ballast water treatment. All installments done to BLOM; the engineering company for BWT and scrubber
- 75% installment for Arab Sea done to CR Ocean, suppliers of the scrubbers + 20 % payment for riding crew.
- 30 % installment Med Sea done to CR Ocean, suppliers of the scrubbers + 45% payment for riding crew.

We are currently well within the total budget.

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Vessel information

Vessel Valuation	Mediterranean Sea	Arabian Sea	Date
Hesnes	\$32.000.000	\$32.000.000	24th Oct 2017
Hesnes desktop	\$30.000.000	\$30.000.000	4th Dec 2018
Hesnes	\$29.000.000	\$29.000.000	30th June 2019
Fearnleys	\$30.000.000	\$30.000.000	30th June 2019

Vessel Insurance	Premiums per ship	Terms	Renewal
P&I	\$50 709 renewed at 2,5% reduction	Advanced call	20th Feb
P&I deferred call	\$6.500	10% payable this year for 2018 period	20th Feb
Nordisk FDD	\$3250 renewed at 5% reduction	Legal support covered under a yearly fee	31st Dec
H&M + Freight Int + Hull Int	\$60 307 - to be renewed 24/4 "as is" at \$60 307	Deductible \$150k, value \$25,2M + \$6,3M + \$6,3M	24th Apr
LoH	\$15 919 - to be renewed 24/4 at 5% reduction \$15 125	30/180/180 days @ \$20k/day	24th Apr
War Risk	\$1.480	Any AP paid by charterer	31st Dec
TOTAL	\$130.871		

Technical	Mediterranean Sea	Arabian Sea
Next SS/DD	10th Dec 2019	3rd Nov 2019
Estimated cost (incl BWT)	\$1.400.000.000	\$1.400.000.000
Next Intermediate	2023-04-07	2023-07-15
Estimated Cost	-	-
Technical status	No major technical issue	No major technical issue
Last visit by GCC Tech Manager	2018-06-01	2019-09-03
Deficiencies / Condition of class	Condition of Class: Bent brackets in aft peak tank Condition of Class: Bent brackets in fwd peak tank (both CC to be postponed for drydock)	Condition of Class: Corrosion on rudder, to be re-surveyed and delt with as necessary latest during next dd. Contact damage to the aft peak tank, starboard side (ref below incident), postponement may be granted if no negative development is observed. Condition of Class: Contact damage to the aft peak tank, starboard side where tank top meets the shell plating between frames 2 and 5 to be permanently repaired. Postponement may be granted if no negative development is observed.(both to be taken in DD)
Performance	Hull performance under observation.	Hull performance is good
Unplanned work/work in progress		Minor damage to ship and pier due to sudden windust of 55-60knots at Dakar port 12 Sept 2019
Safety / Security	No issues recorded this period	1 safety incident recorded this period (above)