AN OUTLOOK OF THE SHIPPING INDUSTRY AND THE ROLE OF CYPRUS

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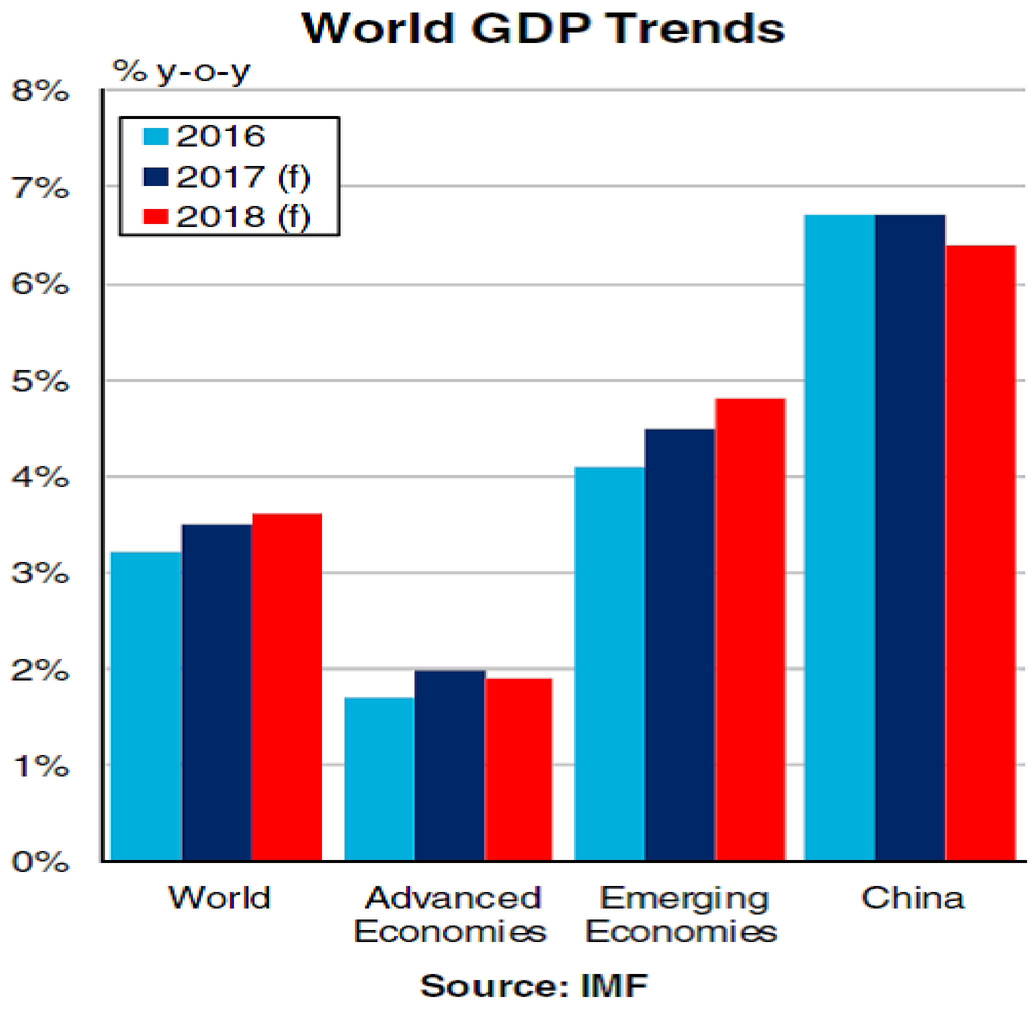
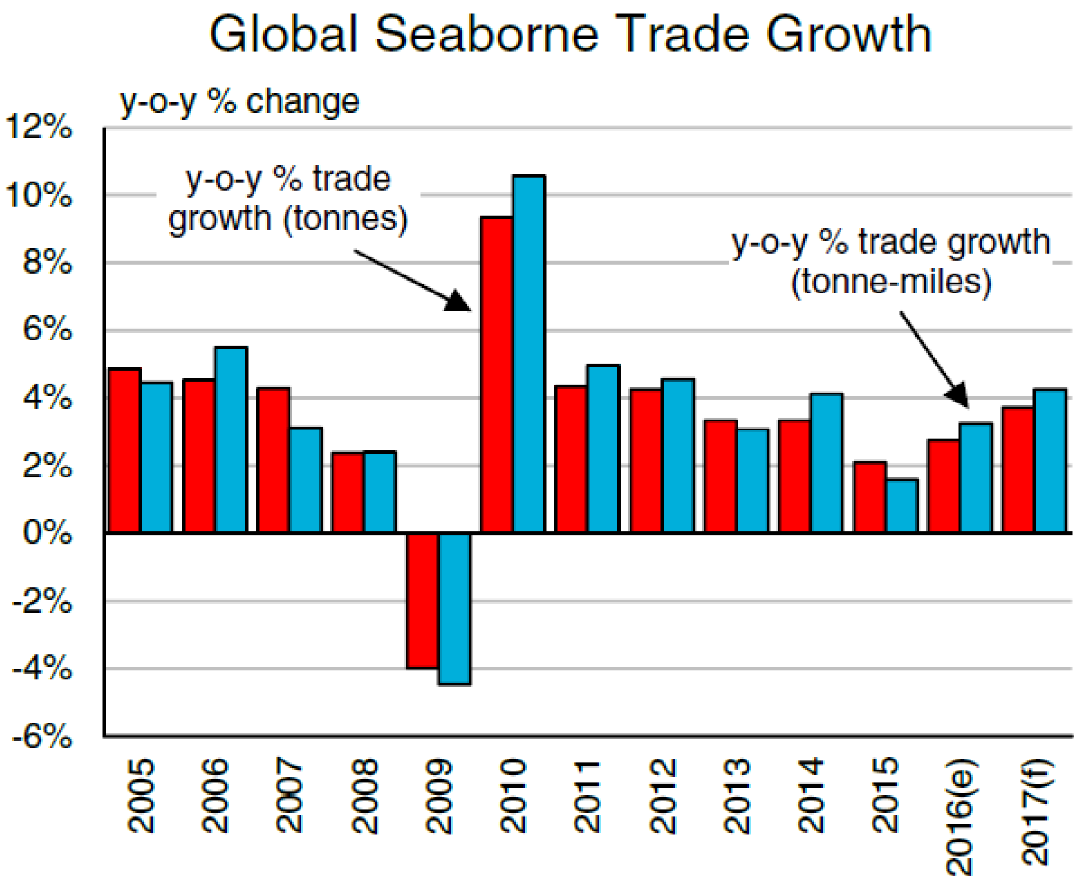
World GDP and projections ..

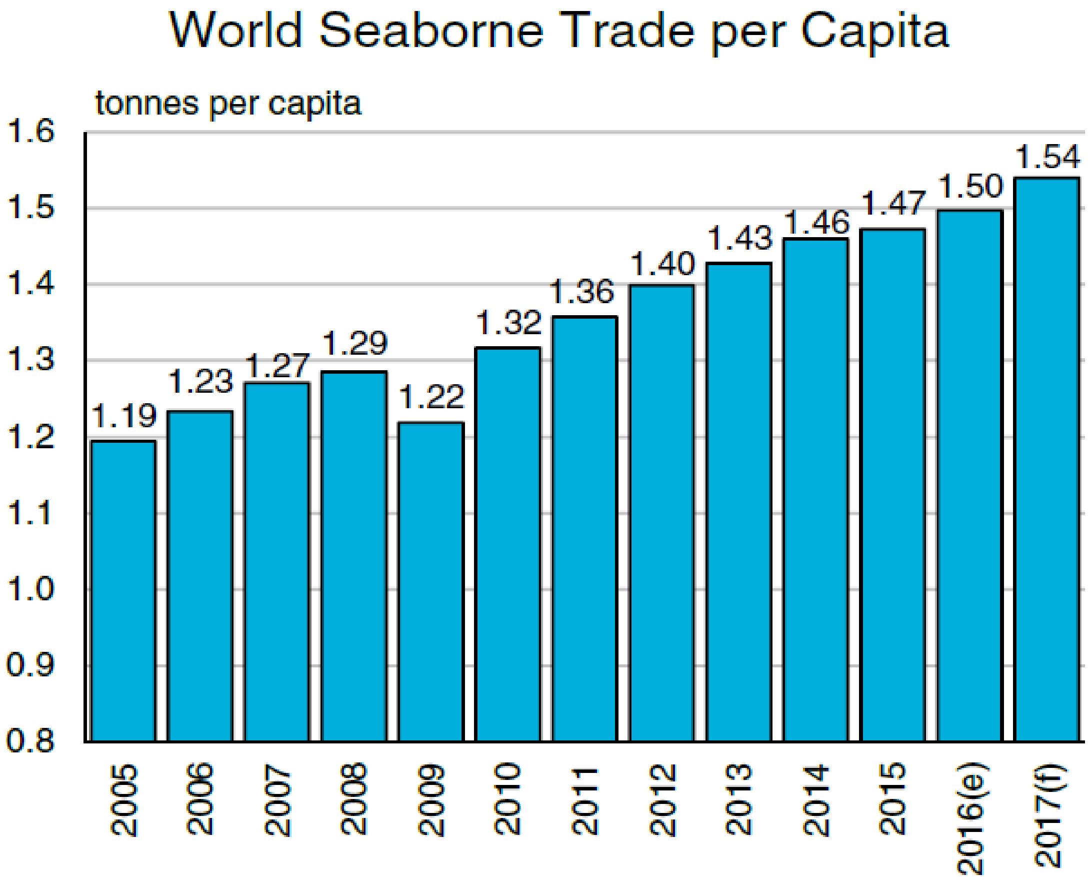
GDP (% yoy)	2014	2015	2016	2017*	2018*
OECD	**1.9**	**2.1**	**1.7**	**2.0**	**1.9**
USA	2.4	2.6	1.6	2.1	2.1
Japan	0.0	1.1	1.0	1.3	0.6
European Union	1.4	2.0	1.8	1.9	1.7
Germany	1.6	1.5	1.8	1.8	1.6
France	0.6	1.1	1.2	1.5	1.7
UK	3.1	2.2	1.8	1.7	1.5
Italy	-0.3	0.8	0.9	1.3	1.0
Russia	0.7	-2.8	-0.2	1.4	1.4
China	7.3	6.9	6.7	6.7	6.4
Developing Asia	6.8	6.8	6.4	6.5	6.5
South Korea	3.3	2.8	2.8	2.7	2.8
Taiwan	3.9	0.7	1.4	1.7	1.9
Singapore	3.3	1.9	2.0	2.2	2.6
Thailand	0.8	2.9	3.2	3.0	3.3
Malaysia	6.0	5.0	4.2	4.5	4.7
India	7.2	8.0	7.1	7.2	7.7
Africa	5.0	3.4	1.3	2.7	3.5
S & C America	1.3	0.1	-1.0	1.0	1.9
Developing Economies	4.6	4.1	4.1	4.5	4.8
WORLD	**3.4**	**3.4**	**3.2**	**3.5**	**3.6**

*Forecast, Source: IMF (July 2017)



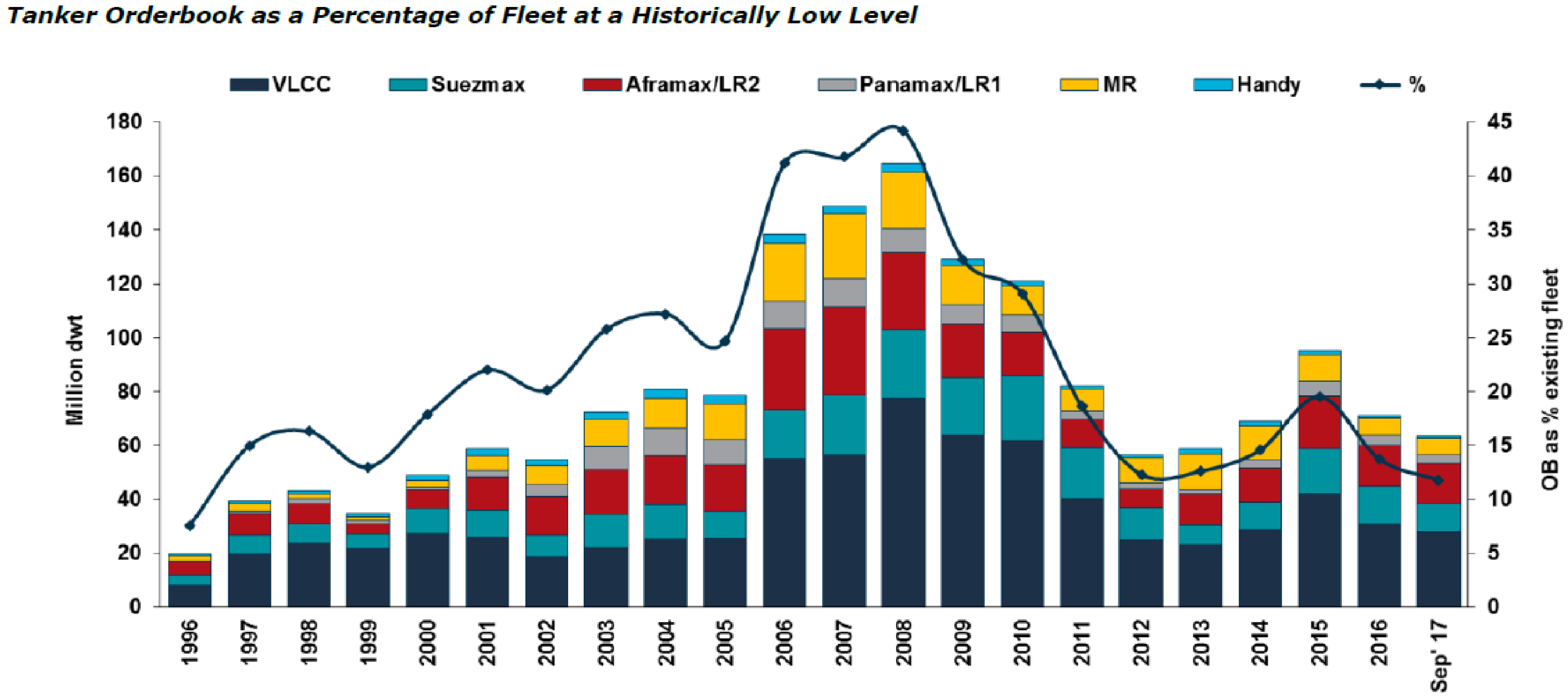
World Seaborne trade is projected to increase by 3,9% y-o-y to 11,6 billion tons by the end of 2017
This means that this year the shipping sector will transport 1,54 tons per person of the planet





Q3 2017 saw further weakness in the tanker market.

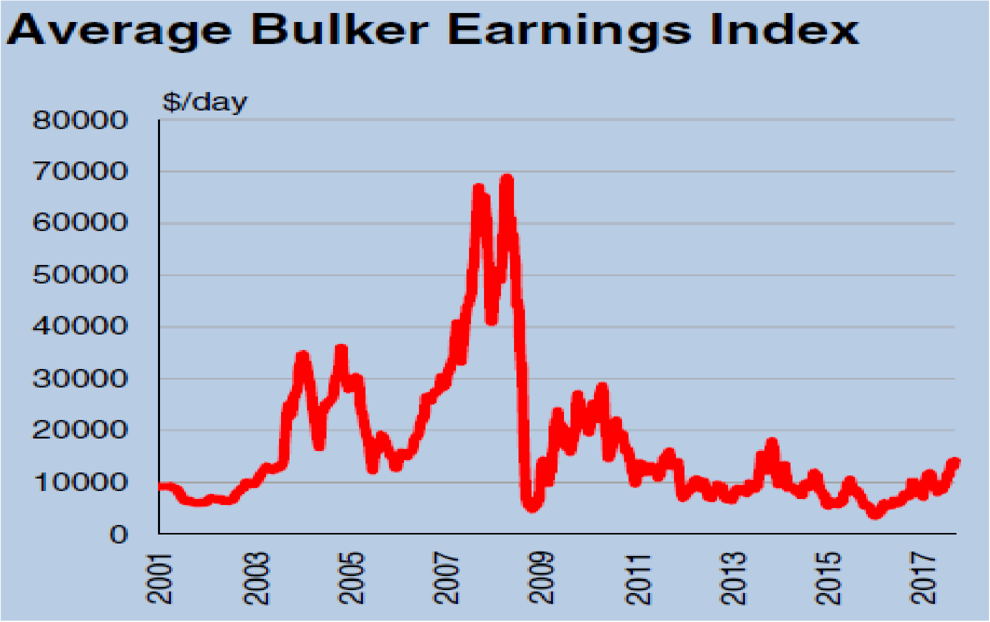
Tanker Orderbook as a percentage of fleet is at historically low Level.

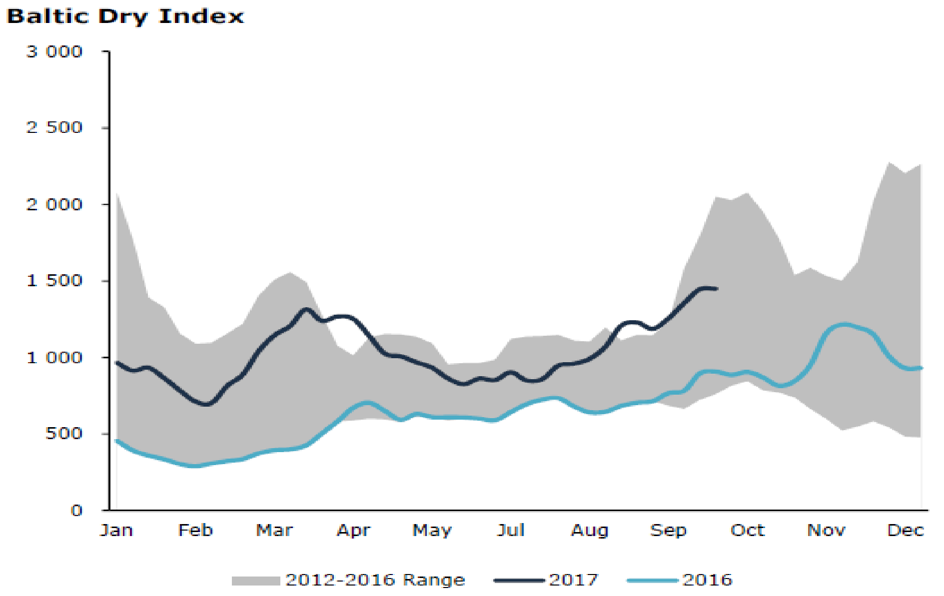


Source: Clarksons Platou Securities

Dry Bulk Market – earning have improved over the last few months

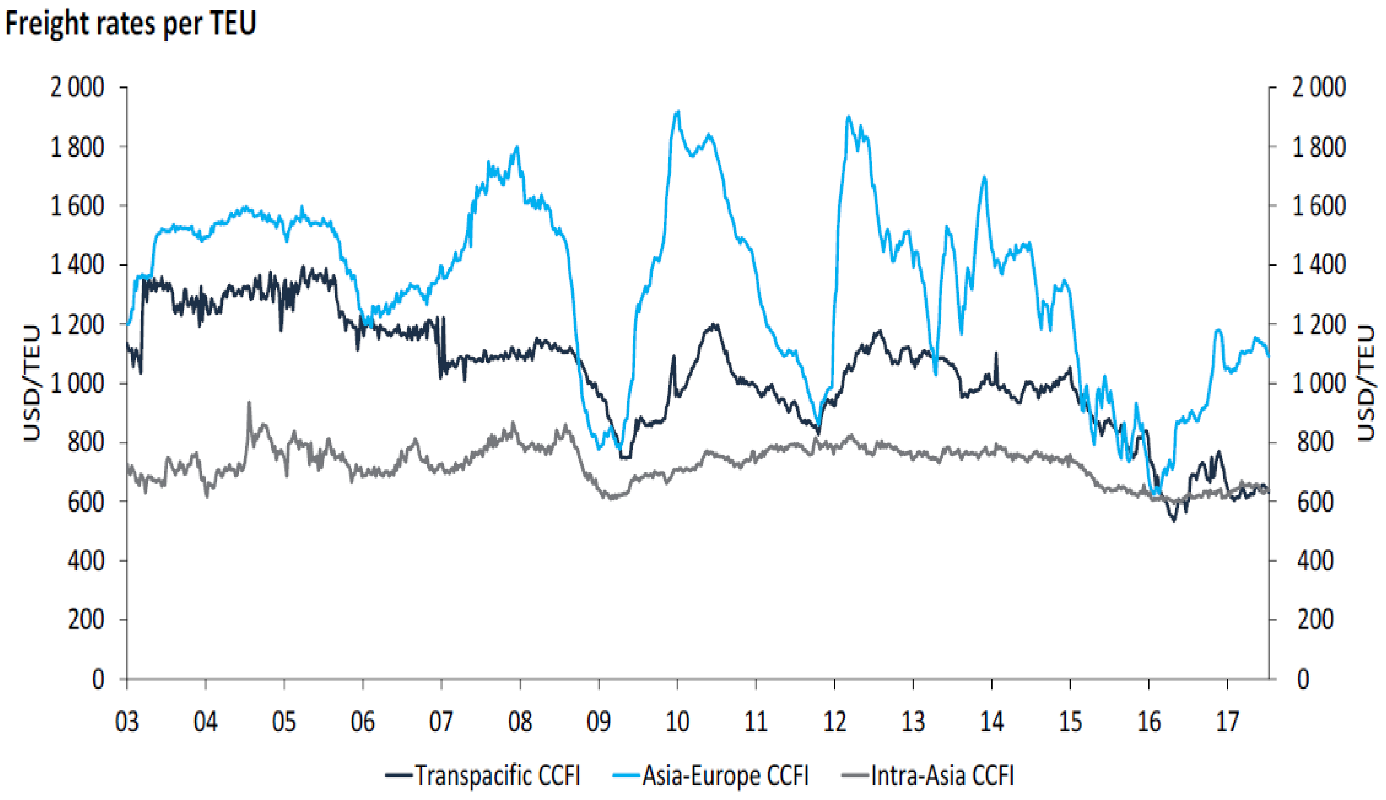
Bulkcarrier Supply and Demand				
Dry Bulk Trade % growth (mt)	2017 (f'cast)	**4.2%**	2018 (f'cast)	**2.7%**
Bulkcarrier Fleet % growth (dwt)	2017 (f'cast)	**3.5%**	2018 (f'cast)	**1.2%**





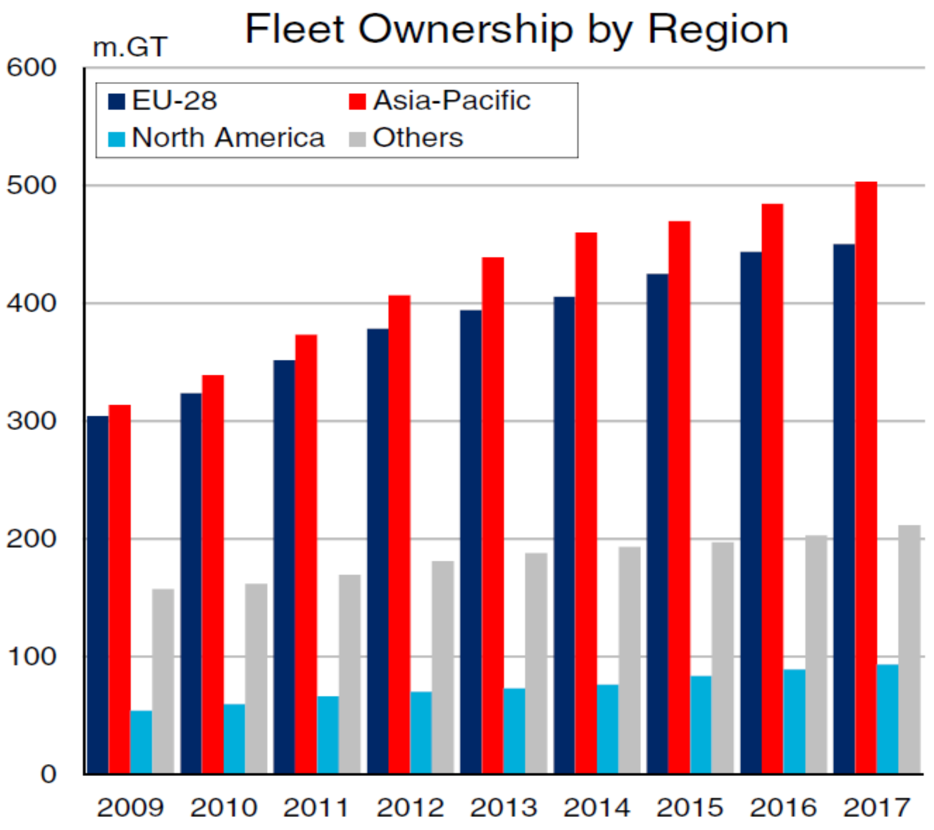
In 2018 and 2019, with slowing fleet growth and continued healthy increase in tonnage demand, we expect the market fundamental to strengthen and result in higher freight rates and ship values.

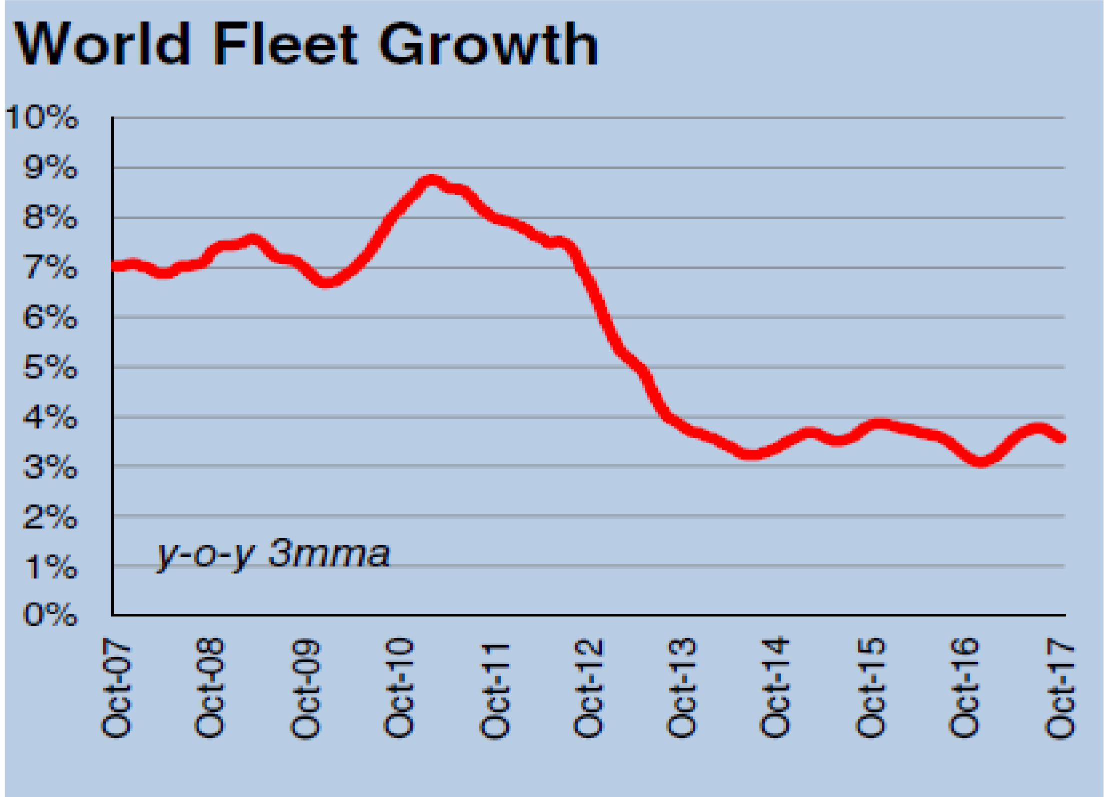
A fleet growth rate around 3,5% p.a. combined with about 5% increase in tonnage demand should result in gradual recovery in container market fundamental in the years to come



World Fleet Development This Month

Fleet	**1294.2m GT**	*(up 3% this year)*	2017 Y-t-d Deliveries	**54.1m GT**
Orderbook	**135.8m GT**	*(10% of the fleet)*	2017 Y-t-d Demolition	**18.1m GT**





Cyprus Flag Advantages

- A sovereign flag member of the European Union.
- Listed in the White List of Paris and Tokyo MOUs.
- Anti-Piracy Law: Comprehensive and pioneer.
- No crew/officers nationality restrictions.
- Web services for the registration of Seafarers.
- Bilateral Agreements on Merchant Shipping with 28 countries.
- Full protection for financiers and mortgagees.
- Competitive ship registration costs and fees.

Cyprus today ..

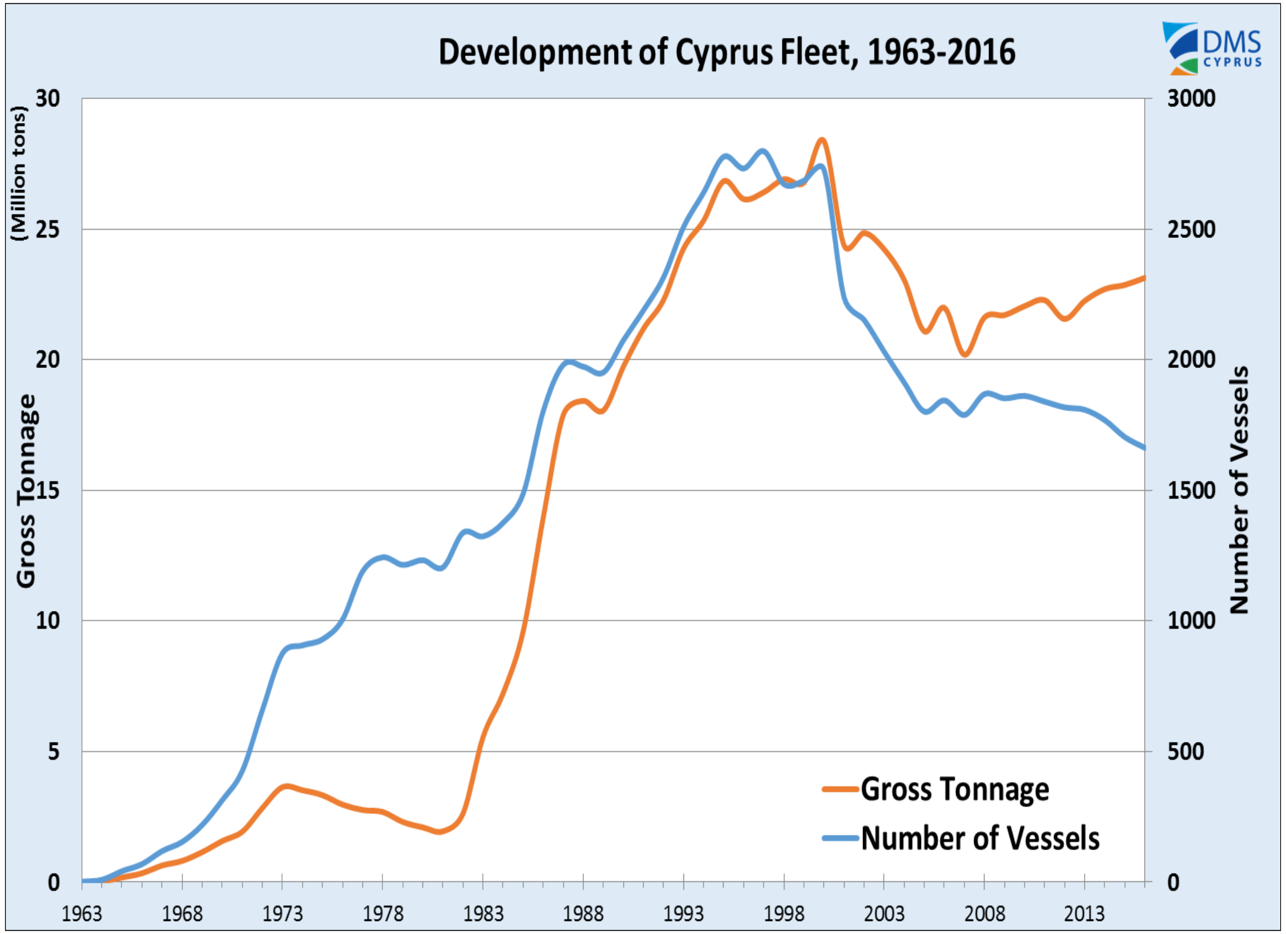
3rd Largest fleet in EU and 11th worldwide

Largest Management centre in the EU and in top 5 worldwide

- ✓ 20% of the world 3rd party ship management market
- ✓ Flexible DMS, cooperative tax office, willing government
- ✓ Stable environment and consistent shipping policy

Cyprus today ..

Flag States		
1	Panama	Open
2	Marshall Is.	Open
3	Liberia	Open
4	Hong Kong	Open
5	Singapore	Open
6	Malta	Open
7	Bahamas	Open
8	China P.R.	National
9	Greece	National
10	Japan	National
	Total Top-10	
	Share of World Total	
11	Cyprus	Open
12	Isle of Man	International
13	Indonesia	National
14	United Kingdon	National



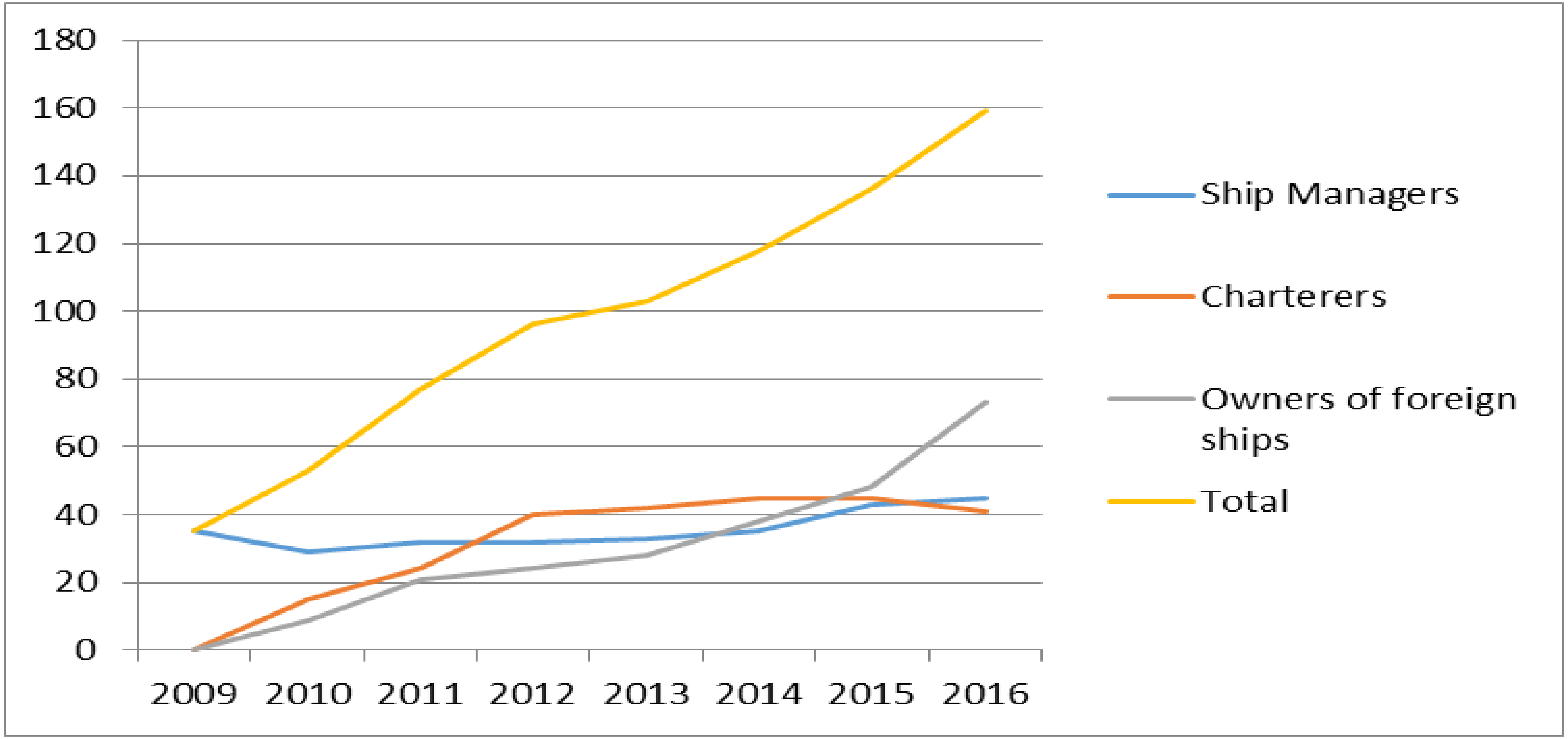
EU approved TT system that ….

- Has whatever the EU guideline allows – probably the best in the EU
- Provides for TT on net tonnage of the vessels, than CIT on actual profits
- Applies to owners, charterers and shipmanagers of mixed fleets
- Grants total tax exemption of profits tax and distribution tax at all levels
- Allows mixed activities within a company/group
- Allows split shipmanagement activities (crewing or technical)

Cyprus has an Ideal environment for Ship Registration and Shipping Operations

- Strong international presence with offices in Limassol, Hamburg, London, Piraeus, Rotterdam, New York City and Brussels.
- Competent officers & surveyors available 24hours/day.
- Efficient, qualitative and reliable services to the shipping industry
- Strong involvement in international shipping fora (IMO,ILO and EU).
- Ideal time zone for running international operations.

Growth in the number of companies under the tonnage tax system has been exponential over the last few year



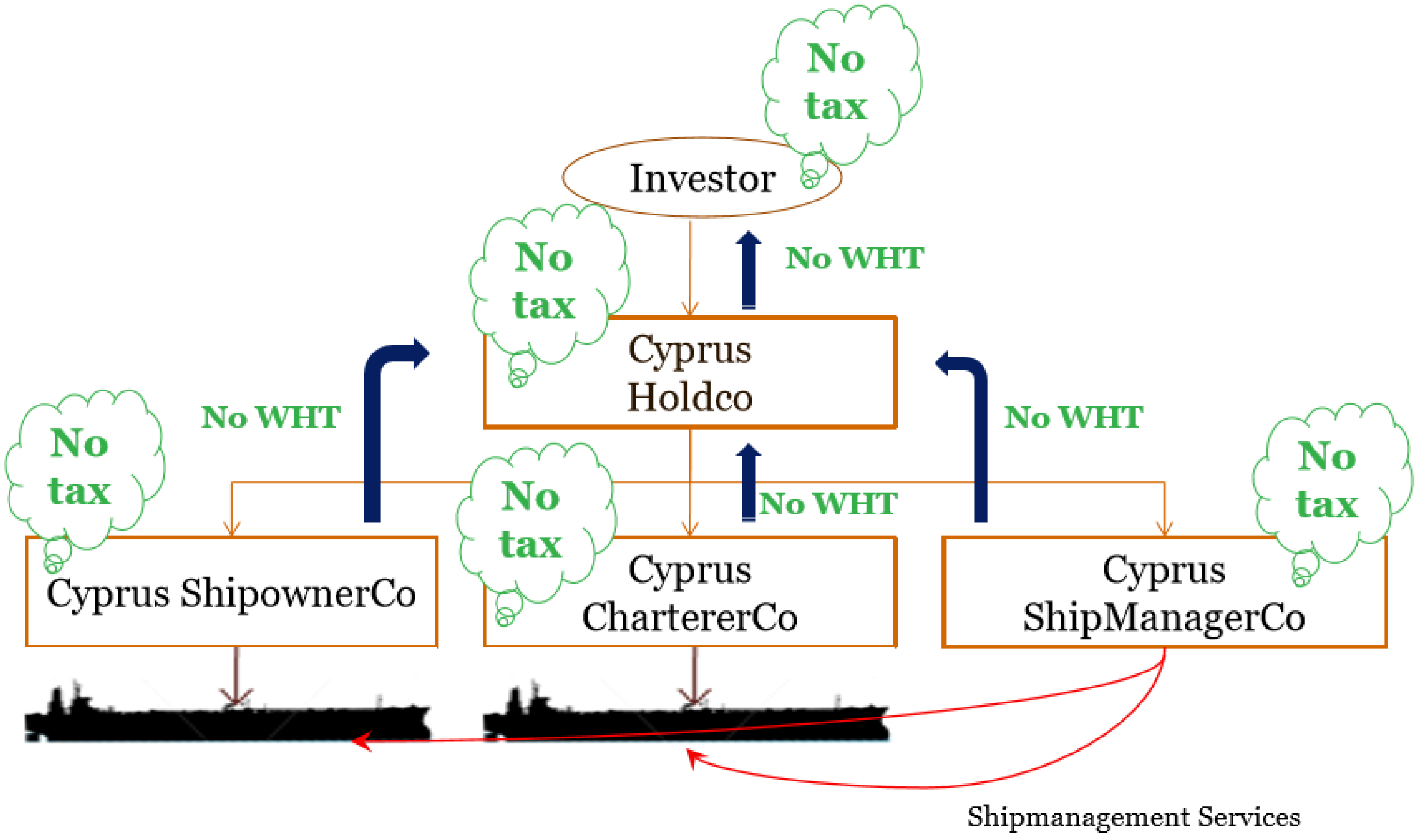
…. and if TT does not apply ….

- Non shipping profits taxable at 12,5% (lowest corporate tax rate in EU)
- Tax depreciation on vessels available
- Additional exemptions from income tax legislation:
  - ✓ Dividend exemption
  - ✓ Sale of shares exemption
  - ✓ Permanent Establishment exemption
  - ✓ No withholding taxes
  - ✓ Tax free exit route
  - ✓ Forex exempt unless trading
  - ✓ Sale of ship exemption
  - ✓ NID

Summary of the taxation benefits

Activity	CIT	SDC	Tonnage tax
Shipowners: • CY flag • EU/ EEA flag • Other flag	 Exempt Exempt Exempt (fleet)	 Exempt Exempt Exempt	 Compulsory Optional Optional
Shipmanagers & charterers: • CY flag • EU/ EEA flag • Other flag	 Exempt Exempt Exempt (fleet)	 Exempt Exempt Exempt	 Optional Optional Optional
Interest income : Relating to shipping activities Not relating to shipping activities but part of financing activity Passive interest income not relating to shipping activities	 Exempt 12,5% Exempt	 Exempt Exempt 30%	 No additional No No
Non shipping income: Non qualifying shipping activities Profits from foreign PE Sale of titles (shares, bonds, debentures etc) Non shipping dividends	 12,5% Exempt* Exempt Exempt	 Exempt Exempt Exempt Exempt*	 No No No No
Payment of dividends, interest and royalties	No WHT		

Total tax exemption



Cyprus has developed over the last few years as a major shipping center within the EU

- Well established and quality Registry with Merchant Fleet exceeding 23 million gross tonnage
- Major base for international shipping operations with a strong resident cluster
  - Leading Shipmanagement centre in the EU with more than 50 ship management companies controlling a fleet of 2200 vessels are operating from Cyprus; and
  - Wide range of shipping and shipping related activities, maritime cluster.
- Strong Government support at all levels.

Crisis time is perfect time to make changes and take action

- Minimisation of tax cost much easier than reduction of expenses
- Change of tax residency of existing shipping companies
- Ship re-flag / parallel registration
- Transfer of vessels, charter agreements within a group
- Exit charges low if values are low

Continues developing of the infrastructure…