



# Fourth Quarter 2013 Results

February 2014





# Agenda

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1. Transaction between CSAV and Hapag Lloyd
2. Market Situation
3. 2013 Results
4. Cash Position
5. Outlook



# 1. Transaction between CSAV and Hapag Lloyd

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## Transaction

- CSAV and Hapag Lloyd (“HL”) have signed a non binding Memorandum of Understanding on January 22, 2014, by which both companies agree in combining their container business.
- Transaction to be structured via CSAV contributing its Container Shipping Activities to Hapag-Lloyd, in exchange for a 30% stake in the Combined Entity (“CE”), subject to closing adjustments.
- CSAV to become the largest shareholder of HL and member of a controlling group holding 75.5% of the shares of the CE, alongside the City of Hamburg (“HGV”) and Klaus Michael Kühne (“Kühne Maritime”).
- The CE would become the world’s fourth largest player with a carrying capacity of about 1 million teus, transported volume of nearly 7.5 million teus per year and sales of nearly MMUS\$ 12 billion per year. Estimated synergies reach about MMUS\$ 300 annually.



## Transaction

- The transaction contemplates 2 capital increases in the CE for a total of MMUS\$ 1,000 (MM€ 740) aimed at fleet modernization, financing integration costs and obtaining financial flexibility:
  - First capital increase of MMUS\$ 500 (MM€ 370) within 120 days of closing of the transaction. CSAV will participate in this capital increase with MMUS\$ 350, allowing CSAV to increase its stake to 34%, subject to closing adjustments.
  - Second capital increase of MMUS\$ 500 (MM€ 370) within 12 months of closing, concurrent with a potential IPO.
  
- CSAV will carry out two capital increase processes:
  - First capital increase of MMUS\$ 200 within the first semester of 2014, aimed to complete the financing of the seven 9300 teu container vessels currently under construction at the Samsung Heavy Industries shipyard in Korea and to fulfill some of the conditions for the closing of the transaction. Quiñenco, the controlling shareholder of CSAV, is committed to subscribe any remaining unsubscribed shares to complete the US\$ 200 million capital increase.
  - Second capital increase, only if the transaction materializes, for up to MMUS\$ 400, aimed to subscribe the amount committed in HL's capital increase and to cover the transaction's closing expenses. The size of the second capital increase could be as low as MMUS\$ 200, if the additional MMUS\$ 200 can be obtained from a new equity partner in the CE or from financial debt.

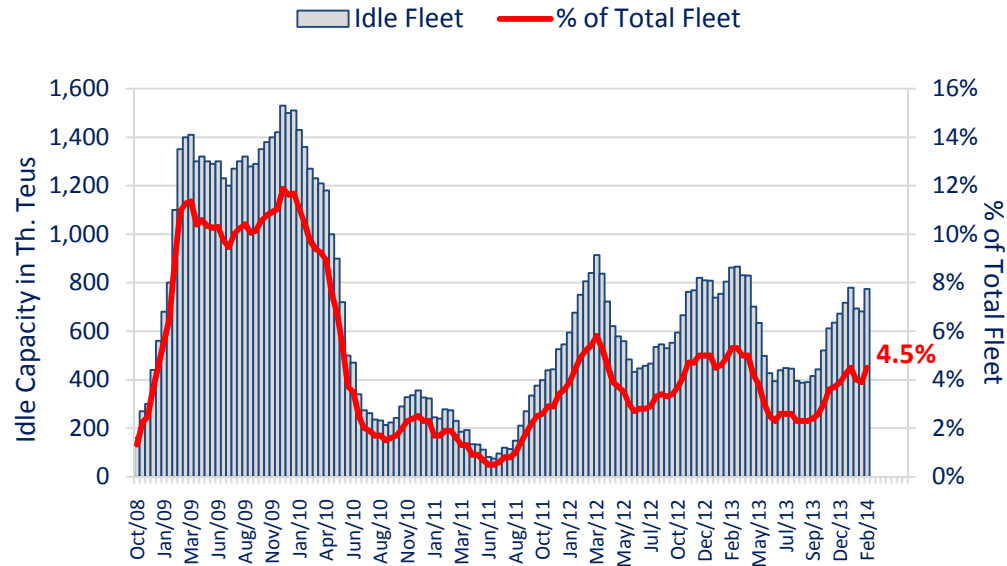


## 2. Market Situation

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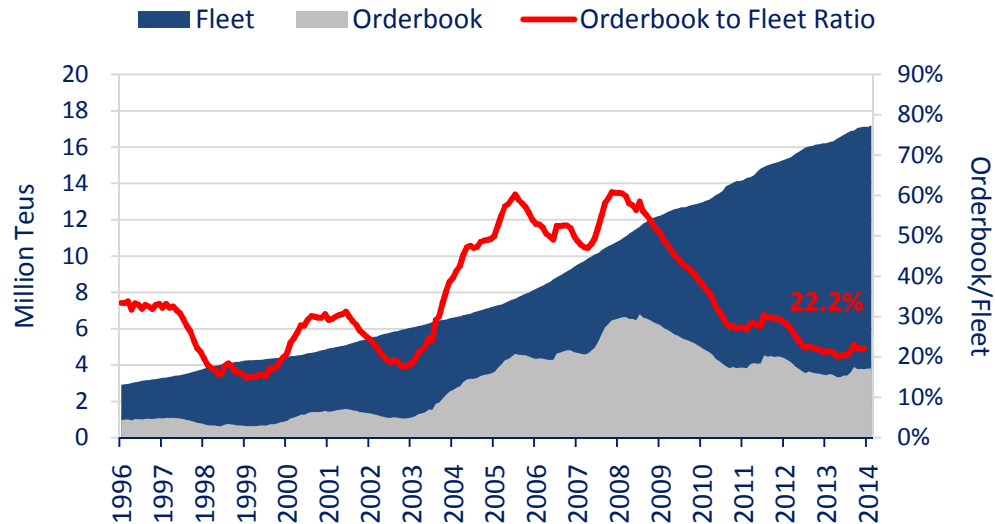
# Containership Fleet

**Graph 1: Idle Fleet: 774,000 TEU or 4.5% (February 2014)**



Source: Alphaliner

**Graph 2: Orderbook / Fleet: 22.2% (February 2014)**



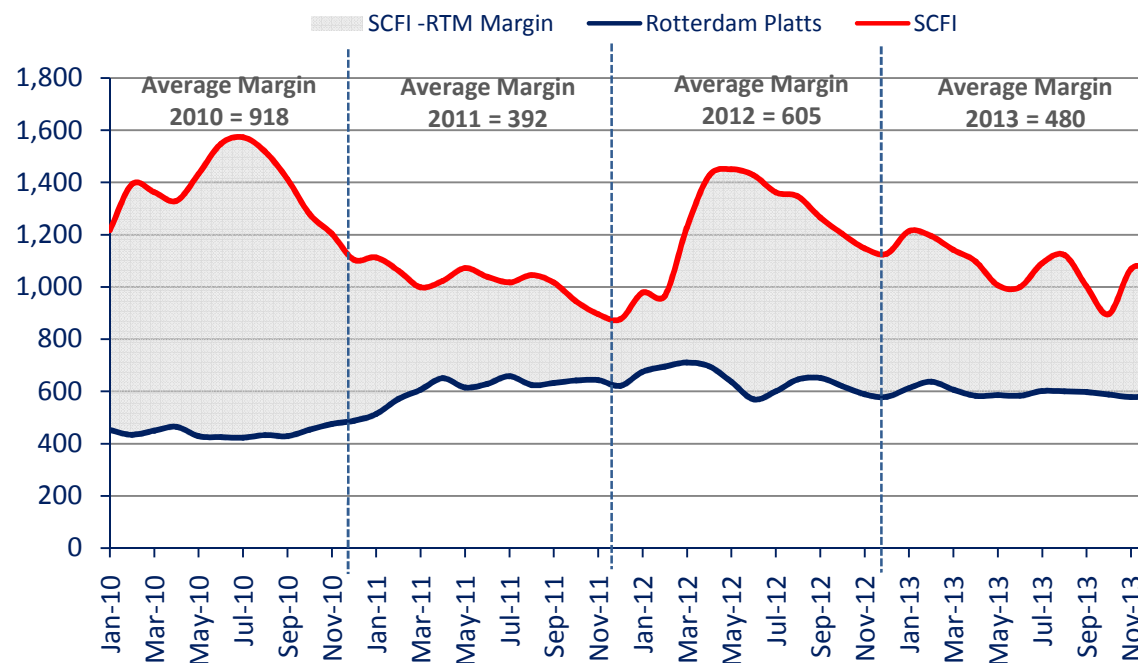
Source: Clarkson



# Market Evolution

- During the first quarter of 2012, freight rates were deeply affected in most markets, achieving historically low margins, due to :
  - Difficult global economic situation
  - Excess of supply in container industry
  - High fuel prices
- Starting March 2012, freight rates began to improve. However, from May onwards freight rates weakened, causing ex bunker margins to remain below historical average levels.
- Fourth quarter 2013 ex bunker freight rates showed an improvement compared to the previous quarter.

Graph 3: SCFI vs Rotterdam Platts



Source: SCFI, Platts.

The SCFI index includes:

- Spot rates
- Main Haul trades
- Exports from Shanghai



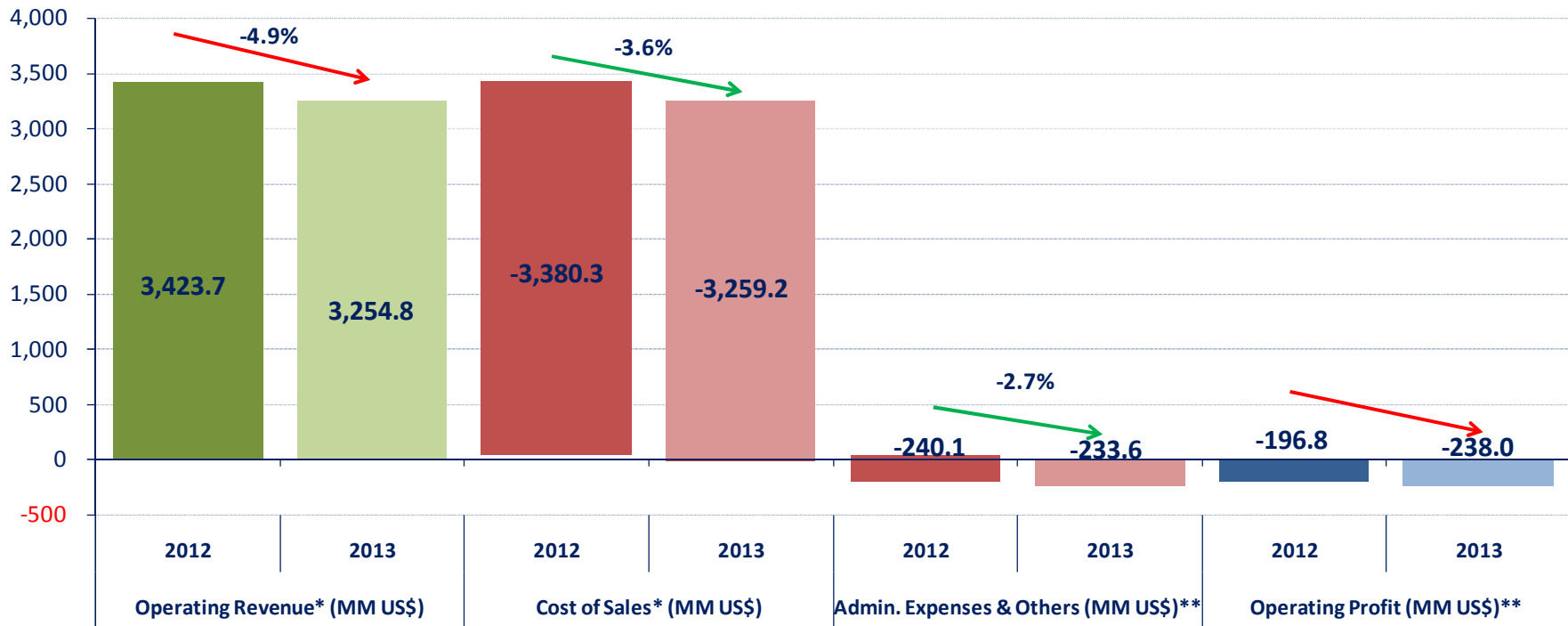


## 3. 2013 Results

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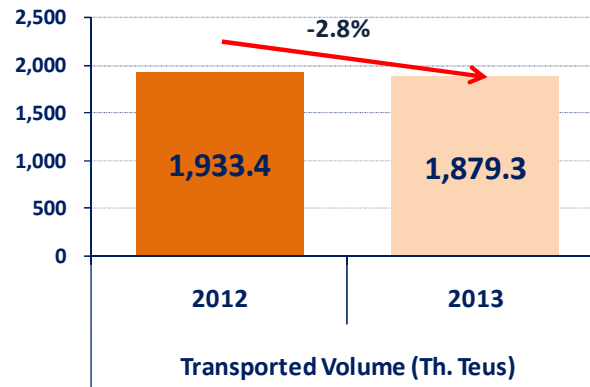
# 2013 Results

Graph 4: Main Financial Figures (USD Million)



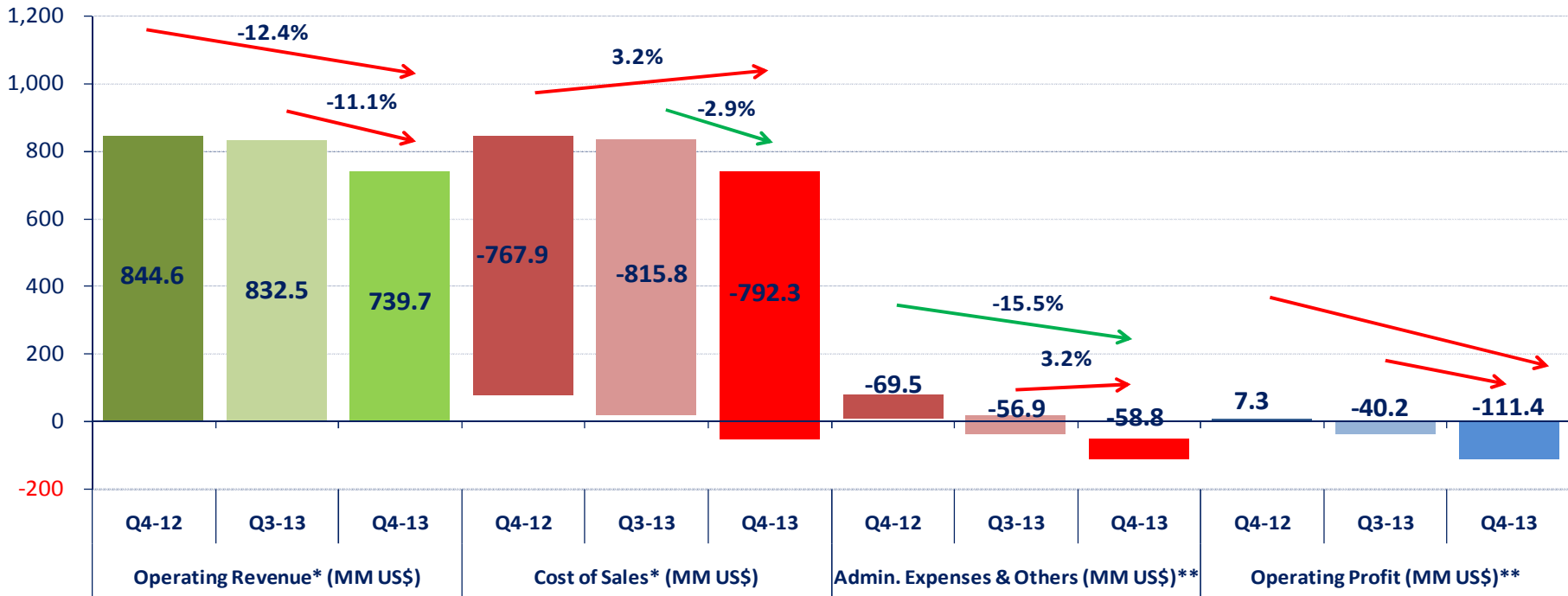
\*Operating Revenue and Cost of Sales exclude degree of completion.

\*\* Admin. Expenses & Others and Operating Profit exclude provision of MMUS\$ 40 (Q1-13) and profit from prepayment of AFLAC of MMUS\$ 57 (Q2-13 and Q4-13).



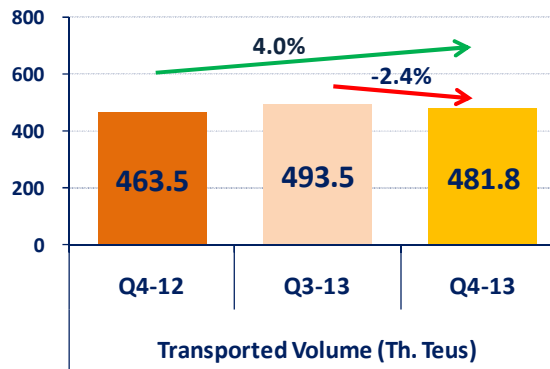
# Fourth Quarter 2013 Results

Graph 5: Main Financial Figures (USD Million)



\*Operating Revenue and Cost of Sales exclude degree of completion.

\*\* Admin. Expenses & Others and Operating Profit exclude profit from prepayment of AFLAC of MMUS\$ 3 (Q4-13).



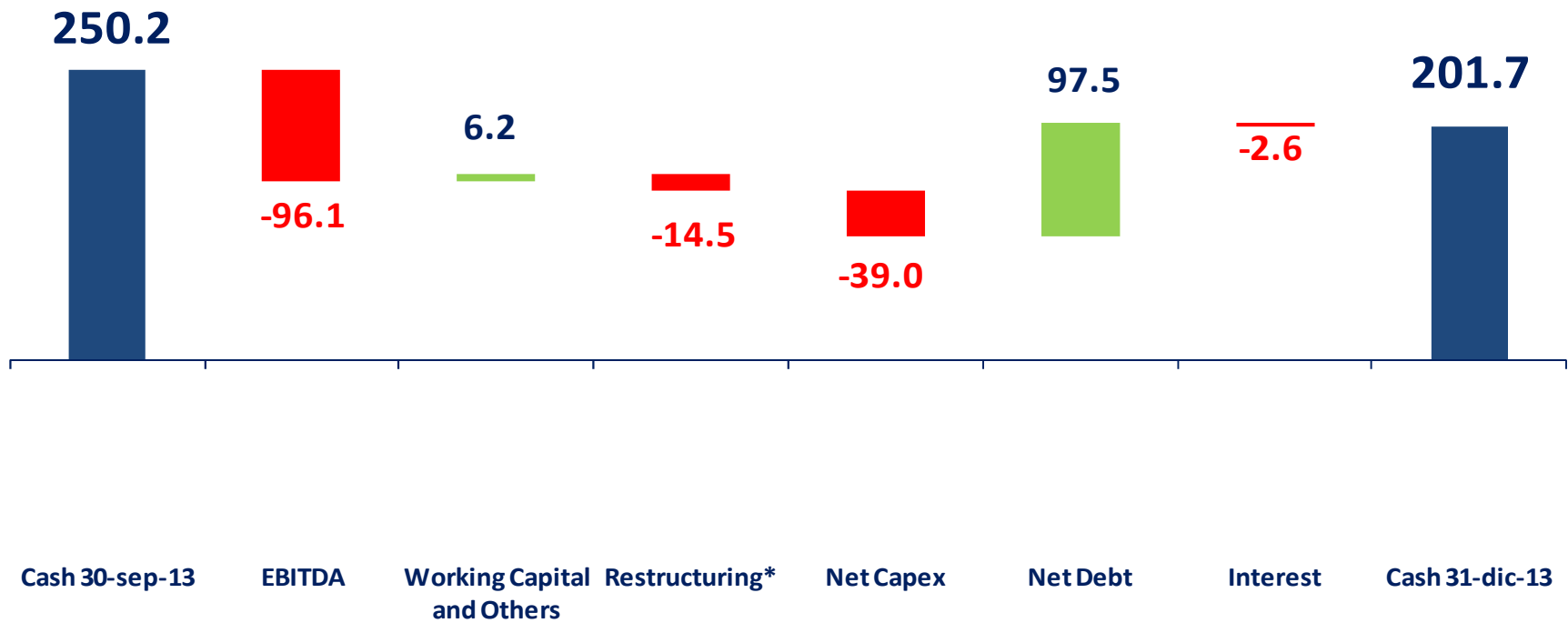


## 4. Cash Position

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# Cash Position

Graph 6: Cash Position (USD million)



\* Restructuring Cash Flow includes all the contracts signed and the provisions recognized in results during 2012.

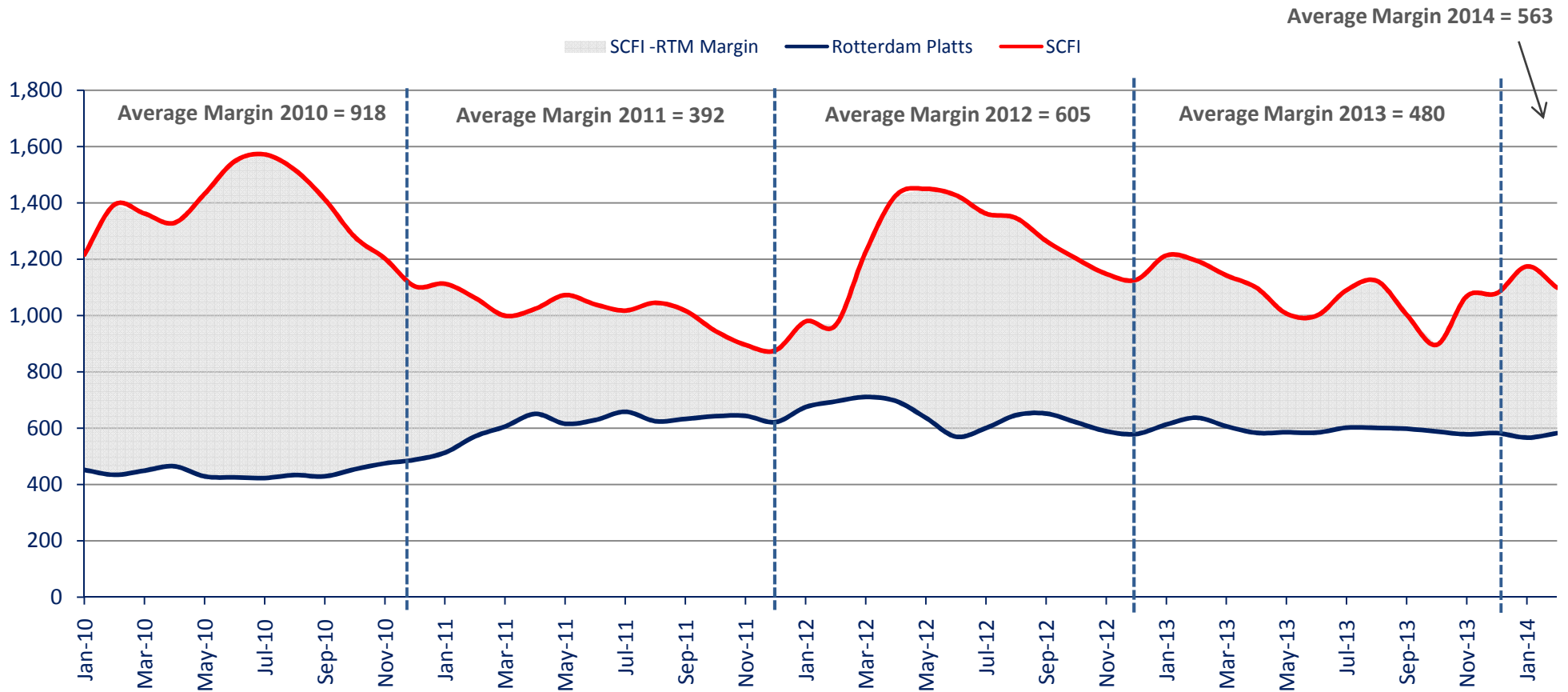


## 5. Outlook

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# Outlook

Graph 7: SCFI vs Rotterdam Platts



Source: SCFI, Platts.

The SCFI index includes:

- Spot rates
- Main Haul trades
- Exports from Shanghai

- Starting November 2013, the SCFI, though still shows high volatility, has marked an upward trend that, if sustained and extended to other traffics not represented in this index, could allow improvements in the operational results of the industry going forward.



## Outlook

- The operational and commercial activity of the last quarter of 2013, which will explain to an important extent the results of the first quarter 2014, have shown ex-bunker freight rates above those from the last quarter, therefore a relevant improvement is expected in the first quarter 2014, though still far from breakeven levels. The company has improved significantly its utilization levels during 2013 and the same effect we expect to continue going forward. The freight rates recovered from the bottom of October during November, December and January activity, however February activity has been negatively affected by the Chinese New Year. There are several initiatives in different relevant trades to improve the freight rates during the month of March and April. The ability of the market to accept and adopt these rate increases will explain to a large extent our second quarter of 2014 results.
- The company has launched several initiatives for 2014 in terms of utilization levels and additional cost efficiency opportunities related to bunker savings, terminal efficiency and procurement activities, which we expect to help us continue showing improvements on our cost per transported teu during 2014.





## Outlook

- Our long term investment plan to be financed by the US\$ 200 million capital increase which will take place during the first half of this year, will allow after the new vessels arrive, to show a significant improvement, coming from bunker and charter savings, during the second half of 2015.
- In terms of a broader market outlook for 2014, we expect the markets to continue to be very volatile. According to Alphaliner, the delivery of new vessels is expected to reach an increase of 9.6% of the global fleet. However, due to the scrapping activity, which is expected to reach a record level in 2014, as well as some delivery deferrals, net growth in the world fleet is expected to reach levels of 5.5%, which is in our opinion in line with the expected growth in demand. Despite this positive signal, of no additional oversupply to be created during 2014, the existing oversupply at the beginning of the period will remain on similar levels as in 2013, unless some growth in the idle fleet occurs.



## Outlook

- Despite all the industry's rationalization efforts, the ex-bunker freight rate continues to be positioned below the historical levels in most trades and below the levels that the industry should consider as a sustainable equilibrium. This situation has not allowed the industry to enjoy normal returns. Based on the above we expect the market to continue volatile. However, important initiatives taken by very relevant industry players like the formation of the P3, the enlargement of the CKYH alliance, the expansion of the G6 alliance to other trades, as well as several discussions happening in terms of real consolidation, like the ones sustained among the Chinese carriers and the one sustained between CSAV and Hapag Lloyd, are encouraging signals that put enormous pressure on other players to look also for different manners of consolidation. The continuity of this process might bring the industry, slowly, but steadily, to a direction that will allow to leave behind this extremely long bad cycle.



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