Investor Report H1 2016

August 24, 2016

Highlights

H1 2016 Results

- CSAV reported a loss of MMUS$ 59.5 for the first half of 2016, which negatively compares to the profit of MMUS$ 80.0 reported for the same period in 2015.

- The loss for the first half of 2016 is explained by the negative result from the container shipping segment of MMUS$ 54.5, which in turn is explained by a loss of MMUS$ 36.2 related to CSAV´s share in the results of Hapag-Lloyd ("HLAG"), tax expenses and a gain arising from a provision reversal associated with closing the transaction with HLAG in 2014.

- CSAV's other transport services (car carrier, liquid bulk, freight forwarder and logistics) reported a combined loss of MMUS$ 5.1 for the first half of 2016, a slight increase compares to the same period in 2015. This loss is explained by lower freight rates compared to the previous year and continuing weak demand for vehicle transport services.

- During the second quarter of 2016, the other transportation services segment showed an improvement from a loss of MMUS$ 6.1 in the first quarter of 2016 to a profit of MMUS$ 1.0, due to efficiency and cost savings plans already implemented.

BCA between HLAG and UASC

- On July 18, 2016, HLAG and United Arab Shipping Company S.A.G. ("UASC") signed a Business Combination Agreement ("BCA") to merge both companies. The transaction is subject to the corresponding regulatory and contractual approvals, and compliance with a series of pre-conditions that are common for such contracts. The transaction is expected to be completed by end of 2016 (with long stop date for closing on March 31, 2017).

- This transaction would consolidate HLAG as one of the fifth largest container shipping companies in the world, with annual transport volumes of around 10 million TEUs. The merger is expected to generate annual net synergies of at least MMUS$ 400 and a clear reduction in investments in subsequent years.

- At closing of the transaction, UASC shareholders would receive newly issued shares of HLAG representing 28% of its share capital. CSAV, the City of Hamburg and Kühne will continue to jointly control HLAG with around 52% of its voting shares.

- CSAV share in HLAG would be reduced from 31.35% to 22.6%. However, CSAV would participate in the agreed capital increase for HLAG of MMUS$ 400 scheduled to take place within six months of the merger closing, which would allow CSAV to increase its share participation to 25%.

Income Statement Analysis

	For the period ended June 30, 2016	For the period ended June 30, 2015	Change
	MMUS$	MMUS$	MMUS$
Revenue	66.6	112.0	(45.4)
Cost of sales	(67.9)	(109.5)	41.6
Gross profit	**(1.3)**	**2.5**	**(3.8)**
Administrative expenses	(7.0)	(8.3)	1.3
Other operating income	14.4	6.7	7.6
Operating profit	**6.1**	**0.9**	**5.2**
EBITDA (without associates)	***7.3***	***2.6***	**4.7**
Finance costs, net	(1.7)	(1.4)	(0.3)
Share of profit (loss) of equity-accounted associates and joint ventures	(36.3)	78.7	(114.9)
Exchange differences and other non-operating expenses	(0.2)	1.0	(1.2)
Taxes	(26.9)	0.2	(27.2)
Profit (loss) after taxes	**(58.9)**	**79.5**	**(138.4)**
Profit (loss) attributable to owners of the company	**(59.5)**	**80.0**	**(139.5)**

The operating profit for the first half of 2016 was MMUS$ 6.1, MMUS$ 5.2 higher than for the same period in 2015.

This increase is mainly due to the reversal of a provision for MMUS$ 12.5 associated with closing the transaction with HLAG in 2014, which related to a claim by the "NYSA-ILA" Pension Fund covering the longshoremen at the ports of New York and New Jersey (USA). This claim was successfully resolved for CSAV, following an agreement that meant the Company no longer required this provision.

a) Revenue

Revenue amounted to MMUS$ 66.6 for the first half of 2016, reflecting a reduction of MMUS$ 45.4 over the same period in 2015. This significant fall is explained to a large extent by CSAV's discontinuation of its refrigerated bulk cargo (reefer vessels) and solid bulk cargo operations. In effect, once the 2014-2015 refrigerated fruit cargo season (second quarter of 2015) had ended, CSAV decided to discontinue operations. Likewise, once CSAV redelivered its final leased bulk carrier to the ship's owner (lessor) during the third quarter of 2015, which it had subleased up until then, CSAV discontinued its bulk solid operations.

The fall in operating revenue is due to reductions in freight rates for vehicle transport, which continue to show an unfavorable trend. In addition, operating revenue has been negatively affected by the proportion of freight rates indexed to variations in fuel prices. As these prices have declined over the last few quarters, this has contributed to corresponding reductions in revenue.

The market continued to be weak during the first half of 2016, and demand for vehicle transport fell in markets covering the west coast of South America, due to adverse conditions in the regional economy. Therefore, the Company has also decreased its slot sales to other vessel operators.

b) Cost of Sales

Cost of sales amounted to MMUS$ 67.9 for the period ended June 30, 2016, which represents a decrease of MMUS$ 41.6 over the same period in 2015. This reduction in operating costs is mostly associated with the discontinuation of refrigerated bulk cargo (reefer vessels) and solid bulk cargo operations, and a more efficient operational structure for vehicle transport services consistent with the reduction in demand.

The decrease in cost of sales can also be explained by the lower average fuel prices seen during the first half of 2016, which fell close to 26% compared to the same period in 2015. However, as mentioned above, since a portion of sales have fuel price indexation clauses, some of the positive effect on costs was partially offset by reduced revenue.

Despite the adverse market conditions, CSAV has managed to adapt its operating cost structure and its efficiency, in order to compensate for the decline in revenue with lower operating costs.

c) Hapag-Lloyd Results

CSAV recognized a loss of MMUS$ 36.2 on the HLAG joint venture. These negative results are mainly explained by:

- A loss of MMUS$ 50.2, which is the share of the loss attributable to the owners of HLAG of its loss of MMUS$ 160.1 for the first half of 2016. This negative result at HLAG was largely explained by falling freight rates, which fell by about US$ 254/TEU and explain a fall in revenue of some MMUS$ 1,000 with respect to the same period for the previous year. The cost efficiency programs, lower fuel costs and synergies arising from the merger with CSAV, enabled HLAG to significantly mitigate its revenue decline.

- A profit of MMUS$ 14.0 is the effect on results of amortizing the purchase price allocation (PPA) on the initial investment in HLAG, as determined upon closing the transaction on December 2, 2014 (in accordance with IAS 28).

The following table summarizes the movements in the investment in HLAG:

Detail of movements in CSAV's investment in HLAG	
	MMUS$
Balance as of December 31, 2015	**1,792.4**
Share of HLAG's Profit (Loss)	(50.2)
Effect of PPA on Profit (Loss)	14.0
Total Share of HLAG's Profit (Loss)	(36.2)
Share of Other Comprehensive Income	(16.5)
Other Changes in Equity	(0.0)
Balance as of June 30, 2016	**1,739.7**

CSAV reflected in its financial statements its share of the loss attributable to the owners of HLAG, its share of other comprehensive income and the PPA amortization. For the calculation, the Company applied its ownership interest of 31.35% during the first half of 2016.

d) Results

Administrative expenses for the first half of 2016 amounted to MMUS$ 7.0, which represents a decrease of MMUS$ 1.3 over the same period in 2015. Other operating income and expenses amounted to MMUS$ 14.4 for the period ended June 30, 2016, mainly explained by the gain of MMUS$ 12.5 associated with the provision reversal mentioned above.

During the first half of 2016, CSAV recognized an income tax expense of MMUS$ 26.9, mainly due to a charge of MMUS$ 17.2 arising on an adjustment to tax losses carried forward, associated with the HLAG transaction in 2014, and to the tax expense on interest associated with the financing structure within the CSAV Group required to finance the investment in HLAG.
As a result, the Company reported a loss attributable to the owners of the company of MMUS$ 59.5 for the first half of 2016.

e) Results by Business Segment

CSAV reports two business segments as of June 30, 2016: Container Shipping and Other Transport Services. Each segment is described briefly below:

- Container shipping: this is carried out by HLAG, represented by the investment in that joint venture, plus certain assets and liabilities related to the container shipping business that are still controlled by CSAV (deferred asset, financial liabilities and others) and other expenses associated with managing this investment.
- Other transport services: this includes CSAV's operations in car carrier services (mainly to markets on the west coast of South America), liquid bulk transport on the west coast of South America and logistics and freight forwarder operations through the Norgistics subsidiaries. As mentioned above, in 2015 CSAV discontinued its refrigerated bulk cargo (reefer vessels) and solid bulk cargo operations.

The following chart shows the operating result for the first half of 2016:

Container Shipping Segment	For the period ended June 30, 2016	For the period ended June 30, 2015	Change
	MMUS$	MMUS$	MMUS$
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	**-**	**-**	**-**
Administrative expenses	(1.6)	(1.0)	(0.6)
Other operating income	12.5	5.6	6.9
Operating profit	**10.9**	**4.6**	**6.3**
Finance costs, net	(1.7)	(1.3)	(0.3)
Share of profit (loss) of equity-accounted associates	(36.2)	78.7	(114.9)
Exchange differences and other	0.0	1.7	(1.7)
Taxes	(27.5)	(1.8)	(25.7)
Profit (loss) from continuing operations	**(54.5)**	**81.9**	**(136.3)**
Profit (loss) attributable to non-controlling interest	-	-	-
Profit (loss) attributable to owners of the company	**(54.5)**	**81.9**	**(136.3)**

The container shipping segment reported a loss of MMUS$ 54.5 during the first half of 2016, which is mainly explained by the negative result from the investment in HLAG and increased tax expenses mentioned above, which were partially offset by the provision reversal associated with the longshoremen in the United States.

Other Transport Services Segment	For the period ended June 30, 2016	For the period ended June 30, 2015	Change
	MMUS$	MMUS$	MMUS$
Revenue	66.6	112.0	(45.4)
Cost of sales	(67.9)	(109.5)	41.6
Gross profit (loss)	**(1.3)**	**2.5**	**(3.8)**
Administrative expenses	(5.4)	(7.3)	1.9
Other operating income	0.6	3.6	(3.0)
Operating loss	**(4.8)**	**(3.7)**	**(1.1)**
Finance costs, net	(0.0)	(0.0)	0.0
Share of profit (loss) of equity-accounted associates	(0.0)	-	(0.0)
Exchange differences and other	(0.2)	(0.7)	0.5
Taxes	0.6	2.0	(1.4)
Profit (loss) from continuing operations	**(4.4)**	**(2.4)**	**(2.0)**
Profit (loss) attributable to non-controlling interest	(0.6)	0.5	(1.1)
Profit (loss) attributable to owners of the company	**(5.1)**	**(1.9)**	**(3.1)**

Other transport services reported a loss of MMUS$ 5.1 for the first half of 2016, reflecting a decrease of MMUS$ 3.1 over the same period in 2015. This reduction is mainly explained by unfavorable market conditions, which have continued for the past two years, and have resulted in a substantial fall in freight rates for car carrier transport, due to weaker demand for such transport. Despite this, the Company has reversed the trend seen in the last two quarters, and reported a profit of MMUS$ 1.0 in the second quarter of 2016, due to changes in operating structures and savings programs.

Market Analysis

a) Container Shipping Segment

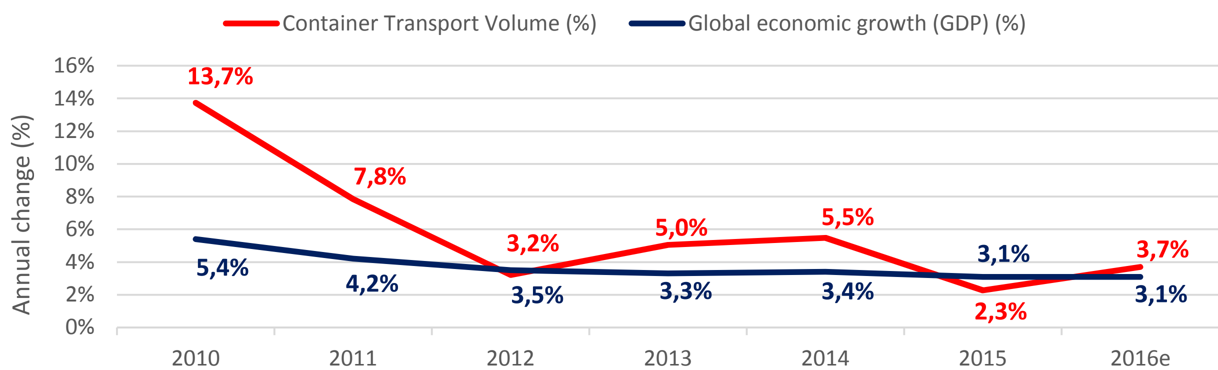
The Company participates in the container shipping business through its investment in HLAG (accounted for as a joint venture using the equity method). Although CSAV has significant influence over HLAG and jointly controls it together with other major partners, that joint venture has an independent management team that controls and manages its risks autonomously and in accordance with the standards of a publicly-listed and regulated company in Germany.

The container shipping industry continues to face very volatile and generally adverse market conditions, characterized by:

- **Weakness in the world economy.**

Global GDP growth has diminished in recent years, and growth in the volume of container transport has also fallen, as shown in the figure below. The growth in demand for container shipping is expected to be 3.7% for 2016.

Evolution of Global Production and Container Transport



Source: International Monetary Fund (IMF) and Clarksons

In particular, growth in China and the rest of Asia has been considerably less dynamic, negatively impacting imports and exports, and thus global transport volumes. There is still uncertainty regarding the political changes that may occur in the world over the next few months as well as the effects of Brexit.

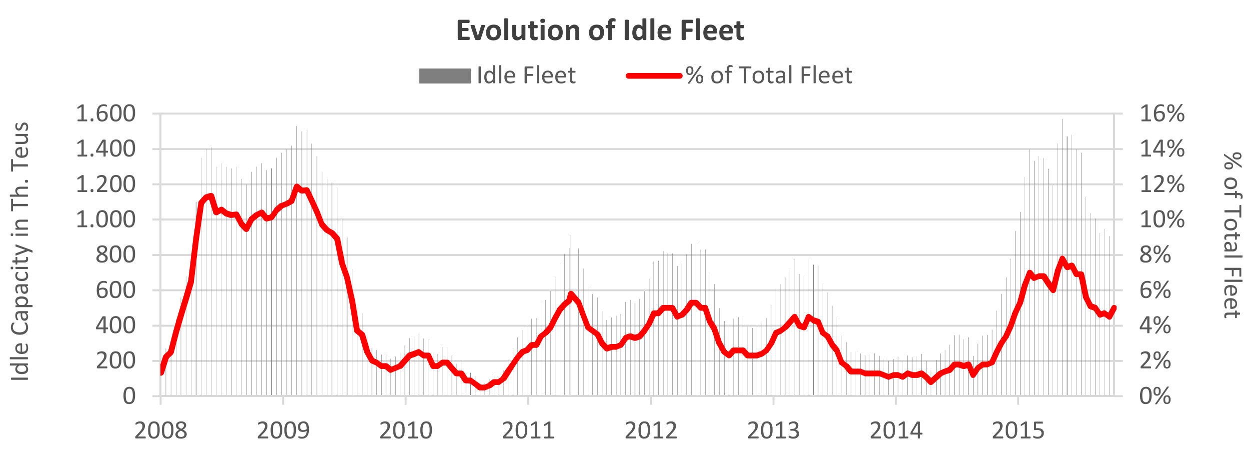
- **Excess capacity.**

Excess installed capacity (measured in TEU) began during the crisis in 2008/2009 and continues to squeeze the industry. Since then, most of the major global shipping companies have taken various significant measures to improve the balance between supply and demand. These measures have included suspending and restructuring transport services, suspending voyages, increasing idle fleets and scrapping vessels. Shipping companies have also sought joint operating agreements and operating alliances with other operators, which are becoming increasingly important.

Shipbuilding orders usually relate to vessel operators or very long term charter contracts, and not to investors or non-operating ship-owners, as was the case until recently. These orders are associated with an orderly growth plan and are aligned with joint venture agreements or alliances operated by these companies. Vessels under construction total 17.0% of the current operating fleet.

The Panama Canal has been widened, and this project was opened in July 2016. It has been estimated that this could gradually affect the global balance of supply and demand, due to the effects of repositioning vessel fleets in accordance with the new characteristics of the canal.

Although these initiatives have led companies to rationalize asset use, with shipbuilding orders currently stabilized at more reasonable levels, weaker demand for shipping in recent years continues to generate excess capacity. Apart from low, volatile freight rates, another indicator of this phenomenon is the idle fleet, which reached even higher levels in 2016 than in previous years, attaining levels comparable to those seen in 2009 and 2011.



Source: Alphaliner

The idle fleet is currently made up of 1,000 to 5,000 TEU vessels (many of them designed to meet the specifications of the old Panama Canal), which are being replaced by more efficient vessels that have been designed for the new Panama Canal. The idle fleet is mostly owned by investors, not operating ship-owners.

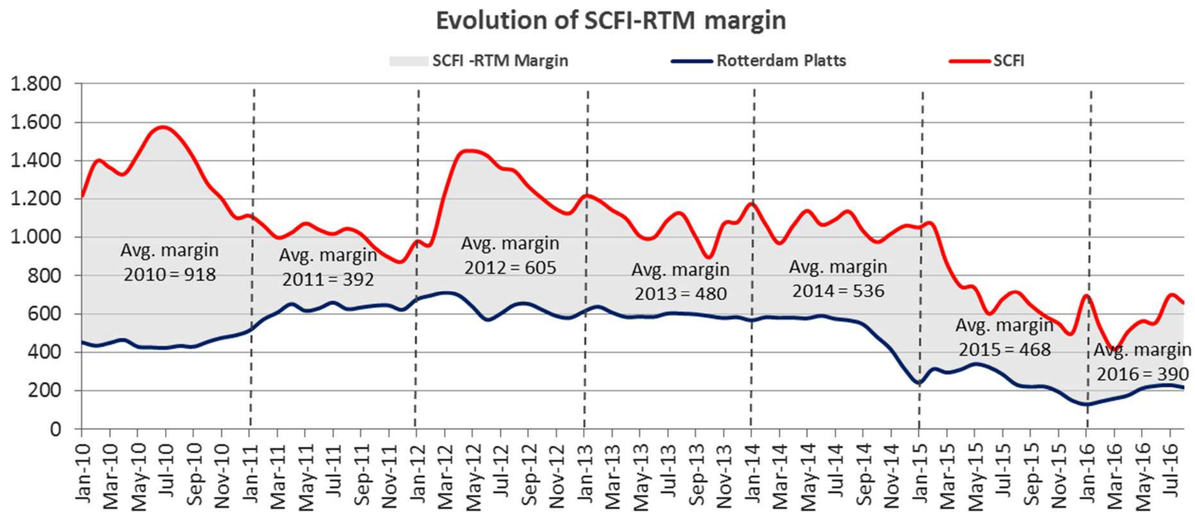
- **Stiff competition in the shipping market.**

Freight rates net of fuel costs ("ex-bunker rates") are still below historical levels along most routes and are much lower than levels that the industry could presently consider a sustainable equilibrium. During the first half of 2016, the SCFI index reached its lowest level since the 2009 crisis with significant variability in rates during this period.

- **Highly volatile fuel prices.**

This is the industry's main consumable. Prices remained very high until late 2014 and have since fallen considerably like other commodities. During the first half of 2016 the price of fuel has stabilized with a slight upward trend, but still at low levels compared to previous years.

Nevertheless, the industry continues to streamline the use of resources and optimize its operations, including super slow steaming, focusing on reducing operating costs, improving productivity and asset use; and more efficiently using fuel. Major global operators have prepared container ship investment plans designed to renew their fleets and better adapt to the new operating paradigms. They are focusing on enhancing efficiency, achieving economies of scale, reducing fuel consumption and adapting fleets to the new Panama canal.



* Average price of IFO 380 bunker in Rotterdam
** Shanghai Containerized Freight Index.

- **An industry undergoing consolidation.**

Currently, even though the industry still boasts a large number of players, especially in the segment of smaller-sized companies, industry consolidation is growing. The merger of the CSAV and Hapag-Lloyd container shipping businesses took place at the end of 2014. Since then further mergers have taken place, including Hamburg-Süd with CCNI, COSCO with China Shipping, and CMA CGM with APL. The latter two will become effective during this year. Furthermore, in mid-July 2016 HLAG informed the market that it had signed a Business Combination Agreement (merger) with United Arab Shipping Company (UASC).

Once these mergers have taken place, the ten largest global shipping operators will have 73% of installed capacity, whereas the five largest will have 56%. The five largest operators will achieve economies of scale and size several times greater than the remaining operators.

Likewise, in recent years shipping companies have increased joint operating agreements and operating alliances in order to improve customer service levels while generating economies of scale and network economies. These initiatives have been significant and have resulted in the formation of major global operating alliances.

During the early part of 2016 a new structure for alliances was announced together with restructuring plans for several industry participants, all of which will become effective from the second half of 2017. The dissolution of the Ocean Three, G6 and CKYHE alliances was announced in order to form two new alliances: Ocean Alliance and The Alliance. HLAG is a member of the latter alliance. These new operating alliances represent on average 90% of transport capacity on the main global routes.

In summary, all industry players continue to face a challenging scenario. Falling container freight rates and their high volatility during the last half year have only been partially offset by reduced bunker prices. The industry remains focused on the new paradigm associated with optimizing operating costs and collaborative operations through joint operating alliances and agreements, but with an increasing trend toward consolidation.

b) Other Transport Services Segment

The various shipping sub-segments operated directly by CSAV in the first half of 2016, such as car carrier transport, liquid bulk cargo and logistics and freight forwarder services, have also been affected by weaker global demand for transport, excess supply and volatile bunker prices.

The global vehicle transport business has experienced volatile demand since the financial crisis of 2008. Global demand for vehicles is closely linked to economic conditions in markets and changes in manufacturing countries. Sluggish global economic growth has extended into 2016, affecting production, exports and global demand for shipping.

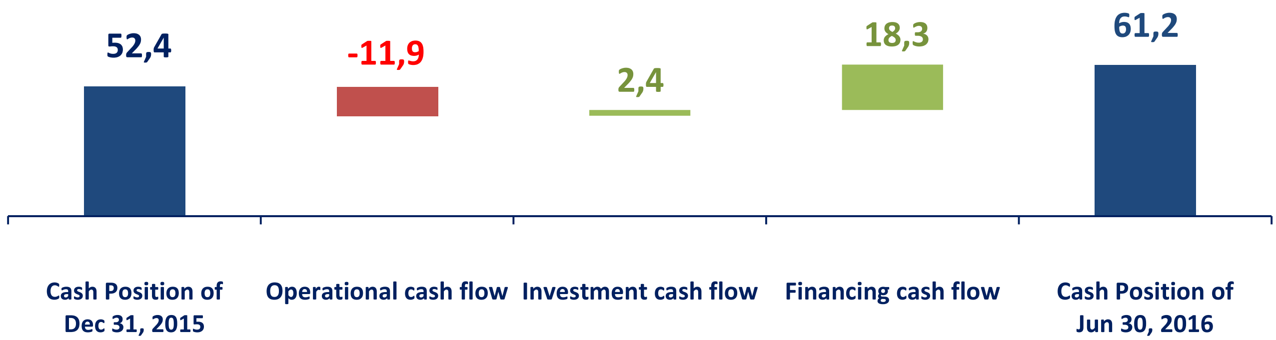
CSAV mainly transports vehicles from Asia, Europe and the USA to the west coast of South America, with the largest volume going to Chile and Peru. These markets are negatively affected by local economic conditions and also by negative consumer expectations regarding the future.

In Chile, total sales of new light vehicles during the first half of 2016 reported a 7% rise over the same period last year (source: ANAC), recovering only slightly from falling sales in previous years. However, sales of heavy vehicles and machinery are still weak, which impacts vehicle imports. Recently observed sales growth in light vehicles could be indicating at least a change in the trend since 2014, although this is probably still premature and is affected by market volatility given the performance of local and international economies.

The company's liquid bulk transport business is focused primarily on moving sulfuric acid along the west coast of South America, mainly for mining production in this region. During the last six months the market has remained stable with respect to the previous year and has reported better results.

The logistics and freight forward businesses are closely related to trends in the container shipping business and freight rates. In 2016, the east and west coast markets of South America have continued to evolve unfavorably given the region's poor economic performance and highly volatile freight rates.

Cash Position



The net variation in cash was an inflow of MMUS$ 8.8 for the first half of 2016, which represents an increase of MMUS$ 3.9 over the same period in 2015.

The Company reported a negative operating cash flow for the first half of this year of MMUS$ 11.9, mainly explained by operating losses (net of the provision reversal associated with the claim by US longshoremen) and by expenses of MMUS$ 4.8 in the first half of the year on investigations by the Fair Trading Authorities regarding the car carrier business. This expense was provisioned or accrued in accounts payable at the close of 2015, so it did not affect the accounting result for the period, but did affect operating cash flows.

It reported a positive cash flow from investing activities of MMUS$ 2.4 as of June 30, 2016, due to the sale of the Company's non-controlling interest in specific companies, recorded as financial investments under the heading "Other financial assets" in the consolidated statement of financial position.

The financing cash flow was positive by MMUS$ 18.3 during the first half of 2016. This is due to the Company signing a loan agreement of MMUS$ 50 with Banco Consorcio and Banco Internacional (MMUS$ 45 and MMUS$ 5, respectively) on June 30, 2016, as mentioned previously. These funds were used by CSAV to fully repay the loan from its parent company Quiñenco S.A. of MMUS$ 30. The balance of these funds will be used to cover other general Company requirements.

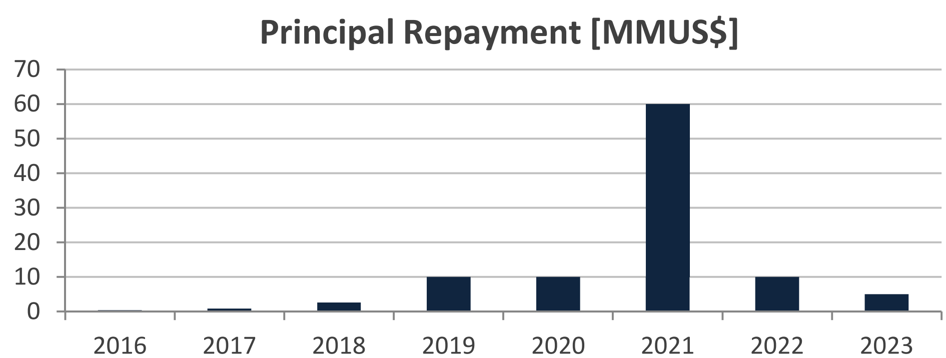
This new loan of MMUS$ 50 could be substituted by novation for a US dollar bond with a single principal repayment in five years time (June 2021), and semi-annual interest payments at the interest rate already defined in the loan agreement. The banks and their related parties are already committed to the possibility of substitution by novation.

Financial Debt

	As of June 30, 2016	As of December 31, 2015	Change
	MMUS$	MMUS$	MMUS$
Other financial liabilities, current	1.8	3.0	(1.2)
Other financial liabilities, non-current	97.1	47.6	49.5
Payables to related parties	-	30.0	(30.0)
Total financial debt	98.9	80.6	18.3
Cash and cash equivalents	61.2	52.4	8.8
Net financial debt	**37.7**	**28.3**	**9.5**

CSAV's net financial debt as of June 30, 2016, was MMUS$ 37.7, which represents an increase of MMUS$ 9.5 compared to December 31, 2015. This increase is mainly explained by refinancing the Company's loan of MMUS$ 30.0 with its parent company Quiñenco S.A. by drawing down the loan of MM US$ 50.0 from Banco Consorcio and Banco Internacional, as explained previously.

CSAV's financial debt as of June 30, 2016, includes a loan of MMUS$ 49.8 with Banco Consorcio and Banco Internacional (MMUS$ 44.8 and MMUS$ 5.0, respectively), which is being converted into a bond, a loan of MMUS$ 44.7 from Banco Itaú, and MMUS$ 4.4 for financing vessels. The Company has secured an additional liquidity reserve (credit line commitment) of MMUS$ 30. This line has not been drawn down as of June 30, 2016.



Subsequent Events

BCA between HLAG and UASC

Context

The container industry continues to consolidate. The mergers between CMA-CGM and APL, COSCO and CSCL (both Chinese) and the recent transaction announced between HLAG and UASC will be completed during 2016. As a result of this process, about 73% of global capacity would be concentrated within the ten largest operators, while the five largest companies would be more than three times the size of those between 6th and 10th place.

BCA

The BCA between HLAG and the United Arab Shipping Company S.A.G. ("UASC") was signed on July 18 2016, with the purpose of merging the two companies. The latter is a shipping company based in the Persian Gulf that is dedicated to container shipping. The main characteristics of this agreement include:

- It is subject to the corresponding regulatory and contractual approvals, and compliance with a series of pre-conditions that are common for such contracts.
- The shareholders of UASC would own 28% of HLAG's share capital. The main shareholders of UASC are Qatar Holding LLC, owned by the State of Qatar ("QH"), and the Public Investment Fund, on behalf of the Kingdom of Saudi Arabia ("PIF"), who would own 14.4% and 10.1%, respectively.
- The current major shareholders of HLAG are CSAV (via Germany Container Holding GmbH), the City of Hamburg and the German businessman Klaus Michael Kühne and they would reduce their ownership to close to 22.6%, 14.9% and 14.6%, respectively.
- The current shareholders of HLAG would continue to control this company with approximately 52% of HLAG's share capital, through Hamburg Container Lines Holding GmbH & Co. KG.
- This transaction is expected to be completed in December 2016, and in any case not later than March 31, 2017.
- The combined entity HLAG would be the fifth largest container shipping company in the world with total transport capacity of 1.6 million TEUs, an expected market share of nearly 7% and annual volumes of around 10 million TEUs.
- Net annual synergies are estimated at over MMUS$ 400.
- Investments in ships and containers would be significantly reduced over the coming years.
- The new HLAG fleet would be one of the most modern and efficient in the world, with an average age of 6.6 years and an average size of nearly 6,600 TEUs, much younger and more efficient than the industry average.
- The combined fleet would allow HLAG to consolidate its key role within a new global alliance formed from G6 under the name "THE Alliance", which is scheduled to start operating in April 2017.
- Within six months of closing the merger, there would be a capital increase of MM US$ 400, in order to provide the company with sufficient liquidity. The main shareholders of the combined company would ensure that this sum is raised.

Shareholder Agreements

- CSAV Germany, HGV and KM have signed agreements to ensure that CSAV Germany can own at least 25% of HLAG following this latest capital increase.
- These shareholder agreements have been designed to eliminate all restrictions on share transfers from January 1, 2018.

Direct Effects on CSAV

- CSAV's 25% interest would enable it to continue significantly influencing agreements approved at HLAG shareholder meetings, in key areas such as capital increases, mergers, divisions and amendments to the bylaws, all of which require a quorum of 75%.
- If the merger and capital increase described above go ahead, the funds that CSAV would require to subscribe its share and secure a 25% interest in HLAG are expected to be raised through a capital increase in CSAV during the first half of 2017 and through borrowing, if necessary.
- The accounting effects of the potential dilution in CSAV's interest in HLAG from 31.35% to 22.6% would be recognized when the transaction is closed and cannot be quantified in a reasonable manner. Although, it is likely that the merger would cause a net loss by dilution for CSAV.

Outlook

Segment: Container Shipping

The following outlooks were extracted from the "Outlook" section in HLAG's *Investor Report* for the first half of 2016, page 17:

"The statements made in the "Outlook" section of the Group management report for 2015 generally remain valid as regards the medium-term growth prospects for container shipping. In the medium term, demand for container shipping services should continue to rise in tandem with expected ongoing growth in global trading volume.

Global economic growth remains affected by major uncertainties and is extremely sluggish. In June 2016, the International Monetary Fund (IMF) reduced its economic forecast for the USA for 2016 by 0.2 percentage points to 2.2%. Brazil, which is Latin America's most important economy, continues to be in recession. In June 2016, the Chinese economy weakened further, as measured by the Purchasing Managers' Index (PMI). The Chinese government is predicting growth of 6.5% to 7% for 2016. Economic growth in China was 6.9% last year, its slowest rate in 25 years.

According to the investment bank Goldman Sachs, the UK's decision to leave the EU could push the country into recession and lead to an economic slowdown in the EU.

The IMF's economic experts cut their forecast for global economic growth in 2016 by 0.1 percentage points (compared to the expectations published in April 2016) to 3.1% in July 2016. According to their predictions, the global trading volume will only increase by 2.7% in 2016 and therefore by 0.4 percentage points lower than was expected in April 2016. IHS Global Insight (July 2016) lowered its anticipated increase in the demand for global container transport services in 2016 to 2.2%. In April 2016, a rise of 3.0% was still being forecast.

According to estimates by MDS Transmodal (July 2016), the total capacity of the global container ship fleet (start of 2016: around 20.9 million TEU) is likely to increase in 2016 by around another 1.2 million TEU, and therefore by up to 5.7%. The current imbalance between supply and demand is impacting adversely on the development of freight rates in all trades and preventing freight rates from rising at the start of the important peak season. This is necessary to enable a sustainable improvement in the earnings of container shipping companies. Container shipping companies generally record their highest transport volumes and highest freight rates in the third quarter of the calendar year. Although the spot market freight rates improved in key trades in July 2016, the increase was below expectations. At present, it remains very uncertain whether the improvement in spot market rates in some portions of trades will lead to a clear improvement in the rate level in the second half of 2016. The Shanghai Containerized Freight Index stood at 753 points on 4 July 2016, which was only slightly higher than in the previous year (745 points) and well below the level recorded at the start of 2016 (837 points).

Given that the third quarter – the peak season – has a major impact on the earnings position, Hapag-Lloyd expects the focus of its earnings development in 2016 to continue to be on the realisation of earnings in the second half of 2016. Mainly in light of the so far inadequate improvement in rates, Hapag-Lloyd has changed its outlook for 2016 with regard to the following points:

Earnings Position Previous	Outlook (Q1 2016)	Revised Outlook
EBITDA (Earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd Group	Increasing moderately	Clearly decreasing
EBIT (Earnings before interest and taxes), Hapag-Lloyd Group	Clearly increasing	Clearly decreasing

The key benchmark figures for the 2016 outlook are contained in the following table:

Global economic growth (IMF)	+3.1%
Increase in global trade (IMF)	+2.7%
Increase in global container transport volume (IHS)	+2.2%

Transport volume, Hapag-Lloyd Group	Slightly increasing
Average bunker consumption price, Hapag-Lloyd Group	Clearly decreasing
Average freight rate, Hapag-Lloyd Group	Clearly decreasing
EBITDA (Earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd Group	Clearly decreasing
EBIT (Earnings before interest and taxes), Hapag-Lloyd Group	Clearly decreasing

The revenue and earnings forecast is based on the assumption of constant exchange rates.

The business development of Hapag-Lloyd could be impacted by far reaching risks. These risks are described in detail in the risk report in the Group management report of the 2015 annual report. The main risks which could cause a deviation of the business development from the changed outlook are the further significant and lasting rise in bunker prices (MFO) and the absence of a rate recovery, or a further significant reduction in freight rates in the second half of 2016."

Segment: Other Transport Services

- During the second half of 2016 the car carrier business will continue to face ex-bunker freight rates (i.e. excluding the cost of fuel per transported unit) well below the average seen in previous years. The significant fall in demand in 2014, 2015 and the first half of 2016 has resulted in a sharp reduction in freight rates in this business, while the drop in fuel costs—which have recently risen—has only partially offset this negative effect on rates.

- Company's cost and efficiency improvement programs have already been deployed, helping to significantly reduce the cost structure as could be partially seen during the second quarter of 2016. In fact, during the second quarter the segment of other transport services showed a profit of US$ 1 million. Over the next quarters, additional initiatives will continue to drive down costs which will help to significantly offset the impact of the current negative market conditions.

- Car sales in some important South American markets started to show signs of recovery during the first half of 2016, even though demand continues to be very weak. However, given the still unfavorable economic conditions we do not expect to see a recovery in vehicle import volumes in 2016. For this same reason, the Company continues to focus on optimizing its operating costs.

- Stable operations are expected for the liquid bulk business operating on the west coast of South America, despite drops in commodity prices.

- Although the logistics and freight forwarder business, through the subsidiary Norgistics, continues to face volatile container freight rates, recent increases may improve revenue and returns. However, there is no certainty that this trend will continue over the next few months, but through the several cost reduction plans, we expect to reach a more stable development of this business to the next quarters of 2016.

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