



## Investor Report 4Q 2014

March 30<sup>th</sup>, 2015





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## Highlights

- On December 2<sup>nd</sup> 2014, CSAV and Hapag-Lloyd successfully completed the transaction that started early this year. The financial effect of this transaction was a profit of MMUS\$ 619 in CSAV. The new Hapag-Lloyd, by combining CSAV's container business activities, became the fourth largest container shipping company in the world. As from the closing of the transaction CSAV is the largest shareholder of Hapag-Lloyd with an initial 30% of ownership. Then, on December 19th, after subscribing Eur 259 million in the Eur 370 million capital increase in Hapag-Lloyd, the Company increased its shareholding to 34%.
- Mr. Francisco Pérez Mackenna, CSAV's Chairman, and Mr. Óscar Hasbún, CSAV's CEO, were elected as members of Hapag-Lloyd's Supervisory Board of Directors. In addition, a Shareholder Agreement became effective with the closing of the transaction, compromising CSAV, Kühne Maritime and the City of Hamburg into long partnership to provide stability to the control structure of the new combined company. CSAV owns 50% of this association, while the other two partners 25% each.
- In order to finance CSAV's commitment in Hapag-Lloyd's Eur 370 million capital increase, on December 15th, The Company started a Capital Increase intended to collect MMUS\$ 400. At year end this process was still in process (MMUS\$ 231 collected by December 31<sup>st</sup> 2014). This capital increase effort concluded during early February 2015 raising MMUS\$ 398. Quiñenco increased its shareholding in CSAV from 54.5%, before the capital increase, to 55.2%.
- In addition, CSAV continue offering specialized shipping services for the transportation of vehicles, refrigerated cargo and liquid bulk, as well as logistic services (freight forwarder) through Norgistics and its subsidiaries.
- Prior to the closing of the transaction, during November 2014 CSAV received the first of seven vessels of 9,300 TEUs as a part of the investment plan for MMUS\$ 570 started on 2013. The rest of the vessels will be delivered to Hapag-Lloyd in accordance with the delivery schedule.



## Relevant Notice

As from December of 2014, CSAV container shipping activities were merged with the German company Hapag-Lloyd. Therefore, CSAV container shipping activities have been unconsolidated as of 30 November 2014 and prior year comparisons are possible only to a limited extent.

From December of 2014, CSAV will record in its Financial Statements the Hapag-Lloyd's result accordingly to its shareholding percentage adjusted by the International Financial Report Standards. The result of the Hapag-Lloyd will be recognized in the Income Statement account "Share of profit (loss) of equity-accounted investees" and in the Balance Sheet account of "Equity-accounted investees".

All the details related to the container shipping activities result will be informed by Hapag-Lloyd in quarterly Investor Report with very similar information as previous informed by CSAV. This information and additional ones will be available on Hapag-Lloyd's Investor Relations web site (available via [http://www.hapag-lloyd.com/en/investor\\_relations/reports.html](http://www.hapag-lloyd.com/en/investor_relations/reports.html))

## Income Statement Analysis

Figures in US\$ Million	4Q 14**	3Q 14	4Q 13	QoQ	YoY	YTD 14	YTD 13	YoY
Transported Volume [in Teus]	317.751	507.446	481.816	-37,4%	-34,1%	1.774.150	1.879.260	-5,6%
Operating Revenue	539,1	747,7	737,8	-27,9%	-26,9%	2.741,5	3.206,0	-14,5%
Cost of Sales	(569,2)	(726,0)	(790,4)	-21,6%	-28,0%	(2.752,2)	(3.210,4)	-14,3%
Gross Margin	(30,1)	21,7	(52,6)	-238,3%	-42,8%	(10,8)	(4,5)	141,3%
Administrative Expenses	(36,7)	(51,3)	(58,6)	-28,6%	-37,4%	(199,1)	(233,4)	-14,7%
Operating Profit (Loss)	800,0	(26,4)	(108,4)	-3125,3%	-838,2%	641,0	(221,2)	-389,8%
Profit (Loss) from Continuing Operations	548,2	(35,2)	(60,4)	-1659,2%	-1007,4%	389,2	(167,6)	-332,2%
Profit (Loss) from Discontinued Operations	0,0	0,0	0,0	n.m.	n.m.	0,0	0,0	n.m.
Profit (Loss) attributable to Owners	548,5	(35,4)	(60,7)	-1650,4%	-1002,9%	388,7	(169,0)	-329,9%
EBITDA *	(54,7)	(13,3)	(96,1)	312,0%	-43,1%	(154,6)	(174,4)	-11,3%

\*Calculated as operating profit plus depreciation and amortization (excluding provision of MMUS\$ 40 in Mar-13, profit from prepayment of AFLAC of MMUS\$ 53.9 in Apr-13, a loss from sale of DBHH joint venture of MMUS\$ 18.6 in Jun-14 and the result of transaction with Hapag-Lloyd of MMUS\$ 864,4 in Dec-14.

\*\*Considers Container Shipping Activities until November 2014.



Since IFRS was implemented, operating revenue and cost of sales from shipping services in course are registered according to their degree of completion. For those voyages that cannot be precisely estimated, revenue is registered only if related costs can be recovered, and thus the same amount is registered in revenue and costs, according to a conservative principle. In the case that beforehand it can be estimated that a voyage will present a loss, this loss is provisioned in cost of sales (Net Loss Vessel Provision in Note 23 of the Financial Statements) instead of separately registering revenue and costs. In a stable scenario, the Company should register a steady amount of revenue and costs from services in course, according to their degree of completion. However, important changes in capacity and transition from periods of strong operational losses (when services in course are registered as onerous contracts) to periods of positive operational margins (or opposite direction), produce significant variations in the revenue and cost recognition according to degree of completion, which impacts the comparison of operational activities between both periods.

## Transaction Result

The transaction with Hapag-Lloyd was recorded according to International Financial Reporting Standards (IFRS), which requires accounting the result in three different lines of the Income Statement: Other gains (losses) (within the operational result), Income tax expenses and Share of profit (loss) of equity-accounted investees.

The result of the transaction with Hapag-Lloyd was an overall profit of MMUS\$ 619 which is summarized in the table below (more details available in the note 40 of financial statements).

	MMUS\$
Other Gains (losses)	864
Income Tax Expenses	(158)
Share of profit (loss) of equity-accounted investees	(87)
<b>Transaction Result</b>	<b>619</b>

Hapag-Lloyd, after combining its container shipping activities with those of CSAV, was valued (fair value) in MMUS\$ 5,103 by the independent consultant PricewaterhouseCoopers AG. Thus, the corresponding 30% value of CSAV in Hapag-Lloyd – this is the consideration price received by CSAV in exchange of transferring its entire container shipping business to Hapag-Lloyd – was MUS \$ 1,531.

CSAV contributed to Hapag-Lloyd its container shipping business net assets, which at September 30 of 2014 amounted MMUS\$ 653. As the transaction was closed during early December 2014, the value of the net assets needed to be adjusted by the corresponding financial results of October and November of the CSAV discontinued operations and corresponding equity adjustments, totalizing MMUS\$ 50. Additionally, and as a result of the transaction, the Company bore MMUS\$ 63 of expenses related to the negotiation and closing of the transaction as well as to expenses required to carve-out the container shipping business from operations retained by CSAV. Considering the above, the gross profit from the transaction was MMUS\$ 864, which are recognized in Other Gains (losses) in the Income Statement.



Regarding to the tax expenses associated with the transaction, these were mainly generated by transferring from CSAV, and other subsidiaries located in different jurisdictions, to a new 100% German subsidiary of CSAV (CSAV Germany Container GmbH o "CCCO") all the investments, assets and liabilities of the former CSAV container shipping business. All these price / assets transferal were done at fair value, based on the appraisal performed by the independent consultant Ernst & Young Consulting Ltda. hired to do each one of the valuations. The great majority of these valuations were at a higher value than the corresponding book value, generating a total tax expense of MMUS\$ 158, which did not have a significant cash impact as the Company used its deferred tax assets available.

CSAV applied fair value and PPA ("Purchase Price Allocation") IFRS rules to account for the consideration price received from the transaction (30% of ownership in Hapag-Lloyd). To do this, CSAV hired the advice of the independent consultant PricewaterhouseCoopers AG, which confirmed the valuation of CSAV's investment in Hapag-Lloyd and defined the fair value of assets and liabilities of such investment, preparing the corresponding PPA and amortization tables.

Therefore, after applying the corresponding PPA adjustments, the Share of profit (loss) of equity-accounted investees of CSAV in Hapag-Lloyd result as of December 2014 was a loss of MMUS\$ 87.

Considering all aspects mentioned above, the net result of the transaction was a profit of MMUS \$ 619.



## Operating Revenue

Figures in US\$ Million	<b>*4Q 14</b>		<b>3Q 14</b>		<b>4Q 13</b>	
		(1)		(1)		(1)
Container Shipping Services	492,0	91,4%	693,8	92,8%	674,7	91,2%
Operating Revenue	394,8	73,3%	670,3	89,6%	644,5	87,1%
Other Revenue	97,2	18,1%	23,4	3,1%	30,2	4,1%
Other Shipping Services	46,3	8,6%	54,2	7,2%	65,0	8,8%
Revenue from Degree of Completion	0,8		(0,2)		(1,9)	
Operating Revenue	539,1	100,0%	747,7	100,0%	737,8	100,0%

(1) Share of revenue calculated over operating revenue excluding degree of completion

Container Rate Index (2)	1.602	1.599	1.629
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(2) Index calculated using average container revenue per teu in 2008 as 2000 points

\* Considers Container Shipping Activities until November 2014

Due to the closing of the transaction with Hapag-Lloyd quarterly comparisons are only possible to a limited extent since former CSAV container shipping activities were only accounted until November 2014 (i.e. two months instead of three). Therefore, all vessel voyages in course at November 30<sup>th</sup> were transferred to Hapag-Lloyd, including all those intercompany transactions related to container shipping activities.

For consistency purposes with previous Investor Reports, the comparison tables have been prepared by quarter but, as mentioned above, they can be used only to a limited extent.

CSAV's operating revenue reached MMUS\$ 539.9 during the fourth quarter of 2014, a decrease of 27.9% compared to the third quarter of 2014, and a decrease of 26.9% compared to the fourth quarter of 2013. Revenue from Container Shipping Services decreased 41.1% compared to the third quarter of 2014 and 38.7% compared to the fourth quarter of 2013, which are mainly explained by the transferal of all container shipping activities to Hapag-Lloyd in December 2014. Meanwhile, revenue from Other Shipping Services decreased 27.9% compared to the third quarter of 2014 and decreased 26.9% compared to the fourth quarter of 2013, mainly due to lower activity in car carrier, reefer bulk and dry bulk businesses.

Figures in Teus	<b>**4Q 14</b>		<b>3Q 14</b>		<b>4Q 13</b>	
South America *	245.859	77,4%	379.683	74,8%	370.488	76,9%
Asia-Europe	43.836	13,8%	77.223	15,2%	68.386	14,2%
Intra Asia	16.945	5,3%	33.089	6,5%	25.532	5,3%
Transpacific	0	0,0%	0	0,0%	0	0,0%
Africa & Others	11.111	3,5%	17.451	3,4%	17.410	3,6%
Total	317.751	100,0%	507.446	100,0%	481.816	100,0%

\* Includes Mexico and The Caribbean

\*\* Considers Container Shipping Activities until November 2014





Transported volume reached 317.751 TEUs in the fourth quarter of 2014, a decrease of 37.4% compared to the third quarter of 2014 and 34.1% compared to the fourth quarter of 2013, which is mainly explained by the transferal of all container shipping activities to Hapag-Lloyd in December 2014. South American's services continue to have a relevant share with a 77.4% of the total volume sold in the two month period of fourth quarter of 2014, showing the focus of CSAV in those relevant markets where the Company has a competitive advantages.

The CSAV's container rate index, which includes freight and other cargo related revenue, showed an increase of 0.2% during the fourth quarter of 2014 compared to the third quarter of 2014 and a decrease of 1.7% compared to the fourth quarter of 2013.

## Cost of Sales

Figures in US\$ Million	*4Q 14		3Q 14		4Q 13	
		(1)		(1)		(1)
Container Shipping Services	(511,0)	89,9%	(674,8)	92,9%	(731,2)	92,3%
Cargo, Intermodal and Others	(128,7)	22,6%	(231,6)	31,9%	(239,7)	30,3%
Vessels, Port, Canal and Others	(302,3)	53,2%	(308,9)	42,5%	(343,4)	43,3%
Bunker	(80,0)	14,1%	(134,4)	18,5%	(148,1)	18,7%
Other Shipping Services	(57,4)	10,1%	(51,4)	7,1%	(61,1)	7,7%
Cost from Degree of Completion	(0,8)		0,2		1,9	
Cost of Sales	(569,2)	100,0%	(726,0)	100,0%	(790,4)	100,0%

(1) Share of cost calculated over cost of sales excluding degree of completion

Bunker Price (US\$/ton)	572	590	600
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\* Considers Container Shipping Activities until November 2014

CSAV's cost of sales reached MMUS\$ 569.2 during the fourth quarter of 2014, a decrease of 21.6% compared to the third quarter of 2014 and of 28.0% compared to the fourth quarter of 2013. Container Shipping Cost decreased 24.3% compared to the third quarter of 2014 and 30.1% compared to the fourth quarter of 2013, which is mainly explained by the transferal of all container shipping activities to Hapag-Lloyd in December 2014. Meanwhile, cost from Other Shipping Services increased 11.6% compared to the third quarter of 2014, mainly due to reefer bulk cargo seasonality, and decreased 6.1% compared to the fourth quarter of 2013, mainly due to lower activity in car carrier and dry bulk businesses.

Bunker unitary cost, which is the single most relevant component of CSAV's container shipping services cost of sales, reached an average of US\$ 572 per ton during the fourth quarter of 2014, a decrease of 3% compared to the third quarter of 2014 and 4.6% compared to the fourth quarter of 2013. Bunker cost reflects the actual cost of those cut voyages (ended) considered in the result of each quarter and such cost could differ from the bunker market prices observed during the quarter due to the delays resulted from voyage accounting principles.





## Net Profit

CSAV's net result for the fourth quarter of 2014 was a profit of MMUS\$ 548.7, which is significantly better than the losses of MMUS\$ 35.4 and MMUS\$ 60.7 registered during the third quarter of 2014 and the fourth quarter of 2013. This relevant improvement is primarily explained by the positive result of the transaction with Hapag-Lloyd.

## Market Analysis

The shipping industry has been facing an adverse market situation since late 2010, characterized by:

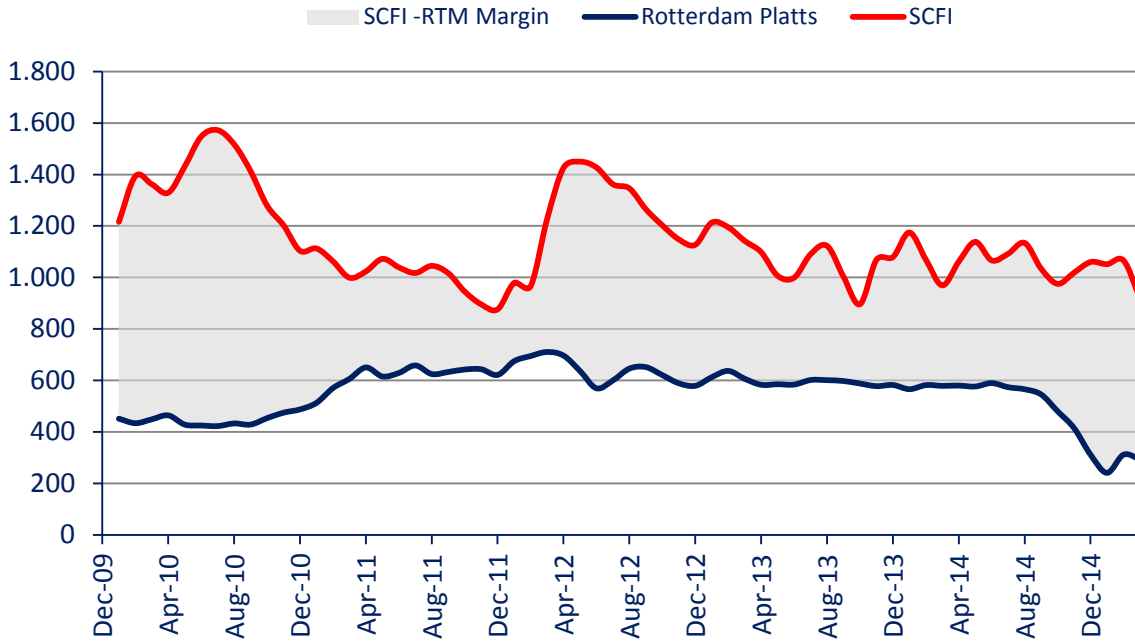
- Difficult global economic conditions that have hampered the growth of demand for transportation.
- An oversupply of space as a result of excess shipbuilding orders in the years prior to the crisis of 2009.
- Oil prices, the industry's main single cost component, have remained high until the end of 2014 when showed significant decreases from the fourth quarter of this year. Oil price continue being volatile and does not exist certain about its future evolution.

Shipping companies have independently taken, because of its weak financial position and as it is public knowledge, a series of measures to mitigate the scenario they are facing, such as suspending services, increasing their laid-up fleet, implementing super slow steaming, increasing joint operations and changing the strategic focus of the industry's leading companies from gaining market share to recovering profitability. These efforts have been very significant when it comes to the creation of operational alliances between the different lines, via consortia.

Despite all the industry's rationalization efforts and the recently and uncertain recovery of the last months, the ex-bunker freight rate continues to be positioned below the historical levels in most trades and below the level that the industry should consider as a sustainable equilibrium. This situation has not allowed the industry to enjoy normal returns (although that some competitors have shown positive results recently), and therefore the normal re-investment process is not taking place, particularly in an industry where the asset structure is outdated and out of the frame of a new technological paradigm in relation to bunker consumption. The Company and the industry face a challenging scenario, due to high volatility in freight rates shown during the last months, which has been partially compensated by lower bunker prices during the last weeks.

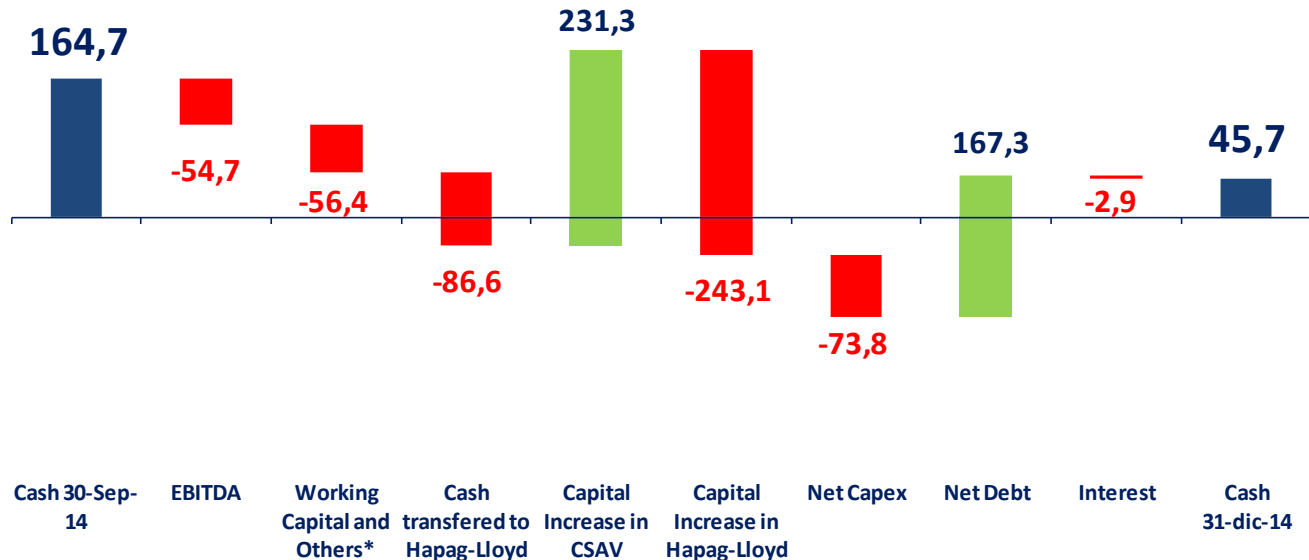


In the last quarter of the year, we have seen a significant decrease of the bunker costs. As it can be seen from the Shanghai Container Freight Index, as well as from the CSAV's Freight Index, most of this drop in bunker has yet not been transferred to freight rates, beefing kept as a margin improvement which has come as a relief in terms of margins of the industry.





### Cash Position



\*Working Capital and others consider MMUS\$ 78 provided to the capital increase in Hapag-Lloyd with current assets.

As of December 2014, CSAV’s cash balance reached MMUS\$ 45.7, a decrease of MMUS\$ 119 or 72.3% compared to MMUS\$ 164.7 reached in the previous quarter, explained mainly by the transaction with Hapag-Lloyd. At the closing of the transaction CSAV transferred the MMUS\$ 86 cash available in CCCO. In addition, on December 19<sup>th</sup> CSAV paid and subscribed Eur 259 million (MMUS\$ 321) in the Hapag-Lloyd capital increased by actually contributing MMUS\$ 243 in cash and MMUS\$ 78 in assets.

During December 2014 CSAV started its owned capital increase aimed at raising MMUS\$ 400 in order to mainly finance CSAV’s contribution on the capital increase of Hapag-Lloyd. By year end, the Company had already raised MMUS\$ 231 (during early February 2015 this process was ended with a total collection of MMUS\$ 398 of new capital).

During the fourth quarter of 2014, the first vessel of 9.300 TEUs of CSAV’s container vessels Investment Plan was delivered (November 2014), which mainly explain the CAPEX of MMUS\$ 74 registered during the quarter. The next six vessels will be delivered directly to Hapag-Lloyd and will not have impact in CSAV’s future cash flows. Finally, the addition of MMUS\$ 167 in net debt is mostly explained by the drawn of the Itaú Unibanco S.A. - Nassau Branch bridge loan and credit line amounting in total MMUS\$ 124, both finally repaid February 2015 with the proceeds of the CSAV’s capital increase, and by vessel financing of MMUS\$ 48 for the above mentioned vessel received during November 2014.



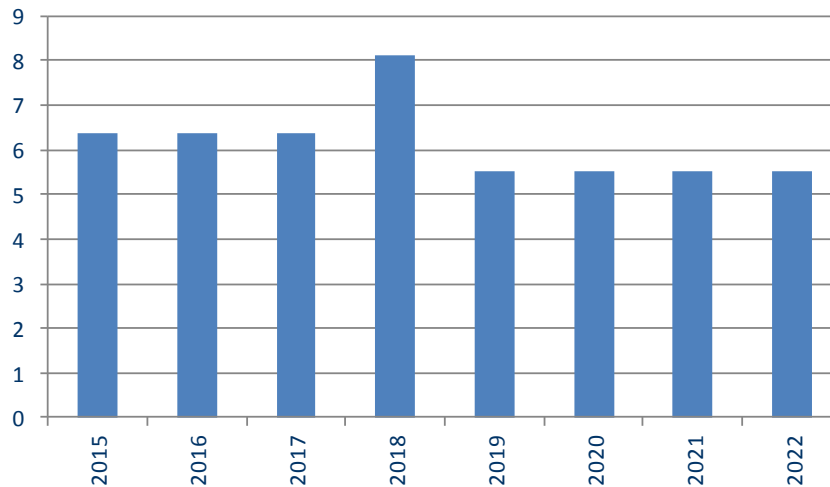
## Financial Debt

Figures in US\$ Million	Dec-14	Sep-14	Dec-13
Short Term Financial Debt	133,2	189,6	112,4
Long Term Financial Debt	42,9	528,9	579,7
<b>Total Financial Debt</b>	<b>176,1</b>	<b>718,4</b>	<b>692,1</b>
<b>Cash and Cash Equivalents</b>	<b>45,7</b>	<b>164,7</b>	<b>201,7</b>
<b>Net Financial Debt</b>	<b>130,4</b>	<b>553,8</b>	<b>490,4</b>

CSAV's financial debt as of December 2014 amounted to MMUS\$ 130.4, a decrease of MMUS\$ 423.3 or 76.4% compared to September 2014. Compared to December 2013, financial debt decrease US\$ 360.0 million or 73.4%. These reductions are mainly explained by the transferal from CSAV to Hapag-Lloyd of the financial debt related to the container shipping activities. At the end of 2014, the outstanding short-term financial debt is mainly the MMUS\$ 124 bridge loan and credit line previously mentioned (repaid in February 2015). Long-term financial debt comprises the Chilean UF (Chilean inflation indexed currency) bond of MMUS\$ 39 and one vessel financing of MMUS\$ 4 related to a chemical tanker vessel (liquid bulk).

The Company has secured a total amount of liquidity commitments of MMU\$ 30, undrawn by the end of December 2014 (See Note 5 of Financial Statements).

### Financial Debt Profile (in US\$ Million)



Excludes prepaid of structure loan of MMUS\$ 50 and credit line of MMUS\$ 74



## Outlook

The activity of the last months of 2014, as well as the one of the beginning of 2015, which to a large extent will explain the results of CSAV for the first quarter; it has been characterized by a significant drop in the cost of bunker.

As it visible from the evolution of the Shanghai Container Freight Index, despite the fact that there is a slight deterioration in the freight rates, this has not followed the same pace as the drop in cost of bunker, thus generating a significant improvement of the ex-bunker freight rate per teu which will produce a significant improvement in the result of the container shipping activity when we publish the first quarter results.

The Car Carrier activity of CSAV, which is highly concentrated in the vehicles imported to the west coast of South America (WCSA), predominantly to Chile and Perú, has continued to deteriorate in 2015. There are significant drops in the sales of new cars, light trucks, trucks and heavy vehicles which will impact negatively the volumes and revenues of the retained activities of CSAV. The company has taken several measures to reduce its cost and to partially compensate the effect of the revenue loss.

Our view for the year 2015, and based on the current level of orderbook of new vessels, the scrapping, the continuation of the slow steaming (despite the reduction of the bunker price) as well as the implementation of large new alliances like 2M (Maersk and MSC) as well as Ocean Three (CMA-CGM, UASC and CSCL) should be instrumental to allow the industry to maintain a better situation in terms of Ex-Bunker margins.



## Fleet and Service Information

		4Q 14*	3Q 14	4Q 13
<b>Container Shipping Services</b>				
Operated Fleet	N° Vessels	40	43	50
	Nominal Capacity (Th. Teus)	214	231	255
Chartered Out Fleet	N° Vessels	6	2	10
	Nominal Capacity (Th. Teus)	32	8	50
Laid Up Fleet	N° Vessels	1	1	2
	Nominal Capacity (Th. Teus)	9	7	15
Total Fleet	N° Vessels	47	46	62
	Nominal Capacity (Th. Teus)	255	246	320
Own Fleet	N° Vessels	15	14	14
	Nominal Capacity (Th. Teus)	100	91	91
<b>Other Shipping Services</b>				
Operated Fleet	N° Vessels	11	9	13
Chartered Out Fleet	N° Vessels	2	2	4
Laid Up Fleet	N° Vessels			
Total Fleet	N° Vessels	13	11	17
Own Fleet	N° Vessels	2	3	3
<b>Containers</b>				
Flota Total (miles de teus)		394	396	436
		4Q 14*	3Q 14	4Q 13
<b>Average Service Round Voyage</b>		67	66	65

*\*Considering the transaction of CSAV and Hapag-Lloyd in December 2014, for Q4 2014 the figure of container shipping services is at November 30<sup>th</sup> and for the rest of the services is at the end of 2014.*



## **Disclaimer**

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