

CUSTOMER INFORMATION

March 2017 - Current Situation Containertraffic

Dear Ladies and Gentlemen,

given the current circumstances, we as your Hamburg overseas forwarding agent, would like to inform you of the shipper and container handling situation.

As you have probably noticed in the past few weeks, the short-term availability of cargo space and the price development have changed considerably.

The reasons for this situation are the result of various combinations of facts, which we would like to summarize roughly.

As a result of over-capacity in cargo space in the last few years, freight rates have subsequently dropped on a broad front and have led to the fact that almost all carrier owners were unable to recover financially.

This resulted in many changes for, example:

Re-organization of existing alliances resulting in changes in sailing lists / departure cancellations, Blank/Void Sailings, artificial reduction of capacity in certain areas (such as the Far East), new ship owner alliances/take-overs/mergers such as Hapag Lloyd & UASC or Maersk & Hamburg Sued, insolvency of Hanjin Shipping in the summer of 2016, etc...

If one is to believe expert reports, several hundred thousand TEUs in container space capacity were removed from the market in 2016. A similar prognosis is expected for 2017.

Noticeable consequences of these changes/problems are as follows:

The relationship of supply and demand for ships space has clearly changed
Short-term bookings for express shipments become difficult – partially impossible.
Carriers are fully booked-up 4-8 weeks in advance, i.e. don't accept new bookings, as the new alliances and timetables are not yet confirmed or freight rates for future months are not yet established.

To a certain degree previously booked cargo is 'rolled over' to later departures
Seafreight rates have increased and are expected to increase further.

Carriers have revoked existing agreements and only accept cargo at higher rate levels.

Ship-owners have scheduled so-called 'peak seasons' and 'emergency additional' for new and pre-existing bookings for March and April. Partially up to USD 1.000 more per container.

Long-term rate agreements beyond March and April are not signed, as it is not yet clear how the market will develop.



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The current situation is not satisfying for you or us, as considerable more time is spent organizing cargo space. Short-term shipments are very problematic. Present cost increases for FCL and LCL shipments are momentarily not avoidable. The costs for so-called 'peak season additional', 'emergency additions', 'emergency peak recovery surcharges' or general rate increases are negotiated, discussed, announced and fairly distributed by us.

The question is: when will the situation settle and how do we handle it

There is no noteworthy relief expected in the next few months.

Whether there is an easing of the situation in the second half of the year, remains to be seen once the new alliances and co-operations (especially Asian trade) have commenced and therefore order and normality in timetables and capacity distribution as well as rate levels has been restored.

At the moment it is recommended to plan 3-8 weeks in advance for certain trade e.g. export Far East. For regular route business we have actively, in agreement with our clients placed bookings up until May to guarantee efficiency in day-to-day dealings. With certain carriers we have also prebooked capacities for ongoing business to create free space. Additionally all Alfons Koester operators are in constant communication about available cargo space and cancellations, enabling us to better utilise and distribute the available capacities. However, carriers react sensitively when bookings are not fulfilled. In these cases, shortterm cancellations of seafreight will be charged as "Dead Freight".

In this regard we ask for your understanding, trust and patience as up-to-date information regarding freight rates and capacity is not always available as you are accustomed to.

Please contact your local AK partner for further information, transport solutions, rate development and individual advice. We will keep you informed about further developments and are available for queries or further explanations.

Irrespective of the current situation we look forward to your container and LCL shipments and will do our utmost in these difficult times to offer you the best possible processing and support as your competent and professional partner.

With best Regards

Alfons Köster & Co. GmbH

Mr. Wolfgang Koss / Director