

Creditreform Corporate Rating (Summary)

Information table

Rickmers Holding AG (Group)		Rating:	PD 1 year:
		B-	8.10 %
		Date:	3 March 2016
Creditreform ID:	2150680179	Valid until:	2 March 2017
Executive Board:	Dr. Ignace Van Meenen Prof. Dr. Mark-Ken Erdmann	Headcount:	2,193
		Total sales in 2015:	EUR 587.5 million
(Main) industry:	50200 Shipment of goods by maritime transport (in both high seas and coastal waters)		

Note:

In addition to this Summary, Rickmers Holding AG (Group) has been provided with a comprehensive Rating Report and a Rating Certificate. The Report contains further relevant information concerning the corporate rating. In the event of any inconsistencies the full German rating report shall be the sole authoritative text.

Abstract

Rickmers Holding AG (Group) – also “Rickmers“, “the Rickmers Group“ or “the company“ – is a German family enterprise in the shipping industry with international business interests. The Rickmers Group and its three segments provide a comprehensive range of services for the shipping industry.

The Rickmers Group conducts its business in three segments: Maritime Assets, Maritime Services and Rickmers-Linie. According to Creditreform’s standardized balance sheet, it generated total sales of EUR 586.98 million in the business year 2015 (+7.6 %), with EBITDA of EUR 251.66 million (+20.8 %), EBIT of EUR 128.58 million (+26.4%), a financial result of EUR -117.63 million (-26.5%) and an annual loss of (after tax) of EUR -135.53 million (2014: EUR + 2.3).

Rickmers Holding AG (preliminary consolidated annual statement IFRS) ¹ as per 31 December 2015	Preliminary standardized balance sheet (Group) ¹	
	2015	2014 ²
Balance sheet total	EUR 2,808.27 million	EUR 2,774.68 million
Equity ratio	17.92%	23.35%
Total sales	EUR 586.98 million	EUR 545.40 million
EBT	EUR 128.58 million	EUR 101.71 million
Annual surplus	EUR -135.53 million	EUR 2.13 million
Return on assets	-1.06%	3.37%
Return on sales	3.89%	1.88%

¹ For the definitions of the individual items in the standardized balance sheet and of the various financial ratios, please see Appendix A-D of the Rating Report.

² Following the 2014 Rating Report, the analytic assessment of currency differences has changed. This is why some of the figures provided for 2014 may deviate from the figures from last year’s Rating Report.

The rating attests Rickmers Holding AG an adequate financial strength, an assessment that places the company below the average of other businesses in the overall economy.

Business structure

The nucleus of Rickmers Group in its present shape was established by Bertram R.C. Rickmers in 1982 but has its roots in a 180-year-long association of the family with businesses in the maritime industry, going back to 1834 when the Rickmers shipyard began to operate in Bremerhaven. In 2000, Rickmers-Linie was bought back from Hapag-Lloyd, re-integrating it into the family enterprise.

Following a shareholder resolution from 29 May 2015 and the entry into the Trade Register of the Amtsgericht Hamburg performed on 8 June 2015, Rickmers Holding AG has been formally converted into Rickmers Holding AG.

The current legal structure of the company is fairly complex: app. 95 companies are consolidated under the Group's umbrella. Rickmers Holding AG is domiciled in Hamburg and acts as a service provider for the individual divisions and business segments, also managing their financial affairs, controlling, human resources, communication and the provision of legal advice.

Essentially, Rickmers Group consists of three segments: Maritime Assets, Maritime Services and Rickmers-Linie. The Group is managed by an Executive Board that consists of a CEO and a CFO. The respective CEOs and CFOs of the three business segments in combination with the CAO of Rickmers-Linie and COO of Maritime Service together with Deputy CFO & CRO and the General Counsel & CCO form the Senior Management of the Rickmers Group. They are supporting and advising the Executive Board.

Market, products

The Rickmers Group conducts business as an owner of ships, as an established service provider for the international maritime industry and as an operator of a shipping line. It has split its interests into three segments – Maritime Assets, Maritime Services and Rickmers-Linie. As per 31 December 2015, the Rickmers Group managed 130 ships. Its own fleet consists of 52 vessels including 16 that are allocated to the fully consolidated, Singapore-based Rickmers Maritime. On top of that, the Rickmers Group manages twelve further ships that are owned by a fund which has been established as a joint venture with Apollo Global Management, 55 third party vessels for which the Rickmers Group provides a range of maritime services and a further eleven KG ships (vessels that were financed through shipping funds). Most of the Group's own ships are container vessels that are complemented by 9 multi-purpose carriers and 3 car carriers.

In its Maritime Assets division, the Rickmers Group acts as an asset manager for both its self-owned fleet and third party vessels, organizes and coordinates ship projects, arranges financing deals and acquires as well as charters out ships. The Maritime Assets division also comprises the Group's ship owning companies. On the cutoff day of the rating, 95 ships were under commercial management (previous year: 97 ships).

In its Maritime Services division, the company provides ship management service packages for its own fleet and for third party vessels. The services cover technical and operative management, crew management, shipbuilding development and monitoring, energy efficiency drives, operative risk management and services in connection with marine insurance policies. The largest client of the Maritime Services division is the Group's Maritime Assets division. On the cutoff day of the rating, the Maritime Services division managed 127 ships (previous year: 104 ships).

The Rickmers-Linie division offers regular liner service for breakbulk, heavy lift and project cargo (for

example through its “Round-the-World Pearl String Service“) as well service on inducement. Its fleet features multi-purpose cargo ships that are equipped with heavy-duty cranes. In the business year 2015, a total of 1.8 million freight tons – breakbulk, heavy lift and project cargo – were shipped (previous year: 2.3 million tons). The core fleet of the Rickmers-Linie consists of nine 30,000 DWT multi-purpose carriers (previous year: 11 MPCs) and can be complemented, in periods of high demand, by chartered vessels on short notice. As per 31 December 2015, the entire fleet comprised 17 ships (previous year: 17 ships). Five of the chartered vessels are owned outright by the Rickmers Group (previous year: seven), another four are owned by KG funds (previous year: four). In periods of high demand, additional vessels are available to increase the transport capacity. In 2015, the Rickmers-Linie division accounted for 29.32 % of the consolidated sales revenue (previous year: 34.75 %).

The current situation of international cargo shipping is characterized by fierce competition. Stimulated by the economic boom and growing volumes of global trade, large numbers of new vessels were commissioned and built until 2007. Since the economic and financial crisis erupted in 2008 and the volume of global trade fell sharply, these newly created capacities – entering a market where supply already exceeds demand – have exerted considerable downward pressure on cargo rates. Despite the excess supply, more ships were built in recent years, mainly to generate economies of scale and cost-effective operations in container fleets. As a consequence, the available cargo capacities have continued to rise. Increasing numbers of ship-building projects have created a cascade effect and intensified the competition among medium-sized ships that make up the bulk of the global shipping fleet. At the same time, the scrapping ratio of container ships has fallen below the long-term average, a result of the ships’ long service lives and the relatively low raw material prices (when compared to pre-crisis levels), specifically of steel.

The International Monetary Fund IMF estimates that the global trade volume increased by 3.4 % and 3.1 % respectively in 2014 and 2015, which means that the growth rate failed to match the more buoyant forecasts. For 2016 and 2017, the IMF now expects global trade to grow by 3.4 % and 3.6 %³. In most years, the growth rate of maritime trade falls between the growth rates of the global GDP and the overall global trade. Maritime trade has continued to grow parallel to global trade, albeit at a lower rate, while for most years in the recent past, a positive multiplier effect could be observed in relation to the GDP. For 2015 and 2016, the IMF forecasts GDP to grow by 3.1 % and 3.6 % respectively. In our opinion, it seems therefore realistic to expect maritime trade to grow by 3.0 % to 4.0 % overall in 2015 and 2016, while the developments in different segments may vary.

Charter rates for container ships and bulk freight carriers fell significantly in 2015, partly to the level of the troughs of the economic crisis in 2008/2009. For the first time, medium-sized container ships (>6.000 TEU), whose rates had so far been relatively stable, were also affected by this downward trend. For ships with a cargo capacity of 4,250-8,500 TEU, the charter rates had fallen to significantly less than USD 10,000 / day by February 2016 (USD 6,000-8,500 / day)⁴. The Baltic Dry Index (Dry Bulk), which was quoted at a level of 1,200 points as recently as in August 2015, had fallen to less than 300 points by early 2016⁵. Three factors are chiefly responsible for this development: the downturn of the Chinese economy, the globally falling demand for raw materials including oil, and the persistent excess supply of cargo capacities.

There is no reason to expect this excess supply to disappear any time soon. The total cargo capacity of the world’s container ships currently amounts to approx. 19.9 million TEU (2014: 18.5 million TEU), while the order books of ship-building companies remain full (at a level of currently 20.1 %). Year-on-year (as per 31 December 2015), the global fleet grew by 8.6 %. Since, however, ships with a minimum capacity of 4,000 TEU account for 87 % of all new orders, the consequences of this development may affect different categories of ships in different ways. The global fleet has an average age of only 8.5 years (weighted for TEU), which is why it appears unlikely that many of these ships will be heading for the scrap yard any time

³ World Economic Outlook Update, 19. January 2016, International Monetary Fund.

⁴ HARPEX Index, Harper Petersen & Co.

⁵ Bloomberg.

soon. This is partly due to the low prices for steel and oil, too. Since the equivalent of approx. 8.6 % of the global cargo capacity that existed in late 2015 will be added in 2016 alone (through the delivery of new vessels) while a mere 1 % of the existing capacity was scrapped in 2015, the gap between the growth of the overall volume of maritime trade and the growth of the world's fleet of container ships will persist⁶. Competitive pressures will further increase through a growing concentration on the buyers' side (through mergers and acquisitions) which itself reflects the continuous trend of market consolidation.

Strategy

Following the global financial crisis, the corporate strategy was subjected to an extensive overhaul and has been continuously developed over recent years. The strategy of the Rickmers Group – which has been documented in writing – identifies a range of individual strategic objectives as well as concrete steps of how to achieve them. It is the overriding long-term objective of the Rickmers Group to reinforce its position on the market for full-service ship management and to increase its profitability. This qualitative ambition is directly linked to concrete financial targets.

Important steps of the past three years included the internally managed transformation of the Group, the restructuring of the Rickmers-Linie and the conversion of the accounting system to IFRS. These measures were intended to provide the Rickmers Group with access to the capital markets and to open up additional financing opportunities. The company has since demonstrated its ability to operate on the capital market by issuing a bond and Rickmer's Maritime medium-term note Programme (MTN program). The conversion into a stock corporation has paved the way for a possible stock market flotation. In the after-math of the financial crisis, the market is providing opportunities in the wake of the consolidation of some competitors, and the company is determined to exploit any such opportunities in cooperation with financing partners. A few projects have already been implemented while others continue to be developed on the drawing board. Such projects were explained to us in the course of the rating process.

In a highly difficult business environment – following the financial crisis of 2008 – the Rickmers Group has sensibly followed a revised business strategy. Since the start of the rating process in 2013, necessary changes were gradually implemented through the transformation of the Group, the restructuring of the Rickmers-Linie, the conversion of the accounting system and the entry into the capital market. We believe that it is sensible to plan additional investments to further increase the Group's profitability, although such a strategy – bearing in mind the continuous weakness of the market environment – also bears a certain number of risks. Most of the risks of the Rickmers Group are connected to its financing situation and to the maturities structure of its liabilities, although some short-term risks have been significantly reduced through a successful negotiation of extended bank loans. We hold the view that the planned equity capital measures and the implementation of the investment plans represent one way of further reducing these risks. We believe that the business strategy of the Rickmers Group is adequate and sensible. All of its individual milestones have so far been achieved. In the light of the difficult business environment of maritime shipping, however, It remains uncertain to what extent this strategy can be implemented in the future.

Accounting / controlling

The Rickmers Group is using the International Financial Reporting Standards IFRS for its annual financial statements. It is preparing its financial statements in accordance with current fiscal regulations and parallel in compliance with IFRS regulations for the entire Group. Annual statements (individual and consolidated statements) are delivered promptly, all audit certificates until 2014 have been provided to us. The accounting and internal controlling systems have, in our opinion, been provided with staff and material resources that are sufficient to perform the functions to which they have been assigned.

Business assessments that feature comparisons with the strategic targets and with the results from the

⁶ Alphaliner Monthly Monitor, January 2016.

previous year's reference periods are the main management control instruments during the course of the year. Such assessments are compiled monthly, by and large, but sometimes more frequently and occasionally even on a daily basis. They are complemented by regularly compiled liquidity forecasts which extend over a rolling period of 13 weeks (renewed on a weekly basis). An additional Cash Report is compiled daily for the entire Group. As part of its realignment process, the Group has implemented a comprehensive, complex and detailed integrated planning system which provides the basis for the business management structure. This system supplies the data – current business figures including target-actual comparisons and comparisons with the figures from the previous year's reference periods – for comprehensive quarterly and annual reports, allowing detailed analyses and assessments of the most recent business developments. This guarantees the highest possible degree of transparency.

In 2015, the Rickmers Group started to release quarterly results in addition to its half-yearly reports. On top of that, the level of detail and the transparency of their business assessments were once again improved. Overall, we believe that the accountancy and internal controlling functions of the Rickmers Group have been adequately developed to allow a near-real-time management of the business with comprehensive target-actual-comparisons, effective liquidity planning and relevant deviation analyses. This enables the company to react quickly to any adverse developments and to develop efficient responses, to exercise an effective cost control operation and to conduct its business affairs successfully.

Financial situation

The Rickmers Group operates a well-organized financial planning system with cash flow statements. Strategic finance plans extend over a time horizon of five years and take into account different business scenarios with different bunker prices, currency exchange rates and interest rates. The financial management of the Rickmers Group is provided for all segments by a centralized unit at the Corporate Center in Hamburg.

According to the consolidated annual statement, the balance sheet equity of the Group as per the balance sheet cutoff day amounted to EUR 555.40 million (previous year: EUR 651.29 million), equivalent to an equity ratio of 19.3 % (previous year: 23.4 %). The equity figure used for the purposes of the balance sheet analysis⁷ is lower (EUR 503.16 million; previous year: EUR 647.91 million), essentially reflecting the correction of the currency difference as per the balance sheet cutoff day (approx. EUR 68.37 million; previous year: approx. EUR 12.98 million) that was performed for the purposes of the analysis. The equity ratio of the balance sheet analysis (17.92 %) is therefore also lower. A covenant for major bank liabilities stipulates a minimum equity ratio of 15 %. The company currently operates in a reasonably safe distance from this threshold, but the situation must be kept under observance. In the wake of the distinctly negative result, both the return on equity (-26.9 %) and the return on assets (-1.1 %) fell, reflecting specifically the write-downs performed on the company's own shipping fleet. The gross profit ratio, conversely, climbed by roughly 6 % to approx. 58.4 %, a development that can be partly explained by the fall in expenses for bunker and maritime travel costs following the fall in the number of journeys conducted by Rickmers-Linie.

The further fall in the already fairly low fixed assets ratio to 18.7% (previous year: 29.5 %) must be seen as a negative development. The same is true for the low level of interest coverage for EBITDA and EBIT (2.4x and 1.2x respectively). The cash-flow-to-total-debt-ratio of 18.2 years (previous year: 17.8) is also high, as is the ratio of total debt to EBITDA (approx. 9x).

The Rickmers Group has used two capital market instruments to raise funds. On 11 June 2013, a five-year bond (ISIN DE000A1TNA39) was issued. EUR 175 million were initially placed, before the total volume of the bond was increased to EUR 275 million by placing EUR 50 million in November 2013 and then another EUR 25 million each in March 2014 and in November 2014. The bond pays an annual coupon of 8.875 %.

⁷ In the period after the 2014 Rating Report, the analytic assessment of currency differences was changed. This is why some of the figures provided for 2014 may deviate from the figures from last year's Rating Report

Some of the proceeds have been used for the purpose of restructuring the Group's bank debt. In 2014, the fully consolidated subsidiary Rickmers Maritime (Singapore) used an MTN programme (Medium Term Note) to place the first tranche of a bond with a volume of approx. EUR 65.0 million (Singapore-Dollar / SGD 100 million). The Notes have a fixed annual coupon of 8.45 % and will reach maturity in May 2017. Some of the proceeds were used to redeem a loan of the Rickmers Group. According to the prospectus, the approved volume of the MTN programme amounts to SGD 300 million, raising the possibility of acquiring funds on the level of the subsidiary.

Most of the company's debt has been borrowed from banks. As per 31 December 2015, bank liabilities amounted to EUR 1,597.85 million (2014: EUR 1,555.05 million), accounting for more than 50 % of the balance sheet total. Originally, a total of roughly USD 1,527 million in bank loans would have become due in 2015 and 2016, but in February 2015, the Rickmers Group managed to extend these loans until 2017/2018, taking an important step towards a successful restructuring of the corporate finances. Rickmers agreed to pay USD 109 million as an advance redemption of principal to the bank lenders. The bulk of the loan must be redeemed on the date of maturity, but one portion of the liabilities needs to be redeemed beforehand in accordance to a repayment plan. The originally agreed redemption rates will be reduced until 2018, reflecting the advance payment of USD 109 million. The redemption rates amount to an annual amount of approx. USD 110 million. 7.5 % must be paid to the banks from potential equity capital measures. The costs of the refinancing arrangement amounted to USD 9 million. The existing contracts were cleared of certain covenants, mainly a ban on further investments, a ban on a further accumulation of liabilities and compliance with a certain debt-EBITDA ratio. This waiving of previous restrictions was important because the new version of the contracts allows the Rickmers Group to implement its investment plans. The newly agreed covenants oblige the company to maintain an equity ratio of at least 15 % and a minimum liquidity level of USD 50 million wherein free credit lines account for 75 percent.

On the balance sheet cutoff day, off-balance-sheet liabilities from leasing deals amounted to EUR 47.96 million. The company had liquid funds with a total volume of EUR 96.26 million and a readily available liquidity line of USD 165 million at HSH Nordbank, of which USD 107.0 million had been used on the balance sheet cutoff day.

The Rickmers Group intends to strengthen its equity base to remain capable of funding its growth plans through an even better access to the national and international capital markets. How and when this plan can be successfully implemented, however, will be determined by the development of the capital market and the market for maritime transport. The plans that were made available to us show a significantly improved cash flow. This would help to provide the Group with more favourable redemption and refinancing options, considering the inherent risks of the current financing structure. Under the currently adverse business conditions of the industry, however, it remains to be seen whether the Group can successfully complete its equity capital measure and implement its investment plan.

Risks

As a shipping corporation with global business interests, the Rickmers Group is exposed to a large variety of risks and uncertainties. The risk management system comprises tools and instruments that allow the company to identify, to measure, to control and to monitor operative and strategic risks at an early stage. This system has been designed to identify events that can jeopardize the survival of the entire Group, to allow the management to develop an effective response and to ensure that the strategic objectives of the Rickmers Group can be achieved in compliance with the original plan.

The Rickmers Group's operative risk management system has a decentralized structure, in line with the organizational structure of the entire Group, but it is centrally controlled by the Group Risk Management department. The three segments (Maritime Assets, Maritime Services and Rickmers-Linie) each have an independent risk reporting system which is linked to certain risk control responsibilities. Rickmers operates a

Group-wide monitoring and control system that regularly establishes, assesses and regulates the business development and the inherent financial risks, keeping their effects on the Group under close observation. In addition to that, particularly detailed business reports are provided by the Corporate Finance department for the purpose of allowing a diligent management of financial risks. Interfaces are in place to connect this system with the risk management function. The Rickmers Group has compiled a catalogue of key risks and classified as well as evaluated these risks according to their degree of probability and their potential impact.

The risk management instruments have been customized according to the different types of risk and are continuously reviewed, revised, developed and adjusted to changing circumstances. The hedging of risks is also a part of the company's risk management activities. Insurance policies including the standard corporate liability insurance, asset insurance policies and maritime insurance policies are acquired to protect the company against material loss and the liability risks of its ordinary business activities. The Rickmers Group has hedged some of its currency risks and interest rate risks.

In the light of the size and structure of the Rickmers Group, we believe that the company's risk management system must meet a high level of requirements. We therefore hold the view that an active reporting as well as a fully functional and pro-active system of risk communication will serve as important risk management instruments.

In the short and medium term, the capacity of the Rickmers Group to successfully manage its current levels of risk exposure will correlate with the development of certain financial and market-related risks. We believe that the potential of a broad and cross-segment recovery of cargo volumes and charter tariffs is currently rather small, taking into account the still increasing supply-side pressures (which result from continuously rising transport capacities). For the short term, we are confident that the Rickmers Group has sufficient levels of experience to manage these risks successfully, but in the medium term, more severe financial risks could emerge if the market failed to undergo a significant recovery.

The Rickmers Group has reacted to the risk of major loans reaching their date of maturity without a refinancing arrangement in place (in 2015 and 2016) by extending the agreements with its bank lenders. Even after these extensions, however, the corporate financing structure is burdened by debt with impending or medium-term maturities, a structure that fails to reflect the high proportion of long-term assets in the Group's portfolio. The necessity of refinancing arrangements – specifically in 2018 when the bank loans and the bond reach their dates of maturity – provides another source of risks.

The Rickmers Group is furthermore exposed to the following risks:

- Development of the global trade and global economy
- Long downtimes or idle times
- Defaults on receivables, the need to renegotiate charter contracts
- Risks from unexpected cost increases and the volatility of bunker prices
- Restricted availability of ships
- Risk that the value of the company's ships may fall
- Political and country risks
- Currency risks
- Credit risks
- Risks from falling cargo rates
- Liquidity risks
- Risks connected with a fall in equity of Rickmers Holding AG

- Risks resulting from the financial covenants
- Interest rate risks
- Liability risks
- Legal and regulatory risks

We were provided with a list of open legal disputes. Neither the number nor the nature of these disputes appeared extraordinary in the light of the business model. No significant risks and no risks liable to jeopardize the survival of the Group were discernible.

We believe that the risk management system of the Rickmers Group adequately reflects the dimension of its business activities and their level of complexity, is sufficiently developed and adequately staffed. The reporting system has further improved, following the conversion to IFRS and the 2014 annual financial statement, the introduction of quarterly reports and the 2015 reporting. We hold the view that the Group's reporting system is well developed considering the size of the enterprise.

Current development

The **Rickmers Group** conducts a wide range of business activities as an owner of ships, as a well-established provider of services for international shipping and as an operator of a shipping line for the transport of breakbulk, heavy lift and project cargo. Its structure – which features the three segments of **Maritime Assets**, **Maritime Services** and the **Rickmers-Linie** – reflects the diversity of this business portfolio. As per 31 December 2015, the Rickmers Group had **130 ships** under management. Its own fleet comprises 52 ships, 16 of which must be allocated to the fully consolidated, Singapore-based subsidiary Rickmers Maritime. On top of that, the Rickmers Group manages twelve additional ships that are owned together with Apollo Global Management under a joint venture, 55 (previous year: 30) third party ships for which the Rickmers Group provides a range of maritime services and another 11 (previous year: 16) KG-fund-owned vessels. A large proportion of the Group's own ships are container vessels, but the fleet also comprises nine multi-purpose carriers (previous year: 11 MPCs) and 3 car carriers.

On the cutoff day of the rating, we had only been provided with a **preliminary version of the Rickmers Group's annual financial statement for 2015**. We were assured that the final version would not significantly differ from the version that was provided to us. If, however, significant changes were to occur, it cannot be ruled out that the rating would have to be amended accordingly.

The following table summarizes the **business development** of the Rickmers Group on the basis of a few fundamental financial benchmark values from our standardized statistical analysis:

Rickmers Group in EUR million	2015	2014	2013
Sales revenue	586.98	545.40	578.61
Gross profit	342.54	287.12	306.23
EBITDA	251.66	208.31	195.52
EBIT	128.58	101.71	82.73
EBT	-125.85	6.82	-6.76
EAT	-135.53	2.13	1.52
ROS in % ⁸	-23.1	0.4%	0.3%

⁸ ROS here: EAT/sales revenue.

According to our structured financial analysis, the Rickmers Group generated **sales revenues** of EUR 586.98 million in the **business year 2015** (+7.6 %), **EBITDA** of EUR 251.66 million (+20.8 %), **EBIT** of EUR 128.58 million (+26.4 %), a **financial result** of EUR -117,63 million (-26.5 %) and an annual loss after tax of EUR -135,53 million (2014: EUR +2.13 million). The development of the sales revenue partly reflects the expiry of charter contracts with relatively high rates and solid margins as well as their replacement – in today's challenging business environment – by contracts with lower rates. On the other hand, the revenue from the transport of cargo also fell due to a lower number of journeys and a consequently lower total volume of cargo. These two negative effects, meanwhile, were more than compensated by a favourable development of the USD-EUR currency exchange rate. If you were to adjust the sales revenue figure for this currency effect, it would have fallen by approx. EUR 62.0 million. Earnings after tax (EAT) in the past business year amounted to EUR -135.53 million (2014: EUR +2.13 million), largely reflecting extraordinary expenses in the form of value adjustments (impairment) of EUR 136.8 million to which the shipping assets were subjected in the light of the poor market conditions. If you adjusted EAT for this effect, they would almost reach the previous year's levels. The recent development of raw material prices and the fall in activity of the Rickmers-Linie is also reflected by a significant drop of the **ratio of material costs to total costs** from 47.3 % in 2014 to 41.7 % in 2015. The **ratio of personnel costs to total costs**, conversely, rose slightly from 12.9 % to 13.5 %, partly reflecting the development of the currency exchange rate, but partly also the pension agreement with Mr Bertram R.C. Rickmers under which he first payments were made in the past business year.

In addition to this pension, the Rickmers Group has agreed to pay Mr Rickmers an annual licensing fee of 0.6 % of the Group's revenue for the use of the company name and the "Rickmers Flag". For the purpose of the structured analysis, we interpreted this amount as an indirect distribution to the Rickmers Group's (currently) sole shareholder.

The Rickmers Group intends to strengthen its equity base to remain capable of funding its growth plans through an even better access to the national and international capital markets. How and when this plan can be successfully implemented, however, will be determined by the development of the capital market and the market for maritime transport. The business plans that were provided to us show a significantly **improved cash flow generation**. This would serve to improve the company's redemption and refinancing options, which would be a welcome development in consideration of the risks of the current financing structure. These plans will have to be implemented under the impact of adverse market conditions, conditions which will also determine to what extent the company's equity base can actually be reinforced. The corporate management is currently completing a business plan that – on the basis of different scenarios – takes into account the change of the economic conditions. We believe that a successful equity capital measure will face many difficulties at this moment in time and expect that the refinancing of the loans and the bond (which will reach their dates of maturity between 2017 and 2018) as well as the further business development will pose increasingly tough challenges.

Most of the **risks of the Rickmers Group** are rooted in its financing situation and in the **maturities structure of its liabilities**. Since the Rickmers Group will require refinancing arrangements, even under good business conditions, the economic development from here until 2018 will to a large extent determine whether or not an appropriate refinancing strategy can be implemented. We hold the view that the planned equity capital measures, their implementation and the investment plans are ambitious considering the current market conditions. We nevertheless believe that the prudent and experienced executive management of the Group will develop an appropriate response to the changing circumstances. We must therefore wait and see which steps the management will take next to implement the Group's corporate strategy – and whether the necessary recovery of the container shipping market will actually materialize. If the economic conditions of the maritime transport industry and container shipping fail to improve in the medium term, we believe that the Rickmers Group may have to face risks that could jeopardize its very survival.

Disclaimer

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