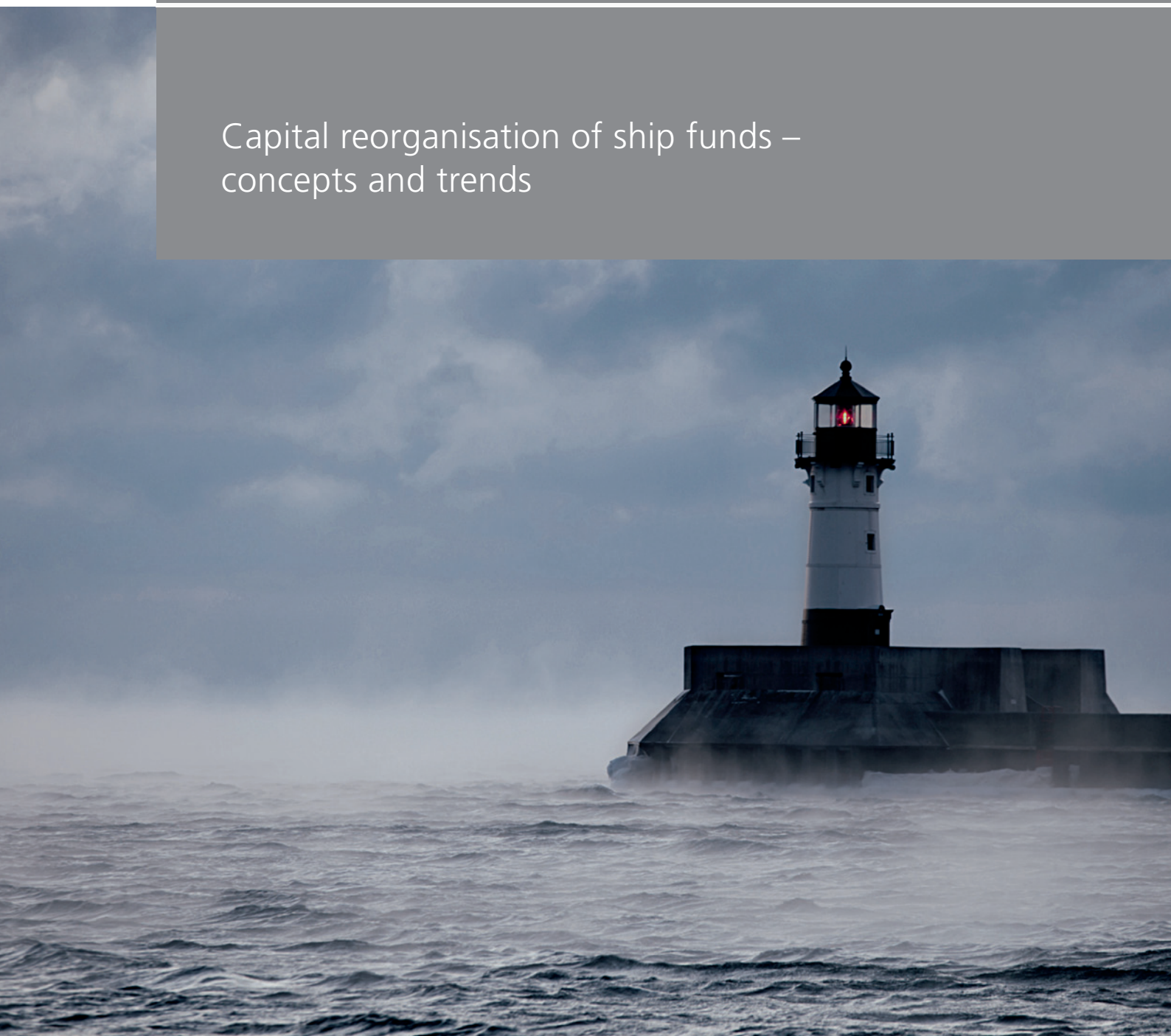


JOINT STUDY – MANAGEMENT SUMMARY

## Capital reorganisation of ship funds – concepts and trends





## Management Summary

The capital reorganisation wave that started in 2008/2009 in the context of the global economic crisis subsided at the beginning of 2011. Since early 2010, the charter rates for container ships had steadily recovered from their 2009 lows in all classes. As had been expected, however, they remained clearly below their 2008 highs.

### **ANALYSED FLEET**

The analysis is based on the database of Deutsche FondsResearch, which covers over 2,000 ships. For over 800 ships in roughly 700 funds, the available information was sufficiently valid to be used for this study. 197 capital reorganisation cases with a limited liability capital of approx. EUR 3.4 billion were kept running with the help of an effective capital reorganisation concept. The average interest on the new capital was 10.7% p.a. with an average agreed bonus of 30.6% payable at the time of liquidation at the latest. There is still a risk of capital reorganisation for about 59 ship funds and 64 ships with a limited liability capital totalling EUR 773 million. The status "risk of capital reorganisation" describes the reasonable risk that the company gets into financial difficulties. Parameters for such an assessment include the following: the operating activities no longer cover the costs on a sustained basis; the financial scope (e.g. current account overdrafts, working capital loans, etc.) is exhausted; extraordinary costs are incurred in a difficult financial situation.

### **SECOND WAVE OF SHIP BANKRUPTCIES IN THE OFFING**

Since the second quarter of 2011, however, there has been a marked decline in charter rates across all classes. The likelihood of a second wave of shipping companies in risk of bankruptcy is evident. The number of shipping companies that are no longer able to service their debt due to the financial and economic crisis will rise sharply in the fourth quarter of 2011 and early 2012. Apart from those companies that have not needed a capital reorganisation concept to date, the second wave could also affect funds whose capital has already been reorganised. While the first capital reorganisation wave primarily hit container ships, tankers and, in particular, bulkers are now also coming under pressure due to the poor charter rates.