



Oesterreichischer Lloyd
Seereederei (Cyprus) Ltd.

"Vorwärts" - Steaming Ahead *since 1836*



CONTAINER MARKET PRESENTATION

ISTANBUL



TOPICS CONTAINER MARKET

- 2014 Review & YTD Developments
- Charter Rate Trends
- Major Impacts on the Container Market
 - Macro Economics
 - Oil Price
 - Congestion
 - Liner consortia / M & A
- New Building & Fleet Developments
 - Records, Records, Records !!!!!!!!!!!!!!!
- Idle Fleet & Scrapping
- Container Market Outlook
- Panamax Widening





2014 REVIEW & YTD DEVELOPMENTS KEY POINTS

- Over the course of 2014 charter rates have moved upwards, modest but consistently.
- **2015, Spring is in the air** and very much noticeable in the Container Market.
- **2015** brought an improved and relatively unexpected strong container market.
- This is not the case for all container sizes.
- **A 43,0% jump in the Index since late December 2014.**

1200? - 2018



Source: Lloyds List

2014 REVIEW & YTD DEVELOPMENTS KEY POINTS



- **Fundamentals shifts in owners favor** for first time in years.
- The probability that the worst is over is growing.
- The feeling is that the current recovery is underpinned by more solid fundamentals than 5 years ago.
- Indications are that momentum will be maintained for the next 3 years

	Speed (knots)	Weighting (%)	20-May-15 PTS	13-May-15 PTS	06-May-15 PTS	29-Apr-15 PTS
1 650teu/410@14t Geared	15	5	25.1	25.1	25.1	25.1
2 700teu/415@14t Gearless	17	5	31.5	29.2	28.6	28.6
3 1,050teu/670@14t Gearless	18	7.5	44.5	44.5	44.5	44.5
4 1,100teu/750@14t Geared	19	10	73.1	73.1	69.7	69.7
5 1,300teu/925@14t Geared	20	5	37.3	37.3	36.2	36.2
6 1,700teu/1,168@14t Gearless	18	5	35.8	34.4	34.4	33.7
7 1,740teu/1287@14t Geared	19.5	12.5	91.2	89.1	82.9	82.9
8 2,080teu/1,640@14t Geared	21.5	2.5	17.8	17.8	17.8	17.2
9 2,500teu/1,850@14t Geared	22	12.5	104.3	104.3	102.3	100.2
10 2,800teu/2,050@14t Gearless	22	12.5	123.5	123.5	123.5	121.2
11 3,500teu/2,500@14t Gearless	22.5	5	46.4	46.4	43.7	43.7
12 4,300teu/2,900@14t Gearless	24	10	69.6	68.9	67.2	69.6
13 4,600teu/3,600@14t Gearless	21	5	38.9	38.9	38.9	38
14 5,500 teu/4,200@14t Gearless	25	5	39	39	38.4	38.9
Index		100%	778.0	771.5	753.2	749.5

Source: Lloyds List

CONTAINER CHARTER RATE TRENDS



Vessel type		Evaluated Period	New ConTex Development										
			Today	Week-on-Week		Month-on-Month			Year-on-Year				
			07.05.15	30.04.15	Change	Change	07.04.15	Change	Change	06.05.14	Change	Change	
New ConTex*			563	559	4	⇒	0,7%	500	63	12,6%	361	202	56,0%
New ConTex	1100 TEU	12 mos	\$8.333	\$8.266	\$67	⇒	0,8%	\$7.429	\$904	12,2%	\$6.271	2.062	32,9%
	1700 TEU		\$10.983	\$10.719	\$264	↑	2,5%	\$9.220	\$1.763	19,1%	\$7.655	3.328	43,5%
	2500 TEU	24 mos	\$13.954	\$13.893	\$61	⇒	0,4%	\$12.162	\$1.792	14,7%	\$8.720	5.234	60,0%
	2700 TEU		\$14.762	\$14.807	-\$45	⇒	-0,3%	\$12.910	\$1.852	14,3%	\$8.382	6.380	76,1%
	3500 TEU		\$14.536	\$14.410	\$126	⇒	0,9%	\$12.939	\$1.597	12,3%	\$8.867	5.669	63,9%
	4250 TEU		\$15.990	\$16.173	-\$183	⇒	-1,1%	\$16.495	-\$505	-3,1%	\$9.422	6.568	69,7%
2500 TEU	12 mos	\$12.471	\$12.305	\$166	⇒	1,3%	\$10.618	\$1.853	17,5%	\$7.588	4.883	64,4%	
2700 TEU		\$13.662	\$13.611	\$51	⇒	0,4%	\$11.356	\$2.306	20,3%	\$7.228	6.434	89,0%	
3500 TEU		\$13.161	\$12.973	\$188	⇒	1,4%	\$11.412	\$1.749	15,3%	\$7.617	5.544	72,8%	
4250 TEU		\$14.249	\$14.528	-\$279	⇒	-1,9%	\$14.845	-\$596	-4,0%	\$7.830	6.419	82,0%	

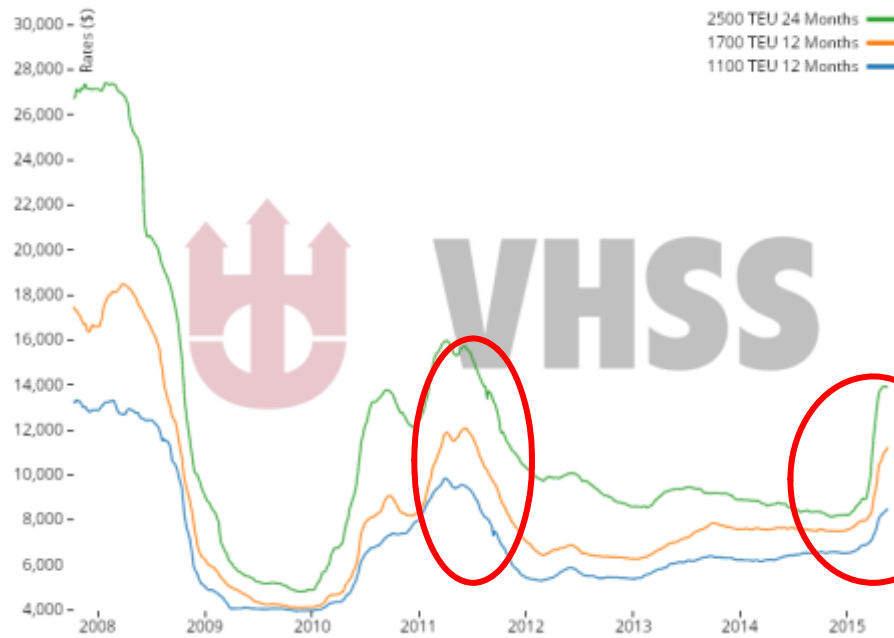
Source: THB

- The trend in New ConTex is unbroken except 4250 TEU.
- All sizes increased since beginning 2015

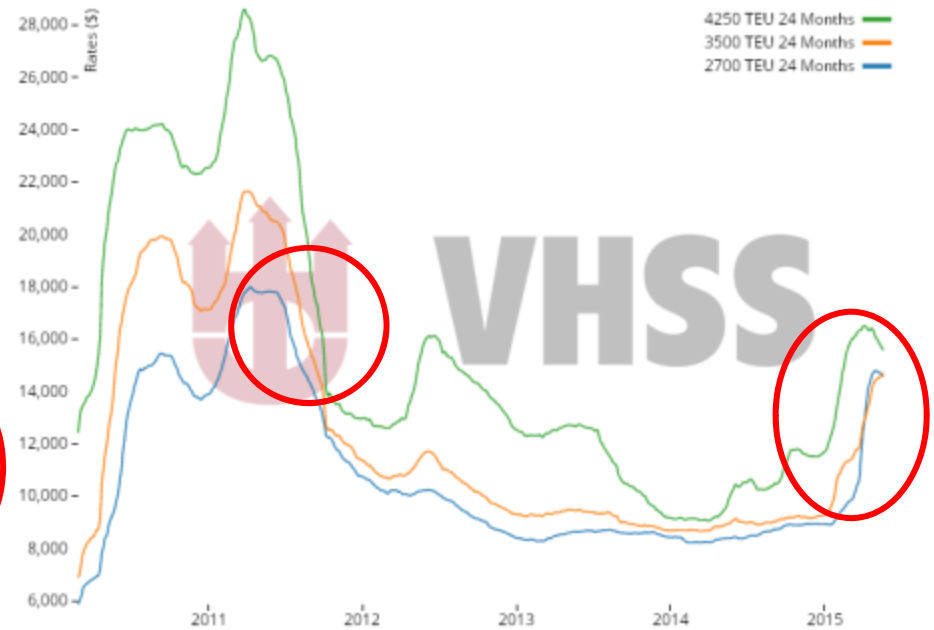


CONTAINER CHARTER RATE TRENDS

1100 - 2500 TEU - All Time



2700 - 4250 TEU - All Time



Source: VHSS

CONTAINER CHARTER RATE TRENDS



- Recent fixing volumes picked up again, not reaching the speed it had mid April.
- Panamax rates have increased sharply, mainly due to the additional demand arising from the USWC, but also from the other markets like WAFR.
- **The positive effects from the Panamax markets filtered down through to the smaller segments.**
- When looking at the charter market for ships in excess of 5000 TEU, the situation is far less good and charter rates have started to decline. 5500 TEU and 6500 TEU vessels sit idle these days, which will surely limit the potential for 4-5000 TEU.

Container / MPP / Short Sea Markets	Average				2015			Liner Markets	
	2011	2012	2013	2014	Feb	Mar	Apr	May	Trends...*
<i>Containerships (\$/Day, 6-12mth TC)</i>									
Handy, 1,000 teu grd.	7,729	5,358	6,321	6,396	6,500	6,800	7,500	7,500	FIRMER... 14%
Handy, 1,700 teu grd.	10,142	6,292	7,096	7,313	7,500	8,000	9,300	9,300	FIRMER... 20%
Sub-P'max, 2,000 teu g'less	10,688	6,408	6,483	6,933	7,400	7,500	9,500	9,500	FIRMER... 23%
Sub-P'max, 2,750 teu g'less	13,388	6,742	6,829	7,425	8,500	9,250	13,500	13,500	FIRMER... 49%
Panamax, 3,500 teu g'less	14,871	7,179	7,021	7,746	9,100	10,250	13,000	13,000	FIRMER... 39%
Panamax, 4,400 teu g'less	19,854	9,942	8,696	8,771	13,500	14,750	14,750	14,750	FIRMER... 28%

Source: Clarkson

MAJOR IMPACTS ON THE CONTAINER MARKET



- Macro Economics **SHIPPING DERIVES ITS DEMANDS FROM WORLD GDP GROWTH RATES AND TRADE, ANY INCREASE WOULD THEREFOR BE BENEFICIAL FOR OUR BUSINESS. GROWTH 2015 + 2,5%, 2016 + 2,8 %**
- Looking at how shipping markets have followed economic cycles in the past, the outlook for the industry looks promising due to stabilising oil prices and gross domestic growth (GDP).
- As for boxships, the sector is emerging from 5 difficult years.
- **Eurozone** had a great start into 2015 by strong economic tail winds such as cheap oil, the weaker Euro and the effect of aggressive ECB quantitative easing.
- Now these tail winds are blowing a little less strong due to a mix of the ECB' s own success and unexpected weakness elsewhere.
 - Not so cheap oil
 - No so much EURO
- Eurozone GDP looks set to grow by 1.5% this year and 1.9% next.



Source: HHM/HASENPUSCH



MAJOR IMPACTS ON THE CONTAINER MARKET

USA: Despite weakness in Q1 with strong headwinds, dollar strength, port strikes in the west, bad weather in the east:

2.7% in 2015

2.8% in 2016

....but USA outlook is positive.

China: No major news from China. GDP slowly down, but the big dragon remains on track:-

+7% in 2015

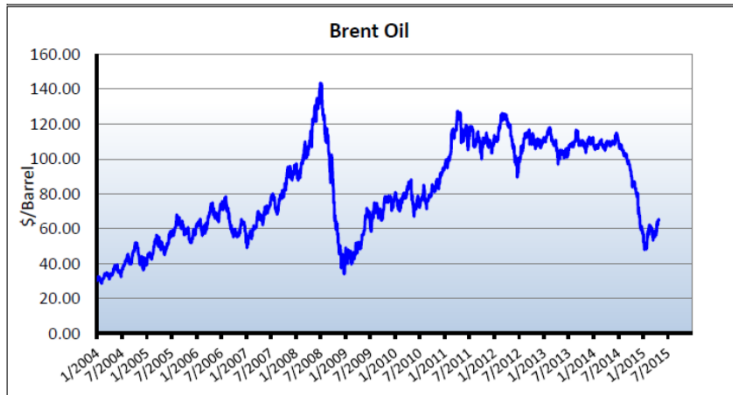
+6.7% in 2016





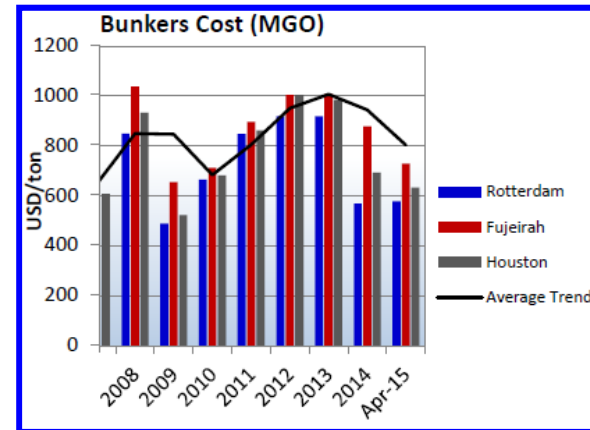
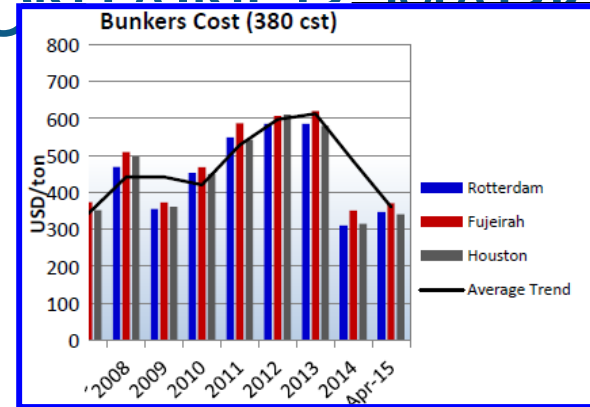
MAJOR IMPACTS ON THE CONTAINER MARKET

- Oil/Bunker prices plummeted but have now recovered.
- Increased demand: falling oil prices are boosting consumer spending in the US & Europe. We see rising demand for imports from China and hence improving utilization and profitability of container lines.



\$ 62,10
Minus
\$ 3,43

- OPEC: Oil Prices remain below \$100 /barrel mark until at least 2025 (draft report OPEC).
- \$76 in 10 years time or, \$40 ?



Source: ATHENIAN SHIP BROKERS S.A



MAJOR IMPACTS ON THE CONTAINER MARKET

- **Freight Rates:** It is expected that some 70-80% of fuel savings are being passed on to shippers, but carriers are still enjoying significant savings. According to MAERSK every USD 100/ton change in bunker price will have a USD 200 mn impact on the line`s profit.
- **Speed:** One of the important messages received from different sources was that in theory, the speeding up of liner services makes no sense with bunker prices in excess of USD 250 per ton. Slow steaming will stay the norm.
- **Eco-Designs:** The market has surprisingly not yet reacted to the low fuel prices and charterers are still paying the same premiums for eco ships they did when fuel prices were still high. In the long run however this gap might close and older, less economical ships become more attractive again.





MAJOR IMPACTS ON THE CONTAINER MARKET

Congestion

- Major congestion issue have dominated the headlines, especially in the USWC, but also in HKG, MNL and WAFR.
- Along the USWC a serious labor dispute caused a significant collateral damage in the affected ports. The dispute lasted over 9 months and peaked up with work slow-downs and when ports were brought to a complete halt (weekend closures).





MAJOR IMPACTS ON THE CONTAINER MARKET

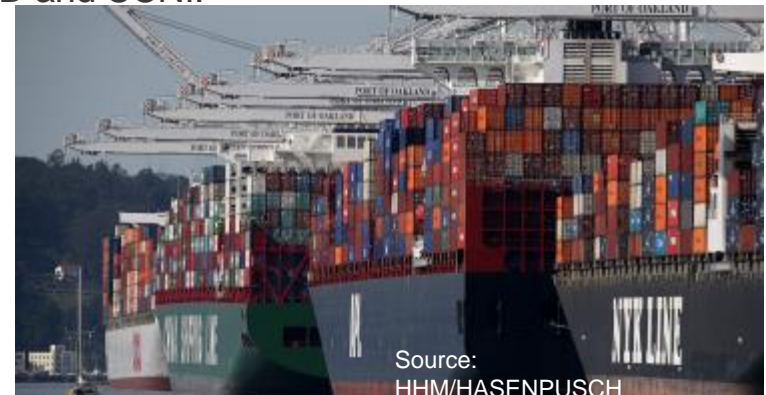
- The actions have resulted in a back log of over 100 container vessels on the USWC and lasted well into 2nd Q 2015. Now all three port activities are returning to normal, higher ship movement activity. Anchorages are emptying.
- Over the course of the dispute operators deployed an additional **61** ships with a total capacity of **364.000 TEU** to fill the gaps left by vessels that got stuck on the USWC (Alphaliner)





MAJOR IMPACTS ON THE CONTAINER MARKET

- Liner Consortia and M & A update
- The current trend in the industry is to combine vessel space through series of vessel-sharing agreements and long term slot swaps on a big scale.
- Lately, MAERSK and MSC have formed a massive alliance named “2M” – viewed as the successor of P3. [MOL now joins on Asian – South America route](#)
- CMA CGM, CSCL and UASC have created the Ocean Three “O3” alliance (plus [HAMBURG-SÜD eyes Membership](#))
- HAPAG-LLOYD and CSAV have merged, likewise HAMBURG SÜD and CCNI.
- HAPAG-LLOYD / NOL (APL) ?
- HAPAG-LLOYD / HAMBURG-SÜD ? a never ending story! but unlikely.
- [Top Maritime regulators are planning to meet in June 2015 and review the impact on competition of the new global alliances formed by leading container lines.](#)





NEWBUILDING & FLEET DEVELOPMENTS

- The current cellular fleet counts **5.042** vessels with a total capacity of **18,1 mn TEU**.
- Fleet growth in 2014 ended up with 6,3 %, 1,5 mn TEU New buildings against 0,4 mn TEU scraping's.

Cellular Container Fleet ('000 TEU)															
	2015 No. of vessels - ult. April	2015						2016				2017	2018	2019	
		Fleet 1/1	Delivered	Order Book	Scrapped	Estimated Scrappings	Fleet 31/12	Capacity Growth	Order Book	Estimated Scrappings	Fleet 31/12	Capacity Growth	Order Book	Order Book	Order Book
0-699 TEU	537	233	1	2	1	6	230	-1.5%	0	3	227	-1.5%	0	0	0
700-999 TEU	417	360	0	2	3	6	352	-2.2%	1	5	347	-1.2%	0	0	0
1,000-1,499 TEU	700	813	5	16	4	22	807	-0.7%	15	11	812	0.6%	6	0	0
1,500-1,999 TEU	537	929	4	31	16	7	941	1.3%	40	8	973	3.4%	10	0	0
2,000-2,999 TEU	653	1,672	5	70	17	25	1,704	2.0%	70	10	1,764	3.5%	19	0	0
3,000-3,999 TEU	262	902	15	40	10	26	922	2.2%	15	15	921	-0.1%	25	7	0
4,000-5,399 TEU	775	3,525	14	29	18	38	3,513	-0.3%	21	22	3,511	0.0%	8	0	0
5,400-6,999 TEU	436	2,650	14	14	0	0	2,677	1.0%	0	0	2,677	0.0%	0	0	0
7,000-9,999 TEU	461	3,807	144	361	0	0	4,312	13.3%	292	0	4,605	6.8%	38	0	0
10,000-13,999 TEU	187	2,244	54	167	0	0	2,465	9.8%	261	0	2,726	10.6%	118	69	0
14,000+ TEU	17	999	184	555	0	0	1,738	73.9%	488	0	2,227	28.1%	503	163	100
Total	5,042	18,134	440	1,287	69	131	19,662	8.4%	1203	75	20,790	5.7%	727	240	100



NEWBUILDING & FLEET DEVELOPMENTS

- The total order book stands at **3,6 mn TEU (1.3 above 14.000 TEU)**, which equals some 450 vessels or 19 % of the existing fleet.
- Very low number of vessels, capacity on order plus 50% compared to 12 years ago.
- **440,000 TEU** have already been delivered in 2015.

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	2015	2015								2016				2017	2018	2019
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NEWBUILDING & FLEET DEVELOPMENTS

- Ever-larger and more efficient ships answer of liner operators to declining revenues, but can they be filled? 70-80% load factor reported lately on FE-North Europe leg.
- Are they becoming too inflexible ?? In terms of where they can be operated ?
- Bigger ships will bring ports under increasing pressure!



RECORDS, RECORDS, RECORDS.....!!!!



In January 2015 DSME (Daewoo Shipbuilding & Marine Engineering) has delivered the WORLD`S LARGEST containership currently on the water, the MSC OSCAR with 19.224 TEU, upgraded during construction, No 2 MSC OLIVER out of 20 ordered units to follow.





WORLD'S LARGEST CONTAINERSHIP: FACTS AND FIGURES

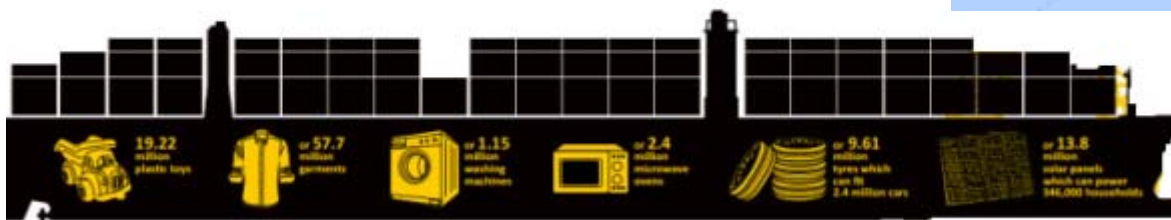
MSC OSCAR WORLD'S LARGEST CONTAINER CAPACITY VESSEL

Constructed by Daewoo Shipbuilding & Marine Engineering (DSME) shipyard and classed by DNV GL, the vessel, which is 395.4 m long and 59 m wide, has a record-setting capacity of 19,224 TEUs.

The colossal vessel has a deck area equivalent to four football fields laid end to end and in a single voyage could carry a cargo volume equivalent to 57.7 million garments or 2.4 million microwave ovens. Incorporating state of the art technologies such as the electronically controlled modern classic diesel engines, anti-fouling paint and auto pilot systems, MSC Oscar achieves an improved level of efficiency and offers a healthier supply chain.

From January 2015, MSC Oscar operates on the Albatross service which is one of the six services between Asia and Northern Europe provided by MSC. MSC Oscar departed from Dalian in China on 25th January and is now in service on the Albatross trade route between Asia and Europe.

From its last port of call in Tanjung Pelepas, Malaysia on February 10th MSC Oscar travels to Europe in early March where it calls at Algeciras, Rotterdam, Bremerhaven and Wilhelmshaven and Felixstowe with transit times of 18, 20, 22 and 24 days respectively.



Source Lloyds List:

Length 395.4 m

16m
draft

RECORDS, RECORDS, RECORDS.....!!!!



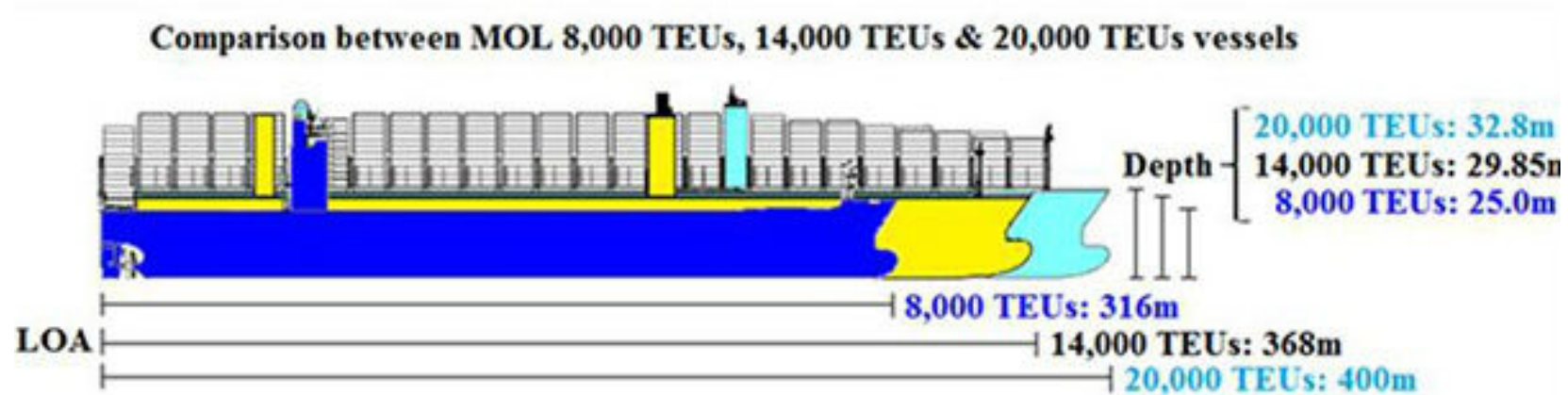
- Mega ship is the trend, “Ordering frenzy”
- MOL ordered 6 x 20.150 TEU, OOCL 6 x 21.100 TEU
- CSCL 5 x 19.100 TEU, CMA CGM 4 x 20.600 TEU + 6x18.000 TEU
- UASC 6 x 18.800 TEU (LNG ready)
- MOSK ordered 4 x 20.000 TEU
- MSC 20 x 19.224 TEU, COSCO is planning 6 + 6 x 20.000 TEU. Yang Ming decided last week not to join the club, ditto APL
- EVERGREEN expected to order 11 x 20.000 TEU
- MAERSK 4 x 20.000 TEU and HAPAG-LLOYD few months away from decision
- Higher box stacks in hold and on deck enable yards to build bigger ships without changing dimensions. By lifting the deckhouse to ensure visibility, yards can create 11 tiers in the holds and 11 on deck. Only a matter of time before we see 12 tiers on deck
- **ALL ARE RESTRICTED TO ASIA TO EUROPE**



Shipbrokers estimate 500.000 TEU in new capacity ordered Q1 2015.



SAMSUNG DESIGN 20150 TEU MOL



RECORDS, RECORDS, RECORDS.....!!!!!!



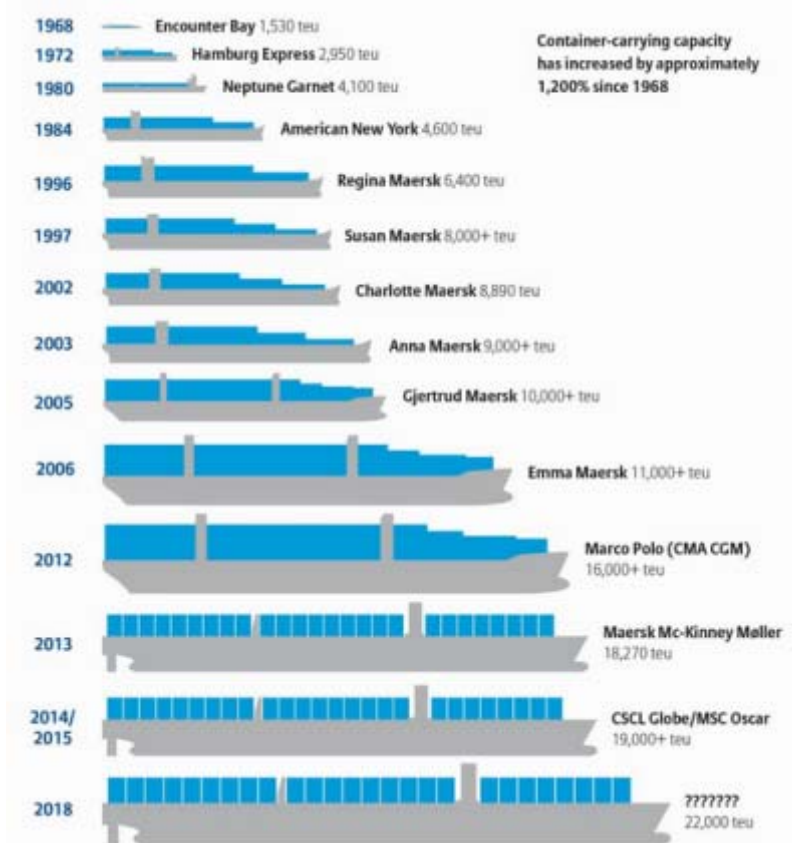
DNVGL: 30,000 TEU
AN EASY STEP WITHIN
THE NEXT TEN YEARS



50 YEARS OF CONTAINER SHIP GROWTH



50 years of Container Ship Growth





IDLE FLEET & SCRAPPING

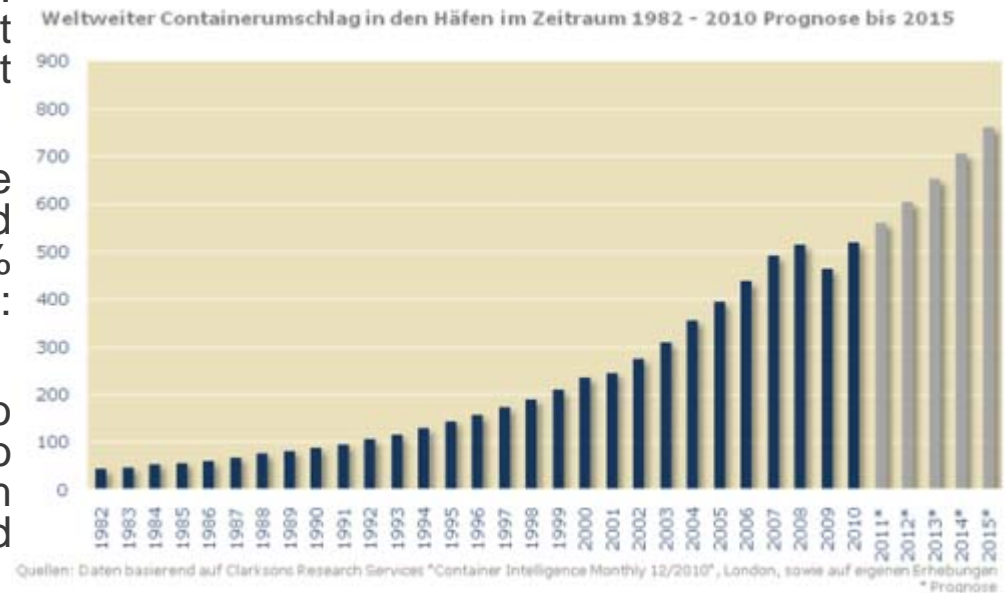
- **Idle Fleet:** The number of smaller units below 3.000 TEU has shrunk to the lowest level in 4 years : 60 units 500 – 2.999 TEU (135, 2014), 45 units above 3.000 TEU (return from USWC engagement) and 5 units above 7500 TEU (345.000 TEU in total). (Alphaliner).
- **Box ship scrapping** set to remain high after more than 1 mn TEU scrapped past three years (2012/2014). Estimate 200.000 TEU.
- HAPAG-LLOYD announced to scrap 16 units in 2015.
- **69.000 TEU scrapped in 2015.**





CONTAINER MARKET OUTLOOK

- Container Market gets bigger in every way. The increasing dominance of the giant container ships is the most notable current trend in this sector.
- Box throughput set to reach 1 bn TEU come 2020 with Asian share of 65 %. Continued growth through out Asia will lead to 40% increase in global traffic (Drewry). (2013: 623 mn TEU).
- Ports will come under increasing pressure to provide the necessary infrastructure to facilitate the mega ships and the rapid growth in demand. Larger crane, longer berths, yard space, berth productivity and efficiency.
- **Turkey seems to be well prepared**

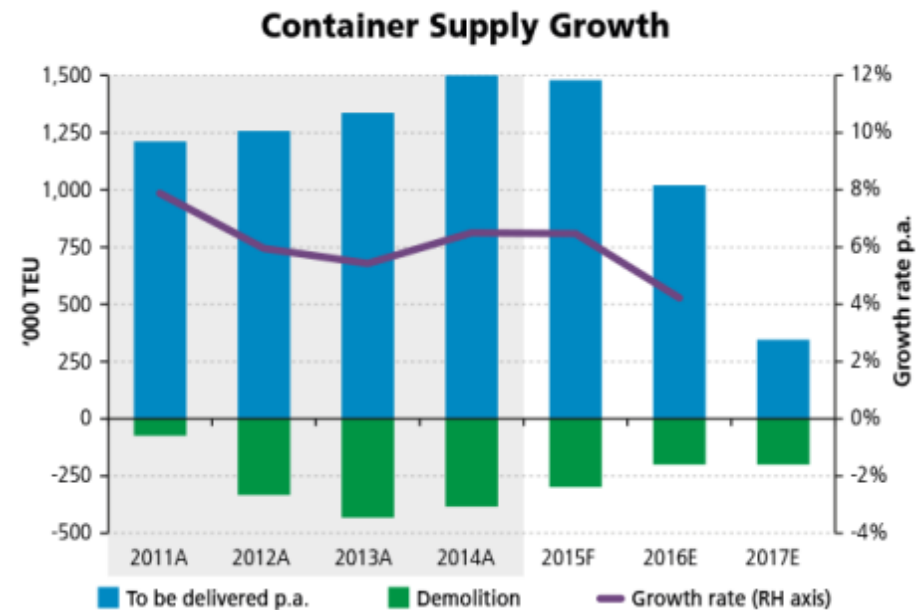


Source: Ocean Partners Shipping



CONTAINER MARKET OUTLOOK

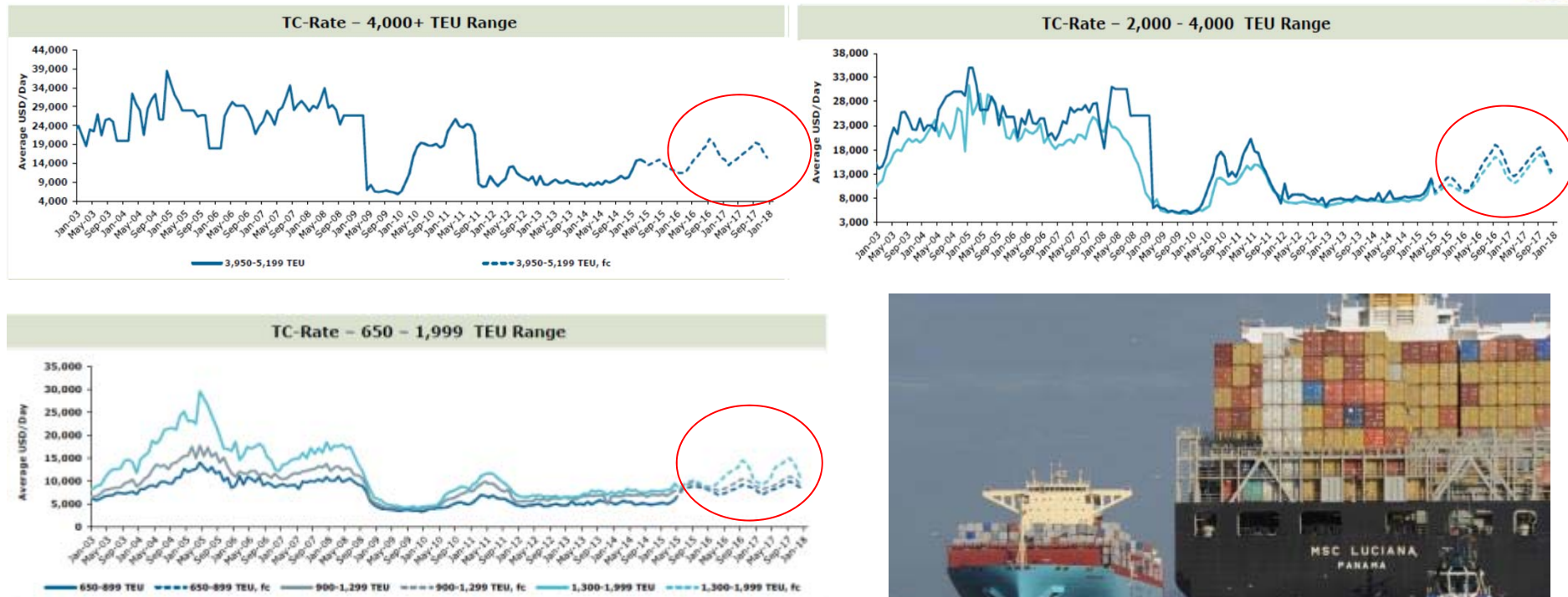
- It seems that the positive development will be the trend for the next few months.
- Will this transfer be the expected turning point to 2015??
- We see stronger interest from China in building container feeder vessels. This segment is under-ordered. Let's all stay away from ordering!!!!
- **SUPPLY/ DEMAND ARE NOT THAT MUCH APART**



Source: BIMCO estimates on Clarksons raw data

A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2015-2017 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 15% of the remaining vessels on order are delayed/postponed.

MARKET OUTLOOK POSITIVE !



Source: Maersk

Container ship prospects look far more promising with talk of the market being poised to take off over the next couple of years.

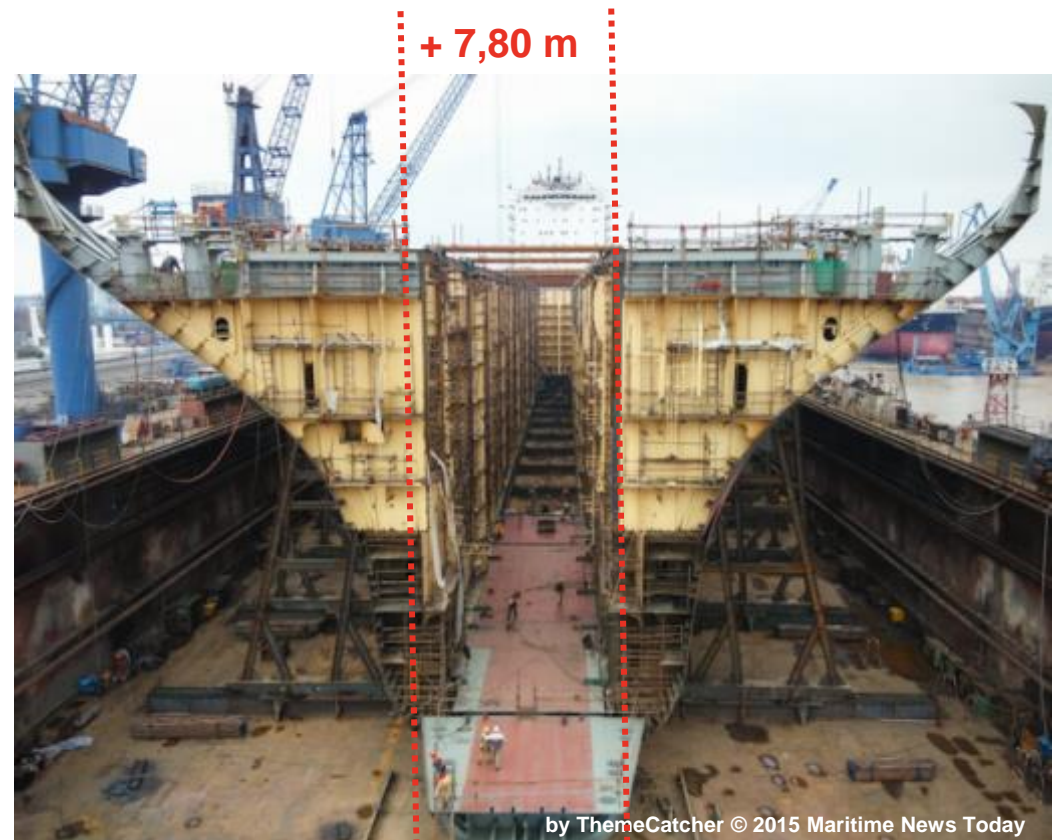




PANAMAX WIDENING

NSB:	Widening of 3 X 4860 TEU
	Panamax to 6300 TEU
Present value:	US\$ 15 m
Conversion	<u>US\$ 10 m</u>
6300 TEU	US\$ 25 m
Beam + 7,80m →	40 m

The same concept is possible with
7000 -10.000 TEU vessels.



by ThemeCatcher © 2015 Maritime News Today

THANK YOU FOR YOUR ATTENTION

