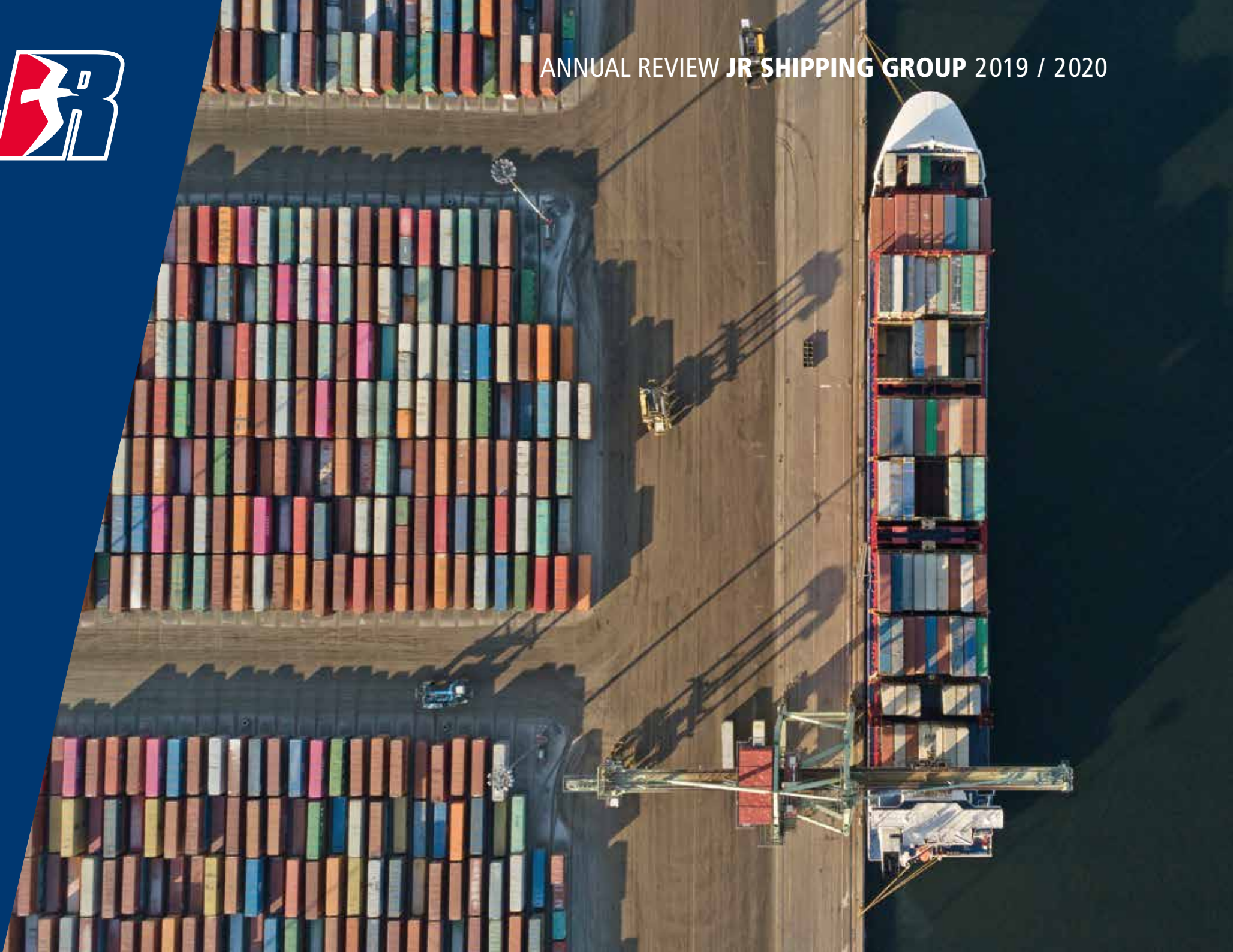




ANNUAL REVIEW JR SHIPPING GROUP 2019 / 2020



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Acknowledgements

In 1993, Harlingen-based JR Shipping was founded as a founder/owner company. The shipping company started operating a small fleet of compact multipurpose vessels. In 2000, the company shifted its course towards the container feeder growth market. The fleet grew rapidly up to 23 container feeders in 2009. For the purpose of financing its fleet, the shipping company issued and placed direct ship participations on the market.

In 2018, the year in which JR Shipping celebrated its 25 years in business, the shipping company closed a challenging chapter in its history. Up till 2018, the consequences of the financial crisis could be felt in the shipping industry and, thus, at our shipping company in Harlingen.

From 2009 to 2018, substantial dilemmas had to be overcome and a great deal of damage was incurred – both by the shipping company itself and by many investors who participated in shipping CVs. The damage cannot be reversed. For the shipping company, though, it is vital to look forward and attune its course to the current situation. Today, the shipping group is faced with the challenges caused by coronavirus.

Currently, the shipping group carries out the management for 20 container feeders, 6 service vessels, 1 survey vessel and the Clipper Stad Amsterdam.

JR Shipping Group focusses on:

- ▶ the operation and management of container feeder vessels
- ▶ the operation and management of service and survey vessels in the offshore energy industry, under the flag of its subsidiary company SeaZip Offshore Service
- ▶ ship management and chartering services for third parties
- ▶ purchasing and sales support
- ▶ the development and implementation of restructuring programmes
- ▶ issuances, fund management and (re)financing of shipping projects

Media reports

JR Shipping maintains lasting partnerships with its market relations, investors and suppliers. The focus in these partnerships is on maximum transparency and the transfer of information. The shipping group's annual review provides insight into its recent and future market and business developments. The contents of the 2019/2020 Annual Review have been compiled with the utmost care, however, no rights can be derived from them.

Harlingen, april 2020

JR SHIPPING GROUP

Message from the Management Board

After a protracted period of dispiriting market and fleet developments and considerable challenges in the international shipping industry, the rates in the container feeder market stabilised. Besides, the main ports of transshipment saw a significant increase in the flow of containers.

Consequently, our shipping company started 2019 confidently. By continuing the ship management for eleven container feeders, assembled in Container Fleet Fund CV, and an expansion with four other vessels, we managed to keep the robust foundation under our shipping company intact.

This stable situation continued in 2019. Those vessels for which new contract negotiations were presented could be chartered out rather rapidly. In early 2019, the four new vessels were smoothly transferred to Container Fleet Fund CV and, since then, operations have been proceeding in line with expectations.

In mid-2019, stable market conditions allowed us to add another container feeder to the fleet, the MV Energy, an existing vessel with a capacity of 750 TEU. What is special about the Energy is that her purchase price was so low that she will be able to make a positive return, even in conditions with continuously low rates. The bonds and participations which we issued for this opportunity investment were in great demand.

These positive trends were somewhat overshadowed by the disappointing results of our offshore service fleet, which we use to provide services to the markets for offshore wind energy and offshore oil and gas. Although the operations of the vessels were satisfactory in an operational sense, the results continued to come under pressure due to erratic market developments.

That being said, we were able to close the year 2019 satisfactorily at group level, knowing though that many challenges would present themselves in 2020, including those relating to technical innovations and new forms of financing and alliances with the aim of keeping a grip on future market developments. Early this year, in our 2020 New Year's Report, we discussed this subject in more detail. At that time, we could never have expected the global tragedy which presented itself shortly afterwards:

Coronavirus, which is keeping a tight grip on the world and is creating huge uncertainties once again. We are particularly concerned about the impact of the virus on people's individual lives and our perception of health and safety. As an international maritime transport company, however, we cannot get round the fact that the Covid-19 virus has now also contaminated the global economy and the international logistic chain.

Now that we are writing this report, we can impossibly grasp the consequences which coronavirus will have for our shipping markets and business operations. Our concerns primarily focus on the health risks the virus brings with it and the question as to when and to what extent the virus can be brought under control. We will take appropriate measures wherever possible and it goes without saying that we will continue to focus one hundred percent on the safety and continuity of operations of our core processes.

Harlingen, april 2020



Jan Reier Arends



Sander Schakelaar

Managing Owners van de JR Shipping Groep





WK 04

SERZIP

RESCUE
ZONE

The passing from 2018 to 2019 marked for our shipping group a break with the past, in which a large group of investor relations were involved in our fleet, and a new start with the completion of the formalities around the Container Fleet Fund CV. The new structure provides our shipping company with the basis to continue its service provision to our market relations.



In early 2019, Container Fleet Fund CV was founded by a UK based investment group for the purpose of operating the eleven container feeders which had previously been operated by JR Fleet Fund CV, the fund in which private and corporate investors participated. Over time, they had come to the conclusion that JR Fleet Fund CV no longer had a continuity base. In 2018, all JR Fleet Fund partners decided to transfer the vessels to 'Container Fleet Fund CV'. This painful process was concluded early 2019 and subsequently the long year partnership between JR Shipping and the original investors in these vessels ended as well.

A-dijk vessels - a major expansion of the container fleet

When setting up the new operating company, in which JR Shipping is responsible for the management of the vessels, the parties formulated an ambition to acquire more vessels, if possible, and made preparations for this in late 2018. They intended to collectively take over four 1,436 TEU container feeders which are known in the market as the A-dijk vessels.

In February 2019, the first two vessels were transferred: the MV Aalderdijk and the MV Akerdijk. JR Shipping operates them under the names of MV Essence and MV Escape. Some time after that, MV Alsterdijk and MV Amerdijk were transferred to the shipping company. They were rechristened MV Esperance and MV Espoir. The four vessels, which meet ice class 1A specifications, continued to sail pursuant to existing charter contracts.

Ship management for third parties

In 2019, in addition to the fifteen vessels operated in the context of Container Fleet Fund CV, JR Shipping took charge of the management of three container feeders for third parties. Also for these vessels, given the current market climate, the shipping company managed to achieve realistic operating results and provide safe and efficient services to its charterers.

Opportunity Investment

In mid-2019, the shipping company created a remarkable fleet expansion by purchasing an existing 750 TEU container feeder, which is now sailing under the name of MV Energy. In July, JR Shipping made a competitive bid for the vessel which, in the wake of the years of crisis, went bankrupt. The bid was accepted and, consistent with the then prevailing market conditions, the sales price which was insisted on met the criteria for an opportunity investment in all respects.

In a short space of time, the shipping company managed to set up an appealing investment project for both bonds and participations. Both found their way to existing investment relations of the shipping group – those investors who continue to have confidence in the course of the shipping company. Shortly after the docking and inspection service as well as a variety of maintenance and repair work, the vessel could be chartered out at the anticipated market rates.

Offshore service vessels

Whereas the container feeder market finally offered sufficient stability for a responsible operation, the market for offshore service vessels continued to be erratic. Within the given circumstances, SeaZip managed to charter its vessels out properly, but the level of activities in the market for offshore energy projects was too unsatisfactory for a profitable operation. The extraordinary dynamics of this market posed new challenges for the shipping company. The operational performance of the vessels was excellent. They were deployed in practically all current projects in the North Sea.

Excellence in short sea shipping

Our skills and expertise in short sea shipping, our position and experience in the container feeder market and our confidence in the potential of the market for shipping-related operations to support the offshore energy industry define our business strategy, which focusses on efficient execution management services for third parties.

In doing so, our container feeder fleet in its current composition is the backbone of our organisation. In 2019, the revenue level generated with all group activities was sufficient to meet our obligations towards our various financiers and bondholders. Distribution payments in 2019 to our bondholders took place according to schedule. The distributions regarding the recently issued MV Energy Opportunity Bonds can also be realised without any problems.

Confidence in the future of our shipping company and in the opportunities of the global shipping industry still has the upper hand. However, we continuously and closely follow the developments surrounding coronavirus.

Global economy faces new challenge

When this Annual Review was compiled, the world was in the grip of one of the severest public health crises in a long time. The speed at which the coronavirus spreads is unprecedented; it takes its toll in the human sphere and, for the time being, it seems difficult to curb it, in spite of the appropriate measures that are being taken.

China, the world's largest manufacturer and the main driver of economic growth, was the first country to sustain heavy damage. Now, the virus has spread from Asia to the other continents, which has raised major concerns as to its controllability. It is obvious that the pandemic hits the global economy severely. The way in which China kept the crisis in check and is swiftly normalising its production capacity is an indication of the resilience of economic mechanisms and, for the time being, of the temporary nature of the effect of the virus on the global economy.

Since the container feeders operated by JR Shipping are mainly employed in relatively long-term charter contracts, coronavirus has not impacted the 2020 operational results yet. However, the coronavirus has had tremendous impact on the offshore service vessels of SeaZip. Working season 2020 had not started yet. Market demand had virtually come to a stop. This imposes a challenging situation about which the company updated the CV-partners in the SeaZip vessels in detail.

JR Shipping's management and long-term strategy focus primarily on the operation and future capacity expansion of its container feeders, including vessels owned by third parties. In 2019, the shipping company succeeded in adding tonnage to the existing container feeder capacity. In mid-2019, thanks to a successful opportunity investment, JR Shipping acquired an existing vessel. Furthermore, the shipping company managed to keep the availability of SeaZip service vessels at the level of the previous year and to consolidate its position in this market. Besides that, according to the book, JR Shipping carried out the prestige contract it has had for quite some time: the technical management of the Clipper Stad Amsterdam, a Tall Ship.

In early 2019, JR Shipping parted with some of its vessels, including one container feeder, the MV Evolution. For this 1,050 TEU vessel, the recovery of the market came too late. In 2013, by creating an opportunity for participants in the relevant shipping CVs to take over their vessels at an unparalleled purchase price from Commerzbank AG, which was forced to dispose of its ship mortgage portfolio, the shipping company prevented the Evolution and its sister ship MV Evidence from going bankrupt in the aftermath of the financial crisis.

For the purpose of financing the vessels, JR Shipping put ship bonds on the market. Although there were several upswings in the container feeder market, the revenues remained under pressure and the vessels had to be sold after all. The Evidence was sold in 2017, the Evolution in early 2019. JR Ship Brokers & Consultants played a defining part in both deals. Within the given market conditions, which were still below par in 2017, in particular, JR Ship Brokers & Consultants realised acceptable revenues. This does not alter the fact that the sale was disappointing.

Sale of multipurpose vessels

In 2019, the shipping group also said farewell to its multipurpose vessels, the MV Esprit and the MV Estime. In 2008, the shipping company had placed newbuilding orders for both vessels in the light of the diversification policy revealed in that year.

The vessels, built by the Chowgule shipyard in India under the auspices of JR Ship Brokers & Consultants, were put into service in 2011. At that point in time, the market for multipurpose vessels was at a low. Recovery took too long to safeguard operations, even though the rates generated by the vessels were above market average. With the approval of the limited partners concerned, the vessels were sold in 2019, in order to prevent losses.

Container Fleet Fund CV capacity expansion

The downsizing of the fleet was made up for by some successful purchases and a new management contract. Among other things, in early 2019, the four so-called A-dijk vessels could join the Container Fleet Fund CV, which was consistent with the British financier's intention to add more container feeders than the eleven vessels in the former JR Fleet Fund to the operating company in which JR Shipping functions as shipping manager. The vessels, the MVs Essence, Escape, Esperance and Espoir, continued to sail pursuant to existing charter contracts. The 2019 operation went off smoothly. Besides the ship management of the 877 TEU container feeders MV Expansa and MV Externo, carried out by JR Shipping on behalf of their shipowner since 2017, the shipping company took on a third management contract, namely for the MV Expert, a 800 TEU container feeder built in 2011 by its shipyard partner Damen Shipyards. Within the given market conditions, the vessels which JR Shipping has the management of performed well.

Successful opportunity investment

In the summer of 2019, an opportunity arose to take over an existing vessel so as to add to the fleet. The German vessel was declared bankrupt by the end of June and both the bank and the insolvency practitioner sped up the liquidation. This motivated the shipping company to make a remarkably competitive bid, subject to financing being arranged, and a purchase price of €1.7 million was agreed on. The vessel's residual value under 'standard market conditions' would have been over €5.5 million.

The shipping company identified the situation as an opportunity case and confirmed its bid knowing that there was a keen interest among existing investor relationships in a possible opportunity investment. Previous bonds issued by the shipping company in anticipation of a suitable object (JR Shipping Opportunity Bonds), in 2017, had only just been repaid in the absence of projects which met the strict criteria set by the shipping company.

MV Energy Bonds

Now that a suitable opportunity presented itself, the shipping company put bonds on the market once again. They were meant to finance this vessel's purchase. The shipping company considered the merits of issuing participations in a later phase for the financing of the costs of acquisition, transfer, docking and anticipated repairs. In July 2019, the bond loan was issued among existing investment relations. Right away, there was a keen interest in the bonds – the MV Energy Opportunity Bonds. Within two weeks' time, the bonds were placed.

As soon as it became known that the bid had been accepted, in a short space of time, JR Ship Investments set up the MV Energy investment project and offered it exclusively to the shipping company's group of limited partners, consisting of loyal investors with previous interests in various vessels. In early July, investors received a prior announcement; in mid-July, the offering circular with the official subscription documents followed. Investors had the opportunity to subscribe for 64 bonds at €25,000, with the aim to attract a total capital of €1,600,000. The investment offered, and still offers, the security of the right of first mortgage and a fixed interest payment of 5% a year. In two weeks' time, the number of subscriptions outstripped the number of bonds available.

MV Energy Participations

In order to confirm its confidence in the Energy project the shipping company, when it issued the bonds, announced its decision to make an investment itself first in the

other 50 percent of the investment in the vessel. The vessel was built in 2004 at a newbuilding price of approximately €15 million. At the same time, the option to issue MV Energy Participations was announced, in order to give investors an opportunity to participate in the equity capital of the MV Energy Scheepvaartbedrijf CV to be founded. In light of the keen interest in the MV Energy Opportunity Bonds and after all the bonds had been subscribed for, JR Ship Investments immediately started working on issuing the ship participations – in early August 2019.

Thanks to the unparalleled purchase price of €1.7 million, the participations can generate favourable returns, even if market developments turn out to be less conducive. The issue of the participations went smoothly, just like the issue of the MV Energy Opportunity Bonds. A large number of bondholders also subscribed for the participations. The shipping company itself participated in the vessel for €409,010.00. In Singapore, on 9 August 2019, the vessel was transferred to the MV Energy Scheepvaartbedrijf CV and made its positioning trip to Europe from there.

A shipyard in Turkey carried out an elaborate survey and a large number of overhaul and repair activities, of which an extensive report was sent to the investors. In October, a short-term charter contract for the vessel was entered into for a voyage to Algeria. After that, Confeeder Shipping & Chartering succeeded in concluding a long-term charter with our customer relation Containerships. Several times, a brief extension to this contract was agreed on. In February, a new long-term charter contract was entered into with the same charterer (up to 17 August 2020, at the latest). This is in line with what is set out in the prospectus.

2019 could be closed favourably and with confidence in further market recovery. Because of the outbreak of coronavirus in China and its swift dispersal, including to Europe, and the extreme measures to combat the crisis, all existing outlooks were put in jeopardy. It is obvious that the global economy is going to be hit severely, but the degree of the decline is unpredictable yet. ▶▶



The offshore service fleet

In 2019, the offshore service fleet, which sails under the label of SeaZip Offshore Service, maintained the same capacity level as seen in 2018. A number of service vessels, though, underwent a major upgrading with the aim of being better fitted for a variety of survey work, a discipline in which SeaZip has positioned itself well in both the market for offshore wind turbine parks and the offshore oil and gas industry.

In April 2018, with the aim of meeting the increasing demand for specialist survey operations, SeaZip in an alliance with Deep Hydrography & Geophysics in Amsterdam managed to acquire an existing survey vessel with ROV, which has since operated under the name SeaZip Fix. The 42 metre long vessel is fitted with state-of-the-art survey equipment. SeaZip conducts the full ship management, whilst Deep provides the survey skills and expertise and, at the charterer's request, deploys additional experts during operations at sea.

In 2019, the SeaZip Fix participated in an exceptional project: the large-scale search and salvage operation in the wake of an incident in which, during severe weather conditions, a container vessel lost over 300 containers. The containers fell overboard in Dutch and German territorial waters, north of the West and East Frisian Islands. SeaZip Offshore Service was contracted by contractor Ardent Maritime to lend support to survey operations and ROV inspections. The SeaZip Fix and its crew played a vital role in localising and identifying the lost cargo and were instrumental in safeguarding local shipping and minimising the impact on the environment.

Besides this extraordinary project, the SeaZip Fix took charge of various ROV operations in the interest of large-scale offshore wind turbine projects. The operations ranged from surveys and specific cable inspections to construction and maintenance work that has to be carried out under water. The vessel worked for, for instance, the wind farms Gemini, Deutsche Bucht, Borselle 1&2, Norther, Ostwind II and Hollandse Kust II and, in addition, it was involved in various offshore oil and gas projects.

In light of the increasing interest in specialist ROV support, SeaZip is exploring future forms of cooperation and possible opportunities to add existing survey vessels to the fleet. The shipping company is also exploring to what extent its service vessels, which are primarily designed for the transport of crew and small freight, can play an additional part in survey/ROV operations. In 2019 the SeaZip 6, for instance, was fitted with state-of-the-art equipment for hydrographic surveys, among other things, which considerably increased the vessel's deployability.

Good-quality performance, challenging operation results

In 2019, the SeaZip offshore service fleet, which besides the SeaZip Fix comprises the six Damen Fast Crew Suppliers SeaZip 1 to 6, provided efficient and safe operations at sea. The vessels cooperated in practically all large-scale international wind turbine projects prepared or realised in 2019. In that context, active cooperation with fellow companies was frequently sought and the focus was on high performance and flexible, customised deployment of both the vessels and the specifically trained crew members.

Despite the fact that SeaZip Offshore Service has been able to obtain a good and visible presence within the offshore energy industry and its vessels gained contracts for many projects, the 2019 operating results were insufficient to secure a decent return on investment.

The market for offshore service vessels

The market environment for offshore service vessels continues to be erratic. This can be attributed to the complexity of, among other things, the international licensing procedures, the actual starting up of projects and the extraordinary political and social dynamics surrounding wind turbine farms at sea. It is beyond all doubt that projected farms will be realised and will provide a significant part of Western Europe with energy. It is difficult to get a grip, though, on the speed with which projects will be launched and realised, despite the high level of ambition.

Up till the autumn of 2015, demand for service vessels like the SeaZip 1 to 6 was superb; in 2016, however, market demand was significantly lower. In 2017, 2018 and 2019, the level of activities increased again and the vessels owned by SeaZip Offshore Service also benefited. This was inadequately reflected in profit figures, though. In regard of 2020, the forecast on the number of chartering days had to be adjusted in a downward direction once again as we expect that less new windfarm will commence construction during 2020 compared to previous years.

Despite the adjusted budgets for 2020, the shipping company still believes in the potential of, in particular, the market for maritime O&M service provision round wind energy projects in Northern Europe. In 2020, the capacity expansion to be put in place is relatively small: 2.9 GW compared to 3.4 GW in 2018. In 2021, the scheduled capacity expansion will reach the same level as in 2018, the 2022 expansion is expected to be 3.7 GW. The groundwork laid in 2020, 2021 and 2022 will lead to a record expansion of 7.1 GW in 2023.

Other geographic markets, such as Asia, will also become more relevant. SeaZip Offshore Service will continue to make strenuous efforts to draw the attention of all appropriate market participants to its vessels and service provision, both in Western Europe and on other continents. Besides that, SeaZip continues to look for opportunities in the international oil and gas industry.

A steady start to 2020

In the first few months of 2020, the market for offshore service vessels was not affected by the coronavirus outbreak. It must be noted, however, that the level of activities in the winter months is always quite low and, besides, that 2020 will rather be a year of preparation than of implementation of projects. In the meantime the coronacrisis had inflicted a lot of impact on the SeaZip vessels. Working season 2020 is so far not commencing. Market demand seems to have come to a stop. It is likely that a lot of new construction work (to erect new wind farms) will get postponed until 2021.

This gives cause for concern. The CV-partners/investors in the SeaZip vessels have been updated about the challenging situation facing us as well as about the measures our company is trying to take in order to protect their interests.

In the first quarter of 2020, the global container shipping market was clearly affected by the health crisis already, if only because of production hitches in China - the primary source of infection. By the end of March, the supply of containers was temporarily halved. Major ports such as Hamburg, Antwerp and Rotterdam reported that transshipment volumes had fallen by approximately 25%.

In early 2020, this temporary downswing did not affect the charter rates or our vessels, thanks to, among other things, the relatively long-term contracts. The shipping company did however consider relinquishing some of the margin in new contract negotiations should this contribute to the continuity of operations of its fleet, on the one hand, and, on the other, the operations of its customer relations who, because of coronavirus, are confronted with temporary lower transport volumes, in a market which, quite apart from these exceptional circumstances, shows lasting recovery. The hope is that limited rate adjustments will be temporary, in the light of the exogenous nature of the disruption. In other words: the cause of the shock reactions lies outside the economic system. History has taught us that, in that case, the period of economic disruption is relatively short-lived and the damage incurred can be repaired reasonably quickly.

JR Shipping dedicates itself to ensuring excellence in short sea shipping. Its operational processes at sea stand out through professionalism, efficiency and safety. The crew members are trained and motivated; sophisticated communication and quality management systems are instrumental in the high level of service provision which customer relations in the various shipping segments are counting on. Within the shipping industry, the shipping group has an excellent reputation and its business operations are designed to live up to it.

Organisation ashore

The operation at sea is coordinated by a compact organisation ashore at Harlingen, where JR Ship Management orchestrates the JR Shipping fleet as well as the SeaZip fleet and the vessels owned by third parties. JR Ship Management is equipped with all the appropriate certificates. From February 2020, SeaZip Offshore Service is ISO 9001:2015 certified and thus complies with the international standard for quality management. The organisation ashore, which employs approximately 30 maritime professionals, has a strong working relationship with the charter specialists of Confeeder Shipping & Chartering at Rhoon, which is also a subdivision of the shipping group. In 2019, the organisation ashore's staff turnover was very low and staffing levels were attuned to the current fleet responsibilities. Within the shipping group, staff turnover among the staff members ashore and the Dutch seamen has been very low for years, which is conducive to the level of commitment in the organisation, the operations and the customer relations.

Seamen

JR Shipping crews its vessels with both Dutch and non-Dutch seamen and guarantees an open and transparent working culture on board the vessels, where the operational language is English. The group focusses to a great extent on the well-being, safety and career opportunities of the seamen. The feeling of connectedness with the company is strong, because non-Dutch officers and other crew members are given maximum

job security and a respectful working environment. Maritime professionals like sailing for the JR Shipping Group, regardless of their nationality. This also adds to the excellent performance of the vessels.

The shipping group itself takes charge of recruitment and selection of the Dutch seamen. JR Ship Crew and SeaZip Crew, respectively, are responsible for this task. Both subdivisions stand for responsible employment practices with a strong focus on training- and job-related development opportunities. In 2019, a number of nautical college students had internships aboard vessels operated by the shipping group. As it maintains a proper balance between Dutch and non-Dutch maritime professionals as crew members, the shipping group has managed to keep crew costs in check for a number of consecutive years, including in 2019. There were hardly any cost shifts as far as crewing is concerned.

Cost efficiency

Cost control continues to be a vital issue for the shipping group – not only in relation to the crew costs. JR Ship Management's technical purchasers and inspectors work closely together to optimally align the spare parts stock with the maintenance and repair work and cleverly schedule the mandatory surveys. Partnerships with shipyards, suppliers and insurers are instrumental in cost containment, without compromising the quality and safety of the maritime services.

Technological challenges

Shipping technology is in continual progress, the industry innovates. In this regard, a great deal of focus is put on less fuel consumption and sustainable combustion technologies, reduction of emissions and increased environmental safety. The international shipping industry is facing a major sustainability job. For instance, CO₂-emissions must have dropped 40% in 2030 and 50% in 2050. To that end, measures are announced on a regular basis.

All JR Shipping vessels comply with the current cross-border legislation and standards in the field of environment and climate and crews on board the ships have been trained in the prevention of accidents and emergencies. They are supported by state-of-the-art data and communication technology and 24/7 access to the organisation ashore. The shipping group keeps a close eye on both the developments in shipping technology and future regulations and, if possible, is instrumental in innovative solutions. The shipping company observes the recent MRV regulations (Monitoring, Reporting, Verifying), which provide that the CO2 emission of the vessels must be monitored and documented.

Ballast Water Management Convention

The technical staff of JR Ship Management has made all the preparations required to equip the vessels of the JR Shipping fleet with ballast water treatment systems between now and the end of 2022 at the latest, consistent with the currently applicable legislation and regulations. This environmental measure has been initiated by the United Nations International Maritime Organisation and has been in force since 8 September 2017. The shipping company will also take into account other environmental measures in a timely manner and keep its fleet future-proof.

Sulphur emission reduction

At the initiative of the United Nations, in the autumn of 2018, the shipping industry made a significant decision with the aim of reducing sulphur emissions in the shipping industry. Since 1 March 2020, vessels are not permitted to sail on fuel exhausting more than 0.5% sulphur. An 0.1% limit has been in effect for some time for the ECA areas, including the North Sea. The JR Shipping fleet already uses sustainable fuels with a relatively low sulphur content successfully and cost-efficiently and thus complies with the standard. This doesn't change the fact that the shipping company is keeping a close eye on the trends surrounding the so-called scrubber systems. These sophisticated systems can filter out sulphur parts (scrubbers) from exhaust gases emitted from

marine engines. As soon as the purchase and fitting of scrubbers is feasible, the shipping company will seriously examine whether its ships can be fitted with these systems.

Autonomous sailing

In March 2019, one of our SeaZip service vessels was directly involved in a successful pilot held as part of the research and innovation project Joint Industry Autonomous Shipping. SeaZip will continue to contribute to and actively participate in projects that drive innovation and are important for the future of the maritime shipping industry, with the primary focus on maximum operational safety, cleaner shipping operations, and cost efficiency.

Learning & Intelligence Support App

In 2019, JR Shipping also made a contribution to developing LISA, the world's first Learning & Intelligence Support App for the shipping industry. In late 2019, the Dutch Ministry of Economic Affairs and Climate rewarded this innovation with a financial incentive. A sector-wide hybrid learning system is involved, which is based on behavioural science findings and focusses on entrepreneurship and leadership in the maritime shipping industry. In late 2019, the consortium which facilitated the development of the system and which JR Shipping was part of, was granted a donation for the further development of the app. The aim is to make the efficient sharing of knowledge and findings with LISA available to all maritime professionals.

New investment structures

Throughout the centuries, the shipping industry has been able to involve investors in the construction and operation of sea-going vessels. In the past few decades, it has emerged that participation projects in which relatively large numbers of private and corporate investors take part are an effective method for financing vessels with 'own capital', in addition to the 'outside capital' which is generated by ship mortgages. ►►



Ship participations

In 2000, when JR Shipping shifted its course towards the growth market of container feeders, ship participation projects were the appropriate method for realising fleet expansion. It did not take long before the shipping company decided to set up in-house investment projects and put them on the market. In the past 25 years, this has considerably added to the growth and market competitiveness of the shipping group. By founding JR Ship Investments in 2007, issuing bonds and conducting fund management were further professionalised. Ultimately, the shipping group succeeded in establishing a relationship with over 3,500 corporate and private investors. In 2008, the amount of their invested equity capital was more than €209 million of the total fleet value of €525 million. Since the summer of 2008, due to the crisis, both the investment value and the fleet value have decreased dramatically. The nadir was the necessary dissolution of JR Fleet Fund CV in 2018, which caused investors to lose their participations once and for all.

Optimum transparency

JR Shipping and JR Ship Investments maintain lasting relationships with their investors/limited partners, even with a headwind. Commitment and maximum transparency are at the heart of these relationships. Despite the dispiriting course of events, a large part of the limited partners continue to feel involved in the shipping company and its policy. In 2019, this was found to be the case all the more from how well the issuances of the MV Energy Opportunity Bonds and the MV Energy Participations progressed, which is fully attributable to the interest and confidence shown by existing limited partners.

For the duration of these projects, JR Ship Investments is and will continue to be involved in the investors' interests, in its role as the fund's administrator. Among other things, JR Ship Investments is responsible for recurrent reports pertaining to the shipping CVs and may be contacted at all times for further information and any advice. This also holds true for investors who, in 2016, participated in the issuance

of JR Shipping Bonds, which will be repaid in 2023. Over recent years, bondholders have been paid out their 7% interest punctually. The 2016 bond loan was meant to create extra capacity for additional business operations. A bond loan, issued in 2013, will be repaid in July 2020, within the agreed maturity period. There is a real chance that, in 2020, JR Ship Investments will once again issue a bond loan with an attractive interest rate for investors.

New financing and investment models

Because of its responsibility for the operation of 20 container feeders and 7 vessels sailing for the offshore energy industry, JR Shipping has a robust foundation to ensure the continuity of operations and performance of its business processes. This does not alter the fact that future fleet expansion is vital for the company's potential to continue to play a competitive role in the various shipping markets in the future and actively respond to new opportunities and trends in the field of technical innovation. In the near future, the shipping company will continue to look out for relatively small-scale opportunity investments which are relevant to limited partners and investors who showed an interest in JR Ship Investments' investment opportunities before. JR Ship Investments has demonstrated its ability to set up and implement appealing projects for this kind of opportunity investments swiftly and efficiently.

For the sake of future projects, new financing markets will be explored and mobilised now that the international banks have proved to be very cautious when it comes to entering into ship mortgages. To an ever-greater degree, private equity investors have shown an active interest in the maritime shipping industry. An example of this is the British financier with whom, in 2019, we formalised the Container Fleet Fund CV which operates fifteen container feeders. JR Shipping maintains contacts with several similar investors. It cannot be ruled out that future investment projects will be hybrids to which both private equity funds and smaller private and corporate investors make a contribution, together with shipping companies. JR Ship Investments will continue to play an active part in exploring these innovative investment structures.



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JR Shipping Group's course is designed to consolidate and, if possible, bolster its position on its core markets – the container feeder market and the market for offshore service vessels.

The shipping company's focus is on:

- ▶ strategic growth of the container feeder fleet
- ▶ widening and refinement of the offshore services
- ▶ shipping-related service provision to third parties

From the beginning of 2020, the fleet overseen by JR Shipping Group comprises:

- ▶ 20 container feeders
- ▶ 6 offshore service vessels (Fast Crew Suppliers)
- ▶ 1 offshore survey vessel fitted with an ROV
- ▶ 1 Tall Ship (the Clipper Stad Amsterdam)

Service provision to third parties

The services provided by the shipping company for third parties focus primarily on operational ship management, which is covered by Harlingen-based JR Ship Management. For instance, the shipping company is responsible for the Clipper Stad Amsterdam, which is a 76 metre long Tall Ship fitted with 31 sails which have a total surface of 2,200 square metres. The Clipper Stad Amsterdam is deployed in the more luxurious cruise segment and for the purposes of instructive sailing trips and company events.

In addition to ship management services, JR Shipping provides specialised services to third parties in the fields of, for instance, purchasing vessels, chartering, refinancing and restructuring projects and issuances and fund management.

The skills and expertise required are assembled in compact, decisive business units:

- ▶ Confeeder Shipping & Chartering – chartering
- ▶ JR Ship Brokers & Consultants – sale and purchase brokerage and guidance in regard of ship development and construction of new vessels
- ▶ JR Ship Investments – support with regard to restructuring and refinancing projects as well as issuances and fund management

Ship management

An all-round certified ship management organisation, JR Ship Management takes charge of financial, technical and operational management responsibilities. Its Harlingen-based professional organisation ashore guarantees efficient and safe operations. JR Ship Management directs both the container feeders and the offshore service vessels, which sail under the label SeaZip Offshore Service. In the various shipping markets, the management organisation enjoys a reputation as being reliable, watchful and client-oriented. The lines with the professionals on board the ships are short, the communication and safety systems are up-to-date and qualified security experts are on standby 24/7 to monitor the operations at sea.

Management offshore service operations

Already in 2018, SeaZip Offshore Service laid a firm foundation for expanding its service provision to the offshore energy industry, so as to add to the deployment of its fleet. Its ambition to support the industry as comprehensively as possible, not only with regard to operational processes, but also in the consultancy sphere, was given further shape to in 2019 and now also concerns itself with areas outside the North Sea and with continents outside Europe. For example, SeaZip maintains active interactions with industrial parties in France and the company provides consultancy services to Taiwan and the US, among others. The focus here is on logistic concepts for O&M-service in offshore wind farm projects.

In the years ahead, SeaZip will increasingly focus on:

- ▶ the operation of vessels for crew transport
- ▶ the operation of other vessels, including survey and inspection vessels
- ▶ geotechnical and hydrographic surveys
- ▶ marine coordination services
- ▶ ROV underwater services
- ▶ inspections using drones
- ▶ generator services (refuelling)
- ▶ logistic port activities
- ▶ training and flexible deployment of onshore and offshore professionals
- ▶ consultancy

Financing and restructuring programmes

JR Shipping offers demonstrable skills and expertise in the fields of vessel (re)financing and the execution of restructuring programmes. In this context, the good relations it has with several shipping bankers is eminently important, as well as the involvement of a large group of investors/limited partners who have a long-term commitment to the company. The shipping company has robust standing in matters of developing and executing shipping investment projects, in which JR Ship Investments plays a key role. In the years ahead, the skills and expertise accumulated within JR Ship Investments will be put to use to initiate fleet expansion, with the primary focus on opportunity investments, but also to support third parties with regard to financing challenges. The shipping group has always attached great value to the role and commitment shown by its limited partners and, in the years ahead, it will continue to dedicate itself to maintaining lasting relationships and entering into new commitments which can ensure that the Netherlands continues to play a vital role on the international shipping market.



The financial losses incurred as a result of the credit crisis – which hit the shipping company, the banks and not least the many investors who participated in sea-going vessels – are significant and irreparable. The shipping company is aware of that. This does not alter the fact, though, that it made all its efforts in the conviction that new opportunities will arise.

Its responsibility for no less than fifteen container feeders, subsumed in the Container Fleet Fund CV - the backbone of the group's activities - provided an adequate foundation based on which it could chart the course for 2020 with a certain, albeit cautious, optimism.

New challenges

The arrival of coronavirus in early 2020 was not foreseen by anybody and undermines many positive expectations. This time, the crisis is not financial or economic. No, it is a crisis which touches global public health. This is what we have to focus on. In the first place, coronavirus (Covid-19) is a disaster in the human sphere. There are a considerable number of fatalities and many citizens had to be or are being isolated from the world around them for an indefinite period of time, with all its uncertainties. All across the world, measures are being taken now with the aim of curbing the spread of the virus.

As a result, the financial markets and the economy are being contaminated. Since March 2020, there have been wild price fluctuations and the prospects for economic growth have repeatedly been adjusted downwards. When this report went to print, the various scenarios ranged from a lower economic growth to a certain contraction.

Leading economists are warning of substantial temporary damage. At the same time, however, they indicate that the real economy seems strong enough to absorb the current shocks. The experts note that exogenous shocks are to blame, meaning that we are being attacked from outside and the shocks are not triggered by flaws in the

economic system itself. In all probability, the economic damage will be reversed in a relatively short space of time as soon as the virus is under control. Consequently, it is assumed that the economic downswing will be occasional. It cannot be predicted how much impact this crisis will have eventually. It is evident, though, that both national and multinational government bodies are quick to respond by taking measures intended to also keep the economic damage under control.

Current situation justifies confidence in real economy

The current situation in China, the driving force of the global economy for a long time, seems to confirm the transiency of the loss of production and the economic downswing for now. Up till now China, where the virus emerged, has been hit hardest. Because of appropriate action taken by the government, the epidemic remained relatively under control and, in March, China appeared to have passed the peak of contamination. Since then, production levels and other economic activities have got off the ground again quite swiftly and the country seems to be recovering.

When writing this Annual Report, it was impossible to grasp the consequences for the shipping industry and the JR Shipping's business operations. It is obvious that the supply of containers has decreased since the slowdown of the production in China. However, as far as can be determined now, the decrease is temporary. Slowly, flows of goods seem to be getting off the ground again. Since JR Shipping uses relatively long-term contracts in the container feeder market, the impact on the rates in the first quarter of 2020 was negligible. By early 2020, the shipping company's financial basis was strong enough to absorb slight rate adjustments in cases of contract extension or revision.

However, the coronavirus has immense impact on the fleet of SeaZip vessels now that working season 2020 doesn't properly start. The company is taking crisis measures in order to deal with the challenges. The CV-partners/investors in the SeaZip vessels have been properly informed in every detail. The primary focus is on measures

which minimise health risks for seamen and staff of the organisation ashore and on the continuity of operations and safety of the operational processes at sea.

In light of the recent uncertainties, the shipping company does not look too far into the future. Over recent years, the organisation and operational management have proved that they are resilient and dynamic enough to be able to cope with great challenges effectively and rationally. One of the greatest challenges of the years ahead will be initiating and financing fleet expansions which are required to remain future-proof. In that context, the shipping company will continue to make active efforts to find

and engage new investment partners. We will also continually look for opportunity investments which are compliant with our stringent project criteria.

Finally, the shipping company is examining the possibility of issuing JR Shipping bonds once again, with the aim of attracting additional capital in order to further expand its activities in the years ahead. Obviously, the way in which the current coronacrisis develops will be a contributing factor with regard to the implementation and timing of this issuance. In any circumstances, our market commitment continues to be pivotal as the main pillar supporting our shipping company: *excellence in short sea shipping*.





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