



Press Release of September 22nd, 2009

## **Shipvaluation on a new foundation**

### **Assesment of PricewaterhouseCoopers supports shipbrokers Long term Asses Value now with the IDW-Valuationstandards**

In excess of 135.000 calculations for values of more than 2.700 vessels were run and analysed by the internationally well reputed Auditing company PricewaterhouseCoopers on behalf of the Vereinigung Hamburger Schiffsmakler und Schiffsagenten e.V. (VHSS) (*German Shipbrokers Association*). Purpose of this study was to review the Hamburg Ship Evaluation Standard, that was introduced by the Hamburg Shipbrokers in February 2009, in its practical use as well as to optimize it for its future use by Ship Owners, Banks and investment houses.

PricewaterhouseCoopers reaches the conclusion that the Long Term Asset Value (LTAV) for vessels calculated in accordance with the Hamburg Ship Evaluation Standards is a plausible and appropriate method of valuation. The LTAV for container vessels for example, deviates in 92% of the tested values of the last 10 years by less than 15% from the traditionally assessed values.

Based on a Discounted Cash Flow Method, the Hamburg Ship Evaluation Standard permits a long terms reliable Valuation even when as a consequences of the financial crisis the sale- and purchase markets are disrupted and common valuation methods are not reliably be undertaken. It is not directly used as a book value but rather as an useful addition in the determination of valuations for, amongst others covenant assessment, especially in illiquid markets.

The Shipbrokers stated "So far ships were only valued at market price. In order to avoid having ships values distorted by the contingencies of single emergency sales in times of crisis a valuation method is needed focussing on the long term earnings capacity of vessels.

Sworn Ship appraiser Bernd Holst of Ingenieurbüro Weselmann confirms: " Our clients have increasingly inquired valuation certificates on the basis of the Long Term Asset Value. Holst further points out: "The LTAV is not a market value und does not replace the traditional valuation methods, but offers an alternative Valuation based on financial mathematics.



PricewaterhouseCoopers supports this statement and made a number of suggestions in its study to methodically optimize the Standard. Jointly these suggestions were included in a revision of the Hamburg Ship Evaluation Standard. Especially Peer Group risk, Interest rate development and inflationary factors were given more consideration compared to the initial standard.

Claus Brandt Partner at PricewaterhouseCoopers, Hamburg, explains: "The LTAV in future is standing on a firm, finance mathematically sound foundation, that concurs to the standard of the Institut der deutschen Wirtschaftsprüfer für Unternehmensbewertung (IDW-SI). (*German Institute of Auditors Standard for Corporate Evaluation*)

Brandt specifically points out it is the responsibility of the Ship appraisers when undertaking their valuation, to consider and assess the special circumstances of each single ship evaluation, especially with regard to employment and running costs.

The initiative for the study by PwC was coming from the Deutsche Schiffsbank. Dr Rainer Jakubowski, Member of the Executive Board comments: "In order to optimally use the Long Term Asset Value, an independent confirmation by auditors was necessary. The results of the study allow us to use the revised LTAV much better than before."

Frank Bunte, Department Head for domestic shipping business at HSH Nordbank also supports this assessment. "We accompanied the LTAV right from the start. We very much welcome the PwC study and the further development of the Hamburg Ship Evaluation Standard. We hope to obtain from it reliable valuations, even in disrupted markets.

The costs if the PwC Study are shared by 10 shipping banks more than 30 shipowning companies, investment houses, auditors and appraisers, as well as VDR (*German Shipowners Association*) and VHSS. Thomas Rehder, Chariman of the VHSS: "This shows the broad interest of the industry in credible ship evaluation in difficult times. The new LTAV now provides this instrument. Now it is of the utmost important to utilize the possibilities of the Hamburg Ship Evaluation Standards in the day- to-day use."

Latest by October 1<sup>st</sup> 2009, the VHSS offers as an additional service a free calculation tool on its website ([www.vhss.de](http://www.vhss.de)).

With best regards

Vereinigung Hamburger Schiffsmakler und Schiffsagenten e.V.  
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*For further questions the managing Director of the VHSS, Mr. Klaus Bültjer is available under the telephone number 040/326082.*