

Creditreform Rating Summary of Your Corporate Credit Rating

Information Table			
Rickmers Holding GmbH & Cie. KG (Group)		Rating:	PD for 1 year:
		B-	8,10%
		Created on:	07 April, 2015
Creditreform ID:	2150680179	Valid until:	06 April, 2016
Management:	Bertram R.C. Rickmers Dr. Ignace Van Meenen Prof. Dr. Mark-Ken Erdmann	Employees:	2,329
		Total Revenues 2014:	€ 545.4m
(Main) Industry:	50200 / Goods transport in coastal and sea shipping		

Note:

This rating summary was submitted to Rickmers Holding GmbH & Cie. KG (Group) with a complete rating report including a certificate. This contains comprehensive information on the corporate rating. In the event of any discrepancy, the content of the rating report shall apply.

Summary

Rickmers Holding GmbH & Cie. KG (Group) - hereinafter also called Rickmers, the Rickmers Group, enterprise, corporation, or company - is a German family enterprise which operates internationally in the shipping industry. The Rickmers Group, with its three segments, provides a full spectrum of services for the shipping industry.

The Rickmers Group operates in three segments: Maritime Assets, Maritime Services, and Rickmers-Linie. The Maritime Assets business unit accounted for approx. 61% of the overall revenues for the Rickmers Group in 2014, Maritime Services for approximately 4%, and the Rickmers-Linie business unit for approximately 35% of the overall revenues in the 2014 fiscal year.

Rickmers Group (consolidated financial statement , IFRS) as of 31 Dec. 2014 ¹	Balance sheet (consolidated) ²	
	2014	2013 ³
Balance sheet total	€2,808.29 m	€2,548.94 m
Equity ratio	24.27%	23.78%
Revenue	€545.40 m	€578.61 m
EBT	€6.82 m	- € 6.76 m
Annual net income	€2.13 m	€1.52 m
Return on assets (incl. interest)	3.33%	3.33%
Return on sales	1.88%	-0.13%

Rickmers Holding GmbH & Cie. KG (Group) has been found to have sufficient creditworthiness,

¹ For the 2014 fiscal year, the Rickmers Group provided us with a so far unaudited draft version of the consolidated financial statements. According to the management, no other significant changes are to be expected; thus we have based our assessment on the figures provided. In the event of any significant change, an adjustment of the rating score may be necessary.

² The balance sheet has been restructured for purposes of analysis.

³ Adjusted balance sheet; thus different to the 2013 summary.

corresponding to a below-average assessment in comparison with the overall economy.

In 2013, for the first time, the Rickmers Group did not structure its balance sheet according to HGB. Instead, the balance sheet was structured according to IFRS. For this reason the figures presented in the financial statements before 2012 can only be compared with those of the fiscal years 2012, 2013, and 2014 to a limited extent.

In 2014 Rickmers Group generated a total output of €545.40m (PY €578.61m) with an average of 2,329 employees (PY 3.096) and a net income of €2.13m (PY €1.52 m).

Structural information

The present Rickmers Group was founded by Bertram R.C. Rickmers in 1982 and looks back on a family history of approximately 180 years in the maritime industry, beginning in 1834 with the Rickmers Shipyard in Bremerhaven. The Rickmers-Linie was reacquired from Hapag-Lloyd in 2000 and has since been once again under ownership of the family.

The present legal structure of the company is complex and has a consolidation scope of approximately 108 companies. The administrative headquarters of Rickmers Holding GmbH & Cie. KG (Group) is in Hamburg. Rickmers Holding GmbH & Cie. KG acts as a service provider for the individual segments.

The corporate management is clearly structured; the topmost level of management comprises the Board of Executive Directors under the chairmanship of Mr. Rickmers, CEO Dr. Van Meenen, and CFO Prof. Dr. Erdmann. This is supported by a second level of management. Mr. Widdows stood down as CEO on 1 May 2014. In addition to the Board of Executive Directors, management responsibilities are divided according to the segments Maritime Assets, Maritime Services, and Rickmers-Linie. The operational management is assisted by the advisory board. As Mr. Rickmers is also the chairman of this board, conflicts related to the assessment of the company's situation cannot be excluded. Due to the company's organization and its well-structured allocation of responsibilities, we do not currently see any need for action with regard to succession policy.

Market and Products

The Rickmers Group operates as a ship owner, established service provider for the maritime industry, and as a liner shipping company, and is divided into the three segments of Maritime Assets, Maritime Services, and Rickmers-Linie. As of 31 December 2014, the Rickmers Group maintains 110 vessels. Its own fleet includes 52 ships of which 16 are accounted for by the fully consolidated subsidiary Rickmers Maritime in Singapore. Furthermore, the Rickmers Group maintains twelve further vessels which are held within the framework of its joint venture with funds affiliated with Apollo Global Management. In addition, there are 30 vessels belonging to third parties for whom the Rickmers Group provides a variety of maritime services, as well as additional 16 KG-fund ships. A large proportion of the Group's own vessels are container ships, with eleven additional multi-purpose carriers and 3 car carriers.

In the Maritime Assets Segment, the Rickmers Group operates as an asset manager for both its own ships and those of third parties, arranges and coordinates shipping projects, acquires financing, as well as acquires and charters ships. The Maritime Assets Segment also includes the ship-owning companies within the Rickmers Group. In the Maritime Assets Segment, 97 vessels were under commercial management as of the report date (prior year: 88 vessels). The enlargement of the fleet by 9 vessels from the prior year was made possible through the management of both externally-owned and joint venture vessels. The Maritime Assets Segment generated approximately 61% of the consolidated revenues in 2014.

In the Maritime Services Segment, the Rickmers Group provides management services for its own vessels as well as for third-party vessels. This includes engineering and operation, crew management, development and monitoring for the construction of new vessels, as well as providing consultation in the maritime technology and services sector related to marine insurance. The largest customers in the Maritime Services

Segment are currently the other two segments in the Rickmers Group: Maritime Assets and Rickmers-Linie. The Maritime Services Segment had a total of 104 vessels under management as of the report date (PY: 98 vessels). The fleet of ships under management expanded from the fiscal year 2013 by 6 vessels, whereby the increase, analogous to the Maritime Assets Segment, is due to the expansion of business with the joint venture partner and third parties. The Maritime Services Segment generated approximately 4% of the Group's revenues in 2014.

In the Rickmers-Linie Segment, the Rickmers Group operates as a shipping line for breakbulk, heavy lift and project cargo (e.g. with its 'Round-the-World Pearl String Service'), and offers single-journey shipping in addition to its scheduled service. The fleet operating in this segment is comprised of multipurpose heavy lift vessels with onboard cranes. For this purpose, Rickmers-Linie has chartered two vessels on a long-term basis, as well as 17 additional vessels on a medium and short-term basis (PY: five vessels chartered for long-term and 16 for medium and short-term). As in the preceding year, seven of these vessels belong to the Group. As needed, additional vessels can be used to flexibly increase the transport volume. The Rickmers-Linie Segment accounted for approximately 35% of the consolidated revenues in 2014.

As the parent company for the Group, Rickmers Holding GmbH & Cie. KG provides interdisciplinary services to the individual subsidiaries and acts as a corporate center for the entire Rickmers Group. Among other things, the corporate center is responsible for the financial controlling, human resources, communication, and legal consultation activities for the respective segments.

With funds affiliated with Apollo Global Management, an investor for a joint venture was found which is to invest primarily in second-hand vessels. Based on vessel management orders for the overall joint venture as well as the potential increase in value in the event of market recovery, we give the joint venture an overall positive assessment. The number of vessels in the joint venture rose from four to twelve at the end of the year.

The international sea transport industry is one characterized by fierce competition. The economic upswing up until 2007 led to an increase in world trade, resulting in expansion-oriented shipbuilding policies. The financial and economic crisis beginning in 2008 resulted in a decline in trade volume and the additional capacity intensified the situation with regard to supply. Despite the excess supply, further ships have been built in the last several years in order to realize economies of scale and to render the fleet more cost-effective. This led to a steady rise in the supply of freight capacity in the last few years. As a result of the ever-increasing size of newly-constructed ships, a cascade effect caused the competitive situation for medium-sized ships to further intensify, which in numbers comprise the largest part of the fleet. At the same time, the scrap values for container vessels remains below the historical average, this due to the long life cycle of the vessels as well as to low raw materials prices - in particular for steel - in comparison with those before the crisis.

According to the International Monetary Fund (IMF)⁴, the years 2012 and 2013 saw an expansion in world trade by 2.7% per year. The IMF expects growth in world trade by 4.5% and 5.2% for 2014 and 2015, respectively. The growth rate for maritime trade is usually between that of the global GDP and the overall growth rate for world trade. Maritime trade continues to grow parallel to world trade, albeit at a slower rate, while most years have shown a positive multiplier effect with respect to the GDP. The IMF's GDP forecast for 2014 and 2015 are respectively at 3.7% and 3.9%. According to the IMF, the global growth rate in 2013 was 3.0%, while the United Nations Conference on Trade and Development (UNCTAD) puts the figure for growth in maritime trade in 2013 at 3.8%⁵. Thus a growth rate between 4.0% and 4.5% for maritime trade seems plausible for 2014 and 2015, whereby various sectors within the industry may well see differences in development.

Charter rates for container vessels saw an upswing at the beginning of 2015 after low-level fluctuation

⁴ World Economic Outlook Update, 21 January 2014, International Monetary Fund.

⁵ Review of Maritime Transport 2014, UNCTAD.

throughout 2014. The price development for achievable charters, particularly for small-sized vessels of 4,250 TEU and under, lagged considerably behind that of larger ships. At the beginning of the year, however, the percentage of increase was high with regard to all vessel types, with increases of 25-50% and over. Charter rates for container vessels of 4,250 TEU were indexed at just under US\$ 15,000 per day at the end of the first quarter of 2015, while in the previous year they were between US\$ 7,000-10,000 per day⁶. The Rickmers Group can profit from this increase in two ways: first, rising charter rates have a positive impact on the income of the Group's own vessels. The Rickmers Group was recently adversely affected by expiring chartering contracts for ships as primarily long-term contracts for charters above market levels expire. Further contracts are to expire in 2015 and 2016; however, the effects of this on the fleet are either only slightly negative or even positive considering the most recent market price levels. Should positive trends continue, this could cause achievable charter rates to increase the total revenue. The second way in which the Rickmers Group benefits from rising charter rates is by means of the percentage of remuneration elements for third-party vessels under management. Based on the fact that even short-term charter contracts last for several months, a corresponding delay in passing through increasing charter rates to the corporate results is to be expected.

An easing of the supply situation is not to be expected in the near future. The fleet's capacity with regard to container vessels is currently at just over 18.5m TEU. The shipyards' order books remain well-filled at 18.4%. Year-on-year, the growth of the fleet was at 7.2% as of 1 February 2015. Due to the fact that newly-constructed ships make up three quarters of vessels with 4,000 TEU and over, the effects on various other size categories can vary. The average age of the fleet, weighted according to TEU, is 8.4 years. This accounts for the minimal level of expected activity in the ship-breaking market. As approximately 10% of the operating fleet capacity available at the end of 2014 is to be delivered in 2015 alone, while ship-breaking capacity in 2014 was at only 2%, a gap between the growth in maritime trade and growth in the container fleet is to be expected⁷. Competitive pressure has intensified due to an increasing concentration through takeovers and alliances on the part of suppliers which came as a result of continuing market consolidation.

The Rickmers Group has reacted accordingly to these market developments in order to assert itself in its current competitive environment. In the Maritime Assets area, one of the things the Group benefits from is the fact that it has a number of larger vessels at its disposal which can be expected to achieve corresponding charter rates in the near future. In addition, further investments are planned in this segment which will enable a significant increase in operating earnings. With regard to customers, we see a concentration which, in our view, may pose a certain amount of risk related to achievable charter rates. The Rickmers Group seeks to counter this risk by means of long-term customer retention on the part of the large container shipping companies.

In the Maritime Services Segment, the enterprise under review has acquired a strong market position by means of well-established relationships with investors for whom it provides all the required services involved in the context of a comprehensive vessel management. We see the early focus on energy efficiency management and on crewing Chinese seamen as an additional competitive advantage in the increasingly tough competitive environment in this sector.

The Rickmers-Linie Segment has created a good starting point for itself in a market niche independent of container freight through its investment in the expansion of its Round the World Pearl String Service. As past years have shown, the market and customer access is limited and earnings for the fleet were substantially in deficit. With the expectation of breaking even in the current fiscal year, we see potential in this segment for future development.

Strategy

The corporate strategy was fundamentally revised following the financial crisis and has continually developed over the last several years. The strategic focus of the Rickmers Group has been set out in writing

⁶ HARPEX Index, Harper Petersen & Co.

⁷ Alphaliner Monthly Monitor, February 2015.

and divided according to its individual strategic targets, which also contain concrete measures for meeting these targets. The primary goal of the Rickmers Group is to expand its market position as a full-service provider in ship management for the long term and to increase its profitability. These qualitative aims go hand in hand with concrete financial targets.

Some significant steps taken in the last two years were the internally supervised restructuring and transformation of the corporation and the subsequent conversion of accounting standards to IFRS. The goal of these measures was to increase capital market capabilities for the Rickmers Group and to find additional sources of financing. With the placement of the bond and the Rickmers Maritime multi-currency medium-term note program (MTN program), the enterprise's capital market capability has already been proven.

In the wake of the financial crisis, market opportunities have arisen as a result of the consolidation of competitors, which the corporation wishes to make use of together with its financing partners. Concrete projects which were presented to us in the course of the rating process have already either been implemented or are still in the planning stage.

As product differentiation is fundamentally difficult in the market for goods transport by sea, the Rickmers Group as a service provider endeavors to set itself apart from its competitors with comprehensive services encompassing all areas of ship management as well as the synergies between the three segments. The Rickmers-Linie Segment serves as a niche supplier in the break bulk sector. In addition, long-term customer retention is to be achieved by means of a focus on large and industrial corporations.

The enterprise's next step towards achieving its aims involves further investments designed to increase the overall profitability of the Rickmers Group. The extension of bank financing nearing the end of its term to 2018 was a significant step towards the implementation of these investments. In addition, covenants restricting investment were deleted from the financing agreements. New equity and borrowed capital are to be raised for the investments. Concrete project plans incl. financing have been presented to us; these, however, are yet to be implemented.

In the extremely challenging market environment following the 2008 financial crisis, the Rickmers Group devoted itself to a corporate strategy with a new focus. These steps have been implemented continuously since the beginning of the rating process in 2013 with the restructuring, changes in accounting, and use of the capital market. We see the investments planned for increasing the profitability of the Group as worthwhile despite the continuing weak, risk-exposed market environment. Risks for the Rickmers Group lie particularly in financing and in the structuring of maturity terms for financing, despite the fact that short-term risks have been significantly reduced by the successful extension of bank financing. In our view, the strengthening equity as well as the investments are one way of further reducing these risks. We see the strategy of the Rickmers Group as reasonable and appropriate. The Group's individual 'milestones' have all been successively attained so far. However, further implementation remains subject to risk.

Accounting/controlling

From 2013, as well as retroactively for 2012, the Rickmers Group converted its financial reporting to the international accounting standard IFRS. Thus, in addition to the trade and tax accounting, the Group's bookkeeping is also carried out according to IFRS. The IFRS accounting standard is used Group-wide. Annual financial statements (individual as well as consolidated statements) are generated promptly and subsequently checked and audited by an auditing firm. In our view, the company's accounting and internal controlling systems are, with regard to its staff and resources, able to successfully fulfill all the tasks required of them.

The most important in-year controlling instruments are economic evaluations with corresponding prior year and plan comparisons. These evaluations are usually generated on a monthly or - at present - daily basis. The evaluations are supplemented by regular liquidity plans generated with a 13-week horizon and which are updated on a weekly basis. In addition to these, there is a daily cash report which is generated for the

overall Group.

The Rickmers Group is to publish its quarterly results in addition to the semi-annual report for the first time in 2015. Furthermore, in our view, the degree of detail and transparency has increased from the previous year.

On the whole, we see the accounting and internal controlling systems of the Rickmers Group as suitable for enabling prompt controlling by means of comprehensive target-actual comparisons as well as with an effective liquidity plan and corresponding deviation analyses. This enables the company to counter negative developments in their early stages by means of targeted measures, to carry out cost controlling, and to guarantee successful economic corporate management.

Finance

The Rickmers Group has an organized financial planning system incl. cash flow statement. The financial mapping of strategic plans has a horizon of five years and takes into account various scenarios concerning corporate strategy as well as bunker prices, currency exchange rates, and interest rates. The Group's financial management for all segments is centrally located in its Corporate Center in Hamburg.

According to our figures⁸, in the 2014 fiscal year the Rickmers Group achieved revenues of €545.4m (-5.7%), in the 2014 fiscal year, an EBITDA of €208.3m (+6.5%), an EBIT of €101.71m (+22.9%), a financial result of -€92.96m (-16.7%), and annual net income after tax of €2.13m (+40.1%). The drop in revenue is largely due to continuing low charter rates in 2014, as well as to the further reduction of the KG fleet. Although the Maritime Assets Segment was partially able to compensate for charter contracts nearing the end of their term by expanding its field of business, revenue declined by 5.7%. Revenues from Maritime Services declined by 11.4%. This was due to a decline in KG ships under management as well as the outsourcing of crewing activity. In the Rickmers-Linie Segment, revenue remained at the prior year level. While revenue returns related to earnings after taxes for Maritime Assets and Maritime Services were at 10.9% and 6.9%. Rickmers-Linie - despite its restructuring measures in 2014 - contributed a loss of €17m, a return on sales of -9%⁹. However, the Rickmers Group expects that in 2015 the restructuring will take full effect and that Rickmers-Linie will not achieve negative earnings measures. This we also assume based on the first-quarter figures.

The Group's balance sheet equity according to the consolidated financial statement was €651.3m as of the report date, corresponding to an equity ratio of 23.4%. The analytical balance sheet equity is slightly higher at €681.5m, bringing the analytical equity ratio to 24.27%. The balance sheet total saw an increase of approximately 10%, largely due to the expansion of shipping capacity, financial assets, and higher liquid assets on the assets side, as well as equity and bonds on the liabilities side.

The Rickmers Group is debt financed by way of two capital market instruments. A five-year bond was issued (ISIN DE000A1TNA39) on 11 June 2013. Initially, €175m was placed. The bond was increased by €50m in November 2013, and by a further €25m in both March 2014 and November 2014, resulting in a total outstanding volume of €275m. The bond pays a coupon of 8.875% p.a. The proceeds were used partially as an element of the refinancing process with the company's banks and are also to be used for future investment. Likewise in 2013, the fully consolidated subsidiary Rickmers Maritime, Singapore, placed the first tranche of a bond within the context of an MTN (medium term note) program whose value was the equivalent of €62.4m (100 Singapore dollars). The notes have a fixed annual interest rate of 8.45% and a term until May 2017. These funds were used partially to repay a loan provided by the Rickmers Group. The total volume of the MTN program approved in the securities prospectus is SGD300m, so that further debts at the level of the subsidiary are conceivable.

⁸ The balance sheet has been restructured for purposes of analysis.

⁹ All figures are before the Corporate Center and consolidation.

On the balance sheet date there were off balance leasing obligations in the amount of €44.1m. Cash and cash equivalents were at €248.9m, whereby the liquidity outflow of US\$109m agreed within the framework of bank negotiations at the beginning of 2015 is to be taken into consideration. In addition, the enterprise has a credit line available with the HSH Nordbank which had been drawn down at US\$42m as of 31 Dec. 2014.

Included in the plans of the Rickmers Group for 2015 and the beginning of 2016 is the purchase of three vessels of 9,300 TEU, for which the concrete financing and structure was presented to us. The ships to be purchased are currently still under construction and already chartered. The financing ratio is 35% equity to 65% debt financing. According to the company's management, this deal has been closed as a cooperative investment with a joint venture partner.

The Rickmers Group is planning an equity raise for 2015/2016, for which concrete plans have been presented to us. The equity raise serves primarily - together with additional debt capital - to purchase profitable vessels in the size category of >9,000 TEU. The corresponding plans presented to us show a significant improvement in the Group's cash flow generation, which - with regard to the risks in the company's financing structure - would contribute substantially to the strengthening of repayment and refinancing possibilities. The success of the equity raise, as well as the implementation of the investments, remains to be seen.

With the extension of bank financing nearing the end of its term, the Rickmers Group was successful in removing a substantial short-term credit risk. The plans for the equity raise and planned investments presented to us are fundamentally sound in our opinion; however, we do see risks related to the implementation and financing, in particular in the event that targets set by the Group cannot be met. There is a significant risk related to the continuing medium-term focus of the financing. 2018 will be a decisive year in this respect, when after the loans due for repayment in March the bond will reach maturity in June. As the Rickmers Group is reliant on follow-on financing even in times of good business performance, the company's economic development until 2018 will be a significant factor with regard to whether a suitable refinancing strategy can be implemented. At the same time, the Rickmers Group continues to be dependent on the market environment, which in turn is determined to a large extent by the global economy and by maritime trade. Exogenous shocks would significantly affect the business model and refinancing opportunities of the Rickmers Group. Thus, the following steps in implementing the corporate strategy of the Rickmers Group, as well as the sustainability of the burgeoning recovery in the container market - in particular with regard to financing risks - remain to be seen. This is reflected in the current rating assessment.

Risks

As a globally-operating shipping line, the Rickmers Group is exposed to a variety of risks and uncertainties. Its risk management system includes instruments and measures which enable the early recognition, gaging, controlling, and monitoring of potential operating and strategic risks. The aim of the system is to recognize events which might pose a threat to the Group and to initiate countermeasures as well as to ensure that the targets set by the Rickmers Group can be met.

In accordance with the organizational structure of the Rickmers Group, the operating risk management system is set up in decentralized manner but is managed centrally by Group Risk Management Department. In the Maritime Assets, Maritime Services and Rickmers-Linie Segments, an independent risk reporting system with the capacity to take action has been established for risk management. The Rickmers Group has a group-wide controlling and management system which regularly gauges, evaluates, and manages business development as well as the associated financial risks and their effect on the corporation. The central business unit Group Treasury & Risk is responsible for controlling these financial risks. There are existing interfaces for risk management. Rickmers has cataloged the most prominent risks as well as classified and evaluated them according to the likelihood of their occurrence. The Rickmers Group has concluded appropriate hedging transactions for risk related to currency and interest rate change.

In view of the size and structure of the Rickmers Group, we see the demands made on its risk management as high. For this reason, we view an active reporting system as well as a functional and transparent risk communication system as an important instrument for risk management.

The short and medium-term burden on the Rickmers Group's risk capacity corresponds in particular with the development of certain financial as well as market-related risks. We see the current potential for a broad recovery of freight quantities and charter prices across all segments to be limited considering increasing supply pressure with regard to transport capacity. In the short term, due to its many years of experience, the Rickmers Group should be able to manage these risks; in the medium term, larger financial risks may increasingly arise from a failure of the market to substantially recover.

The Rickmers Group has countered the risk posed by repayments for financing due in 2015 and 2016 by means of an extension agreement with the corresponding banks. However, even after these extensions, the Group's financing structure remains characterized by medium-term liabilities as well as those with high bullet repayments and which do not correspond to long-term assets. There are risks related to the necessary follow-on financing, in particular in 2018 due to the expiration of loan agreements and the maturing bond.

In addition, the Rickmers Group is exposed to the following risks:

- Development of world trade and the global economy
- Threat to shipping by maritime piracy
- Risks from prolonged outage or downtime
- Risks related to loss of receivables and charter renegotiations
- Risks from unexpected cost increases and volatility of bunker prices
- Risks arising from the limited availability of vessels
- Risk due to reduction in ship value
- Political and country risks
- Currency risks
- Credit risks
- Interest rate risks
- Liability risks
- Personnel risks as well as
- Legal and regulatory risks

The list of litigations involving the Rickmers Group was presented to us. These litigations remain within a range which is normal for the business model. We could not find any significant risks which would jeopardize the corporation.

We see the risk management system of the Rickmers Group to be appropriate in terms of complexity and scope, sufficiently developed, and well-staffed. In the report we could again see significant progress from the previous year due to the conversion to IFRS and due to the 2014 financial statement as well as the quarterly reports. We view the enterprise's reporting system as sound in relation to its size.

Current Development

The **annual financial statement 2014 of the Rickmers Group** was only available to us as a provisional version at the time of rating. We have been assured that no significant alterations are to be expected in the final version. However, should this be the case, an alteration of the rating assessment cannot be excluded.

The **business development of the Rickmers Group** is summarized in the following table using selected

specific values in accordance with our structured figures.

Rickmers Group, in €m	2014	2013	2012
Revenue	545.40	578.61	648.00
Gross income	287.12	306.23	359.95
EBITDA	208.31	195.52	271.72
EBIT	101.71	82.73	156.46
EBT	6.82	-6.76	13.13
EAT	2.13	1.52	10.70
ROS in % ¹⁰	0.4%	0.3%	1.7%

The Rickmers Group achieved **revenues** of €545.4m (-5.7%) in the **2014 fiscal year**, an **EBITDA** of €208.3m (+6.5%), an **EBIT** of €101.71m (+22.9%), a **financial result** of -€92.96m (-16.7%), and **annual net earnings** after tax of €2.13m (+40.1%). The drop in revenue is largely due to continuing low charter rates in 2014, as well as to the further reduction of the KG fleet. Although the **Maritime Assets** Segment was partially able to compensate for expiring charter contracts by expanding its field of business, revenue declined by 5.7%. The Maritime Assets Segment generated approximately 61% of the consolidated revenues in 2014. Revenues from Maritime Services declined by 11.4%. This was due to a decline in KG vessels under management as well as the outsourcing of crewing operations. The **Maritime Services** Segment generated approximately 4% of Group's revenues in 2014. In the Rickmers-Linie Segment, revenue remained at the prior year level. While returns on sales related to earnings after taxes for Maritime Assets and Maritime Services were at 10.9% and 6.9%, the Rickmers Linie - despite its restructuring measures in 2014 - contributed a loss of €17m (a return on sales of -9%)¹¹. For 2015 the Rickmers-Linie expects a significant rise in earnings. One critical point is that the Rickmers-Linie was already showing markedly negative earnings at the EBITDA level. The Rickmers-Linie Segment accounted for approximately 35% of the consolidated revenues in 2014. The income statements for the Rickmers-Linie which were presented to us show a turnaround in the development of its business for the fourth quarter of 2014 and the first quarter of 2015, with an EBITDA which is again positive. According to our information, the Rickmers-Linie will achieve positive earnings in 2015, which will have a substantial effect on total group earnings.

The Group's balance sheet equity according to the consolidated financial statement was €651.3m as of the report date, corresponding to an equity ratio of 23.4%. The analytical equity is slightly higher at €681.5m, leading to an analytical equity ratio of 24.27%. The **balance sheet total** rose by approximately 10%, largely due to the expansion of vessel capacity, financial assets, and higher liquid assets on the assets side, as well as equity and additional bond proceeds on the liabilities side.

Due to the stability of the balance sheet in comparison with the previous year, there were only few changes in key financial ratios. On the positive side there is the reduction of the personnel cost ratio of 15.3% to 12.9% as well as the consistent gross profit ratio by 53%. On a critical note, there is the continuing low coverage of fixed assets at 29.5% as well as the low **EBITDA and EBIT interest coverage** at 2.3x and 1.1x. The **debt repayment period** is also to be seen as high at 17.8 years, as is the **ratio of total liabilities to EBITDA**, which is at 9x.

The Rickmers Group is financed externally by way of two capital market instruments. A five-year **bond** was issued (**ISIN DE000A1TNA39**) on 11 June 2013. Initially, €175m was placed. The bond was **increased** by €50m in November 2013, and by a further €25m in both March 2014 and November 2014, resulting in a total outstanding volume of €275m. Furthermore, the fully consolidated subsidiary Rickmers Maritime, Singapore, placed the initial tranche of a bond within the context of an MTM (medium term note) program whose value was the equivalent of €62.4m (100 Singapore dollars). The total volume of the MTN program

¹⁰ ROS here: EAT/revenue.

¹¹ All figures are before the Corporate Center and consolidation.

approved in the securities prospectus is SG\$300m, rendering further debts at the level of the subsidiary conceivable.

On the balance sheet date there were off balance leasing obligations in the amount of €44.1m Cash and cash equivalents were at €248.9m, whereby the liquidity outflow of US\$109m agreed within the framework of negotiations with the bank at the beginning of 2015 is to be taken into consideration. In addition, the enterprise has **a credit line available with the HSH Nordbank for US\$165m** (€136m on the balance sheet date), which had been drawn down as of 31 Dec. 2014 in the amount of US\$42m.

Risks for the Rickmers Group lie particularly in financing and in the structuring of **maturity terms for financing**. With the extension of bank financing nearing the end of its term, the Rickmers Group was successful in removing a substantial short-term credit risk. The plans for the equity raise and planned investments presented to us are fundamentally sound in our opinion for increasing the profitability of the Group; however, we do see risks related to implementation and financing, in particular in the event that targets set by the Group cannot be met. There is significant risk related to the continuing medium-term focus of the financing. 2018 will be a decisive year in this respect, when after the loans due for repayment in March the bond will reach maturity in June. As the Rickmers Group is reliant on follow-on financing even in times of good business performance, the company's economic development until 2018 will be a significant factor in whether a suitable refinancing strategy can be implemented. In our view, the planned equity measures as well as the investments are one way of further reducing these risks.

At the same time, the Rickmers Group continues to be dependent on the market environment which in turn is determined to a large extent by the global economy and by marine trade. Exogenous shocks (e.g. a decline in the global economy, increasing geopolitical uncertainty or a threat to shipping) would significantly affect the business model and refinancing opportunities of the Rickmers Group. Thus, the following steps in implementing the corporate strategy of the Rickmers Group, as well as the sustainability of the burgeoning recovery in the container market, in particular with regard to financing-related risks, remain to be seen. These aspects are all reflected in the current rating assessment.

Disclaimer

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