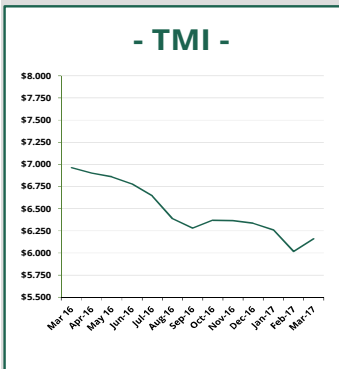


TOEPFER TRANSPORT'S MULTIPURPOSE SHIPPING REPORT

ISSUE NO. 5



TOP NEWS - see page 2 & 4

Splithoff is boosting the order book to 16.5 % for the PPCs in the mid-size segment while others are still in the starting blocks to further increase it...

Dear Reader,

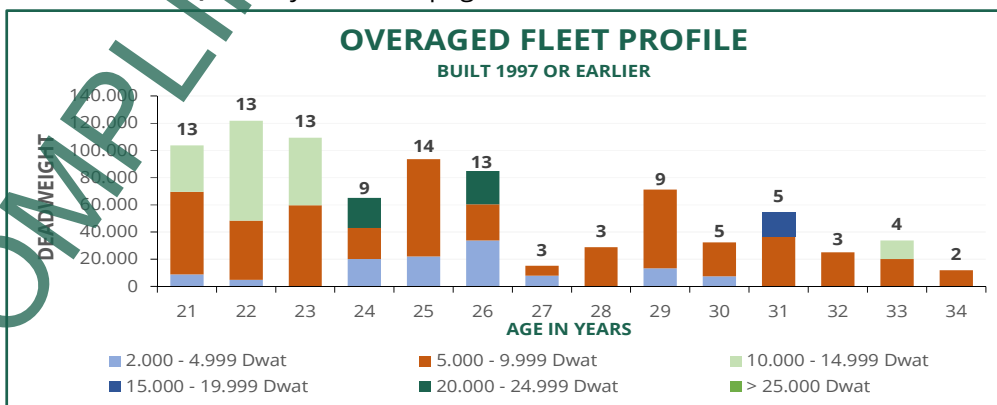
While you have the newly designed 5th issue of our Multipurpose Shipping Report in your hands, we would like to report some good and encouraging news about the market. However it does not seem to be an easy task and somehow reminds us of the latest Easter walk where the bad boys stole all the nice and sweet eggs from the children. We now have to find some good arguments that the walk is still a good event and has some positive aspects, even without the sweets. Well, maybe the latest forecast from the International Monetary Fund could convince you to not stop reading and walk on, as there may be some light on the horizon. The IMF has predicted stronger growth for the global economy this year than initially assumed. According to the IMF, growth of 3.5 percent is expected in 2017, after 3.1 percent in the previous year, thanks to a revival in China, rising consumer prices and robust financial markets. This is 0.1 percentage point more than was forecast in January. And according to the World Trade Organization, the global exchange of goods will expand almost twice as fast as in 2016. Last week in Geneva, the WTO said world trade is on track to reach a growth of 2.4 percent. In 2016 it had reached only 1.3 percent. Robert Azevedo, Director General of the WTO, stated: "there are reasons for cautious optimism. Trade growth remains fragile and there are significant downside risks." This is mainly due to politics. We have decided to highlight how political behaviour directly influences parts of the multipurpose shipping market in our Quarterly Focus on page 11

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MPP TOEPFER DEFINITION

Within this report, we will mainly concentrate on vessels with a combined lifting capacity equal to or greater than 100 tons. We also take the definitions of the Heavy Lift Club, according to our understanding as a reference, and present the same in separate fleet facts and show several rankings of the anticipated fleet definition of an MPP Heavy Lift Carrier.



TOEPFER TRANSPORT GMBH

Telephone: +(49) (0)40 32 58 21 0
 snp@toepfer-transport.com
 research@toepfer-transport.com

SALE & PURCHASE / NEWBUILDING BROKERS

Clemens Toepfer
 Panos Pantelis
 Carlo Brandt
 Hannes Hollaender
 Lars Westphal
 Cornelius Schröde

MARKET ANALYST

Nicolas Breiding

ASSISTANT

Jennifer Shrestha

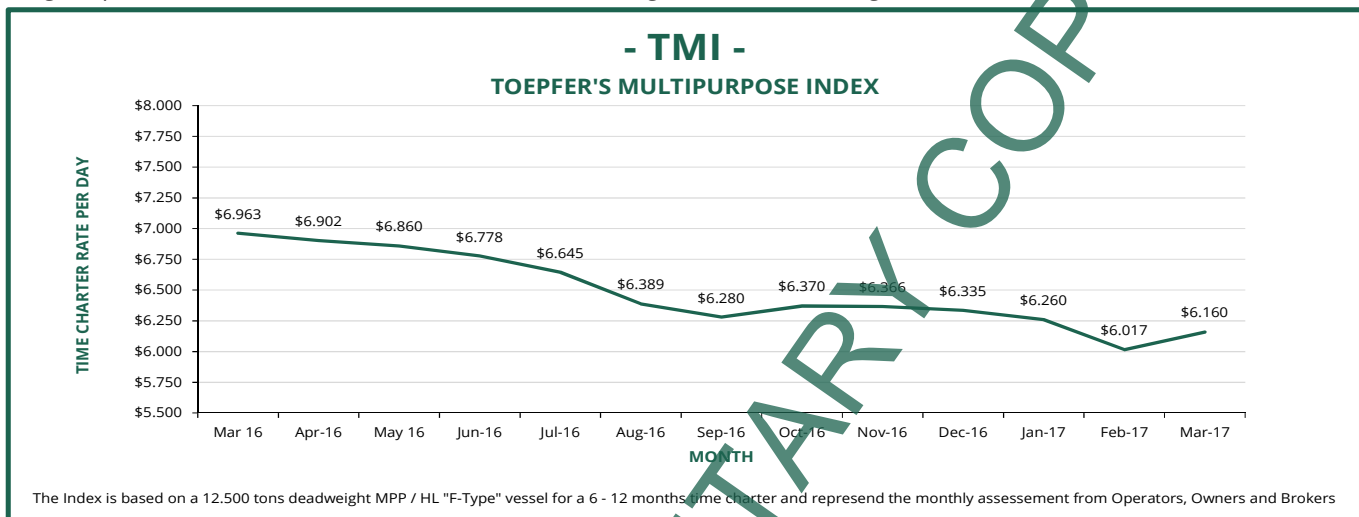
Alstertor 1 | D-20095 Hamburg | Germany
www.toepfer-transport.com

TIME CHARTER MARKET

After a further decrease of market expectation in January and February from our –TMI- panellists, the majority of them are now looking to the near future with slightly more optimism and thus giving the Index a little upswing. How sustainable this development is can be only determined with the next assessment as we are still around the historical low.

Smaller tonnage providers in particular are not certain about maintaining or even increasing the latest levels as the operators could not confirm continued and substantially higher freight rates, which would justify an increasing time charter rate.

The emigration of project and breakbulk cargos to other markets becomes less pressing, as bulkers and container ships have higher utilisation in their core trades. Although both segments are still holding considerable market shares and will only return the same to the multipurpose market once the developments are more than a short bush fire and when cargo capacities can be filled with easier and faster manageable standard cargos.



NEWBUILDINGS

After nine months of no recorded activity, Spliethoff has now placed the first order for a new series of 6 units to be built at Zhejiang Ouhua Shipbuilding Co., Ltd., for delivery during 2019. The vessels are designed in close co-operation with Neptun Ship Design, who already closely cooperated with Spliethoff's BigLift Shipping outfit in the past. Neptun also have a very close connection to the Ouhua shipyard and usually does all the design work for them.

The new vessel's will have a forward bridge and will be constructed for trade within arctic waters. The price seems to be locked in at the lowest possible level, at around a mid-high price of US\$ 30 million per unit, which should be a good deal for the owner of such high specification vessels.

NEW ORDERED VESSELS									
NAME	DWAT	BUILT	MAX LIFTING	GEAR	OWNER	SHIPYARD	DATE	PRICE US\$	
Raamgracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		
Realengracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		
Reguliersgracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		
Rijpgracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		
Ringgracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		
Rozengracht	18.000	2019	700 mt	2 x 350 mt; 1 x 200 mt	Spliethoff'S Bevrachtings Bv	Zhejiang Ouhua Shipbuilding	Mar. 17		

Another project which could be finalised shortly is United Faith's intended new building program for 6 x 16.000 tons deadweight semi-submersible heavy lifters, which are to be equipped with 2 x 350 tons cranes for a combined lifting of up to 700 tons and an additional smaller crane with 1 x 80 tons. At a first glance the design prepared by Odely brings back to mind the "Combi Dock Type" from CombiLift respectively RollDock's "ST"- Class.

ASSET NEWBUILDING PRICES IN US\$ MILLIONS									
DEADWEIGHT	MAX LIFTING	NO. CRANES	CONTRACTED 2002	CONTRACTED 2007	CONTRACTED 2011	CONTRACTED 2015	DECEMBER 2016	MARCH 2017	
9.000	160 mt	2	9.50	20.00	14.00	15.00	12.00	12.00	
12.500	180 / 250 mt	2	14.50	29.00	18.50	19.50	17.50	17.50	
30.000	640 / 700 mt	3-4	29.00	45.00	39.50	41.00	30.00	31.00	

The above prices are for guidance only as these strongly depend on crane capacity and design/quality.

NEWBUILDINGS (CONTINUED)

Although the specification was finalised / signed between United Faith and CSSC Huangpu Wenchong Shipbuilding before the Lunar New Year, the owner only could make down payments of less than 10 % and asked the shipyard to provide the finance for the project. The shipyard finally turned down the request as they considered the risk as too high. It remains to be seen if United Faith can obtain alternative funding.

One of Nordana's resales, the "Great Dane" design (12,100 tons deadweight, 2 x 250 tons cranes, combinable to 500 tons), currently under construction at Taizhou Sanfu Ship Engineering Co., Ltd., is closely being negotiated by German interests on the basis of a Bareboat-Hire-Purchase scheme.

As prices for other ship types are currently increasing, it is expected that the shipyards will also increase the new building prices for multipurpose / heavy lift vessels. This increase will make it less attractive to order new tonnage as the second-hand supply side remains completely oversupplied.

Consequently, the delta between new building and second hand prices becomes even greater and new buildings are less attractive over second hand acquisitions.

SALE & PURCHASE

The situation on the S & P market has not changed considerably in recent months. At present, we count around 150 MPP / HL vessels for sale, which includes several en bloc deals currently under negotiations which will probably set new low benchmarks once again. However, we feel that the market is about to bottom out.

Relatively healthy prices are being paid for vintage western spec MPPs like the 17,500 deadweight tons "Green Fleet" vessels which have a 1A ice-class and 3 x 60 tons cranes, combinable to 110 tons. Here prices are reaching USD 3.5 million for 1999 built units.

S & P DEALS									
NAME	DWAT	BUILT	MAX LIFTING	GEAR	SELLER	BUYER	DATE	PRICE	US\$
Thorco Merle	17.539	1999	110 mt	3 x 60 mt	Thorco	Middle East buyers	Apr. 17	3.50	
Rickmers Hamburg	29.980	2002	640 mt	2 x 320 mt; 1 x 100 mt; 1 x 45 mt	Rickmers Group	Zeaborn	Mar. 17	5.60	
Granat	9.597	1992	100 mt	2 x 50 mt	EuroAfrica	VRS Maritime Services	Feb. 17		
Flinterstream	8.850	2009	160 mt	2 x 80 mt	Flinter auction sale	Tom Wörden	Feb. 17	€ 4.90	
Megan	12.961	2011	160 mt	2x 80 mt	Wessels Reederei	Sloman Neptun	Feb. 17	6.50	
Fortune Epoch	11.464	1995	122 mt	2 x 61 mt	Alkon Holding	IDM Mana Pte Ltd	Feb. 17		
MSR No. 1	8.947	1999	180 mt	2 x 90 mt	Maritime Silk Route	Chinese buyers	Feb. 17	2.50	
BBC Kansas	12.744	2006	240 mt	2 x 120 mt	Freese Shipping	HS Schifffahrt	Jan. 17	4.80	
HR Maria	17.539	1998	110 mt	3 x 60 mt	Hammonia Reederei	Chinese buyers	Jan. 17	3.30	
EIT Palmina	9.490	2009	700 mt	2 x 350 mt	Harren & Partner	Atlantidies	Jan. 17	14.30	
Combi Dock IV	6.812	2010	700 mt	2 x 350 mt; 1 x 200 mt	Harren & Partner	Hammonia Reederei	Dec. 16		

We noted that four of the popular F-Types from Bockstiegel are committed at very low USD 20's million as a package deal. If this deal finally goes through, it would be another low-point in the market.

A nine ship strong MPP portfolio from Enzian Shipping, for which we are acting as broker, is partly committed. The portfolio consists of 2 x 9,000 tons deadweight Damen Combi-freighters with 2 x 60- tons cranes, combinable to 120 tons, and 7 x 12,000 tons deadweight with 2 x 80 tons combinable to 160 tons of which 3 have been built in Japan and 4 in China.

ASSET 2ND HAND PRICES 10 YEARS OLD IN US\$ MILLIONS									
DEADWEIGHT	MAX LIFTING	NO. CRANES	2002	2007	2011	2015	DECEMBER 2016	MARCH 2017	
9.000	120 / 160 mt	2	4.00	11.50	10.50	6.00	3.75	3.75	
12.500	120 / 150 mt	2	6.00	14.50	13.50	8.50	5.50	5.50	
30.000	200 mt	3-4	10.00	28.50	19.50	10.50	7.00	8.00	

The above prices are for guidance only as these strongly depend on crane capacity and design/quality.

SCRAPPED OR LOST VESSELS									
NAME	DWAT	BUILT	MAX LIFTING	GEAR	OWNER	SHIPYARD	DATE	PRICE	US\$
Jaohar Aminah	8.914	1986	240 mt	2 x 120 mt	Bogazzi	Sietas KG	Mar. 17		
Jaohar Zanobia	8.914	1987	240 mt	2 x 120 mt	Bogazzi	Sietas KG	Feb. 17		
Hamra	8.729	2001	400 mt	2 x 200 mt	Hamra Maritime	Hudong Zhonghua Shipbuild.	Feb. 17		

FLEET STATISTIC I ALL SHIPS ABOVE 100 TONS COMBINED LIFTING CAPACITY

TOTAL MULTIPURPOSE FLEET FACTS		ABOVE 100 TONS COMBINED LIFTING CAPACITY					
		2016			2017 TO DATE		
		NO.	DWAT	% FLEET	NO.	DWAT	% FLEET
FLEET AS PER 1ST JANUARY		979	14.495.148		1001	15.050.568	
CHANGES:							
Deliveries		31	684.093	4,72%	5	80.566	0,54%
Sold For Scrap		8	119.011	0,82%	3	26.557	0,18%
Other Removals/Losses		1	9.662	0,07%			
Net Change During Year		22	555.420	3,83%	2	54.009	0,36%
Fleet End Year / Year to date		1001	15.050.568		1003	15.104.577	
Orderbook		44	679.095	4,51%	48	766.532	5,07%
FLEET ANALYSIS		EXISTING FLEET			ORDERBOOK		
FLEET BY DEADWEIGHT SEGMENTS		NO.	DWAT	% FLEET	NO.	DWAT	% FLEET
2.000 - 4.999 Dwat		65	269.649	1,79%			
5.000 - 9.999 Dwat		282	2.263.776	14,99%	9	68.010	3,00%
10.000 - 14.999 Dwat		287	3.526.493	23,35%	20	254.687	7,22%
15.000 - 19.999 Dwat		133	2.373.521	15,71%	13	234.563	9,88%
20.000 - 24.999 Dwat		55	1.195.737	7,92%			
> 25.000 Dwat		181	5.475.400	36,25%	8	209.272	3,82%
FLEET BY AGE PROFILE		EXISTING FLEET					
		NO.	DWAT	% FLEET			
0-5 years		213	4.402.144	29,14%			
6 - 10 years		397	6.013.785	39,81%			
11 - 15 years		145	2.233.944	14,79%			
16 - 20 years		138	1.598.195	10,58%			
> 20 years		110	856.509	5,67%			

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DELIVERED VESSELS									
NAME	DWAT	BUILT	MAX LIFTING	GEAR	OWNER	SHIPYARD	DATE	PRICE US\$	
Caribbean Harmony	31.777	2017	500 mt	2 x 250 mt; 1 x 100 mt	Istanbul Denizcilik	Huanghai Shipbuilding	Feb. 17		
Cosmic Polaris	13.568	2017	100 mt	2 x 51,6 mt	Oura Kisen KK	Shin Kochi Jyuko K.K.	Jan. 17		
Industrial Song	12.337	2017	500 mt	2 x 250 mt	STV Presto BV / Jüngerhans	Huanghai Shipbuilding	Jan. 17		
Industrial Swift	12.337	2017	500 mt	2 x 250 mt	Argo Coral Maritime Ltd	Huanghai Shipbuilding	Jan. 17		
Symphony Performer	10.547	2017	170 mt	2 x 85 mt	Symphony Shipping	Ferus Smit Shipyard Leer	Jan. 17		

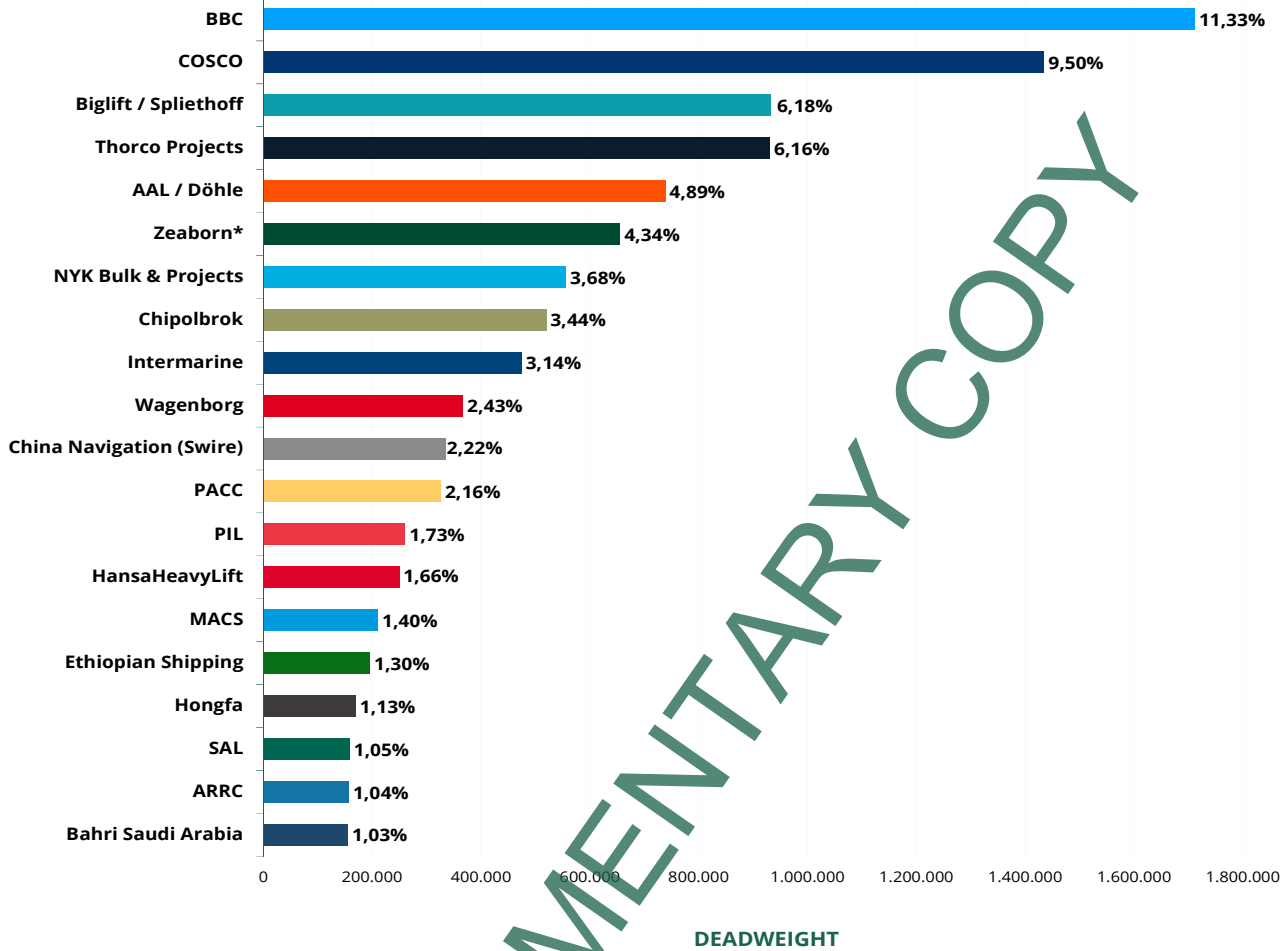
FLEET STATISTIC II ABOVE 250 TONS COMBINED LIFTING CAPACITY (PPC FLEET)

PREMIUM PROJECT CARRIER (PPC) FLEET FACTS		ABOVE 250 TONS COMBINED LIFTING CAPACITY					
		2016			2017 TO DATE		
		NO.	DWAT	% FLEET	NO.	DWAT	% FLEET
FLEET AS PER 1ST JANUARY		329	5.136.476		336	5.329.912	
CHANGES:							
Deliveries		14	307.224	5,98%	3	56.451	1,06%
Sold For Scrap		7	113.788	2,22%	1	8.729	0,16%
Other Removals/Losses				0,00%			
Net Change During Year		7	193.436	3,77%	2	47.722	0,90%
Fleet End Year / Year to date		336	5.329.912		338	5.377.634	
Orderbook		30	499.102	9,36%	35	535.586	9,96%
FLEET ANALYSIS		EXISTING FLEET			ORDERBOOK		
FLEET BY DEADWEIGHT SEGMENTS		NO.	DWAT	% FLEET	NO.	DWAT	% FLEET
2.000 - 4.999 Dwat		6	25.200	0,47%			
5.000 - 9.999 Dwat		93	757.933	14,09%	6	51.000	6,73%
10.000 - 14.999 Dwat		110	1.384.453	25,74%	17	223.140	16,12%
15.000 - 19.999 Dwat		55	1.006.177	18,71%	9	166.174	16,52%
20.000 - 24.999 Dwat		7	157.400	2,93%			
> 25.000 Dwat		67	2.046.471	38,06%	3	95.272	4,66%
FLEET BY AGE PROFILE		EXISTING FLEET					
		NO.	DWAT	% FLEET			
0-5 years		75	1.554.406	28,91%			
6 - 10 years		158	2.496.033	46,42%			
11 - 15 years		42	697.674	12,97%			
16 - 20 years		48	497.841	9,26%			
> 20 years		15	131.680	2,45%			

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TOP MARKET PLAYER ABOVE 100 TONS COMBINED LIFTING CAPACITY

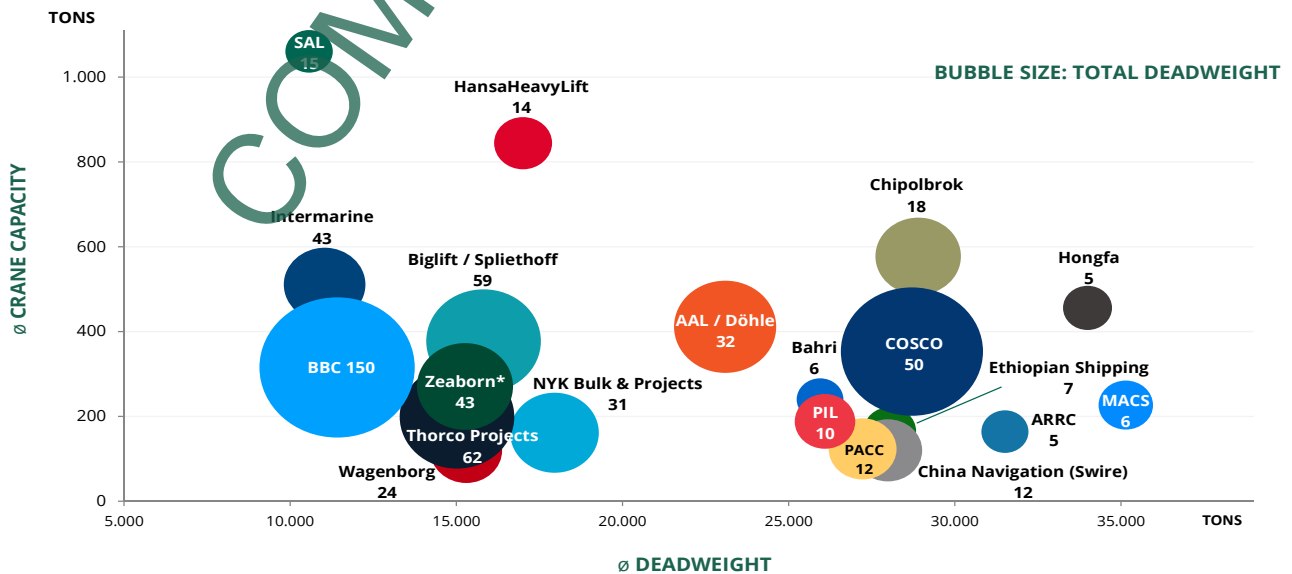
MARKET SHARES OF TOP 20 MULTIPURPOSE OPERATORS
BY DEADWEIGHT COMBINED LIFTING CAPACITY ABOVE 100 TONS



* including Rickmers-Linie & NPC's operated MPP / HL fleet

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MARKET POSITION OF TOP 20 MULTIPURPOSE OPERATOR
COMBINED LIFTING CAPACITY ABOVE 100 TONS

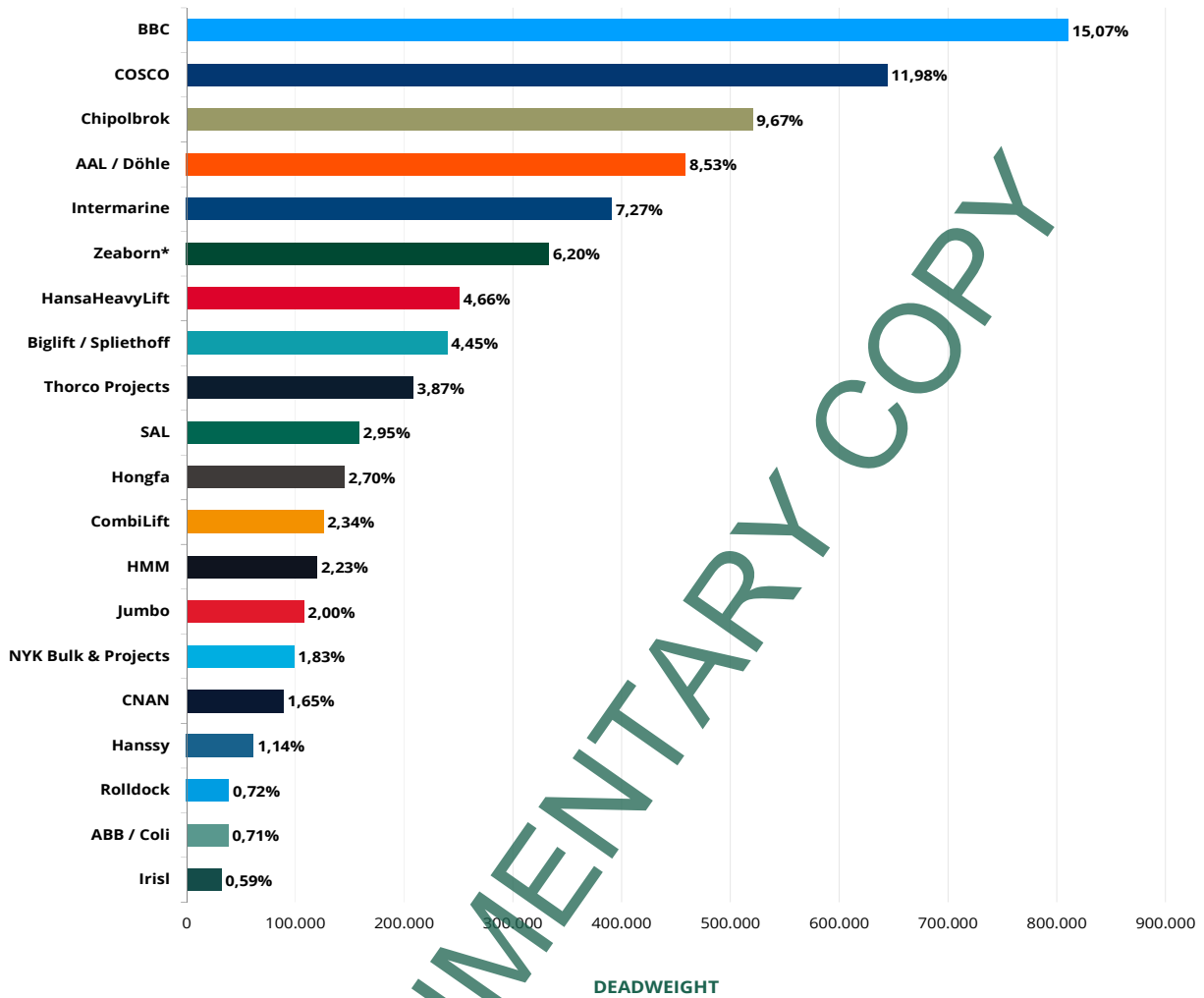


* including Rickmers-Linie & NPC's operated MPP / HL fleet

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TOP MARKET PLAYER ABOVE 250 TONS COMBINED LIFTING CAPACITY

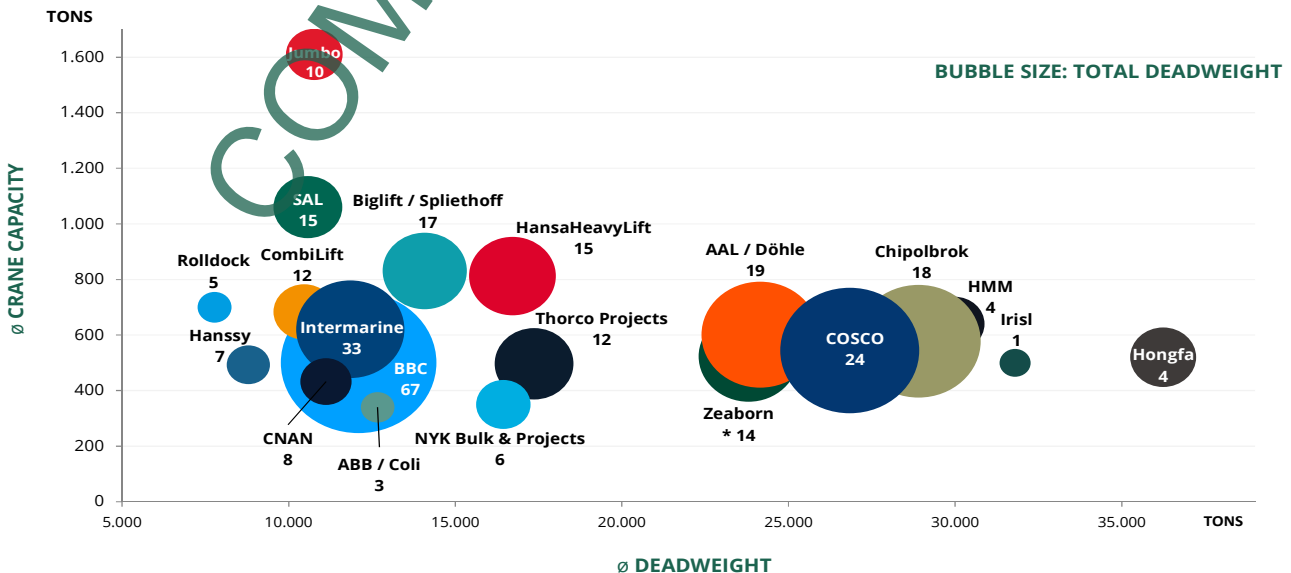
MARKET SHARES OF TOP 20 MULTIPURPOSE OPERATORS
BY DEADWEIGHT COMBINED LIFTING CAPACITY ABOVE 250 TONS



* including Rickmers-Linie & NPC's operated MPP / HL fleet

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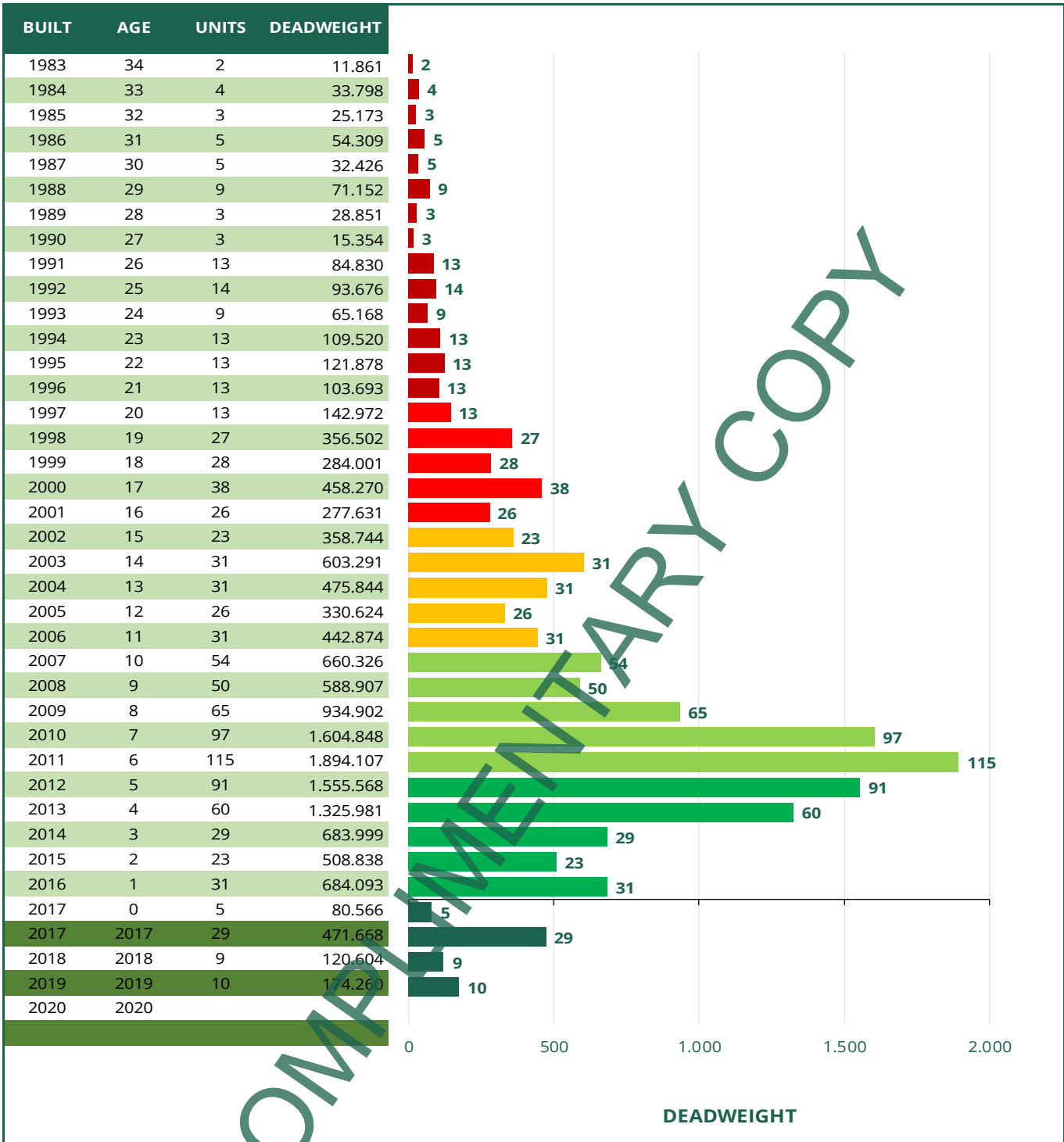
MARKET POSITION OF TOP 20 MULTIPURPOSE OPERATOR
COMBINED LIFTING CAPACITY ABOVE 250 TONS



* including Rickmers-Linie & NPC's operated MPP / HL fleet

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FLEET AGE BREAKDOWN ALL SHIPS ABOVE 100 TONS COMBINED LIFTING CAPACITY



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INDUSTRY NEWS

The most surprising news for sure was the take-over of **Rickmers-Linie** by the relative newcomer **Zeaborn** that was announced in February and completed at the beginning of April this year. It was not surprising that the struggling **Rickmers-Group**, after several restructuring and cost-cutting attempts for their liner business, had to find a way to stop further cash bleeding.

But surprising is, that Zeaborn is brave enough to take such a heavy load onto its shoulders and into its books. Zeaborn only started three years ago with the aim of building up a relevant fleet in the multipurpose heavy lift segment by a mix of new buildings and second-hand tonnage. However, from the 2014 ordered 10 x 12,500 deadweight "F-500"-like designed units non has been taken over nor has a further project for 10 x 14,500 deadweight units with 2 x 450 tons cranes materialised.

Nevertheless Zeaborn was able to take over the commercial management for 17 units from **Carishrooke Shipping** and it acquired the majority share of maritime-related companies of the **HC-Gruppe** and thus the technical and commercial management for 14 units alone in April last year.

During the last five years Rickmers-Linie produced a cumulated operating loss of € 75 million and the negative medium term forecast for their business together with the Rickmers Group's inability "to make the necessary growth-orientated investments in fleet renewal" seem to be the main reasons to cut out the liner segment from the Rickmers Group and offer it for sale.

Like Rickmers-Linie, the previous owner, the Rickmers family, experienced a lot of changes in recent decades. One of the latest peaks was, of course, in 2000 with the re-purchase of Rickmers-Linie by Bertram Rickmers from **Hapag Lloyd**, which became sole owner of Rickmers-Linie in 1988, after already holding 70% of shares since 1974.

Together with the return of Rickmers-Linie, Bertram also received back the rights to use his family name for maritime business activities, which before belonged to Hapag Lloyd as part of Rickmers-Linie.

Together with fresh money from the KG-market, a new liner and marketing concept, and an innovative design of a 30,000 tons deadweight multipurpose heavy lift vessel (with a crane capacity of up to 640 tons), he ordered 9 sister vessels from Chinese shipyards in order to build up the eastbound "Round-The-World Pearl String Service". This was a fortnightly liner service connecting the industrial centres of Europe, Asia and the US, which was a real innovation for the MPP / HL market at that time. Together with the Middle East-India Service, this liner trades formed the backbone of Rickmers-Linie activities.

There were also various attempts to establish a tramp service under the Rickmers-Linie brand in order to use the cargoes that do not fit into the liner concept. This had to be set again, as most customers associated Rickmers with their fixed and regular liner service in clear contrast to a tramp operator.

In addition to customer trust, a different mentality for a tramp service is required and obviously with the take-over of **Nordana Project & Chartering** in June 2016, Rickmers-Linie hoped to get access to the tramp market and to use synergies from this transaction.

However, time passed quicker than expected and the latest developments in connection with the **Rickmers Maritime Trust** in Singapore, although not directly linked to Rickmers-Linie's parent company Rickmers Holding, did not help at all.

The advantage of a renowned name can quickly turn to a disadvantage when negative news increases. If one side of the roof catches fire, no one normally asks about a separate reason for the fire, even if a firebreak is in place .

On the other hand, a loss of € 5.3 million for the 1HY 2016 along with € 70 million having been burnt together with severe market conditions, the outlook did not look promising for the segment and thus the financial engineering team, which has run the Rickmers Group's business since 2012, had to concentrate on their new fire brigade role and therefore decided to cut out this part of the roof.

In recent years, consideration had already been given to extricating Rickmers-Linie from the Rickmers-Group and run it as a standalone entity. However, this did not happen and consequently the latest move looks more like a fire sale, as the undisclosed sale price was a negative single digit € million amount and seems to be more a prevention of further negative news / bankruptcy connected with the traditional Rickmers name.

What at a first sight look like a grocery store might turn into a diversified shipping group if Zeaborn is able to convince its established and new customers with a competitive and wide service spectrum and, last but not least, direct excess to the cargo.

The first notable changes was the deletion of the "e" of the Rickmers-Linie which now appears as **Rickmers Line** and that

INDUSTRY NEWS (CONTINUED)

the smaller units offer their tramp service under the NPC Projects brand.

MCC Marine Consulting & Contracting, which was the nucleus of today's Rickmers Group and Bertram Rickmers first own company, had also been given away to Zeaborn, which integrated it directly into the Rickmers Line. MCC's latest role was chartering, bunker purchasing and freighter travel arrangements. Whether Mr Rickmers' private minority shareholding in the new own company within the Zeaborn Group is a sentimental move or a potential lifeboat should things get even worse in his parent's house, as it happen right now, will be his secret but, certainly this time round, he secured the name rights for his family.

Along with the difficult market, the future challenge for Zeaborn will be to supply the line with new tonnage, as the existing fleet will have to be renewed in the foreseeable future in order to be able to operate economically.

The purchase of the oldest ship, Rickmers Hamburg, does not seem to be quite understandable but it may have to do with the fact that the ship was for sale and that in this transitional phase, there was certainly no desire to risk any major service interruptions.

Interestingly, as a side note in this context, is that the Rickmers Hamburg is Zeaborn's first own ship, since the previous structure is very asset light and looks more like tonnage control than the actually owning of assets.

Certainly the above highlighted developments are not the only interesting industry news during the last couple of months. However, the expected sale of **SAL Heavy Lift** by parent company **K-Line** seems to be put on hold for the time being.

Potential buyers who were mentioned in this context were **Briese Schifffahrt**, **Hansa Heavy Lift** and **Harren & Partner**. The latter appeared to be the most promising candidate to take over the heavy lift division of K-Line.

After the talks with Briese, amongst others, were terminated due to financing reservations, specifically the well-known resolute occurrence of Hansa CEO, Roger Iliffe, in the possible purchase negotiations should have led to the discontinuation of the discussions. Obviously, the owners of HHL had high hopes of a takeover of SAL's since HHL is planning a strategic reorientation towards the renewable oil and gas offshore installation industry, where, in addition to its experience, expertise and market position, SAL's ships would have been a good enrichment. The fact that Hansa and Iliffe decided to go separate ways from now on therefore was of little surprise. Another change at Hansa's top management was the departure of Joerg Roehl, who served as managing director and chief commercial officer in recent years.

In addition to possible differences in thinking, it is also certainly not easy to determine a purchase price for a company such as SAL, as the ships are hardly comparable to other transactions on the market. Therefore, this circumstance may have led K-Line to consider the offers received as too low, and it will continue to try to stand up to the market until further notice.

Intermarine and its US flag entity **U.S. Ocean LLC** will certainly follow the latest news from the US administration, as it seems they will finally end the blockade of the Ex-Im Bank board, which has hit Intermarine's business in this area substantially over the last two years (see also our Quarterly Focus on page 11).

CARGO DEMAND

Unclear overall

Those who hoped that the new US administration would give the oil price an upward movement were ever disappointed. It seems that the unpredictability of the new direction is the main problem for nearly everyone. It is somehow boring to quote the US in regard to almost every aspect of the world economy, but as the new president starts every day by opening another box that could have an impact on global business, we have to deal with it.

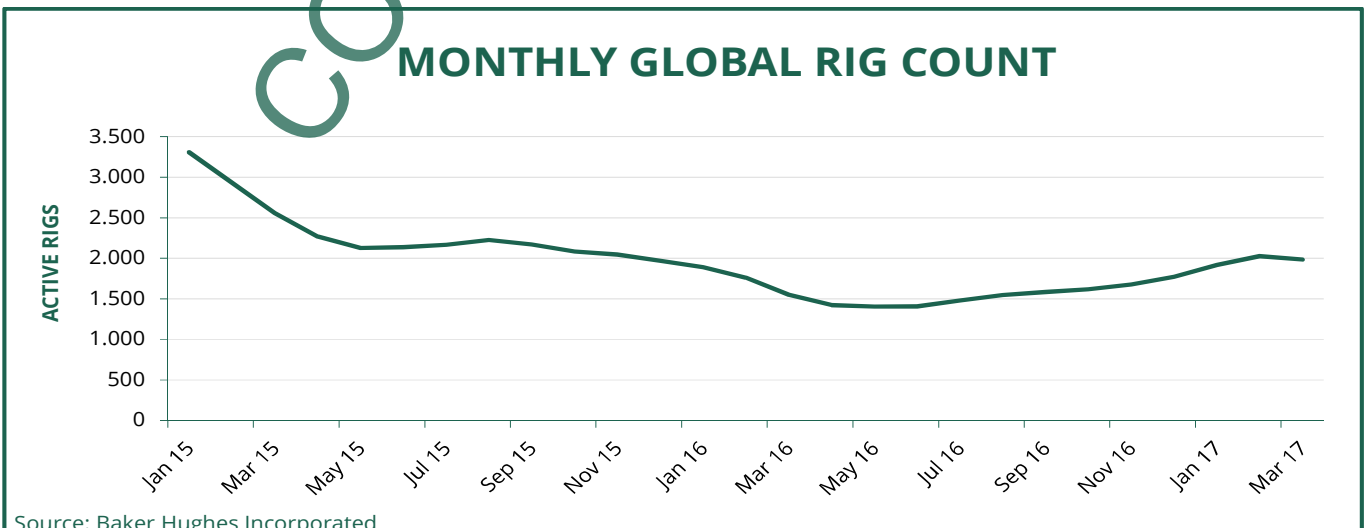
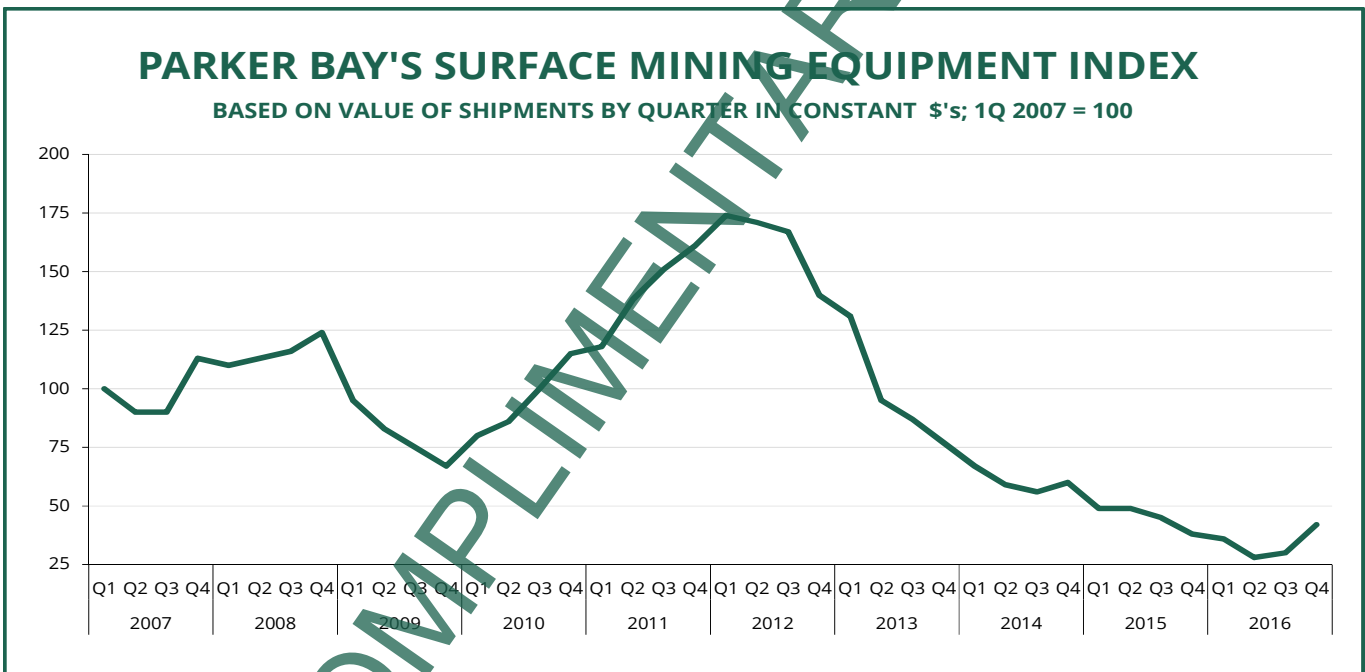
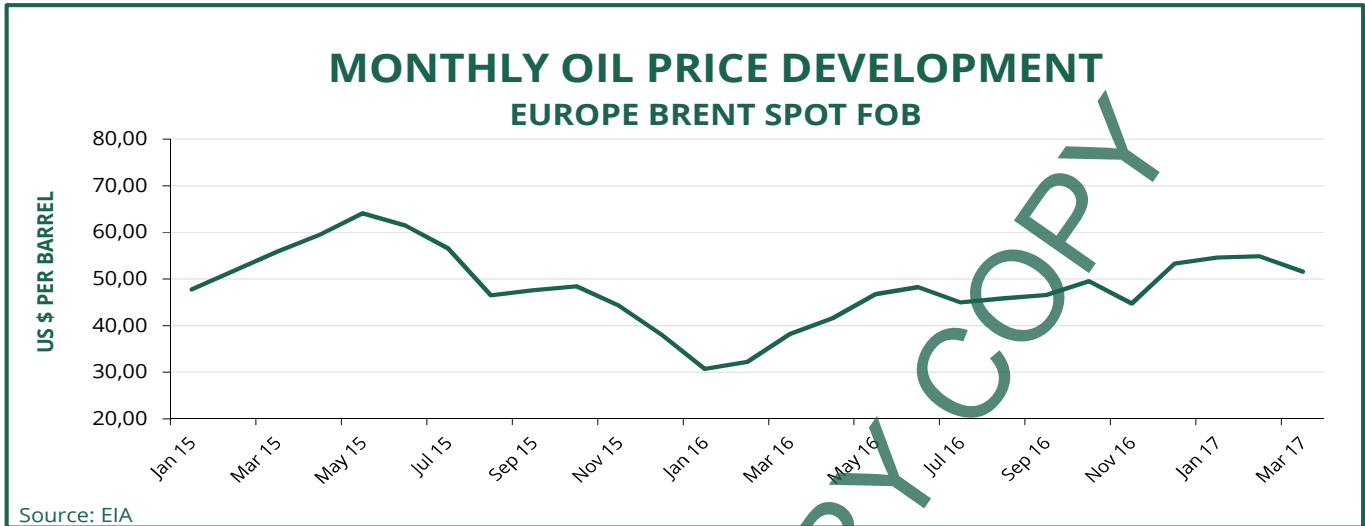
And even more disappointing, if not outright frightening, is the fact that DT is escalating problems which usually are dealt with by well experienced and educated diplomats on a much lower level, whether it be the conflict in Syria or the Stone Age system in North Korea.

With all the latest affronts against Russia, someone could come to the conclusion that a new era of the cold war is a clear intention and possibly part of a hidden agenda in order to draw attention to aspects other than the unfortunate start and a conflict-ridden team. Along with that, Russia's possible influence and or connection to the new administration is still under investigation.

CARGO DEMAND (CONTINUED)

But also in other parts of the world we are observing a new trend in divided societies, whether it be in Turkey, the United Kingdom with BREXIT or the political developments in nearly every South American country. All this is definitely not encouraging nor does it help any investors to pump new equity into projects that could finally lead to desperately needed cargo volumes.

Let's hope and cross our fingers that things will soon improve. We apologise for not being very optimistic at the present time, although we clearly specified this intention on page 1...



QUARTERLY FOCUS

Export - Import Banking

For shipping in general, but also for the multipurpose heavy lift market in particular, around 85 worldwide Export Credit Agencies (ECA's) or colloquially better known as import and export banks, play also an important role for cargo canvassing in some cases.

Some of the ECAs are 100% government owned or sponsored by the national governments but could also be privately owned or a combination of both. Usually ECAs act "as an intermediary between national governments and exporters to issue export financing. The financing can take the form of credits (financial support) or credit insurance and guarantees (pure cover) or both, depending on the mandate the ECA has been given by its government. ECAs can also offer credit or cover on their own account."

This does not differ from normal banking activities and thus "some observers view state-sponsored export credits as nothing more than export subsidies by a different name. As such, the activities of ECAs are considered by some to be a type of corporate welfare."

While for instance the China Development Bank, the Export-Import Bank of Korea (Korea Eximbank) and the Export-Import Bank of China (China Exim Bank) are widely known for their ship financing activities to Maersk, CMA CGM, MSC, VALE, Seadrill and Ocean Rig, to mention just a few, the Export-Import Bank of the United States (Ex-Im Bank) plays an important role for the US multipurpose heavy lift operators.

Intermarine with its U.S. Ocean LLC and a market share of 65 % is the largest provider of US flag ships in the multipurpose heavy lift segment. The US flag is one important requirement to get access to the lucrative deal supported by the Ex-Im Bank.

In addition to Intermarine, Schuyler Line Navigation Company, LLC (SLNC), with a market share of 16 %, and Teras Cargo Transport (America) LLC, (19 %), have aligned their business to getting access to the US flag required cargo.

Although the ten US flag vessels representing about 150,000 tons deadweight less than 1% of the total multipurpose fleet, for Intermarine with 6 units and about 100,000 tons deadweight, this part equates to more than 20 % of their operated fleet of 43 vessels with a total deadweight capacity of 475,000 tons.

Intermarine determined the US flag service as a niche market after some of their customers who received finance from the Ex-Im Bank looked for a US flag transport service which is one of the requirements to get the respective approval for project funding.

The Ex-Im Bank, established during the Great Depression in February 1934 by an executive order from President Franklin D. Roosevelt as a result of the breakdown of the banking system following the stock market crash in October 1929, in order to provide access to finance for companies which were not in a position to maintain this on the ground-floored banking market.

Today the Ex-Im Bank describes its main activities as: "When private sector lenders are unable or unwilling to provide financing, Ex-Im fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, the bank levels the playing field for US goods and services going up against foreign competition in overseas markets, so that American companies can create more good-paying American jobs."

Looking into the client list of the Ex-Im Bank, prominent names like Boeing and General Electric's appear and give an idea why the supported business is so attractive for US flag service providers.

However no new projects can be funded at present since the Ex-Im Bank has been affected by current political developments in the US. The problem is that the bank needs reauthorization on a periodic basis, which was blocked in 2015 by Republican leaders in the House of Representatives, resulting in its closure for five months. After supporters pushed through the legislation authorising the bank to operate until October 2019, a key Senate Republican committee chairman blocked the confirmation of former President Barack Obama's nominees to fill the vacancies on the board of directors, which usually consists of five members.

The five-person board has thus currently only two members, which is one short of the quorum needed to approve the assistance for larger projects. According to the Ex-Im Bank, 40 such projects with a total value of around US\$30 billion are therefore waiting for approval.

In a White House statement last Friday, President Trump named Scott Garrett, a conservative Republican, to head the Ex-Im Bank, and also named Spencer Bachus, a former Republican congressman to be a member of board of directors. Both men were named for four-year terms and have to receive approval from the Senate.

QUARTERLY FOCUS (CONTINUED)

During last year's presidential election campaign, Trump dismissed the bank as "unnecessary." He alleged in August that "it's sort of a featherbedding for politicians and others, and a few companies."

Furthermore, Scott Garrett also seems not to have been a friend of the Ex-Im Bank in the past. Speaking about Ex-Im Bank at a congressional hearing in 2014, Garrett said "when you mix big corporations and taxpayer-backed guarantees, you get a little something that looks an awful like crony capitalism." And in a tweet in October 2015, Garrett described the bank as a "corporate welfare program."

Last week, in comments reported by the Wall Street Journal, Trump announced a policy change on Ex-Im Bank, saying: "Actually, it's a very good thing. And it actually makes money, it could make a lot of money."

All this does not look that promising as it could change very quickly and while approval for the new board members is not granted, the US flag service providers have to look for alternative employment for their tonnage which is definitely not an easy task with opex 3 - 4 higher than on comparable vessels under non US flag, one will lose a lot of money until new projects will possibly be approved for finance.

Such developments demonstrate how fragile the ECA's system could become if they are used as a plaything in politics with all the consequences for exporters, customers and service providers.

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EDITORIAL AND COMMERCIAL INQUIRIES

TOEPFER TRANSPORT'S MULTIPURPOSE SHIPPING REPORT published by:

TOEPFER TRANSPORT GMBH

Alstertor 1

D-20095 Hamburg / Germany

www.toepfer-transport.com

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