

NEWSLETTER

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Taiwanese carriers under pressure

Taiwanese container lines have seen their profit going down during the second quarter of this year, some of them even facing losses. Yang Ming is the named carrier who is presumed to arrive into the red figures lately.

Also local Inter Asian Taiwanese shipping lines have faced the same problem as their international colleagues. They have performed very weak till poor results. Evergreen succeeded to achieve a relatively small positive result during quarter two by making 80 million Taiwan dollar profit, however compared to the first quarter of the year, profit has fallen with 93%.

Wan Hai Lines, who stopped two services late June which they operated with partner PIL between Asia and Europe, has faced losses amounting to 290 million Taiwan dollar. Today their Asia/Europe trade is offered via slot charters with Cosco. Nevertheless Wan Hai realised a 367 million dollar profit during the 1st quarter and consequently the container operator succeeded to keep their balance sheets positive for the first half of 2011.

Yang Ming reported a less bright situation. Their profit realised during quarter one of us dollar 120 million proved to be not sufficient to keep positive results for the first half of this year. They finalised the second quarter with losses going up to 2.7 milliard Taiwan dollar.

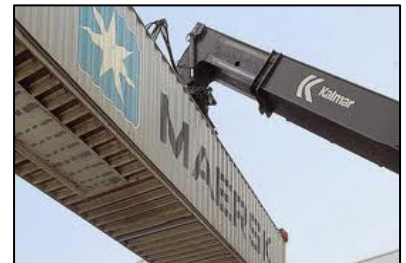


Maersk profit from container shipping falling downwards

Market leader and #1 container carrier Maersk Line is not escaping from the negative environment in shipping. Their profit from container activities went down with 68% and there are little positive signs this situation will be changing within short.

Both container divisions of the Danish group, Maerk Line and Safmarine, achieved a 400 million us dollar profit during the first half of 2011. This is 68% less then during the same period last year when they realised a profit of 1.2 milliard us dollar.

However the situation is even worse, knowing that the same division still made a us dollar 500 million profit during Q1 of 2011. This means their second quarter results are seriously negative. Group CEO Nils Anderson declared that traditionally the 3rd and 4th quarter of the year are more beneficial. The group predicts it will be able to achieve positive results by the end of the year, but is not excluding that whenever the economical situation would be worsening, losses can be expected.



The current delay and restoration of the global market and the new vessels capacities being delivered are automatically leading to a weakening of the tariff structures are leading the arguments for the bad results of the group. Profit margins are furthermore undermined by the continuous rising of the bunker charges. During his press conference for the British newspapers, Nils Anderson was making some provocative statements.

He stated not being able to understand why container operators having a market share of maximum 4% where ordering ULCS vessels with capacities of 13.000 teu. He also declared he could not understand bankers, having the crisis in mind of 2008/2009, to finance these adventures.

Whereas Maersk Line has substantial reserves to anticipate any crisis like in 2009, he was doubtful whether other carriers already facing losses at the moment would survive when a new crisis would strike back. Contrary this statement, he declared later to the Financial Times that there is still a growth potential in shipping and the present problems were just caused by a temporary overflow of vessels capacities.

OOCL preparing for tough end of the year performance

Despite an increase of volumes and turn over, Hong Kong based OOCL has seen a decrease on profit margins during the first half of 2011 and president C.C. Tung has declared that they are expecting another tough six months to come.



The shipping group achieved a positive result of us dollar 175 million during H1 of 2011. In comparison with last year this was a decrease with 38%. Turn over was going up from 2.73 to 2.92 million us dollar and also the transported volumes increased with 9.4%. The best performance was realised on the Asia/Europe trade where OOCL had a growth from 371.500 teu to 420.750 teu. However revenues decreased with 0.9%. According to C.C. Tung the reason is quite obvious. The demand for space remained intact resulting in volume increases however since vessels capacity was growing faster the freight tariffs have been decreasing continuously. Especially the Asia/Europe trades which were also suffering from operating costs going up since the beginning of the year.



The business of regular container lines remains a vulnerable sector where there is a very fragile margin between supply and demand, and the market is weakening when new vessel capacity is introduced in the trade without realising the consequences, stated the OOCL president. According to C.C. Tung they are not expecting any drastic changes of the situation within short.

During H2 of 2011 more new capacity will enter the trade and view the uncertain economical circumstances in the United States and Europe, the continued pressure on the energy prices will create a very tough end of the year performance.

CMA CGM pleased with H1 results

Notwithstanding a decrease of their realised profit during the first half of this year, French operator CMA CGM is pleased with the increase of volumes and turn over. Turn over increased with 8% in comparison with the French group's last year result over the same period thanks to a stable market in their main trade lanes resulting in steady freight level, according to their spokesman.

Volumes had an increase with 9.1%, which was more then the market average and reached a 4.81 million teu result. The fleet's capacity grew even faster. Today CMA CGM has 390 vessels under management, totaling 1.29 million teu and 17% higher then last year at the end of June. Also the number of vessels in ownership rose from 83 to 93.



Regretfully net profits went down with 72% during H1 2011 in comparison with last years performance. One of the reasons revealed for this drastic downwards trend was the increase of fuel prices with 36%. During the same period, CMA CGM strengthened his financial resources through the input of fresh capital by the Turkish Yildirim group with 500 million us dollar.

CMA CGM disclosed it will further focus on growing market potentials like Russia, India and South America. Also cost saving measures remain on the top of their agenda. The French carriers stated they have full confidence to realise positive figures towards the end of the year excluding any unforeseen drastic circumstances in today's fragile global economical environment.

CSAV taking important measures.

Seven new build vessels ordered by Chilean CSAV with a capacity of 8000 teu will not be employed by CSAV but have been chartered by Danish number one shipping line Maersk. The first vessel of the series named "Tubul" will be delivered this month by the Korean ship yard Samsung Heavy Industries. In November the next vessel named "Tempanos" will follow and the third unit will be in service as from January next year and has been named "Torrente".

This order was signed by CSAV in May 2007 and was an original order of 4 vessels with a capacity of 12.600 teu. In August 2009 this order was replaced by the current one when the Chilean operator decided it would not use ULCS – Ultra Large Container ships for their service between the Far East and Europe which has currently been suspended.



In 2009 it was decided to change the order into more but smaller vessels with reduced capacities. The new 8000 teu vessels tonnage have an extreme width in relation to their length, which gives them the advantage of a relative small draft. The new vessels will also have 1.500 reefer plugs for containers, which makes this type of vessels very interesting for the trade to and from Latin America which is the home base of CSAV. The Chilean liner operators largest vessels at this moment are having capacities between 6.541 teu till 6.589 teu.

New CSAV partnerships for their liner services ??

The owners of the shipping line will have an ordinary shareholders meeting at the beginning of October. Earlier this month the operator announced a loss of 519 million us dollar during H1 of 2011. In order to safeguard the future of the operations, a new capital injection is highly and urgently required. During the meeting it is foreseen that a new management structure will be implemented in order to split the inland and the maritime activities of the shipping group.

For their liner operations, CSAV is looking for a strategically partnership. Over the last months new agreements were signed with MSC and CMA CGM. As a result they could reduce their fleet capacity with 20%. It is not clear whether the Chilean's are ready to sign in for a joint venture operation or repulse their maritime activities. The two largest shareholders have supplied the carrier with additional credit facilities amounting to us dollar 350 million.



Main shareholder Quinenco has the goal to buy new shares valuing one milliard us dollar. This will be resulting in an important increase of influence from the Luksic family in the company. Over the last 4 years, CSAV has received four capital increases amounting to a total of 1.29 milliard us dollar. They are required, not only to compensate the losses occurred, but also finance the new vessels brought into service till the end of next year.

Red figures CSAV results

During the first quarter of 2011 CSAV already set a negative result of us dollar 186 million, which was increased with another 333 million us dollar during Q2 of 2011. In a market analysis the carrier is referring to the unstable European and US market situation, the dropping of the volumes and the increase of this years container capacity with 9.5%. In view of this situation it's nearly impossible to predict when the tariffs will stabilize again. Meantime bunker expenses have increased with us dollar 200 per ton within one years time.

As a result of this very weak performance, the Chilean carrier decided to withdraw from some trade lanes. Services to the Pacific, the Far East and the Mediterranean were suspended. For other areas like the trade lanes between Europe/South America and Europe/India cooperation agreements were signed with MSC or CMA CGM. These services were performing 30% of the volumes carried by CSAV but influenced their losses to a level of 60%.

