



TOEPFER TRANSPORT

MONTHLY CONTAINER REPORT

February 2019 | Week 6 - 9

Bottom reached?

Later than is usually the case, we have reached the bottom of the winter lows in the charter market. While the 8500 TEUs and larger ones are already in a relatively hot market and are seeing TC rates exceeding USD 20,000 pd, the rest of the market is only very slowly starting to bottom out or to improve. If the 8500 TEUs were included in some of the indices, these would have already corrected upwards. While rates of USD 20,000 pd are good for 8500 TEUs, of course it is far from being sufficient to recoup some of the investment as many of these ships cost USD 80 million plus when they were built in the mid-nineties. But by now, of course, a lot of the equity and debt in these ships has been written down (particularly for those 8500 TEUs which were delivered after 2006/2007 and never had the luck of a high initial charter), so that today the focus is on cash flows and hence these ships trade very well over opex. The danger we see for these ships are the coming slow down in the transpacific market. First services start to reduce their sailing as US warehouses are full since everybody filled up in expectation of US tariffs on Chinese goods.

While the strong market in the 8500 TEU size has started to pull other PostPanamax sizes upwards as well, the barrier for much better rates in the smaller sizes is the Panamax Class, which is still way too oversupplied to let better rates reach the sizes below. Just in the Atlantic charter rates for feeders have slightly improved, but since 70% of the feeders trade in Asia, the total effect is limited so far.

Nevertheless, bottoming out also means things will go up from here on. As mentioned before, it might be one of those years where we see the peak of the charter market more in the second half instead of in the traditional first half of the year.

In terms of the S&P market we are maybe not quite yet on the bottom (but close) as transaction volume has been low. Many buyers have held back over recent months waiting for lower values. An important difference this year versus last year will also be that we have fewer buyers with deep pockets around and we might see a more widely spread base of buyers, also with more price sensitivity.

March/April will also have the first ships start cleaning their bunker tanks. In order to be ready to take low sulphur fuel, tanks need to be cleaned and this takes some time. So, ships will start to reduce their bunker capacities and take initial tanks out of service for regular use right now. From month to month the bunker capacities per ship will be reduced while more and more tanks will go into cleaning. By August/September many ships will have half or more of their bunker tanks ready to take low sulphur fuels, but as the regular HFO is much cheaper, they will try to trade as long as possible with the old "dirty" fuel oil with their remaining "dirty" bunker tanks. Hence, ships will have to bunker much more regularly, creating inefficiencies in the market. We really do not want to be on the side of the liner companies this year, as passing on all these costs to their customers will not be an easy task. Those who do it well can maybe make money on this, others will lose. For sure, it will not be a fair and easy transition for everybody.

On the banking side, the saving banks that have increased their share in Nord LB injected some EUR 350 million into the bank at the end of February. With this done, hopefully Nord LB will be in calmer waters for the future. The fate of the second large debt portfolio, "Towerbridge", from Nord LB, which has not found its way to Cerberus yet, is still to be decided. Current rumours have it that it might be split and that one part might indeed go to Cerberus while the larger part ends up with (HSH) Portfoliomangement; we guess that March will bring the answer to that.

We are sure that March will also show the first transactions from Cerberus cashing in on their recent acquisition of the various dept portfolios. A quick profit is sometimes the best profit!

While it is maybe selling time for Cerberus, we would also recommend buyers of container ships to slowly come back to the market too (otherwise, the life of an S&P broker is also not much fun☺).

Kind regards,

TOEPFER TRANSPORT

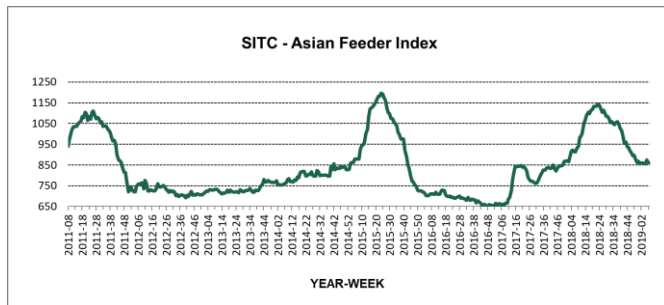


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| New Context | | | | |
|--------------------------|---------|---------|--------|---------|
| | Jan-19 | Feb-19 | +/- | Feb-18 |
| comprehensive | 389 | 387 | -0,51% | 440 |
| 1100 TEU GRD - 12 MOS TC | \$6.345 | \$6.400 | 0,87% | \$7.487 |
| 1700 TEU GRD - 12 MOS TC | \$7.280 | \$7.417 | 1,88% | \$9.922 |
| 3500 TEU GL - 12 MOS TC | \$8.892 | \$8.774 | -1,33% | \$9.389 |

Charter rate index



Container Freight Index



| Selected Sales | | | | | |
|--|----------|-----------------|-------------------|----------------------|---------------------|
| 2nd-hand vsl | TEU | DWT | built | price (in mill US\$) | buyer |
| Evolution | 1.050 | 13.248 | 12/1996 | | Unknown |
| FRISIA Aller, Alster, Iller, Inn, Lahn | 5x 1.118 | 13.700 | 2007 + 2008 | \$25.5 enbloc | Contship Management |
| Independent Accord & Concept | 2x 1.432 | 20.955 & 20.993 | 10/2007 & 07/2007 | \$6,0 mio each | Contship Management |
| Herma P | 5.041 | 66.583 | 09/2006 | \$9,6 mio | Cyprus Maritime |

| Newbuildings | | | | | | |
|--------------|------------|--------|-----------|----------------------|------------------------|-------------------------------------|
| buyer | TEU | GRD/GL | delivery | price (in mill US\$) | yard | comment |
| CSSC | 5 x 15.000 | GL | 2021 | \$130 mio | Jiangnan, China | with long term charter to CMA-CGM |
| CSSC | 5 x 5.500 | GL | 2021 | \$105/\$110 mio | Hudong-Zhonghua, China | with long term charter to CMA-CGM |
| Shoei Kisen | 4x 11.850 | GL | 2020/2021 | \$110 mio | Imabari, Japan | with long term charter to Yang Ming |

| Fleet Development - Deliveries and Demolitions | | | | | | | |
|--|--------------|--------------|-------------|-------------|------------|-----------|-----------|
| (in no. vessel) | fleet size | | | orderbook | | scrapped | |
| | Jan-19 | Feb-19 | +/- | % of fleet | Feb-19 | ytd | Feb-19 |
| total fleet | 5.284 | 5.286 | 0,0% | 8,0% | 421 | 35 | 12 |
| - 999 TEU | 973 | 970 | -0,3% | 2,3% | 22 | 5 | 2 |
| 1000 - 1999 TEU | 1.302 | 1.298 | -0,3% | 11,2% | 146 | 20 | 5 |
| 2000 - 2999 TEU | 664 | 666 | 0,3% | 16,8% | 112 | 1 | 1 |
| 3000 - 5099 TEU | 886 | 887 | 0,1% | 1,7% | 15 | 5 | 3 |
| 5100 - 7499 TEU | 456 | 455 | -0,2% | 0,0% | 0 | 4 | 1 |
| 7500 - 14999 TEU | 877 | 879 | 0,2% | 9,3% | 82 | 0 | 0 |
| 15000+ TEU | 126 | 131 | 4,0% | 33,6% | 44 | 0 | 0 |

| Container Vessel's Value | | | | | | | | | |
|--------------------------------|--------|--------|-----|--------|---------------------------------|--------|--------|-----|--------|
| 5 year old vessel in mill US\$ | | | | | 15 year old vessel in mill US\$ | | | | |
| | Jan-19 | Feb-19 | +/- | Feb-18 | | Jan-19 | Feb-19 | +/- | Feb-18 |
| 1000 TEU GRD Eco (New!) | \$12,8 | \$12,7 | 0% | - | 1000 TEU GRD | \$3,5 | \$3,5 | 0% | \$3,8 |
| 1700 TEU GRD Eco | \$16,2 | \$16,0 | -1% | \$16,0 | 1700 TEU GRD | \$5,8 | \$5,7 | -2% | \$6,3 |
| 2500 TEU GRD ME* | \$16,6 | \$16,3 | -2% | \$17,0 | 2500 TEU GRD | \$6,9 | \$6,8 | -1% | \$7,5 |
| 2750 TEU GL (old type) | - | - | - | \$16,0 | 2750 TEU GL | \$6,9 | \$6,8 | -1% | \$7,5 |
| 3500 TEU GRD (old type) | \$12,7 | \$12,4 | -2% | \$14,2 | 3500 TEU GL | \$6,4 | \$6,4 | 0% | \$6,8 |
| 4700 TEU WB | \$25,0 | \$25,5 | 2% | \$27,5 | 4250 TEU PMX | \$7,7 | \$7,6 | -1% | \$8,2 |

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