



Investor Conference Call

August 24th

09:00 a.m. Chile (GMT -4:00)

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COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

QUARTERLY ANALYSIS

Based on the Consolidated Financial Statements
as of June 30, 2021

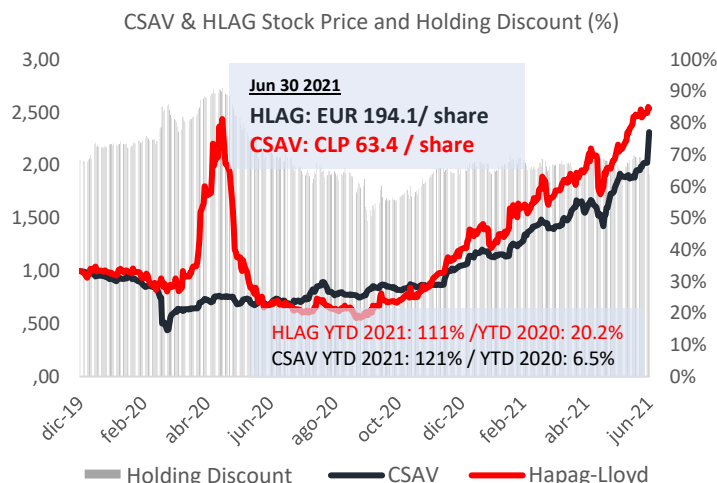
2Q21 AT A GLANCE



		As of June 30,		Change	
		2021	2020	%	#
Share of HLAG's net income	MMUS\$	982.8	89.6	997%	893
Net Income	MMUS\$	974.2	66.9	1356%	907



		As of June 30,		Change	
		2021	2020	%	#
Revenue	MMUS\$	10,551	7,005	51%	3,546
EBITDA	MMUS\$	4,240	1,287	229%	2,953
EBIT	MMUS\$	3,487	563	519%	2,924
Net Income	MMUS\$	3,284	324	914%	2,960
Freight rate	US\$/TEU	1,612	1,104	46%	508
Transport volume	MTEU	6,004	5,755	4%	249
Fuel price	USD/t	421	448	(6%)	(27)



✉ For the first half of 2021, CSAV reported net income of MMUS\$ 974.2, which compares favorably with net income of MMUS\$ 66.9 for the same period in 2020.

✉ These higher earnings can be explained mainly by improved results from Hapag-Lloyd / HLAG, where CSAV's share was MMUS\$ 982.8 for 6M21, significantly higher than the MMUS\$ 89.6 recorded for the same period last year.

✉ CSAV's risk rating agencies (ICR and Feller Rate) upgraded its risk rating in April 2021. ICR raised its rating from BBB to BBB+, while Feller Rate's improved from BBB- to BBB.

✉ HLAG reported good results thanks to strong container shipping demand, better freight rates (affected by congestion issues) and lower fuel prices than in 6M20.

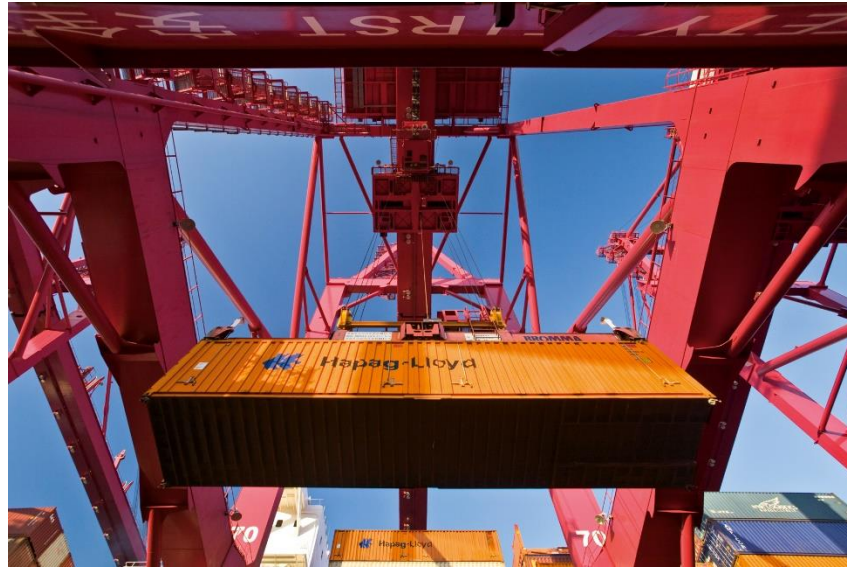
✉ The industry continues to be affected by congestion in the logistics chain caused by COVID-19-related disruptions. Despite the fact that the industry's entire active fleet capacity is fully operating, mobility restrictions have led to container and vessel scarcity in the logistics chain. This has been exacerbated by slow ground logistics.

✉ Hapag-Lloyd's risk rating was also upgraded in March 2021 by S&P and Moody's to BB and Ba2, respectively.

Hapag-Lloyd Executive Board Raises Earnings Outlook for 2021 Fiscal Year. It now expects an EBITDA in the range of MMUS\$ 9,200-11,200 (clearly above last year's MMUS\$ 3,082) and EBIT in the range of MMUS\$ 7,500-9,500 (MMUS\$ 1,501 in 2020).

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1. Financial Position Analysis


a) Statement of Financial Position


The following table details the Company's main asset and liability accounts as of each period end:

ASSETS	As of June 30, 2021	As of December 31, 2020	Change	
	MM US\$	MM US\$	%	MM US\$
Current assets	45.0	82.2	(45%)	(37.2)
Cash and cash equivalents	44.2	81.7	(46%)	(37.4)
Other	0.8	0.5	50%	0.3
Non-current assets	3,729.2	2,953.8	26%	775.4
Equity method investments	3,504.1	2,738.1	28%	765.9
Deferred tax assets	213.2	203.7	5%	9.5
Investment property and Other	11.9	12.0	(1%)	(0.1)
Total assets	3,774.2	3,036.0	24%	738.2

LIABILITIES AND EQUITY	As of June 30, 2021	As of December 31, 2020	Change	
	MM US\$	MM US\$	%	MM US\$
Current liabilities	312.4	135.2	131%	177.2
Financial liabilities, current	10.9	64.9	(83%)	(54.0)
Other	301.5	70.3	329%	231.2
Non-current liabilities	151.5	177.9	(15%)	(26.4)
Financial liabilities, non-current	144.2	165.1	(13%)	(20.9)
Other	7.3	12.8	(43%)	(5.5)
Total equity	3,310.3	2,722.9	22%	587.4
Total liabilities and equity	3,774.2	3,036.0	24%	738.2

 **Total assets** increased by MMUS\$ 738.2 compared to December 31, 2020. This variation is explained by an increase of MMUS\$ 775.4 in non-current assets, offset by a decrease of MMUS\$ 37.2 in current assets due primarily to a drop in cash and cash equivalents.

 The decrease in **cash and cash equivalents** is explained mainly by repayments of financial debt totaling MMUS\$76 (Banco BTG Pactual – MMUS\$20, Series B bond – MMUS\$50, Other – MMUS\$6), financial interest payments (MMUS\$ 5.8) and operating expenses (MMUS\$7.5), partly offset by the net dividend balance of MMUS\$ 51.2 (MMUS\$218.7 received less MMUS\$167.6 paid).

 The rise of MMUS\$ 775.4 in **non-current assets** is explained primarily by an increase of MMUS\$ 765.9 in equity-method investments (or, in other words, the Company's investments in HLAG) and a rise in deferred tax assets of MMUS\$ 9.5.



Account Movements Equity Method Investments	MMUS\$
Balance as of January 1, 2020	2,738.1
Total movements in results	982.8
Purchase/Sale of shares	-
PPA amortization	-
Goodwill	-
Share of other comprehensive income (loss)	9.7
Other movements in equity	(0.8)
Dividends received	(225.7)
Total Movements during the period	765.9
Balance as of June 30, 2021	3,504.1

↑ **CSAV's stake in HLAG** during the first half of 2021 remained unchanged at 30%. The main movements in this account are explained by its share of HLAG's results of MMUS\$ 982.8 and, to a lesser extent, by its share of other comprehensive income of MMUS\$ 9.7. The latter variation occurred because of certain accounting adjustments in equity made by HLAG for personnel benefit plans, partly offset by currency effects that CSAV also adjusts for based on its ownership stake. HLAG's results are explained by improved results in the container shipping business that will be described later in this report. These effects are offset by the dividends received during the period of MMUS\$ 225.7.

More information on the accounting balance of CSAV's investment in HLAG and all movements during the periods ended June 30, 2021, and December 31, 2020, can be found in Note 15 of the Consolidated Financial Statements.

↑ The MMUS\$ 9.5 increase in **deferred tax assets** is attributable to the net effect on taxes of the existing financing structure in euros that the CSAV Group used to invest in HLAG of MMUS\$ 17.5, offset by the effect on taxes of administrative expenses and bank interest recorded in net income for the year. During the first half of the year, the euro/dollar exchange rate was up, with the dollar appreciating with respect to the euro, thus generating a tax loss for CSAV in Chile and resulting in an income tax benefit and an increase in deferred tax assets for the period. These exchange rate variations do not generate cash flows for CSAV.

↑ As of June 30, 2021, **total liabilities** increased by MMUS\$ 150.8 compared to December 31, 2020. This variation is explained by the increase in other current liabilities resulting from the mandatory minimum dividend provision charged to 2021 earnings. This effect is offset by the aforementioned debt repayments (Banco BTG Pactual – MMUS\$20, Series B bond – MMUS\$50, Other – MMUS\$6).

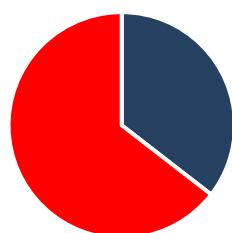
After shareholders voted to absorb the Company's accumulated deficit at an extraordinary shareholders' meeting on May 19, 2020, for the year 2021 CSAV must recognize in accounting its

mandatory minimum dividend of 30% of net income for that period. Therefore, as of December 31, 2020, that account totaled MMUS\$ 66.6. In addition, at the annual general meeting on April 23, 2021, shareholders agreed to distribute an additional dividend of MMUS\$ 103.4 charged to net income for 2020, which was paid during the quarter. Therefore, the current balance of MMUS\$ 292.4 mainly reflects provisions for dividends to be distributed (30% of net income for 2021).

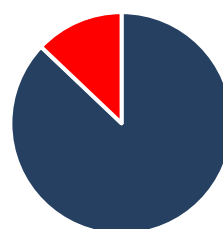
↑ Current liabilities were up MMUS\$ 177.2, explained mainly by provisions for dividends to be distributed (30% of net income for 2021) as mentioned above and loans reclassified from non-current to current because of maturity (MMUS\$ 5), offset partially by the aforementioned repayments on financial liabilities (Banco BTG Pactual, Series B bond, Other).

↓ Non-current liabilities decreased because a portion of the loan from Banco Itaú (MMUS\$ 5) was reclassified to short-term because of maturity and the loan from Banco BTG Pactual was prepaid in June (MMUS\$ 16). Other non-current liabilities also decreased by MMUS\$ 5.5 as a result of a drop in deferred tax liabilities related to the existing financing structure in euros that the CSAV Group used to invest in HLAG, as explained above. This structure accrues interest that is eliminated upon consolidation, but taxed on a standalone basis in Chile, thus generating a charge to income taxes and increasing deferred tax liabilities for the period. This accrued finance income was recognized on a tax basis, thus decreasing the balance with respect to year-end 2020.

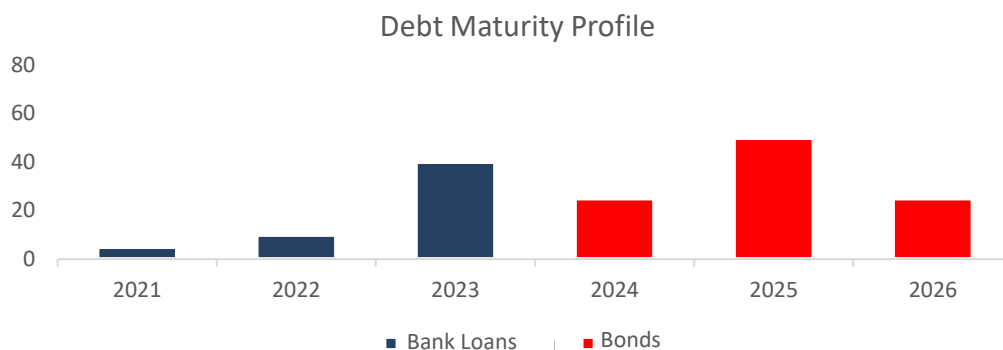
↓ To date, the Company's **financial debt** totals MMUS\$ 155, at an average rate of 4.7%. That rate is lower than March (5.1%) because the repayments were at an above-average rate and because CSAV renegotiated the loan with Banco Security, thus reducing its rate from 5.3% to 4.2%. 35.5% of CSAV's financial debt consists of bank loans, while the remainder is the C series bond. 87% is at fixed rates and only 13% is floating. Thus, variable-rate exposure is limited. For example, a 1% rise in the LIBOR rate would have a total net impact over the life of the loan of MMUS\$ 0.12.




■ Banks ■ Bonds



■ Fixed Rate ■ Variable Rate




 As of June 30, 2021, **equity** increased by MMUS\$ 587.4 compared to December 31, 2020. This change is explained by increased net income of MMUS\$ 974.1 for the first half of the year, and a rise in other reserves of MMUS\$ 8.8, explained fully by CSAV's share of HLAG's other comprehensive income and other equity reserves. More information on these changes in equity can be found in Note 25 of the Consolidated Financial Statements.

b) Income Statement Analysis

To improve comprehension of the Statement of Income for the six months ended June 30, 2021, it is important to mention that the freight forward, logistics and car carrier businesses have been presented as discontinued operations since the first quarter of 2020, in accordance with IFRS 5.

Consolidated Results	As of June 30,		Change	
	2021	2020		
	MM US\$	MM US\$	%	MM US\$
Administrative and other operating expenses	(9.3)	(3.6)	158%	(5.7)
Other operating income	0.3	0.8	(63%)	(0.5)
Operating Income (Loss)	(9.0)	(2.8)	221%	(6.2)
Finance costs, net	(5.8)	(13.7)	(58%)	7.9
Share of net income (loss) of associates and joint ventures	982.8	89.6	997%	893.2
Exchange rate differences and other non-operational	(8.2)	(1.1)	645%	(7.1)
Income tax expense	14.3	(5.4)	(365%)	19.7
Profit (Loss) after tax from discontinued operations	0.0	0.2	(98%)	(0.2)
Net income for the year	974.2	66.9	1356%	907.3

↑ For the first half of 2021, **net income attributable to the owners of the company** was MMUS\$ 974.1, which compares favorably with MMUS\$ 66.9 for the same period in 2020. These variations are explained below.

↑ **Administrative expenses** totaled MMUS\$ 9.3 for the first half of 2021, up MMUS\$ 5.7 from the same period last year mainly as a result of the directors' variable share of dividends to be distributed from 2021 earnings, which was not recorded in the first quarter of 2020 because shareholders subsequently decided to absorb the accumulated deficit. Other operating income reached MMUS\$ 0.3 for the period, which represents a decrease of MMUS\$ 0.5 over the same period in 2020.

↑ Regarding the Company's **share of net income (loss) of associates and joint ventures**, CSAV recognized net income of MMUS\$ 982.8 for the first half of 2021, considerably higher than the MMUS\$ 89.6 recorded for the same period last year. This is explained mainly by improved results from HLAG thanks to strong container shipping demand, better freight rates (affected by major problems in the logistics chain) and lower fuel prices than in 1Q20.

↑ For the period ended June 30, 2021, CSAV recognized an **income tax credit** of MMUS\$ 14.3, up MMUS\$ 19.7 from the same period in 2020. This variation is explained mainly by the change in the euro-dollar exchange rate and its impact on the CSAV Group's financing structure for its investment in HLAG, as detailed in letter a) above. During the first half of 2020, the dollar appreciated proportionally more than in the same period in 2020. These effects do not involve cash outflows for the Company.

Exchange differences and other non-operating income were up MMUS\$7.1 during the period, explained mainly by exchange rate hedges taken out to hedge variations in the euro-dollar exchange rate since the


dividend received by CGHO from HLAG is in euros and CSAV pays its shareholders dividends in dollars, thus mitigating exchange rate exposure.


↑ The **net income from discontinued operations** of MMUS\$ 0.004 for the first half of 2021 is smaller than the net income of MMUS\$ 0.2 during the same period in 2020. This result is comprised mainly of the logistics transport, freight forwarder and car carrier businesses, which are no longer operating.


C) Cash Flow Analysis


The main variations in cash flows are explained as follows.

Statements of Cash Flow	As of June 30,		Change	
	2021	2020		
Cash and cash equivalents at the beginning of the period	81.7	53.6	52.3%	28.0
Cash flows from operating activities	(7.5)	1.5	(603%)	(8.9)
Proceeds from operating activities	0.3	25.0	(99%)	(24.7)
Payments from operating activities	(7.6)	(22.3)	(66%)	14.8
Income taxes and other	(0.2)	(1.1)	(83%)	0.9
Cash flows from investing activities	218.9	(261.5)	(184%)	480.4
Payments to acquire interests in joint ventures	0.0	(329.1)	(100%)	329.1
Dividends received, net	218.7	65.8	232%	153.0
Interest received and other	0.1	1.8	(94%)	(1.7)
Cash flows from financing activities	(248.4)	334.5	(174%)	(582.9)
Loans obtained to non-related parties	1.0	55.0	(98%)	(54.0)
Loans obtained from and paid to related parties	0.0	300.0	(100%)	(300.0)
Loans paid to non-related parties	(76.0)	(5.0)	1420%	(71.0)
Interest paid and other payments	(5.8)	(7.6)	(24%)	1.8
Repayment of finance lease liabilities	0.0	(7.9)	(100%)	7.9
Dividends paid	(167.6)	0.0	-	(167.6)
Exchange rate effect	(0.5)	(1.0)	(56%)	0.6
Increase (decrease) in cash and cash equivalents	(37.4)	73.4	(151%)	(110.9)
Cash and cash equivalents at the end of the period	44.2	127.1	(65%)	(82.8)

 The net change in **cash and cash equivalents** between December 31, 2020 and June 30, 2021, was a negative MUS\$ 37.4, which represents a net decrease of MUS\$ 110.9 over the same period in 2020.

 **Cash flows from operating activities** were a negative MMUS\$ 7.5 for the first half of 2021, mainly because of administrative expenses, compared to a positive MMUS\$ 1.5 for the same period last year, representing a negative variation of MMUS\$ 8.9. However, including the operating costs of vessel charters classified as lease payments within financing cash flows, operating cash flows had a less negative variation of MMUS\$ 1.1 with respect to the prior period.

 **Cash flows from investing activities** were positive at MMUS\$ 218.7 for the first half of 2021, explained by dividends received from HLAG. Bear in mind that the cash flows from the first half of 2020 arose from an investment made in January to increase the Company's stake in HLAG by an additional 2.2% to attain 30% of the German shipping line. That investment was partly offset by the dividends received from HLAG in 2020.

 **Cash flows from financing activities** were negative at MMUS\$ 248.4, mainly because of the dividend payment (MMUS\$167.6, which differs from the MMUS\$170 agreed by shareholders because of tax withheld from foreign shareholders) and the principal and interest payments (MMUS\$ 81.8). This six-month period had a more negative variation of MMUS\$ 582.9 compared

with the positive cash flows of MMUS\$ 334.5 for the same period in 2020. Last year's MMUS\$ 334.5 is explained mainly by MMUS\$ 300 in a bridge financing provided by its parent company Quiñenco and MMUS\$ 55 in other bank loans to finance additional acquisitions of HLAG shares.

d) Financial Ratios

As of June 30, 2021 and December 31, 2020, the main financial indicators are as follows:

i. Liquidity Ratios



Liquidity Ratios		As of June 30, 2021	As of December 31, 2020
Current Liquidity Ratio	= $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.144	0.608







✉ **Current Liquidity:** This ratio decreased in comparison to December 2020 due to an increase in current liabilities (131% / MMUS\$ 177.2) and a decrease in current assets (-45.2% / MMUS\$ 37.4). The increase in current liabilities as of June 30, 2021, is explained mainly by a larger balance of dividends payable related to the proportional recognition of dividends from 2021 earnings. The reduction in current assets is due primarily to the drop in cash and cash equivalents from repaying a portion of the financial debt mentioned above upon maturity. All these increases are explained in point 1 letter a) of this report.



ii. Indebtedness Ratios

Indebtedness Ratios			As of June 30, 2021	As of December 31, 2020
Leverage	=	<u>Total Liabilities</u> Equity	0.140	0.115
Short-Term Leverage	=	<u>Current Liabilities</u> Total Liabilities	0.673	0.432
Long-Term Leverage	=	<u>Non-Current Liabilities</u> Total Liabilities	0.327	0.568
Financial Expense Coverage	=	Net Income before Taxes <u>Less Finance Costs</u> Finance Costs	162.3	12.0

  **Leverage:** This ratio fell with respect to December 2020, largely because the increase in total liabilities (48% / MMUS\$ 150.8), as explained in section 1 a) of this report, was greater than the increase in equity (22% / MMUS\$ 587.4), mainly because of variations in the investment in HLAG, as explained above.

  **Short-term Leverage:** This ratio decreased with respect to December 2020, because the increase in current liabilities (131% / MMUS\$ 177.2), was greater than the increase in total liabilities (48% / MMUS\$ 150.8), as explained in section 1a) of this report.

  **Long-term Leverage:** In contrast to the previous ratio, this indicator increased with respect to December 2020, because of a drop in non-current liabilities (-14.8% / -MMUS\$ 26.4), and a rise in total liabilities (48% / MMUS\$ 150.8), both of which are explained in section 1a) of this report.



  **Financial Expense Coverage:** This ratio improved in relation to December 2020, due to better before-tax income and a lower debt level with the ensuing lower financial expenses. Both effects are explained in section 1 b) of this report.



iii. Profitability Ratios



Profitability Ratios			As of June 30, 2021	As of December 31, 2020
Return on Equity	=	$\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Average Equity}}$	0.404	0.090
Return on Assets	=	$\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Average Assets}}$	0.338	0.080
Dividend Yield		$\frac{\text{Dividends Paid in the last 12 Months}}{\text{Market Capitalization at the end of the period}}$	0.038	0.000
Dividend Payout	=	$\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Number of Shares}}$	0.765	0.004
Earnings per Share	=	$\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Number of Shares}}$	0.022	0.004
Market Value of Stock (in Chilean pesos)			63.4	28.7



Closing Exchange Rate: US\$ 727.76



Average: (Value as of period end + Value 12 months prior to period end) / 2



  **Return on Equity:** This ratio improved with respect to fourth quarter 2020, due to greater net income attributable to the owners of the company of MMUS\$ 1,129.4 LTM as of the first half of 2021 in comparison to net income of MMUS\$ 222.1 for 2020 (MMUS\$ 907.3 / +408%) and a minor increase in average equity (chg. MMUS\$ 323.9 / 13%).

  **Return on Assets:** This ratio improved in relation to December 2020, because the increase in net income attributable to the owners of the company (MMUS\$ 907.3 / +408%) was greater than the increase in average assets (MMUS\$ 562.4 / 20% chg.).

  **Dividend Yield:** During the quarter, MMUS\$170 in dividends were distributed and charged to net income for the year 2020, which compares favorably with the prior year when no dividends were distributed. The dividend yield based on market capitalization as of the date of these consolidated financial statements is 3.8%.

  **Dividend Payout Ratio:** As mentioned in the preceding point, during the quarter MMUS\$170 in dividends were distributed and charged to net income for the year 2020, giving a dividend payout ratio of 76.5%. The year before no dividends were recorded.

  **Earnings per Share:** Earnings per share improved with respect to December 2020 because of improved results (MMUS\$ 907.3 / +408%), as explained in the first indicator in this subgroup of ratios. The total number of shares issued and subscribed did not vary.

  **Market Value of Stock:** The share value as of June 30, 2021, was up 121% compared to December 2020.

2. Market Analysis

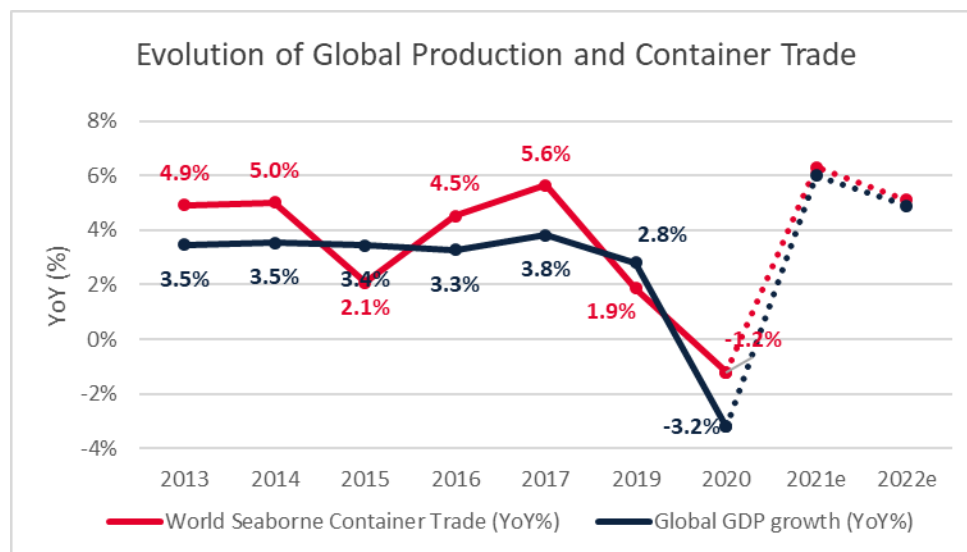
The following section discusses the container shipping industry. CSAV has participated in this industry since 2014 through its investment in the German shipping company Hapag-Lloyd (accounted for as a joint venture using the equity method), in which it has a 30% stake since the first quarter of 2020.

I. Historical Context

i. Industry growth is directly related to global GDP growth.

Until just before the beginning of the consolidation phase in the container shipping industry (initiated with the CSAV-HLAG merger in 2014), operators employed a strategy focused on growth and increasing market share, which was driven by globalization, technological development and manufacturers relocating to emerging economies. However, in today's hyper-connected economy, the industry has achieved a greater degree of maturity and international trade of goods--where container shipping accounts for the largest share in comparison to other modes of transportation--has a direct relationship of close to 1.0x times global GDP.

Between 2012 and 2018, global GDP grew consistently at around 3.5%, while container transport volumes reported positive annual growth slightly above global GDP during the same period. However, in 2018 amidst trade tensions between the United States and China, which impacted global economic conditions as of the middle of that year, we began to observe a slight reduction in annual GDP growth trends. This downward trend intensified in 2019 and fell even further by year-end 2020, with economic contraction of -3.2% (an historical low) due to the consequences of COVID-19.



Source: Clarksons Research (Jul-21); FMI Outlook July 2021, Seabury Jun21

- ii. The industry has undergone a consolidation phase in search of efficiencies and new strategies.

Even though the container shipping industry still boasts a large number of players, especially in the segment of smaller-sized companies, a growing trend towards industry consolidation has been seen in the past few years.

The important wave of mergers and acquisitions in the industry began with the combination of the container shipping businesses of CSAV and HLAG, in 2014, which subsequently merged with the Arabic shipping line UASC in May 2017, positioning HLAG from that point forward among the five largest shipping companies in the world by hauling capacity.

Other important deals include the acquisition of the Chilean shipping line CCNI by German company Hamburg Süd and the subsequent purchase of Hamburg Süd by the Danish firm Maersk, which was concluded in November 2017, although they continue to operate under independent structures. In addition, to complete this acquisition Maersk had to dispose of its cabotage business in Brazil due to its high concentration in this business. That division was sold to CMA CGM, the French shipping line that previously purchased the Japanese company APL.

The main Asian shipping companies also engaged in important mergers and acquisitions. China Shipping merged with another Chinese firm, COSCO, which was subsequently acquired by Hong Kong's Orient Overseas Container Lines (OOCL) in July 2018. Furthermore, an association to merge the three largest Japanese lines (K-Line, NYK and MOL) into one entity was announced and began to operate jointly under the name Ocean Network Express (ONE) in 2018. However, despite completing the acquisition of OOCL and initiating operations at ONE, these companies are still independent entities and have not yet harnessed the potential synergies of full integration. This demonstrates that the large size of the shipping companies involved in these transactions lends greater complexity, higher costs and reduced efficiencies to such processes, generating a decreasing return from the benefits obtained from greater operating scales.

Another important milestone in this consolidation process was the bankruptcy and suspension of services in 2016 by Korean line Hanjin Shipping, the world's seventh largest container shipping company (measured by hauling capacity). This is the largest bankruptcy case in the history of the container shipping industry.

Following all these business combinations and Hanjin's bankruptcy, by early 2021 the ten largest global shipping operators accounted for almost 87% of installed capacity, while the five largest had close to 65%.

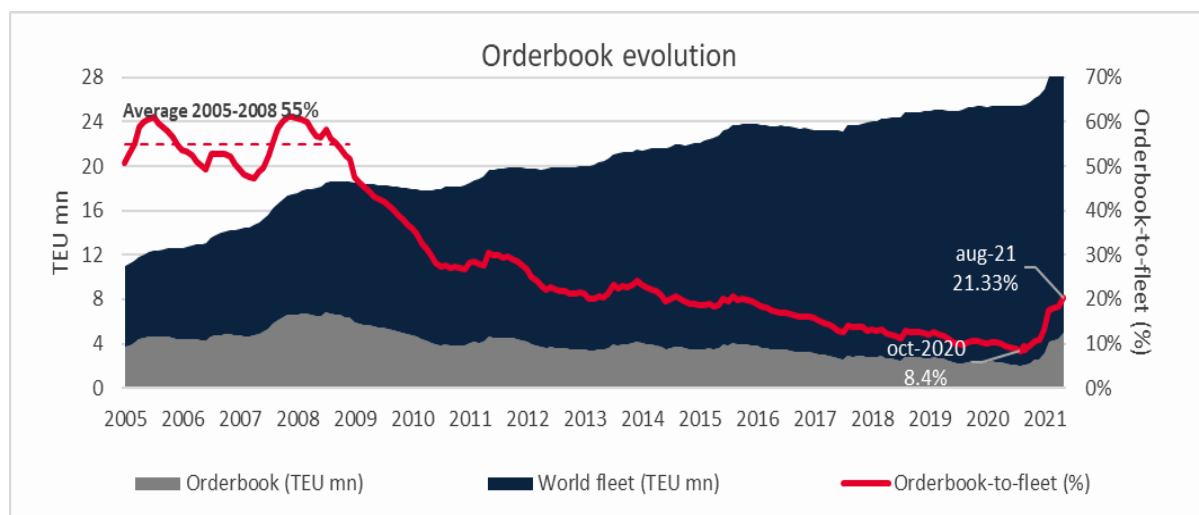
Although no new consolidations have been announced for the next few years, efforts continue for all industry players, now mainly focused on effectively integrating and generating post-merger

synergies. The largest global operators have already reached sizes that will enable them to generate economies of scale, with the consequent effect on their costs, fleet optimization and a wider scope for their service network.

Likewise, in recent years joint operating agreements and operating alliances have expanded in order to improve customer service levels and broaden geographic coverage, while generating very significant economies of scale and network economies. These initiatives have been very important and have led to the formation of major global operating alliances.

The current structure of alliances announced in 2016, which began to operate globally along most trades in the second quarter of 2017, account for almost 90% of total shipping capacity along the industry's main long-haul, east-west routes. The main changes in this reorganization process were the dissolution of the Ocean Three, G6 and CKYHE alliances to give rise to two new alliances: Ocean Alliance, led by CMA CGM and COSCO, and THE Alliance, of which HLAG is a member, as well as the 2M alliance between Maersk and MSC. During the second quarter of 2019, HMM's integration into THE Alliance was confirmed and the joint operation agreement was renewed in April 2020 for a period of 10 years.

iii. Supply indicators



Source: Clarksons Research (Agu-21)

Tal As mentioned before, the global economy and demand for containers grew sharply in the 2000s before the subprime crisis, which drove shipbuilding orders up to meet this strong demand. Between 2005 and 2008, the global orderbook to total fleet ratio averaged around 55%. The industry was then hit by last decade's financial crisis, which led to significant excess supply in the market. Since then, there has been a major decline in this factor, with a constantly shrinking percentage that keeps the orderbook at a sustainable long-term level.

This streamlining is due mainly to the industry's inability over extended periods of time to recover the cost of capital and invest in new assets, and due to industry consolidation and the formation of large operating alliances. Through these measures, they have achieved greater efficiency in the use of resources and a more rational growth plan and orderbook positioning consistent with the collective needs of global alliance members.

In terms of supply-demand equilibrium, in recent years key industry indicators have improved considerably and reached equilibrium levels, which has already been reflected in the operating results of several shipping lines since 2019. A steady drop in total fleet growth and increased rationalization following an intensive consolidation process in recent years and collaboration through operating alliances have all led to greater stability in the long-term supply-demand equilibrium, allowing the industry to make organic, effective adjustments to contractions in demand.

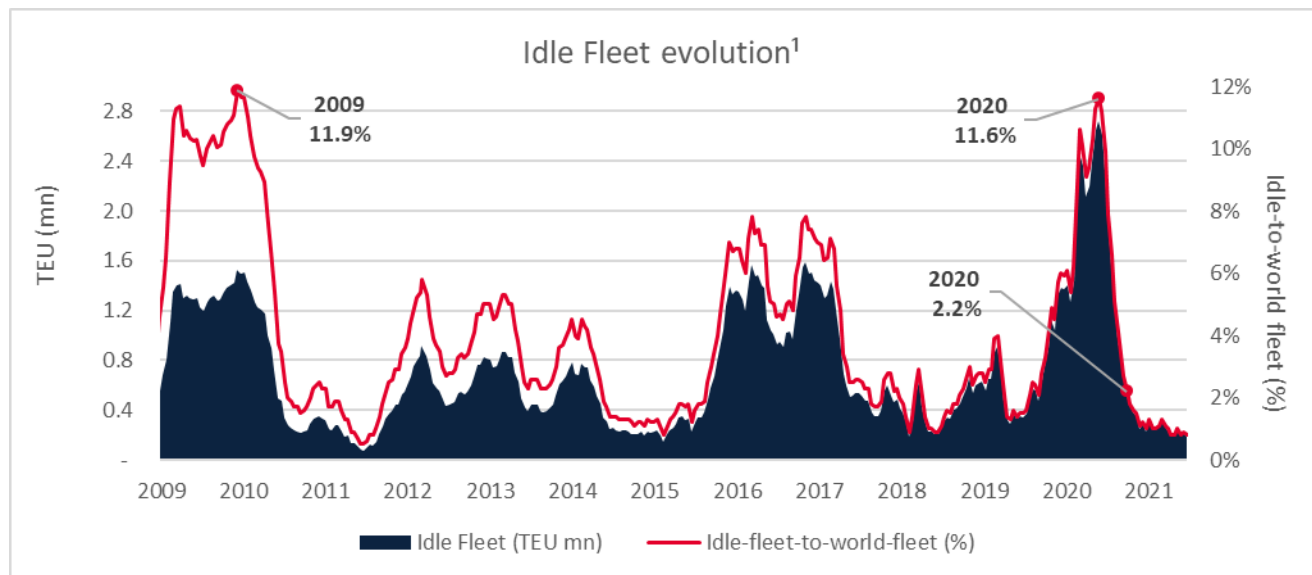
Growth in supply in upcoming years can be calculated by, on one hand, the total shipping capacity of the orderbook with respect to the total fleet, which represents the capacity that will be incorporated into the operative fleet within the next 24 to 30 months (the average construction and delivery time for vessels) and, on the other hand, the shipping capacity scrapped each year and, thus, no longer operating.

In terms of fleet renewal, vessel scrapping has stayed low over the past few years because the global fleet is relatively new as a result of orderbook concentration and deliveries a few years back, and since vessels have an average useful life of 25 years. That gives an annual renewal rate of 4%, because of yearly vessel depreciation.

Therefore, orderbook-total fleet equilibrium, based on current market conditions, must be around 20% (scrapping plus industry growth, cumulative for two periods).

iv. Effective fleet management kept supply-demand equilibrium

In addition to the industry's gross growth (new vessel construction plus fleet renewal), one must consider the different initiatives adopted individually by shipping lines or collectively through operating alliances, in order to maintain suitable vessel deployment levels within the network, regardless of short-term fluctuations in demand. Keeping vessel deployment levels stable is key to the integrity and sustainability of the quality of services we provide our customers, as well as to maintaining the cost efficiencies generated by this operating scale.



NOTE:

¹ Until mid-November 2020 the "unemployed" fleet included vessels undergoing extraordinary repairs or being retrofit, but excluded ships that were idle for routine repairs. Since then, the "unemployed" fleet includes only those considered "commercially inactive" (excess capacity in the market or in the operator's fleet).

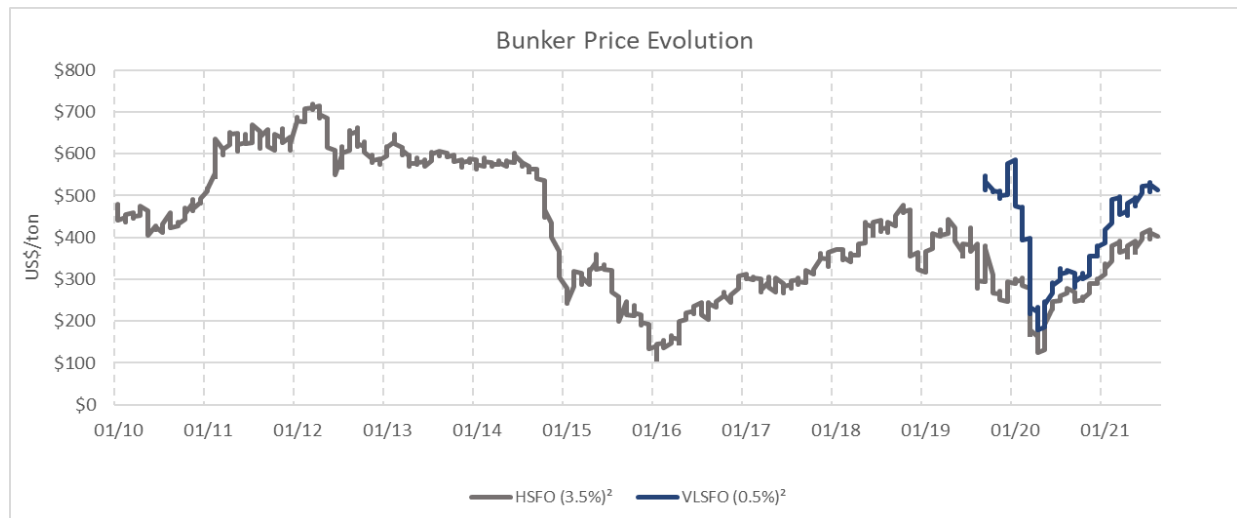
Source: Alphaliner Monthly Monitor (Jul-21)

The idle fleet is a KPI that is sensitive to management variables and supply-demand equilibrium. It remained high from late 2015 to mid-2017 because of diverse factors such as the opening of the expanded Panama Canal in July 2016 and the ensuing considerable number of large, high-efficiency ships delivered in 2014 and 2015, thus resulting in the scrapping of a large number of smaller vessels.

In April 2017, the new global alliances began operating and, as a result, part of the idle fleet at that time was reincorporated into the active fleet. This, in addition to the industry's scrapping efforts in previous years, kept the indicator stable from mid-2017 to mid-2019.

v. Fuel is the industry's main consumable

Fuel is one of the most important inputs in the shipping industry and has a significant impact on operating costs. The price of fuel is commonly indexed to freight rates in customer contracts for shipping services.



Source: Clarksons Research (Ago-21)

As for historical trends, from 2011 until late 2014 the price of fuel remained relatively stable and high. After that, there was a sharp drop in 2015 to its historical lowest value. However, since early 2016, there has been a moderate but continuous increase in fuel prices, recovering a large part of ground lost in late 2014 by late 2018, applying constant pressure on operating costs and shipping rates considered to be in equilibrium.

As of year-end 2018, fuel prices showed high volatility, which later translated into a downward trend during the second half of 2019. This stemmed essentially from lower estimated demand and the effect of suppliers liquidating inventory of what was, until that time, the most widely used fuel for shipping operations. This is due to the application of the new sulfide air emissions regulation for the shipping industry, "IMO 2020", which mandates worldwide use of fuel with a maximum sulfur content of 0.5% (known as very low sulfur fuel oil or VLSFO), far below the 3.5% sulfur content of fuels previously used on long ocean voyages, starting January 1, 2020.

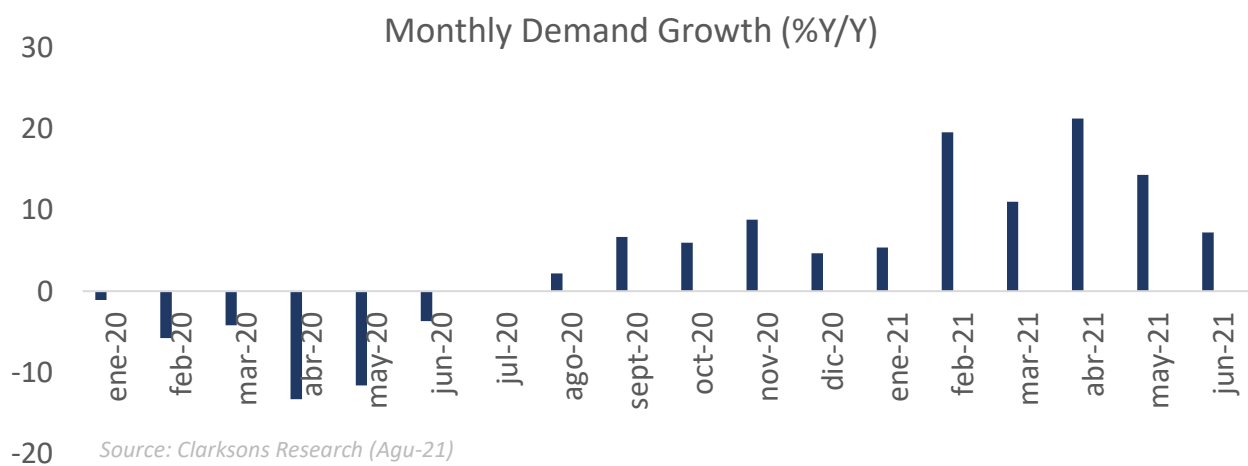
The new measures to reduce environmental impact have led the industry towards another change process, which will involve testing, evaluations and possible investment plans to comply with the new regulation in an efficient and sustainable manner.

That standard has led to changes in infrastructure. From here on out, shipping lines have the option of powering vessels with more refined, more expensive fuel; retrofitting them with scrubbers that enable them to use high-sulfur fuel or seeking new fuel alternatives such as LNG. For example, as of June almost 29% of the total fleet of container ships has been fully retrofit, while other alternatives such as using LNG still account for less than 1% of the current fleet. However, when looking at the composition of the new orders, only 21% of these are conventional vessels, 57% have scrubbers and 22% are vessels that will be able to operate with LNG (or dual).

IMO 2020 took effect on January 1, 2020. Before the public health crisis, this new environmental regulation was expected to significantly increase operating costs for shipping lines because of anticipated price differences between the fuel consumed until December 31, 2019, and the new product. However, because of the fall in global demand, not only did the price of both fuels remain low during most of the year, but also the price difference allowed for an effective transition (in terms of compliance) with a lower impact on costs for operators. However, there is currently an upward trend that will put pressure on costs this year.

II. Current Conditions

i. Fluctuations in demand marked by COVID-19



The global economy, and the container shipping industry in particular, have been shaped over the past year by the COVID-19 pandemic. In early 2020 the industry suffered a sharp contraction in demand worldwide as a result of diverse mobility restrictions mandated by local authorities to contain the spread of the coronavirus and the uncertainty these circumstances generated. Strong demand had a complex and uncertain beginning in 2020 because of the pandemic.

Despite this contraction and the lingering uncertainty of the public health crisis, as of the second half of last year the industry began to see an abrupt recovery in shipping volumes for several reasons. These include strong global demand for durable goods, companies' needs to restock to meet greater demand, easing of mobility measures, etc.

Demand has remained high throughout this year (as shown in the graph), which has blessed the industry with strong results. Clarksons Research estimates that container transport volumes fell 1.2% in 2020 compared to 2019, and it forecasts growth in shipping demand of around 6.3% and 5.1% in 2021 and 2022, respectively. This is also well aligned with improved global GDP growth projections for 2021 and 2022 from the International Monetary Fund (IMF). The IMF updated its growth forecasts for 2021 to 6% (same as before) and for 2022 to 4.9% (previously 4.5%).

However, despite these improved outlooks, there is still considerable uncertainty surrounding the progress of vaccination campaigns, immunity levels attained, the arrival of new strains, easing of mobility measures, fiscal policy that different governments can implement and other factors.

ii. Disruptions in the Logistics Chain

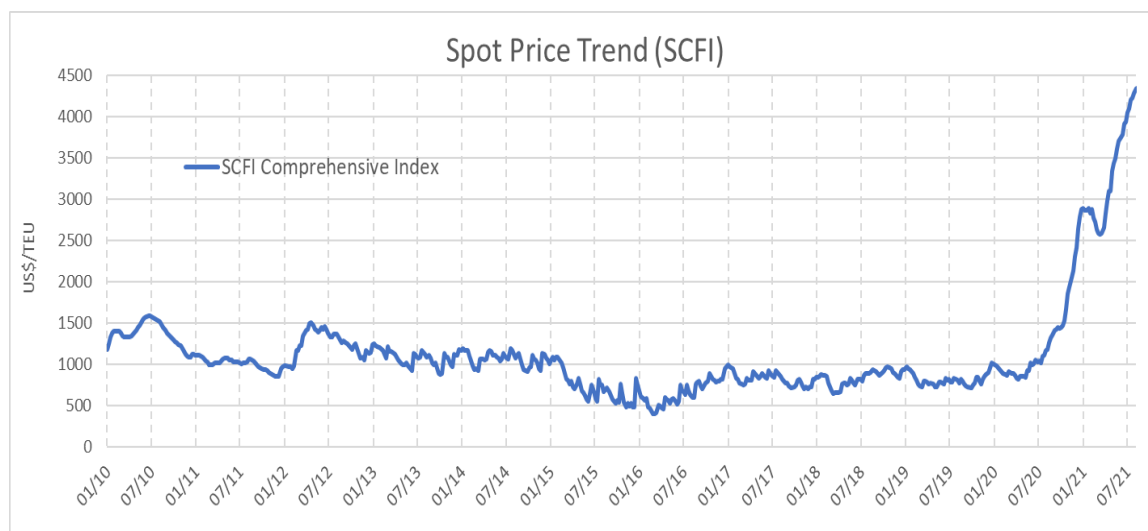
The strong demand in the second half of 2020 and pandemic-related mobility restrictions have led to a scarcity of shipping containers and significant congestion throughout the entire logistics chain. Even though the industry's entire active fleet is operating at 100% capacity, the logistics chain has been affected and prices are up.

This historical increase is due primarily to the high inelasticity of shipping demand from producers and importers of goods around the world, faced with limited shipping capacity during a given time, even though the industry is operating at full capacity. This rise has also proven that the logistic costs of shipping cargo are just one link in a longer logistics chain, representing a small portion of the total cost of transportation and, even more, of the commercial value of the transported good.

The logistics chain has been saturated with a series of “bottle necks” and limitations. Some such limiting factors in the logistics chain are the COVID health protocols, which have resulted in: (i) reduced personnel throughout the entire logistics chain: customs, ports, ground transportation, etc., (ii) reduced personnel since some have transferred to industries that are less exposed to the crisis, (iii) greater port congestion resulting in longer waiting periods at ports, (iv) lower container turnover (-18%) due to a slower logistics chain, which has generated container scarcity at in-demand locations, (v) longer ground transport times due to cordons sanitaires, checkpoints and curfews, among others.

This congestion has also been aggravated by specific events such as the blockage of the Suez Canal for almost a week in March of this year, the impact on the operation of the Port of Yantian in June, which operated with 40% less productivity than normal and other sources covid-related that have made the already stressed logistics situation more difficult.

The Shanghai Containerized Freight Index (SCFI) is an indicator of weekly trends in closing spot freight rates (shipments not subject to contracts with shipping lines) that reflects the effects on supply-demand equilibrium. The graph illustrates the upward trend in recent times.



NOTE:

¹ Shanghai Containerized Freight Index.Source: *Clarksons Research (Ago-21)*

iii. Fleet and Current Orderbook

As mentioned above, in recent years the fleet has grown in line with a long-term logic. Orderbook-total fleet equilibrium, based on current market conditions, must be around 20% (scrapping plus industry growth, cumulative for two periods). In late 2020 and early 2021, several operators announced the closing of vessel construction contracts, thus increasing the current orderbook-to-fleet ratio to almost 21% as of August 2021.

In this context, it deserves mentioning that Hapag-Lloyd confirmed construction of 12 23,500 TEU vessels featuring high-efficiency, high-pressure, dual-fuel engines that run on LNG but can also burn conventional fuel if needed.

iv. Pressure on Costs

The industry, therefore, is understandably focused on the new paradigm of optimizing operating costs and boosting productivity, aiming for greater asset deployment and more efficient fuel consumption. This is especially important to deal with the cost pressures inherent to a recovering market, in the markets for both vessel charters and maritime and port services. Likewise, fuels have shown a clear upward trend. This pressure on costs will have an impact on the Company's results.

v. Hapag-Lloyd's Quarterly Financial Report as of June 2021

HLAG Key Figures		As of June 30,		Change	
		2021	2020	%	#
Total vessels, of which		250	239	5%	11
own vessels ¹⁾		116	112	4%	4
chartered vessels		134	127	6%	7
Aggregate capacity of vessels	MTEU	1,761	1,736	1%	25
Aggregate container capacity	MTEU	2,822	2,621	8%	201
Bunker price (combined MFO / MDO, average for the period) ²⁾³⁾	USD/t	421	448	(6%)	-27
Freight rate (average for the period)	USD/TEU	1,612	1,104	46%	508
Transport volume	MTEU	6,004	5,755	4%	249
Revenue	MM USD	10,551	7,005	51%	3,546
Transport expenses	MM USD	(5,736)	(5,210)	10%	-526
EBITDA	MM USD	4,240	1,287	229%	2,953
EBIT	MM USD	3,487	563	519%	2,924
Group profit / loss	MM USD	3,284	324	914%	2,960
Cash flow from operating activities	MM USD	3,915	1,329	195%	2,586
Investment in property, plant and equipment ⁴⁾	MM USD	1,617	806	101%	811
Consolidated Results KPI					
EBITDA margin (EBITDA / revenue)		40.2%	18.4%		
EBIT margin (EBIT / revenue)		33.1%	8.0%		
Balance sheet KPI					
		As of June 30, 2021	As of December 31, 2020	Change	
				%	#
Total Assets	MM USD	21,899	18,640	17%	3,259
Total Liabilities	MM USD	11,093	10,387	7%	706
Total Equity	MM USD	10,806	8,253	31%	2,553
Equity ratio (equity / balance sheet total)		49.3%	44.3%	11%	0
Borrowed capital	MM USD	11,093	10,387	7%	706
Debt					
Financial debt	MM USD	6,296	6,305	(0%)	-9
Cash and cash equivalents	MM USD	2,392	836	186%	1,556
Net debt (financial debt - cash and cash equivalents)	MM USD	3,905	5,469	(29%)	-1,564
Gearing (net debt / equity)		36.1%	66.3%	(46%)	-0
Liquidity reserve	MM USD	2,977	1,421	110%	1,556
Number of Employees					
Employees at sea		2,089	2,109	(1%)	-20
Employees on land		11,315	10,912	4%	403
Hapag-Lloyd total		13,404	13,021	3%	383

1) Including lease agreements with purchase option/obligation at maturity.

2) MFO = Marine Fuel Oil

3) MDO = Marine Diesel Oil

4) As of 2019, investments in property, plant and equipment include additions to the Rights of Use according to IFRS 16

Hapag-Lloyd's results for the first half of the year were marked by strong demand from Asia towards the rest of the world, especially on the Transpacific and the Far East trades. Also, high congestion in the system drove revenue up (+51%) as a result of higher freight rates (+46%) and higher volumes (+4,3%) with respect to the same period last year. It should be noted that during the first half of 2020, demand and volume fell sharply due to uncertainties at the beginning of the pandemic, but even when compared actual volume (2021) to the volume transported in the first half of the year 2019, this grows by 2.7%.

The rise in fares has been seen globally across all trades. Far East (+ 110%), Intra-Asia (82.9%), Transpacific (55.5%) and the Middle East (50.8%) have increased their rates the most steeply.

Transport expenses which include fuel, handling and haulage, equipment and repositioning, and vessel and voyages went up by 10.1% compared to prior year, and all lines were up except for the fuel oil. The cost that grows the most is handling and haulage, specially because of the costs of detention and demurrage. These costs are on the rise because of logistical problems and congestion in ports and inland routes. When measuring the cost of transportation per container (TEU), an increase of 5.5% is observed in relation to the same period 2020 (US\$/TEU 955 1H21 vs. US\$/TEU 905 1H20). If depreciation and amortization expenses are added to this, the expense per TEU increases 4.8% (US\$/TEU 1,081 1H21 vs. US\$/TEU 1,031 1H20).

In short, the higher revenue and lower costs drove EBITDA up nearly threefold since the first half of 2020, with an EBITDA margin of 40.1%. Accordingly, profit increased significantly (US\$ 3,284 million 1H21 versus US\$ 324 million in 1H20).

These good results generated an operating cash flow of US\$ 3,914 million in the first semester, which compares positively with the US\$ 1,329 million of the previous year. Part of these flows were used for investments in ships (MMUS\$ 372 - in the semester 5 new ships were bought and payments of orders for future ships were advanced), in containers (MMUS\$ 190) and other investments that generated disbursements in investments totaling MMUS\$ 543.9. The other part of the positive flows was used to pay mainly investment activities such as: payment of dividends (MMUS\$ 763), reduction of net financial debt (MMUS\$ 543), payments associated with ship leases (MMUS\$ 340.2), interests' payments (MMUS\$ 151), among others. With everything incorporated, the company's cash closed at US\$ 2,392 million, increasing by US\$ 1,555 million.

The aforementioned decrease in financial debt was offset by higher lease debt, so when comparing the debt at the end of 2020 with the end of June 2021, it remains relatively similar (-0%/MMUS\$ -9). However, net debt fell 29% because of the increase in the cash level and the net debt/EBITDA ratio reached a minimum level of 0.6x (1.8x at the end of 2020).

3. Market Risk Analysis

As described in Note 5 of the Consolidated Financial Statements as of June 30, 2021, CSAV's investment in HLAG represents 90.98% of its total consolidated assets. HLAG is a global shipping company headquartered in Germany that transports container cargo on all main global routes. It is a public company (Aktiengesellschaft) and is listed on the Frankfurt and Hamburg stock exchanges. Although CSAV jointly controls HLAG together with two other shareholders through a shareholder agreement, this German company has an independent management team that controls and manages its risks autonomously and in accordance with the standards of a publicly-listed company subject to current regulation in Germany and, therefore, to applicable regulation in the European Union.

In light of the above, the risks to which CSAV is exposed can be classified into: (a) Business Risk, (b) Credit Risk, (c) Liquidity Risk and (d) Market Risk.

I. Business Risk

The main business risks for CSAV are those related to (i) the balance of supply and demand for maritime transport, (ii) risks associated with its main geographical markets and (iii) fuel prices.

i. Supply-Demand Equilibrium: The demand for maritime transport is highly correlated with growth of global GDP and trade. On the other hand, container shipping supply is a function of the global fleet of vessels, which fluctuates based on the delivery of new vessels and the scrapping of vessels that are obsolete or no longer profitable to operate. Therefore, equilibrium in the container transport business, operated and managed by HLAG, is directly affected by changes in these variables.

HLAG continuously evaluates market conditions to identify any types of threat or extraordinary risks and implement measures to mitigate possible negative impacts. Since early 2020, due to health problems deriving from the spread of the coronavirus and the resulting contraction in global demand, HLAG formed Central Crisis Committee that works to ensure execution of two important programs, the Operational Continuity Plan, designed to safeguard employee safety and health while keeping the company operating, and the Performance Safeguarding Program, intended to mitigate the economic effects of the pandemic. Through these programs, more than 90% of office employees were able to work from home, while more than 1,700 measures were implemented organization wide to cut costs, restructure services, review investments and boost the company's liquidity. All these measures have played an important role in minimizing and controlling business risk.

ii. Geographical Markets: HLAG participates in container shipping across all major global routes, and it distributes its operations across diverse geographical markets, providing liner services in more than 125 countries. As a result of its geographic diversification, the Company is not particularly exposed to any given geographical market and can thus offset possible market contingencies on certain routes. However, it is still exposed to global variations. Even with a global service network, HLAG's relative exposure is above the industry average on Transatlantic, Latin American and Middle East routes and below average on

Transpacific and Intra-Asia routes. As a result of the May 2017 merger of HLAG and UASC, HLAG incorporated UASC's service network and its important cargo volumes along Asia-Europe and Middle East routes and, therefore, its relative exposure to the main global routes became more balanced.

iii. Fuel Prices: An important component of the transport industry's cost structure is the cost of energy, or fuel, which is usually called "bunker" within the maritime shipping industry.

Due to fluctuations in oil prices, a significant proportion of maritime freight sales are agreed with contracts and a percentage of those rates are subject to price adjustments, based on changes in bunker costs. For this, HLAG implemented a Marine Fuel Recovery (MFR) mechanism to recover the incremental costs from using more refined fuel, to be calculated per TEU.

In order to reduce the impact of potential upward volatility in bunker prices on sales and contracts that have such a clause but only with limited coverage, or that are at a fixed price, HLAG takes out fuel price hedges on unhedged volumes, although the use of this tool is more limited.

II. Credit Risk

Since the Company has no direct customers, its credit risk is derived from exposure to counterparty risk in the case of financial assets or derivatives maintained with banks or other institutions.

The Company's policy for managing its financial assets (current accounts, time deposits, repo agreements, derivative contracts, etc.) is to maintain these assets at financial institutions with "investment grade" risk ratings.

III. Liquidity Risk

Liquidity risk refers to the Company's exposure to business or market factors that may affect its ability to generate income and cash flows, including the effect of contingencies and regulatory requirements associated with its business.

CSAV is not directly exposed to the container shipping business, but rather indirectly as one of the main shareholders of HLAG. This limits the Company's liquidity risk in that business to the expected flow of dividends or any additional capital required by this joint venture.

It is important to mention that CSAV has specific long-term borrowing secured mainly to finance its investment in HLAG and it has sufficient liquidity to cover its obligations.

IV. Market Risk

Market risk is the risk that the value of the Company's assets or liabilities continuously and permanently fluctuates over time as the result of a change in key economic variables such as: (i) interest rates and (ii) exchange rates.

- i. **Interest Rate Fluctuations:** Interest rate fluctuations impact the Company's floating rate obligations.
- ii. **Exchange Rate Fluctuations:** The Company's functional currency is the US dollar, which is the currency in which most of its operating income and expenses are denominated as well as the currency used by most of the global shipping industry and the functional currency of HLAG. However, the Company also has income and costs in other currencies, such as Chilean pesos, euros, Brazilian reais and others.

When necessary, the Company can use accounting hedges to mitigate changes in these variables. Variations in the market price of these hedges, in accordance with current policy, are recorded in other comprehensive income.

As of June 30, 2021, the Company does not have any foreign currency or interest rate hedges and manages the risk of exchange rate variations by periodically converting any balances in local currency that exceed payment requirements in that currency into US dollars.



Hapag-Lloyd

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