

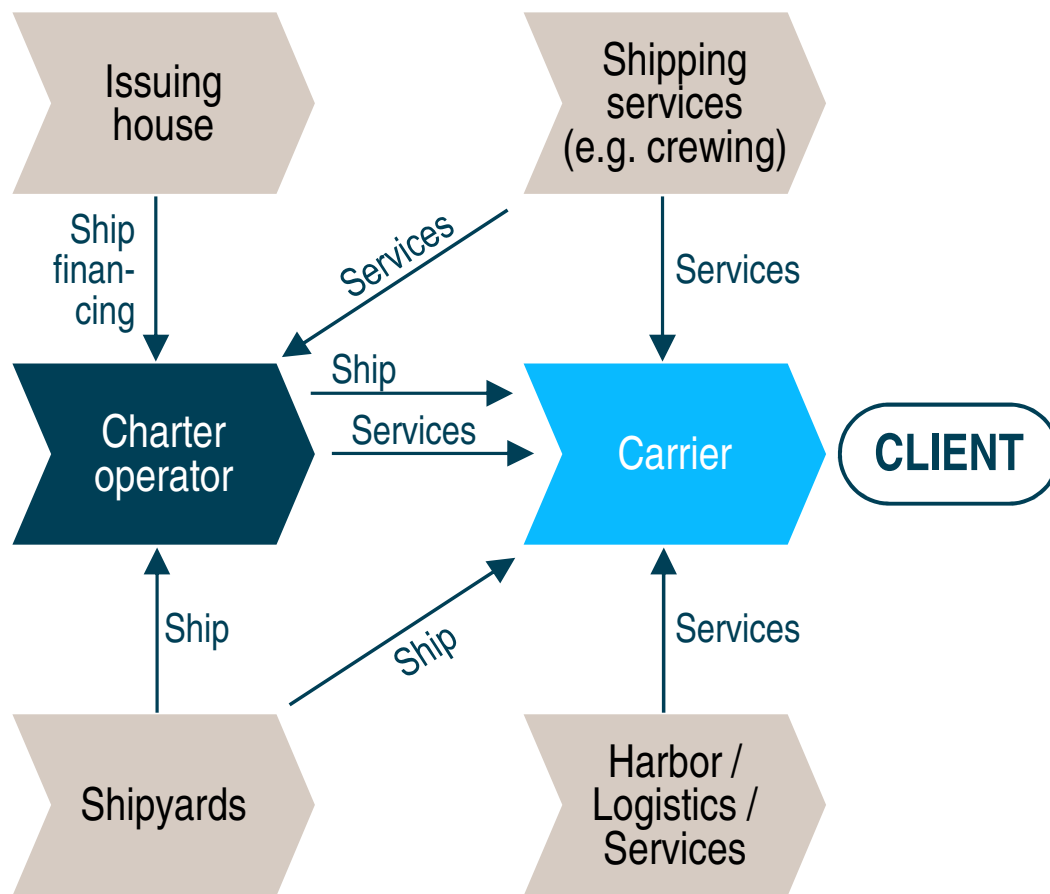
State of German Shipping

- Current situation, challenges and need for change -

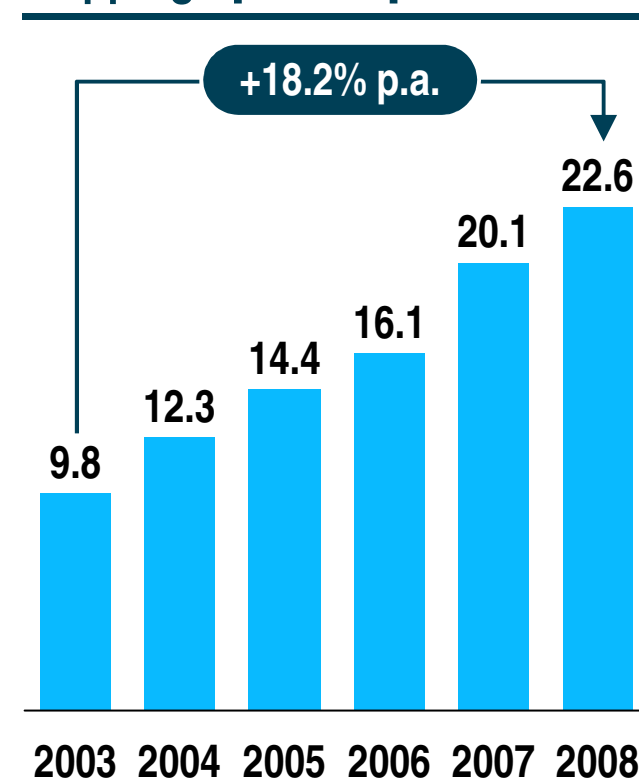
Hamburg | February 25, 2010



The stable value chain of German shipping industry developed prosperously for years and years...

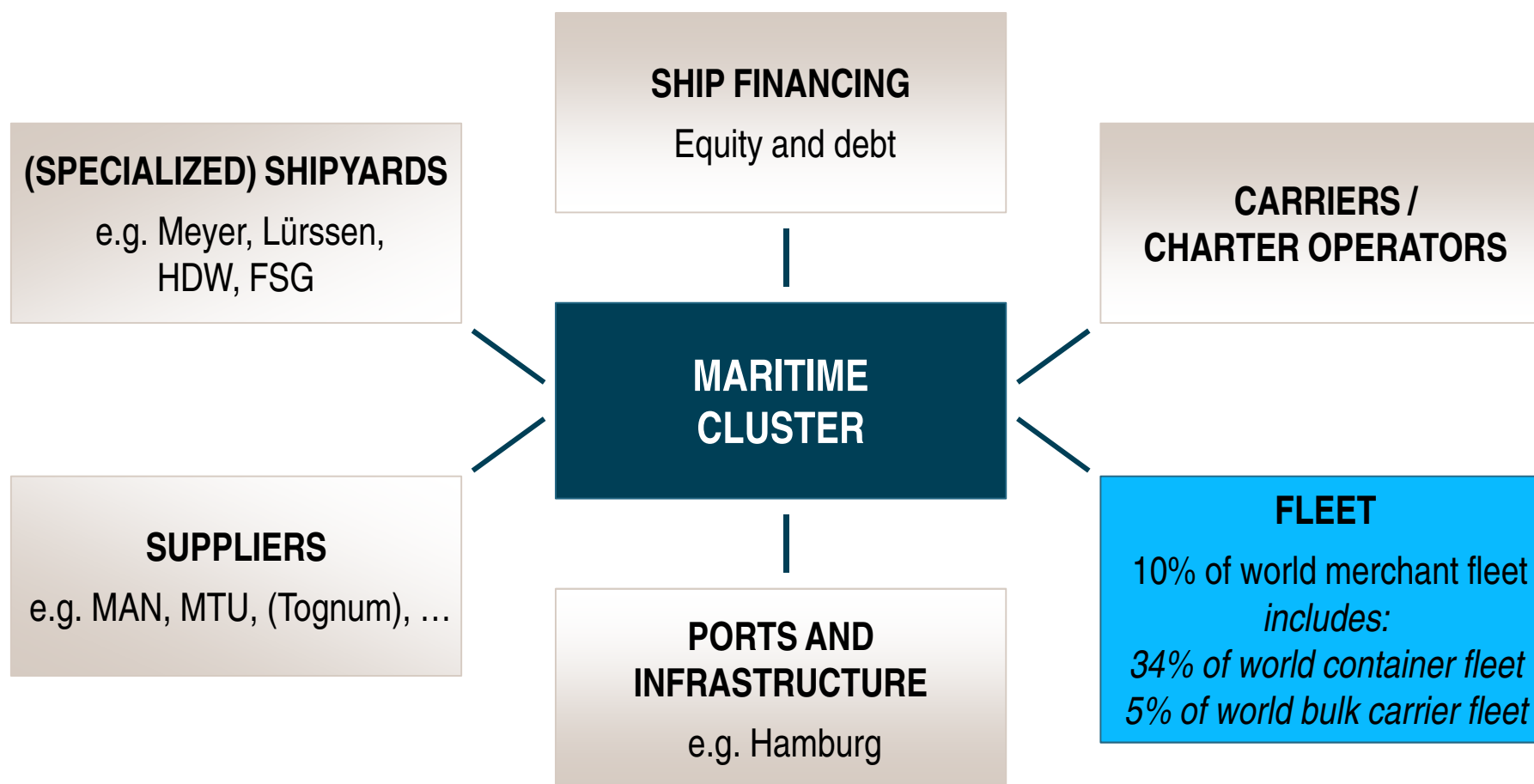


Revenue of global commercial shipping¹⁾ [EUR bn]



1) Excluding passenger transportation

... making Germany one of the most important shipping nations globally

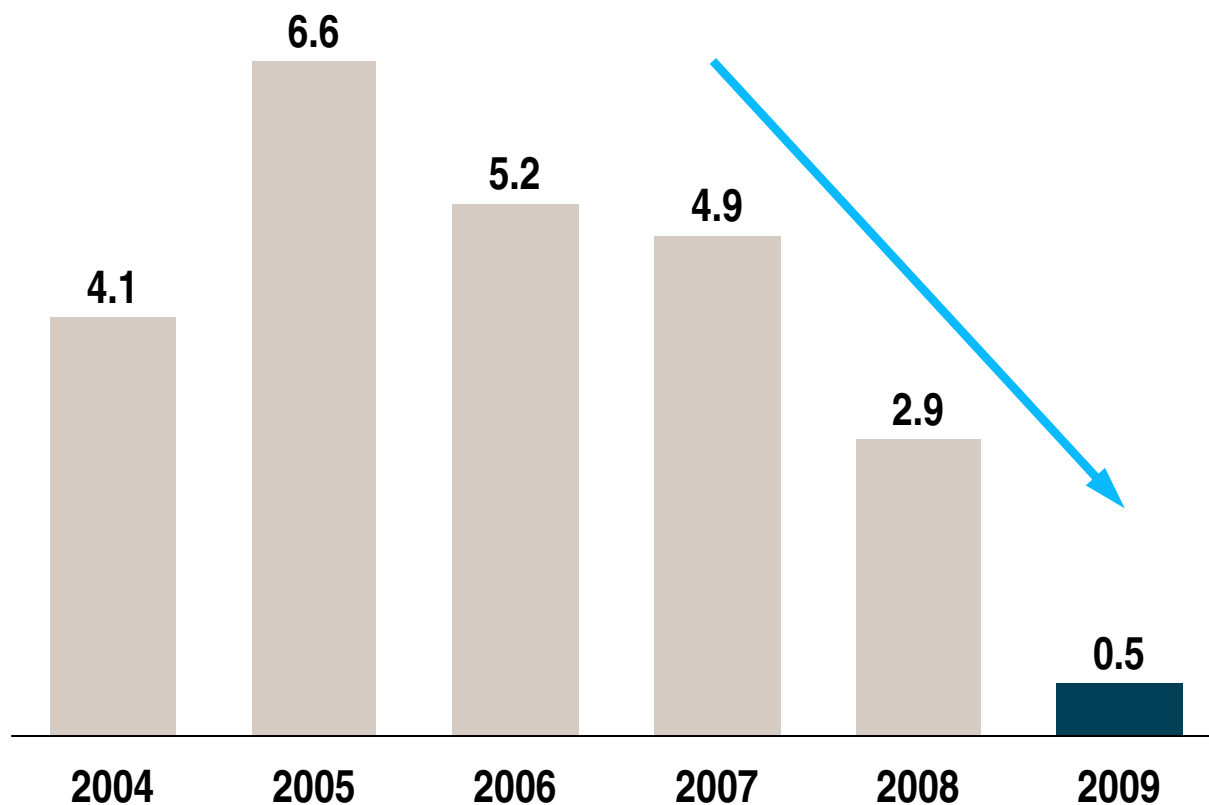


The crisis has affected the pillars of German shipping fundamentally

- 1. Orders at shipyards** dropped to **nearly "zero"** in 2009
- 2. German ship financiers** with **huge portfolio / exposure**
- 3. Equity financing** dropped **sharply** in 2009
- 4. Crisis flashed over** from carriers to **charter operators**
- 5. Crisis has and will affect all suppliers** along the value chain

Orders at German shipyards dropped to EUR 0.5 bn in 2009

New orders of German commercial ship building industry [EUR bn]

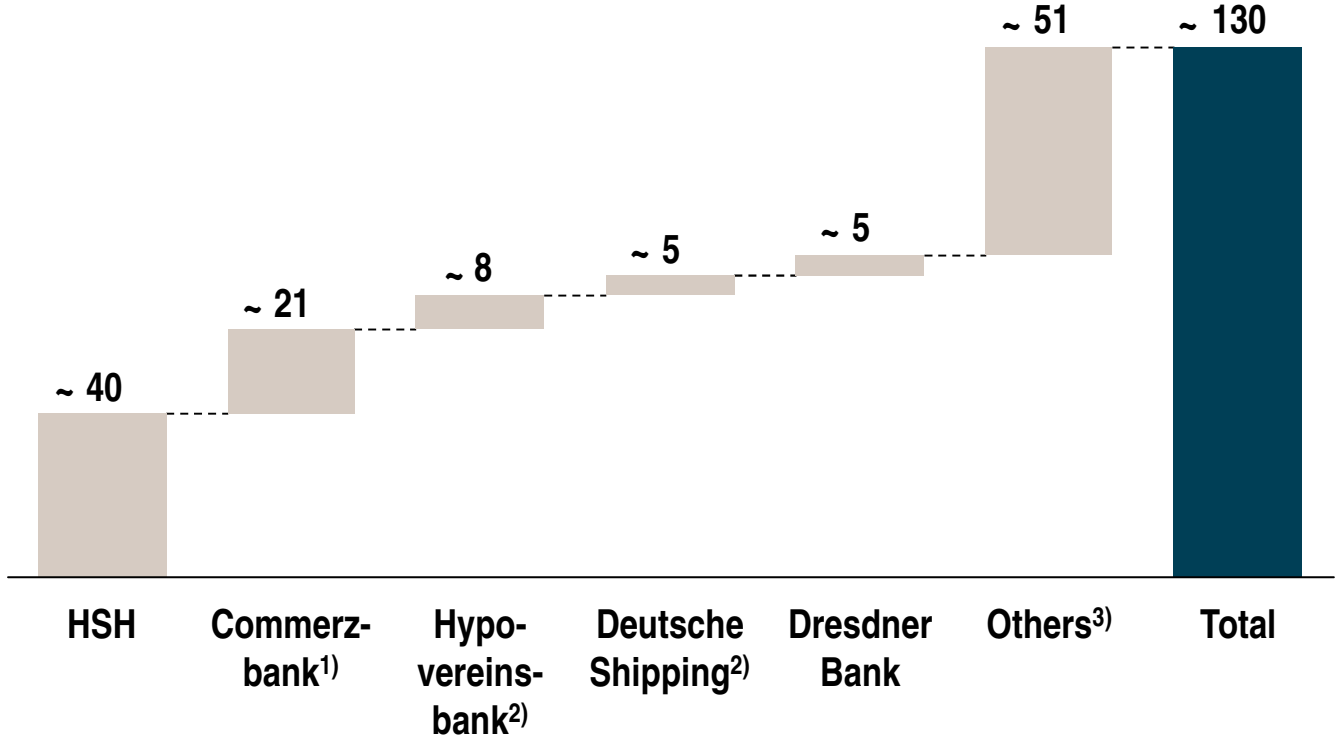


> In 2009 German commercial shipyards could secure only **20 new ship deals**

COMMENTS

German ship financiers with large exposure

Credit volume of ship financing – December 31, 2008 [EUR bn]



- > Strong exposure of German ship financiers
- > Reduction of volumes to be expected
- > Making it unclear, who will take over financing function in near future

COMMENTS

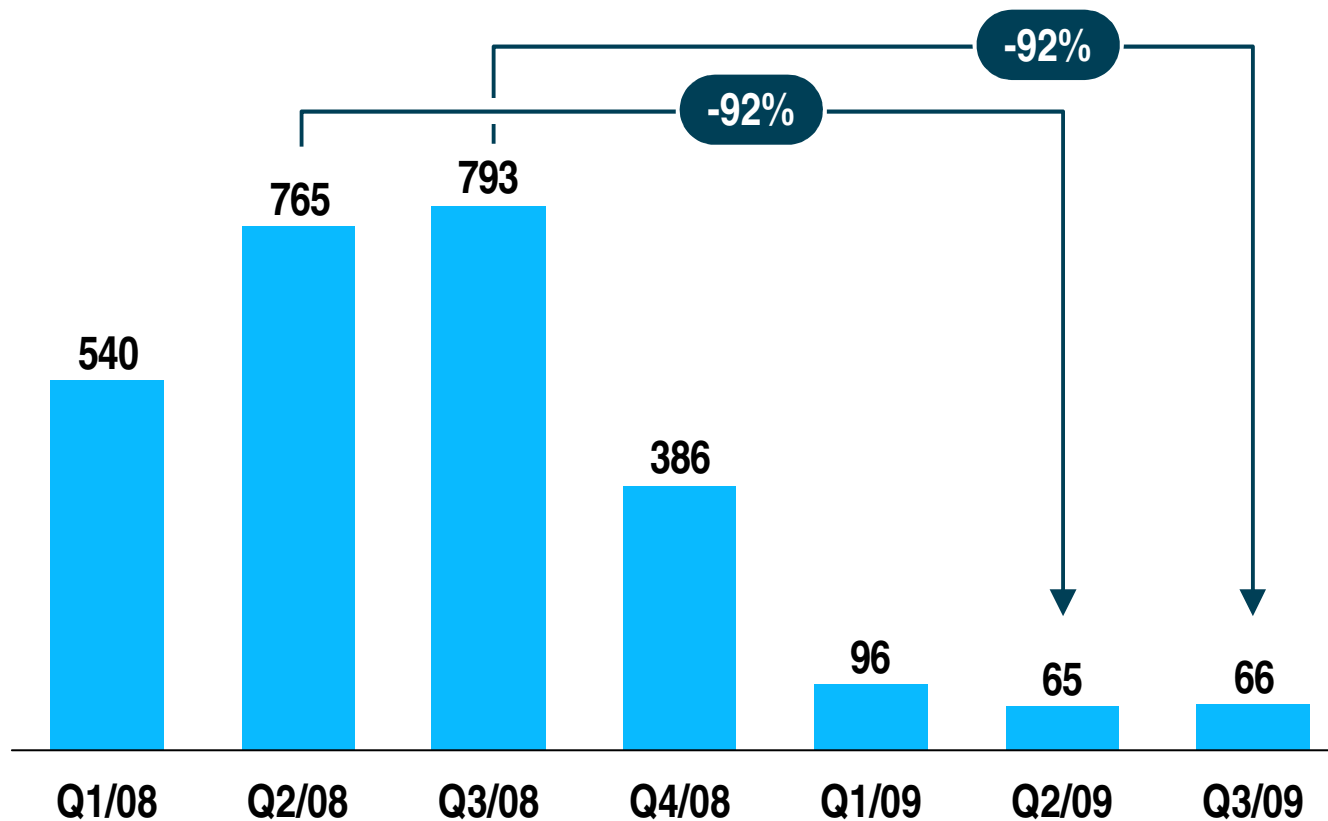
1) Incl. Deutsche Schiffsbank

2) December 31, 2007

3) Incl. KfW, NordLB, DBV Bank, Bremer LB and Helaba

Equity financing dropped sharply in 2009

Development of equity placements for ship investments Q1/08-Q3/09 [EUR m]

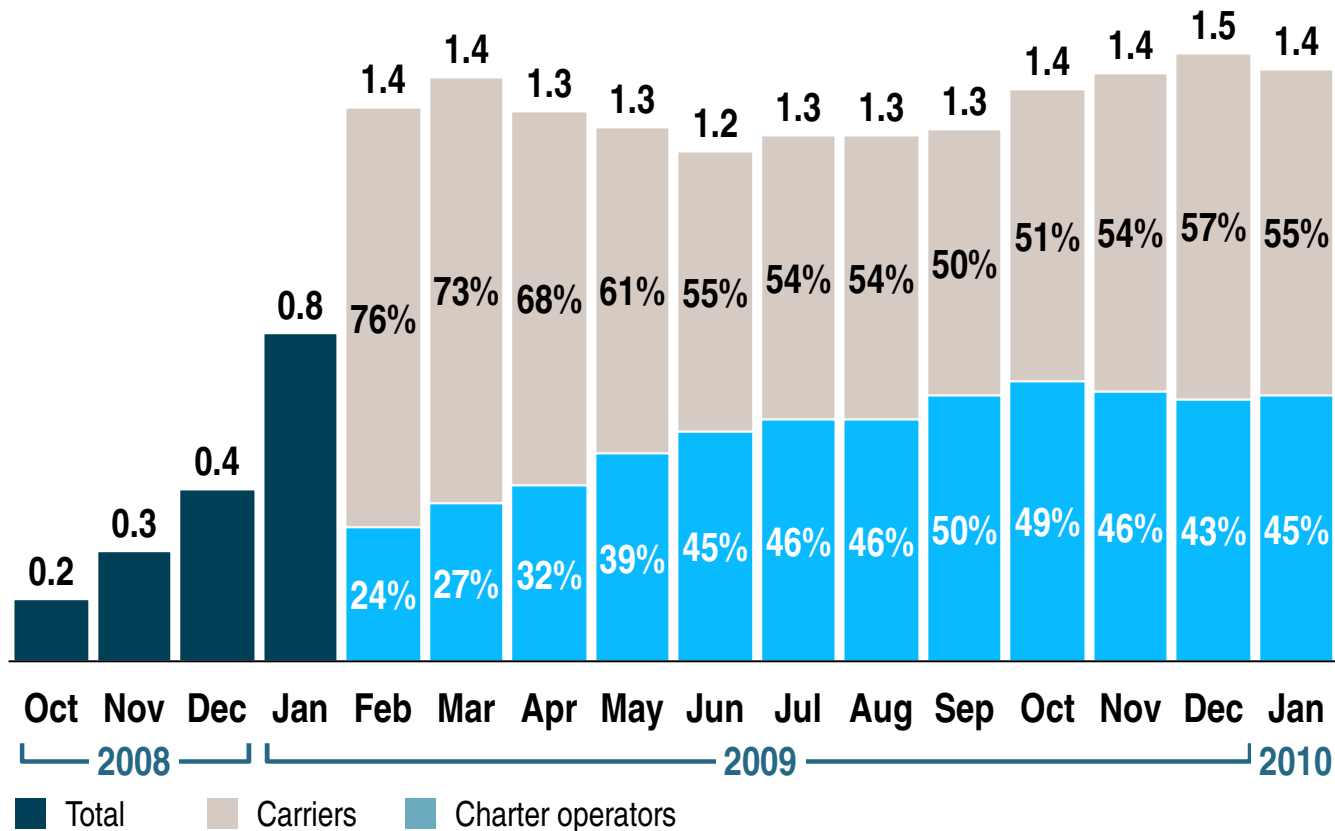


- > Equity collecting faces tremendous challenges
- > Equity of ship order backlog partly still missing
- > Increasing thus exposure of debt financiers
- > Partly work-arounds currently with seller credits

COMMENTS

Idle fleet with declining owner proportion of carriers – Crisis flashed over to charter operators

Owner proportion of idle fleet [TEU m; %]

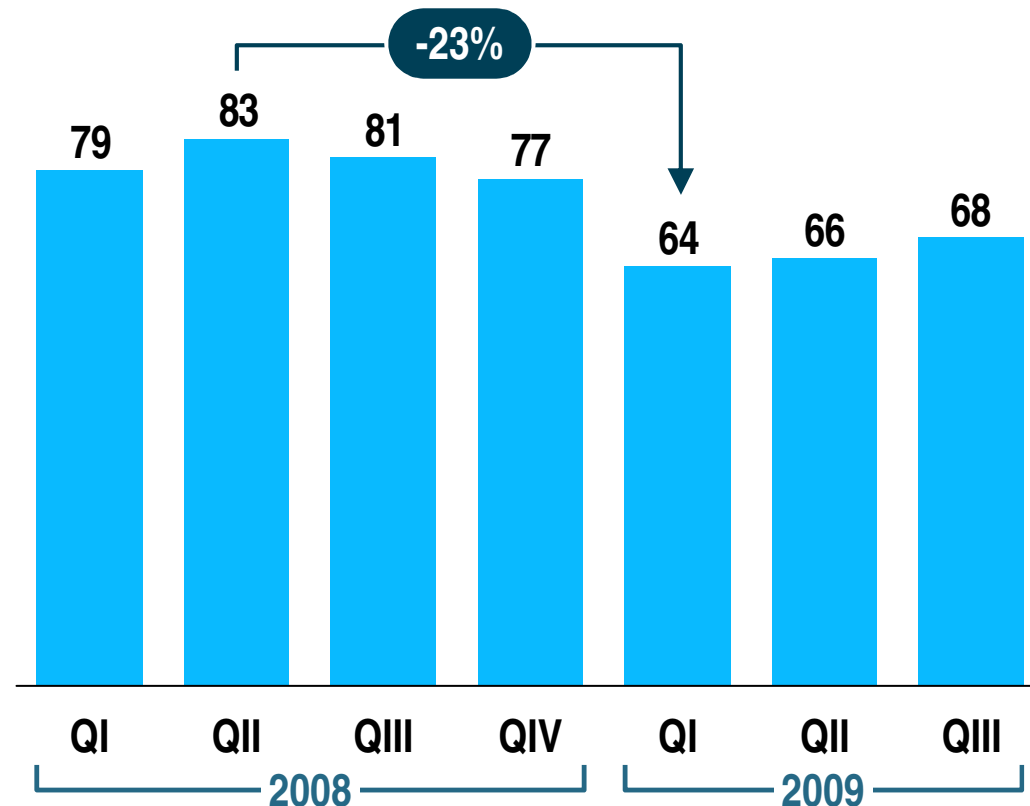


- > **Overcapacities** due to the fact that net decrease of chartered tonnage **reduces solely the operational supply**, not the world fleet
- > Carriers **do not prolong expiring contracts** in order to get their own shipping capacities back in charge – **Crisis flashes over to charter operators**

COMMENTS

Crisis will automatically affect all parts along the value chain (e.g. ports / infrastructure)

Volume of goods, German harbors [t m]



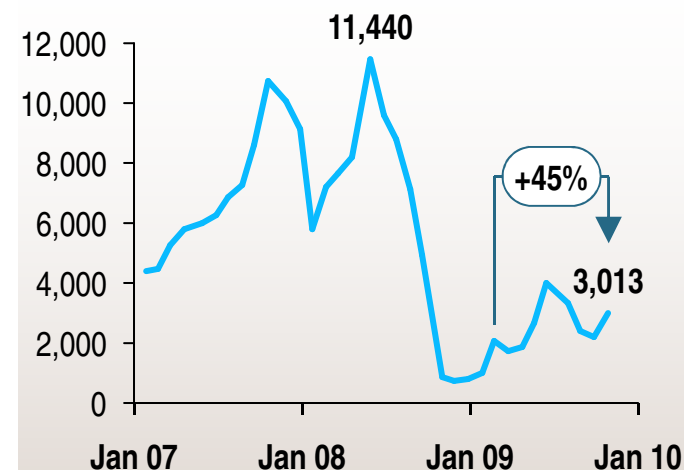
Sample of further shipping services

- > **Logistics services** to be affected as volumes drop
- > **Other services** will most likely be affected accordingly
- > With certain delay drop in goods will also affect **investment goods producers**, e.g. harbor cranes

Although recently, there are some positive signs...

1. Charter rates going up
2. Order book Korea/China partly successfully worked-out
3. Mid-term financing successfully arranged for numerous players in the market
4. State and federal authorities giving state-aid (e.g. guarantees) and working on constructive solutions for order books

BALTIC-DRY-INDEX



Until now no major disruption from

- > increasing insolvencies
- > a total crash
- > major job losses

... German shipping is facing tremendous challenges – Some examples

COMMERCIAL SHIPYARDS

1. Re-position
2. Re-focus
3. Professionalize operations

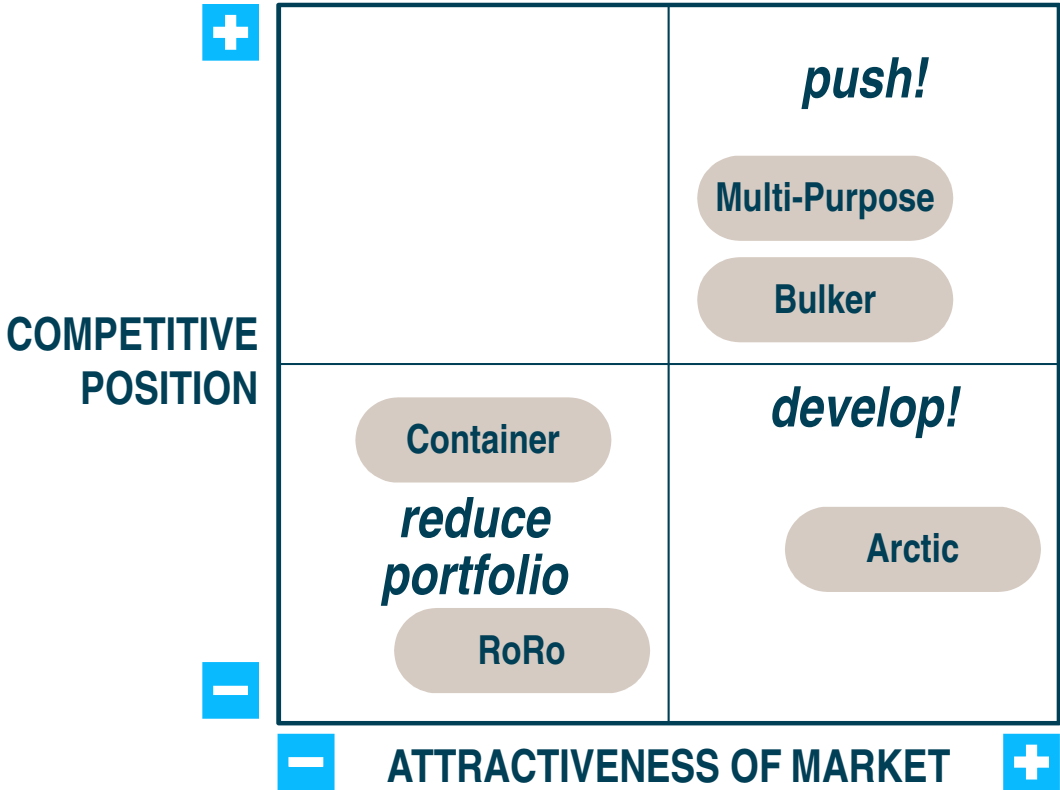
CHARTER OPERATORS

4. Consolidate fragmented structures
5. Professionalize operations
6. Concentrate on core activities
7. Excavate inefficiencies

All / Others in the value chain likewise

Strategic re-positioning is essential for German shipyards

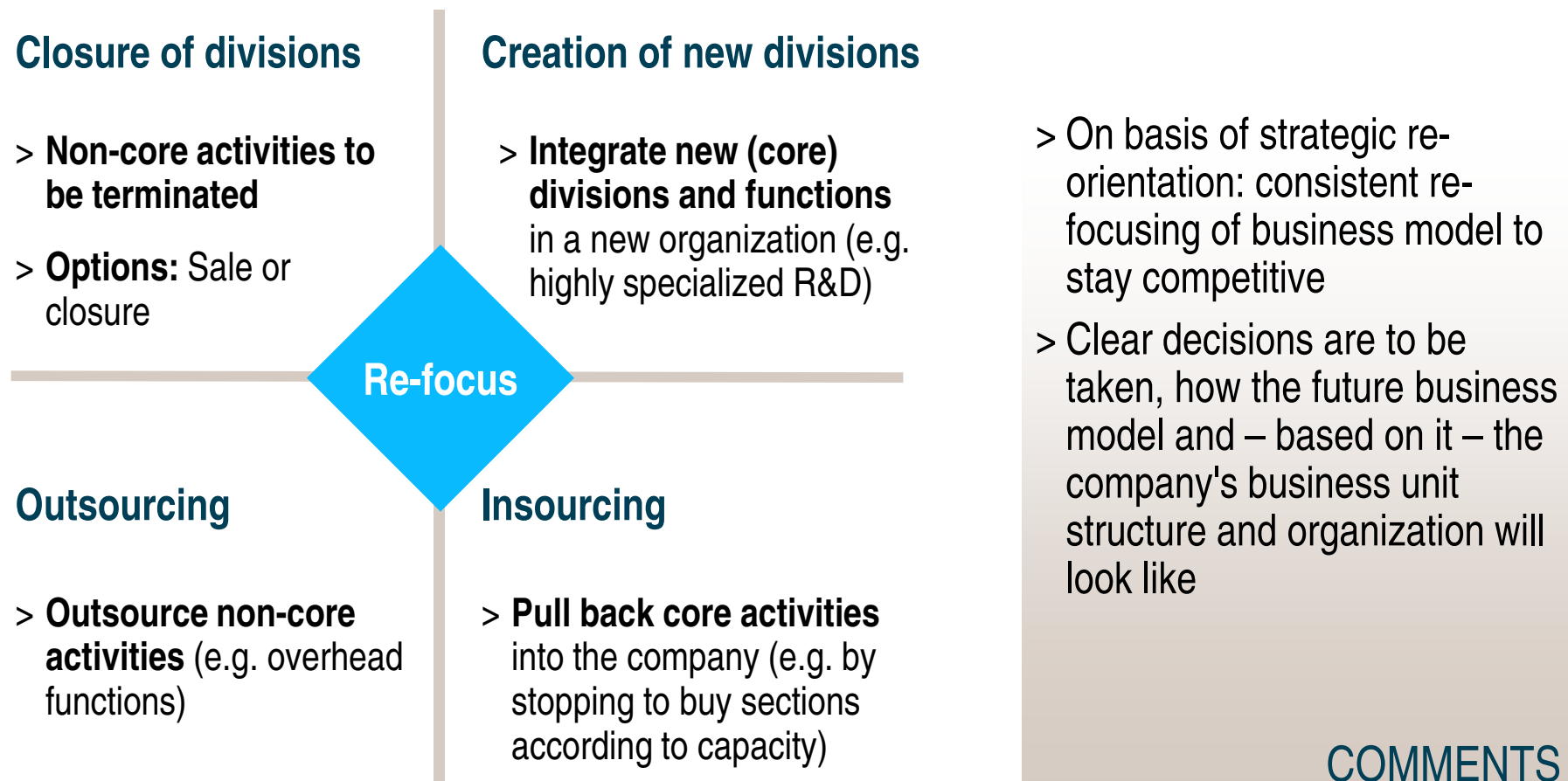
Portfolio analysis – Project experience



- > Container market in imbalance
- > Pre-dominance of container to be eliminated in portfolio in the mid-/long-term
- > Multi-purpose currently an attractive segment – Enforce strategically
- > Further niches to be defined

COMMENTS

In order to re-focus on their core activities, German commercial shipyards need to find the right balance



An increasing degree of pre-fitting necessary to remain competitive versus Asian shipyards

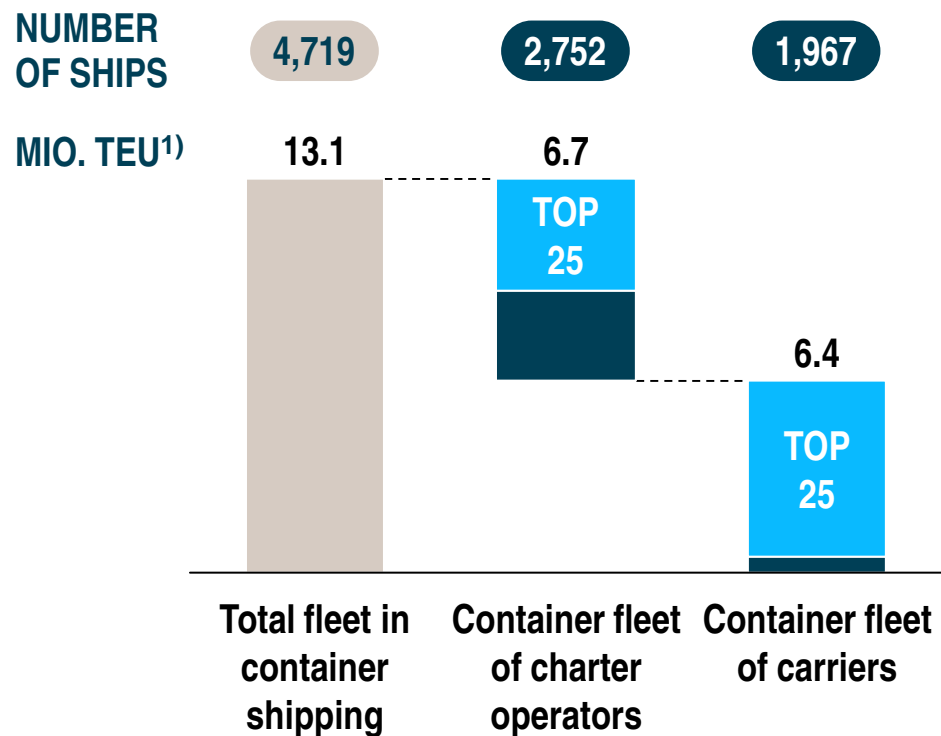
Operational excellence through pre-fitting



- > **Reduction of personnel by 25%**
- > **Shortening of door-to-door-times** at dock & equipment quay, target effect 2010 ~50%
- > **Productivity advantages** by consistent pre-equipment, target of **25-30% per new construction** in 2010
- > **Implementation of commercial management** – Responsibility for project management in total
- > **Rectification of construction processes** to optimize operations

Consolidation of fragmented structures of charter market is expected

Market forces in global container market 2009



1) Status: End 12/2009

Source: Alphaliner, Maersk Broker, Roland Berger

- > Global merchant fleet exists of approx. 37,000 ships, whereof 3,400 ships belong to the German merchant fleet owned by 5,100 companies
- > Globally, at charter operators, Top 25 control 56% of the market, at carriers Top 25 rule 91% of the market.
- > Clear opportunity for taking over small players with little or no USP
- > Small players will find it hard to gain financing in the future and will hence be most likely pushed out of the market

COMMENTS

Professionalizing operations is essential for charter operators to effectively deal with the crisis and be prepared for the future

Early warning & risk management

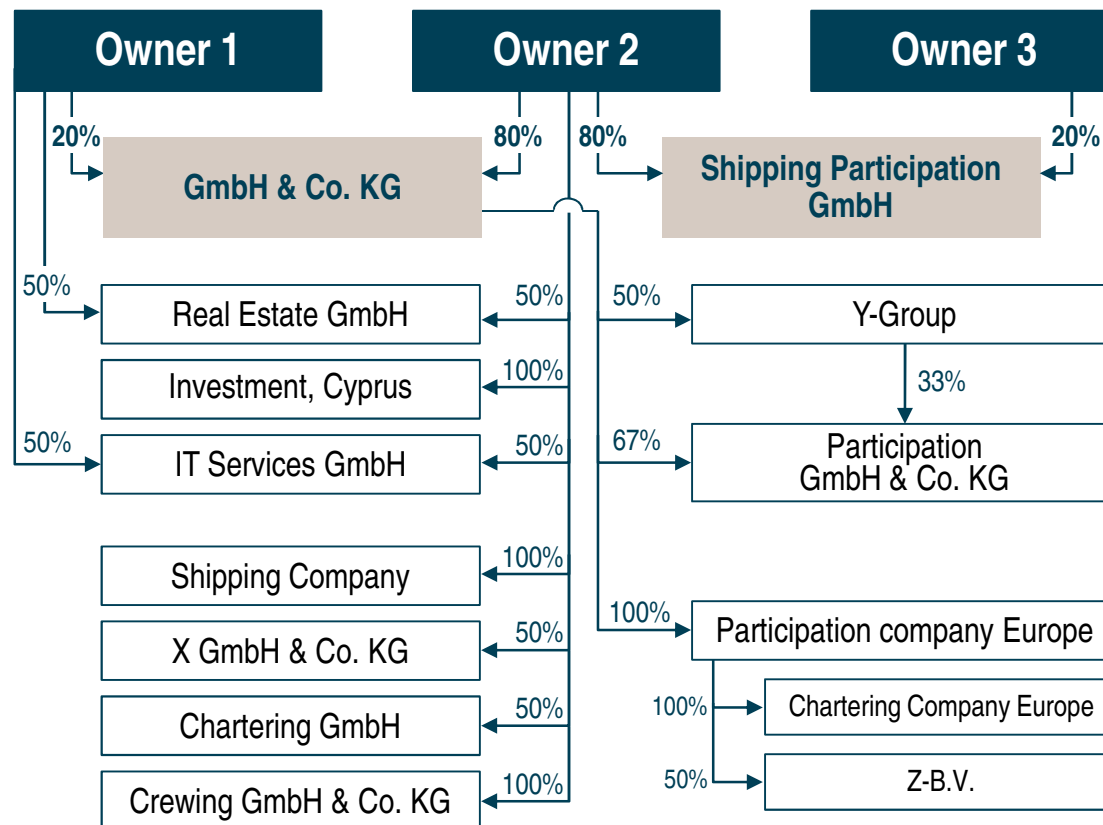
Instrument	Considered important	Completely implemented
Monthly management information system (MIS)	64%	58%
Strategic planning	64%	32%
Monthly review meetings with person in charge	50%	32%
Risk management	33%	16%
Analysis of KPI / Balanced Scorecard	32%	21%

- > Often charter operators are equipped with not state-of-the-art structures leading to
 - lack of transparency
 - complex organizational structures
 - inflexibility of the organization
- > Essential transparency tools, esp. cash, risk management and early warning systems, are not installed
- > Professionalization of operations is crucial for staying competitive in a challenging market

COMMENTS

By concentrating on core activities charter operators can strengthen their competitive position in the market

"Typical" organizational complexity at shipping companies, Example



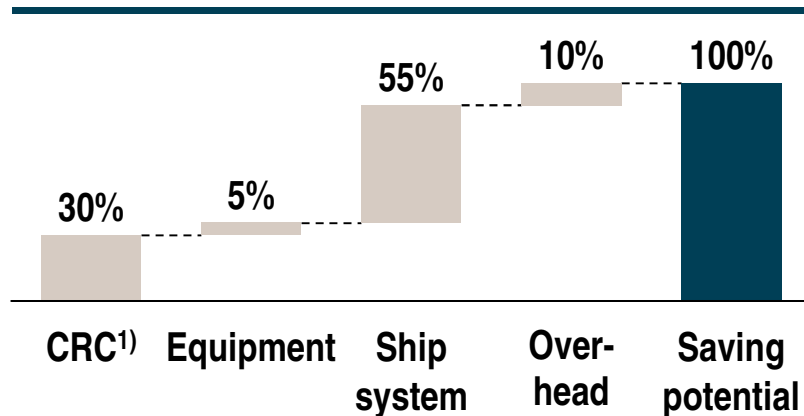
- > Some charter operators with very intransparent structure
- > Legal structure is comprehensive and complex with high degree of intra-group bookings

COMMENTS

While carriers do have critical size in cost positions, charter operators are more dependent on charter rates

Profit improvement potential – Carriers versus charter operators

Saving by kind of costs – project example

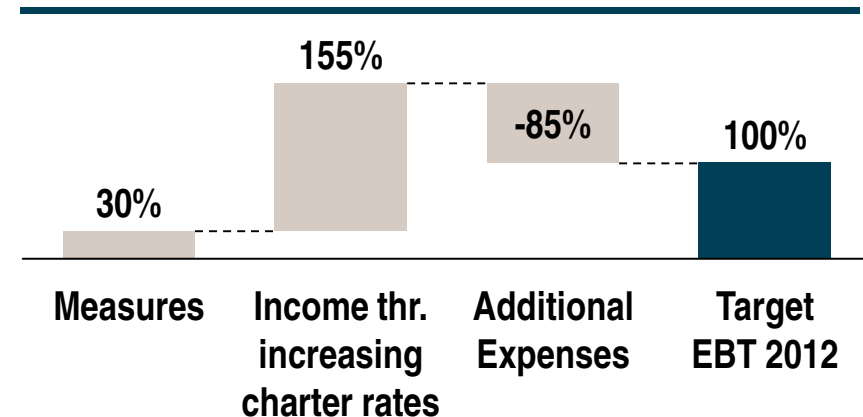


Variety of potential saving options, e.g.

- > **Ship systems:** determination of services, cancellation of slot charter, substitution of internal services by slot charter, consolidation of similar services
- > **CRC:** re-negotiations, transportation costs

COMMENTS

Measures, Target EBT 2012 – project example



Limited variety of improvement potential, e.g.

- > **Charter rates** are **main positive lever** (use negotiation potential, optimize interface management)
- > Therefore "**strategic homework**" is essential (realize take over opportunities, sharpen USP)

COMMENTS

1) Cargo related costs

Summary / Conclusion

● **Global crisis** has hit **German shipping industry** hard, ...

● ... but so far **crash or major disruption** could be **avoided**.

● Although **market shows first signs of ease**, ...

● ... **German shipping** will face **huge challenges**.

➔ **Crisis** can be turned into a **chance**, if **companies** take the opportunity.

"A crisis can be a very productive situation: we just need to take away the stigma of catastrophe."

Max Frisch (1911-1991)