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NewsRelease

For Immediate Release:

European Distressed Debt Market Outlook for 2007 Foresees Upswing In Restructurings

Over-leveraging, over-aggressive business plans and increase in raw material prices are key factors

London, 18 January 2007, Launched this week by international law firm Cadwalader, Wickersham & Taft LLP and investment banking group Rothschild, in conjunction with Mergermarket's Debtwire, the third annual European Distressed Debt Market Outlook provides a comprehensive and in-depth report of the opinions and expectations of European and U.S. investors regarding the outlook for the European distressed debt market in the year ahead. For the first time, the 2007 report also features sections on private equity sponsors and corporates who have been through a restructuring in the last two years.

Among the noteworthy findings are: a resounding 83% of private equity sponsors expect to play an active role in a restructuring in 2007, while 60% of private equity investors expect between 11% and 20% of the 'typical' portfolio to be hit by covenant amendments or debt restructurings.

Of particular note was the changing role of relationship banks and hedge funds. Respondents report that they have found relationship banks difficult to deal with in restructurings. Experience with hedge funds was more mixed, with some respondents commenting that hedge funds can be constructive, while others were negative. It is also telling that companies' highlighted the importance of maintaining support from other stakeholders, such as customers, suppliers, employees and pension scheme trustees, to ensure a successful restructuring.

Additional findings of the distressed investor survey include:

- Almost two-fifths of respondents have increased their asset allocation to distressed, reflecting a considerable increase in confidence compared to last year.

- The majority of respondents expect an increase in restructurings to begin towards the end of 2007/early 2008, following an extended period of high liquidity and bankers' decisions to waive covenant breaches.
- Respondents perceive significant growth potential in restructuring situations from France and Italy.
- Hedge funds and other active investors are looking up the debt capital structure to second lien and mezzanine.

Commenting on the survey, Richard Millward, Managing Director, Rothschild, said "The clear message from this survey is that the restructuring wave is yet to break, but activity is definitely intensifying. The impact of non-bank institutions as holders of debt will make the next round of restructurings more complex."

Cadwalader Partner Richard Nevins added, "Opinions vary as to precisely when restructuring activity will next surge, but market participants agree that the volume and number of future distressed situations must take into account the huge increase in highly levered deals in recent years."

Cadwalader, Wickersham & Taft LLP, established in 1792, is one of the world's leading international law firms, with offices in New York, London, Charlotte, Washington and Beijing. Cadwalader serves a diverse client base, including many of the world's top financial institutions, undertaking business in more than 50 countries in six continents. The firm offers legal expertise in antitrust, banking, business fraud, corporate finance, corporate governance, environmental, healthcare, insolvency, insurance and reinsurance, litigation, mergers and acquisitions, private client, private equity, real estate, regulation, securitisation, structured finance, and tax. More information about Cadwalader can be found at www.cadwalader.com.

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