

Maritime Services



Executive Summary

World Class Maritime Services



- Ships transiting through the Panama Canal can benefit from a broad range of services including bunkering, repairs, ship chandling, insurance, legal services, flagging and inspections

- The expansion of the Canal is attracting additional maritime traffic, many of whom require a wide variety of services which companies in Panama can deliver. As such, many ship owners use Panama as a multi-service center for all their personal and corporate needs

Dynamic Cluster



- Maersk, Mediterranean Shipping Company (MSC) and the CMA CGM Group, as well as all other major liner companies are already established in Panama

• Rated 1st among Latin American and Caribbean countries in the Liner Shipping Connectivity Index (LSCI) since 2009

Modern, High-Tech Bunkering Facilities



- Increased storage capacity for the provision of fuel bunkering via the construction of modern installations and high-tech terminals, maintaining Panama's position as the most important sales center of the region

- Panama is emerging as a distributor of fuel and crude oil at the regional and global levels with 10 Petroleum Free Zones offering a range of tax and cost benefits as well as having a combined storage capacity of nearly 30 million barrels
- Major terminals on both the Atlantic and Pacific Oceans, ensuring the availability of resupply wherever the shipping route
- More modern barges have been introduced; suppliers are operating barges with pumping rates of up to 800 mt/hour, delivering a faster and more efficient service



Insurance & Legal Services



- Insurance companies in Panama offer a diverse range of products covering the maritime industry including vessels and cargo
- Legal services can help in a variety of matters relating to the maritime sector including vessel registration, which can lead to a range of benefits including generous tax and cost savings

Low Cost, Efficient Ship Chandling From A Strategic Maritime Location



- Panama is an ideal location from which to provision ships — key factors include its strategic geographic position, lower handling costs than rival regional ports such as Miami and more efficient import / export custom procedures
- Rated 2nd in the Latin America & Caribbean region for efficiency of customs procedures

Free Trade Zones



MEC Stores, Radio Holland, Wartsila and Wilhelmsen

- Panama Pacifico is a Special Economic Area which offers unique fiscal, migration, labor and customs incentives and is home to a dynamic cluster of maritime companies including Man Diesel & Turbo, MEC Stores, Radio Holland, Wartsila and Wilhelmsen

Ocean To Ocean Capability



- Over 144 maritime routes connecting 1,700 ports throughout 160 countries
- Home to two of Latin America's most active ports - Balboa and Colón - one on each of the Atlantic and Pacific Oceans
- Rated 6th worldwide for quality of port infrastructure



Panama Canal

- A vital node of international trade - around 8% of the world trade currently passes through the Panama Canal
- The expansion contributed to a record 36.1 million tons transiting the Canal in January 2017 with the number of transits through the expanded Canal increasing by nearly 20% between January 2016 and January 2017
- The additional demand from the increased maritime traffic transiting the expanded Canal is boosting additional

investment into terminals, infrastructure and Petroleum Free Zones

Strategically Positioned At The Heart Of The Americas



- Panama connects East and West, North and South with its strategic geographic location and world class infrastructure
- Most locations in the Americas can be reached within 10 days sail

A Dynamic Growth Sector



- Panama's transport, storage and communications sector has experienced year-on-year growth over the past decade - growing on average by 8.35%¹ between 2006 and 2016

- The transport, storage and communications sector is one of the largest contributors to the Panamanian economy, with the sector worth US\$6.6 billion in 2016 (at current prices) and accounting for 11.87% of total GDP

The FDI Location Of Choice In Central America



- Panama is the FDI location of choice for the water transportation sector in Central America, receiving more Greenfield FDI projects between 2003 and 2016 than any other country

The Largest Merchant Fleet In The World



- Panama has the largest registered merchant fleet in the world with over 8,000 ships, accounting for nearly 9% of the world's merchant fleet in 2016
- Vessels registered under Panamanian flag are not subject to tax when the income relates to international maritime commerce

¹ Compound annual growth

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Bunkering and Repair Services

Bunkering

As other regions experience a decline in the number of bunker suppliers, Panama's cluster of bunker suppliers has been growing recently. Continual investment in modern installations and high-tech terminals has led to increased storage capacity for the provision of fuel bunkering.

There are terminals on both the Atlantic and Pacific Oceans — Taboguilla Island Terminal in the Pacific Ocean has a capacity of over 350,000 m³, supplying gas oil, marine diesel oil and various fuel oils. Bahia Las Minas Terminal is located in the Atlantic Ocean and has a capacity of over 500,000 m³ and supplies a variety of petroleum products.

50%

Since the expansion of the Canal, the annual volume of the Panamanian bunker sector increased by 50%, reaching 4.5 million mt/year

360,000

A new terminal is under construction in Bahia Las Minas Terminal, including nine storage tanks for marine oil, fuel oil and clean petroleum products that will provide an additional capacity of 360,000 m³

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Panama is home to around 20 suppliers of marine bunker fuels and lubricants including major companies such as:



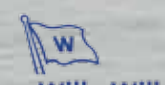
Repairs

Ship repair companies based in Panama have accreditation from the main international industry associations and have highly qualified teams consisting of Marine Engineers, Naval Architects and Technicians

Some of the major ship repair companies active in Panama include :



Man Diesel & Turbo — A marine supplier based in Panama Pacifico that provides main engine and ship repairs, engines and parts, general spares, auxiliary engine and turbochargers. The company employs around 14,500 staff worldwide at more than 100 international sites.



Wilh. Wilhelmsen

Wilhelmsen — A global maritime industry group based in Norway that employs over 17,000 people and has operations in over 70 nations. As well

as being able to deliver products required for ship repairs worldwide, Wilhelmsen offers services including ship management, maritime training and marine insurance. Within Panama, Wilhelmsen operates a 24/7 Panama Canal transit desk, providing additional services including arranging crew

changes and advice on booking of slots and time schedules in Panama



Josén Premium — A provider of three-dimensional laser scanning, thermographic recording and CAD and BIM modeling for marine, oil and industrial installations.

Services offered include:

- Maintenance and repairs of naval structures in vessels, offshore platforms, tug boats and ports installations
- Precise and up to date As-Built documentation of internal or external areas for general improvement, modifications, and regular maintenance
- Detailed reporting of damage or changes caused by collision
- Registry of ship's underwater works in dry-docks

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Ship Chanding, Inspections & Insurance

Ship's chandling

As home to one of the busiest water routes in the world, Panama is an ideal location from which to provision ships. Lower handling costs and more efficient import / export procedures than other regional ports are also key reasons why Panama is the destination of choice for the ship chandling sector.

Panama has a dynamic industry cluster of over 25 ship chandlers including companies such as:



MEC Panama provides customers with high-quality services including chandling and repairs (both afloat and underwater) at competitive prices in a time efficient manner



MERCANSA provides and undertakes a broad range of activities in Panama including ship supply, industrial supplies, logistics services, safety equipment inspections and distribution services

Insurance

Insurance companies in Panama are supervised by the Superintendence of Insurance and Reinsurance at Panama's Ministry of Commerce and Industry. Licences to operate are issued by the Superintendence who also assess the performance of insurance companies in Panama by market share. Two of the top performing companies are:



Internacional de Seguros

Internacional de Seguros offers maritime protection insurance for any cargo that leaves Panamanian territory to any destination in the world and for any cargo into Panama



MAPFRE

MAPFRE offers various types of insurance products with coverage ranging from damaged cargo to the loss of a ship

Inspections

Inspection services In Panama are provided by a cluster of companies such as Intertek, Blue Sea Ship Services and SEMINSA on a 24/7 basis. Facilities served include ports, fuel storage terminals, ships, barges, refineries, pipelines, machinery, and other installations.



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Legal Services & Benefits of Vessel Registration

Panama has numerous law firms specializing in maritime vessel registrations. The registration of vessels is made under the strictest security measures using modern technology along with efficient legal support, allowing for cost savings applicable to both the ship and the activity it carries out such as:

0% Taxation

- On revenues generated from international maritime commerce by merchant ships registered in Panama, irrespective of whether the contracts were effected within Panama
- On gains from the sale or transfer of a Panamanian vessel



The most competitive vessel registration costs when compared to any other jurisdiction

Companies operating in the Panamanian shipping industry can take advantage of generous incentives including:

- 50% discount on regulatory and consular rates and up to a 30% discount on annual tax, depending on the ship's gross registered tonnage and age
- 20% discount for ship-owners registering 5-15 vessels in Panama; 35% discount for 16-50 registered vessels; and 60% for more than 50 vessels
- Income earned from freight, tickets and services provided to passengers or cargo that are in transit through Panama is tax exempt
- No tax on income generated from ticket sales when the cruise company's home port is in Panama
- Billing from an office in Panama, sales of merchandise / products for a higher amount for they were purchased, provided they are transferred abroad are not subject to local taxation
- Directing transactions from Panama that take place or produce effects abroad is not subject to local taxation
- Distributing dividends / participations of legal entities that derive from income not generated within Panamanian territory is exempt from local taxation
- Exclusive navigational training authorized by the International Maritime Organization

The following goods and services are exempt from sales tax:

- Freight and transport of cargo and individuals by sea, air or land
- Loading, unloading, transfer within ports, as well as other auxiliary services provided to cargo in ports, free trade zones or special economic areas



Other commercial and administrative advantages of registering a vessel in Panama include:

Any natural or legal person can register vessels in Panama

Registration is possible for any type of vessel (cargo, yacht, etc)

No minimum tonnage requirements

Vessels do not need to be inspected when transferring them to Panamanian flag

Ability to register a vessel that is under construction

The registration procedure of a ship takes just eight hours (provided all requirements are met)

Dual Registration

Panama allows dual registration of foreign and Panamanian registered vessels with another country

Case Study

MONJASA

- Monjasa is a Denmark-based company whose core business includes reselling and physical supply of marine fuels, oil trading, terminal operations, agency, and ship-owning activities on a global level
- Monjasa has offices in all major time zones, and currently employs between 20 and 25 people in Panama



The higher levels of security, both financial and personal, offered by the country compared to other Latin American countries is a significant factor. Continued easy access to foreign labor, which is crucial for our business in Panama, along with Panama's strategic geographic positioning are also key factors behind our investment decision"

- Rasmus Jacobsen, Managing Director, Monjasa Americas

Other major investors in the maritime services sector include:





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